Annual Report

Agro Invest Grupa d.o.o.
for agricultural production,
livestock, tourism, catering,
trade and services

AGRO INVEST grupa

2023

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.

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Contents


AGRO
INVEST
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REVIEW OF KEY BUSINESS INDICATORS FOR 2023 year

All amounts are in thousand euro | comparison with 2022

78,339
Operating income*
(9.0%)

13,487
EBITDA*
(35.7%)

5,730
EBIT*
(62.5%)

2,296
Profit for the current year*
(80.9%)

* The financial measures used are not defined by International Financial Reporting Standards. For more details on the Alternative Performance Indicators used, see page 36.

Commentary by Ivan Pandurević, President of the Management Board

Another business year is behind us. And 2023, as well as the years that preceded it, was full of business challenges and turbulence, but again it showed all the beauty of production under the open sky.

After 2020 and 2021 were marked by uncertainty and business disruptions that occurred as a result of the Covid-19 virus epidemic, 2022 was marked by the geopolitical situation in Eastern Europe, namely the war in Ukraine and the inflation that was higher than expected and higher than any we had encountered in our business in the last decade. Precisely for these reasons, in those years we made business decisions that primarily sought to protect our employees and business partners, but also to enable smooth and optimal continuation of business operations and the achievement of set goals and business results. The year 2023, in the agricultural sector, was marked by stabilization and subsequently a significant decline in the prices of crop products, cereals and oilseeds, which caused a downward trend in the financial results of businesses in the agricultural sector.

In addition to the complex business and geopolitical situation, 2023 was extremely challenging and demanding in terms of agrometeorological conditions. Unlike 2022, which was exceptionally dry, with a lower amount of precipitation than the annual average, in 2023, especially in the second quarter of the year, precipitation was abundant, which had a negative impact on autumn crops while being favourable for spring crops. However, the increased amount of precipitation combined with high temperatures not only resulted in reduced yields of autumn crops but also facilitated the development of crop diseases and pests, necessitating more resources for crop protection and increasing protection costs.

Despite all the challenges, Agro Invest Grupa generated total consolidated operating income in the amount of EUR 78.3 million in 2023, which is a 9.0% decrease compared to the total consolidated operating income in 2022.

The decline in business revenues was most significantly impacted by the significant decrease in sales prices of crop products, which significantly affected the business revenues and the business results of business entities primarily engaged in crop farming.

In the case of Agro Invest Grupa, the relative decline in business revenues was slightly lower because, in addition to crop farming, members of the Agro Invest Grupa also have business revenues in other branches of the agricultural sector, and in some activities they also have facilities for processing primary agricultural products, which has proven to be a stabilizing factor in major and sudden market disturbances.
The decline in sales prices of farming products was accompanied by stabilization and decline in the prices of some of the most important inputs in agricultural production, primarily fertilizers, but also energy products. Personnel costs in 2023 increased by 42.9% compared to 2022, partly due to hiring or an increased number of employees, but significantly also due to adjustments to our employees' salaries, which proved necessary due to the rise in living costs.
Due to the aforementioned reasons, the EBITDA achieved in 2023 amounted to EUR 13.5 million, representing a 35.7% decline in EBITDA compared to the EBITDA achieved in 2022. The most significant decline in results, in terms of the generated business revenues and profitability, was achieved in the segment of crop farming. Other business segments achieved results in 2023 at the same level or better compared to the business results achieved in 2022.Despite all the challenges, member companies of the Agro Invest Grupa continue to set ambitious business plans that they strive to fulfil, recognizing the potentials of the companies, agricultural activities and the areas in which the Group companies operate.

Considering the inflationary pressures, the Group's companies have, on several occasions, found additional space to improve working conditions for employees. Monthly earnings have been adjusted to alleviate this period for employees, aiming to motivate and retain quality personnel whose satisfaction and motivation are crucial for achieving the business results of the Agro Invest Grupa companies.

Ivan Pandurević

President of the
Management Board

ABOUT US

Agro Invest Grupa d.o.o. for agricultural production, livestock, tourism, catering, trade and services has its registered office in the city of Zagreb, Buzin, Buzinski prilaz 10. The Company has initial capital of EUR 67,493,670.00, the competent court is the Commercial Court in Zagreb, company registration number (MBS) 010092380, the sole member of the company is Mr. Stipo Matić. The company was registered on 1 September 2014 under the company/business name Poljoprivredno poduzeće Grudnjak d.o.o., and in February 2021 it changed the company/business name and since then it has been operating under the company/business name Agro Invest Grupa d.o.o.

The Management Board of the company comprises four members; President of the Management Board, Ivan Pandurević, and members of the Management Board, Iva Brkić, Vlado Čondić Galiničić and Saša Breznik.

The Supervisory Board of the company comprises five members, Chairman of the Supervisory Board, Marko Rašić, Deputy Chairman of the Supervisory Board, Željko Menalo, and members of the Supervisory Board, Pero Matić, Danijel Lastrić and Sanda Vujkov Mustedanagić.

Today, Agro Invest Grupa d.o.o. encompasses or owns several companies based in the Republic of Croatia and Bosnia and Herzegovina, whose core activity is the agricultural and food industry.

Agro Invest Grupa d.o.o. has direct majority ownership of the companies PP Orahovica d.o.o. and PPK Valpovo d.o.o., which are registered and headquartered in the Republic of Croatia, and the companies Poljoprivrednik d.o.o. Derventa, Poljoprivrednik d.o.o. Odžak, Agropromet Grahovo d.o.o. Bosansko Grahovo, MP Energija d.o.o. Bosansko Grahovo, Poljoprivredno društvo Modriča d.o.o. and Poljoprivrednik Glamoč d.o.o. Glamoč which are registered and headquartered in Bosnia and Herzegovina. Agro Invest Grupa also includes the companies Eko Bosanska Posavina d.o.o., PPO Stočarstvo d.o.o., Maslina je obrana d.o.o. and Panona energija d.o.o.

The backbone of production in the companies in the Agro Invest Grupa system is crop production that takes place on more than 13,500 hectares on which cereals and oilseeds are produced.

Livestock production involves around 4,000 head of cattle in various rearing categories. Three farms for fattening cattle, owned by companies within the Agro Invest Grupa d.o.o. system, are part of this segment. Fattening calves are produced on company-owned land within the cow-calf system, while some calves are imported. Feed for the livestock is produced on more than 1,385 hectares.

Contract production of crop crops is organized on approximately 7,900 hectares of contractors' land, from which over 30,500 tons of crop products are purchased annually.

Fish farming is carried out in 9 fishponds located throughout the Republic of Croatia, which PP Orahovica d.o.o. has leased long-term, covering an area of over 6,800 hectares. Carp breeding forms the basis of production, while part of the production involves the breeding of other fish species such as bighead carp, grass carp, wels catfish, pikeperch and pike. Additionally, in 2022, the production of African catfish in recirculation began, in tanks in closed halls.

Hazel production takes place on 876 hectares of hazel plantations, some of which, covering an area of 220 hectares, were established in the 1980s and are currently in full yield, while about 650 hectares of newer plantations were planted between 2011 and 2022. While some of these newer plantations have reached full yield, others are still expected to reach the stage of full yield.

Viticulture production takes place on about 175 hectares of vineyard areas, nearly half of which are newer plantations established between 2014 and 2021. During this period, there was a renewal process involving the clearing of older vineyards and the establishment of new ones with layouts adapted to modern viticultural practices and grape varieties tailored to market demands.

Companies within the Agro Invest Grupa own silo facilities with a total capacity of 118,000 tons for storing goods from both their own production and that of contractors. All silos have the possibility of receiving and dispatching goods by road and access by rail, which gives the companies from the Agro Invest Grupa system the necessary flexibility in terms of dispatch dynamics and access to a wider base of potential domestic and international customers.

The Agro Invest Grupa's system also includes an animal feed factory with a capacity of 35,000 tons and two seed stations with a capacity of 13 t/hour.

The companies from the Agro Invest Grupa system own about 600 hectares of land, while the use of the remaining areas used in production is regulated by long-term contracts on the lease and concession of agricultural land owned by the State, and long-term contracts on the lease of ponds owned by the State.

Through their activities in the markets, Agro Invest Grupa companies have gained an ever-growing trust of customers, partners and suppliers in the past decade.

Our business philosophy is based on seven key pillars:

People – we select and develop employees who are open, innovative and continuously explore global trends. Our employees readily embrace new technological and business innovations. We are driven by the desire to constantly push boundaries.

Smart processes – we digitize all business processes and consolidate all digitally available data (weather stations, fields, machines, satellites, drones, etc.) in the reporting system. By using advanced digital technologies such as IoT, machine learning, AI and computer vision, we help people in the process of making timely and optimal decisions in production processes.

Resources – we invest in the acquisition of those that are limited and difficult to access (land, fishponds…)

Market – the EU market is our domestic market.

Financial operations – we consider financial stability as an essential foundation of our business.

Investment decisions – we are guided by the following parameters in the decision-making process for long-term investment in a particular area: we invest in production areas with growth potential, we prefer productions based on limited space or resources, we consider competitiveness parameters and market position, we do not enter highly competitive and saturated areas, and we only invest in assets that create value and return.

The Agro Invest Grupa system recognizes that a quality and motivated employee is one of the key factors in achieving good business results within the system. Thus, the Group strives to retain existing and attract new employees by providing adequate working conditions and investing in staff training. Some Group companies also employ foreign nationals in accordance with the applicable legislation on the employment of foreigners.
The company has no branches. 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 (https://agroinvestgrupa.hr/) in accordance with the deadline provided by law.

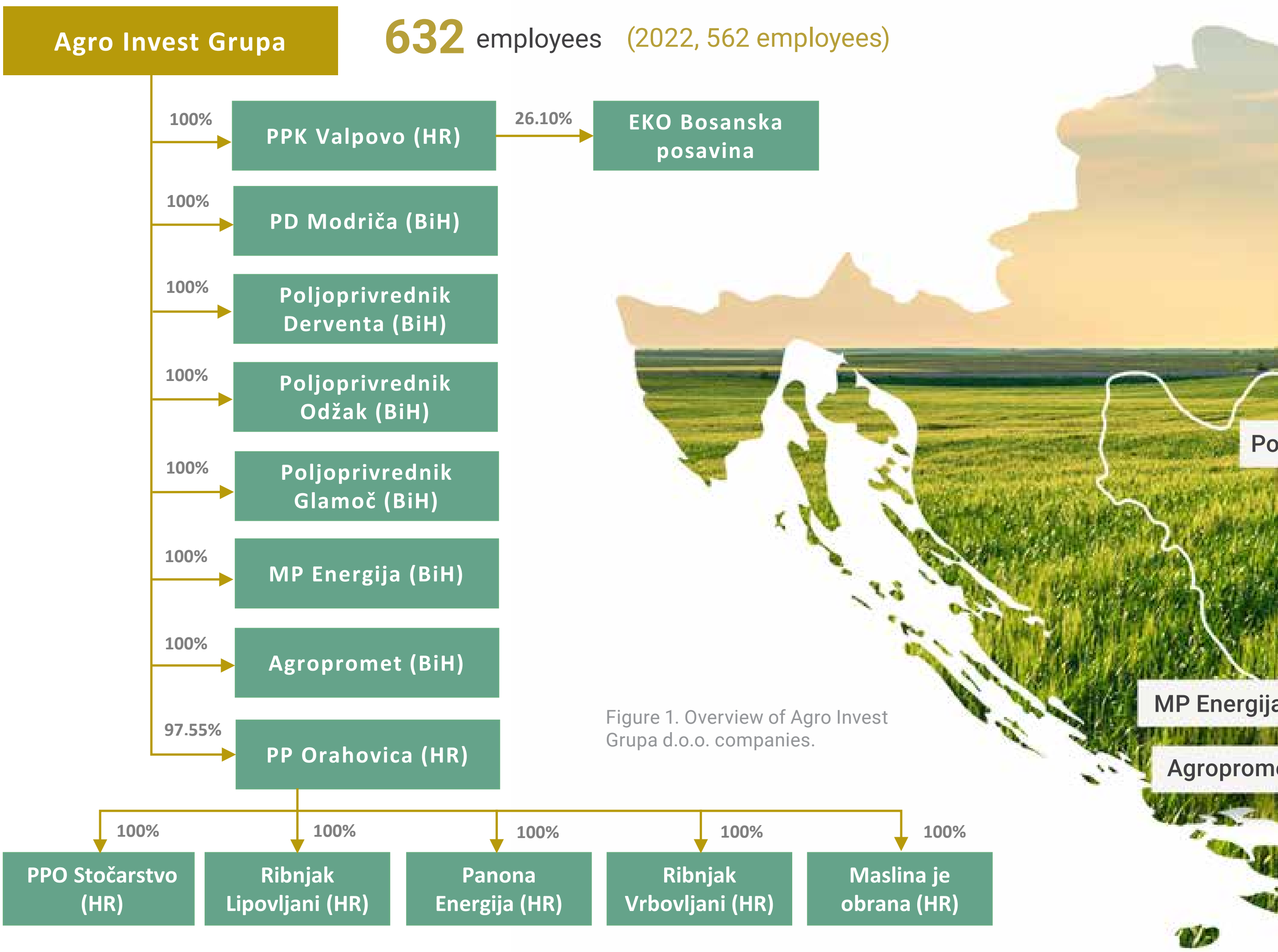


Figure 1. Overview of Agro Invest Grupa d.o.o. companies.

History

The history of organised agricultural production in the areas where the Agro Invest Grupa companies operate dates back to the first half of the 18th century. Its beginnings are associated with the construction of the first watermills in the region.

1958

PPK Valpovo is established

1964

PPK Orahovica is established

2009

Start of AIG Group agricultural production in Bosnia and Herzegovina

2010

M San Ulaganja becomes majority owner of PP Orahovica and co-owner of PPK Valpovo

2018

M San Ulaganja takes over PPK Valpovo as its sole owner

2021

The AIG Group is established as the consolidating entity for the agricultural group

2022

The First corporate bond issue in agricultural sector in the Republic of Croatia. The company EKO Bosanska Posavina becomes a member of the Agro Invest Grupa

Present day

The companies in the group have been successfully restructured

CORPORATE GOVERNANCE

Agro Invest Grupa is not obligated to implement the Corporate Governance Code of the Croatian Financial Services Supervisory Agency (HANFA) and Zagreb Stock Exchange, Inc. (https://www.hanfa.hr/media/4097/zse_kodeks_eng.pdf). However, in its operations, the Group applies the highest governance and accountability standards in accordance with good corporate governance practices.
The Group must also submit data about its corporate governance practices to HANFA, which is to be done using the Corporate Governance Practice Questionnaire for Issuers of Bonds (GIKU_UOP_OBV).

Internal Controls and Risk Management in Relation to the Financial Reporting Process

Internal accounting controls and actions of competent employees ensures accuracy, validity and comprehensiveness of financial records and statements, which serve as the basis for drawing up annual financial statements. Such a control system also ensures their compliance with the International Financial Reporting Standards. The Company's accounting policies represent the rules the Company applies when preparing financial statements. A summary of the most significant accounting policies is published in the Company's financial statements.

Corporate Bodies

Agro Invest Grupa's corporate governance structure is based on a monistic system, where the Director is in charge of the management and supervision. The Company's General Assembly has appointed the Audit Committee, consisting of three members Branislav Vrtačnik, Karmela Jurina and Marko Rašić, whose tasks include assessing the quality of the internal control and risk management system with the aim of properly identifying the major risks to which the Company is exposed (including compliance risks). On February 22, 2024, the Management and Supervisory Boards were established by the Decision of the Company Assembly which, together with the General Assembly, in accordance with the Statute and the Law on Companies, they represent the three basic bodies of the Company.
Individually, members of the Agro Invest Grupa have their own Management Boards, i.e. responsible persons in charge for running the affairs of the company.

Description of the Diversity Policy

The Group's employment policy respects personal integrity of every individual by adhering to the principles of diversity and equal opportunities. Diversity is one of the most important qualities of our organisational culture, present ever since the Company was founded. It is reflected in our belief that differences in sex, skin colour, political or other beliefs and national or social origin can only make us richer.
The Group strictly prohibits and condemns any form of discrimination in order to ensure a sustainable work environment free of discrimination and abuse on grounds of sex, race, religion, ethnicity, sexual orientation or any other characteristic/status. The Group is committed to ensuring a non-discriminatory workplace and we are proud that no such incidents have ever been reported.

GOVERNANCE STRUCTURE

During 2023, in accordance with the Articles of Association, the Management Board consisted of 2 members. Starting from February 22, 2024, the General Meeting of the Company adopted a Decision to establish a Supervisory Board and make changes to the Management Board of the Issuer. Since then, Agro Invest Grupa operates within a two-tier board structure, consisting of the Supervisory Board and the Management Board.

Together with the General Meeting, in accordance with the Articles of Association and the Companies Act, they represent the three fundamental organs of the Company.

The Supervisory Board and the Management Board ensure that the established strategy, resources, risk management system, internal control system, and stakeholder relations support the long-term success and sustainable development of the entire Group. Furthermore, these 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 the Agro Invest Grupa promote ethical behavior, respect for human rights, and lead to a stimulating and pleasant working environment.

The role of the Management Board in conducting business is regulated by the Companies Act, the Articles of Association, and internal regulations. The Management Board performs its function with the care of a diligent and conscientious business person, primarily taking into account the best interests of the Group. In making decisions, the Management Board must not be guided by personal interests or use business opportunities for personal purposes, and it is obliged to immediately inform the Supervisory Board of any potential conflict of interest.

Ivan Pandurević

President of the Management Board of Agro Invest Grupa

In 2023, Ivan assumed the position of CEO of Agro Invest Grupa, bringing with him experience from various industries and project management. His career began in engineering, and he spent most of his working life at Žito Group, where he held a number of key roles, with his most recent being Executive Director for Development, Investments, and IT. In his current role, he is responsible for coordinating and managing the business of the companies owned by AIG.

Saša Breznik

Member of the Management Board of Agro Invest Grupa

Saša became Chairman of the company's Management Board in 2017. He has been leading teams in various segments of agricultural production. He has been contributing greatly to strengthening business relations with our partners and clients. He has developed a team of professionals who have brought PP Orahovica to the very top of Croatian agricultural production, making it a competitive company in the EU market.

Vlado Čondić Galiničić

Member of the Management Board of Agro Invest Grupa

Between 2007 and 2010, Vlado was the HR manager at M SAN Grupa. In 2010, he became the Director of the company Ured za podršku d.o.o. and he stayed at that position until 2017. Between 2012 and 2017, he was a member of the Board of Directors of PP Orahovica. After that, he was Executive Director for Agriculture at Agrokor/ Fortenova Group. In 2021, he returned to our group as a member of the Management Board of PP Orahovica. His main task and responsibility is the operation of agricultural production in Bosnia and Herzegovina.

Iva Brkić

Member of the Management Board of Agro Invest Grupa

Iva Brkić has been employed at PP Orahovica for 10 years. She started as the head of internal audit, where she implemented all booking schemes in the new information system, introduced internal procedures, and supervised internal controls. Since 2016, she has held the position of commercial manager responsible for procurement and sales activities. By synergizing the operations of agricultural companies, she has taken on the responsibility for procuring all strategic agricultural inputs and selling commodities, thereby securing better commercial terms and significantly expanding the customer base of the Agro Invest Grupa.

THE SUPERVISORY BOARD

On February 22, 2024 the Assembly of the Company adopted a decision on the constitution of the Supervisory Board, consisting of:

Marko Rašić

President of the Supervisory Board

Mr. Rašić began his career at M SAN in 2003 as a trainee in the Finance Department and progressed to the position of Finance Manager by 2011. During the Group's acquisition period in the agricultural segment, he actively participated in the acquisition processes and subsequent financial restructuring of acquired agricultural companies. In addition to his duties as Finance Manager, from 2016 until 2024, he served as the Chairman of the Supervisory Board of PP ORAHOVICA d.o.o. and PPK Valpovo d.o.o. He also served as a member of the Supervisory Board of KING ICT d.o.o. from 2014 to 2023. In the Supervisory Board of M SAN, he held the position of Deputy Chairman from 2016 until 2023 when he transitioned to a member of the Supervisory Board. In 2017, he was appointed as the Director of the company Ured za podršku d.o.o. Since February 2024, Mr. Rašić has been serving as the Chairman of the Supervisory Board of Agro Invest Grupa d.o.o.

Željko Menalo

Member of the Supervisory Board

Mr. Željko Menalo has spent the majority of his career in the financial industry within the Erste&Steiermarkische Group in Croatia, where he held various managerial positions. He joined the SM Group* in 2019, employed at M SAN Ulaganja d.o.o., and since 2022, he has been employed at Ured za podršku d.o.o. as an advisor. By the decision of the Company's Assembly in September 2022, Željko Menalo was appointed as a member of the Supervisory Board with a term starting from February 22, 2024.

Pero Matić

Member of the Supervisory Board

Mr. Pero Matić joined the M SAN Grupa in 1996 and served as Logistics Manager until 2008. Over time, he contributed to strengthening the Logistics business unit, which was then part of M SAN Grupa d.d. In 2008, Mr. Matić became an advisor to the Management Board and significantly improved logistics processes. In parallel, he took on a role in Bosnia and Herzegovina, responsible for initiating operations in the agricultural segment. He actively participated in building agricultural processes and positioning all agricultural companies in Bosnia and Herzegovina. Currently, he serves as the director of EKO Bosanska Posavina d.o.o. and Poljoprivrednik Odžak d.o.o.

Danijel Lastrić

Member of the Supervisory Board

Danijel Lastrić, MSc in Psychology, began his professional career in human resource management while still a psychology student at Croatia Airlines. After a brief period at Selectio Group, in the spring of 2004, he joined M SAN Grupa as the Human Resources Manager. He actively and directly participated in the development and expansion of business in all segments of the SM Group* across all markets, including the acquisition and restructuring processes during the agricultural segment's acquisition period. Since its establishment in May 2007, he has been employed at the trading company Ured za podršku d.o.o., where he currently serves as the Director of Human Resources for the entire Group. By the decision of the Assembly on February 22, 2024, he was appointed as a member of the Supervisory Board of Agro Invest Grupa d.o.o.

Sanda Vujkov Mustedanagić

Member of the Supervisory Board

Ms. Sanda Vujkov Mustedanagić has been employed at Ured za podršku d.o.o. since 2008, serving as the company's legal counsel. During the acquisition period in the agricultural segment in 2010, she actively participated in the acquisition process of PP Orahovica and later PPK Valpovo. Ms. Vujkov Mustedanagić covers the legal segment of updating and harmonizing real estate registration with the actual status, particularly addressing issues from the period of social enterprise conversion. She actively participates in consultations related to the legal regulations on agricultural land, defining strategies in the agricultural segment together with relevant authorities in the Ministry of Agriculture, Ministry of Environmental Protection, the Agency for Payments in Agriculture, Fisheries, and Rural Development. She also engages in regulating relationships with local government units and negotiating contracts for the disposal of agricultural land.

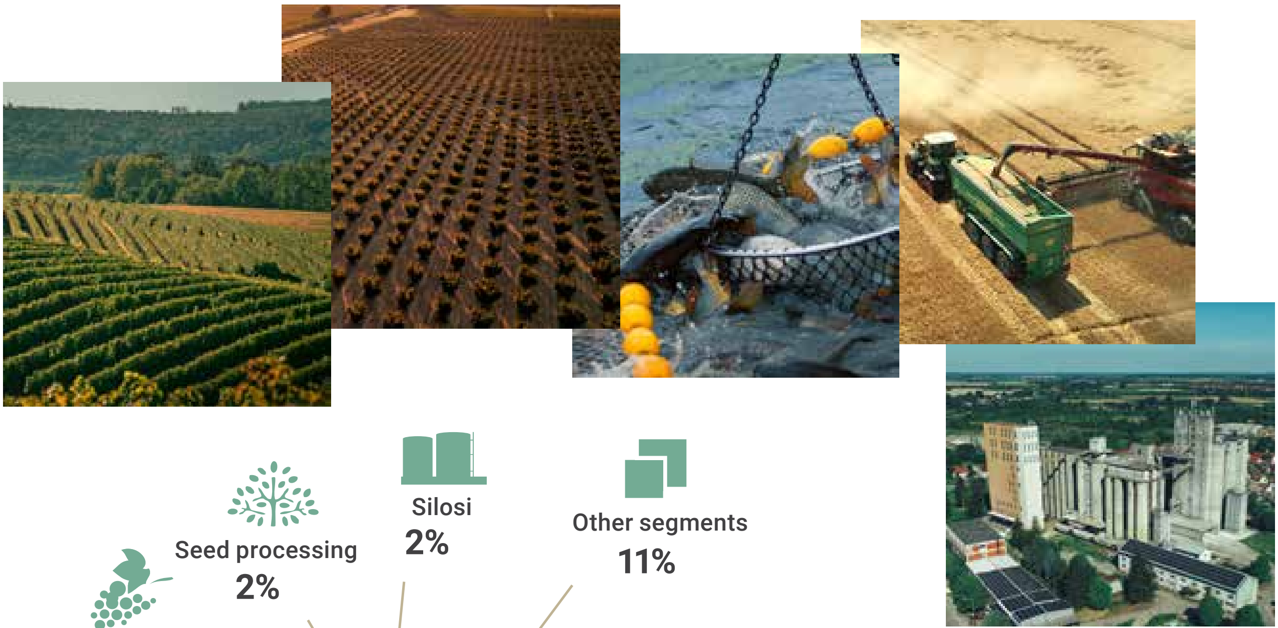
Members of the Supervisory Board begin their term on February 22, 2024, and it lasts for four years.

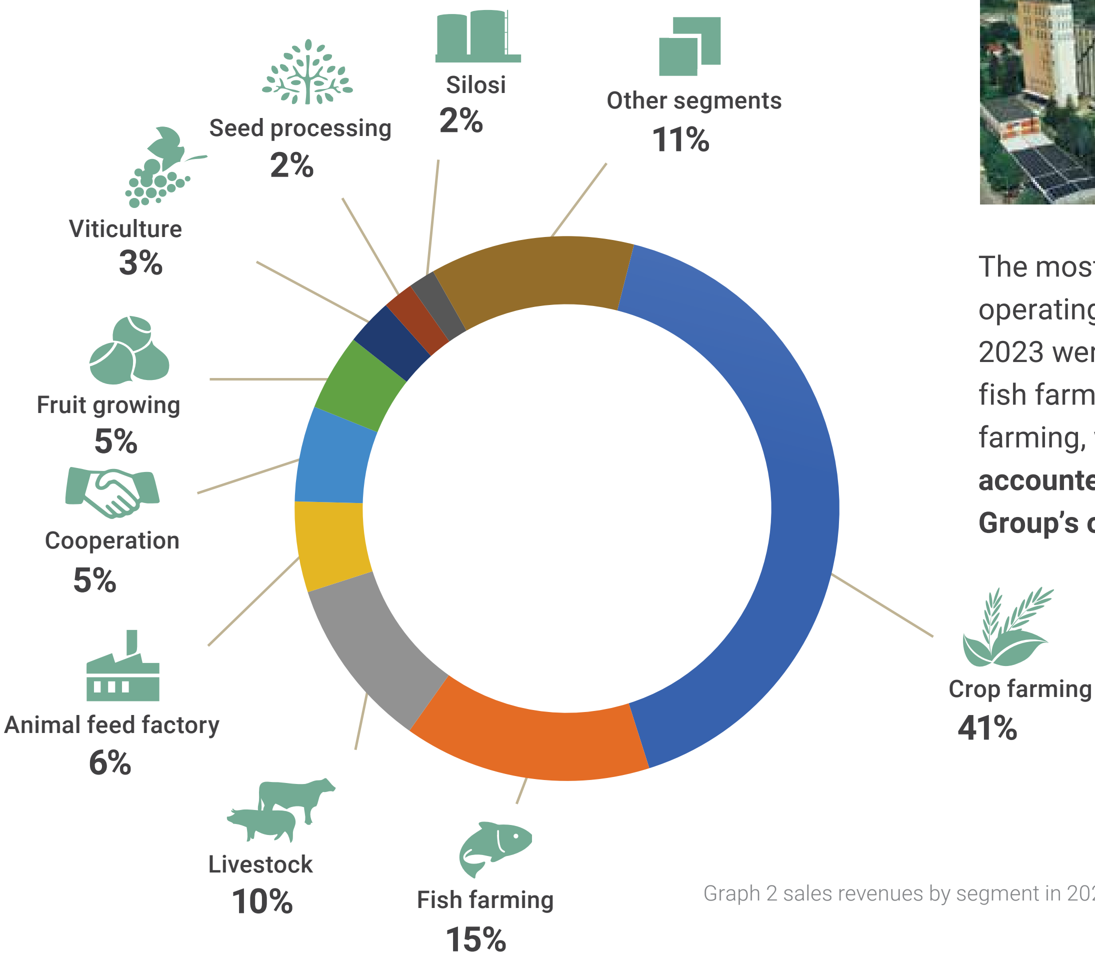
**SM Group: Group consisting of companies in which the only member of the Agro Invest Grupa directly or indirectly exercises control*

OPERATING SEGMENTS

The Group's primary activity is agricultural production. Its activities are carried out in the Republic of Croatia and Bosnia and Herzegovina.

The Group's agricultural production takes place within the following operating segments: crop farming, fish farming, fruit growing – hazelnut processing, viticulture, livestock farming, silo operations, cooperative and animal feed factory.





The most important operating segments in 2023 were crop farming, fish farming and livestock farming, which **together accounted for 66% of the Group's operating income.**

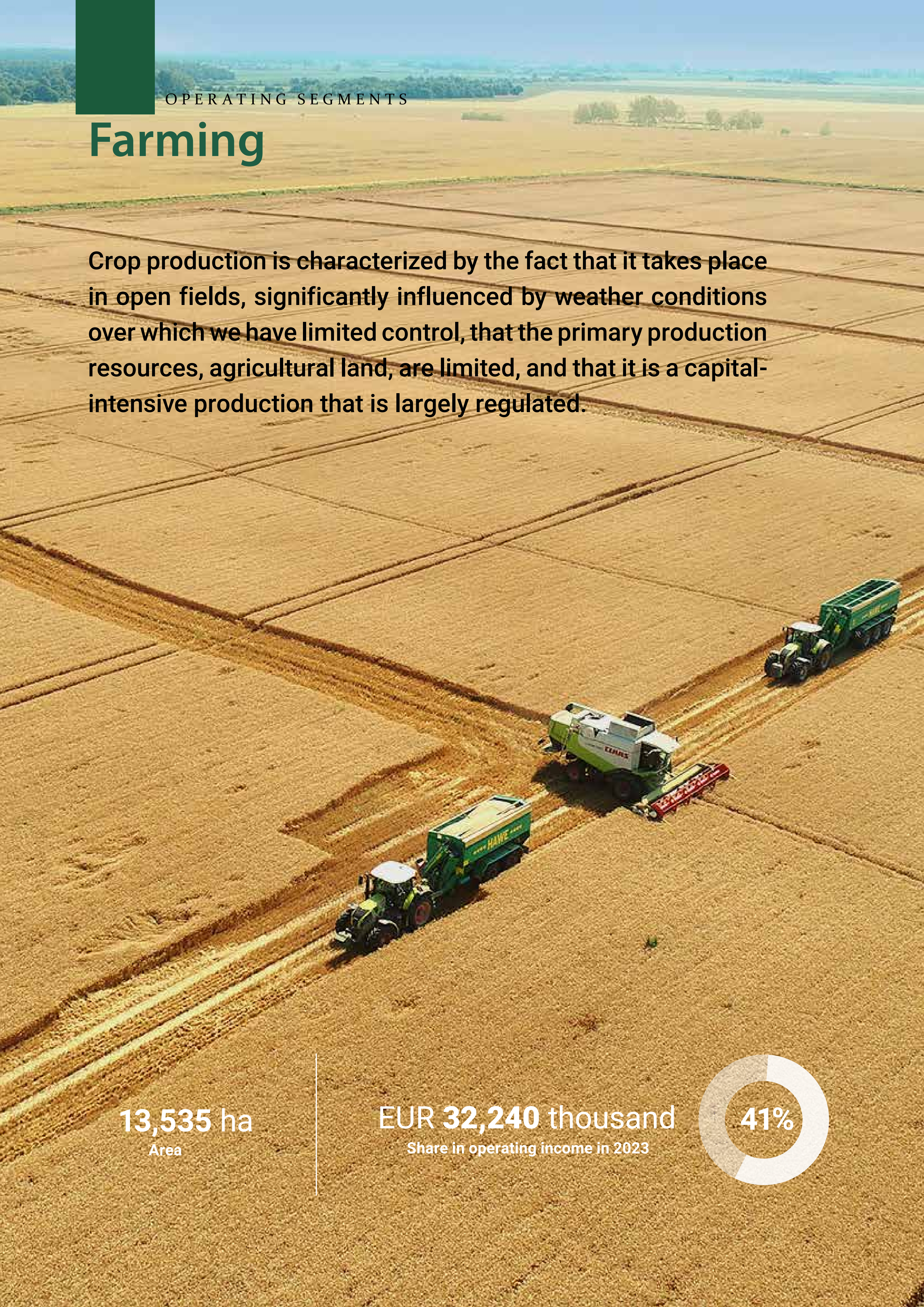
Graph 2 sales revenues by segment in 2023

Tradition inspired by nature

A contemporary story of Slavonian agri-food tradition

Farming

Crop production is characterized by the fact that it takes place in open fields, significantly influenced by weather conditions over which we have limited control, that the primary production resources, agricultural land, are limited, and that it is a capital-intensive production that is largely regulated.



13,535 ha
Area

EUR **32,240** thousand
Share in operating income in 2023

41%

Member companies of the Agro Invest Grupa have access to 13,535 hectares of crop land, with PP Orahovica d.o.o. owning 4,888 hectares, PPK Valpovo d.o.o. owning 5,445 hectares, and companies in Bosnia and Herzegovina owning 3,202 hectares of agricultural land.

Grains, such as wheat and corn, are primarily sown on agricultural land, followed by oilseeds, namely soybean, rapeseed and sunflower, primarily for commercial purposes but also partly for seed production. Crops such as barley, oats, spelt and similar are sown to a lesser extent.

Increasing the areas under irrigation enables a second, so-called post-harvest sowing during one year, and it is a prerequisite for increasing the area under vegetable crops. It is expected that the trend of increasing areas under vegetable crops at the expense of crop crops will continue because these crops generate higher revenue and better results per unit of agricultural land, and their production can be almost entirely automated. In 2023, companies from the Agro Invest Grupa system cultivated potatoes, beets, peas and several varieties of peppers as part of vegetable crops.

The crop farming segment of Agro Invest Grupa achieved a business revenue of EUR 32.2 million in 2023, representing a share of 41.2% in the total business revenue of Agro Invest Grupa d.o.o. for 2023. The business revenues of the crop farming segment decreased by 33.2% compared to the record revenues of the crop farming segment achieved in 2022.

This decline was primarily influenced by the decrease in prices of cereals and oilseeds both globally and in the Croatian market. After a significant increase in the prices of oilseeds and cereals in 2022, which was largely the result of the war conflicts in Ukraine, at the end of 2022 there was a steep correction in the prices of cereals and oilseeds, which resulted in a drop in sales prices of up to 40% compared to the previous period, and a negative trend in prices on stock exchanges and on the physical market characterized the entire year 2023.

In addition to the decline in sales prices of cereals and oilseeds, the decrease in revenue in the crop farming segment was also influenced by a reduction in sales volumes due to slightly lower yields and quality, primarily in winter crops, as a result of unfavourable agrometeorological conditions.

In 2023, in accordance with the investment plan, the renewal of agricultural machinery continued. The machinery is acquired following the latest technological advancements in soil cultivation, planting, protection, fertilization, and harvesting, adhering to the principle of uniformity in agricultural machinery across all group members. This is expected to significantly increase efficiency in machinery maintenance, with a higher degree of specialization among maintenance personnel and easier procurement of spare parts, leading to a significant reduction in downtime and maintenance costs. Due to the increase in areas under vegetable crops, investments in specialized equipment for planting, cultivation, and harvesting of vegetable crops also began.

In recent years, specialized software has been developed for the needs of companies from the Agro Invest Grupa system, which monitors processes in agricultural production, so the monitoring of the field has been intensified with the help of software, enabling a “health record” of each production field to be obtained in several steps throughout the vegetation period. The Group has also initiated further development of this software, and the ultimate goal is to optimize all resources used in agriculture.

In addition to the above, the Company has invested in the procurement of new drones, which are expected to become an indispensable tool in agriculture. Accordingly, the recording of all crops and all plots by drones according to phenophases was started, and these recordings, along with field inspections, are used for crop condition analysis.

In addition to surveying, monitoring and analysis, since 2022, the Company has been using the drones for the efficient application of protective agents and liquid fertilizers on agricultural surfaces. The use of such equipment results in a reduced consumption of protective agents and less use of conventional machinery, whose ground passages have a negative impact on soil structure.

Due to significant climatological deviations from perennial averages and expected seasonal values of temperature and precipitation, agricultural production is becoming increasingly complex, requiring responses and reactions to newly arising situations. Companies within the Agro Invest Grupa are devoting significant attention to irrigation projects.

In 2023, companies within the Agro Invest Grupa signed contracts with project designers for the development of irrigation solutions. These contracts will provide optimal irrigation solutions for approximately 11,000 hectares of crop and orchard land owned by PPK Valpovo d.o.o. and PP Orahovica d.o.o. by mid-2024. These solutions will be used for the design, procurement, and installation of irrigation equipment from the 2024 season onwards.

In addition to previously completed irrigation projects, irrigation systems for an additional 455 hectares were constructed in 2023. In PPK Valpovo d.o.o., two irrigation systems were implemented, Bačkoš – Ladimirevci, covering a total irrigated area of 184 hectares with a total capacity of 120 litres per second, and Brođanci, covering a total irrigated area of 160 hectares with a total capacity of 135 litres per second.

Fish farming and processing

Fish farming is carried out within the company PP Orahovica d.o.o. on a total area of 6,817 hectares, at 9 locations - fish ponds in the territory of the Republic of Croatia that the Company leases on a long-term basis, 8 ponds leased for 50 years and one pond leased for 25 years.

6,817 ha
Area

9
Fishponds

EUR **11,522** thousand
Share in operating income in 2023

15%

The basis of production is the cultivation of table carp, and in addition to carp, other species such as bighead carp, grass carp, wels catfish, pikeperch, pike, and recently African catfish are also cultivated and marketed.
Comparative advantages of the Company as a producer are the fact that PP Orahovica is the largest producer of freshwater fish in the region and that most of the production occurs in a two-year cycle, while other producers produce table freshwater fish in a three-year cycle.
Although it is a highly seasonal business, the Company offers fish throughout the year, and all the necessary logistics, from fishing to delivering the finished product to the sales point. The company also has its own retail at 10 locations in cities in the Slavonia region. In addition, the Company owns a freshwater fish processing plant in Čačinci, with a processing capacity of 50 tons per day, which produces and markets products under the Panona Mare brand.
The fish farming segment of Agro Invest Grupa achieved a business revenue of EUR 11.5 million in 2023, representing a share of 14.7% in the total business revenue of Agro Invest Grupa d.o.o. for 2023. The business revenues of the fish farming segment in 2023 were at the same level as the business revenues achieved in 2022. The export revenue in the fish farming segment in 2023 accounted for 39.4% of the total business revenue of the segment, while in 2022, this share was 48.4%. In addition to the Croatian market, the most important markets for freshwater fish and fish products are the markets of Bulgaria, Lithuania, Serbia, Slovakia, Hungary, Romania, Poland and Bosnia and Herzegovina.
The freshwater fish processing plant processed 1,335 tons of freshwater fish in 2023, and 1,009 tons of various products were produced in its facilities.
Significant investments in the fish farming segment in 2023 include investments in increasing production area capacities at the Narta, Kaniška Iva and Lipovljani ponds. In 2024, investments are planned for cleaning and expanding the production area capacities at the Vrbovljani, Jasinje and Grudnjak ponds. In addition, significant investments were made in machinery, the purchase of new tractors, attachments, fish catching systems, etc.
Since 2023, the plant for breeding the African catfish in recirculation, which was put into operation in November 2022, with an investment of approximately EUR 185,000, has been in full production mode.
The fish processing plant was built and put into operation in 2016. With the introduction of new products into the portfolio and the need to increase fish processing capacities in the period 2021-2023, a new investment cycle was implemented in the factory, with almost complete replacement of machinery and production lines with new machinery of higher capacity and automation level. About EUR 1.3 million was invested, and a new device for packaging products in bags and trays was procured, along with device for automatic removal of scales, washing and cooling of fish, an automatic weighing and equalization system, a breading line, and a system for rapid cooling and glazing of products. In 2023, an investment was launched to expand the existing frozen product storage capacities by 300 pallet spaces and packaging material by about 500 pallet spaces. The planned completion of the investment is in mid-2024.

The majority of customers in this segment are retail customers, HoReCa customers, wholesale customers and chain stores.

Panona Mare

Livestock farming

Within the cow-calf system, we raise calves of high-quality beef breeds such as Charolais, Limousin and Aubrac. Livestock feed is produced on 1,385 hectares of land. In addition to our own facilities, cattle fattening is also carried out in contractors' facilities where calves are provided for fattening along with food from our own animal feed factory, and the contractors provide fattening services for the Agro Invest Grupa.

2,000+
Fattening calves annually

EUR **8,001** thousand
Share in operating income in 2023

10%

Livestock production involves around 4,000 head of cattle in various rearing categories. Three cattle fattening farms are owned by companies within the Agro Invest Grupa d.o.o. system. The comparative advantage of the Agro Invest Grupa system is that a significant part of the calves for fattening are produced on our own land in the cow-calf system, while some calves for fattening are imported. Within the cow-calf system, we raise calves of high-quality beef breeds such as Charolais, Limousin and Aubrac. Livestock feed is produced on 1,385 hectares of land. In addition to our own facilities, cattle fattening is also carried out in contractors' facilities where calves are provided for fattening along with food from our own animal feed factory, and the contractors provide fattening services for the Agro Invest Grupa.

The livestock segment of Agro Invest Grupa achieved a business revenue of EUR 8.0 million in 2023, representing a share of 10.2% in the total business revenue of Agro Invest Grupa for 2023. The business revenue of the livestock segment has shown consistent growth. In 2022, there was a 42.4% increase in revenue compared to livestock revenue in 2021, while in 2023, there was a 46.7% increase compared to 2022.

Improved business results in 2023 compared to 2022 are based on increased production in both our own and service cattle fattening. In addition to increased production, the growth in revenue and better financial results of the Livestock segment were also influenced to some extent by an increase in sales prices of fattening cattle, as well as improved technological results.

Significant investments in the livestock segment were carried out in 2022, when an investment was

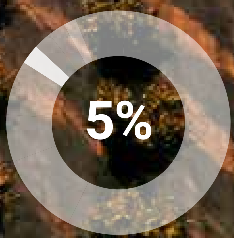
completed in a new fattening cattle farm in Brođanci, with a capacity of 750 head with accompanying facilities, a hayloft and trench silo. The investment also included the purchase of equipment and machinery, with a total investment value of EUR 2.4 million, for which PPK Valpovo d.o.o. was granted co-financing in the amount of EUR 800 thousand from the European Agricultural Fund for Rural Development, for the implementation of operation 4.1.1. "Restructuring, modernisation and increased competitiveness of agricultural holdings" and operation 4.1.2. "Disposal, handling and use of manure fertilizer in order to reduce the harmful effects on the environment", as well as the import of 128 Charolais and Aubrac beef heifers aimed at improving the genetic structure of the base herd, with an investment of 280 thousand euros. Additionally, within PP Orahovica d.o.o., farm facilities were renovated, improving the conditions for livestock accommodation and work. There were no significant investments in the livestock segment in 2023, but in 2024, it is planned to import heifers and bulls from France to further improve the genetic structure of the herd.

Fruit growing

Fruit production, hazel cultivation, is characterized by the specific quality and position of agricultural areas as resources and the fact that the areas where Agro Invest Grupa companies have agricultural land are very suitable for hazel cultivation. The comparative advantage of the Company, as a producer, lies in the fact that it is the largest producer of hazelnuts in the region and that it has significant resources in the knowledge and experience of employees, along with a tradition of hazelnut cultivation in the Orahovica area dating back to the 1980s. In addition, the Company has all the necessary machinery to maximally automate production processes. Companies from the Agro Invest Grupa system also have nurseries, one in Croatia and one in Bosnia and Herzegovina, which produce hazelnut seedlings for both internal plantation needs and market demands. The company PP Orahovica d.o.o. also houses a hazelnut processing plant.

660 ha
Area

EUR **3,567** thousand
Share in operating income in 2023



The fruit growing segment of Agro Invest Grupa achieved a business revenue of EUR 3.6 million in 2023, representing a share of 4.5% in the total business revenue of Agro Invest Grupa d.o.o. for 2023. The business revenues of the fruit growing segment decreased by 43.5% in 2023 compared to the revenues of the fruit growing segment achieved in 2022.

The main reasons for the significantly higher revenues of the fruit growing segment in 2023 compared to 2022 were higher quantities of hazelnuts sold. Although adverse weather conditions and storm damage resulted in a 7.9% reduction in hazelnut production in 2023 compared to 2022, higher sales volumes were achieved by selling transitional stocks from 2022 and part of the 2023 production. In addition to the higher quantity of hazelnuts sold, the significant growth in the business revenue of the fruit growing segment was also influenced by the increase in the sales price of hazelnuts, and the average sales price of hazelnuts in 2023 was 7.0% higher than the average sales price of hazelnuts in 2022. In addition, more than 102,000 hazelnut seedlings were sold in 2023.

Due to the fact that the hazelnuts planted between 2015 and 2023 are reaching full yield, an annual increase in hazelnut production of 15-20% is expected every year until 2033.

Hazelnut is recognized in the Agro Invest Grupa strategy as a culture that has great potential and it is planned to further expand the areas under hazelnut plantations, both in companies from the Agro Invest Grupa system in Croatia and in companies in Bosnia and Herzegovina. We are also in the phase of designing a new hazelnut processing plant, whose capacity will be able to fully meet the needs of our production and the production of our contractors, allowing for the production and marketing of value-added products such as roasted and chopped hazelnuts, hazelnut paste for the confectionery industry, hazelnut oil and flour, etc.

Significant investments in the fruit growing segment were carried out in 2022. First of all, the establishment of 135 hectares of new hazelnut plantations with irrigation and procurement of the necessary equipment and machinery in the municipality of Zdenci, with a total planned value of EUR 2.1 million, for which we were granted support in the amount of EUR 743 thousand from the European Agricultural Fund for Rural Development, for the implementation of operation 4.1.1. “Restructuring, modernisation and increased competitiveness of agricultural holdings”.

During 2022 and 2023, infrastructure works were fully completed for a reservoir with a capacity of 23,000m3, including all earthworks and the installation of a drip irrigation system. The use of the system at full capacity will be carried out for the first time in the 2024 season. In addition to the aforementioned project, the main project for the irrigation of 43 hectares of hazelnuts was

developed for the Bukvik area, with equipment procurement and drip irrigation system installation scheduled to begin following the approval of co-financing.

In 2023, investments were also made in machinery for processing and harvesting hazelnuts, of which we can single out the procurement of eight self-propelled hazelnut harvesters, representing an investment of 683 thousand euros.

An additional 12 hectares of hazelnut plantations are planned to be established at the end of 2024, for which soil improvement work was carried out during 2023.

Viticulture

Viticulture production within Agro Invest Grupa is conducted through the operations of PP Orahovica d.o.o., where grapevines covering 175 hectares are cultivated. The grape varieties include Graševina, Frankovka, and Zeleni Silvanac, particularly well-known varieties from the Orahovica vineyards, as well as Chardonnay, Sauvignon, Cabernet Sauvignon, Pinot Gris, Rhine Riesling and Traminer.

175 ha
Area

EUR **2,168** thousand
Share in operating income in 2023

3%

Of the 175 hectares of vineyard area, 83 hectares comprise new plantings established between 2014 and 2021. During this period, there was a renewal process involving the clearing of older vineyards and the establishment of new ones with layouts adapted to modern viticultural practices and grape varieties tailored to market demands.
The viticulture segment of Agro Invest Grupa achieved a business revenue of EUR 2.2 million in 2023, representing a share of 2.8% in the total business revenue of Agro Invest Grupa d.o.o. for 2023. The business revenues of the viticulture segment in 2023 were at the same level as the business revenues achieved in 2022.
In 2023, the winery sold 764,197 litres of wine, of which 88,000 litres, equivalent to 115,500 bottles, were premium quality. Over a two-year period, in the total placement, there was a 15.4% increase in sales volume and a 34.0% increase in the category of premium wines. It is especially important to point out the fact that the proportion of premium wine sales, i.e. wines of a higher price category, is constantly growing in the sales structure.
In addition to the reconstruction of the vineyard, the quality of wine was increased by investing in equipment, as in the last few years state-of-the-art laboratory equipment for chemical wine analysis has been purchased. Tank sterilization equipment was procured – a steam generator, which reduces the use of chemical agents in maintaining cellar hygiene. Renovation of the wooden barrel stock in the “old cellar” was completed.
In 2023, the winery acquired the latest grape harvesting machine with a sorting table, enabling mechanical harvesting from the best and most challenging vineyard locations. This machine has also reduced the need for seasonal labour, which, for years, has been very difficult to timely engage during harvest periods.
In 2024, plans include the procurement of equipment for more efficient vineyard processing and protection, as well as the installation of fences to protect vineyards from wildlife, which has caused significant damage and reduced grape yields in recent years.

OPERATING SEGMENTS

Other business segments

Companies within the Agro Invest Grupa constantly strive to expand their base of contractors by establishing good and quality partnerships with local agricultural producers. They act as suppliers of raw materials to them and, when necessary, provide advisory services on production technology, ultimately purchasing the goods produced by local agricultural producers on their land. In this regard, companies from the Agro Invest Grupa system are recognized in the local community as a reliable partner, so companies from the Agro Invest Grupa system base their contract production on approximately 7,900 hectares of land owned by our contractors, from which we annually purchase around 30,500 tons of mercantile goods.

The contract farming segment of Agro Invest Grupa achieved a business revenue of EUR 4.2 million in 2023, representing a share of 5.4% in the total business revenue of Agro Invest Grupa d.o.o. for 2023. The business revenues of the contract farming segment decreased by 22.5% in 2023 compared to the revenues of the contract farming segment achieved in 2022. The increase in revenue in the contract farming segment is largely due to higher sales volumes, which fully offset the decrease in fertilizer prices resulting from the decline in energy prices on the global market, primarily natural gas, and the normalization of market supply.

The silo business is also associated with the contract farming segment. Companies within the Agro Invest Grupa own silo facilities with a total capacity of 118,000 tons for storing goods from both their own production and that of contractors. There are plans to increase silo capacities, which proved to be a necessity due to increased quantities of goods, both from our own production and from the production of our contractors.

Share of income in 2023 by other operating segments:

Cooperation	Animal feed factory	Seed processing	Silos
EUR **4,218** thousand	EUR **4,446** thousand	EUR **1,237** thousand	EUR **1,429** thousand
5%	6%	2%	2%

All silos have the possibility of receiving and dispatching goods by road and access by rail, which gives the companies from the Agro Invest Grupa system significantly greater opportunities in terms of dispatch times and access to customers who located farther away, due to the possibility of faster dispatch of larger quantities of goods at lower costs.

The silo segment of Agro Invest Grupa achieved a business revenue of EUR 1.4 million in 2023, representing a share of 1.8% in the total business revenue of Agro Invest Grupa for 2023. The business revenues of the silo segment in 2023 were at the same level as the business revenues achieved in 2022. The negative impact on the revenue level of the silo segment due to a decrease in the quantity of received winter crops and a correction in the price of corn drying due to the decline in energy prices was offset by an increase in the quantity of spring crop deliveries in the autumn of 2023.

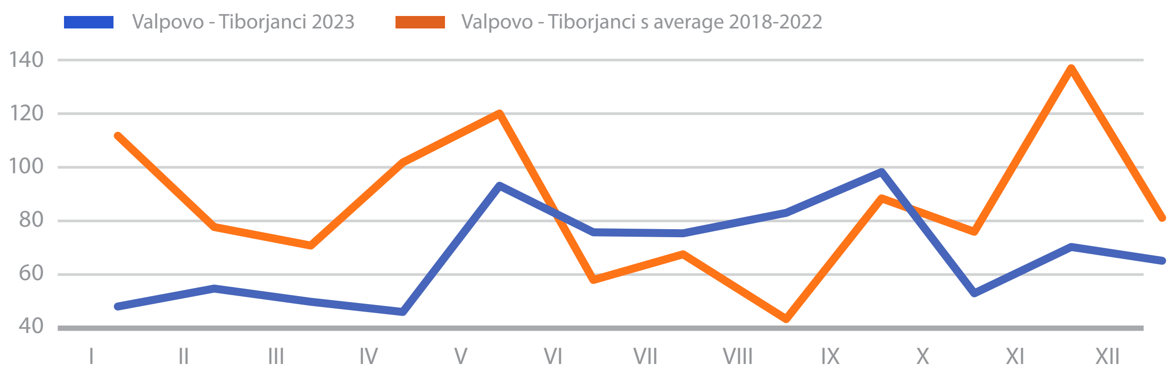
The improved business result of the silo business segment is further emphasized by cost reductions resulting from the introduction of renewable energy sources, specifically the solar power plant, a greater focus on reducing labour costs, as well as better utilization of silo by-products. The animal feed production segment of Agro Invest Grupa achieved a business revenue of EUR 4.5 million in 2023, representing a share of 5.7% in the total business revenue of Agro Invest Grupa d.o.o. for 2023. The business revenues of the animal feed production segment decreased by 33.9% in 2023 compared to the revenues of the contract farming segment achieved in 2022. The increase in revenue in the animal feed production segment in 2023 was achieved thanks to the rise in production and sales volumes of animal feed, which completely offset the decline in sales prices of animal feed due to lower prices of the components used in its production.

The seed production segment of Agro Invest Grupa achieved a business revenue of EUR 1.2 million in 2023, representing a share of 1.7% in the total business revenue of Agro Invest Grupa for 2023. The business revenues of the seed production segment decreased by 22.8% in 2023 compared to the revenues of the seed production segment achieved in 2022. The sale of seed products by Agro Invest Grupa is primarily conducted in the market of Bosnia and Herzegovina, where a lower volume of cereal crops was realized in the autumn of 2023 compared to the previous year. This was due to unfavourable sowing conditions caused by weather conditions, as well as deficits in certain maize hybrids in spring sowing, which all resulted in lower revenues of the seed segment.

BUSINESS PERFORMANCE IN 2023

The Group achieved business revenues amounting to EUR 78,339 thousand. The achieved result represents a 9.0% decrease in sales compared to 2022. Operationally, the Group saw a 35.7% decline in EBITDA, amounting to EUR 13,486 thousand, while operating profit reached EUR 5,729 thousand, which is a 62.4% decrease.

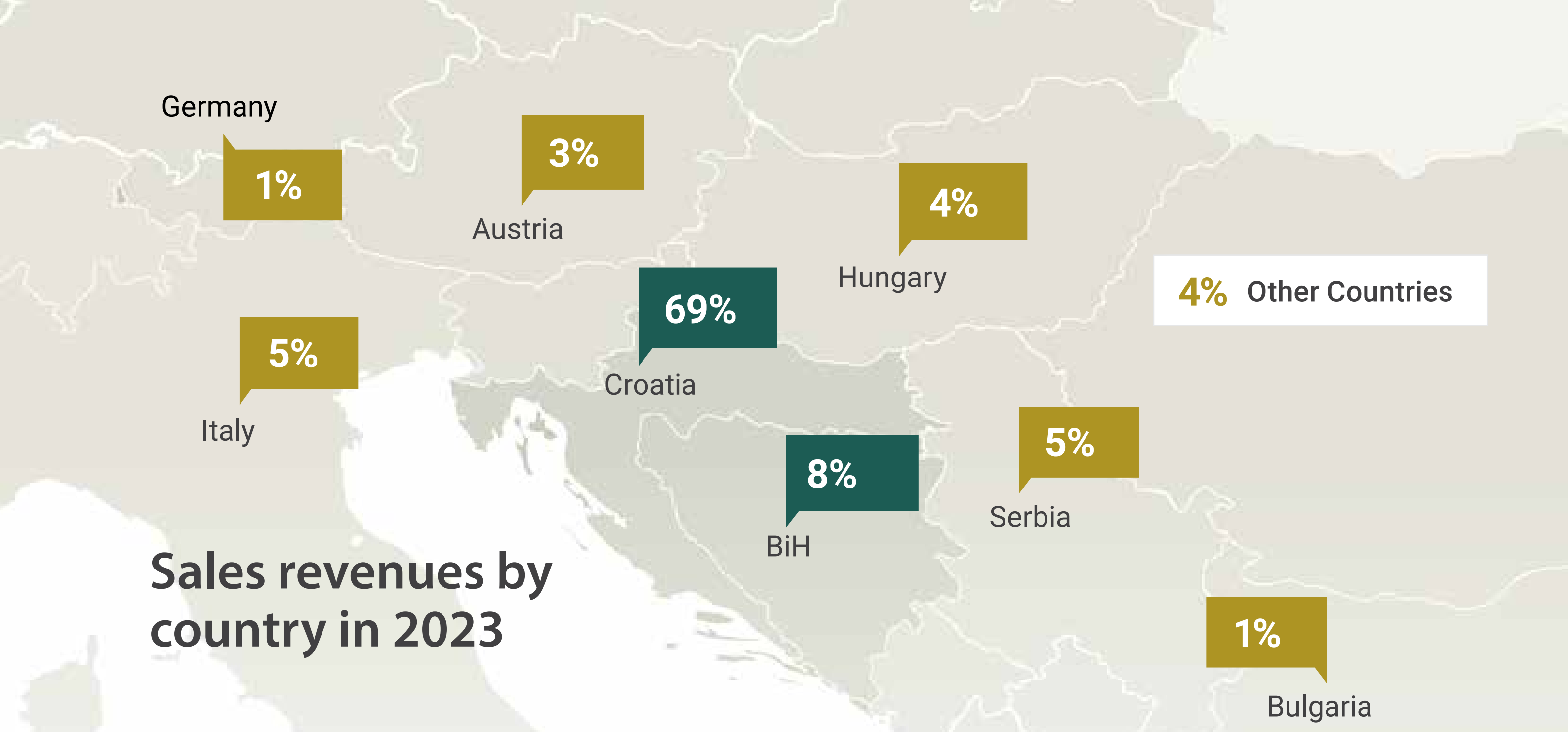
Weaker results and lower revenues in 2023 were mainly caused by a decline in product selling prices. The price drop was particularly pronounced in the agricultural segment, which contributes over 40% to the Group's business revenues. Following the high price growth of oilseeds and cereals during 2022, as a consequence of the war conflicts in Ukraine, they experienced a significant decline in 2023. Thus, the average selling prices of wheat fell by 38%, soybeans by 32%, rapeseed by 39%, and corn by 20% compared to the previous year. In addition to the drastic price drop, unfavourable weather conditions also negatively impacted the results, primarily atypical precipitation patterns, above-average rainfall in the first half of the year, especially in the second quarter of 2023, and lower rainfall amounts from June to October.



Graph 1. Rainfall Trends in 2023 and the Period 2018-2022

During 2023, average temperatures in the vicinity of Orahovica and Valpovo in Croatia showed a slight increase compared to the long-term average. Although variations were recorded throughout the year, it was generally noticed that temperatures were slightly higher than usual. This temperature increase is in line with the overall trend of global warming, suggesting the continuous influence of climate change on local weather.

Sales revenues by country in 2023



As for the income structure, the largest business segment is farming, which, along with fish farming, makes up 55.9% of the Group's total revenues. Geographically, 70% of revenues come from domicile market, while the other 30% of revenues come from sales abroad.

Table 1. Consolidated balance sheet measures in 2023

(in thousand EUR)	2022	2023	2023/2022
Sales *	86,085	78,339	(9.0%)
EBITDA*	20,960	13,487	(35.7%)
EBIT*	15,255	5,730	(62.4%)
Profit for the current year *	11,646	2,296	(80.3%)

Table 2. Consolidated balance sheet measures in 2023

(in thousand EUR)	2022	2023
Net debt *	38,997	38,219
Total assets*	162,762	173,737
Total capital and reserves *	90,390	92,662
Ratio of current assets and current liabilities *	3.6	2.5
Share of equity in total equity and liabilities *	55.5%	53.3%
Net debt / EBITDA *	1.9	2.8

* In the Annual Report, the Group used the financial indicators of historical financial performance, financial position or cash flows that are not defined or referred to in the applicable financial reporting framework.
Those indicators derive from (or are based on) financial statements prepared in accordance with the applicable financial reporting framework and were obtained by adding up or subtracting certain amounts from the figures reported in the financial statements, or by calculating ratios based on those figures.

Table 3. Alternative performance measures

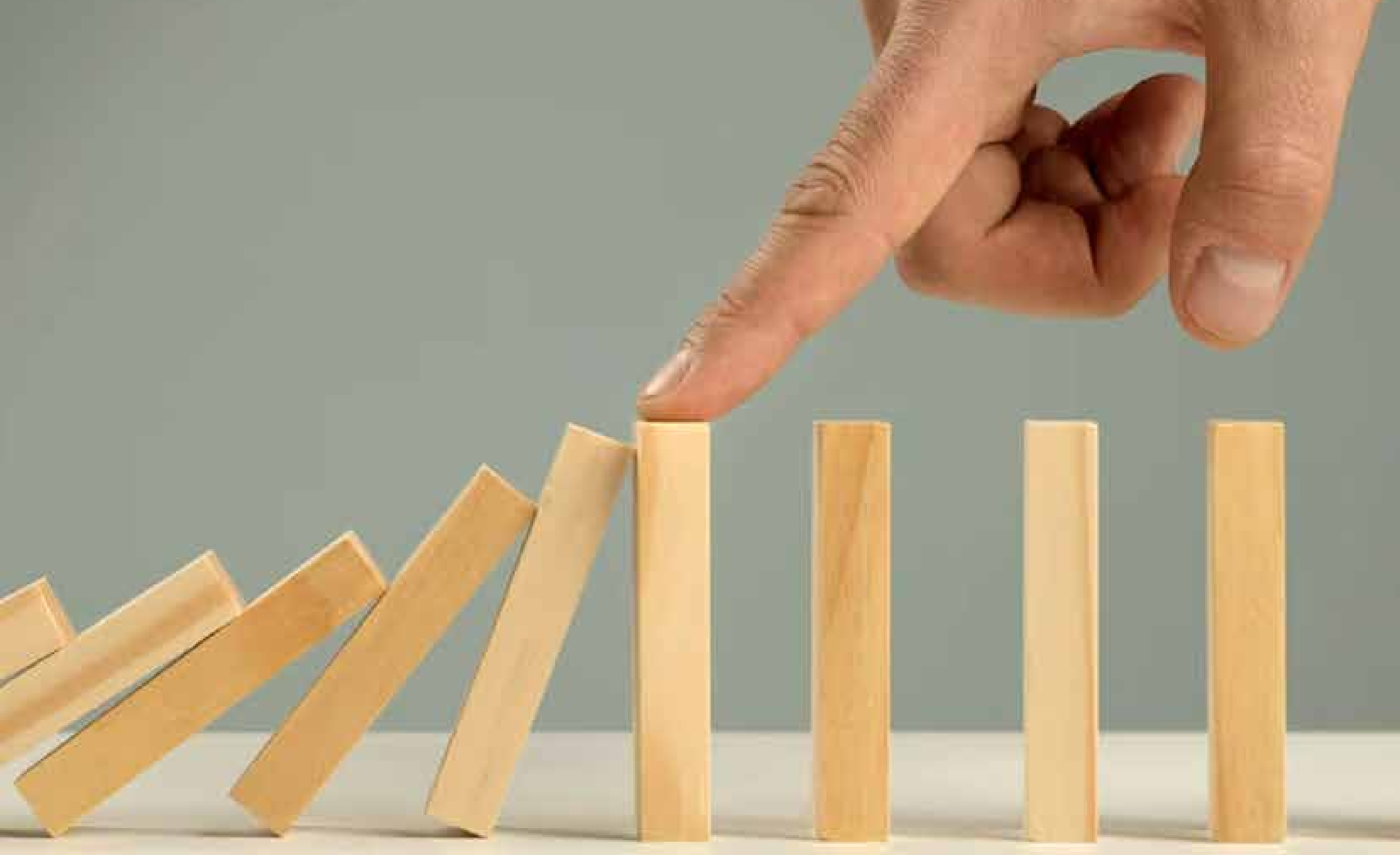
Alternative performance measures	Formula
Business revenue	Sales revenues plus other income
EBITDA	Total operating income less total operating expenses and increased by the cost of depreciation and changes in the value of work in progress and finished goods
EBIT	Operating profit or total operating income less total operating expenses increased by changes in the value of work in progress and finished goods
Profit for the current year	Net income is the sub-total shown in the consolidated income statement
Net debt	Represents long-term and short-term liabilities to banks and other financial institutions increased by long-term and short-term liabilities for eligible assets and liabilities for long-term loans less cash and cash equivalents
Net debt/EBITDA	Net debt divided by EBITDa

Those indicators do not constitute financial performance indicators under the International Financial Reporting Standards and they are not to be considered alternatives to other indicators of operating performance, cash flows or any other performance indicators derived in accordance with those standards.

The indicators have been provided in order to give useful information about the Group's financial situation and performance for the following reasons:
(i) these are indicators that the Group uses to assess its operating performance;
(ii) these are indicators that the Group's governing bodies use to make day-to-day business decisions.

OPERATING RISKS

In its business operations, Agro Invest Grupa is exposed to numerous internal and external influences that may cause the emergence of risks affecting the achievement of the Company's goals and, indirectly, its financial situation and performance.



OPERATING RISKS

Business Environment Risks

Political risk

Political risk pertains to all the risks that could potentially influence a country's political instability and relationships with other countries, which could in turn result in undesired trade-related effects that could negatively impact the Group.

The Group is exposed to political risk because it does business in the territories of different countries. This risk could be reflected in aggravation of political and economic relationships or cooperation between the countries in which the Group operates, which could affect its business processes and operations. Moreover, the observance of different regulations and rules in different jurisdictions could result in significant costs.

Natural disaster risk

Risk of natural disasters such as floods, extreme drought, earthquake or other arises from unforeseen, sudden events that could cause significant financial loss on property or negatively impact the Group's overall business operations.

Eliminating the consequences of such disasters could result in significant material costs and prolonged suspension of operations or only limited scope of operations in such conditions. Agro Invest Grupa reduces its exposure to the consequences of this kind of risk by way of property insurance.

Risk of contagious diseases

The Group is exposed to the risk of a pandemic of contagious diseases, which could afflict a large geographical area or the entire world. Apart from representing a hazard for the health and safety of employees, the risk of a pandemic could lead to shortages of goods, temporary shutdown of an operating segment or partial termination of the supply chain or complete suspension of operations across all markets for an unspecified period.

Industry risks

The Group is exposed to industry risks, particularly risks characteristic to crop and livestock farming. Crop farming is exposed to weather-related disasters (drought, flood, hail). Adverse weather can result in reduced yields of agricultural crops, reduced quality or both. In extreme cases, it could also result in total loss of crops. The Group attempts to minimise such weather-related risks by insuring its crops. It also protects itself from the risks caused by bad weather conditions through geographical diversification. Risk of crop diseases could have a significant negative impact on expected yields. Therefore, the Group applies disease prevention measures in its production processes as a way of maintaining the expected yield levels.

In the livestock farming segment, significant risks are the risks of livestock becoming diseased or dying. For the purpose of preventing animal diseases and deaths on farms, there are in-house or contracted external veterinary services taking care of the condition of cattle at all times. All animals are also covered by mortality insurance.

Environmental risk

The Group performs activities and manages certain plants that may have a negative impact on the environment and public health. For instance, livestock farming is an activity consuming large amounts of energy, polluting water sources and releasing large amounts of carbon dioxide. Besides livestock farming, fish processing creates significant amounts of animal by-products, while crop farming and fruit growing involves handling considerable amounts of oil derivatives and protection products, which, if used by non-professionals, can endanger plants, animals and watercourses.

The Group companies try to minimise these risks, so they implement animal by-product disposal measures during fish processing. When using oil derivatives and protection products, it is made sure that they are stored adequately. Employees are trained and have the required certificates for using pesticides and fertilisers as well as for transporting hazardous chemicals in accordance with legal regulations.

Furthermore, in case of projects, environmental impact assessments are made when so required by applicable regulations. Assessments of acceptability for ecological network are also made in case of fishpond projects, considering our fishponds are located within the NATURA 2000 area. The Group companies also have third-party liability insurance.

OPERATING RISKS

Business Risk

Risk of losing workforce

Considering the current negative demographic trends faced by the Republic of Croatia and neighbouring countries, particularly a significant outflow of the working age population, the Group is exposed to the risk of losing workforce and not having/being able to secure a sufficient number of workers. The Group tries to keep the current and attract new employees by ensuring adequate working conditions and it also employs foreign nationals in accordance with applicable regulations on employment of foreign nationals. Despite these measures, there is a risk that the Group might not be able to secure a sufficient number of workers in the future, which could have a negative impact on the Group's business operations, financial position and performance.

Risk of breakdowns and accidents

Plant and equipment managed by the Group may experience breakdowns, accidents, unplanned downtime, limited capacities and physical damage due to natural disasters (e.g. floods, droughts or earthquakes), terrorism, interruptions in the supply of raw materials and other causes. Such events can have a negative impact on the performance of contractual obligations to business associates. This can also lead to fatalities or injuries suffered by Group employees, customers or third parties, damage to the Group's or third-party property as well as cause downtime or disrupt the Group's operations in some other way. Incidents of this kind can also cause significant environmental pollution. All of this can affect the public perception of the Group's business operations and its future profits.

To reduce its exposure to such risks, the Group carries out routine maintenance of its facilities and invests in equipment on a regular basis. The Group also concludes contracts with insurance companies on a regular basis. However, if no appropriate insurance policy has been taken out for a particular loss event or if the coverage is insufficient, such circumstances can have a negative impact on the Group's business operations, performance and financial position.

Financial Risk

Liquidity risk

Liquidity means having sufficient funds and working capital, and ensuring adequate financial resources in the form of lines of credit. Liquidity risk is the risk of the Group not being able to meet its financial liabilities in a timely manner when they become due because of a lack of own funds, a lack of funds available in the money market or inability to borrow funds from financial institutions.

Liquidity risk occurs as a result of other risk factors materialising, such as credit risk, refinancing risk and many other risks. Materialisation of the Group's liquidity risk could lead to financial losses if the Group had to sell certain assets below their market value to compensate for the lack of liquid assets.

Currency risk

On January 1st 2023, the euro was introduced as the official currency in the Republic of Croatia. In addition to the euro, the Group has exposure in the convertible mark (BAM). Based on the Law on the Central Bank of Bosnia and Herzegovina (Official Gazette of Bosnia and Herzegovina No. 17/2017), the exchange rate of the specified currency is fixed for the euro. As the Group has no assets and liabilities in other currencies, there is no currency risk for the Group.

Interest rate risk

Interest rate risk arises from the Group companies' interest payable 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 performance to the cash flow risk. Any significant changes in interest rates could therefore have a negative impact on the Group's financial performance. The majority of the Group's borrowings have a fixed interest rate. The Group continuously monitors changes in interest rates, simulating situations that indicate a significant increase in variable interest rates, and takes refinance and alternative finance options into account. Based on these situations, the Group calculates the impact of interest rate changes on its profit and loss account.

Regulatory Risk

Risk of a change in the legal and regulatory framework in which the Group operates

Considering the importance of agriculture for human life and health and the environment, the agricultural sector is relatively strictly regulated. It is also expected that the regulatory framework governing the agricultural sector will become increasingly stricter in the future, be it in terms of water management, waste disposal or permitted agricultural production practices. Government grants and EU funding requirements in the agricultural sector are also subject to extensive regulations. The Group has obtained all required permits and other documents as well as registrations in relevant registers and public records for all the Group's activities requiring such permits, other documents and registrations under applicable regulations. The permits and registrations are permanent in principle. However, the Group is subject to regular inspections to verify whether the conditions under which the permits have been issued are met and whether the activities to which the permits apply are carried out in accordance with applicable regulations, rules and standards. Also, as regards the grants received, the Group complies with applicable requirements and acts in accordance with the regulations applicable to such grants. However, any changes in regulatory requirements, government grant conditions and EU funding requirements or any other trade barriers in any of the countries where the Group operates could limit its business, complicate the distribution of products and have a negative impact on its business operations, financial position and performance.

PLANS AND EXPECTATIONS

Despite challenging times, the Group continues to have ambitious plans for the growth and development of its member companies, and accordingly, planned investments are being implemented. One notable area of focus is irrigation systems, recognized as a necessity that will ensure stable and more efficient agricultural production in the future.

Despite challenging times, the Group continues to have ambitious plans for the growth and development of its member companies, and accordingly, planned investments are being implemented. One notable area of focus is irrigation systems, recognized as a necessity that will ensure stable and more efficient agricultural production in the future.

Various irrigation projects are in different stages of implementation within the Group. By constructing and commissioning irrigation systems, conditions will be created to shift the production structure on agricultural land, increasing areas under vegetable crops or high-yield crops per unit area. This will also enable additional crops to be sown during a single growing season.

The Group continues its investments in renewable energy production, identified as an additional sector with great potential, complementary to our existing production. In various stages of design and implementation, there are 8 integrated solar power plants with a total installed capacity of 1.2 MW, 6 non-integrated solar power plants with a total installed capacity of 37.3 MW, and two biogas plants with a capacity of 2 MW each.

We are also in the final stages of designing a new hazelnut processing factory to ensure the quality monitoring of increased hazelnut production on our own land and that of our cooperatives.

In addition to the mentioned investments, a series of investments have been made in member companies of the Group aimed at the renewal of agricultural machinery, procurement of equipment to increase capacity, efficiency, and more.

Responsibility for Consolidated and Separate Financial Statements

Pursuant to the Croatian Accounting Act, the Management Board is responsible for ensuring that consolidated and separate financial statements are prepared for each financial year in accordance with the International Financial Reporting Standards adopted by the European Union ("EU IFRS"), so that they may give a true and fair view of the financial position as at the reporting date and performance of Agro Invest Grupa Ltd., Zagreb ("Company") and its related companies ("Group") for that period. Having performed the required analyses, the Company Director has a reasonable expectation that the Company and the Group have adequate resources to continue as a going concern in the foreseeable future.
For this reason, the Director continues to adopt the going concern basis in preparing the financial statements.

In preparing consolidated and separate financial statements, the Company Director is responsible for:

- selecting and consistently applying appropriate accounting policies;
- making justified and reasonable judgements and estimates;
- complying with applicable accounting standards; and
- preparing financial statements on a going concern basis.

The Company Director 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 their compliance with the Croatian Accounting Act. The Company Director is also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

For and on behalf of the
Management Board:

Ivan Pandurević
President of the
Management Board
Agro Invest Grupe

Saša Breznik
Member of the
Management Board
Agro Invest Grupe

Vlado Čondić Galiničić
Member of the
Management Board
Agro Invest Grupe

Iva Brkić
Member of the
Management Board
Agro Invest Grupe

Agro Invest Grupa d.o.o.
Buzinski prilaz 10
10000 Zagreb
Republic of Croatia

April 29, 2024

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

2023

AGRO INVEST grupa

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10000 Zagreb
Radnička cesta 180

INDEPENDENT AUDITOR'S REPORT

To the owner of Agro Invest Grupa d.o.o. and its subsidiaries

Report on the audit of unconsolidated and consolidated financial statements

Opinion

We have audited the consolidated financial statements of Agro Invest Grupa d.o.o., Buzinski prilaz 10, Zagreb ("the Company") and its subsidiaries ("the Group"), which include consolidated and unconsolidated Statement of Financial Position as at 31 December 2023, unconsolidated and consolidated Statement of Comprehensive Income, unconsolidated and consolidated Statement of Cash Flows and unconsolidated and consolidated Statement of Changes in Equity for the year then ended, as well as the accompanying Notes to the unconsolidated and consolidated Financial Statements, including information on significant accounting policies.

In our opinion, the accompanying unconsolidated 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 unconsolidated and consolidated financial statements*. We are independent of the Company and Group in accordance with the Code of Ethics for Professional Accountants ("IESBA Code") including the International Standards of Independence issued by the International Ethics Standards Board for Accountants (the "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 unconsolidated and consolidated financial statements of the current period. We dealt with these matters in the context of our audit of the unconsolidated 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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

Key audit matter

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 2023, in consolidated Statement of comprehensive income, the Group has sales revenues in the amount of EUR 61,128 thousand reported in the Statement of Comprehensive Income. Operating income is generated by selling goods and providing services. Revenues are measured at the fair value of the consideration received or receivable for consideration and are reduced by the estimated amounts of customer refunds, volume and similar discounts. According to International Financial Reporting Standard 15, revenue is recognized when control is transferred, either over time or at a specific point in time. Control over an asset is defined as the ability to manage the way it is used and obtain almost all the remaining benefits from the asset which includes the ability to prevent others from managing the way it is used and obtaining benefits from it. Considering the significance of the sales revenues presented in the Statement of Comprehensive Income and the risk of recognizing them, we concluded that the stability, accuracy and completeness of the revenues as well as their distribution in the proper reporting period is a key audit matter. See notes 3. "Revenue recognition" and 5. "Revenue from sales" in the corresponding unconsolidated and consolidated financial statements.	Our audit procedures in addressing this area included, among other: - 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 and examining the effectiveness of internal controls related to occurrence and accuracy of the revenue recognition; - Implementation of evidentiary testing by which we assessed the stability, accuracy, completeness and timeliness of revenue recognition; - Comparison of obtained external confirmations of the amount of outstanding trade receivables at the reporting date and the balances presented in the Group's records on the same date; - 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 unconsolidated and consolidated financial statements (continued)

Key audit matter (continued)

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
Valuation of investments in subsidiaries In the unconsolidated Statement of Financial Position as of 31 December 2023, the Company recognized investments in subsidiaries in the amount of EUR 77,314 thousand. Determining the valuation of individual investments in subsidiaries 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. Impairment of investments in subsidiaries is defined as a key audit matter due to its significant book value as well as the wide range of assumptions, projections and forecasts used in the models and impairment assessment. See notes 3. "Basics of consolidation - Subsidiaries" and 23. "Investments in subsidiaries" in the corresponding unconsolidated and consolidated financial statements.	Our audit procedures in addressing this area included, among other: - Gaining an understanding of the Company's accounting policies and processes in relation to 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, especially 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 valuation model of investments in subsidiaries to changes in key assumptions; - Mathematical accuracy test of investment valuation models in subsidiaries; - Review of related notes and assessment of appropriateness of disclosures related to investments in subsidiaries to assess compliance with IFRS, which have been adopted by the EU

Other matters

We draw attention to page 10 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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

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 unconsolidated 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 unconsolidated and consolidated financial statements does not include other information.
In connection with our audit of the unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated 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.

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

Management Board is responsible for the preparation of unconsolidated 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 unconsolidated and consolidated financial statements that are free from material misstatement due to fraud or error.

In preparing the unconsolidated 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

Our goals are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated and consolidated consolidated financial statements, including disclosures, as well as whether the unconsolidated 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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

Auditor's Responsibility for the audit of unconsolidated 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 unconsolidated 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 20 September 2023, we were appointed by the General Assembly of the Company to audit the unconsolidated and consolidated financial statements for 2023.

As of the date of this report, we are continuously engaged in performing statutory audits of the Company from the audit of the unconsolidated financial statements for the year 2022 to the audit of the unconsolidated financial statements of the Company for the year 2023, which is a total of two year. As of the date of this report, we are continuously engaged in performing statutory audits of the Group from the audit of the consolidated financial statements for the year 2021 to the audit of the consolidated financial statements of the Group for the year 2023, which amounts to a total of three years.

In the audit of the unconsolidated financial statements of the Company for 2023, we determined the materiality for the unconsolidated financial statements as a whole in the amount of EUR 2,384 thousand, which represents approximately 3% of the net assets 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 1,034 thousand, which represents approximately 1,7 % of sales income for 2023.

We have chosen net assets and 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 unconsolidated 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 unconsolidated 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 unconsolidated 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 *Agro Invest 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of unconsolidated 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 unconsolidated and consolidated report, are prepared in the valid XHTML format,
- the information contained in the unconsolidated 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 unconsolidated 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 unconsolidated and consolidated financial statements for 2023 which results in this Independent Auditor's Report, is the certified auditor Vedrana Stipić.

Zagreb, 29 April 2024

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

Hrvoje Stipić, President of the Management Board

Vedrana Stipić, Certified Auditor

BDO
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Zagreb, Radnička cesta 180
OIB: 76394522236
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Consolidated statement of comprehensive income
for the year ended 31 December 2023

(all amounts are stated in thousand EUR)

	Notes	2023	2022
OPERATING INCOME			
Sales revenue	5	61,128	73,616
Other operating income	6	17,211	12,469
Gross profit		**78,339**	**86,085**
Change in the value of work in progress and finished goods		8,584	10,505
OPERATING EXPENSES			
Cost of gods sold	7	(19,640)	(31,137)
Costs of raw materials and supplies	8	(30,152)	(24,864)
Other external costs	9	(9,243)	(8,796)
Employee costs	10	(9,940)	(6,954)
Depreciation	11	(7,757)	(5,704)
Other expenses	12	(3,299)	(2,748)
Value adjustment	13	(326)	(586)
Other operating expenses	14	(669)	(337)
The cost of provisions	15	(167)	(209)
Total operating expenses		**(81,193)**	**(81,335)**
Operating profit		**5,730**	**15,255**
FINANCIAL INCOME AND EXPENSES			
Financial income	16	117	315
Financial expenses	17	(2,705)	(1,587)
Net financial expense		**(2,588)**	**(1,272)**
Share of net result of associate	16	-	9
Profit before tax		**3,142**	**13,992**
Income tax	18	(846)	(2,346)
Profit for the current year		**2,296**	**11,646**
OTHER COMPREHENSIVE INCOME			
Exchange rate differences from the translation of foreign parts of business		(24)	26
TOTAL COMPREHENSIVE PROFIT FOR THE CURRENT YEAR		**2,272**	**11,672**
Profit for distribution:		2,210	11,604
To the owner of the Group		86	42
To owners of non-controlling interests		**2,296**	**11,646**
Total comprehensive income for distribution:		2,212	11,632
To the owners of the Group		60	40
To owners of non-controlling interests		**2,272**	**11,672**

Accounting policies and notes form an integral part of these nonfinancial and financial statements

(all amounts are stated in thousand EUR)

ASSETS	Notes	31 December 2023	31 December 2022
FIXED ASSETS			
Property, plant and equipment	21	72,851	70,068
Right-of-use asset	22	22,439	14,248
Intangible assets	19	1,876	1,120
Goodwill	20	33	33
Deposits given	27	19	21
Deferred tax assets	18	16	19
Long-term receivables		109	-
Investment in subsidiaries and joint ventures	23	4	3
TOTAL NON-CURRENT ASSETS		**97,347**	**85,512**
CURRENT ASSETS			
Inventories	24	48,725	46,809
Trade receivables	25	7,879	11,345
Receivables from the State and other institutions	26	12,342	9,212
Cash and cash equivalents	30	3,617	7,247
Loans and deposits	27	1,588	974
Receivables for given advances	28	989	970
Other financial asset		144	-
Deferred expenses and accrues income		908	439
Other receivables	29	198	254
TOTAL CURRENT ASSETS		**76,390**	**77,250**
TOTAL ASSETS		**173,737**	**162,762**

Accounting policies and notes form an integral part of these nonfinancial and financial statement

(all amounts are stated in thousand EUR)

EQUITY AND LIABILITIES	Notes	31 December 2023	31 December 2022
EQUITY AND LIABILITIES			
Share capital		67,494	67,494
Other reserves		(22,613)	(22,609)
Retained earnings		30,937	28,721
SHARES OF PARENT OWNER		**75,818**	**73,606**
Non-controlling interest	31	16,844	16,784
TOTAL EQUITY		**92,662**	**90,390**
LONG-TERM LIABILITIES			
Long-term bond liabilities	34	18,050	20,307
Liabilities to banks and other financial institutions	32	12,124	15,919
Liabilities for right-of-use assets	35	19,682	14,173
Deferred tax liability	18	142	101
Long-term provisions		235	326
TOTAL NON-CURRENT LIABILITIES		**50,233**	**50,826**
SHORT-TERM LIABILITIES			
Liabilities to banks and other financial institutions	33	9,406	7,762
Trade payables	36	7,437	5,347
Liabilities for taxes, contributions and similar benefits	38	1,958	2,789
Short-term maturity of long-term obligations on issued bonds	34	2,256	2,256
Liabilities for right-of-use assets	35	2,089	1,112
Liabilities to employees	37	735	574
Liabilities for advances received		4,797	140
Other current liabilities	39	1,330	1,279
Accrued expenses and deferred income		834	287
TOTAL SHORT - TERM LIABILITIES		**30,842**	**21,546**
TOTAL EQUITY AND LIABILITIES		**173,737**	**162,762**

Accounting policies and notes form an integral part of these nonfinancial and financial statements

Consolidated statement of changes in equity
for the year 2023
(all amounts are stated in thousand EUR)

	Share capital	Other reserves	Reserves from foreign currency translation	Retained earnings	Shares of Parent owner	Non-controlling interest	Total
Balance at 1 January 2022	**67,494**	**(22,787)**	**(26)**	**17,094**	**61,775**	**1,032**	**62,807**
Acquisition of control over a subsidiary	-	91	-	-	91	15,712	15,803
Merger of a company	-	100	-	-	100	-	100
Transfer of deffered tax liabilities to retained earnings	-	-	-	8	8	-	8
Profit for the current year	-	-	-	11,604	11,604	42	11,646
Other comprehensive income	-	-	13	15	28	(2)	26
Total comprehensive income/loss for the current year	-	-	*13*	*11,619*	*11,632*	*40*	*11,672*
Balance at 31 December 2022	**67,494**	**(22,596)**	**(13)**	**28,721**	**73,606**	**16,784**	**90,390**
Profit for the current year	-	-	-	2,210	2,210	86	2,296
Other comprehensive income	-	-	(4)	6	2	(26)	(24)
Total comprehensive income/loss for the current year	-	-	*(4)*	*2,216*	*2,212*	*60*	*2,272*
Balance at 31 December 2023	**67,494**	**(22,596)**	**(17)**	**30,937**	**75,818**	**16,844**	**92,662**

Accounting policies and notes form an integral part of these nonfinancial and financial statements

(all amounts are stated in thousand EUR)

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		2,296	11,646
Adjustments:			
Profit tax	18	846	2,346
Depreciation of property, plant and eqipment and amortization of intangible assets	11	7,757	5,703
Value adjustment of trade receivables	13	176	586
Value adjustment of inventories	13	76	-
Net interest expense	16, 17	2,466	1,110
Other non-monetary transactions		(1,024)	208
		12,593	**21,599**
CHANGES IN WORKING CAPITAL			
Change in inventory		(1,990)	(14,385)
Change in trade receivables		4,636	(5,978)
Change in advances given		(19)	(846)
Change in other receivables		(4,085)	(2,966)
Change in prepaid costs		(469)	(236)
Change in advances received		4,657	(16)
Change in trade payables		2,090	874
Change in other current liabilities		1,079	2,171
Change in long-term lease liabilities (IFRS 16)		-	(116)
Change in deferred income		547	125
CASH GENERATED BY OPERATIONS		**19,039**	**226**
Interests paid		(1,661)	(485)
Income taxes paid		(1,657)	(2,166)
NET CASH FLOW FROM OPERATING ACTIVITIES		**15,721**	**(2,425)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest charged		64	157
Cash outflows for loans granted		(4,077)	(19,326)
Payment on approved loans		4,157	17,521
Cash outflows for the purchase of property, plant and equipment and intangible assets	18, 20, 21	(16,255)	(12,518)
Cash receripts from fixed assets sold		381	-
NET CASH USED IN FROM INVESTING ACTIVITIES		**(15,730)**	**(14,166)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from financial institutions		35,903	21,680
Repayment of liabilities to credit institutions		(37,267)	(25,360)
Cash receipts from bond issued		-	22,563
Repayment of liabilities for bonds issued		(2,257)	-
NET CASH MADE/(USED) IN FINANCING ACTIVITIES		**(3,621)**	**18,883**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(3,630)**	**2,292**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	30	**7,247**	**4,955**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	30	**3,617**	**7,247**

Accounting policies and notes form an integral part of these nonfinancial and financial statements

Nonconsolidated statement of comprehensive income
for the year endend 31 December 2023
(all amounts are stated in thousand EUR)

	Notes	2023	2022
OPERATING INCOME			
Sales	5	276	181
Other operating income	6	5	-
Gross profit		**281**	**181**
OPERATING EXPENSES			
Other external expenses	9	(81)	(116)
Employee costs	10	(191)	-
Other expenses	12	(34)	(5)
Cost of raw materials	8	(12)	(4)
Depreciation	11	(1)	-
Total operating expenses		**(319)**	**(125)**
OPERATING PROFIT		**(38)**	**56**
FINANCIAL INCOME AND EXPENSES			
Financial income	16	926	819
Financial expenses	17	(829)	(498)
Net financial expense		**97**	**321**
Profit before tax		**59**	**377**
Income tax	18	-	-
PROFIT FOR THE YEAR		**59**	**377**
OTHER COMPREHENSIVE INCOME		**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**59**	**377**

Accounting policies and notes form an integral part of these nonfinancial and financial statements

(all amounts are stated in thousand EUR)

ASSETS	Notes	31 December 2023	31 December 2022
NON-CURRENT ASSETS			
Property, plant and equipment		6	-
Investments in subsidiaries and associates	23	77,314	77,314
Deposits and loans given	27	18,050	20,307
TOTAL NON-CURRENT ASSETS		**95,370**	**97,621**
CURRENT ASSETS			
Loans and deposits given	27	2,256	2,256
Other receivables	29	454	411
Cash and cash equivalents	30	58	144
Trade receivables	25	154	66
Receivables from the state and other institutions	26	2	9
TOTAL CURRENT ASSETS		**2,924**	**2,886**
TOTAL ASSETS		**98,294**	**100,507**
EQUITY			
Share capital		67,494	67,494
Legal reserves		10,013	9,954
TOTAL EQUITY		**77,507**	**77,448**
NON-CURRENT LIABILITIES			
Long-term bond liabilities	34	18,050	20,307
TOTAL NON-CURRENT LIABILITIES		**18,050**	**20,307**
CURRENT LIABILITIES			
Current portion of non-current Bond payables	34	2,256	2,256
Trade payables	36	96	120
Other current liabilities	39	335	371
Liabilities to employees	37	22	-
Liabilities for taxes, contributions and similar benefits	38	28	-
Accrued expenses and deferred income		-	5
TOTAL CURRENT LIABILITIES		**2,737**	**2,752**
TOTAL EQUITY AND LIABILITIES		**98,294**	**100,507**

Accounting policies and notes form an integral part of these nonfinancial and financial statements

Nonconsolidated statement of changes in equity
for the year ended 31 December 2023
(all amounts are stated in thousand EUR)

	Share capital	Retained earnings	Total
Balance at 1 January 2022	**67,494**	**9,577**	**77,071**
Profit for the year	-	377	377
Total comprehensive income	-	377	377
Balance at 31 December 2022	**67,494**	**9,954**	**77,448**
Profit for the year	-	59	59
Total comprehensive income	-	59	59
Balance at 31 December 2023	**67,494**	**10,013**	**77,507**

Accounting policies and notes form an integral part of these nonfinancial and financial statements

(all amounts are stated in thousand EUR)

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	2023	2022
Profit for the year		59	377
Adjusted by:			
Depreciation		1	-
Net interest expense		(93)	(48)
Other non-monetary transactions		(13)	(399)
		(46)	**(70)**
CHANGES IN WORKING CAPITAL			
(Increse) in trade receivables		(88)	(66)
Decrease in other receivables		43	2
Increase/ (decrease) in trade payables		(24)	120
Increase in other current liabilities		9	3
CASH GENERATED FROM OPERATIONS		**(106)**	**(11)**
Interests paid		(770)	-
Income taxes paid		(2)	(1)
Net cash generated from operating activities		**(878)**	**(12)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash expenditures for the acquisition of real estate, plant and equipment, and intangible assets		(8)	-
Dividends received		30	398
Cash receipts for interest		770	-
Cash receipts / (disbursements) for loans and credits given		2,256	(22,563)
Cash disbursements for purchase of shares in subsidiaries and associates		-	(291)
Net cash used in investing activities		**3,048**	**(22,456)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from loans		-	664
Repayments of loans		-	(664)
Cash receipts from bond issuance		-	22,563
Repayment of liabilities for bonds issued		(2,256)	-
Net cash used in financing activities		**(2,256)**	**22,563**
Net increase / (decrease) in cash and cash equivalents		**(86)**	**95**
Cash and cash equivalents at the beginning of the year	30	**144**	**49**
Cash and cash equivalents at the end of year	30	**58**	**144**

Accounting policies and notes form an integral part of these nonfinancial and financial statements

1. GENERAL INFORMATION

The financial statements for the years ended 31 December 2023 include the nonconsolidated and consolidated nonfinancial and financial statements of Agro Invest Grupa d.o.o. (the “Company”) and its subsidiaries (together the “Group”).

Agro Invest Group d.o.o. for agricultural production, livestock, tourism, catering, trade and services, based in Zagreb, Buzinski prilaz 10, MBS: 010092380, was registered at the Commercial Court in Zagreb in 2014 under the name PP Grudnjak d.o.o. By the decision of the only member of the company (PP Orahovica d.o.o.) in November 2020, the company was sold to Mr Stipo Matić and the name was changed to its current name "Agro Invest Grupa" d.o.o. The sole owner of the Company is Mr Stipo Matić from Zagreb.

The Assembly of the Company in February 2024 adopted a decision on the constitution of the Supervisory Board, consisting of:
Marko Rašić, President of the Supervisory Board since February 22, 2024
Željko Menalo, Member of the Supervisory Board since February 22, 2024
Pero Matić, Member of the Supervisory Board since February 22, 2024
Danijel Lastrić, Member of the Supervisory Board since February 22, 2024
Sanda Vujkov Mustedanagić, member of the Supervisory Board, since February 22, 2024

During 2023, the Company's Management Board consisted of 2 members, and from February 2024, it consists of 4 members:
Ivan Pandurević, President of the Management Board since April 14, 2023
Vlado Čondić Galiničić, Member of the Management Board since February 22, 2024
Saša Breznik, Member of the Management Board since February 22, 2024.
Iva Brkić, Member of the Management Board since February 22, 2024

Stipo Matić, president of the Management Board until April 14, 2023 and member of the board until February 22, 2024

The Company's audit committee in 2023 and 2022 consisted of:
Branislav Vrtačnik
Karmela Jurina
Marko Rašić

The main activities of the Group are agricultural production, livestock, tourism, catering, trade and services.

As at 31 December 2023, the Group had 632 employees (2022: 562 employees)

2. BASIS OF PREPARATION

(i) Statement of compliance

The nonconsolidated and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as established by the European Commission and published in the Official Journal of the European Union ("IFRS"). These are the first financial statements of the Group showing the consolidation of companies under the joint control of the Group and/or its majority owner.

(ii) Basis of measurement

The nonconsolidated and consolidated financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for the asset.

(iii) Functional and presentation currency

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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for all periods included in these unconsolidated and consolidated statements.

Basis of consolidation

The accompanying consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

• *has power over the investee;*

• *is exposed, or has rights, to variable returns from its involvement with the investee; and 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. The Company considers all relevant facts and circumstances in assessing whether or not the Company's 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, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group’s accounting policies.

(all amounts are stated in thousand EUR)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation eliminates all assets and all liabilities, as well as all equity (i.e. all capital), all income, expenses, and inflows and outflows of money related to transactions between Group members.

(i) Group structure and scope of consolidation

As of 31 December 2023, the Company had the following ownership interests in the companies under its control:

Company	Percentage of ownership	Country	Activity
PPK VALPOVO	100.00%	CROATIA	AGRICULTURE
POLJOPRIVREDNIK ODŽAK	100.00%	BOSNIA AND HERZEGOVINA	AGRICULTURE
POLJOPRIVREDNIK GLAMOČ	100.00%	BOSNIA AND HERZEGOVINA	AGRICULTURE
AGROPROMET GRAHOVO	100.00%	BOSNIA AND HERZEGOVINA	AGRICULTURE
MP ENERGIJA GRAHOVO	100.00%	BOSNIA AND HERZEGOVINA	AGRICULTURE
POLJOPRIVREDNIK DERVENTA	100.00%	BOSNIA AND HERZEGOVINA	AGRICULTURE
PP ORAHOVICA	97.55%	CROATIA	AGRICULTURE
MASLINA JE OBRANA	100.00%	CROATIA	AGRICULTURE
PPO STOČARSTVO	100.00%	CROATIA	AGRICULTURE
PD MODRIČA	100.00%	BOSNIA AND HERZEGOVINA	AGRICULTURE
PANONA ENERGIJA	100.00%	CROATIA	AGRICULTURE
RIBNJAK PISAROVINA	100.00%	CROATIA	AGRICULTURE
RIBNJAK LIPOVLJANI	100.00%	CROATIA	AGRICULTURE
RIBNJAK VRBOVLJANI	100.00%	CROATIA	AGRICULTURE
EKO BOSANSKA POSAVINA*	26.10%	CROATIA	AGRICULTURE

During 2022, PPK Valpovo d.o.o. invested in capital increase of EKO Bosanska Posavina d.o.o. thereby gaining an ownership share of 22.77%. At the end of the year, PPK Valpovo additionally acquired a 3.33% share from the company KIM TEC Vitez (a company with a common ultimate owner), which increased PPK Valpovo's share to 26.10%.

The amendments to the Social Contract of EKO Bosanska Posavina, which were made after the above mentioned transactions and signing of Agreement on the management of the business of EKO Bosanska Posavina, between the shareholders, defined that PPK Valpovo will direct the relevant businesses of EKO Bosanska Posavina, thereby gaining control over this company. Since December 1, 2022 this company is consolidated within the Agro Invest Group.

(all amounts are stated in thousand EUR)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Group structure and scope of consolidation (continued)

	December 1 2022
Property, plant and equipment	15,446
Other fixed assets	2,497
Inventories	2,202
Trade receivables	2,067
Cash and cash equivalents	517
Other current assets	1,254
Total assets	**23,983**
Long term liabilities	2,577
Short term liabilities	1,130
Total liabilities	***3,706***
Net Book Value of Assets	**20,277**

Non-controlling interest in net assets as of 1 December 2022 (77,23%)	15,660

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

(ii) Subsidiaries

Subsidiaries are companies in which the Company (parent) has control. Control is achieved if: the Company has dominance, i.e. the power to dispose of the entity, the Company is exposed or has rights to a variable return based on its participation in that entity and is able to influence its return based on its dominance, i.e. the power to dispose.
The Company reassesses whether it has control if the facts and circumstances indicate that one or more of the above three control elements have changed:

- the share of their voting rights in relation to the size and division of voting rights of other persons with the right to vote
- potential voting rights of investors, other persons with voting rights or other persons.
- rights from other contractual relationships and any additional facts and circumstances that indicate that the Company has or does not have the current ability to conduct relevant business at the time when it is necessary to make such decisions.

A subsidiary is an entity in which the Company has control, i.e. direct or indirect dominant influence. Control is exercised by acquiring more than 50% of voting shares, exercising the right to appoint a majority of members of the management or supervisory board, and the right to decide in the subsidiary in a way that the parent company controls most voting rights in the subsidiary.
Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are excluded from consolidation from the date that control ceases. Investments in business entities over which the Company has control and significant influence are shown in these financial statements at investment cost, less value adjustments, if necessary. At the end of each reporting period, the Company determines whether there are indicators of a possible decrease in investments in subsidiaries. If such indicators exist, the Company estimates the recoverable amount of investments in subsidiaries.

(iii) Business combinations

The Group uses the accounting method of purchase for the accounting treatment of business combinations (excluding business combinations under joint control). The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and equity interests issued by the Group. The consideration transferred includes the fair value of each asset or liability that results from the contingent consideration agreement. Acquisition-related costs are recognized in the statement of comprehensive income as incurred. Acquired identifiable assets, liabilities and contingent liabilities in a business combination are initially measured at fair value at the acquisition date. The Group recognizes minority interests in the acquired subsidiary either at fair value or at the proportionate share of the minority interest in the net assets of the acquired subsidiary.
The excess of the consideration transferred the amount of any non-controlling interest in the acquired subsidiary and the fair value at the date of acquisition of any previous ownership interest in the acquired company above the fair value of the Group's share of the identifiable net assets is recognized as goodwill. If this is less than the fair value of the net assets of the acquired subsidiary in the case of a purchase at a price lower than the sale price, the difference is recognized directly in the statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

(iv) Non-controlling interests

Non-controlling interests are initially measured at their proportionate share of the recognized net assets of the acquiree at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in loss of control are accounted for as transactions with owners.

(v) Loss of control of subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of the subsidiary and all related non-controlling interests and other items of equity are derecognised. Gains or losses are recognized in the income statement. Retained interest in a former subsidiary is measured at fair value when control is lost.

(vi) Transactions eliminated in consolidation

Balances and transactions between members of the Group and all unrealized gains on transactions between members of the Group have been eliminated in consolidating the financial statements. Unrealized gains on transactions with associates and joint ventures where the Group shares control with other owners are eliminated to the extent of the Group's interest in such entities. Unrealized gains on transactions with companies in which there are interests are eliminated by reducing the investment in that company. Unrealized losses are eliminated in the same way as unrealized gains, but only up to an amount that does not represent a permanent impairment of assets.

Goodwill

Goodwill arising from a business combination is carried at a cost determined on the acquisition date, i.e. the acquisition of the entity, less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each cash-generating unit (or group of such units) that is expected to benefit from the synergies arising from the merger.

The cash-generating unit to which the goodwill is allocated is subject to an impairment test once a year or more frequently if there is an indication of possible impairment. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first by reducing the carrying amount of goodwill allocated to the unit and then to the other asset's other assets based on the carrying amount of each asset in each generating unit. Any gain or loss on fair value is recognized directly in profit or loss. Once recognized, an impairment loss for goodwill is not reversed in subsequent periods.

When a cash-generating unit is disposed of, the related amount of goodwill is included in the determination of the gain or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in associates and joint ventures

The results and assets and liabilities of associates or joint ventures are included in these financial statements using the equity method, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or joint venture is initially recognized in the consolidated statement of financial position at cost and subsequently adjusted to recognize 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 the losses of an associate or joint venture exceeds the Group's share of 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 ceases to recognize its share of further losses.
Additional losses are recognized only to the extent that the Group has assumed legal or constructive obligations or made payments on behalf of an associate or joint venture.

An investment in an associate or joint venture is accounted for using the equity method from the date the investor becomes an associate or joint venture. After acquiring an investment in an associated or joint venture, any excess of investment costs over the Group's share of the net fair value of identifiable assets and liabilities of the invested company is recognized as goodwill, which is included in the book value of the investment amount. Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of the investment, after revaluation, is immediately recognized in profit or loss in the period in which the investment is acquired.
A joint venture is a joint business in which the parties who have joint control over the business have rights to the net assets of the business in question. Joint control is an agreed division of control over some business, which exists only when decisions on relevant business require the unanimous consent of the parties sharing control.

Any goodwill resulting from the acquisition of the Group's share in a jointly controlled company is calculated in accordance with the Group's accounting policy for calculating goodwill arising from a business merger.

Unrealized gains and losses from transactions between the Group and companies over which it has joint control are eliminated in proportion to the Group's share in the joint venture. Profits and losses from transactions between the Group and a jointly controlled company are recognized in the unconsolidated and consolidated financial statements of the Group only up to the amount of shares in jointly controlled companies that do not relate to the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Operating income is generated by selling goods and providing services. Revenue is measured at the fair value of the consideration received or receivable and is reduced by the estimated amounts of refunds from customers, quantity and other discounts.

In accordance with IFRS 15 – Revenues from Contracts with Customers, the basic principle of revenue recognition is developed through a five-step model:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price
- Recognize revenue when or as the entity satisfies a performance obligation

Revenue is recognized by transferring control, either over time or at a specified time. Control over assets is defined as the ability to manage the use and acquisition of almost all remaining benefits from assets, which includes the ability to prevent others from managing the use of and obtaining benefits from assets.

i) Revenues from the provision of services

Revenues from the provision of services are calculated in the Statement of comprehensive income:
Especially:

- if the performance obligation is met at a particular point in time (“at the time”), the related revenue is recognized in the income statement when the service is provided;
- if the performance obligation is met over time, the related income is recognized in the income statement to reflect progress in meeting that obligation.

If the timetable for liquidation is not in accordance with the manner in which the performance obligation has been met, the Group calculates the contractual asset or contractual obligation for the part of the revenue generated in that period or for the deferral in subsequent periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

ii) Revenues from sales of goods

Revenue from the sale of goods is recognized when all of the following conditions are met:

- The Group has transferred to customers all significant risks and rewards associated with the ownership of the goods
- The Group does not retain a continuing involvement in the management to the extent normally associated with ownership or actual control of the goods sold
- The amount of revenue can be measured reliably
- The inflow of economic benefits to the entity associated with the transaction is probable
- The costs incurred or to be incurred as a result of the transaction can be measured reliably.

iii) Income from subsidies

Based on its registered activity, livestock breeding and fish farming, the Group is entitled to subsidies. The purpose of the subsidy is to ensure the long-term sustainability of active farmers engaged in agricultural activity. They are allocated for the production, cultivation or planting of agricultural products, as well as for maintaining the agricultural area in a condition suitable for grazing or cultivation.

The Group submits a request to the Agency for Payments in Agriculture, Fisheries and Rural Development for each production year within the set deadline, according to the sowing plan and the number of livestock. Based on the request, the Group recognizes revenue up to the amount of the submitted request.

iv) Income from the growth of the livestock unit is explained within the accounting policy Livestock unit

v) Interest income

Interest income is recognized when it is probable that the economic benefits associated with the item will flow to the Group and the revenue can be measured reliably. Interest income is calculated on an accrual basis and at the applicable effective interest rate, which is the rate at which estimated future cash receipts are discounted over the expected life of the financial asset to its net carrying amount determined on initial recognition.

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.

Lease income is recognized on a straight-line basis over the term of the lease.

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 (less all incentive claims), 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.

(all amounts are stated in thousand EUR)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

The separate financial statements of each entity within the Group are presented in the currency of the primary economic environment in which the entity operates, i.e. in its functional currency. In the consolidated financial statements, the results and financial position of each entity within the Group are expressed in euro (EUR) because the euro is the functional currency of the parent company and the presentation currency of the consolidated financial statements.

When preparing the financial statements of individual entities, transactions in currencies other than the entity's functional currency, i.e. in foreign currencies, are recorded using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the end of each reporting period are retranslated at the exchange rate ruling at the end of the reporting period. Non-monetary items reported at fair values that are denominated in foreign currencies are retranslated at the exchange rate ruling at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are carried at historical cost are not retranslated.

The exchange rates applied as at 31 December 2023 and the average exchange rates used to translate the items of income and expenditure were as follows:

Currency	December 31 2023	Average exchange rate in 2023	December 31 2022	Average exchange rate in 2022
RSD	117.16100	117.24563	117.30700	117.4773
BAM	1.95583	1.95583	1.95580	1.95580
MKD	61.6345	61.54226	61.7176	61.61199

Foreign exchange differences are recognized in profit or loss in the period in which they arise, except:

- exchange differences on received loans and credits in foreign currency related to assets under construction intended for future production, which are included in the cost of assets if viewed as an adjustment of interest costs on liabilities for these loans and credits;
- exchange differences on monetary receivables or liabilities from foreign operations, the settlement of which is neither planned nor probable and which therefore form part of the net investment in foreign operations, which are first recognized in other comprehensive income and transferred when selling all or part of the net investment from principal to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

In these consolidated financial statements, the assets and liabilities of the Group's foreign operations are denominated in Croatian kuna using the exchange rates prevailing at the end of the reporting period. Income and expenses are translated using the average exchange rate for the reporting period, except for significant fluctuations in exchange rates, in which case the exchange rates prevailing at the date of the transaction are used. Any foreign exchange differences are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests, if any).

When selling a foreign operation, i.e. selling the entire Group's interest in a foreign operation in which the Group loses control of a foreign subsidiary or partially selling a joint venture or an associate whose foreign operations include a retained interest in that foreign operation becomes financial assets, all exchange differences accumulated in equity from foreign operations attributable to owners of the Group are transferred to profit or loss. Furthermore, in the case of a partial sale of a foreign subsidiary in which the Group does not lose control of the subsidiary, part of the cumulative exchange rate differences is again attributed to non-controlling interests in proportion to the part sold and not included in profit or loss. In all other partial sales, i.e. partial sales of associates or joint ventures in which the Group does not lose significant influence or joint control in the entity, part of the cumulative exchange differences is transferred to profit or loss in proportion to the part sold.

The reconciliation of goodwill and fair value of identifiable assets and identifiable liabilities assumed through the acquisition of foreign operations is accounted for as assets and liabilities of foreign operations and translated at the closing rate at the end of each reporting period. The resulting exchange differences are recognized in other comprehensive income.

State aid

Unconditional subsidies related to biological assets measured at fair value less estimated costs to sell should be recognized as income when, and only when, the subsidy is due. If State aid related to biological assets measured at fair value less estimated costs to sell is conditional, including the possibility that State aid requires the entity not to engage in a particular agricultural activity, the entity should recognize the aid as income if and only if the conditions related to the aid are met.

Asset-related aid is state aid whose first condition is that the eligible entity should purchase, build or otherwise acquire long-term assets. Additional conditions are possible that limit the type or location of the property or the periods in which it must be acquired or held.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State aid (continued)

State aid should be recognized in profit or loss on a systematic basis over the period in which the entity recognizes as an expense the related costs for which the aid is intended to be covered.
Aid related to depreciable tangible assets reduces the cost of the asset, and depreciation is still calculated at impaired value. Aid related to non-depreciable assets may also require the fulfilment of certain obligations and should therefore be recognized in profit or loss over the periods in which the costs of meeting those obligations are borne.

Segmental reporting

A segment is a recognizable component or part of the Group that is engaged in the sale of related products and services (operating segment) or engaged in the sale of products and services within a particular economic environment (geographical segment) and is subject to risks and rewards that differ from those applicable to other segments.
At the consolidated level, the Group internally monitors and reports the following segments: arable farming, fruit growing, livestock, fish farming, viticulture, silos, feed mills (TSH), cooperation and other segments.

Taxation

Corporate income tax expense is the sum of current tax liabilities and deferred taxes.

i) Current taxes

Current tax liability is based on taxable profit for the current year. Taxable profit differs from net income shown in the consolidated comprehensive income statement because it does not include items of income and expense that are taxable or deductible in other years, nor items that are never taxable or deductible. The Group's current tax liability is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

ii) Deferred taxes

Deferred taxes are recognized on the basis of the difference between the carrying amounts of assets and liabilities shown in the financial statements and the related tax bases used to calculate 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 up to the amount of taxable profit that is likely to be available and allow deductible temporary differences to be used. Deferred tax liabilities and deferred tax assets are not recognized if the temporary difference arises from goodwill or the initial recognition of other assets and other liabilities (except in the case of a business combination) in a transaction that affects neither taxable nor accounting profit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

ii) Deferred taxes (continued)

Deferred tax liabilities are also recognized based on taxable temporary differences related to investments in subsidiaries and associates and interests in joint ventures, except when the Group is able to influence the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced by the amount that is no longer likely to be available as sufficient taxable profit to allow all or part of the taxable asset to be recovered.

Deferred tax assets and deferred tax liabilities are calculated at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The determination of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects to recover the carrying amount of its assets at the end of the reporting period, i.e. to settle the carrying amount of its liabilities.

iii) Current and deferred taxes for the current year

Current and deferred taxes are recognized in profit or loss, except for taxes that are included in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity. For current and deferred taxes arising from the first posting of a business combination, the tax effect is included in the calculation of the business combination.

Property, plant and equipment

Property, plant and equipment used in the production or supply of goods or services or for administrative purposes, other than the livestock unit, are presented in the consolidated statement of financial position at historical cost, less accumulated depreciation and impairment losses. Acquisition cost includes the cost that is directly attributable to the acquisition of the asset.

Subsequent expenditure is included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only if the Group will obtain future economic benefits from the asset and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other maintenance costs are charged to the consolidated statement of comprehensive income in the financial period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

Land and assets under construction are not depreciated. Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate cost or to the residual value of the asset and asset over its estimated useful life, as follows:

Buildings	10 - 40 years
Plant and equipment	2 - 25 years
Vehicles	10 - 16 years
Investment in third party assets	50 years

The asset's residual value and useful life are reviewed, and adjusted if appropriate, at each reporting date. If the carrying amount of an asset is greater than its estimated recoverable amount, the difference is written off to the recoverable amount. Gains and losses on disposals are determined as the difference between the disposal proceeds and the carrying amount of the asset sold and are recognized in profit or loss within other income/expenses.

Livestock unit

The livestock unit is recorded by groups of cattle. The livestock unit consists of: calves, breeding heifers, breeding cows and breeder bulls. The livestock unit does not consist of yearling store cattle intended for further sale. The acquisition of the livestock unit is recorded at cost because it represents the fair value at that time. The change in fair value less estimated costs to the point of sale of the biological asset is included in the income statement in the period in which it arises. At the reporting date, the Group reduces the value of the livestock unit (breeding heifers and calves) to fair value taking into account the best available market indicators.

For breeding cows and bulls, it is not possible to determine fair value either on the market (absence of an active market), or by other alternative methods (last market price, market prices for similar assets, best comparable measurement sector), or by DFC method (unrealistic DFC) so to the best possible approximation of the fair value of the cost of acquisition is allocated over the lifetime (for cows 10 years, for bulls 6 years).

The livestock unit consists of cattle that are initially recorded at cost for external procurement, and for the livestock unit from own production for further breeding at fair value. When the livestock unit is no longer in function, it is given for forced slaughter, i.e. it is sold at fair value. The increase in the livestock unit is calculated and recorded on a monthly basis and calculated as the difference in the value of livestock at the end and beginning of the accounting period, based on changes in pieces and kilograms of livestock during the period. The increase in the livestock unit is recorded as an increase in the value of the livestock unit, and in favour of the income from the increase in the Statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

Perennial plantations

Perennial crops are fruit-bearing plants used in production and which are expected to bear fruit for more than one accounting period and which are unlikely to be sold as an agricultural product. The initial cost of such assets is stated in the same way as assets that the Group only builds on property, plant and equipment and before being restored into the condition and position necessary for the work intended for that asset. After initial recognition, perennial crops are measured at cost and depreciation is recorded as an expense of the period and is calculated on a straight-line basis over the expected useful life of the asset over a period of 25 to 35 years.

Harvesting fruits are valued at fair value less estimated selling expenses at the time of harvest.

Intangible assets

Non-current intangible assets include software, licenses, technical documentation expenses and intangible assets in preparation, and are stated at cost less accumulated amortization. Intangible assets are initially recognized at cost. Intangible assets are recognized in the event that future economic benefits attributable to the asset will enter the Group and the cost of the asset can be measured reliably. Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortization and any accumulated impairment losses. There are no intangible assets for which an indefinite useful life is estimated. Intangible assets are amortized on a straight-line basis over their estimated useful lives of 4 to 10 years.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (excluding inventories and deferred taxes) 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 so that any impairment loss can be determined. If the recoverable amount of an asset cannot be estimated, the Group estimates the recoverable amount of the "cash-generating unit" ("CGU") to which the asset belongs. If it is possible to determine a realistic and consistent basis for allocation, the assets of companies are also allocated to individual cash-generating units or, if this is not possible, to the smallest group of cash-generating units for which a realistic and consistent allocation basis can be determined.

The recoverable amount is the higher of an asset's fair value less sales costs and its value in use. For the purposes of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of that asset (CGU) is reduced to its recoverable amount. Impairment losses are recognized immediately as an expense. Upon subsequent reversal of an impairment loss, the carrying amount of the asset (CGU) is increased to the revised estimated recoverable amount of the asset so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized in previous years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Based on the provisions of the relevant inventory valuation standard, the following are included:

- the cost of purchasing inventories of merchandise includes the purchase price, import duties and other costs directly attributable to the purchase. Inventories of merchandise are intended for sale and are stated at cost. The value of inventories is measured using the weighted average price method.
- for inventories of finished goods and work in progress, the cost includes direct material and, if applicable, direct labour costs and all overhead/indirect costs associated with bringing the inventories to their current location and condition. Cost is determined using the weighted average cost method.
- inventory stocks include tools, plant and office inventory and similar assets that are expected to be used within one year and assets that are not considered fixed assets.
- consumption or putting into use of stocks of small inventory and car tires as well as spare parts is included in costs by the method of the one-time write-off.
- the Group assesses the value of non-current inventories as well as old inventories. The value of non-current and old inventories is reduced and adjusted to fair value.

Fish, yearling store cattle, oilseeds and cereals that are the subject of cultivation are classified as current biological assets. At initial recognition and at the end of each reporting period, biological assets should be measured at fair value less sale costs, unless fair value cannot be measured reliably. The fair value determined is compared with the cost of production and the difference represents the gain or loss from estimating the fair value of the biological asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents presented in the statement of cash flows include cash and balances with banks.

Financial assets

Recognition and initial measurement

Trade receivables are initially recognized when incurred. All other financial assets are initially recognized when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets (unless they are trade receivables without a significant financial component) are initially measured at fair value plus, if not an instrument stated at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the instrument in question. Trade receivables without a significant financing component are initially measured at the transaction price.

Classification and subsequent measurement of 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 or loss (FVTPL), depending on the business model and characteristics of the contracted cash flows of financial assets. Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets, in which case the financial assets are reclassified from the first day of the first reporting period following the change in the business model.

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 measured at fair value through profit or loss (FVTPL):

- the purpose of the business model is to hold assets to collect contractual cash flows; and
- the contractual terms of a financial asset presuppose cash flows that are solely the repayment of principal and interest (SPPI) on certain dates.

Financial assets at fair value through other comprehensive income

A debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions and if it is not measured at fair value through profit or loss (FVTPL):

- the purpose of the business model is to hold assets in order to collect contractual cash flows and sell financial assets; and
- the contractual terms of a financial asset presuppose cash flows that are solely the repayment of principal and interest (SPPI) on certain dates.

Upon initial recognition of an investment in an equity instrument that is not held for trading, the Group may irrevocably choose to disclose subsequent changes in fair value through other comprehensive income. This choice is made on the basis of individual investment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Financial assets at fair value through profit or loss

All other financial assets are classified as financial assets at fair value through profit or loss.
In addition, upon initial recognition, the Group may irrevocably measure financial assets at fair value through profit or loss, although it meets the requirements for measurement at amortized cost or at fair value through other comprehensive income, if this eliminates or significantly reduces accounting inconsistencies.

Impairment of financial assets

The Group recognizes provisions for expected credit losses for loans and deposits measured at amortized cost and for trade receivables. The amount of expected credit losses is calculated at each reporting date to reflect changes in credit risk since the initial recognition of an individual financial instrument. The Group always recognizes lifelong expected credit losses (ECL) for trade receivables based on the simplified approach. Expected credit losses on these financial assets are estimated based on the arrears matrix created based on the Group's historical experience with credit losses, consistent with debtors' specific factors.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss for that financial instrument at an amount equal to the 12-month ECL. The lifelong ECL represents the expected credit losses that will result from all possible defaults during the expected life of the financial instrument.

In contrast, the 12-month ECL is part of the lifelong ECL due to the likelihood of default in the next 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of default at the reporting date with the risk of default at the date of initial recognition. In making this assessment, the Group also considers quantitative and qualitative information that is reasonable and available, including historical experience and that is available without undue expense or commitment. In particular, the Group relies on default days when assessing significant credit risk deterioration.

Notwithstanding the above, it is assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is found to have low credit risk at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

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

- The financial instrument has a low risk of default,
- The debtor has a strong ability to meet its contractual obligations in a short period of time, and
- Adverse changes in economic and business conditions, in the long run, may, but do not necessarily, reduce the borrower's ability to meet its contractual cash flow obligations.

However, the Group does not currently use low credit risk simplification when assessing significant increases in credit risk. The Group regularly monitors the effectiveness of the criteria used to determine whether there has been a significant increase in credit risk and reviews them to ensure that the criteria can identify a significant increase in credit risk before delays in payments.

(ii) Definition of default status

The following facts that constitute default for internal credit risk management purposes, and are considered by the Group to be historical experience showing that financial assets that meet any of the following criteria are generally not recoverable:

- when the debtor has breached financial clauses; or
- internally developed data or data obtained from external sources indicate that the borrower is unlikely to repay its creditors, including the Group, in full (excluding any collateral held by the Group).

Notwithstanding the above analysis, the Group considers that there was a default when the financial assets matured for more than 30 days and no liabilities were paid; unless the Group has reasonable and substantiated information to demonstrate a more appropriate delay criterion.

(iii) Impaired Financial Assets

Financial assets are impaired when one or more events have occurred that have an adverse effect on the estimated future cash flows of that financial asset. Evidence that the financial asset is impaired includes available information on the following events:

- significant financial difficulties of the issuer or debtor;
- breach of contract, such as failure to fulfil an obligation (defined above);
- when the issuer, due to the debtor's financial difficulties, grants to the debtor the same concession that he would not otherwise have taken into account;
- it becomes probable that the debtor will go bankrupt or undertake other financial reorganization
- the disappearance of an active market for certain financial assets due to financial difficulties

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

(iv) Write-off Policy

The Group writes off financial assets when there are indications that the debtor is in serious financial difficulties and there is no realistic prospect of recovery, e.g. when the debtor is liquidated or in bankruptcy proceedings or in the case of receivables from customers, when the amounts are due over three years, whichever comes first. Derecognised financial assets may still be subject to the Group's collection activities, taking into account legal advice where appropriate. Income from the collection of previously written off financial assets is recognized in the statement of profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default (PD), loss given default (LGD), i.e. the amount of loss if a default occurs and exposure at the moment of occurrence of the status of default (Exposure at Default, EAD). The assessment of the probability of default and loss given default is based on historical data and the information provided in the previous paragraphs. As for the exposure at default, for financial assets, it represents the gross carrying amount of the asset at the reporting date.

To assess PD and LGD parameters, the Group relies on publications of external investment rating agencies.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows maturing under the contract and all expected cash flows, discounted at the original effective interest rate. If the Group measured the provision for expected credit losses for a financial instrument in the amount of the lifelong ECL in the previous reporting period, but at the current reporting date determines that the conditions for the lifelong ECL are no longer met, the Group measures the loss in the amount of 12 months - at the current reporting date, except for assets for which simplified access has been used (trade receivables).

The Group always presents provisions for losses on trade receivables in the amount equal to lifelong expected credit losses (ECL). Expected credit losses are estimates of the weighted probabilities of credit losses. Credit losses are measured as the present value of all cash losses (the difference between the cash flows to which the Group is entitled under the contract and the cash flows that the Group expects to actually receive). Expected credit losses are discounted at the effective interest rate of the financial assets in question. Expected credit losses on trade receivables are estimated based on the arrears matrix, taking into account the historical experience of the default of the debtor, and the analysis of the current financial position of the debtor.

There were no changes in valuation techniques or significant assumptions during the current reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

The Group writes off trade receivables when there are indications that the debtor is in serious financial difficulties and there is no realistic prospect of recovery, e.g. when the debtor has been liquidated or entered into bankruptcy proceedings, or when trade receivables are overdue for more than a year, whichever comes first. None of the written-off receivables is subject to enforcement activities. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, provisions for losses based on maturity status do not differ further between the Group's different customer groups.

The Group recognizes a gain or loss in the statement of comprehensive income for all financial instruments with an appropriate adjustment to the carrying amount through the provision for expected credit losses.

Derecognition of financial assets

The Group derecognises a financial asset only when its contractual rights to the cash flows from the financial asset expire or transfers all the risks and rewards incidental to ownership of the financial asset to another person.

If the Group does not transfer and retain substantially all the risks and rewards of ownership and continues to control the transferred assets, the Group recognizes its retained interest in the assets and the related liability for the amounts it may have to pay. If the Group retains all material risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the financial assets and also recognizes the collateral received.

In the event of derecognition of a financial asset measured at amortized cost, the difference between the carrying amount and the amount of the consideration received and receivable is recognized in the statement of profit or loss. Furthermore, upon derecognition of an investment in a debt instrument measured under the FVOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss, except for equity instruments for which the FVOCI option is selected.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at fair value through profit or loss.

The Group measures all financial liabilities at amortized cost.

However, financial liabilities that arise when the transfer of financial assets does not qualify for derecognition or when the continuing participation approach is applied, and for financial guarantee contracts issued by the Group, are subsequently measured in accordance with the specific accounting policies set out below.

Financial liabilities subsequently measured at amortized cost.

Financial liabilities that are not (i) contingent consideration for the acquirer in a business combination, (ii) held for trading, or (iii) designated at fair value through profit or loss, are subsequently measured at amortized cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. Effective interest rate is the rate that exactly discounts estimated future cash payments (including any fees and points paid or received that form part of the effective interest rate, transaction costs and other premiums or discounts) over the expected life of the financial liability or (if applicable) a shorter period, at the amortized cost of the financial liability.

Classification as a financial liability or equity

Debt or equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement.

Equity instruments
An equity instrument is a contract that provides evidence of the residual interest in an entity's assets after deducting all of its liabilities. Equity instruments issued by the Group are recorded in the amount of realized income, less direct issuance costs.

Financial liabilities
Other financial liabilities, including borrowings and loans, are initially measured at fair value less transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.
The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. Effective interest rate is the rate at which 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 and equity instruments (continued)

Derecognition of financial liabilities

The Group derecognises a financial liability when, and only when, the Group's liabilities are discharged, cancelled or expire.

Employee benefits

Liabilities for pensions and other liabilities after retirement

In the course of regular operations, the Company makes regular payments of contributions on behalf of its employees who are members of mandatory pension funds in accordance with the law. Mandatory pension contributions to funds are reported as part of the cost of salaries when they are calculated. The Company has no obligation to provide any other employee benefits after their retirement.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) that arises from past events, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably. Provisions are reviewed at each statement of financial position date and are adjusted for an estimate based on current knowledge.

Contingent liabilities

Contingent liabilities are not recognized in the financial statements. They are published only if the possibility of outflow of resources that constitute economic benefits is not far off.

Contingent assets are not recognized in the financial statements but are disclosed when the inflow of economic benefits is probable.

Events after the reporting date

Events after the reporting date that provide additional information about the Group's position at the reporting date (events that have the effect of reconciliation) are reflected in the financial statements. Those events that do not result in reconciliation are disclosed in the notes to the financial statements if they are material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

At the financial statements approval date, the following amendments to existing standards issued by IASB and adopted in the European Union were published, 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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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/Group's financial statements in the period of the first application of the standard.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting judgments and estimates

In applying the Group's accounting policies described above, the Management Board should make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not apparent from other sources. Estimates and associated assumptions are based on historical experience and other relevant factors. Actual results may differ from estimates. The estimates and assumptions on which the estimates are based are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the revision period of the estimate if the change affects only that period or in the revision period of the estimate and in future periods if the change affects both current and future periods. The following is a description of the key judgments of the Management Board, in the process of applying the Group's accounting policies, which most significantly affected the amounts recognized in the financial statements.

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

As described in the accounting policies, the Group reviews the estimated useful lives of property, plant and equipment and intangible assets at each reporting date. Property, plant and equipment and intangible assets are stated at cost less accumulated depreciation and impairment losses.

(b) Recoverability of trade and other receivables

For credit exposures for which there has been no significant increase in credit risk since initial recognition, expected credit losses are recognized for credit losses arising from the probability of default in the next 12 months. For those credit exposures where there has been a significant increase in credit risk since initial recognition, an adjustment is required for expected credit losses over a lifetime, regardless of the time of borrowing. For trade receivables, the Group applies a simplified approach to the calculation of expected credit losses and therefore does not monitor changes in credit risk but recognizes impairment based on lifelong expected credit loss at the end of each reporting period.

Expected credit losses on trade receivables are estimated based on the arrears matrix, taking into account the historical experience of the default of the debtor and the analysis of the current financial position of the debtor.

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 informed creditworthiness assessment, including information relating to the future. Impairment of receivables at risk in terms of collection certainty is charged to the income statement for the current year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting judgments and estimates (continued)

(c) Taxes

The Company calculates its tax liability in accordance with Croatian laws and regulations. The tax expense calculated on the result for the year consists of current tax and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The amount of deferred tax is calculated using the balance sheet liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not recognized if it arises from the initial recognition of assets or liabilities in a transaction other than a business combination that does not affect accounting profit or taxable profit (tax loss) at the time of the transaction.

(d) Consequences of certain litigation

Management uses estimates of the probable outcome of legal proceedings and recognizes, on a consistent basis, provisions for the Group's liabilities arising from those proceedings.

(all amounts are stated in thousand EUR)

4. SEGMENT INFORMATION

The Group's business model consists of the following operating segments: arable farming, fruit growing, animal husbandry, fish farming, viticulture, silos, feed mills (FM), cooperation and other segments.

The following is an analysis of revenue by operating segment. The revenues shown consist of sales revenues and state subsidies.

Business overview by operating segments in 2022 and 2023

	2023		2022	
Operating segment	*Amount*	%	*Amount*	%
Crop farming	32,240	41.2%	48,270	56.1%
Fish farming	11,522	14.7%	11,760	13.7%
Livestock farming	8,001	10.2%	5,454	6.3%
Animal feed factory	4,446	5.7%	3,320	3.9%
Cooperation	4,218	5.4%	3,444	4.0%
Fruit growing	3,567	4.5%	2,485	2.9%
Viticulture	2,168	2.8%	2,203	2.5%
Silo	1,429	1.8%	1,434	1.7%
Other segments	10,747	13.7%	7,716	8.9%
Total	**78,339**	**100%**	**86,085**	**100%**

Geographical overview of operating income in 2022 and 2023

	2023		2022	
Country	*Amount*	%	*Amount*	%
Croatia	53,872	68.8%	47,109	54.7%
Bosnia and Herzegovina	6,105	7.8%	13,668	15.9%
Serbia	3,967	5.1%	4,205	4.9%
Italy	3,618	4.6%	6,114	7.1%
Hungary	2,873	3.7%	4,761	5.5%
Austria	2,266	2.9%	3,982	4.6%
Germany	1,052	1.3%	1,745	2.0%
Bulgaria	758	1.0%	703	0.8%
Lebanon	731	0.9%	243	0.3%
Slovakia	661	0.8%	341	0.4%
Other countries	2,437	3.1%	3,213	3.8%
Total	**78,339**	**100%**	**86,085**	**100%**

(all amounts are stated in thousand EUR)

5. SALES REVENUE

	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Revenues from sales of finished products	30,734	34,564	-	-
Revenues from wholesale of goods	20,952	30,681	-	-
Revenues from sales of raw materials	3,759	6,022	-	-
Revenues from sales of services	2,621	2,365	276	181
Other	3,062	(16)	-	-
Total	**61,128**	**73,616**	**276**	**181**

Revenues from sales of finished products and wholesale of goods mainly relate to revenues from sales of wine, fish, hazelnuts, cereals, oilseeds and animal feed. In the current year, the company generated income from intermediation.

6. OTHER OPERATING INCOME

	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Income from incentives and subsidies	13,595	10,044	-	-
Profit from sale of fixed assets	805	111	-	-
Livestock unit growth	521	548	-	-
Income from insurance claims collection	449	707	-	-
Revenues from pre-invoiced costs	232	174	5	-
Other operating income	1,609	885	-	-
Total	**17,211**	**12,469**	**5**	**-**

Companies within the Group receive grants related to agricultural production for which they must meet the requirements in accordance with the Law on Agriculture.

(all amounts are stated in thousand EUR)

7. COST OF GOODS SOLD

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
The purchase value of the goods sold	19,549	31,045	-	-
Abatement, dispersal, breakdown and malfunction of merchandise	91	92	-	-
Total	**19,640**	**31,137**	**-**	**-**

8. COST OF RAW MATERIALS

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Costs of raw materials and supplies	21,309	17,628	-	-
Basic, auxiliary material and office supplies	5,209	4,286	2	4
Energy and fuel costs for trucks and cars	3,534	2,927	10	-
Abatement, dispersal, breakdown and malfunction of raw materials and finished products	100	23	-	-
Total	**30,152**	**24,864**	**12**	**4**

9. OTHER EXTERNAL EXPENSES

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Transportation costs and postal services	2,145	1,551	3	-
Costs of services related to agricultural production	2,041	1,748	-	-
Work contracts	1,091	905	10	-
Costs of the Office of Support and Bookkeeping Services	984	789	-	-
Routine maintenance services	683	769	9	-
Intellectual services	460	465	17	112
Lease of business premises, equipment, vehicles, etc.	369	207	20	2
Utility fees and economic management	302	321	-	-
Advertising services, sponsorships and fair costs	276	1,006	12	-
Entertainment expenses	211	172	5	-
IT solutions and business process development services	150	238	-	-
Other	531	625	5	2
Total	**9,243**	**8,796**	**81**	**116**

Services related to agricultural production refer to the costs of ploughing, spraying, sowing, veterinary services, etc.

(all amounts are stated in thousand EUR)

10. EMPLOYEE EXPENSES

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Net salaries	6,402	4,503	110	-
Taxes, surtaxes and contributions from salaries	2,119	1,493	56	-
Contributions to salaries	1,419	958	25	-
Total	**9,940**	**6,954**	**191**	**-**

As of 31 December 2023, the Group had 632 employees (31 December 2022: 562 employees). In 2023, the Group had an average of 589 employees (2022: 465 employees).

11. DEPRECIATION AND AMORTIZATON

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Depreciation of property, plant and equipment	6,114	4,963	1	-
Depreciation of right-of-use assets	1,336	714	-	-
Amortization of intangible assets	307	27	-	-
Total	**7,757**	**5,704**	**1**	**-**

12. OTHER EXPENSES

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Insurance premiums for equipment, means of transport and inventories	979	893	-	-
Christmas presents, gifts for children, special prizes	869	813	11	-
Transportation costs to and from work	455	300	-	-
Bonuses for realised results	150	-	-	-
Per diems and other expenses on business trips	102	107	7	-
Costs of pre-invoiced services	101	86	-	-
Payment and banking costs	95	75	10	5
Contribution for forests and other contributions and membership fees	77	83	-	-
Costs of professional development of workers and costs of professional literature	71	38	2	-
Other employee costs	49	36	-	-
License fees	46	68	-	-
Administrative fees and court costs	32	-	4	-
Membership fees, allowances and similar benefits	27	27	-	-
Other expenses	246	222	-	-
Total	**3,299**	**2,748**	**34**	**5**

(all amounts are stated in thousand EUR)

13. VALUE ADJUSTMENT

	GROUP		COMPANY	
	2023	2022	2023	2022
Value adjustment of trade receivables	176	467	-	-
Value adjustment of inventories	76	-	-	-
Value adjustment for credit losses	69	-	-	-
Value adjustment of receivables from the state	5	116	-	-
Value adjustments of financial assets	-	3	-	-
Total	**326**	**586**	**-**	**-**

14. OTHER OPERATING EXPENSES

	GROUP		COMPANY	
	2023	2022	2023	2022
Subsequently determined costs according to the decision of the tax administration	322	-	-	-
Fines	197	-	-	-
Loss on sale of fixed assets	33	4	-	-
Donations	32	61	-	-
Grain quality evaluation	22	28	-	-
Direct write-offs of trade receivables	8	60	-	-
Expenses that are not tax deductible	8	14	-	-
Long-term assets deficits	-	13	-	-
Other expenses	47	157	-	-
Total	**669**	**337**	**-**	**-**

15. PROVISIONS FOR RISKS

	GROUP		COMPANY	
	2023	2022	2023	2022
Provisions for unused annual leave	131	134	-	-
Provisions for severence payments and jubilee awards	36	75	-	-
Total	**167**	**209**	**-**	**-**

(all amounts are stated in thousand EUR)

16. FINANCIAL INCOME

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Interest income	87	246	826	420
Positive exchange rate differences	-	69	-	1
Income from the sale of shares in companies in which the share is held up to 20%	-	9	-	-
Dividends/profit share	-	-	100	398
Other financial income	30	-	-	-
Total	**117**	**324**	**926**	**819**

17. FINANCIAL EXPENSES

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
Interest expense	1,959	1,066	733	371
Interest expense - IFRS 16	594	290	-	-
Negative exchange rate differences	5	94	-	1
Other financial expenses	147	137	96	126
Total	**2,705**	**1,587**	**829**	**498**

(all amounts are stated in thousand EUR)

18. CORPORATE INCOME TAX

Income tax in the country is calculated at the rate of 18% in 2023 (2022: 18%), which is applied to the estimated taxable profit of the current year. Income tax on foreign affiliates is calculated at the rates in force in the country in which it is domiciled, Bosnia and Herzegovina 10% (2022: 10%). The basis is the profit less the tax loss carried forward and increased and decreased by the amount of certain items. Tax expense includes:

	GROUP		COMPANY	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Current tax	802	2,338	-	-
Deferred tax asses	3	(4)	-	-
Deferred tax liability	41	12	-	-
Income tax expense	**846**	**2,346**	**-**	**-**

The following table shows the reconciliation of the tax expense presented in the statement of comprehensive income with the statutory tax rate:

Current tax

	GROUP		COMPANY	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Accounting profit before tax	3,142	13,992	59	377
Increase in profit / Decrease in loss	1,210	354	3	-
Decrease in loss / Increase in profit	(1,484)	(839)	(101)	(398)
Tax-loss for which deferred tax assets are not recognized	-	-	-	-
Tax base	**2,868**	**13,507**	**(39)**	**(21)**
Corporate income tax rate	10-18%	10 - 18%	18%	18%
Calculated current tax	802	2,338	-	-
Effective corporate income tax rate	27.96%	17.31%	0.00%	0.00%

(all amounts are stated in thousand EUR)

18. CORPORATE INCOME TAX (CONTINUED)

Unused tax losses

As at 31 December 2023, the Group's tax losses amount to EUR 730 thousand and are available for the reduction of future taxable profits. The Group's tax losses are shown in the following table and stand out as follows:

Year in which tax losses expire:

	GROUP	COMPANY
2023	137	-
2024	162	-
2025	82	15
2026	37	21
2027	312	-
	730	**37**

Tax losses cannot be transferred and used within group members. The Group did not recognize deferred tax assets on the basis of tax losses carried forward.

Deferred tax assets and liabilities:

The Group has recognized deferred tax assets on temporary differences relating to unrecognized provisions for jubilee awards and severance payments. The movement of deferred tax assets is shown as follows:

	GROUP		COMPANY	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Balance at 1 January	**19**	**15**	**-**	**-**
In favour of profit or loss	(3)	4	-	-
Balance at 31 December	**16**	**19**	**-**	**-**

The Group has recognized a deferred tax liability related to temporary differences arising from the increase in the fair value of property, plant and equipment when acquiring a subsidiary. The movement of deferred tax liability is shown as follows:

	GROUP		COMPANY	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Balance at 1 January	**101**	**89**	**-**	**-**
In favour of profit or loss	41	12	-	-
Balance at 31 December	**142**	**101**	**-**	**-**

(all amounts are stated in thousand EUR)

19. INTANGIBLE ASSETS

GROUP	Software	Development expenditures	Other intangible assets	Intangible assets under construction	Total
PURCHASE VALUE					
As at 1 January 2022	**461**	**188**	**121**	**79**	**849**
Increases	-	-	-	1,056	1,056
Transfers from investment in progress	442	-	-	(631)	(189)
Transfer from intangible assets to tangible assets	(1)	-	-	38	37
At 31 December 2022	**902**	**188**	**121**	**542**	**1,753**
Increases	-	106	-	2,265	2,371
Transfer of fixed asset for sale	-	-	-	(52)	(52)
Transfers from investment in progress	994	-	-	(2,135)	(1,141)
Reclassification	-	-	(115)	-	(115)
At 31 December 2023	**1,896**	**294**	**6**	**620**	**2,816**
VALUE ADJUSTMET					
At 1 January 2022	**417**	**186**	**3**	**-**	**607**
Depreciation for the current year	25	2	-	-	26
At 31 December 2022	**442**	**188**	**3**	**-**	**633**
Depreciation for the current year	306	-	1	-	307
At 31 December 2023	**748**	**188**	**4**	**-**	**940**
NET CARRYING VALUE					
At 31 December 2023	**1,148**	**106**	**2**	**620**	**1,876**
At 31 December 2022	**460**	**-**	**117**	**543**	**1,120**

(all amounts are stated in thousand EUR)

20. GOODWILL

The movement of goodwill position in 2023 and 2022 is shown below:

	GROUP		COMPANY	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Balance at the beginning of the year	33	33	-	-
Balance at the end of the year	**33**	**33**	**-**	**-**

The Group estimates the existence of impairment of goodwill at least annually, in accordance with accounting policies. This process requires an assessment of the use value of cash-generating units to which goodwill is allocated. Assessment of value in use requires the Group to make estimates of the future cash flows of cash-generating units and to select an appropriate discount rate to calculate the present value of those cash flows.

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

Goodwill has been assigned to the following cash-generating units for impairment testing as follows:

	GROUP		COMPANY	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Agropromet Grahovo	13	13	-	-
MP Energija	20	20	-	-
Total	**33**	**33**	**-**	**-**

(all amounts are stated in thousand EUR)

21. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and buildings	Biological assets and livestock unit	Plant and equipment	Vehicles, office equipment	Assets under construction	Investment in third party assets	Total
PURCHASE VALUE							
At 1 January 2022	**53,708**	**7,218**	**38,602**	**1,540**	**1,664**	**13,992**	**116,724**
Increases	22	1	-	-	11,372	91	11,486
Transfers from investment in progress	1,398	1,299	5,384	254	(8,764)	349	(80)
Transfer from tangible to intangible assets	-	-	1	-	(38)	-	(37)
Additions for NV of acquired company	-	525	-	-	-	-	525
Reductions for NV of acquired company	(30)	-	(794)	(38)	-	-	(862)
Additions for NV of acquired company	12,840	319	3,568	-	2,190	-	18,917
Transfer of biological assets	-	(15)	-	-	-	-	(15)
Alienations	(13)	(607)	(2,659)	(475)	-	-	(3,754)
Mortality	-	(41)	-	-	-	-	(41)
Impairment of tangible assets	-	-	-	-	(54)	-	(54)
Asset reduction	-	19	-	-	-	-	19
Exchange rate differences	34	-	11	-	1	5	51
At 31 December 2022	**67,959**	**8,718**	**44,113**	**1,281**	**6,371**	**14,437**	**142,879**
Increases	110	-	-	-	13,938	-	14,048
Transfers from investment in progress	4,046	84	8,605	183	(16,016)	1,526	(1,572)
Transfers from right-of-use-assets	-	-	(3,626)	(96)	-	-	(3,722)
Livestock unit growth and other changes	-	522	-	-	-	-	522
Reduction of purchase value grants	-	(89)	(65)	(10)	-	-	(164)
Transfer of fixed asset for sale	-	-	-	-	(169)	-	(169)
Transfer of biological assets	-	75	-	-	-	-	75
Alienations	(276)	(754)	(3,287)	(53)	-	-	(4,370)
Mortality	-	(82)	(74)	-	-	-	(156)
At 31 December 2023	**71,839**	**8,474**	**45,666**	**1,305**	**4,124**	**15,963**	**147,371**

(all amounts are stated in thousand EUR)

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP	Land and buildings	Biological assets and livestock unit	Plant and equipment	Vehicles, office equipment	Assets under construction	Investment in third party assets	Total
VALUE ADJUSTMENT							
As at 1 January 2022	**37,062**	**2,255**	**25,353**	**943**	**-**	**3,099**	**68,712**
Charge for the year	1,288	328	2,851	110	-	386	4,963
Disposals	(7)	(32)	(2,484)	(440)	-	-	(2,963)
Increase in NV of the acquired company	11	15	2,051	-	-	-	2,077
Mortality	-	(10)	-	-	-	-	(10)
Exchange rate differences	21	-	7	-	-	4	32
As at 31 December 2022	**38,375**	**2,556**	**27,778**	**613**	**-**	**3,489**	**72,811**
Charge for the year	1,432	384	3,750	104	-	444	6,114
Disposals	(116)	(162)	(3,010)	(52)	-	-	(3,340)
Reclassification	-	-	(1,035)	(15)	-	-	(1,050)
Mortality	-	(15)	-	-	-	-	(15)
As at 31 December 2023	**39,691**	**2,763**	**27,483**	**650**	**-**	**3,933**	**74,520**
NET BOOK VALUE							
At 31 December 2023	**32,148**	**5,711**	**18,183**	**655**	**4,124**	**12,030**	**72,851**
At 31 December 2022	**29,584**	**6,162**	**16,335**	**668**	**6,371**	**10,948**	**70,068**

As of December 31 2023, the current value of real estate on which the bank's mortgage was registered as loan insurance is EUR 10,949 thousand (31.12.2022 EUR 8.465 thousand). The mortgage on the said property amounts to EUR 34,313 thousand (31.12.2022: EUR 36,592 thousand) , while the amount owed on the said mortgages amounts to EUR 16,760 thousand (EUR 21,203 thousand).

(all amounts are stated in thousand EUR)

22. RIGHT-OF-USE ASSETS

GROUP	Right-of-use assets
Purchase value	
Balance 1 January 2022	**14,582**
Increase	472
Transfers from investment in progress	268
Increase in NV of the acquired company	1,483
Exchange rate differences	2
Balance 31 December 2022	**16,807**
Increase	4,027
Transfers from investment in progress	2,713
Reclassification	3,837
Balance 31 December 2023	**27,384**
Value adjustment	
Balance 1 January 2022	**1,458**
Charge for the year	714
Increase in NV of the acquired company	386
Exchange rate differences	1
Balance 31 December 2022	**2,559**
Charge for the year	1,336
Reclassification	1,050
Balance 31 December 2023	**4,945**
NET BOOK VALUE	
Balance as at 31 December 2022	**14,248**
Balance as at 31 December 2023	**22,439**

(all amounts are stated in thousand EUR)

23. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES

	GROUP		COMPANY	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Investments in associates	4	3	1	1
Investments in available-for-sale shares	-	-	77,313	77,313
	4	**3**	**77,314**	**77,314**

The table below lists the subsidiaries and the shares the company has in them:

Name of the subsidiary company	Main activity	Place of establishment and business	Share in ownership and voting rights		COMPANY	
			31 December 2023	31 December 2022	31 December 2023	31 December 2022
PPK Valpovo	Agriculture	Valpovo	100%	100%	23,099	23,099
PP Orahovica	Agriculture	Orahovica	98%	98%	44,393	44,393
PD Modriča	Agriculture	Modriča	100%	100%	3,946	3,946
Poljoprivrednik Derventa	Agriculture	Derventa	100%	100%	3,051	3,051
Poljoprivrednik Odžak	Agriculture	Odžak	100%	100%	988	988
MP Energija B. Grahovo	Agriculture	Grahovo	100%	100%	706	706
Agropromet B. Grahovo	Agriculture	Grahovo	100%	100%	547	547
Poljoprivrednik Glamoč	Agriculture	Glamoč	100%	100%	583	583
					77,313	**77,313**

(all amounts are stated in thousand EUR)

24. INVENTORIES

	GROUP		COMPANY	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Production inventories in progress	13,655	9,991	-	-
Biological assets stock	12,488	6,776	-	-
Finished goods inventories	9,607	9,749	-	-
Inventories of raw materials and supplies	7,845	11,274	-	-
Inventories of merchandise	2,048	5,626	-	-
Other	3,082	3,393	-	-
Total	**48,725**	**46,809**	**-**	**-**

25. TRADE RECEIVABLES

	GROUP		COMPANY	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Trade receivables in the country	5,358	8,687	153	66
Trade receivables from abroad	3,244	3,299	1	-
Impairment of trade receivables and expected credit losses	(723)	(641)	-	-
Total	**7,879**	**11,345**	**154**	**66**

Change in impairment and expected credit losses

	GROUP		COMPANY	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
As at 1 January	(641)	(546)	-	-
Increase	(245)	(468)	-	-
Charged	41	8	-	-
Cancellation	122	365	-	-
As at 31 December	**(723)**	**(641)**	**-**	**-**

(all amounts are stated in thousand EUR)

25. TRADE RECEIVABLES (CONTINUED)

Age analysis of trade receivables for which no impairment has been determined:

	GROUP		COMPANY	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Not due	4,910	4,826	85	-
up to 60 days	1,732	5,041	3	-
61 - 90 days	829	579	-	50
91 - 120 days	51	124	-	-
121 - 365 days	328	655	-	16
366 days onwards	29	120	66	-
TOTAL	**7,879**	**11,345**	**154**	**66**

The average number of collection days in the Group in 2023 was 47 days (2022: 56 days).

26. RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS

	GROUP		COMPANY	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Receivables for premiums, recourses, incentives	9,730	6,154	-	-
Receivables for paid profit tax advances	1,345	1,481	2	2
VAT receivables	662	1,479	-	7
Other state receivables	826	458	-	-
Impairment of receivables from the state	(221)	(360)	-	-
Total	**12,342**	**9,212**	**2**	**9**

(all amounts are stated in thousand EUR)

27. LOANS AND DEPOSITS GIVEN

Long-term loans and deposits

	GROUP		COMPANY	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Commodity loans granted to unrelated companies	10	11	-	-
Long-term loans granted to individuals	9	10	-	-
Long-term loans granted to related companies	-	-	18,050	20,307
Total	**19**	**21**	**18,050**	**20,307**

	Original currency	Loan amount	Maturity	31 December 2023	31 December 2022
Long-term loans and credits granted					
Lender: Agroinvest Group - Company					
Borrowers:					
PP Orahovica	EUR	13,272	12.7.2029	11,944	13,272
PPK Valpovo	EUR	9,291	12.7.2029	8,362	9,291
Total				**20,306**	**22,563**
Current portion of long-term liabilities:				**2,256**	**2,256**
Total long term				**18,050**	**20,307**
Lender: PP Orahovica					
Borrowers:					
Long-term receivables from customers				10	11
Individuals				9	10
Total				**19**	**21**

(all amounts are stated in thousand EUR)

27. LOANS AND DEPOSITS GIVEN (CONTINUED)

Short-term loans and deposits

	GROUP		COMPANY	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Loans granted to non-affiliated companies	1,033	677	-	-
Loans to affiliates	450	210	2,256	2,256
Short-term loans granted to individuals	100	92	-	-
Deposits granted to non-affiliated companies	5	5	-	-
Impairment of loans granted in the country	-	(10)	-	-
Total	**1,588**	**974**	**2,256**	**2,256**

	Original currency	**Loan amount**	**Maturity**	**31 December 2023**	**31 December 2022**
Loans given to related parties					
Lender: PPK Valpovo					
Borrowers:					
PPK Valpovo Eko	EUR	331	30.12.2024	247	-
Nekretnine PPKV	EUR	266	30.12.2024	203	210
Total				**450**	**210**

(all amounts are stated in thousand EUR)

27. LOANS AND DEPOSITS GIVEN (CONTINUED)

	Original currency	Loan amount	Maturity	31 December 2023	31 December 2022
Loans and deposits given to unrelated parties					
Lender: PPK Valpovo					
Borrowers:					
Receivables from subcontractors - OPG Mateja Gudelj	EUR	53	30.11.2023	-	53
Receivables from subcontractors - Nada Nevistić	EUR	22	30.12.2023	-	22
Receivables from subcontractors - OPG Željko Than	EUR	133	31.07.2023	-	133
Receivables from subcontractors - Vis Vitalis d.o.o.	EUR	7	28.11.2023	-	31
Receivables from subcontractors - OPG Ivica Blagaj	EUR	133	31.7.2024	90	40
Receivables from subcontractors - OPG Kraljik Ksenija	EUR	27	31.7.2024	18	13
Receivables from subcontractors - Pizzigin d.o.o.	EUR	93	07.12.2023	-	33
Receivables from subcontractors - OPG Luka Zorić	EUR	33	31.5.2024	13	28
Receivables from subcontractors - KMD servis d.o.o.	EUR	651	19.07.2023	-	92
Receivables from subcontractors - OPG Josip Than	EUR	66	30.07.2024	159	66
Receivables from subcontractors - OPG Mario Vukić	EUR	7	31.7.2024	20	7
Receivables from subcontractors - OPG Ivan Cvenić	EUR	5	30.11.2024	38	-
Receivables from subcontractors - OPG Nikola Šutalo	EUR	65	31.7.2024	65	-
Receivables from subcontractors - Panjik j.d.o.o.	EUR	60	25.1.2024	60	-
Receivables from subcontractors - Hemp Agro d.o.o.	EUR	106	30.11.2024	106	-
Receivables from subcontractors - OPG Tomislav Tkalec	EUR	30	30.11.2024	30	-
Receivables from subcontractors- OPG Mandić Vjekoslav	EUR	65	31.7.2024	80	-
Receivables from subcontractors-OPG Josip Dukmenić	EUR	30	31.3.2023	5	-
Receivables from subcontractors-OPG Predrag Nikolić	EUR	10	31.7.2024	15	-
Receivables from subcontractors-OPG Matija Crnogaj	EUR	13	31.7.2024	12	-
Other receivables from subcontractors for loans	EUR			-	32
Total				**711**	**551**
Lender: Poljoprivrednik Odžak					
Borrowers:					
POLJOMEHANIKA d.o.o	KM	11	27.02.2024	6	**-**
POLJOINVEST d.o.o	KM	11	27.02.2024	5	**-**
POLJO-SJEME d.o.o	KM	11	27.02.2024	6	**-**
POLJO COMPANY d.o.o	KM	11	27.02.2024	6	**-**
AGRO COMPANY d.o.o	KM	11	27.02.2024	5	-
Total				**28**	**-**

(all amounts are stated in thousand EUR)

27. LOANS AND DEPOSITS GIVEN (CONTINUED)

	Original currency	Loan amount	Maturity	31 December 2023	31 December 2022
Lender: PP Orahovica					
Borrowers:					
Poljoprivredna zadruga Matija Gubec	EUR	50	28.12.2024	50	-
M SAN Grupa d.o.o	EUR	42		42	-
PG Lončarević Romano	EUR		31.12.2023	37	27
Procesus d.o.o.	EUR		02.11.2024	165	100
Total				**294**	**127**
Grand total				**1,033**	**678**

	Original currency	Loan amount	Maturity	31 December 2023	31 December 2022
Structure of loans granted to natural persons					
Lender: PPK Valpovo					
Borrowers:					
Physical person				95	78
Receivables for annuities				-	10
Total				**95**	**88**
Lender: PP Orahovica					
Borrowers:					
Physical person				5	4
Total				**5**	**4**
Grand total				**100**	**92**

28. RECEIVABLES FOR ADVANCE PAYMENTS

	GROUP		COMPANY	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Receivables for advance payments for services	692	661	1	-
Receivables for given advances for fixed assets	214	279	-	-
Receivables for given advances for goods	83	30	-	-
Total	**989**	**970**	**1**	**-**

(all amounts are stated in thousand EUR)

29. OTHER RECEIVABLES

	GROUP		COMPANY	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Interest receivable	117	68	70	-
Other receivables	77	181	384	411
Employee receivables	4	5	-	-
Total	**198**	**254**	**454**	**411**

30. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Giro account	3,608	5,797	58	144
Cash on hand	5	14	-	-
Foreign currency account	4	1,436	-	-
Total	**3,617**	**7,247**	**58**	**144**

31. NON-CONTROLLING INTEREST

	PP Orahovica	EKO Bosanska Posavina	Total
Balance as at 1 January 2022	**1,034**	**-**	**1,034**
New investment	**-**	**15,712**	**15,712**
Profit for the current year	110	(68)	42
Other comprehensive loss	-	(2)	(2)
Total comprehensive income	110	(70)	40
Balance as at 31 December 2022	**1,144**	**15,642**	**16,786**
	-		
Balance as at 1 January 2023	**1,144**	**15,642**	**16,786**
Profit for the current year	79	7	86
Other comprehensive loss	-	(28)	(28)
Total comprehensive income	79	(21)	58
Balance as at 31 December 2023	**1,223**	**15,621**	**16,844**

(all amounts are stated in thousand EUR)

32. LONG-TERM LIABILITIES TO BANKS AND FINANCIAL INSTITUTIONS

	GROUP		COMPANY	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Total liabilities on loans from financial institutions	16,013	19,739	-	-
Less: current portion of loan liabilities from financial institutions	(3,889)	(3,820)	-	-
Total long-term liabilities on loans from financial institutions	**12,124**	**15,919**	**-**	**-**

Financial institution	Original currency	Amount	Maturity	31 December 2023	31 December 2022
Poljoprivrednik Derventa					
Unicredit banka d.d.	BAM	550	02.10.2028	276	-
NLB Razvojna banka	BAM	2,600	18.07.2024	141	419
BBI Banka	BAM	950	14.07.2024	127	290
Total				**544**	**709**
Poljoprivrednik Odžak					
BBI Banka	BAM	1,977	30.06.2029	385	465
Total				**385**	**465**
PP Orahovica					
Addiko banka	EUR	4,935	30.09.2026	1,509	2,058
Addiko banka	EUR	1,762	31.01.2026	515	762
Kentbank d.d.	EUR	267	31.08.2023	-	39
Kentbank d.d.	EUR	491	31.12.2024	105	206
Podravska Banka d.d.	EUR	687	01.01.2028	764	968
Podravska Banka d.d.	EUR	1,222	01.10.2027	427	533
HBOR	HRK	34,000	30.06.2030	1,837	2,131
Total				**5,157**	**6,697**
Eko Bosanska Posavina					
ProCredit Bank d.d.	BAM	535	5.6.2027	169	211
ProCredit Bank d.d.	BAM	220	5.9.2027	80	94
ProCredit Bank d.d.	BAM	2	5.8.2028	739	886
ProCredit Bank d.d.	BAM	250	5.6.2025	41	67
ProCredit Bank d.d.	BAM	400	5.4.2027	91	117
ProCredit Bank d.d.	BAM	750	15.4.2028	286	345
ProCredit Bank d.d.	BAM	400	3.6.2028	184	-
Total				**1,590**	**1,720**
PPK Valpovo					
Zagrebačka banka d.d.	EUR	14,200	31.12.2028	6,730	8,147
Zagrebačka banka d.d.	EUR	952	26.02.2023	-	31
Hrvatska poštanska banka d.d.	EUR	1,957	31.12.2030	1,018	1,657
Total				**7,748**	**9,835**

(all amounts are stated in thousand EUR)

32. LONG-TERM LIABILITIES TO BANKS AND FINANCIAL INSTITUTIONS (CONTINUED)

MPI MODRIČA	Original currency	Amount	Maturity	31 December 2023	31 December 2022
Unicredit banka d.d.	BAM	550	2.10.2028	276	-
Total				**276**	**-**

Long-term loan:

Maslina je obrana	Original currency	Amount	Maturity	31 December 2023	31 December 2022
M SAN Nekretnine d.o.o.	EUR	358	30.09.2024	313	313
Total				**313**	**313**
Grand total				**16,013**	**19,739**
Less: the current portion of long-term loans				(3,889)	(3,820)
Long-term portion of long-term loans				**12,124**	**15,919**

(all amounts are stated in thousand EUR)

33. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP		COMPANY	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Liabilities for framework loans from banks	5,313	3,758	-	-
Liabilities for short-term bank loans	204	184	-	-
Total loan liabilities	**5,517**	**3,942**	**-**	**-**
Current portion of long-term loan liabilities	3,889	3,820	-	-
Total	**9,406**	**7,762**	**-**	**-**

Overview of short-term bank loans:

Financial institution	Original currency	Amount	Maturity	31 December 2023	31 December 2022
COMPANY					
MP Energija Grahovo					
Unicredit banka d.d.	BAM	150	17.5.2023	-	25
Unicredit banka d.d.	BAM	150	24.5.2024	64	-
Total				**64**	**25**
Poljoprivrednik Odžak					
Unicredit banka d.d.	BAM	300	17.05.2023	-	87
Unicredit banka d.d.	BAM	300	24.05.2024	140	-
Total				**140**	**87**
AGROPROMET GRAHOVO					
Unicredit banka d.d.	BAM	200	17.05.2023	-	72
Total				**-**	**72**
Grand total				**204**	**184**

(all amounts are stated in thousand EUR)

33. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

Overview of framework loans:

Financial institution	Original currency	Amount	Maturity	31 December 2023	31 December 2022
COMPANY					
Poljoprivrednik Derventa					
NLB Razvojna banka	BAM	1,100	8.6.2024	511	511
BBI Banka	BAM	950	21.6.2024	486	486
BBI Banka	BAM	950	21.6.2024	486	486
Revolving kredit	BAM	950	22.4.2023	-	486
Revolving kredit	BAM	1,000	22.4.2023	-	511
Revolving kredit	BAM	1,000	9.8.2023	-	511
Revolving kredit	BAM	950	15.7.2023	-	511
Intesa Sanpaolo Banka d.d.	BAM	500	15.11.2024	256	256
NLB Razvojna banka	BAM	1,000	14.3.2024	511	-
NLB Razvojna banka	BAM	950	20.4.2024	486	-
NLB Razvojna banka	BAM	1,100	8.6.2024	562	-
Revolving kredit	BAM	1,000	11.7.2024	159	-
Total				**3,457**	**3,758**
PPK Valpovo					
HPB d.d.	EUR	1,991	15.7.2024	1,309	-
Total				**1,309**	**-**
Eko Bosanska Posavina					
Unicredit banka d.d.	BAM	1,500	24.5.2024	547	-
Total				**547**	**-**
Grand total				**5,313**	**3,758**
Total short-term loans				**5,517**	**3,942**
More: the current part of liabilities for loans from financial institutions				3,889	3,820
Total short-term part of long-term loans and short-term loans				**9,406**	**7,762**

(all amounts are stated in thousand EUR)

34. SHORT TERM MATURITYOF LONG-TERM OBLIGATIONS ON ISSUED BONDS

	GROUP		COMPANY	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Long-term liabilities for issued bonds	18,050	20,307	18,050	20,307
The current part of the long-term liability for issued bonds	2,256	2,256	2,256	2,256
Total long-term liabilities for issued bonds	**20,306**	**22,563**	**20,306**	**22,563**

35. LIABILITIES FOR RIGHT-OF-USE ASSETS

	GROUP		COMPANY	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Current portion of the liability for the right-of-use assets	2,089	1,112	-	-
Long-term portion of the liability for the right-of-use assets	19,682	14,173	-	-
Total liabilities for the right-of-use assets	**21,771**	**15,286**	**-**	**-**

36. TRADE PAYABLES

	GROUP		COMPANY	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Liabilities to suppliers of goods	5,042	3,785	-	-
Liabilities to domestic suppliers	1,140	877	96	120
Liabilities to suppliers of property and tangible fixed assets	958	486	-	-
Liabilities to suppliers abroad	268	186	-	-
Liabilities to service providers	29	13	-	-
Total	**7,437**	**5,347**	**96**	**120**

37. LIABILITIES TO EMPLOYEES

	GROUP		COMPANY	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Liabilities for net salaries	640	446	22	-
Other liabilities to employees	95	128	-	-
Total	**735**	**574**	**22**	**-**

(all amounts are stated in thousand EUR)

38. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR BENEFITS

	GROUP		COMPANY	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Income tax liabilities	705	2,286	-	-
VAT liabilities	436	78	13	-
Liabilities for taxes and contributions from and to salaries	276	195	14	-
Liabilities for membership fees	263	216	1	-
Leases and concessions liabilities	259	-	-	-
Liabilities for other benefits	19	14	-	-
Total	**1,958**	**2,789**	**28**	**-**

39. OTHER CURRENT LIABILITIES

	GROUP		COMPANY	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Obligations for interest on issued bonds	334	371	333	371
Interest liabilities for leased assets maturing in the current year	331	290	-	-
Short-term provisions for unused vacations	307	271	-	-
Interest payable on borrowings	170	162	-	-
Liabilities under employment contracts	104	72	2	-
Other current liabilities	84	113	-	-
Total	**1,330**	**1,279**	**335**	**371**

(all amounts are stated in thousand EUR)

40. RELATED PARTY TRANSACTIONS

The table below shows the receivables and liabilities that the Company had with subsidiaries in sales transactions as of December 31 2023 and December 31 2022:

	RECEIVABLES		LIABILITIES	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
PP ORAHOVICA d.o.o.	118	66	80	35
PPK VALPOVO d.o.o.	34	-	4	4
	152	**66**	**84**	**39**

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

	RECEIVABLES		LIABILITIES	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
King ICT d.o.o.	-	-	3	-
Aktivis d.o.o.	-	-	1	-
Ured za podršku d.o.o.	-	-	4	85
	-	**-**	**8**	**85**

The table below shows the income and expenses that the Company had with subsidiaries in purchase transactions as of December 31 2023 and December 31 2022:

	INCOME		EXPENSES	
	2023	2022	2023	2022
PP ORAHOVICA d.o.o.	165	106	64	28
PPK VALPOVO d.o.o.	112	74	41	20
	277	**180**	**105**	**48**

(all amounts are stated in thousand EUR)

40. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	INCOME		EXPENSES	
	2023	2022	2023	2022
M San Grupa d.o.o.	-	-	11	-
King ICT d.o.o.	-	-	3	-
Aktivis d.o.o.	-	-	1	-
Ekupi d.o.o.	-	-	1	-
Ured za podršku d.o.o.	-	-	10	69
M San Nekrenine d.o.o.	-	-	1	1
	-	**-**	**27**	**70**

The table below shows the receivables and income that the Company had with subsidiaries from credit transactions as of December 31 2023 and 2022:

	RECEIVABLES		INCOME	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
PP ORAHOVICA d.o.o.	12,189	13,519	486	247
PPK VALPOVO d.o.o.	8,502	9,455	340	173
	20,691	**22,974**	**826**	**420**

The table below shows other receivables and other income that the Company had with subsidiaries as of December 31 2023 and 2022:

	RECEIVABLES		INCOME	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
PPK VALPOVO d.o.o.	70	-	100	398
	70	**-**	**100**	**398**

(all amounts are stated in thousand EUR)

41. FINANCIAL INSTRUMENTS

Capital risk management

The group manages its capital in order to ensure that entities within the group are able to continue their business indefinitely, while at the same time realizing the highest possible return for stakeholders through optimizing the balance between debt and equity capital.

The Group's capital consists of the debt part, which includes received loans and credits minus money in cash and bank account balances (net debt) and equity, which includes share capital, reserves and retained earnings.

Financing ratio

Financing ratio at the end of the reporting period:

	GROUP		COMPANY	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Debt	41,836	46,245	20,306	22,563
Cash on hand and balances in bank accounts	3,617	7,247	58	144
NET DEBT (DEBT - CASH)	**38,219**	**38,998**	**20,248**	**22,419**
Equity	92,662	90,390	77,507	77,449
Net debt to equity ratio	**41.25%**	**43.14%**	**26.12%**	**28.95%**

(all amounts are stated in thousand EUR)

41. FINANCIAL INSTRUMENTS (CONTINUED)

Capital risk management

The Group is exposed to the following risks related to financial instruments

Categories of financial instruments:

	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Financial assets				
Cash and cash equivalents	3,617	7,247	58	144
Loans and receivables	10,673	13,565	20,915	23,040
Total financial assets	**14,290**	**20,812**	**20,973**	**23,184**
Financial liabilities				
Bank loans and received loans	21,530	23,682	-	-
Liabilities for bonds issued	20,306	22,563	20,306	22,563
Leasses liabilities	21,771	15,285	-	-
Trade payables and other financial liabilities	14,298	7,339	431	490
Total financial liabilities	**77,905**	**68,869**	**20,737**	**23,053**

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

Currency risk management

With the introduction of the value of the euro in the Republic of Croatia from January 1, 2023 year, the Group ceased to be exposed to the risks of changes in currency exchange rates.

Credit risk management

Credit risk refers to the risk that the other party will fail to meet its contractual obligations, which would result in a financial loss to the Group. The Group has adopted a policy of dealing exclusively with creditworthy parties and acquiring sufficient collateral to mitigate the risk of financial loss due to non-payment. Trade receivables are monitored on an ongoing basis to determine their risk and to carry out appropriate procedures. The credit assessment of the Group's and the Company's customers is constantly monitored and the credit exposure is reviewed at least once a year.

41. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk management

Due to the fact that the Company and the Group use loans with fixed and variable interest rates, the Company and the Group are exposed to interest rate risk. Most loans of the Company and the Group are contracted with a fixed interest rate.

Interest rate risk sensitivity analysis

The sensitivity analyses presented below are determined based on the exposure to interest rates at the end of the reporting period by non-derivatives. The sensitivity analysis for floating-rate liabilities was prepared assuming that the outstanding amount of the liability at the end of the reporting period was outstanding throughout the year. Internal interest rate risk reports submitted to key executives use an increase or decrease of 50 basis points and represent management's assessment of realistically possible changes in interest rates.

If those interest rates were 50 basis points higher or lower and all other variables were unchanged, there would be changes in the Group's interest expenses as at 31 December 2023 by EUR 49 thousand (31 December 2022: EUR 10 thousand)

The Group's total liabilities under loans at the statement of financial position date amount to EUR 21,530 thousand (31 December 2022: EUR 23,681 thousand).

Liquidity risk management

The ultimate responsibility for credit risk management rests with the Director, who has set a quality framework for liquidity risk management for short, medium and long positions of the group and defined requirements related to liquidity management.

Tabular analysis of liquidity risk and interest rate risk

The following tables analyse the remaining period to the contractual maturity of the Group's outstanding financial liabilities and expected maturity of Group’s financial assets. The tables have been prepared on the at the earliest date on which payment can be requested from the Group.

Disclosure of non-derivative financial assets is necessary to understand how the Group manages liquidity risk, as liquidity is managed based on the net amount of financial assets and financial liabilities.

(all amounts are stated in thousand EUR)

41. FINANCIAL INSTRUMENTS (CONTINUED)

Tabular analysis of liquidity risk and interest rate risk (continued)

GROUP	Up to 1 month	From 1 to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
31 December 2023						
Assets						
Interest-free	12,683	-	-	109	-	12,792
Fixed interest rate instruments	-	-	1,588	19	-	1,607
Total	**12,683**	**-**	**1,588**	**128**	**-**	**14,399**
Liabilities						
Interest-free	14,297	-	-	-	-	14,297
Lease liabilities	174	348	1,567	8,731	10,951	21,771
Interest rate instruments	1,912	1,568	8,183	20,490	9,684	41,836
Total	**16,383**	**1,916**	**9,749**	**29,221**	**20,635**	**77,904**

GROUP	Up to 1 month	From 1 to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
31 December 2022						
Assets						
Interest-free	19,820	-	-	-		19,820
Fixed interest rate instruments	-	-	974	21	-	995
Total	**19,820**	**-**	**974**	**21**	**-**	**20,815**
Liabilities						
Interest-free	7,340	-	-	-	-	7,340
Lease liabilities	93	185	834	3,560	10,613	15,285
Interest rate instruments	1,775	1,294	6,950	22,563	13,662	46,244
Total	**9,208**	**1,479**	**7,784**	**26,123**	**24,275**	**68,869**

(all amounts are stated in thousand EUR)

41. FINANCIAL INSTRUMENTS (CONTINUED)

Tabular analysis of liquidity risk and interest rate risk (continued)

COMPANY	Up to 1 month	From 1 to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
31 December 2023						
Assets						
Interest-free	667	-	-	-	-	667
Fixed interest rate instruments	1,128	-	1,128	9,025	9,025	20,306
Total	**1,795**	**-**	**1,128**	**9,025**	**9,025**	**20,973**
Liabilities						
Interest-free	431	-	-	-	-	431
Interest rate instruments	1,128	-	1,128	9,025	9,025	20,306
Total	**1,559**	**-**	**1,128**	**9,025**	**9,025**	**20,737**

COMPANY	Up to 1 month	From 1 to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
31 December 2022						
Assets						
Interest-free	621	-	-	-	-	621
Fixed interest rate instruments	1,128	-	1,128	9,025	11,281	22,562
Total	**1,749**	**-**	**1,128**	**9,025**	**11,281**	**23,183**
Liabilities						
Interest-free	491	-	-	-	-	491
Fixed interest rate instruments	1,128	-	1,128	9,025	11,281	22,562
Total	**1,619**	**-**	**1,128**	**9,025**	**11,281**	**23,053**

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Director's view is that the fair value of cash and cash equivalents, bank placements and other receivables does not differ significantly from their carrying amount due to the short-term nature of these financial instruments.

Most interest-bearing loans have a variable interest rate, which is also a market rate, so there is no significant difference between their carrying amount and fair value.The Company measures fair value using a division that reflects the importance of the inputs used to make the measurement:

Level 1: quoted prices in active markets for assets and liabilities;

Level 2: application of valuation techniques, comparison of the fair value of another instrument that is substantially the same, discounted cash flow techniques or other valuation techniques;

Level 3: application of valuation techniques in which data affecting the determined fair value of financial instruments are not based on visible market data.

(all amounts are stated in thousand EUR)

41. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk

Market risk is the risk that changes in market prices, exchange rates and interest rates will affect the Company's income, value of investments or financial instruments. The goal of market risk management is to control the exposure to market risk within acceptable values while optimizing results.

42. REMUNERATION TO KEY MEMBERS OF MANAGEMENT

Remuneration to directors and other key members of management throughout the year was as follows:

	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Short-term income - gross	294	326	32	-
Total	**294**	**326**	**32**	**-**

43. LEGAL DISPUTES AND CONTINGENT LIABILITIES

Companies within the Group are included in several court cases as plaintiffs and defendants. Provisions were made in accordance with the assessment of the negative outcome of court disputes by the legal representatives of the companies within the Group. Management estimates that the outcomes of the remaining court cases will not significantly affect the Group's business results, that is, it expects a positive outcome of the court case.

Off-balance sheet records:

	GROUP	
	2023	**2022**
Third party goods in our warehouse	2,847	3,353
Field roads	299	299
Total	**3,146**	**3,652**

44. EVENTS AFTER THE REPORTING DATE

The Assembly of the Company in February 2024 made a decision on the constitution of the Supervisory Board, consisting of: Chairman of the Supervisory Board Marko Rašić, members: Željko Menalo, Pero Matić, Danijel Lastrić and Sanda Vujkov Mustedanagić. At the constituent session of the Supervisory Board, a decision was made to recall Stipe Matić as a member of the Company's Management Board, and Vlado Čondić Galiničić, Saša Breznik, and Iva Brkić were additionally appointed members of the Management Board.

After the reporting date, there were no other events that would significantly affect the unconsolidated and consolidated financial statements of the Company and the Group for the year 2023, which should therefore be published.

45. APPROVAL OF FINANCIAL STATEMENTS

These nonfinancial and financial statements were approved by the Management Board on 29 April 2024.

Signed on behalf of the Group on 29 April 2024:

Ivan Pandurević	Vlado Čondić Galiničić	Saša Breznik	Iva Brkić
President of the management Board	Member o fthe management board	Member o fthe management board	Member o fthe management board

Zagreb, 29 April 2024

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

D E C I S I O N

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.

Ivan Pandurević President of Management Board	Vlado Čondić Galiničić Member of Management Board	Saša Breznik Member of Management Board	Iva Brkić Member of Management Board

Zagreb, 29 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 29, 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.

Marko Rašić

President of Supervisory Board

Zagreb, 29 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 58,815.43

II. The total realized profit for 2023, after taxation, in the amount of EUR 58.815,43, is allocated to the retained earnings of the Company.

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

Ivan Pandurević President of Management Board	Vlado Čondić Galiničić Member of Management Board	Saša Breznik Member of Management Board	Iva Brkić Member of Management Board

Zagreb, 29 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 29, 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 58,815.43.

II. The total realized profit for 2023, after taxation, in the amount of EUR 58,815.43 is allocated to the retained earnings of the Company.

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

Marko Rašić
President of Supervisory Board


2023
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