

**Sustainable Mobility**

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# 2024

## Annual Report

Annual Report 2024 - CIAK Grupa d.d. and its subsidiaries

**CIAK**  
G R U P A

*This is an unofficial version of the Annual Report.  
The official version in ESEF format is published separately.*

# CIKAK

G R U P A

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Note: The report in PDF format is an unofficial report, while the official version of the annual report, in accordance with the Capital Market Act, has been prepared and publicly available in accordance with the unique electronic reporting format (ESEF - European Single Electronic Format).

# MANAGEMENT REPORT

## Summary of financial results for 2024

CIAK Group's consolidated revenue in 2024 amounted to EUR 359 million or 28% higher than 2023. Reported consolidated EBITDA is EUR 33.2 million and is 44% higher than in 2023.

Consolidated EBITDA excluding one-off items amounted to almost EUR 28 million and is 22% higher compared to the previous year.

In 2024, further business and financial growth of the CIAK Group continued, which is evident from the results showing the success of business expansion strategies from previous years.

With further continuation of the realization of acquisitions and market consolidation in 2024, capital investments in 2024 amount to EUR 14.5 million.

In EUR thousands	I-XII 2023	I-XII 2024	%
Sales revenues	277,841	350,555	26
EBITDA (1)	23,138	33,242	44
<b>EBITDA without one-off items (2)</b>	<b>22,854</b>	<b>27,947</b>	<b>22</b>
Profit / (Loss) from operations	12,058	14,739	22
<b>Profit from operations without one-off items (2)</b>	<b>11,774</b>	<b>13,182</b>	<b>12</b>
Result from financial activities	(2,466)	(4,223)	71
Gross profit / (loss)	9,592	10,516	10
<b>Gross profit / (loss) of period without one-off items(2)</b>	<b>9,308</b>	<b>8,959</b>	<b>(4)</b>
Net profit / (loss)	7,003	9,232	32
<b>Net profit / (loss) of period without one-off items</b>	<b>6,719</b>	<b>7,675</b>	<b>14</b>
<b>Earnings per share (3)</b>	<b>0.35</b>	<b>0.47</b>	<b>32</b>
<b>Simplified free cash flow (4)</b>	<b>9,346</b>	<b>13,492</b>	<b>44</b>
Net debt (5)	60,714	87,384	44
Net gearing (%) (6)	46	53	16
<b>CAPEX</b>	<b>13,509</b>	<b>14,455</b>	<b>7</b>

<sup>(1)</sup> EBITDA (earnings before interest, taxes, value adjustment of fixed assets other than financial assets, depreciation and amortization) = EBIT (earnings before interest and taxes) + amortization + value adjustment of fixed assets other than financial assets

<sup>(2)</sup> The result in I-XII 2024 was positively influenced by the effects resulting from acquisitions of companies of EUR 6.4m, while the depreciation of intangible assets of EUR 3.7m, realized one-off costs of EUR 680.5t and the cost of value adjustment from previous periods of EUR 402.4t had a negative impact. In 2023, the income from the sale of the company's tangible non-current assets had a positive impact of EUR 599t, and the write-off current assets related to the two-year period of EUR 315t had a negative impact

<sup>(3)</sup> Earnings per share = net profit/number of shares

<sup>(4)</sup> Simplified Free Cash Flow = EBITDA excluding one-off items - CAPEX (capital expenditure)

<sup>(5)</sup> Net debt = Long-term and short-term financial liabilities - Cash and cash equivalents

<sup>(6)</sup> Gearing ratio = (Long-term and short-term financial liabilities - Loans and deposits given - Cash and cash equivalents) / (Long-term and short-term financial liabilities - Loans and deposits given - Cash and cash equivalent + equity)

## Statement by the president of the management board

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CIAK Group continued in 2024 with the delivery of good business results, above the previous year's realization.

Compared to last year, at the consolidated level, CIAK Group recorded an increase in operating income by 28%, amounted to almost EUR 360 million in total, and an increase in reported EBITDA of 44% to a total of EUR 33.2 million. Considering the acquisitions realized in 2024 and the positive effects resulting from them, EBITDA excluding one-off items in 2024 amounts to almost EUR 27.9 million or 22% higher than in the previous period.

At the same time, consolidated net profit amounted to EUR 9.2 million, which is an increase of 32% compared to the previous year. Net profit excluding one-time items amounted to EUR 7.7 million or 14% more than in the previous period.

The largest part of the growth relates to the organic growth of the CIAK Group, which is the result of the continuation of synergy effects and further development of realized acquisitions from previous periods. In 2024, CIAK Group continued its acquisition activities and further expanded its operations in the markets of Serbia, Slovenia and Bosnia and Herzegovina, also continuing organic growth in other markets.

At the same time, realized capital investments in 2024 amount to EUR 14.5 million and compared to the same period last year, are higher by 7% and continue the trend of continuous growth. This sends a clear message that CIAK Group continues its business development and maintains its focus on long-term business development and delivery of business results.

The realization of all previous years so far represents a good foundation for further business development, while the CIAK Group maintains its focus on further consolidation and optimization of business processes at the Group level. The optimal way of doing business, the level of management and the delivery of key business goals and projects is a priority in the continuation of work in 2025.

**Ivan Leko**

*President of the  
management board*

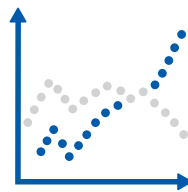


## Key business indicators



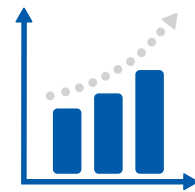
EUR **359**  
million

of consolidated  
operating revenue



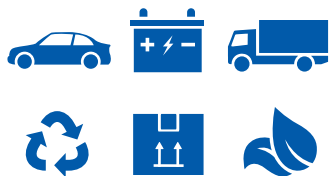
EUR **33.2**  
million

consolidated  
EBITDA



EUR **14.5**  
million

of capital investments  
in 2024



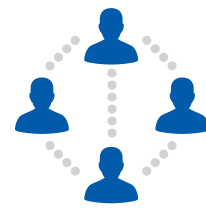
**6**

business  
segments



**7**

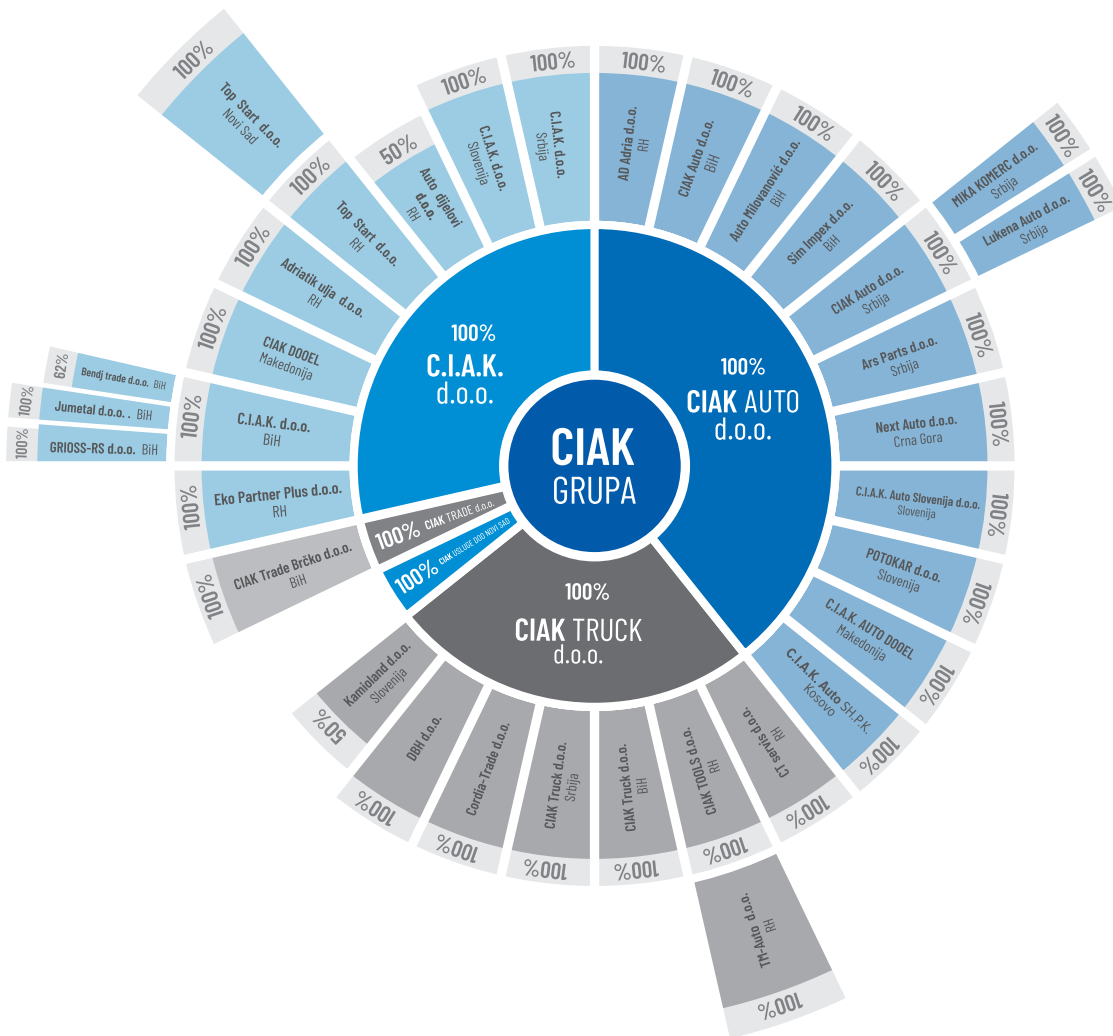
countries



**3.409**

employees as of  
31 December 2024

## Organizational structure of CIAK Group



### 4.1. HISTORY AND FOUNDATION

CIAK Group d.d., Zagreb (formerly Direkt d.o.o., the "Company") is a company established in the Republic of Croatia on January 14, 1999. The core business activities of the Company and its subsidiaries (collectively referred to as the "Group") include wholesale and retail of Auto parts and waste management, and date back to 1994.

CIAK Group d.d., as the parent company, owns several subsidiaries as shown in the report item "Organizational structure of the Group", and the term "Group" hereinafter means CIAK Group d.d. as the parent company together with its subsidiaries.

The Group is headquartered in Zagreb, Croatia, Savska Opatovina 36.

By the decision on legal transformation of 27 December 2019, the Company was transformed from a limited liability company into a joint stock company which was registered at the Commercial Court in Zagreb on 2 January 2020 and the Company changed its name to CIAK Group d.d.

Management of the Zagreb Stock Exchange d.d. brought on 29 December 2020 Decision on listing on the Official Market of 19,751,989 ordinary shares of CIAK Group d.d. with headquarters in Zagreb, OIB: 28466564680, without nominal amount, mark: CIAK, ISIN: HRCIAKRA0007.

The first day of trading with financial instruments determined by the Decision of the Zagreb Stock Exchange d.d. was 4 January 2021.

## Corporate governance

### 5. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

#### MANAGEMENT BOARD

In accordance with the Statute, CIAK Group d.d. Management Board may have at least one and a maximum of five members. If the Management Board has more than one member, one of the members must be the Chairman of the Board representing the company independently and individually, and the other members together with the President or with another member of the Board. The management currently consists of five members, namely:

**IVAN LEKO**,  
President of the Management Board  
**DOMINIK LEKO**,  
Member of the Management Board  
**DALIBOR BAGARIĆ**,  
Member of the Management Board  
**IVICA GREGURAŠ**,  
Member of the Management Board  
**IVAN MILOŠ**,  
Member of the Management Board

#### SUPERVISORY BOARD

The Supervisory Board of the Group consists of seven members, one of whom is the Chairman of the Supervisory Board, and one member is the Deputy Chairman of the Supervisory Board.

Currently, the members of the Supervisory Board are:

**STJEPAN LJATIFI**, President  
**VJEKOSLAV MESAROŠ**, Deputy President  
**SLAVICA ZRINSKI**, Member  
**ŠTEFICA JAMBREK**, Member  
**DAMIR KOS**, Representative of the workers on the Supervisory Board  
**ZVONKO MERKAŠ**, Member  
**MARKO VARGA**, Member

The business address of the members of the Management Board and the Supervisory Board is Savska Opatovina 36, Zagreb. The business address of the members of the Management Board is Savska Opatovina 36, Zagreb.

The General Meeting of the Company consists of the shareholders of CIAK Group d.d.





# 6

## Operating results

### 6.1. CONSOLIDATED PROFIT AND LOSS STATEMENT

In EUR thousands	I-XII 2023	I-XII 2024	%
<b>Sales revenues</b>	<b>277,841</b>	<b>350,555</b>	<b>26</b>
Other operating revenues	3,829	8,877	132
<b>Operating revenues</b>	<b>281,670</b>	<b>359,432</b>	<b>28</b>
Costs of raw materials and consumables	32,564	38,360	18
Costs of goods sold	153,382	193,784	26
Depreciation	11,080	14,765	33
Staff costs	48,397	66,680	38
Other costs	19,357	24,209	25
Value adjustments of long-term assets (excluding financial assets)	0	3,738	100
Value adjustments of short-term assets (excluding financial assets)	4,482	3,232	(28)
Provisions for costs and risks	350	(76)	(122)
<b>Operating expenditures</b>	<b>269,612</b>	<b>344,693</b>	<b>28</b>
<b>Profit / (Loss) from operations</b>	<b>12,058</b>	<b>14,739</b>	<b>22</b>
Finance income	245	258	5
Finance costs	2,711	4,481	65
<b>Profit / (loss) from financial activities</b>	<b>(2,465)</b>	<b>(4,223)</b>	<b>71</b>
<b>Profit / (Loss) of the period</b>	<b>9,592</b>	<b>10,516</b>	<b>10</b>
<b>Net profit / (Loss) of the period</b>	<b>7,003</b>	<b>9,232</b>	<b>32</b>

The consolidated revenues of the CIAK Group in 2024 amounted to EUR 359 million or 28% more compared to 2023. Sales revenues increased compared to the previous year by 26% or EUR 72,7 million.

EBITDA excluding one-off items is EUR 33.2 million and is 44% higher than in 2023.

Financial costs realized in 2024 are EUR 1.8 million higher compared to 2023, partly as a result of consolidation effects, and partly due to an increase in interest expense.

## 6.2. FINANCIAL POSITION REPORT

In EUR thousands	31 December 2023	31 December 2024	%
Intangible assets	9,263	11,091	20
Real estate, plant and equipment	54,857	77,051	40
Loans and deposits given	365	392	7
Investment in holdings, securities and other fixed financial assets	315	317	1
Receivables	300	74	(75)
Deferred tax assets	295	1,103	274
Total fixed assets	65,395	90,028	38
Current assets			
Inventories	96,157	135,430	41
Customer receivables	36,625	41,595	14
Other receivables	2,725	3,062	12
Loans and deposits given	1,310	1,426	9
Cash & cash equivalents	13,706	21,738	59
Total current assets	150,523	203,251	35
Prepaid expenses and accrued revenues	6,542	10,225	56
Total assets	222,460	303,504	36
Equity and liabilities			
Equity and reserves			
Initial equity	26,215	26,215	0
Capital reserves	24,505	24,505	0
Other reserves	603	769	28
Retained profit / (Loss brought forward)	11,860	14,675	24
Profit / (Loss) of the period	7,025	9,285	32
Minority interest	(37)	(66)	78
Total equity	70,171	75,383	7
Provisions	3	3	0
Long-term liabilities			
Long-term liabilities for loans and deposits	54,481	84,178	55
Other long-term liabilities	1,171	11,181	855
Deferred tax liability	778	879	13
Total long-term liabilities	56,430	96,238	71
Short-term liabilities			
Liabilities for bank's and other creditor's loans	19,939	24,944	25
Liabilities to suppliers	58,815	86,025	46
Taxes and similar liabilities	9,852	11,566	17
Other short-term liabilities	2,602	3,001	15
Liabilities to employees	2,724	4,146	52
Total short-term liabilities	93,931	129,682	38
Accruals and deferred income	1,925	2,198	14
Total liabilities	152,289	228,121	50
Total equity and liabilities	222,460	303,504	36

The company's fixed assets are 38% or EUR 24.6 million higher compared to the final balance of the previous year, mostly because of organic and inorganic expansion, so the most significant increase is in right of use assets.

The cash and cash equivalents position are EUR 21.7 million as of 31 December 2024, and the company's inventories are EUR 39.3 million or 41% higher than at the end of the previous year, of which EUR 15 million refers to inorganic growth.

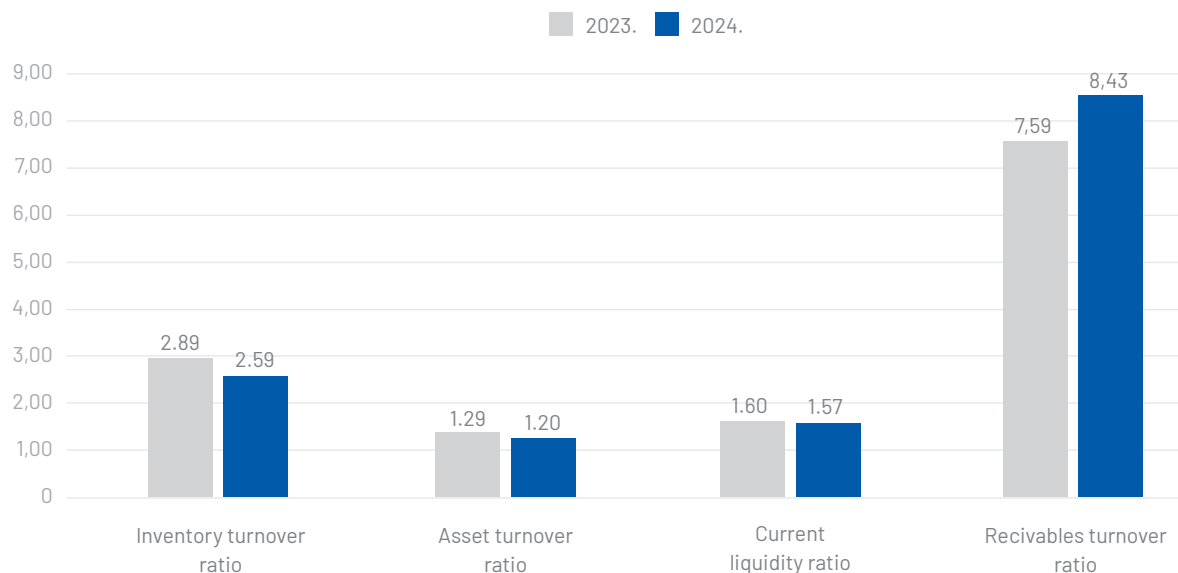
The company's working capital has been strengthened compared to the previous period, i.e. as of 31 December 2024 it amounts to EUR 112.7 million and is EUR 25.1 million or 29% higher compared to 31 December 2023.

### 6.3. FINANCIAL INDICATORS

The inventory turnover ratio is lower compared to the previous reporting period, primarily as a result of acquisitions and inorganic growth, which affected the balance sheet increase in inventories at the group level, while revenues were consolidated in the Group from the date of acquisitions in accordance with accounting standards.

The asset turnover ratio recorded a decline in 2024, for the same reason as above stated. The greatest impact had acquisitions realized and the balance of other, primarily non-current assets.

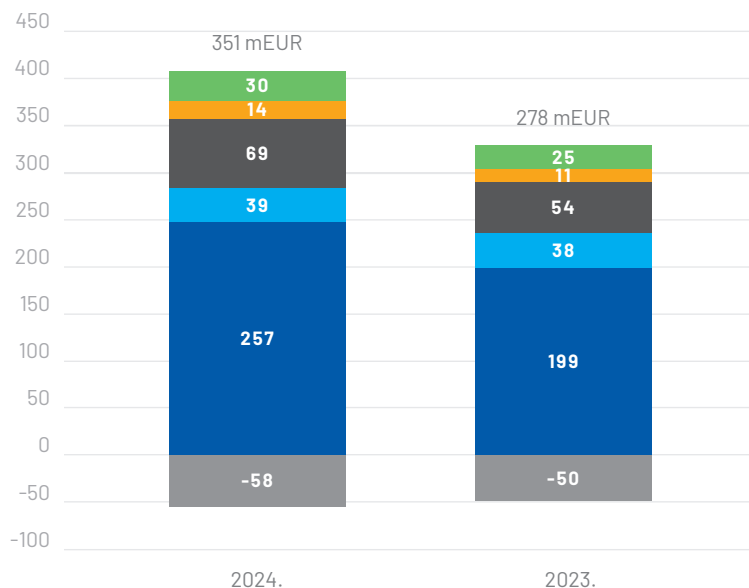
The receivables turnover ratio recorded an increase compared to the previous year, which indicates a stable collection of the Group's receivables during 2024.



With the continuation of further realization of the planned acquisitions, the net debt as of 31 December 2024 amounts to EUR 87.4 million. The Net debt/EBITDA ratio is at the same level as in the previous year and amounts to 2.63, which is significantly below the possible rates at the consolidated level.

## 6.4. REALIZATON BY BUSINESS SEGMENTS

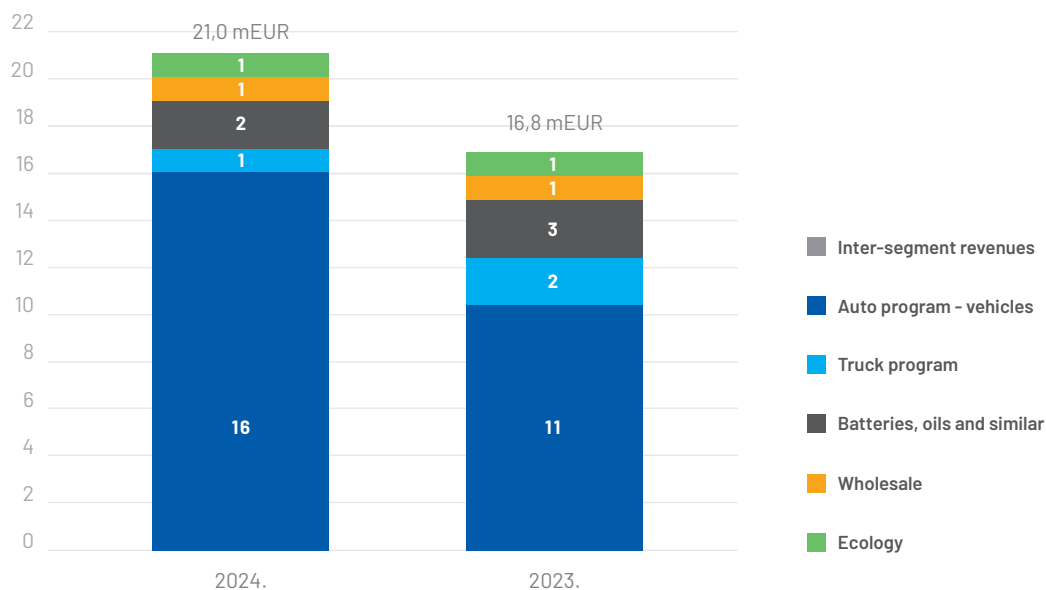
Display of realized sales revenues by segment



Revenues generated by operations in the Auto parts segment account for the most significant share of the Group's total sales revenues, i.e. 73%, while in the previous year they accounted for a total of 72%. Total sales revenues in the auto parts segment in 2024 amount to EUR 257 million and are EUR 59 million or 29% higher than in the previous year, which is an indicator of the successful integration of companies acquired in previous years as well as this year and taking a more favourable market position in this segment, in accordance with the Group's strategic goals.

The operating profit of the auto segment accounts for 78% of the Group's total operating profit before allocation of management and administration costs, i.e. a total of EUR 16.5 million.

Breakdown of operating profit by segment\*



\*Realization shows operating profit without allocated management and administration costs

## Key events for the period up to 31 december 2024

### 7. CIAK GROUP HAS SUCCESSFULLY INTEGRATED THE ACQUISITIONS FROM THE PREVIOUS PERIOD AND CONTINUED WITH FURTHER GROWTH

During 2024, CIAK Group continued the development cycle started in 2022, i.e. the phase of expanding its business and sales network in accordance with strategic business plans. The integration of acquisitions realized during the previous year was successfully completed.

In 2024, CIAK Group continued its development through organic and inorganic growth. In addition, in 2024, four companies in three countries were acquired, primarily in the IAM segment, i.e. the Auto parts segment.

On April 16, 2024, a member of the CIAK Group, C.I.A.K. Auto d.o.o. Croatia, signed a takeover transaction for two companies - STAHLGRUBER trgovina d.o.o. Ljubljana and SIM IMPEX Banja Luka d.o.o., a member of LKQ Europe.

The takeover transactions of both companies have been fully completed.

The company STAHLGRUBER trgovina d.o.o. Ljubljana is one of the independent distributors in the automotive aftermarket (IAM) in Slovenia and generates annual revenues of over EUR 12 million at three sales locations. With an experienced team and a business culture and business

expertise very similar to that applied in C.I.A.K. Auto, we expect to take full advantage of synergy effects and enable the Company to achieve even higher results in the coming years. The company will continue to operate on the market as C.I.A.K. Auto Slovenia, which will further strengthen the market position of C.I.A.K. Auto in the Adria region.

Sim Impex d.o.o. is one of the leading independent distributors of Auto parts (IAM) in Bosnia and Herzegovina, generating an annual revenue of more than EUR 21 million with 245 employees at 33 locations in Bosnia and Herzegovina. Thanks to a highly developed logistics and distribution system, a portfolio of several thousand customers, a wide range of spare parts and qualified employees, it has a strong potential for further development of the IAM segment in Bosnia and Herzegovina.

Considering the core activities of CIAK Group, these acquisitions are logical steps towards further strengthening and growth of CIAK Group's portfolio in the market of Southern and Eastern Europe.

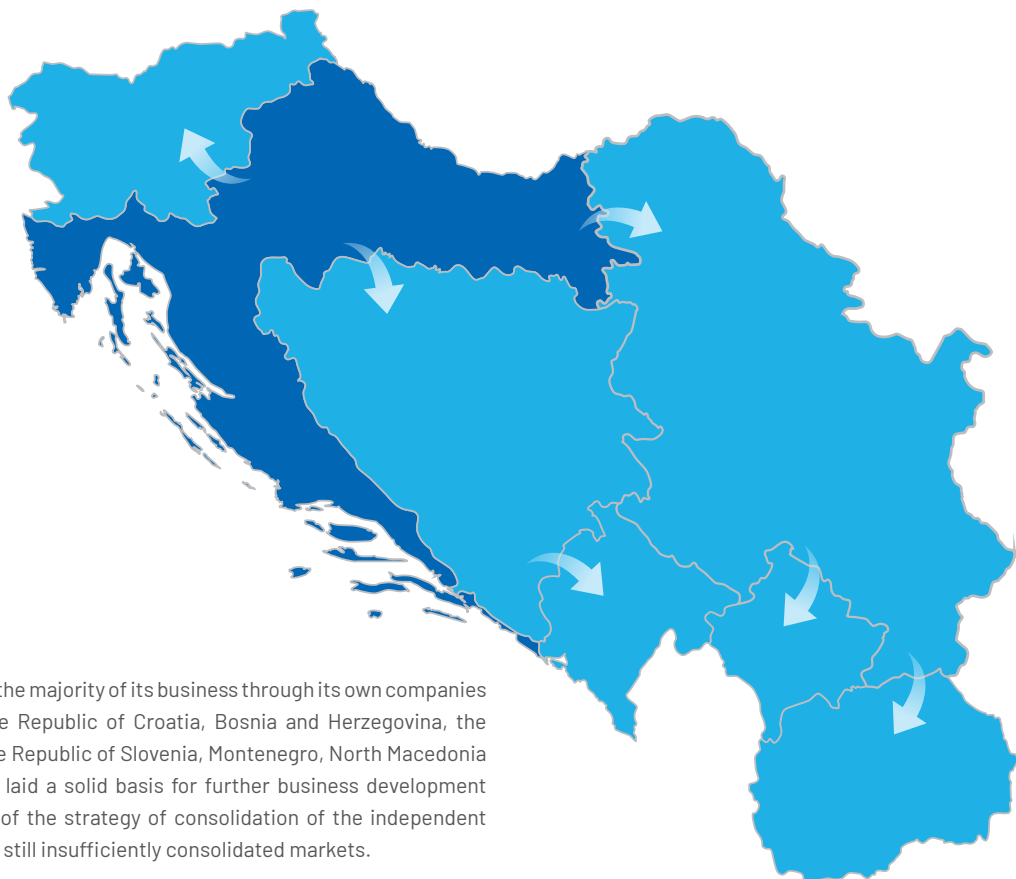


## Markets, customers, products and services

CIAK Group maintains a high level of risk diversification and business sustainability through continuous operations in 6 segments (Auto parts, Batteries, oils, etc., Freight program, Recycling, Waste management and Wholesale). The two main business divisions are the IAM (Independent Aftermarket) division and the Ecology division.

The strength of CIAK Group stems from long-term partnerships with key suppliers of the IAM sector as well as the strategy of consolidation of the still unconsolidated IAM markets, which is also recognized as the main trend within the EU region.

We have been following the stable development of the Ecology Division for over 20 years, thanks to well-laid foundations: gathering knowledge through cooperation with the largest European companies in the field of hazardous waste management and adherence to the highest standards in work. The synergy effect with the IAM division of the business enables capillary access to raw materials throughout the region and an efficient Battery Recycling segment.



The Group carries out the majority of its business through its own companies on the markets of the Republic of Croatia, Bosnia and Herzegovina, the Republic of Serbia, the Republic of Slovenia, Montenegro, North Macedonia and Kosovo. This has laid a solid basis for further business development and the continuation of the strategy of consolidation of the independent aftermarket market in still insufficiently consolidated markets.

In addition to these markets, thanks to the internationally recognized automotive industry fairs that CIAK Group has attended in the last two years, the impact of CIAK Group's export operations outside the market, where the members of the group are physically present through a network of business units, is increasingly noticeable, and further development of other foreign markets is expected with the primary goal of expanding the sale of its own brands in the battery and oil segment.

## Overview of Ciak Group Segments and Divisions



### 8.1. AUTO PARTS



Distribution of auto parts as a business segment includes the purchase and sale of auto parts on the IAM market, i.e. auto parts for sale to customers who do not visit authorized service networks (OES). The standard range includes brakes, filters, wipers, shock absorbers, lights, suspension parts, etc., but also parts such as batteries, tires, oils, antifreeze, chemistry, etc.

Business in this segment began in 2013 and over the years the Group has acquired existing smaller companies that already had their own sales units of Auto parts in the territory of the Republic of Croatia. In parallel with these acquisitions, the Group opened its own sales units. Regional expansion in the Auto parts segment began more intensively after the IPO in 2021, and the strategic goal of CIAK Group is to become the leading distributor of Auto parts in the so-called Adria region.

Customers from the segment of distribution of Auto parts are mostly legal entities and crafts, and the largest percentage of customers are service centres, mechanic shops, smaller dealers, etc.

In the Republic of Croatia, the IAM market has grown significantly in the last eight years due to the growth of used vehicles

compared to new vehicles, and therefore the older vehicle fleet with an increased need for Auto parts. In addition, the major supply chain crisis has prevented the rapid delivery of new vehicles and has further affected the increase in the number of used vehicles compared to new ones, as well as the average age of the fleet. During 2025, further organic growth is expected in the mature phase for the Croatian market, given the already high consolidation where CIAK Group and its members are the leading of the three main competitors in sales on the domestic market.

In the remaining markets, after the initial inorganic expansion through acquisitions made during the previous years, strong organic growth continued in each market where CIAK Group companies are present. Accordingly, there was a strong overall growth in the Group's revenues in the Auto parts segment. Thanks to demographic trends and current market shares of CIAK Group, further strong growth is expected in the markets of Serbia, Montenegro and Macedonia, as well as stable growth in the somewhat more saturated markets of Bosnia and Herzegovina and Slovenia.

## 8.2. BATTERIES, OILS, ETC.



Distribution of batteries, oil, etc. includes the sale of accumulators, industrial batteries, oils, lubricants and other car supplies such as whisks, additives, etc. (all together the so-called consumables). CIAK Group is the **significant** distributor of batteries in the Republic of Croatia, Bosnia and Herzegovina, the Republic of Serbia and North Macedonia and is also present as a leader in the markets of Montenegro and the Republic of Slovenia.

In addition, it is the largest authorized distributor of numerous world manufacturers of accumulators and batteries, and the first company in the Republic of Croatia that also disposes of and recycles waste lead-acid batteries.

The most important product is CIAK Starter batteries, which occupy up to 35% of the battery market in the Republic of Croatia, which gives the Group a leading market share in this part of sales. The main advantage of the Group is the developed network of authorized battery service providers (350), i.e. stations in the region.

About 75% of sales of the main product group, i.e. batteries, refer to the sale of own brands (mostly CIAK Starter battery products), while the rest refers to the resale of products from other manufacturers or other private labels. Suppliers from this segment are also significant customers from the Ecology division, where the Group sells lead ingots for batteries as an input raw material, and procures finished batteries, showing an outstanding example of a sustainable circular economy in the Republic of Croatia.

The expansion of the sales network in the Auto parts segment also contributes to a significant increase in the sales potential of the Batteries, Oils, etc. segment, which CIAK Group has effectively used over the past years and will continue to further increase its market share in all remaining markets and through the channels of its own companies present in the independent aftermarket.

## 8.3. FREIGHT PROGRAM



The freight program segment includes the purchase and sale of parts for trucks, work machinery and other commercial vehicles on the IAM market.

In addition to the market of the Republic of Croatia, CIAK Group is also present in the markets of Bosnia and Herzegovina and the Republic of Serbia, and the organic development of the freight program segment on the market of Montenegro has just begun at the end of the year.

The Group opened this division in 2014 with the acquisition of three existing companies operating in the Republic of Croatia. In addition to these acquisitions, growth was also achieved organically, i.e. by establishing new companies. The Group currently has a leading market share in the Republic of Croatia and is among the few in the Republic of Croatia that combines both the car and freight program for the IAM market in a significant volume of business. The largest part of revenues in the segment of the freight program was generated from the distribution of parts for trucks, while revenues

generated from parts for buses and off-road machinery were represented to a lesser extent.

A typical assortment includes brakes, filters, wipers, shock absorbers, lights, suspension parts, etc., but also batteries, tires, oils, antifreeze, accessories, etc. (so-called consumables).

Direct import of all parts for commercial vehicles enables the provision of the best service for commercial vehicles and the shortest procurement time for spare parts. The customers of this segment are mostly legal entities and craftsmen such as car carriers, large fleet customers, mechanic workshops, smaller dealers, etc.

Thanks to European trends – especially in major markets such as Germany – many participants in the freight program segment from our countries are faced with stable and/or declining operating revenues (primarily due to a smaller number of truck transports) as early as 2024. Despite this, as the market leader in the Republic of Croatia, CIAK Group managed to deliver growth during 2024 in the freight program segment.



## 8.4. RECYCLING

Recycling involves the recycling of waste industrial batteries and accumulators. Companies based outside the Republic of Croatia only collect or buy old batteries, while in the Republic of Croatia they are directly recycled.

CIAK Group sets an example of a sustainable circular economy where environmental, economic and development goals are aligned.

At the Recycling Centre for the Recovery of Accumulators and Batteries in Zabok, the Group produces processed lead alloys (ingots), plastics and acids, i.e. components for the production of new batteries, through the process of processing components of old batteries - including the processes of sorting and hydro separating 90-95% of the accumulators that are received at the entrance and melting of lead grids, paste and dust.

CIAK Group is currently the only one that has developed a closed system for recycling accumulators and batteries in the Republic of Croatia.

The business model of this segment is set up in such a way that the obtained raw materials are sold after the recycling process to foreign buyers who are also battery manufacturers. The same raw material buyers sell finished new batteries to the Group as suppliers of the

battery and oil distribution segment, based on a multi-year cooperation agreement.

In its plants, CIAK Group uses state-of-the-art technology and state-of-the-art production methods, and all recycling processes are in accordance with industry and environmental standards. In addition, the Group is also engaged in the resale of surplus purchased batteries that cannot be recycled due to the current capacities of the Recycling Centre.

Battery buyback is done in two ways:

- (i) active (B2B) in collection stations and mechanic shops, end-users with a larger fleet, and,
- (ii) passive (B2C) through the "old for new" model, whereby the Group uses its own retail network and network of service partners, consisting of a total of 350 points of purchase, making it the largest purchase network in the region.

Revenues in this segment are largely externally influenced by the movement of the market price of lead (the so-called LME Lead Index, English: London Metal Exchange Lead Index), while the quantities of purchased batteries are subject to the company's business decision.



## 8.5. WASTE MANAGEMENT

Waste management includes the activity of collecting, transporting, recovering and disposing of hazardous and non-hazardous waste, including the supervision of these procedures, as well as the subsequent maintenance of disposal sites, the activity of remediation of contaminated sites and industrial plants.

CIAK Group manages over 30 thousand tons of hazardous and non-hazardous waste per year. The Group has experience in the management of all types and categories of waste and has a maximum capacity of over 70 thousand tons per year.

The company has established cooperation with over 2000 economic entities from which it takes, transports, processes and disposes of hazardous and non-hazardous waste daily. The collected waste is partly treated independently, and where this is not possible, the waste is transported to unaffiliated companies that have their own facilities for the processing of the remaining waste, and all hazardous waste is transported to foreign incinerators.

The Group's entry into the waste management market began in 2000 in the former waste management centre in Vojnić and was significantly developed with a greenfield investment for the construction of a waste management centre at the location in Zabok.

CIAK Group establishes the only centre for CFCs in which it receives controlled substances and/or fluorinated greenhouse gases from refrigeration and air conditioning equipment, heat pumps, fire protection systems and fire extinguishers from authorized service providers. CIAK Group also established its own testing laboratory as a natural sequence of performing the activities of remediation of contaminated sites and industrial plants.

Activities in this segment are regulated in detail by law and under the supervision of competent state authorities related to the adequacy of waste disposal.

CIAK Group has a leading share in the waste management market in this segment.



## 8.6. WHOLESALE



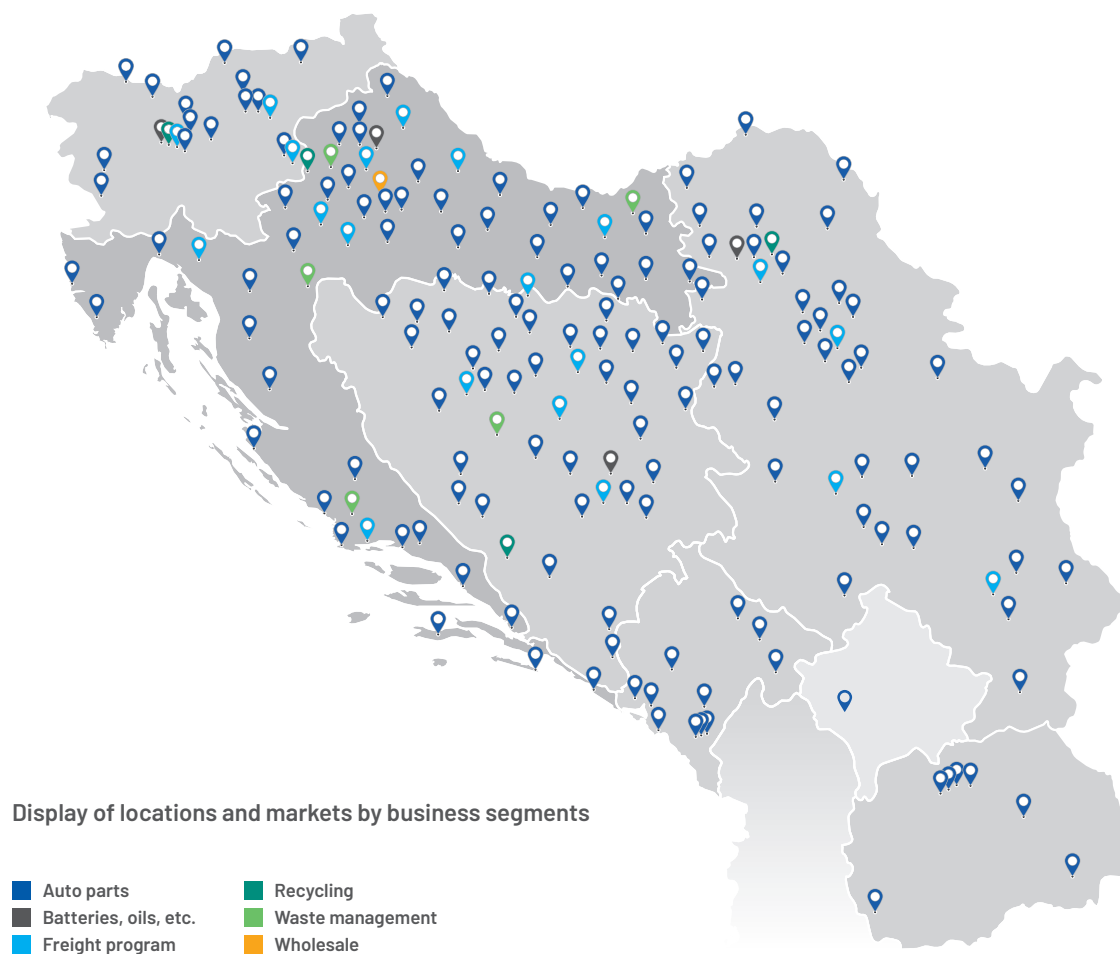
Wholesale other as a business segment includes wholesale of car supplies, textiles and garden program.

The Group has been present in this segment on the Croatian market since the beginning of 2000, and at that time it was primarily engaged in the wholesale of the range of car accessories.

In this area of business, the Group has established cooperation with large retail chains in the Republic of Croatia, which are significant customers in this segment.

Goods are mostly purchased directly from manufacturers, and the Group, through its own segment of battery and oil

distribution, is also the main distributor of private brands of batteries to large retail chains. Taking into account the increasing penetration in the garden program and the excellent assortment of its own brand, which has been significantly expanded in cooperation with the world's two largest manufacturers of garden equipment and garden and cordless tools, during 2024 the group was additionally engaged and launched the business of this segment in BiH through a separate company CIAK TRADE BiH, and through the existing company CIAK in Serbia, and a further positive contribution of this segment is expected.



## The main business risks to which the group is exposed

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### 9.1. CURRENCY RISK MANAGEMENT

The Group's currency risk is related to possible significant changes in the exchange rate of foreign currencies that are significant for the Group's operations. This risk relates to the movement of the exchange rate of the Serbian dinar (RSD) and the North Macedonian dinar (MKD), since the Group operates on foreign markets (the Republic of North Macedonia and the Republic of Serbia) and most transactions with foreign customers and suppliers are denominated in these currencies.

To the extent possible, the Group applies a natural hedge based on the principle that the combination of currencies in the debt portfolio reflects the currency position of free cash flow. Through the sales price policy, the Group corrects possible negative impacts of exchange rate changes.

In addition, the Group manages operational currency risks through a combination of other instruments, such as payments before maturity and exchange rate negotiations with commercial banks.

### 9.2. THE GROUP'S EXPOSURE TO INTEREST RATE RISK

The Group is exposed to the risk of changes in interest rates since it enters into loan agreements with fixed and variable interest rates. As at 31.12.2024, out of the total debt of the Group on which interest is accruing, a larger share of the Group's debt (principal) on which interest flows was contracted at variable rates. Most of these variable interest rates are linked to benchmark interest rates such as EURIBOR.

The Group does not speculate on the movement of interest rates, so it primarily chooses a variable interest rate. The Group actively and continuously monitors changes and projections of interest rates and continuously refinances loan obligations in accordance with current market conditions.



### 9.3. THE GROUP'S EXPOSURE TO CREDIT RISK

The sale of goods and services to customers on deferred payment creates a credit risk, a risk of non-payment or non-performance of contractual obligations by the Group's customers. Overdue receivables from customers have a negative impact on the Group's liquidity, and overdue corrected receivables also have a negative impact on the Group's financial result.

In business with customers, activities are carried out to protect against the risk of debt collection. Buyers are assessed according to creditworthiness, financial indicators and creditworthiness, and in accordance with the data obtained and previous experience with customers, credit conditions in business with customers are defined.

For the categorization of customers and the determination of credit conditions, data from official financial reports of customers are mainly used, and ratings from independent credit rating agencies are used. The exposure analysis is prepared on an ongoing basis, and the credit exposure is monitored and controlled through credit limits that are changed and reviewed at least once a year. The Group collects payment collateral from customers, wherever possible, for the purpose of minimizing possible credit risks due to non-performance of contractual obligations. Some customers, especially large buyers of certain segments of activity (e.g. ecology, recycling) are also suppliers of the Group where regular compensations are carried out. This minimizes credit risk in this part.

The Group operates with a large number of customers of different industries and sizes, which makes the risk dispersed, i.e. not concentrated on a smaller number of customers. Part of the sale of goods on deferral refers to state institutions and buyers in state ownership and ownership of local self-government, who do not submit payment security instruments.

### 9.4. THE GROUP'S EXPOSURE TO LIQUIDITY RISK AND CASH FLOW RISK

The Group manages liquidity risk by maintaining adequate reserves and credit lines on an ongoing basis. Also, the Group continuously monitors and manages the maturity of customer receivables and liabilities to suppliers, continuously comparing the planned and realized cash flow. In addition, through working capital management and inventory level optimization, the company makes maximum use of liquidity potential.

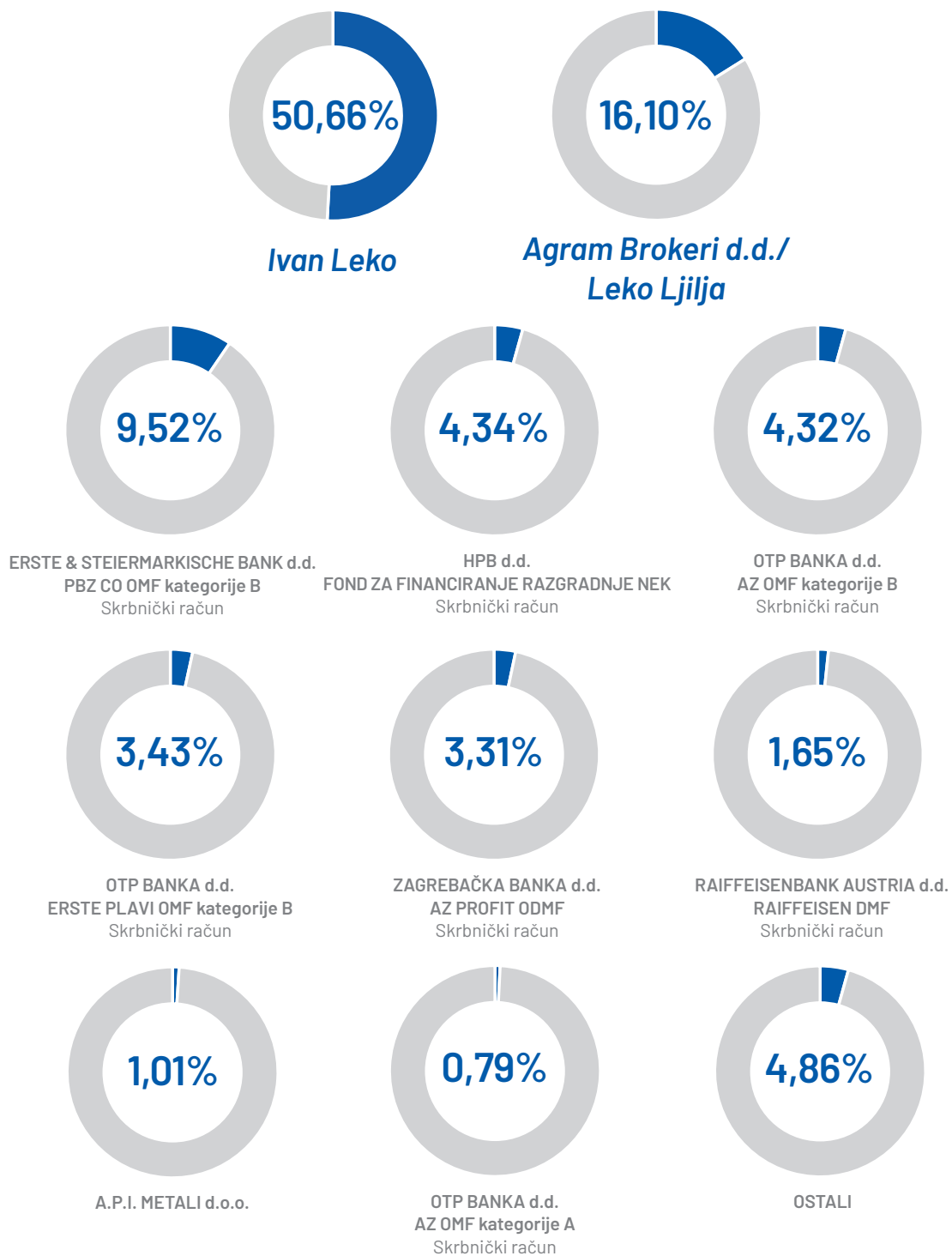
### 9.5. THE GROUP'S EXPOSURE TO PRICE RISK

The Company actively manages price risks through a strategic commercial policy and adjustment of sales prices. Each market has specialised teams responsible for continuously monitoring market conditions and managing relevant risks based on up-to-date information. These teams regularly analyse price movements, diversify supply channels and, where necessary, apply hedging strategies, including long-term supplier contracts and dynamic pricing policies, to ensure business stability and minimise the negative effects of market fluctuations.

Related to listed products, such as lead, there is a natural hedging between incoming and outgoing inputs. Since the cost of the input raw material is defined by the exchange prices on the London Metal Exchange (LME), the output prices are also determined by the same factor, thus eliminating commodity risk to a significant extent through natural hedging.

## Ownership structure

OWNERSHIP STRUCTURE - on 31.12.2024.



## Overview of other announcements, events, evaluations and data

### 11.1. IMPORTANT BUSINESS EVENTS AFTER THE CLOSURE OF THE FINANCIAL YEAR

After 31 December 2024, there were no significant changes in the Company's operations, i.e. there is no new information on estimates made as of the balance sheet date that would have a significant impact on the financial statements of CIAK Group d.d. for 2024.

### 11.2. CIAK GROUP'S BRANCHES

On 31 December 2024, CIAK Group had registered branches as shown in the presentation.

Company in the Group	Number of branches
CIAK TRUCK d.o.o. Novi Sad	5 BUSINESS UNITS REGISTERED AS BRANCH OFFICES
C.I.A.K. d.o.o. Novi Sad	2 BUSINESS UNITS REGISTERED AS BRANCH OFFICES
C.I.A.K. AUTO EKSPORT-IMPORT dooel Skopje	7 BUSINESS UNITS REGISTERED AS BRANCH OFFICES
C.I.A.K. AUTO d.o.o. Sarajevo	3 BUSINESS UNITS REGISTERED AS BRANCH OFFICES
CIAK TRUCK d.o.o. Sarajevo	2 BUSINESS UNITS REGISTERED AS BRANCH OFFICES
AUTO-MILOVANOVIĆ d.o.o. Banja Luka	29 BUSINESS UNITS REGISTERED AS BRANCH OFFICES
C.I.A.K. d.o.o. Sarajevo	2 BUSINESS UNITS REGISTERED AS BRANCH OFFICES
Potokar d.o.o. Ljubljana	15 BUSINESS UNITS REGISTERED AS BRANCH OFFICES
Sim Impex d.o.o. Banja Luka	31 BUSINESS UNITS REGISTERED AS BRANCH OFFICES
C.I.A.K. Auto SH.P.K Đakovica	1 BUSINESS UNIT REGISTERED AS A BRANCH OFFICE

### 11.3. REPURCHASE OF TREASURY SHARES

In 2024, the Group acquired 26,221 treasury shares with a nominal amount of EUR 34,801.25, representing 0.13% of the share capital. Repurchase was made based on trade outside the trading venue, through one transaction throughout the year.

On 31 December 2023, the Company owned 5,000 shares with a total nominal amount of EUR 6,636.14, or 0.025% of the Company's share capital, while on 31 December 2024 the Company owns 18,867 shares with a total nominal amount of EUR 25,040.81, representing 0.096% of the Company's share capital.

## Expected development of the group in the future

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### 12.1. MAKING ANNUAL BUSINESS PLANS

The Group makes its business plans for each business year and a business overview for the three-year period, for all areas of the Group's activities and individually at the level of each company or each market, and ultimately at the consolidated level.

During 2024, the Group is engaged in expanding its business and occupying a larger and better position in the market in goods and business volume., both domestic and foreign one.

The Group's strategy is to expand the range of products in the field of wholesale and business volume within the environmental business and production, as well as in the field of the automotive segment in the coming years.

The long-term goal at the level of the CIAK Group is to ensure stable and sustainable growth and development.

### 12.2. THE GROUP'S R&D ACTIVITIES

The Group pays special attention to the development and introduction of new technologies, as well as to additional training and training of high-quality and promising personnel who, through the engagement of funds for additional education, enable the acquisition of new knowledge necessary in the fight against the increasing competition.

Information on environmental protection and workers and information on key intangible resources can be found in the Sustainability Report, which is an integral part of the Annual Report.

# CIKAK

G R U P A





# 2024

## Sustainability Report

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Sustainability report 2024. - CIAK Grupa d.d.

## Introduction

In the course of 2024, there was no reported environmental incident in the Group. The Group is continuously working on improving environmental protection and promoting sustainable development. Some of the measures that actively promote sustainable development include the collection of waste oils, waste car tires, batteries and other hazardous and non-hazardous waste in appropriate containers and prepared for this purpose in business facilities and premises. Some of the subsidiaries of CIAK Grupa d.d., among other activities, are registered to perform waste management activities and have the necessary permits issued by the competent regulatory authorities of the countries of the registered office of the dependent undertakings.

The Management Board of the Group and the directors of the subsidiaries are responsible for the implementation of the objectives and strategy of sustainable business in the Group, and the activities and information related to the implementation of decisions, objectives and reporting are coordinated by the Human

Development. Chapter SBM-3 - Significant Impacts, Risks and Opportunities and Their Interaction with Strategy and Business Models lists the identified impacts of the Group on individual objectives in accordance with the Group's strategy and business operations.

Each company within the CIAK Group invests significant attention in taking care of the health of employees and safety at work. The Group provides a comfortable and safe working space for its employees. Identifying the risks of the work performed by workers as well as the hazards that are present in the workspace are a priority of the Group's business activities and policies. We regularly conduct health and safety education and exercises, and equip our employees with the necessary protective equipment, thus influencing the global goal of sustainability related to the health and well-being of people.

The health and safety of workers is one of the topics covered by the Group's Work Regulations, which also adopts provisions relating



Resources Department, the Occupational Safety Department, the Environmental Protection Department, the Quality Department, the Internal Audit Department and the Legal Department. The Controlling Department oversees non-financial reporting on sustainability issues, ensuring compliance with the relevant regulations governing this area.

The Group acts in good faith towards business partners, employees and the entire social and business environment, respecting good business practices.

The Group seeks to actively contribute to the United Nations Global Sustainable Development Goals (SDGs), which were adopted in 2015 as part of the 2030 Agenda for Sustainable

to ensuring the privacy of workers, working hours, the right to use annual leave, regulates the issues of salary supplements and the duration of employment contracts, which is key to contributing to Sustainability Goal 8.

The areas of the Group's activities that operationally create an impact on the environment have been identified. The Group collects data on energy consumption at the Group level in order to influence the reduction of total energy consumption and greenhouse gas emissions, and we continuously evaluate the possibilities of using renewable energy sources for the consumption of facilities owned by the Group, which has determined the contribution to the global sustainability goal of the 13th Annual Sustainable Development Goal.

One of the initiatives in the retail business refers to reducing the need for the use of PVC bags, with the aim of completely eliminating their use in retail and business processes. Instead, it is planned to use alternative more environmentally friendly solutions.

The Group's main activities include wholesale and retail of spare parts at the Independent Aftermarket (IAM, i.e. distribution of spare parts and equipment) as well as waste management. Waste management within the Group is carried out in accordance with the legal regulations of the country in which the Group member operates and includes the collection of waste oils, used car tires, batteries and other hazardous and non-hazardous waste in appropriately prepared containers and facilities of companies. The entire CIAK Group is involved in the waste collection process. The recycling of waste batteries takes place in the company C.I.A.K. d.o.o., which collects waste lead-acid batteries collected

by members of the CIAK Group and other legal and natural persons in Croatia and neighbouring countries, thus creating a strong contribution to the 12th global goal of sustainability.

Within the Group, the Centre for Battery and Accumulator Recycling in Zabok operates within company C.I.A.K. d.o.o., within which the activities of collecting and recycling batteries take place. CIAK Group collects significant quantities of lead-acid batteries marketed on the domestic market. Furthermore, in order to educate Croatian citizens about the importance and possibilities of battery recycling, our goal is to introduce this topic to as many students, elementary and high school students as possible in the coming period. In this way, we want to increase awareness of this topic and enable the young generations to behave responsibly towards the environment.

**We recognize activities that have a positive impact on business sustainability and social responsibility as key in the Group's business strategy. "**



## 1.1. GENERAL INFORMATION ABOUT THE REPORT AND BASIS OF PREPARATION

CIAK Grupa d.d. prepares the Sustainability Report on a consolidated basis for the Group companies on 31 December 2024.

The scope of the Sustainability Report is the same as in the Group's Financial Statements.

The sustainability report was prepared in accordance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) in Commission Delegated Regulation (EU) 2023/2772 and the Accounting Act of the Republic of Croatia.

The dual materiality assessment process includes the due diligence process described in international instruments, namely the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

When assessing materiality, impacts and financial materiality, the criteria set out in ESRS 1 in sections 3.4 and 3.5 were applied.

The information to be provided in the sustainability statement includes information on significant impacts, risks and opportunities at both upstream and downstream levels of the value chain. The focus is on identifying them at the level of key activities throughout the value chain in each segment.

Given that this is the first reporting period to be carried out under the ESRS, all previous sustainability information is not directly comparable to the current report, nor has it been revised. This incomparability stems from the differences in methodologies used in past reports compared to the standardized approach to the ESRS. Precisely

because of the new methodology of data calculation in accordance with the ESRS, the Group has implemented new ways of collecting data that differ from previous methods, which enables more precise and detailed reporting, but prevents direct comparisons with previously published data in annual reports. Obtaining information on indicators from the value chain has proven to be a challenging task with a certain degree of uncertainty. Apart from the GHG emissions (Greenhouse Gas emissions) Scope 3 indicators, the Group does not have any indicators from the value chain. Given that there are no accurate indicators or measurable data directly from the value chain, the Group was not able to accurately assess the relevance of these sources to its value chain. In the coming period, the Group will set up data collection systems from its key stakeholders in the value chain (suppliers, business partners, local communities, customers and end users) to improve the accuracy and completeness of data coming from the value chain itself. Scope 3 greenhouse gas emissions are calculated based on an estimate by applying appropriate calculation factors to financial consumption or collected volume data. Greenhouse gas emissions quantification is subject to inherent uncertainty as a result of both scientific and estimation uncertainty.

We are aware that the use of estimated data may result in certain deviations from the actual values and our estimates depend on the availability and quality of external data, which may vary depending on the source. In view of the above circumstances, if significant errors or changes to the disclosures from this report occur, they will be published in the following period.

**Below is a list of parts of the identified significant topics or subtopics for which it is expected that they will be gradually introduced into the scope of the report in the coming periods.**

- SBM3 40e Expected Financial Consequences
- E1\_9 Expected financial implications of significant physical, transition and climate-related risks
- E2\_6 Expected financial consequences of pollution-related impacts, risks and opportunities
- E5\_6 Expected financial implications of impacts, risks and opportunities related to resource use and the circular economy
- S1\_13 Training and skills development
- S1\_15 Work-life balance

## 1.2. ROLE OF ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY AUTHORITIES

**The role of the Management Board and the Supervisory Board** in the implementation of sustainable business in CIAK Grupa d.d. arises from legal obligations, internal acts such as the Statute and Code, corporate governance and social responsibility towards the environment and society as a whole. Sustainable business means conducting business in a way that considers long-term economic, social and environmental aspects.

### MANAGEMENT BOARD

of CIAK Grupa d.d. can have a minimum of one and a maximum of five members of the Management Board. If the Management Board has more than one member, one of the members must be the President of the Management Board who represents the company independently and individually, and the other members jointly with the President or another member of the Management Board. The Board currently consists of five members, namely:

**IVAN LEKO**, President of the Management Board

**DOMINIK LEKO**, Member of the Management Board

**IVICA GREGURAS**, Member of the Management Board

**DALIBOR BAGARIĆ**, Member of the Management Board

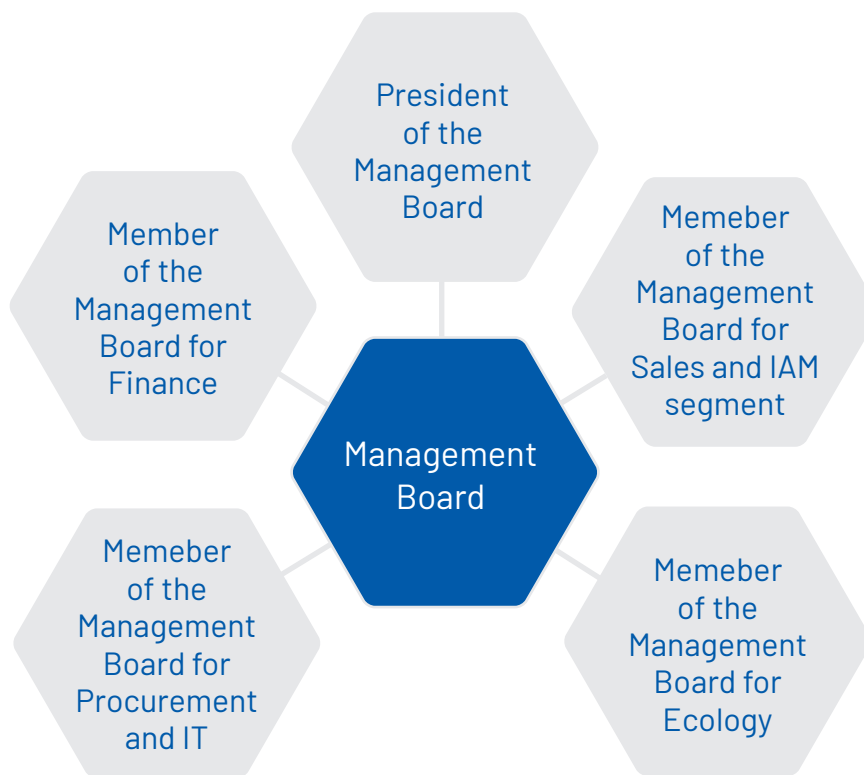
**IVAN MILOŠ**, Member of the Management Board

All members of the Management Board of the Group are men. All members of the Management Board are independent.



“

Sustainable business means conducting business in a way that takes into account long-term economic, social and environmental considerations.”



**Members of the Management Board of CIAK Group have expert knowledge and skills in the field of sustainability factors, which are the product of their long career and dedication to the development of business processes.** With its experience in the establishment and development of many Group companies, the Management Board has previously directed companies towards sustainable business models, which includes strategic acquisitions and regional presence. The management has formal and practical knowledge in business analysis and business planning, which includes the aspect of sustainability of business operations. Extensive experience in commercial and sales activities, focused on optimizing resources, increasing the efficiency of companies as well as increasing energy efficiency. The Management Board plays a key role in the management of financial risks and investments, which includes investments in projects that support long-term sustainability. Through these activities, the members of the Management Board of CIAK Group continuously strive to integrate sustainability factors into business processes, thus contributing to the long-term competitiveness and socially responsible business of the Group.

The Management Board is obliged and authorized to undertake all actions and make all decisions that it deems necessary for the successful management of the company's affairs.

In accordance with the Articles of Association, the management of the company's affairs includes decision-making for the purpose of realization of business strategy, business plans and programs, but also all factual and legal activities within the company and for its benefit. The Management Board conducts the company's affairs at its own risk, ensuring the proper performance of all activities and professional tasks. Operational and strategic decisions made by the members of the Management Board must be implemented and implemented at lower levels of management and activities of other employees of the Group.

CIAK Grupa d.d. applies **The Code of Corporate Governance** prepared jointly by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange.

According to the aforementioned Code of Corporate Governance, the duties of the Company's Management Board include key responsibilities for ensuring successful and sustainable operations. The management must develop and implement the company's strategy and business plans, manage all business activities and resources, and ensure the realization of the company's core values and ethical principles. The Management Board is also responsible for the selection and appointment of senior management members, in order to ensure the expertise

and effective management of the company, as well as for the implementation of effective risk management systems and internal controls crucial to minimize potential threats to the business and ensure stability.

The directors of subsidiaries, subsidiaries of the parent company, are responsible for making decisions independently or with prior consent, implementing strategies, managing the business and ensuring compliance with the relevant legislation and policies of the parent company.

Within the framework of these responsibilities and powers, the Management Board plays a key role in managing and supervising the impacts, risks and opportunities of ESG (environmental, social and governance) factors, which are becoming increasingly important for the long-term sustainability and competitiveness of companies. In the context of ESG, the Management Board is responsible for defining and integrating ESG objectives into strategic planning and business processes, as well as ensuring that the company manages risks responsibly and takes advantage of opportunities arising from ESG factors

The Supervisory Board consists of 7 members, 4 of whom are employees of the company. Members of the supervisory board do not have an executive function. The Supervisory Board includes one Chairman of the Supervisory Board, one Deputy Chairman of the Supervisory Board and one workers' representative. Members of the Supervisory Board are elected by the General Assembly of the company, while one member of the Supervisory Board has the right to be appointed by employees in accordance with the provisions of a special law governing work and labour relations.

The selection procedure of the Supervisory Board is based on the Companies Act and is aimed at ensuring objectivity, professionalism and accountability in the supervision of the company's operations.

The responsibilities and powers of the Supervisory Board arise from the Companies Act and the Company's Articles of Association. Members of the Supervisory Board have a key responsibility to protect the interests of the company and its shareholders. Sustainable business is becoming an increasingly important interest of society and shareholders because it contributes to the long-term growth and stability of the company. Shareholders are increasingly recognizing sustainable business as the key to maintaining competitiveness in the market, attracting investment, and creating long-term value. Implicitly,

the supervision of the management of sustainability factors (governance, environmental and social impacts of business operations and the risks and opportunities arising from them) falls within the scope of responsibility of the Supervisory Board.

The Supervisory Board has an important function of overseeing the work of the Management Board and ensuring that the organization operates in accordance with legislation, ethical standards and the interests of all stakeholders. According to the Articles of Association of CIAK Group d.d., within its competences, the Supervisory Board has the authority to appoint and recall the President and members of the Management Board of the Company, to convene the General Assembly of the Company and to examine the financial statements that it determines together with the Management Board of the Company. The Supervisory Board submits a written report on the performed supervision to the General Assembly and proposes the adoption of decisions in accordance with the applicable legislation. In addition, the Supervisory Board gives its consent to the decisions of the Management Board when prescribed by law, the Articles of Association or a special decision of the Supervisory Board. From the above, it follows that the Supervisory Board plays a significant role in ensuring the sustainable operation of the organization and overseeing the integration of sustainability into the strategy and operational processes. The Supervisory Board must ensure that the members of the Management Board have the necessary knowledge and experience in conducting business in accordance with the principles of sustainability and provides key guidance and supervision over sustainable practices, promotes ethical business and ensures that the organization successfully balances the economic, social and environmental aspects of business. In this way, the Supervisory Board not only contributes to the long-term sustainability of the organization, but also to the responsibility towards society and the environment.

**Overseeing the setting of targets related to impacts, risks and opportunities on sustainability factors** involves a multidisciplinary approach in which the different bodies of the organisation (administrative, management and supervisory) play a key role. The Management Board sets the direction and strategic goals for the sustainability of the achievements, which it monitors through regular reporting cycles and ad hoc reports.

The Supervisory Board has a key role in determining and monitoring the achievement of the company's goals through several key activities:



- Management evaluation: The Supervisory Board evaluates and appoints the Management Board and may recommend corrective actions or changes to the strategy.
- Setting goals and strategies: The Supervisory Board works with the Management Board to define the company's strategic goals, including economic, environmental and social aspects.
- Regular reporting and meetings: The Supervisory Board receives reports on progress, risks and achievements at regular intervals.
- Audits and internal controls: Conducts oversight of internal controls and engages external auditors to ensure compliance with legislation and achievement of objectives.

**Dedicated processes and controls to manage sustainability impacts, risks and opportunities** are integrated into business functions. Sustainable practices are part of strategic planning. The Management Board and Directors of CIAK Group companies are responsible for identifying impacts on sustainability factors in business processes and at the level of process activities that can be influenced and managed, using the knowledge and inputs of professional departments. Procedures for identifying, assessing and managing risks that may affect sustainability, such as environmental risks (e.g. pollution), regulatory risks and social risks (reputational risks related to social responsibility) are implemented within the framework of the regular tasks and activities of the company's organizational units such as the legal department, internal audit, human resources or the ecology department.

Dedicated controls include monitoring the effects at the level of business segments where a significant impact on sustainability factors has been identified, through sustainability reporting or by conducting internal control activities on the identified impacts.

**Expertise in the field of sustainability within an organization** is essential for the implementation of sustainable business

practices. At the Group level, knowledge and information related to sustainable development issues are continuously transferred to an increasing number of employees, primarily by central services. The Group has successful cooperation with external experts or consultants in the field of sustainability, in order to advise and continuously develop activities related to relevant topics. In accordance with the scope of their activities, certain organizational units play a key role in the implementation and monitoring of the application of sustainable practices. The legal department ensures that the organization operates in accordance with the applicable legislation, while internal audit conducts internal control activities to ensure that sustainable practices are properly implemented in the organization, including internal control of business processes. The human resources department is responsible for employee development and fostering a culture of sustainability within the organization. Within the ecology department, the ecology business segment (waste management and recycling) contains specialized knowledge on environmental protection, resource management and sustainable practices. All of these departments within the organization have a significant role in providing expert information to the Management Board in order to make decisions based on relevant and timely information.

The skills and expertise of management and supervisory bodies are essential to manage significant sustainability, risks and opportunities of a company, as they enable an organisation to identify, analyse, assess and respond to environmental, social and economic challenges and opportunities.

The Management Board implements the goals and strategy of sustainability and continuously analyses the need for additional investment in training or training of employees, as well as the possibility of new employment or hiring external associates, if required by the specificity and scope of the strategy. This process ensures that the organization possesses the necessary expertise and resources to successfully implement its goals.



### 1.3. REPORTING TO MANAGEMENT AND SUPERVISORY AUTHORITIES ON SUSTAINABILITY MATTERS

Each member of the CIAK Group Management Board is responsible for integrating sustainability factors into the business strategy within their competence, ensuring compliance with long-term sustainability goals. Directors of companies within the Group have a key responsibility for implementing sustainable practices in their daily business activities, including reducing negative environmental impact, improving social conditions and contributing to sustainable development goals. The directors regularly report on the progress of these initiatives to the Management Board of CIAK Group through direct meetings and periodic reports, enabling monitoring and adaptation of the strategy in accordance with the results and challenges achieved.

The Management Board of CIAK Group is regularly informed about significant impacts, risks and opportunities related to the effects on the environment, society (stakeholders) and the status of compliance with legislation and implemented standards, as well as on the effectiveness of policies, measures, indicators and target values. Notification is carried out through regular meetings, presentations, reports and analyses prepared by professional departments and directors of companies within the Group. The key departments in this process are the Department of Legal Service, Internal Audit, Ecology, Human Resources and the Department of Controlling. These departments play a key role in shaping and implementing sustainability goals and in guiding sustainable initiatives within the organization. The Supervisory Board also receives information on sustainability factors through meetings with the Management Board and regular reports, which are supplemented by specific information necessary for oversight.

These channels enable the Supervisory Board to monitor progress in the field of sustainability, understand challenges and support the long-term sustainability of the business.

The Group's management and supervisory bodies carefully consider impacts, risks and opportunities when overseeing strategy, significant transactions and risk management. Through regular reporting and analysis processes, it is ensured that the Group's decisions are aligned with long-term sustainability and responsible business goals, as well as the balance of the company's short-term goals and the implementation of long-term sustainable business guidelines.

In the reporting period, the management and supervisory bodies of CIAK Group dealt with key impacts, risks and opportunities in the field of sustainable business. Options for the implementation of energy efficiency measures in order to reduce financial and negative environmental impacts were considered. Further development of waste management and recycling activities is a priority, with a special emphasis on reducing pollution and responsible waste disposal, thus contributing to the Group's global sustainability goals. In addition, steps have been taken to implement ISO quality standards in the operations of certain Group companies, which enables raising the level of services and increasing the environmental friendliness of products. New partnerships with suppliers have been developed in order to meet the needs of consumers and provide environmentally friendly products on the market. New requirements have been introduced in reporting processes that enable more thorough monitoring of the impact of business on sustainability factors, thus improving transparency and long-term sustainable development of the Group.

**Further development of waste management and recycling activities are a priority, with a special emphasis on reducing pollution and responsible waste disposal, thus contributing to the Group's global sustainability goals."**

## 1.4. INTEGRATING SUSTAINABILITY RESULTS INTO INCENTIVE SCHEMES

In accordance with the applicable legislation and guidelines of supervisory institutions, the CIAK Group has adopted an ordinance regulating the remuneration of members of the Management Board. The remuneration of the members of the Management Board is divided into fixed and variable income. The adoption of the Sustainability Strategy envisages the

definition of incentives for members of managing bodies related to climate impact issues. To align incentives related to sustainability issues with the Group's ESG strategy, appropriate strategic ESG goals for Management Board members will be considered and defined in the coming periods.

## 1.5. DUE DILIGENCE

Due diligence is the process by which companies identify, prevent, mitigate and describe how they address actual and potential negative impacts of their operations on the environment and people. Due diligence is an ongoing practice that responds to change and can cause changes in the context of a company's strategy, its business model and its activities, business relationships, operations, procurement and sales. This process is described in international instruments, namely the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. The outcome of a company's sustainability due diligence process is the basis for assessing its significant impacts, risks and opportunities.

The due diligence process in the process of preparing the double materiality analysis was carried out through a series of activities that determined the potential negative effects of the company itself on the environment or society. The goal of the procedure itself is to find ways in which these effects can potentially be

prevented or mitigated, and the result is a document that describes all identified actual and potential negative (but also positive) effects of business on the environment and people.

Potential negative impacts identified in environmental impact arise from the nature of the activity in which the Group operates (waste management and recycling). In the process of assessing the materiality of the impact of the local community and other relevant stakeholders, they were interviewed in order to assess the materiality of the impact and to provide the Group with insight into further necessary measures. However, the risk has been identified as minimal and potential because the Group implements additional measures in addition to legally binding measures to prevent emissions, adequately dispose of waste and prevent incidents. In the event of extraordinary circumstances, the Group, in cooperation with public services, conducted exercises to minimize the consequences in such cases.

## 1.6. RISK MANAGEMENT AND INTERNAL CONTROLS

CIAK Group's sustainability report is a synthesis of data collected from four key sources, providing a comprehensive view of business in the context of sustainability. These sources include the Double Materiality Analysis Study, the draft sustainability strategy of the CIAK Group, internal documents (regulations and policies) and databases for generating quantitative data. In the reporting process, the activities and responsible persons are clearly defined, while the risks that may affect the final report are carefully identified. Potential risks include the omission of key information for estimating materiality, as well as incomplete data collection or inaccuracy of calculations. To prevent these risks, a working group for ESG issues has been formed, which includes employees of central departments and is responsible for communicating with other employees within its area of activity and controlling the accuracy of the collected data.

**In the case of new business developments, including acquisitions, it is important to immediately identify whether new sustainability impacts arise and, if so, to conduct a**

**detailed analysis of those impacts to determine the need to adjust the sustainability strategy and disclose them in the Sustainability Report.**

Key steps in risk management within the sustainability reporting process include monitoring changes and defining responsibilities, to ensure that the building blocks of the Sustainability Report are updated in a timely manner. Also, all internal documents that serve as a source of qualitative data must be structured in a way that allows easy connection to the Sustainability Report. If there are changes or additions to these documents, the department in charge of preparing the Sustainability Report must be informed about these changes in a timely manner in order to be able to implement them in the reporting structure.

In all iterations of new impact analyses and phases of sustainability reporting, the Management Board is informed about the risks identified, the responsible persons and the measures taken to reduce or eliminate these risks.

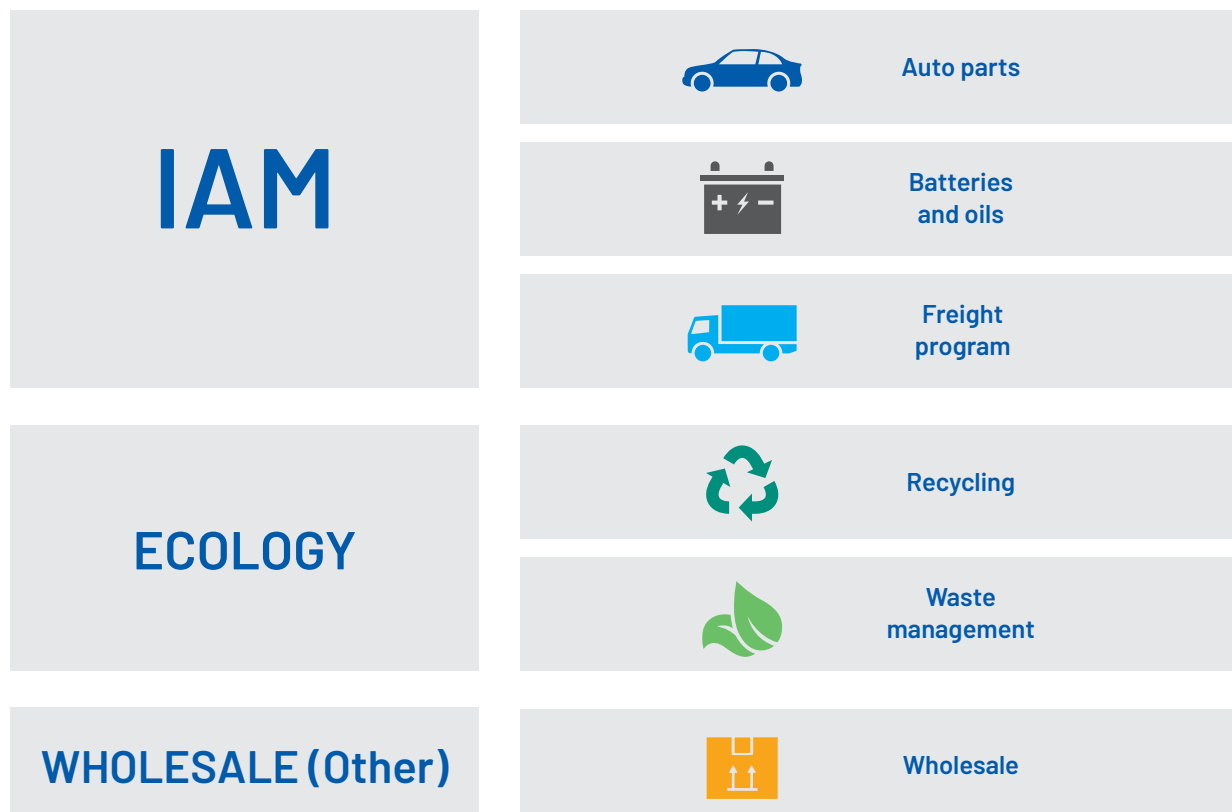
## 1.7. STRATEGY AND OVERVIEW OF THE GROUP'S BUSINESS MODEL

Due to the need to make business decisions and assess business, CIAK Group's business is divided into several segments. A segment is a distinctive component or part of the Group that is engaged in the sale of related products and services and is subject to risks and rewards that are different

from those applicable to other segments. Based on such business organization, the Group makes decisions on the allocation of resources to individual business segments and evaluates their efficiency.

The Group's business is divided into five segments, namely:

- distribution of auto parts;
- distribution of batteries, oil, etc.;
- freight program;
- ecology (waste management and recycling); And
- wholesale.





**The auto parts distribution business segment** includes the purchase and sale of auto parts on the IAM market, i.e. auto parts for sale to customers who do not visit authorized service networks (OES). A typical assortment includes brakes, filters, wipers, shock absorbers, lights, suspension parts, etc., but also parts such as batteries, tires, oils, antifreeze, etc.

Customers from the segment of distribution of auto parts are mostly legal entities and crafts, and the largest percentage of customers are service centres, mechanic shops, smaller dealers, etc. The business is mostly focused on retail customers, and the company has established a call centre and a web store through which online orders are enabled. In addition to the above, customers also have at their disposal e-mail inquiries and the possibility of communication through social networks such as Facebook and Instagram, as well as other sales and service tools.



**The battery and oil distribution business segment** includes the sale of accumulators, industrial batteries, oils, lubricants and other automotive supplies such as brushes, additives, etc. (all together the so-called consumables). A significant part of sales in this segment relates to intra-Group sales.

In this segment, sales are organized through the following sales channels:

- wholesale to unrelated companies on the IAM market;
- wholesale to legal persons and crafts that are mainly also end-users product;
- wholesale to companies that have service stations; and
- retail through a subsidiary specialising in the trade in batteries



**The cargo program business segment** includes the purchase and sale of parts for trucks and commercial vehicles on the IAM market. The customers of this segment are mostly legal entities and craftsmen such as car carriers, large fleet customers, mechanic workshops, smaller dealers, etc.

These segments make up the IAM group of segments. Processes within the segments of the IAM Group begin with procurement, where attention is paid to the selection of suppliers, defining procurement conditions and monitoring the compliance of products with legal and industry standards. The next key step is transport and distribution, where the timely and safe transport of products to warehouses or points of sale is ensured. Logistics processes include warehousing and inventory management to ensure the continued availability of items and goods in the market.

Through centralized management, CIAK Group coordinates all activities, from operational to strategic, including making business decisions, complying with regulations and providing technical support to customers. Sales activities in the IAM Group are divided into retail, which is focused on end users, and wholesale, which deals with the supply of services and large business entities such as fleet customers. This division allows for adaptation to different customer needs and specific market segments.

CIAK Group's sustainability goals in the IAM segment are aimed at reducing the negative impact on the environment and improving social responsibility. Where applicable, the Group optimises energy resources and acts to reduce greenhouse gas emissions. Also, within the framework of standard business processes, priority is given to the implementation of activities related to battery recycling. Also, the Group companies encourage social responsibility by emphasizing the importance of applying sustainable and ethical practices in the supply chain and initiating activities related to the provision of education to partners, but also through continuous engagement in the community. Through these goals, it contributes to global sustainability goals and ensures the long-term sustainability of the business.

**The ecology segment** refers to two sub-segments - recycling and waste management.

The recycling business segment takes place in a subsidiary company, which operates on the Croatian market. In the recycling process, they produce processed lead ingots, i.e. components for the production of new batteries.

The products of the observed segment are purchased by foreign customers as raw materials for the production process of new batteries. Based on multi-year cooperation agreements, the Group partners and suppliers in the battery and oil segment.

The waste management business segment takes place in the markets of Croatia, Bosnia and Herzegovina, Serbia and Slovenia, where there are larger storage capacities in the markets of Croatia and Bosnia and Herzegovina. The waste management process includes the activity of collecting, transporting, recovering and disposing of hazardous and non-hazardous waste, including the supervision of these processes, including the remediation of contaminated sites and the cleaning and maintenance of industrial installations. Part of the collected waste is handed over to authorized processors in the country or abroad, and part is processed at the locations of the company C.I.A.K. d.o.o. After treatment, part of the waste is handed over for further recovery/disposal procedures to authorized processors in the country or abroad. In this sub-segment, the Group generates revenues from customers to whom it disposes of waste and, to a lesser extent, from customers for whom the collected waste serves as an energy source in the production process (such as cement plants, power plants, etc.).

The main activities of these segments include the collection of waste accumulators and batteries and all types of waste from different locations. After collection, the transport of waste to recycling centres or to waste management facilities is carried out in accordance with strict safety and environmental standards. The next step is the process of recovery/recycling or waste disposal

Centralized management within the CIAK Group in this segment includes ensuring compliance with legal regulations, obtaining the necessary permits and reporting to the competent authorities. Educational campaigns are also carried out in these segments with the aim of raising awareness of the importance of recycling among the local community, schools and business partners.

One of the Group's key goals is to improve battery collection and recycling capacities by installing new equipment that will enable an increase in capacity, which will increase the quantity of recycled batteries and consequently reduce environmental risks associated with improper battery disposal and prevent soil and groundwater pollution.

CIAK Group is profiled on the market as a significant collector and processor of hazardous and non-hazardous waste in Croatia. The Group sees further business development in the creation of long-term partnerships with service users and cooperation with European hazardous waste management companies, which operate in accordance with EU environmental regulations and high operational standards in waste recovery procedures.

**The wholesale business segment** includes wholesale of car supplies, textiles and garden program. The key customers in the observed business segment are large retail chains in the Republic of Croatia.

Procurement in this segment is focused on selecting reliable suppliers and negotiating terms that ensure quality and more favourable delivery costs. After procurement, there is a transport and distribution phase, where a combination of in-house logistics capacities and partner logistics companies is used to ensure timely delivery of products to large customers.

Warehousing and logistics form an important part of the process, with a focus on organizing warehouse space and managing inventory to meet customer needs. Centralized management within the CIAK Group enables the coordination of all activities of this segment, including technical support, business decision-making and monitoring of sales performance.

Wholesale activities are focused on fleet customers, services and retail chains, with an emphasis on maintaining long-term business relationships, providing technical support and adapting to the specific needs of customers.

The Group operates in the markets of the Republic of Croatia, Bosnia and Herzegovina, the Republic of Serbia, the Republic of Slovenia, Montenegro and the Republic of North Macedonia and the Republic of Kosovo.








Number of employees by segments on 31 December 2024.

Industry Segment	Number of employees (HC)
Batteries, oils, etc.	197
Auto program - passenger cars	2,609
Ecology	188
Freight program	239
Management	143
Wholesale	33
Total Employees	3,409

Number of employees by markets on 31 December 2024.

Market	Number of employees
Croatia	1,579
Serbia	825
Bosnia and Herzegovina	624
Montenegro	199
Slovenija	132
Macedonia	46
Kosovo	4
Total number of Employees	3,409

Revenue by segment in 2024 (in EUR 000)

Auto program - passenger cars	Batteries, oils, etc.	Freight program	Ecology	Wholesale	Management	Intersegmental eliminations	Total operating revenues of the Group
265,708	69,495	39,176	30,308	13,768	6,509	(65,532)	359,432
							



## 1.8. GROUP STAKEHOLDERS

CIAK Group is a dynamic and innovative business organization that operates in various industries with the aim of providing high-quality products and services. With a focus on sustainability and social responsibility, the Group connects with all its stakeholders – customers, employees, suppliers, shareholders and local communities – to develop business strategies that respond to their needs and market challenges.

CIAK Grupa d.d. operates in an environment that includes various internal and external stakeholders who influence the company's strategic and operational decisions. Below is an overview of the key stakeholders:

Shareholders and investors are key to the formation of the Group's corporate goals because their interests impose the goal of continuous growth of the company's value and responsible management of business risks, including the establishment of sustainable business. Shareholders and investors are crucial in securing capital and expect consistent returns on their investments. CIAK Group, as a joint stock company whose shares are listed on the Zagreb Stock Exchange, regularly communicates financial results and provides the general public with access to all mandated disclosures as well as key business decisions made.

Suppliers are looking for stable demand for products, timely payments and long-term relationships. Car parts manufacturers, battery manufacturers, and waste management equipment suppliers form the backbone of the company's business. CIAK Group relies on on-time delivery and high-quality assortment to meet customer needs and meet safety standards.

The customers of the CIAK Group vary by segment, and the Group's operations are conducted through B2B and B2C sales channels. The interests of CIAK Group's customers are focused on quality, reliability and efficiency, with an increasing emphasis on environmentally friendly products and services. In the segment of the sale of car parts and the sale of cargo programs, customers are looking for parts for vehicle repairs, with an emphasis on the availability and

breadth of the range in accordance with market needs. In the segment of battery and oil sales, the technical characteristics and quality of products can have the greatest impact on demand. In waste management, legal entities are looking for solutions for efficient waste disposal. In recycling, battery manufacturers want affordable production input and environmentally friendly options, with a long-term partnership with the CIAK Group, which is the buyer of their batteries. In wholesale, retail chains are looking for competitive and reliable products for distribution. Customers in all segments expect quality products and services that meet their needs at the most acceptable price, regular availability and timely delivery, with a guarantee of exercising their rights in after-sales activities.

The interests of employees include job security, adequate salaries, opportunities for professional development and safe working conditions. Operating throughout Southeast Europe, human capital is the main factor in CIAK Group's business. Employee satisfaction and skill development have a direct impact on customer service, operational efficiency, and overall productivity.

The government and regulatory bodies require CIAK Group to comply with environmental laws, tax and other relevant regulations, contribute to employment and comply with trade regulations. CIAK Group operates in a strictly regulated sector, especially in environmental protection services and waste management. The competent authorities monitor the company's compliance with positive legislation on waste management, recycling and the handling of hazardous materials.

Local communities and environmental groups are included in the list of types of stakeholders due to CIAK Group's environmental impact and waste management practices and contribution to the local economy. Waste management activities and recycling operations can have an environmental and social impact on local communities.

The Group actively engages with stakeholders to ensure the implementation of responsible and sustainable business practices.



## COOPERATION WITH KEY STAKEHOLDERS

CIAK Grupa d.d. maintains long-term and stable relationships with key stakeholders at all levels of the value chain, creating mutual benefits through responsible business and high-quality standards.

### Cooperation with suppliers

The Group demands high quality standards from its suppliers, including compliance with environmental and safety standards, thus ensuring competitive and reliable products. In addition, it regularly collaborates on innovation and market adaptation, developing new technologies and improving existing products. The model of cooperation with battery suppliers also includes the purchase of lead from the recycling process, which achieves environmental and economic benefits.

**Purpose:** To ensure high standards of quality, environmental friendliness and safety, and to develop innovative solutions that meet market requirements.

**Outcome:** Creating long-term, reliable business relationships that enable competitiveness in the market. Environmental initiatives, such as lead recycling, bring economic and environmental benefits, reducing the negative impact on the environment.

### CIAK Auto Fleet Management and Academy

Through the CIAK Auto Fleet Management program, the Group provides high-quality spare parts and services according to the latest standards. With the establishment of the CIAK Auto Academy in 2017, the Group provides professional training for car mechanics and mechatronics, and from 2022, education is available online.

**Purpose:** To provide quality spare parts and services according to the latest industry standards and to invest in the professional development of customers, which increases their expertise and efficiency.

**Outcome:** Increasing the quality of services, expertise of partners and competitiveness in the market. Online education provides access to a wider audience, thereby expanding the influence and educational standards in the industry.

### Sustainable business and responsible waste management

Cooperation with customers through retail battery purchase centres enables safe and responsible management of waste batteries, reducing the negative impact on the environment and creating the opportunity for reuse of materials.

**Purpose:** To encourage responsible management, reducing the negative impact on the environment and enabling the reuse of materials.

**Outcome:** Significant contribution to sustainable business, reduction of environmental footprint and creation of circular economic value. This approach strengthens the company's image as a responsible business entity.

### Collabouration with employees

CIAK Group encourages daily and open communication with employees and investment in their development, which increases productivity and loyalty. The "INTRANET" provides access to important information, and the **ONBOARDING** process facilitates the adaptation of new employees.

**Purpose:** To increase employee engagement, motivation and productivity through open communication and investment in their professional development.

**Outcome:** Employee loyalty increases, and their greater motivation and professional development result in better work performance and a lower turnover rate. Transparency and support strengthen the organizational culture.

### Cooperation with public services and regulatory authorities

The group cooperates with public services through emergency preparedness exercises, thereby improving the speed of response and efficiency in protecting health and the environment. It also cooperates with regulatory bodies through legally required reports and inspections.

**Purpose:** To ensure compliance with regulatory requirements and increase efficiency in crisis situations, as well as in the protection of health and the environment.

**Outcome:** Improved security and regulatory compliance. A faster response in emergency situations allows the company to remain responsible towards society and the environment, thus reducing the risk of legal and environmental incidents.

### Engaging with the community and stakeholders

The Group is actively involved in socially responsible projects, such as the collection of packaging waste from plant protection products, and cooperation with shareholders takes place through regular reports and the work of the General Assembly.

**Purpose:** To get involved in socially responsible projects that have a positive impact on the community and to ensure transparency in communication with shareholders.

**Outcome:** Strengthening relations with the local community and shareholders, which contributes to the positive image of the company and its long-term stability. Activities related to environmental protection and social initiatives raise social responsibility and encourage the engagement of all stakeholders.



“

With a focus on sustainability and social responsibility, the Group connects with all its stakeholders – customers, employees, suppliers, shareholders and local communities – to develop business strategies that meet their needs and market challenges.”

## INCORPORATING STAKEHOLDER VIEWS INTO CIAK GROUP'S OPERATIONS

CIAK Group recognizes the importance of including the views of its key stakeholders – customers, suppliers, employees, shareholders and the local community – in the development of its business strategy. This approach enables the Group to develop sustainable business models that not only meet market needs, but also respond to environmental and social challenges, thus ensuring long-term competitiveness and contributing to the sustainable development of society and the environment.

### Customers

CIAK Group regularly conducts market research to collect feedback on the needs and satisfaction of its customers. This feedback allows the group to work on improving the range and quality of service, adapted to changing market requirements and legal regulations. Also, the company's marketing and sales strategies are based on analyses of customer attitudes, which ensures precise communication and effective promotion of the assortment.

### Suppliers

CIAK Group maintains long-term partnerships with suppliers, which includes joint contribution to the improvement of the supply chain process, improvement of assortment quality and cost optimization. The Group also actively cooperates with suppliers on environmental initiatives, including the use of environmentally friendly materials, which contributes to the sustainability of the business. Regular meetings and dialogue with suppliers enable better productivity, safety and quality in the production process.

### Employees

Employees are key stakeholders in the CIAK Group, and their involvement in strategic decision-making is reflected through surveys, team meetings and

creative workshops. The Group regularly develops training and professional development programs, ensuring that employees have the necessary skills to face new market challenges. Also, management maintains a transparent dialogue with employees, which allows strategic goals to be in line with their needs and organizational culture.

### Shareholders

CIAK Group regularly informs shareholders about business results, strategic plans and financial indicators, ensuring transparency and trust. The Group aligns its business strategy with the interests of shareholders, with an emphasis on long-term return on investment through business diversification, expansion into new markets and optimization of operations.

### Local community

CIAK Group actively contributes to the development of the local community by supporting social initiatives, such as donations, educational programs and environmental actions. The Group holds consultations with local authorities and organizations to better understand their needs and incorporate them into its strategic plans. Long-term relationships with local stakeholders allow for better integration into the local economy and community stability.

The management and supervisory bodies of CIAK Group were informed of the views and interests of the affected stakeholders regarding the company's sustainability-related effects through regular meetings and reports of expert departments within the Group. These mechanisms ensure that administrative, management and supervisory bodies are informed in a timely manner about the needs and interests of stakeholders, allowing for decision-making in line with sustainability principles.

## 1.9. SIGNIFICANT IMPACTS, RISKS AND OPPORTUNITIES

CIAK Grupa d.d. conducted an analysis of activities within different business segments with a focus on identifying key impacts, risks and opportunities. The analysis is the basis for the formation of the sustainability strategy of CIAK Grupa d.d.

When formulating corporate goals and strategy, CIAK Group considers the effects of its business activities on sustainability factors, including environmental, social and economic aspects. Based on these identified impacts, the Group integrates sustainability goals into its strategy, ensuring that all business processes are geared towards reducing negative environmental impact, managing resources responsibly, and strengthening social responsibility. These sustainability goals are becoming a key component in shaping a homogeneous business model, in which sustainable business practices are consistently applied in all business segments. In this way, CIAK Group consolidates a strategy that enables long-term sustainability and growth, while

maintaining a balance between business and sustainability goals.

In accordance with the requirements of ESRS 1 3.3 point 39 and 3.4 point 43, a detailed analysis was carried out when identifying and assessing the impacts, risks and opportunities in the company's value chain, in order to determine their materiality. The focus of the analysis is on areas of action where these impacts, risks and opportunities are likely to arise, based on the nature of the activities concerned, business relationships, geographical features or other factors. The identified effects on the environment or people can be actual or potential, positive or negative. Ciak Grupa d.d. implements the requirements of all positive processes that regulate the same, quality certificates and additional measures in order to establish sustainable business and development, which is why most of the negative effects remain at the level of potential in the event of certain extraordinary circumstances.

### IMPACTS, RISKS AND OPPORTUNITIES

The key aspects of the Group's environmental impact have been identified within the ecology business segment, which includes waste management and recycling, and at the level of the

logistics and distribution process. A certain impact has also been identified in the IAM segment through trading activity in the auto parts industry.

### CLIMATE CHANGE AND ENERGY EFFICIENCY

Significant activities of the Group in terms of climate change impact and energy efficiency management have been identified as the activity of installing solar panels at the level of the most energy-intensive business segments and at locations where the infrastructure of facilities allows it, as well as the activity of measuring energy consumption for the purpose of optimizing energy consumption at the locations of the largest company of the Group and in terms of the operational processes of the companies that consume the most energy (CIAK Auto d.o.o. RH and CIAK d. o.o. RH).

To make a credible assessment of the environmental impact, and subsequently the risks and opportunities for the Group, it is important to understand the recycling and waste management procedures. The recycling process is carried out by the company C.I.A.K. d.o.o. on the Croatian market. In addition to C.I.A.K. d.o.o., other waste management procedures (storage, certain recovery procedures and transport of waste) are performed by other companies of CIAK Grupa, which operate in the segment of ecology in the domestic and market sectors.

The recycling process includes the jobs and activities of recycling lead-acid batteries and accumulators. Recycling takes place at the Battery and Accumulator Recycling Centre in Zabok and includes sorting and recovery of old accumulators during the production of lead ingots.

The waste management process includes the collection, transport, recovery and disposal of hazardous and non-hazardous waste, including the remediation of contaminated sites and the cleaning and maintenance of industrial plants. Part of the collected waste is handed over to authorized processors in the country or abroad, and part is processed at the locations of C.I.A.K. d.o.o. After treatment, part of the waste is handed over for further recovery/disposal procedures to authorized processors in the country or abroad.

By the nature of the activities in question, certain emissions are generated at the level of the operational part of the process for the purpose of minimizing or annulling, which are subject to a great number of legal and internal measures.

CO2 emissions are monitored in the ecology segment at the level of the recycling process. Greenhouse gas emissions, including CO2, are monitored in the company C.I.A.K. d.o.o., Recycling Centre in Zabok in accordance with regulations. In order for CO2 and GHG emissions to be within the legally defined or accepted values, a number of measures have been implemented in accordance with positive regulations and environmental permits, as well as internal measures that include the procurement of high-performance technology, the implementation of management standards that provide guidelines for harmonizing all activities with environmental standards and improving the sustainability of

processes (ISO standards), control and monitoring of emissions. The emission monitoring system contributes to systematic controls, i.e. enables quality monitoring and reporting of emissions and air quality parameters of the plant.

The activity of installing solar panels in Zabok also contributes to the reduction of emissions. Solar-generated electricity generates significantly fewer CO<sub>2</sub> emissions compared to traditional energy sources such as fossil fuels (coal, oil, gas).

CO<sub>2</sub> emissions also occur at the level of the logistics and distribution process in all business segments. **Measures to check the roadworthiness of vehicles and reduce emissions from vehicles include a range of legal regulations and preventive actions, successfully integrated into the company's business processes.** All vehicles used by the Group to perform their activities undergo regular technical inspections where the amount of exhaust gases is tested. Euro standards, which regulate the maximum permissible gas emissions for vehicles, define the criteria when testing exhaust gases at a technical inspection. The Group, guided by the principle of prudent management, regularly modernizes its fleet and purchases new vehicles manufactured in accordance with Euro 5 and Euro 6 standards.

The implemented measures significantly contribute to the reduction of CO<sub>2</sub> and other greenhouse gas emissions and result in minimal negative impact on the environment.

The positive effect of the battery recycling process in the context of climate change stems from the reduction of the need for

## POLLUTION

The waste management and recycling process has been identified as a significant activity through which the Group influences the latter sustainability factor.

In the ecology segment, environmental impacts occur in terms of emissions to water and air, while emissions to air are exclusively related to the recycling process. Water from this production process is disposed of as waste and there are no direct discharges from the production process, while the polluted substances that can be found in potentially contaminated rainwater from asphalt surfaces must be within the set limit values.

To keep the emissions in these processes within the legal limit values and values set by the environmental permit, as well as to protect the employees involved in the process, a range of technological, operational and regulatory measures have been implemented. These measures include adequate provision of space, the pursuit of implementation of modern technologies to reduce emissions, the development of appropriate control and monitoring infrastructures, and effective training and management, as well as occupational safety measures. By applying these environmental and employee protection measures, the impact on the environment and employees is minimal and the

mining and processing of raw materials used in the production of new batteries, which requires large amounts of energy and leads to more realized greenhouse gas emissions, while the recycling of raw material has a positive impact on these aspects.

Through the installation of solar panels in locations where the structure of the building allows it, the positive effect is multiple. Solar panels produce clean, renewable energy, reducing dependence on fossil fuels and greenhouse gas emissions. The activity contributes to decarbonization, climate change mitigation and sustainable use of resources using renewable energy sources.

Measuring energy consumption at the level of significant Group companies provides the opportunity to manage consumption and have an impact on reduced greenhouse gas emissions.

The identified financial risks relate to the possibility of incurring expenditures for the maintenance, acquisition or upgrade of assets to ensure compliance with relevant regulations or internal decisions that contribute to the creation of positive effects on the climate and the environment.

The financial opportunity arises from the possibility of implementing measures to reduce greenhouse gas emissions and contribute to energy efficiency, which can also be reflected in the Group's financial result.

risks that arise from this impact are significantly or completely eliminated, and the implemented procedures and physical restrictions contribute to the reduction of greenhouse gases, the prevention of pollution and the safety of employees.

At waste management sites, extraordinary events can potentially occur due to the human factor, disruption of the technological process or due to natural disasters. Exercises are being conducted with the competent authorities in order to test the procedures and speed of action in accordance with the regulations so that the impact on people and employees in the event of extraordinary events is minimal.

Waste transportation activities involve the risk of extraordinary events under certain exceptional circumstances, such as traffic accidents. Waste transportation carries risks for drivers and the environment in specific emergency situations, particularly when dealing with hazardous waste, and requires special attention and appropriate measures to mitigate these risks. Depending on the type of waste, transport conditions and legislation, the procedures are carefully planned and implemented to ensure the safety of drivers, the public and the environment. The transport of waste is regulated through several key laws and regulations, including

the ADR (Accord européen relatif au transport international des marchandises Dangereuses par Route), international regulations relating to the activities of transport of dangerous goods, which also apply to the markets in which the Group performs these activities.

However, the waste management activity is primarily a positive effect of the Group because it implies proper management of hazardous and non-hazardous waste (such as batteries, chemicals, oils, electronics), which prevents soil, water and air pollution. Waste management through recycling reduces the need for mining new raw materials, which also reduces global industrial pollution. The Group annually manages a significant amount of hazardous and non-hazardous waste, has the necessary premises, equipment and human resources for the effective implementation of waste management activities, thus contributing to the reduction of the negative impact on the environment. The company collaborates with a large number of business entities, from which it daily collects, transports and disposes of both hazardous and non-hazardous waste.

**The Group contributes to the reduction of pollution through the remediation of contaminated sites. Remediation of contaminated sites contributes to environmental conservation by removing pollutants from soil, water and air, reducing risks**

## CIRCULAR ECONOMY

The **CIAK EcoCycle program** encompasses a range of business activities that serve as a positive example of the implementation of circular economy processes.

The process of collecting old batteries also affects the proper management of waste lead-acid batteries. It is an example of a circular economy and shows the alignment of environmental, economic and development goals. Points of sale sell new and take over old waste batteries. Also, in vehicle maintenance services and car repair shops, new batteries are installed, and old ones are taken over. The collected batteries at the recycling centre are used to extract lead, which can be used as a raw material to produce new batteries.

**The development of this closed system for recycling accumulators and batteries reduces the amount of waste, thus reducing the negative impact on the environment and contributing to the conservation of natural resources.** In addition, sustainable circular waste management is promoted. Manufacturers of lead-acid batteries are also buyers of recycled lead. The Group sells lead-acid battery ingots to its suppliers as input raw material, and buys new, finished batteries from them, which is an outstanding example of the circular economy. Recycling batteries prevents hazardous substances from spilling into the environment. Waste recycling reduces the amount of waste that ends up in landfills. Recycled materials can be reused in production, which reduces

**to ecosystems and human health, and has a positive impact on biodiversity, improves water quality and enables safe land reuse. In addition, greenhouse gas emissions are mitigated by stabilising ecosystems.** Remediated sites are often turned into green spaces, which benefits both the environment and the community, and the activity as such is in accordance with EU environmental regulations that encourage the rehabilitation and revitalization of natural habitats.

As business in the waste management segment is a highly regulated activity, changes in regulations may require certain measures that require investments in infrastructure improvement, change of business practices, or procurement of environmentally friendly technologies.

CIAK Group has the relevant permits and certificates for performing waste management activities. The activity contributes to the minimization of pollution and harmful emissions and reduces the need for the use of new resources and is an example of implemented circular economy processes. This can have a positive impact on the price of the Group's securities, the possibility of more favourable lending, the creation of new partnerships and a better reputation of the Group, which represents a financial opportunity for the Group.

energy costs and greenhouse gas emissions. CIAK Group has all the necessary permits, as well as the ISO 14001 certificate, which ensures that the process is carried out in accordance with environmental and safety standards and environmental legislation. Through the above, the potential negative impact on the environment and human health is minimized.

By establishing a system for the collection and treatment of waste accumulators and high-efficiency batteries, the Group recovers a significant part of old accumulators that are placed on the domestic market, thus significantly reducing the amount of waste that ends up in landfills. The Centre for Recycling of Accumulators and Batteries in Zabok tends to use the best available techniques to perform activities.

Financial risk is the potential investment required to maintain or replace used equipment or assets due to a potential change in regulatory requirements.

In the European Union, Regulation (EU) 2023/1542 of the European Parliament and of the Council of 12 July 2023 on batteries and waste batteries, amending Directive 2008/98/EC and Regulation (EU) 2019/1020 and repealing Directive 2006/66/EC requires retailers to collect and recycle their items from the observed range in an appropriate manner, thereby reducing the amount of hazardous waste placed on the market. This represents an

opportunity for the growth of revenues from the recycling of accumulators and batteries of other retailers who do not have a recycling process as part of their business.

Recycling our own products contributes positively to the Group's reputation and contributes to the achievement of recommendations related to the implementation of the circular economy. This can have a positive impact on the price of the Group's securities, the possibility of more favourable lending, the creation of new partnerships, but also the strengthening of the brands of companies operating within the Group.

## OWN WORKFORCE

CIAK Group employs a great number of employees who perform various jobs, from production, warehouse and transport activities to administrative and office work. Through this interaction, the Group has an impact on various aspects of the working lives of its employees.

**CIAK Group actively influences working hours, working conditions, work-life balance, professional development, income and adequate salary of its employees through various initiatives and policies.** Every year, during the business planning process, the scope of work and the capacity of human resources are considered in order to adjust the number of employees to the needs of the business and ensure that all operational activities are carried out within regular business hours. By employing an optimal number of employees, the ability to perform work tasks within regular working hours is ensured, which results in better working conditions and greater employee satisfaction. The onboarding process is continuously evolving depending on the requirements of the job and includes an assigned mentor with appropriate knowledge and experience to new employees, which facilitates their adaptation to the working environment and culture of the Group. Through the "Intranet", employees are provided with quick and easy access to the information needed for their daily work, including forms, procedures and information about benefits.

CIAK Group ensures regular payment of salaries and offers various benefits to employees, including financial rewards according to performance, occasional allowances, grants such as support for the birth of a child, support for the death of a family member, etc., and additional compensation for personal expenses such as mobile phones or benefits when using banking products. The Group also provides flexibility in working hours in harmony, offering days off for family obligations or the first day of school, thus contributing to the work-life balance of employees.

Professional development of employees is encouraged by providing opportunities for additional education and information on important topics such as occupational safety, business ethics and environmental protection. Employees have access to

The financial opportunities arise from the requirements of legislation that sets increasingly stringent obligations for the separation, storage and recycling of waste. Companies within the Group in the environmental segment that provide these services (recycling, hazardous waste disposal, waste transport) can take advantage of the growing demand generated in the markets. Companies can conclude long-term contracts with other companies for waste management activities and reduce waste disposal costs at the Group level by providing intra-group services.

resources for personal and professional growth, and the Group regularly conducts internal training.

In addition, CIAK Group provides the possibility of using health examinations and benefits for involvement in sports activities to preserve the health of employees.

These measures confirm the Group's commitment to ensuring adequate working conditions, encouraging the professional development of the individual and maintaining the balance of business and private obligations of its employees.

The following activities have been identified as significant effects of the Group on its own workforce: annual planning of the number of employees, development of a structured and centralized approach to employment, internal training and education, and scholarships for employees and children.

The financial risks for these activities relate to the potential increase in personnel costs. The financial opportunity is manifested in the reduction of employee turnover, which consequently affects the stability of business activities and lower investments in the training of new employees, i.e. replacements in workplaces. Business planning includes an assessment of the need for new employment at the level of relevant organizational units, which enables timely and proactive action in the event of a planned increase in the volume of work, which results in a positive effect on work-life balance, better work performance and potentially a more significant contribution to the financial results of companies. Internal employee training contributes to reducing the number of errors and accidents in the workplace, which can have a positive impact on the absence of extraordinary events, i.e. company expenditures. In addition, learning new skills enables employees to actively and timely adapt to new technologies or market or regulatory requirements, which allows companies to maintain competitiveness and innovation and to act proactively while considering external influences. Investing in the development of employees' skills and knowledge can increase productivity, efficiency and quality of work, which can lead to higher revenues and profitability of companies.

## CONSUMERS AND END-USERS

The effects of CIAK Group on consumers and end users are reflected in various aspects of business, starting from the quality of products and services, their development according to their needs, providing relevant information for making a purchase decision, respecting delivery deadlines, to assessing and testing user experience and protecting customers' personal data.

Consumer relations are partially regulated, which significantly affects the process of managing relationships with consumers. The regulation defines the guidelines and obligations that companies must ensure to protect the rights of consumers, their interests and personal data. This also affects the satisfaction of consumers and end users who decide to purchase, assortment or use the services provided by the Group.

In addition to the effects on consumers resulting from the application of all legal provisions, CIAK Group creates a positive impact on its consumers and end users through several key areas, which results in the creation of long-term partnerships with customers and joint growth and development.

CIAK Group, as a provider of waste collection and disposal services, has a significant impact on the business of its clients, as it enables them to comply with environmental regulations and efficiently manage waste. Through cooperation with CIAK Group, companies can ensure timely waste disposal in accordance with business practices. CIAK Group helps its clients reduce

waste-related costs by optimizing waste collection, recycling and disposal processes in an environmentally friendly way. CIAK Group's expertise and commitment to sustainability contributes to strengthening the market position of clients, given that environmentally friendly practices are becoming an increasingly important factor in assessing the company's performance by all stakeholders.

The Group sells products resulting from the battery recycling process to companies that produce batteries and are also the Group's suppliers in the IAM segment. This is a mutual effect and form of cooperation.

As a form of cooperation with customers in the IAM segment, the CIAK Auto Academy was formed, through which customers are presented with the latest technologies and the importance of proper use and replacement of parts, education on changes in the Group's assortment and monitoring of market trends.

It is the CIAK Auto Academy that has been recognized as a significant activity of the Group in relations with consumers and end users.

The development and execution of this significant activity for the Group requires certain investments, but educated customers have a better perception of the value of products and services provided by companies in the automotive segment, which leads to an increase in sales.

## BUSINESS CONDUCT

The effects of CIAK Group's business conduct are aimed at creating responsible, standardized, sustainable and ethical business practices that benefit all stakeholders – from employees to end users and local communities.

The Group's significant activities that are in line with good corporate practice include a range of key initiatives. The Group operates in accordance with the laws and regulations governing operations in all markets in which it is present. Regular monitoring of changes in regulations enables timely adjustments of business processes, which reduces operational and financial risk.

The Group applies the Code of Corporate Governance, which defines high standards of ethical business and transparency, which contributes to the trust of all stakeholders.

Regular business activities include obtaining essential business permits, such as environmental and waste management permits, ensuring compliance with environmental standards and relevant regulations. The development of the management system of affiliated undertakings and the decision-making process at the

level of subsidiaries allows for the coordination of operations and the efficiency of operational activities. The Group also actively develops rules and policies that define clear guidelines for the implementation of business activities, which ensures consistency in all business segments at the Group level.

Special emphasis is placed on managing relationships with suppliers to create long-term, stable partnerships. Defining clear and ethical terms of cooperation with suppliers enables mutual trust and contributes to business sustainability. Through all these activities, the Group demonstrates its commitment to high standards of corporate responsibility, ethical business and sustainable development.

The financial risk is represented by the costs of centralized management and higher operating costs due to the implementation of measures required by regulations and standards. In addition, in extraordinary circumstances, there is also a risk in the event of established non-compliance with legal regulations in terms of fines, as well as the risk of failure to



obtain certain permits essential for business, which has a direct consequence on the Group's revenues. Acting in accordance with the corporate code and responsible business practices has an impact on the reputation of the Group, which can be reflected in the price of the security, therefore responsible, standardized, sustainable and ethical business is a priority for the Group.

The financial opportunities that arise from these activities are multiple - from reputational opportunities that are reflected in the sources of financing and the creation of new partnerships to better business decisions and more efficient business processes that result in a better financial result.

## SUSTAINABILITY GOALS AND STRATEGY

**CIAK Group's goals in the field of ecology** include further business development in the segments of waste management and recycling, which are recognized as key areas that contribute to global and European environmental goals. Given the growth of the global population and increasing urbanization, the amount of waste is constantly increasing, creating significant pressure on existing waste management systems. At the same time, increased environmental awareness and stricter legislation are driving the growth of this sector, as businesses and communities increasingly demand responsible waste management and efficient recycling. Due to these challenges, the demand for waste management and recycling services is constantly growing, which imposes business development in these areas as a strategic priority for CIAK Group. Through innovation and implementation of sustainable practices, the Group strives to respond to market demands and at the same time contribute to the reduction of negative environmental impact, thus achieving long-term business sustainability.

The goal of the CIAK Group is to increase the capacity for collecting and recycling batteries, which significantly reduces the environmental risks associated with improper disposal of batteries and prevents soil and groundwater pollution.

CIAK Group annually manages significant quantities of hazardous and non-hazardous waste within the scope of waste management activities, with the aim of further developing long-term partnerships with consumers of the service and partnerships with European companies for hazardous waste management that

operate in accordance with the regulations of the European Union on environmental protection and high operational standards in further waste treatment procedures.

**The draft strategy** for business sustainability in waste management and recycling activities is aimed at achieving long-term sustainability, optimizing operational processes and reducing the environmental footprint. In the coming periods, the Group will consider the timeline for the adoption of the strategy, based on the analysis of the collected data and information relevant to sustainability issues. Operations management and professional departments have a key responsibility to regularly monitor the requirements of positive regulations and legal regulations to ensure timely fulfilment of all legal obligations, including positive regulations in the field of environmental protection. This implies not only harmonizing business processes with current legislation, but also constantly monitoring changes in legislation to respond quickly and efficiently to new requirements. At the same time, it is important that all business processes are directed towards the best industry practices, which enables business optimization and meets the requirements of customers and suppliers.

A key element of the strategy includes in each iteration of procurement the modernization of equipment, which reduces maintenance costs and increases efficiency. Reliable equipment reduces the risk of accidents and incidents. Reliable equipment that efficiently performs tasks such as shredding, separating or sorting waste, reduces the need to transport large quantities

**“CIAK Group's sustainability goals in the field of business conduct are based on the integration of ethical, legal and socially responsible practices into all aspects of business.”**

of waste, thus reducing fuel consumption and gas emissions associated with transport. Capital investments are considered in the business planning process.

Through business processes compliant with legal requirements and industry practices, business processes are optimized while reducing emissions and saving energy.

The focus of operational management and employees in professional departments is to identify business locations where it is possible to implement quality standards such as ISO standards and advanced technologies that optimize processes and/or reduce energy consumption. In order to achieve energy efficiency, the strategy is to implement solar systems where

the infrastructure of the facility allows and in accordance with business possibilities and additional energy saving measures, such as the modernization of heating systems and LED lighting.

Through the Group's communication channels with key partners, useful inputs for the development of our services and offer are obtained, and by applying transparent and fair business, long-term partnerships and loyal customers are developed.

With such a strategy, CIAK Group not only achieves business goals, but also actively contributes to the preservation of the environment, reducing emissions and the amount of waste and promoting sustainable practices in the industry.

## THE CONTRIBUTION OF CIAK GROUP'S OPERATIONS IN THE ENVIRONMENTAL SEGMENTS TO THE UN SUSTAINABLE DEVELOPMENT GOALS (SDGS) IN THIS CONTEXT INCLUDE:



### GOAL 12: RESPONSIBLE PRODUCTION AND CONSUMPTION

Waste management and recycling directly contributes to reducing waste, increasing resource efficiency, and promoting sustainable consumption patterns. Recycling waste reduces the need for new raw materials and reduces pressure on natural resources.



### GOAL 11: SUSTAINABLE SETTLEMENTS AND COMMUNITIES

Efficient waste management and recycling play a key role in creating cleaner and more sustainable cities and communities, reducing pollution and improving quality of life.



### GOAL 13: FIGHTING CLIMATE CHANGE

Proper waste management, including recycling, reduces greenhouse gas emissions associated with landfilling, which contributes to climate change mitigation.



### GOAL 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

Encouraging innovation in recycling processes and the development of new technologies for waste treatment contributes to sustainable industrial production and strengthening infrastructure that is more resilient to environmental challenges.

# 1

**Sustainability goals for our own workforce** focus on the long-term well-being of employees, fostering work-life balance, and creating a work environment that promotes equality, health, and professional development. The goal is optimal employment at the level of all business processes in order not only to ensure business efficiency, but also to annul overtime hours and achieve harmony between the number and complexity of work tasks and the number of employees. The goal is also to hire talents and their retention in order to minimize the costs of introducing new employees into business processes through the development of an onboarding system that, in accordance with market possibilities, filters the best employees for appropriate job positions. The Group is committed to equality and diversity, encouraging a greater share of women in business and ensuring fair wages and fair conditions for all employees. In addition, the emphasis is on professional development, with the aim of increasing the number of employees participating in trainings and programs aimed at improving skills. Professional development of employees has a significant impact on the financial result because it contributes to increasing the efficiency and productivity of the workforce, which is directly reflected in business results. In addition, investing in professional development promotes employee satisfaction, reduces workforce turnover and attracts talented professionals, which contributes to business stability and competitive advantage in the market. The Group also strives to increase employee satisfaction, reduce stress and burnout through the implementation of wellbeing initiatives, flexible work arrangements and support for work-life balance.

With the aim of achieving its sustainability goals in terms of its own workforce, CIAK Group focuses on several key areas that ensure the well-being of employees and business efficiency. Through the business planning process, the Group considers the volume of work and human resources capacities to ensure optimal employment, reduce stress and excessive working hours, and ensure that operational activities can be carried out within working hours. Also, new employment is planned according to the needs and capacities of the business. In the onboarding process, new employees receive mentorship, and the management is continuously focused on building effective communication with employees and encouraging mutual cooperation, thereby ensuring task efficiency and employee safety in the workplace.

The recruitment process clearly defines the requirements of the position and considers the qualifications of the candidates, thus guaranteeing equality in selection and ensuring the selection of the candidates. The Group also organizes specialized internal trainings for operational processes, ensuring that employees have the necessary knowledge and skills. Employees, who play a key role in the management system and service delivery, prepare in advance for their responsibilities so that their knowledge is at the appropriate level. Also, employees have access to external education as agreed with the manager.

Employees are regularly paid salaries, and in addition, they are offered additional benefits such as performance incentives, occasional benefits, grants such as childbirth support, support for the death of a family member, and the like, and additional



benefits for personal expenses such as mobile phones and housing benefits. Occasionally, based on the assessment of business results, additional fees are paid. To ensure a work-life balance, the Group continuously encourages the use of annual leave, and employees are provided with flexible working hours, including days off for family obligations and the first day of school. For the smooth and efficient performance of work, employees are provided with modern IT tools and means of transport.

The Group also monitors the organizational climate and employee satisfaction by conducting periodic surveys, and communication channels such as the Intranet and periodic meetings of the management team with team members enable effective exchange of information and feedback that serves to further improve working conditions. These strategies ensure that sustainable workforce goals are achieved, employee professional satisfaction is increased, and business efficiency is improved.

THE CIAK WORKFORCE SUSTAINABILITY GOALS GROUP DIRECTLY CONTRIBUTES TO SEVERAL KEY UN SUSTAINABLE DEVELOPMENT GOALS, INCLUDING:



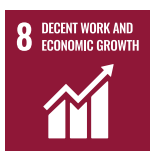
**GOAL 3: ENSURE HEALTH AND WELL-BEING FOR ALL AT ALL AGES**

CIAK Group ensures optimal employment and work-life balance for its employees and contributes to a better quality of life for employees, which is in line with the goal of ensuring health and well-being. Using flexible working hours and days off for family commitments or important life events, such as the first day of school, contributes to work-life balance, boosting employees' mental health and well-being.



**GOAL 10: REDUCE INEQUALITIES, ENSURING A FAIR AND LEVEL PLAYING FIELD**

The Group focuses on equality in employment, thereby contributing to the reduction of inequalities within the organization. The recruitment process is based on clearly defined job requirements and qualifications, which ensures that all candidates have equal opportunities in the selection process.



**GOAL 8: PROMOTE PRODUCTIVE, DECENT WORK**

The Group continuously invests in the development of its employees, organizing internal and external trainings that enable their professional growth and development. This ensures not only the improvement of employee skills and knowledge, but also the achievement of high efficiency in business

**The Group's sustainability goals in terms of impacts on consumers** and end users focus on creating value through responsible business practices, transparent information about the range and services, and improving the customer experience.

In order to achieve sustainability goals in terms of impact on consumers and end users, CIAK Group is focused on addressing consumer needs, informing about all key aspects and creating a quality user experience.

The Group continuously aligns its offer and quality of services with the needs of its consumers, while ensuring timely supply of supplies so that partners have access to an adequate assortment for the smooth performance of their own business.

Speed of delivery and service of goods are key to ensuring timely supply of customers and the successful operation of end users. The Group's strategy is based on setting realistic deadlines at the stage of agreeing terms. This approach allows the Group to remain in line with its capacities and guarantees efficiency in meeting its obligations to customers.

The Group actively monitors the regulations that prescribe consumer information and the structure of the content of product declarations in the markets in which the Group operates, ensuring high standards of transparency, safety and protection of consumer interests. The entire range and services offered by the Group meet the applicable legal standards and enable consumers to obtain accurate, clear and relevant information. Consumers can obtain information about the origin of services, business methods, environmental certificates and other important data, thus ensuring a transparent partnership between the Group.

In addition, the Group provides efficient customer support systems, enabling a quick response to complaints, inquiries and customer needs. Continuous collection of feedback from consumers enables the improvement of services and an increase in customer satisfaction, which builds trust and long-term relationships.

In terms of security, CIAK Group ensures that all business locations meet security standards, including conducting regular inspections of installations, equipment and devices in accordance with applicable legislation, which further protects the interests and safety of end users.

The protection of personal data of consumers and end users is a key responsibility of the Group, which complies with all requirements of the Data Protection Regulation (GDPR), thus protecting the privacy and confidentiality of its users' data. All end users and customers can submit inquiries or complaints through the call centre or at points of sale.

In marketing communications, the Group applies the practice of truthfulness, avoids belittling the competition and actively promotes socially responsible projects and activities. In addition, it uses green marketing approaches and educates consumers about sustainable practices, which encourages responsible behaviour and sustainability.

Through all these measures, CIAK Group not only improves the quality of its services for consumers and end users, but also actively contributes to sustainability and social responsibility, thereby strengthening its position in the market and creating long-term, mutually beneficial relationships with customers and partners.

**CIAK Group's sustainability goals in the field of business conduct** are based on the integration of ethical, legal and socially responsible practices into all aspects of business. The specific goal is to align business processes with legal requirements and industry standards, with a clear definition of roles and responsibilities, which include responsibility for business results, implementation of business policies, business supervision and stakeholder reporting. The Group strives to ensure the application of existing regulations and the development of new policies that will ensure compliance with applicable laws and standardization of operations, while supporting a business strategy that includes sustainable development. The policies implemented by CIAK Group should include strategically important stakeholders, such as employees, customers, suppliers, local communities and investors, in order to ensure an integrated approach to sustainability at all levels of business and achieve long-term success.

**CIAK Group's strategy in the field of business conduct** is based on the development of the internal organization and the implementation and development of management standards, policies and procedures in order to ensure the legality, ethics and standardization of operations, while addressing the interests of all stakeholders. The Group's business processes are aligned with applicable legal requirements, industry standards and practices, with clearly defined roles and responsibilities that include responsibility for business results, implementation of business policies, business oversight and stakeholder reporting.

Internal acts, such as the Statute and the Rules of Procedure, define the criteria for the appointment and election of members of the Management Board and the Supervisory Board, their tasks, responsibilities and manner of work. CIAK Group has implemented a Code of Corporate Governance based on the principles of business transparency, procedures for the work of the Supervisory Board and the Management Board, avoidance of conflicts of interest, effective internal

control and a system of accountability. Also, the Group has developed internal acts that regulate the decision-making process, thus guaranteeing transparency and accountability in business. Policies are in place that define the approach and rules in relations with key stakeholders, ensuring ethical business practices at all stages of business.

For specific areas that require precise expertise, such as regulated sectors, the Group has formed expert departments or hired specialized experts, and if necessary, it engages external associates. The ecology department plays a key role in aligning business processes with environmental practices and obtaining the necessary permits for operations, ensuring compliance with environmental regulations. The quality management department coordinates the implementation of management standards and obtaining certificates. The Human Resources Department is responsible for the implementation of legal requirements regarding work, as well as supervising the implementation of the provisions of the Labour Regulations. Through the supervision of business processes, the internal audit department conducts regular checks of compliance with internal regulations and external regulations.

This comprehensive approach enables CIAK Group to manage its business sustainably, ensuring compliance with legislation, industry standards and business practices, while contributing to accountability to all key stakeholders and long-term performance.

**Through all its processes, CIAK Group implements measures and corrective actions to prevent potentially negative effects and so that in the event of the realization of negative effects, they are resolved without negative consequences and with the satisfaction of all stakeholders involved.**

Positive effects on the environment are manifested through the reduction of pollution and through proper waste management and waste reduction and saving of natural resources.

Regarding one's own workforce, time management, employee mentoring, secure workplaces, adequate wages and employee training are key factors for increasing employee satisfaction and contributing to wider social and economic well-being. By working together, they create a work environment in which employees are motivated, productive and loyal.

Respecting consumer rights and transparency in communication enhance customer loyalty. Taking consumer opinions into account allows for adjusting the product range to market demands, thereby increasing customer satisfaction.

Business based on responsible business conduct, a code of ethics, a developed corporate governance system and transparent practices has a key impact on the satisfaction of stakeholders and the long-term success of the company. A clear division of responsibilities in corporate governance contributes to a stable business environment. Responsible business in accordance with all positive regulations and sectoral standards creates trust among stakeholders. A transparent procurement policy and compliance with contractual conditions with suppliers ensure long-term and reliable business relationships.

The combination of all these factors contributes to strengthening trust among stakeholders, improves the reputation of the company and contributes to long-term sustainability, creating a positive social impact and a responsible market.

The negative effects on sustainability factors arise from the nature of certain segments in which CIAK Group operates (waste management and recycling), although as elaborated the positive effects of the same are far greater. While these effects may be present, the Group takes a number of measures to reduce or eliminate them altogether. This includes complying with applicable legal regulations and implementing internal initiatives aimed at reducing the negative impact. In this way, the effects are reduced to minimal levels or remain at the level of potential risks. On the other hand, the positive effects are the result of the integration of activities that support sustainable business development, which is integrated into the Group's business strategy, thus ensuring long-term sustainability and contribution to the community and the environment.

The Group integrates activities into its business processes that ensure the fulfilment of the goals defined by the strategy. The strategy and its resilience to the challenges in terms of responding to the identified significant impacts, risks and opportunities are subject to revision through reporting cycles.

## ASSESSMENT OF SIGNIFICANT IMPACTS, RISKS AND OPPORTUNITIES

CIAK Group has carried out a process of assessing the effects of its business activities on people and the environment through systematic analyses of the management body and expert departments, with the aim of identifying and reducing risks, as well as identifying opportunities for sustainable development. The procedure is based on the analysis of all business activities and relations with stakeholders at the level of all business segments – from the production of car parts and batteries to waste management and recycling, and including all markets.

The Group actively engages with key stakeholders and external experts to understand environmental and social impacts, all with the aim of identifying priority negative impacts. Through this process, CIAK Group prioritizes those impacts that have a high significance and probability of occurring, and makes strategic decisions based on clear quantitative and qualitative criteria to determine the materiality of impacts and the need for further action.



The analysis of double materiality for CIAK Group was conducted using a methodological procedure developed by external advisors in cooperation with the ESG Working Group of CIAK Group, divided into four phases:

### Introduction

The first phase included defining the working group and responsible persons, filling out the ESG self-assessment questionnaire and analysing the company's environment. It was completed with the submission of responses to the questionnaire and the completion of the desk analysis of ESG criteria.

### Interviews and analyses

In the second phase, interviews with responsible persons were conducted to analyse impacts, risks and opportunities, with the identification of stakeholders and the definition of value chains. It ended with the analysis of responses and the identification of stakeholders.

### Identification

In the third phase, the identification of impacts, risks and opportunities was carried out in order to define significant topics. The identified stakeholders assessed the materiality and indicated the financial risks and opportunities of these topics. The phase is completed by analysing the responses and defining significant topics. In assessing materiality, the thresholds of materiality, impact and financial significance were considered.

If at least in one of the above significance an activity is assessed as significant, the activity is defined as significant.

### Finalization

During the fourth phase, the final results of the double materiality assessment process were presented, after which the Group commented on the acceptance of the identified significant topics. As a conclusion of the phase, the final study of the significance assessment was submitted.

The working group consists of Group employees from various functional areas, including controlling, ecology, human resources and legal affairs, as well as internal audit and occupational safety.

Acting in accordance with positive regulations and standards and the interests of all stakeholders (including nature as a silent stakeholder) is not an option but an imperative to ensure long-term stable operations. Therefore, this is integrated into the CIAK Group's regular planning and management process and includes the identification of relevant regulations and key interests and their addressing in accordance with the Group's objectives through policies and measures. By introducing an annual sustainability reporting obligation, the Group will carry out the above-described procedure at relevant time intervals or in the event of significant changes in business operations that may significantly affect the assessment of the materiality of certain topics.

## 1.10. DISCLOSURE REQUIREMENTS

CIAK Group has conducted a Double Materiality Analysis (DMA) to identify significant impacts, risks and opportunities, applying the criteria set out in ESRS 1, Section 3.2. The Group analyses the environmental, social and economic impacts of its business activities and assesses how these effects affect business and stakeholders. Through analysis, key sustainability factors are identified, taking into account severity, probability, and long-term effects. Using consistent assessment methodologies, the Group determines which information is material for reporting, ensuring transparency in sustainability reporting.

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Request for Disclosure and Related Data Point	Reference to the Regulation on Publication of Information on Sustainable Finance	Reference to Third Pillar	Reference to Rules on Reference Values	Reference to European Climate Law	Request for Disclosure in the CIAC Group's Sustainability Report
ESRS 2 GOV-1 Gender diversity in governance, point 21, sub-point (d)	Indicator No. 13 from Table 1 in Annex I.		Delegated Regulation (EU) 2020/1816, Annex II.		GOV-1
ESRS 2 GOV-1 Percentage of Independent Board Members Point 21, sub-point €			Delegated Regulation (EU) 2020/1816, Annex II.		GOV-1
ESRS 2 GOV-4 Statement of Due Diligence point 30.	Indicator No. 10 from Table 3 of Annex I.				GOV-4
ESRS 2 SBM-1 Participation in fossil fuel and energy-related activities point 40(d)(i)	Indicator no. 4 of Table 1 of Annex I.	Regulation (EU) No 575/2013, Article 449a Commission Implementing Regulation (EU) 2022/2453, Table 1: Qualitative information on environmental risk and Table 2: Qualitative information on social risk	Delegated Regulation (EU) 2020/1816, Annex II.		Not applicable
ESRS 2 SBM-1 Participation in fossil fuel and energy-related activities point 40(d)(i)	Pokazatelj br. 9 iz tablice 2 iz Priloga I.		Delegirana uredba (EU) 2020/1816, Prilog II.		Not applicable
ESRS 2 SBM-1 Participation in activities related to the production of chemicals point 40(d)(ii)	Indicator no. 9 from Table 2 of Annex I.		Delegated Regulation (EU) 2020/1816, Annex II.		Not applicable
ESRS 2 SBM-1 Sudjelovanje u aktivnostima povezanim s uzgojem i proizvodnjom duhana točka 40. podtočka (d) iv.			Delegated Regulation (EU) 2020/1816, Delegated Regulation (EU) 2020/1816, Article 12(1), Annex II		Not applicable
ESRS E1-1 Transition plan to achieve climate neutrality by 2050, paragraph 14.				Regulation (EU) 2021/1119, Article 2(1)	E1-1
ESRS E1-1 Companies excluded from Paris Agreement benchmarks point 16(g)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 1: Book of Positions – Transition Climate Change Risk: Credit Quality of Exposures by Sector, Emissions and Residual Maturity	Delegated Regulation (EU) 2020/1818, Article 12(1), points (d) to (g), and Article 12(2)		Not applicable
ESRS E1-4 Greenhouse gas emission reduction targets point 34	Indicator no. 4 of Table 2 of Annex I.	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 3: Book of Positions – Transition Risk of Climate Change: Compliance Indicators	Delegated Regulation (EU) 2020/1818, Article 6		ESRS E1-4
ESRS E1-5 Fossil energy consumption broken down by source (only sectors with a significant climate impact) paragraph 38.	Indicator no. 5 from Table 1 and indicator no. 5 from Table 2 of Annex I.				ESRS E1-5
ESRS E1-5 Energy Consumption and Energy Source Mix, Item 37.	Indicator no. 5 from Table 1 of Annex I.				E1-5
ESRS E1-5 Energy intensity related to activities in sectors with a significant impact on the climate Paragraphs 40 to 43					E1-5
ESRS E1-6 Gross GHG emissions from scope 1, 2, 3 and total GHG emissions point 44.		Article 449a of Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 1: Book of Positions – Transition Climate Change Risk: Credit Quality of Exposures by Sector, Emissions and Residual Maturity	Delegated Regulation (EU) 2020/1818, Articles 5(1), 6 and 8(1)		E1-6

Request for Disclosure and Related Data Point	Reference to the Regulation on Publication of Information on Sustainable Finance	Reference to Third Pillar	Reference to Rules on Reference Values	Reference to European Climate Law	Request for Disclosure in the CIAC Group's Sustainability Report
ESRS E1-6		Regulation (EU) No 575/2013, Article 449a Commission Implementing Regulation (EU) 2022/2453, Template 3: Position Book – Transition Climate Change Risk: Compliance Indicators	Delegated Regulation (EU) 2020/1818, Article 8(1)		E1-6
Gross greenhouse gas intensity points 53 to 55					
ESRS E1-7				Regulation (EU) 2021/1119, Article 2(1)	Not applicable
Greenhouse gas removals and carbon credits, paragraph 56.					
ESRS E1-9			Delegated Regulation (EU) 2020/1818, Delegated Regulation (EU) 2020/1816, Annex II.		Right to gradual implementation.
Exposure of the reference portfolio to physical risks related to climate change, paragraph 66.					
ESRS E1-9		Regulation (EU) No 575/2013, Article 449a Commission Implementing Regulation (EU) 2022/2453, paragraphs 46 and 47. Template 5: Book of Positions – Physical Risk of Climate Change: Exposures Subject to Physical Risk.			Right to gradual implementation.
Breakdown of monetary amounts according to acute and chronic physical risk, point 66(a)					
ESRS E1-9					
Location of significant assets exposed to significant physical risk point 66(c)					
ESRS E1-9 Breakdown of the book value of real estate of enterprises by energy efficiency classes, point 67(c).		Regulation (EU) No 575/2013, Article 449a Commission Implementing Regulation (EU) 2022/2453, point 34, template 2: Position book – Transition risk of climate change: Loans with real estate as collateral – Energy efficiency of collateral			Right to gradual implementation.
ESRS E1-9			Delegated Regulation (EU) 2020/1818, Annex II.		Right to gradual implementation.
Degree of exposure of the portfolio to climate-related opportunities, paragraph 69.					
ESRS E2-4	Annex I, indicator no. 8 Table 1, Annex I, Indicator No. 2 Table 2, Annex I, Indicator No. 1 Table 2, Annex I, Indicator No. 3 Table 2				E2-4
Quantity of each pollutant listed in Annex II Regulation on E-PRTR (European Pollutant Release and Transfer Register) discharged into air, water and soil, point 28.					
ESRS E3-1	Indicator no 7. of Table 2 of Annex I.				Not significant
Water and marine resources, point 9.					
ESRS E3-1	Indicator no 8. of Table 2 of Annex I.				Not significant
Specific policy, point 13.					
ESRS E3-1	Indicator no 12. of Table 2 of Annex I.				Not significant
Sustainable oceans and seas, point 14.					
ESRS E3-4	Indicator no 6. of Table 2 of Annex I.				Not significant
Total amount of water recycled and reused, point 28(c)					
ESRS E3-4	Indicator no 6. of Table 2 of Annex I.				Not significant
Total water consumption in m3 per net income from own operations, item 29.					
ESRS 2- IRO 1 - E4 point 16. subpoint (a), subsection i.	Indicator no 7. of Table 2 of Annex I.				Not significant
ESRS 2- IRO 1 - E4 point 16. point (b)	Indicator no 10. of Table 2 of Annex I.				Not significant
ESRS 2- IRO 1 - E4 point 16. point (c)	Indicator no 14. of Table 2 of Annex I.				Not significant

Request for Disclosure and Related Data Point	Reference to the Regulation on Publication of Information on Sustainable Finance	Reference to Third Pillar	Reference to Rules on Reference Values	Reference to European Climate Law	Request for Disclosure in the CIAC Group's Sustainability Report
ESRS E4-2 Sustainable land/agricultural practices or policies, point 24(b)	Pokazatelj br. 11 iz tablice 2 Priloga I.				Not significant
ESRS E4-2 Sustainable ocean/sea practices or policies point 24(c)	Pokazatelj br. 12 iz tablice 2 Priloga I.				Not significant
ESRS E4-2 Policies to tackle deforestation, paragraph 24(d)	Pokazatelj br. 15 iz tablice 2 Priloga I.				Not significant
ESRS E5-5 Non-recycled waste, point 37(d)	Pokazatelj br. 13 iz tablice 2 Priloga I.				E5-5
ESRS E5-5 Hazardous waste and radioactive waste, point 39.	Indicator no. 9 from Table 1 of Annex I.				E5-5
ESRS 2 – SBM3 – S1 Risk of forced labour, point 14(f)	Indicator no. 13 from Table 3 of Annex I.				SBM3 – S1
ESRS 2 – SBM3 – S1 Risk of child labour, point 14(g)	Indicator no. 12 from Table 3 of Annex I.				SBM3 – S1
ESRS S1-1 Commitments in the field of human rights policy, paragraph 20.	Indicator no. 9 from Table 3 and indicator no. 11 from Table 1 of Annex I.				S1-1
ESRS S1-1 Due diligence policies on matters covered by core conventions 1 to 8 of the International Labour Organization, paragraph 21.			Delegated Regulation (EU) 2020/1816,  Annex II		S1-1
ESRS S1-1 Procedures and measures to prevent trafficking in human beings, paragraph 22	Indicator no. 11 from Table 3 of Annex I.				S1-1
ESRS S1-1 Accident prevention policy or management system, paragraph 23.	Indicator no. 1 of Table 3 of Annex I.				S1-1
ESRS S1-3 Complaints mechanism, paragraph 32(c)	Indicator no. 5 of Table 3 of Annex I.				S1-3
ESRS S1-14 Number of deaths and number and rate of accidents at work, point 88(b) and (c)	Indicator no. 2 from Table 3 of Annex I.		Delegated Regulation (EU) 2020/1816,		Not significant
ESRS S1-14 Number of days lost due to injuries, accidents, deaths or illnesses, point 88(e)	Indicator no. 3 of Table 3 of Annex I.				Not significant
ESRS S1-16 Unmatched gender pay gap paragraph 97, point (a)	Indicator no. 12 from Table 1 of Annex I.		Delegated Regulation (EU) 2020/1816,		S1-16
ESRS S1-16 Excessive pay gap between directors and employees point 97(b)	Indicator no. 8 from Table 3 of Annex I.				S1-16
ESRS S1-17 Cases of discrimination, paragraph 103(a)	Indicator no. 7 from Table 3 of Annex I.				S1-17
ESRS S1-17 Non-compliance with the UN Guiding Principles on Business and Human Rights and OECD guidelines, point 104, subpoint (a).	Indicator no. 10 from Table 1 and Indicator no. 14 from Table 3 of Annex I.		Delegated Regulation (EU) 2020/1816, Delegated Regulation (EU) 2020/1818,		S1-17

Request for Disclosure and Related Data Point	Reference to the Regulation on Publication of Information on Sustainable Finance	Reference to Third Pillar	Reference to Rules on Reference Values	Reference to European Climate Law	Request for Disclosure in the CIAC Group's Sustainability Report
ESRS 2 – SBM3 – S2					
High risk of child labor or forced labor in the value chain, point 11, subpoint (b).	Indicators No. 12 and 13 from Table 3 of Annex I.				Not significant
ESRS S2-1					
Obligations in the area of human rights policy, point 17.	Indicator No. 9 from Table 3 and Indicator No. 11 from Table 1 of Annex I.				Not significant
"ESRS S2-1 Policies relating to workers in the value chain, point 18."	Indicators No. 11 and 4 from Table 3 of Annex I.				Not significant
ESRS S2-1 Non-compliance with the UN Guiding Principles on Business and Human Rights and OECD Guidelines, point 19.	Indicator no. 10 from Table 1 of Annex I.		Commission Delegated Regulation (EU) 2020/1816, Commission Delegated Regulation (EU) 2020/1818, Annex II, Article 12, Paragraph 1.		Not significant
ESRS S2-1			Delegated Regulation (EU) 2020/1816,  Annex II		Not significant
Policies on due diligence regarding issues covered by the fundamental conventions from 1 to 8 of the International Labour Organization, point 19.					
ESRS S2-4					
Pitanja ljudskih prava i incidenti povezani s višim i nižim razinama lanca vrijednosti točka 36.	Indicator no. 14 from Table 3 of Annex I.				Not significant
ESRS S3-1					
Obligations in the area of human rights protection policy, point 16.	Indicator No. 9 from Table 3 of Annex I. and Indicator No. 11 from Table 1 of Annex I.				Not significant
ESRS S3-1			Delegated Regulation (EU) 2020/1816, Delegated Regulation (EU) 2020/1818, Annex II, Article 12, paragraph 1.		Not significant
Non-compliance with the UN Guiding Principles on Business and Human Rights, ILO principles, and OECD guidelines, point 17.	Indicator no. 10 from Table 1 of Annex I.				
ESRS S3-4					
Questions and incidents related to human rights, item 36.	Indicator no. 14 from table 3 of Annex I.				Not significant
ESRS S4-1 Policies related to consumers and end-users, point 16.	Indicator no. 9 from Table 3 and indicator no. 11 from Table 1 of Annex I.				S4-1
ESRS S4-1			Commission Delegated Regulation (EU) 2020/1816, Commission Delegated Regulation (EU) 2020/1818, Annex II, Article 12, paragraph 1."		S4-1
Non-compliance with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines, point 17.	Indicator no. 10 from Table 1 of Annex I.				
ESRS S4-4					
Human rights-related issues and incidents, point 35.	Indicator no. 14 from Table 3 of Annex I.				S4-4
ESRS G1-1					
United Nations Convention against Corruption, point 10, subpoint (b)	Indicator no. 15 from Table 3 of Annex I.				G1-1
ESRS G1-1					
Whistleblower protection, point 10, subpoint (d)	Indicator no. 6 from Table 3 of Annex I.				G1-1
ESRS G1-4					
Monetary fines for violations of anti-corruption and anti-bribery regulations, point 24, subpoint (a).	Indicator No. 17 from Table 3 of Annex I.		Commission Delegated Regulation (EU) 2020/1816, Annex II.		Not significant
ESRS G1-4					
Anti-corruption and anti-bribery standards, point 24, subpoint (b).	Indicator No. 16 from Table 3 of Annex I.				Not significant

## Climate change

The adoption of the Sustainability Strategy envisages the definition of incentives for members of managing bodies related to climate impact issues. In order to align incentives related to sustainability issues with the Group's ESG strategy, appropriate strategic ESG goals for Management Board members will be considered and defined in the coming periods.

CIAK Group's operations take place in the markets of the signatory countries of the Paris Agreement, which integrate its objectives into their policies and regulations. The Group continuously monitors the relevant laws of these markets and regulations of the European Union, including those related to the environment, and integrates their requirements into its business processes. By applying the provisions of the agreement in its own operations, the other aforementioned regulations and the adoption of a sustainability strategy, the Group is essentially implementing a transition with the goals of reducing CO2 emissions and more efficient use of resources. The operations of all subsidiaries are aligned with European and global environmental and sustainability goals, and consequently, the need to adopt a formal transition plan has not been identified by the end of the reporting period. In accordance with regulatory requirements, the Group will undertake the necessary measurements and analyses in the coming periods and plans to adopt a transition plan by 2030.

By analysing the data and calculating, it was established that the greatest effects of CO2 emissions in the operational processes of the CIAK Group occur in the segment of ecology, in the recycling process and in the logistics and distribution process at the level of all business segments. The Group regularly conducts all measurements in accordance with the requirements of environmental regulations and confirms compliance with them.

In the recycling process, the Group implements measures to reduce CO2 emissions, which include the procurement of high-efficiency technology, the implementation of management standards that provide guidelines for harmonizing all activities with environmental standards, improving the sustainability of processes (ISO standards), and control and monitoring. The monitoring system contributes to systematic controls, i.e. enables quality monitoring and reporting of emissions and air quality parameters of the plant.

In logistics and distribution processes, greenhouse gas emissions are reduced by ensuring the correctness of vehicles in accordance with Euro standards, through regular technical inspections. Measures to check the roadworthiness of vehicles and reduce emissions from vehicles include a number of legal regulations and preventive actions, successfully integrated

into the business processes of companies. All vehicles used by the Group to perform their activities undergo regular technical inspections where the amount of exhaust gases is tested.

These effects in terms of scale and scope at the Group level have been identified as significant, but locally and globally they do not have a significant impact on the environment, which is also contributed by the implemented measures.

The Group's additional impact on reducing CO2 emissions and increasing energy efficiency was achieved by installing solar panels in locations where the infrastructure allows it. The location where the solar panels were installed refers to the Group's company, which operates on the Croatian market as the most important company in the environmental segment. This activity of the Group indirectly contributes to the reduction of CO2 emissions as well as the increase in energy efficiency and has been identified as significant in terms of the Group's impact on climate change and energy efficiency.

In terms of energy efficiency, CIAK Group conducts the activity of measuring electricity consumption according to the requirements of the ISO 50001 standard at locations with significant energy consumption, including companies operating in the ecology segment (CIAK d.o.o. RH and CIAK d.o.o. RS) and in the IAM segment (CIAK Auto d.o.o.). Consumption monitoring makes it possible to optimize energy consumption, identify areas of high consumption and take measures to reduce energy losses. By setting goals and monitoring progress, the Group reduces operating costs and implements more energy-efficient solutions. The reduction in electricity consumption also reduces CO2 emissions, which contributes to reducing the Group's carbon footprint and business sustainability. Following the above and other benefits of implementing energy consumption metering for the environment and business, the same has been identified as an additional significant activity of the Group in the topic that deals with the impact on climate change.

The Group's indirect positive effect on reducing CO2 emissions stems from the battery recycling process, which reduces the need for raw material mining and thus reduces CO2 emissions resulting from the process of obtaining raw materials for the production of new batteries.

Financial risks in relation to the Group's identified material impacts on climate change and energy efficiency include the potential incurrence of expenditures for the purpose of maintaining, procuring or upgrading assets to ensure compliance with relevant regulations or internal decisions that contribute to the creation of positive effects on the climate and the environment.

Financial opportunities arise from the reduction of operating costs through the optimization of energy efficiency, the reduction of energy costs and the improvement of operational performance. In addition, sustainable operations have a positive impact on the Group's reputation, which can have a positive impact on the price of the Group's securities and on the cost of financing.

The Group's transition risk management is an integral part of business planning and risk management, taking into account the specific challenges of the markets in which the Group operates. The Group is active in the markets of countries that have signed the Paris Agreement, where emission reductions and environmental protection have been set as a national goal. Measures to achieve the objectives of the said Agreement have been implemented to a certain extent in the positive regulations of the signatory countries. Therefore, the Group's approach to managing environmental risks in terms of climate change and energy efficiency is based on ensuring the compliance of business processes with relevant regulations.

In addition, through the analysis of the Group's business segments, no business activity or assets were identified that would pose a

high risk in terms of transition risks. Consequently, no scenario analysis was carried out regarding limiting global warming to 1,5 °C outside the standard short-, medium- and long-term business planning process. In the context of logistics fleet emissions, the Group believes that this is a common challenge for the entire economy, and not a specific risk for the Group.

In the process of analysing operations, risks and opportunities, the same were also considered in the context of significant activities of the Group. In terms of solar panels, although they are recognized as an important initiative for their installation, it is limited to locations owned by the Group, where the conditions for the profitability of the investment are met. In the coming periods, one of the set goals is to improve the process of systematic collection of data on electricity consumption at the Group level.

In the future, in accordance with the new regulations and the analysis of emission measurement results, the Group will consider the need to develop a transition plan.



**The Group continuously monitors the relevant laws of these markets and regulations of the European Union, including those related to the environment, and integrates their requirements into its business processes."**



With regard to climate change and energy efficiency, the risks at the Group level are mostly transitional in nature, while the physical risks are minimal, and the Group implements activities that would mitigate the potential occurrence of such risks.

In terms of physical risks, extreme weather events caused by climate change (droughts, high outdoor temperatures, increased absolute humidity) can disrupt operations, supply chains and logistics, leading to increased operating costs. We estimate that the Company's exposure to physical risks is low in the short, medium and long term.

Transition risks related to climate change and energy efficiency for CIAK Group can manifest themselves in several key areas. Given the growing regulation in the field of environmental protection, it is possible to increase legal obligations related to the reduction of CO2 emissions and the improvement of energy efficiency, which may require the implementation of new technologies and the adaptation of business processes. However, the Group does not expect any significant investments that should be assessed, nor are investments in the event of extraordinary changes in the law recognized as a significant risk, given that the regulations for the level of public-interest companies are already known to a greater extent and no significant changes are expected according to the Group's current knowledge.

The increase in energy costs, especially in segments that have more significant energy consumption, such as the recycling segment, also represents a form of transition risk. In order to reduce these costs and increase competitiveness, the Group has implemented ISO standards for certain companies, depending on the energy intensity of the process and size, with the most important being the implementation of the ISO 50001 (Energy Management Systems) standard.

Significant activities of the Group identified in the process of the Group's double materiality analysis (e.g. installation of solar panels, depending on business needs and infrastructure capabilities, and measurement of energy consumption) are of a transitional nature and in terms of further development and maintenance, imply certain costs and are limited by infrastructure capabilities. However, the benefits of energy savings offset any costs that may be incurred.

CIAK Group continuously monitors relevant legislative changes, implements innovations and ensures compliance with the requirements of implemented management standards. In this way, it aims to minimise the risks associated with the sustainability transition and adapt to new market conditions.

The Group's draft sustainability strategy conflicts with the business strategy, which is set for the long term and revised in the short- and medium-term planning process. The draft

**sustainability strategy, which is aimed at the business development goals in the waste management and recycling segment, is based on identified trends in the environment in which the Group operates, where, based on current environmental policies, there is room for business growth and capacity increase.** The basis of the strategy is regular monitoring of upcoming regulatory changes, as well as acting in accordance with positive market regulations in terms of environmental protection and energy efficiency, as well as the implementation of management standards and pursuit of applying industry best practices in business processes. This approach ensures that the strategy is resilient to transition risks. The Group's significant environmental impact effects result from this approach.

In line with business developments, the Group will gradually implement management standards in terms of environmental protection and energy efficiency (ISO 14001 and ISO 50001) in other companies where any significance or need is established. In the coming periods, the Group intends to conduct a cost-effectiveness analysis of the installation of solar panels at business locations owned by the Group, where the position and infrastructure offer the basic prerequisites for the above.

This approach enables the gradual alignment of the Group's operations with regulatory requirements and environmental objectives, while enabling long-term growth and reducing environmental impact.

**Environmental policies** have been developed for companies whose environmental impact is recognized as significant in the form of a Management System Policy, and their development is based on implemented management standards. For the Group companies operating in the ecology segment, C.I.A.K d.o.o. RH and CIAK d.o.o. BiH, as well as the most important company of the Group in terms of size and revenue, CIAK Auto d.o.o. of the Republic of Croatia, have formed policies that define the approach to environmental protection and responsible use of resources. The policy implemented in the companies of the CIAK d.o.o. Group of the Republic of Croatia in the segment of ecology, as well as in C.I.A.K. Auto d.o.o. of the Republic of Croatia in the IAM segment prescribes procedures for identifying and assessing environmental aspects based on which environmental protection goals are set and prescribes certain procedures for the purpose of achieving these goals. Environmental aspects also include emissions into the air at the level of CIAK d.o.o. in the recycling process, so the prescribed procedures also refer to the reduction or prevention of these emissions, which has a positive impact on climate change. On the other hand, the policy implemented in the company CIAK d.o.o. In the segment of ecology, BiH emphasizes the necessity of planning and monitoring all processes related



to environmental protection, which ensures effective management of environmental issues and the achievement of environmental protection goals.

Policies also prescribe objectives and procedures regarding energy efficiency and resource use. The policies implemented at the level of the companies CIAK d.o.o. of the Republic of Croatia and CIAK Auto d.o.o. of the Republic of Croatia comprehensively describe the energy efficiency management system. The obligation to consider opportunities for improving energy performance and operational control when designing new, modified and renovated plants, equipment, systems and processes that can have a significant impact on the energy performance and performance of the company is prescribed.

In these policies, companies undertake to comply with national and international standards, legal and other regulations related to environmental protection and energy efficiency. During their development, interested stakeholders were identified and a prescribed approach was taken to integrate their interests into the business of CIAK Group.

Policies are available to all stakeholders and are communicated to all those working for and on behalf of the companies covered by the policies.

CIAK Group implements **measures to reduce greenhouse gas (GHG) emissions and** increase energy efficiency with a focus on processes and societies that have the greatest impact on the environment and energy consumption. In the segment of ecology at the level of the battery recycling process for the company C.I.A.K. d.o.o. of the Republic of Croatia, air emissions are regularly monitored, and the application of advanced technology, the implementation of management standards in terms of environmental protection and energy efficiency and certain industrial practices precedes the obtaining of an environmental permit, which ensures compliance with applicable regulations. The Group owns a solar panel plant at the location of CIAK d.o.o. of the Republic of Croatia in order to increase the share of energy consumption from renewable energy sources. The Group's focus is on identifying the possibility of installing additional solar panels, where institutions are prerequisites for launching a project with the aim of managing the impact on CO<sub>2</sub> reduction and energy consumption. Energy consumption is continuously monitored and managed in the companies C.I.A.K. d.o.o. of the Republic of Croatia and C.I.A.K. Auto d.o.o. of the Republic of Croatia, which play a key role in the implementation of energy efficiency measures within the Group. Effective implementation of environmental measures and energy efficiency improvements required appropriate investments in infrastructure, technology and employee training.

In terms of reducing CO<sub>2</sub> emissions at the level of the logistics and distribution process, the Group ensures that all Group vehicles comply with the technical emission requirements, and the optimization of logistics routes contributes to the reduction of overall fuel consumption and emissions.

In the context of long-term planning, the Group has not yet adopted a transition plan or specific measures for its implementation, so the capital expenditures and operating costs estimated on this basis have not been defined. Nevertheless, environmental protection and energy efficiency are already integrated into business planning, and resources are allocated in accordance with identified needs. In particular, financial resources are allocated for the implementation of measures to manage the impacts, risks and opportunities of climate change and energy efficiency, which include investments in infrastructure, technology and employee training in accordance with the capabilities and priorities developed in accordance with the business and environmental objectives of the Group and the Group's covered company.

In terms of the impact on climate change, the CIAK Group did not adopt quantitative targets for reducing greenhouse gas emissions in the observed reporting period. However, the **Group continuously monitors and analyses emissions as part of its key business processes, particularly in the battery recycling segment, to understand its environmental footprint.** Regarding the change in energy performance, the Group sets measurable targets for improving energy efficiency, where the effects are measured in relation to the data on the energy base, i.e. initial energy consumption. Based on this data, further improvements in energy efficiency management and process optimization are carried out. Business areas such as logistics, where there are certain emissions, have not been identified as key areas where the Group can have a significant impact. However, the Group actively monitors market trends and new technologies that can enable the reduction of these emissions, especially in the context of regulations and market opportunities. If solutions appear on the market that are in line with its goals, the Group will further focus on measuring emissions in this segment and implementing new procedures. In addition, when relevant industry benchmarks are available for targets under the new regulatory framework in fiscal year 2025, the Group will revise its existing targets and, where necessary, adjust or supplement them to ensure compliance with current requirements and standards.

## 2.1. POWER CONSUMPTION

The Group lists below the presented volumes of electricity and heat consumption in 2024.

Power consumption	MWh
Consumption of thermal energy from natural gas	8,703
Thermal energy consumption from liquefied petroleum gas (LPG)	50
Consumption of thermal energy from vehicle fuels	29,302
Consumption of thermal energy from fossil fuels	38,055
Electricity consumption	7,997
Consumption of electricity from renewable sources - produced	43
Electricity consumption - purchased	7,954
Total power consumption	46,052

Total energy consumed

**7.997 mWH**

Total energy consumed from own sources

**42,78 mWH**

The sources of electricity generated by the CIAK Group correspond to the publicly available average percentage ratios of the markets in which the Group operates, given that the Group procures electricity from market operators in each of the countries in which it is present.

The presented data on energy consumption from own sources refer to electricity produced from solar panels in a company operating in the segment of ecology on the market of the Republic of Croatia.

The amounts of electricity and heat consumption used for heating shown in this report have been calculated based on financial data, where the conversion was carried out using publicly available statistical data. For electricity and natural gas, Eurostat data were used, which provides uniform and comparable statistics. Statistical data for all markets in which the Group operates were analysed, and the average performance of all markets was used for the conversion. This data was used as input parameters to calculate emissions.

Data on the consumption of thermal energy from natural gas include the consumption of energy from fossil fuels in production plants and the consumption of thermal energy from natural gas for heating business premises. In addition to the above, most of the thermal energy consumption refers to fuel consumption using the Group's vehicle fleet.

Energy intensity by net income	MWh/tEUR
Total energy consumption per net income	0.13

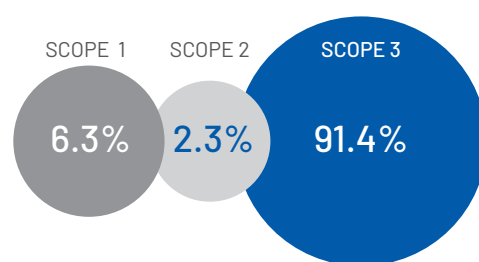
Data on financial effects in the observed period are contained in notes 6, 31 and 7 of the Group's financial statements. Net income refers to the Group's total operating revenues in 2024.

## 2.2. GREENHOUSE GAS EMISSIONS

The Group identifies an opportunity to contribute to environmentally sustainable goals through activities that affect the increase of energy efficiency. **By systematically analysing and measuring the activities of business processes that create a significant impact on greenhouse gas emissions, the Group creates the preconditions for setting targets for reducing environmental impact, i.e. reducing greenhouse gas emissions in scope 1, 2 and 3.**

The initial data collection for the calculation of emissions of all three scopes was carried out for the outputs in 2024, which will be observed as baselines in the following periods. Emission trends in the coming periods will reflect the efficiency and effectiveness of measures that society is considering or that have been implemented in business processes, with the aim of reducing greenhouse gas (GHG) emissions.

The Group generates the most significant part of its emissions from Scope 3 greenhouse gases, i.e. a total of 91.4% of total emissions according to the location method, i.e. 89.7% of total emissions according to the market method.



Scope 1, 2 and 3 greenhouse gas emissions in 2024 by location method

**Scope 1 emissions** are generated using the Group's own fleet and in the Group's production facilities.

99% of emissions generated in production facilities are related to the combustion of natural gas. In this context, the Group identifies opportunities for a significant impact on the reduction of Scope 1 emissions in emissions generated by fuel combustion when using its own fleet, which account for 87% of the total emissions of the observed scope.

The planned measures that would contribute to the reduction of greenhouse gas emissions generated in the operational operations and under the direct action of the Group include the procurement of more energy-efficient vehicles when replacing or expanding the fleet, regular maintenance of vehicles and the optimization of delivery routes. These measures are continuously implemented in all companies of the Group, and the most significant effects of a positive impact on climatic conditions and the environment can potentially be achieved in the IAM segment.

The calculated **Scope 2 emissions** relate for the most part to emissions resulting from the procurement of electricity. A more significant opportunity for optimization of emissions is manifested in the selection of suppliers that ensure a higher degree of electricity production from renewable energy sources. At the locations where the Group performs business activities, electricity consumption is reduced by purchasing more energy-efficient devices. The group is considering measures that would influence employees' awareness of the importance of contributing to the reduction of energy consumption in order to achieve positive effects on the climate and the environment. Part of the Group's electricity consumption refers to its own electricity produced from renewable sources.

According to the location method, electricity consumption affects the generation of 74% of indirect emissions generated by the Group's operating operations, while according to the market method, this share is 86%.

Greenhouse gas emissions	tCO2e	Shares by location method	Shares by market method
Scope 1 greenhouse gas emissions	9,052	6,3%	6,2%
Scope 2 greenhouse gas emissions by location method	3,324	2,3%	
Scope 2 greenhouse gas emissions by market method	6,007		4,1%
Significant Scope 3 greenhouse gas emissions	131.000	91,4%	89,7%
1. Purchased goods and services	118.541		
2. Capital goods	1,661		
3. Fuels and energy-related activities not covered by Scope 1 and Scope 2	1,200		
4. Transport and distribution - "inbound flow"	2,303		
5. Waste generated in own operations	3,621		
6. Business trips	33		
7. Employee arrival at work	2,752		
8. Leased fixed assets - "input flow"	n.a.		
9. Transport and distribution - "output flow"	n.a.		
10. Processing of sold products			
11. Use of Sold Products	887		
12. Disposal of products sold at the end of their life			
13. Leased fixed assets - "output flow"	n.a.		
14. Franchise	n.a.		
15. Investments	n.a.		
<b>Total greenhouse gas emissions by location method</b>	<b>143.376</b>		
<b>Total greenhouse gas emissions by market method</b>	<b>146.058</b>		

\*For the calculation of Scope 2 according to the market method, emission factors from the remaining energy mix were used

Greenhouse gas intensity per net income	tCO2e/ tEUR
Total greenhouse gas emissions (location method) by net income	0,40
Total greenhouse gas emissions (market method) by net income	0,41

The emission calculation boundaries set include Scope 1, Scope 2 and Scope 3 under the GHG Protocol. For the purpose of calculating emissions, data on the Group's activities in 2024 was collected.

The quantities of electricity and heat consumption used for heating shown in this report were calculated based on financial data, where the conversion was carried out using publicly available statistical data. For electricity and natural gas, Eurostat data were used, which provides uniform and comparable statistics. Statistical data for all markets in which the Group operates were analysed, and the average performance of all markets was used for the conversion. This data was used as input parameters to calculate emissions.

### Scope 3 emissions

The most significant part of Ciak Group's greenhouse gas emissions are Scope 3 emissions, of which the most significant emissions occur in the categories of the company's value chain input.

As this is the initial collection of a significant volume of data for the purposes of calculations, the Group expects the improvement of the data collection process in the coming periods, as well as the development of emission calculation methodologies.

Below are explanations of the applied methodologies and assumptions for the collection of input data for the calculation of Scope 3 emissions.

Summary assumptions of the used methodologies for calculating Scope 3 emissions by emission categories defined by the GHG Protocol.

1. **Purchased goods and services** – The calculation refers to the emissions generated in the procurement processes of raw materials in the company's key production processes and emissions generated from the procurement of the most significant goods in the Group's assortment, based on the estimated dominant material contained in the observed groups of goods. Given the complexity of the supply chain and the comprehensiveness of the data, steps have been taken to collect more thorough data in the following periods so that the calculation of emissions in the aforementioned category includes a wider range of input data. The calculation of emissions in 2024 includes emissions resulting from the purchase of lead components and batteries in the Group's production process and from the purchase of the most significant groups of items in the Group's assortment.
2. **Capital goods** – the calculation includes a significant amount of tangible goods purchased in the observed period. The method is cost-based, and the collected are structured according to the category of goods (e.g. furniture, electronics, cars, etc.)
3. **Fuel and energy input** – the collected data in scope 1 and 2 were used and the emission calculation was carried out using the corresponding emission factors of the fuel and energy input stream.
4. **Inbound transport and distribution of goods** – for the calculation, data on the number of arrivals and the estimated length of routes for the most important Group suppliers were collected. Steps have been taken to collect data more thoroughly in the coming periods, so that the calculation of emissions in this category covers a wider range of input data.
5. **Business waste** – the calculation refers to emissions resulting from the generation of waste in operations on the Croatian market and includes business waste related to paper and plastic packaging, as well as sludge and write-off quantities of goods and materials generated in the Group's activities related to the sale of goods. Steps have been taken to collect data more thoroughly in the coming periods, so that the calculation of emissions in this category covers a wider range of input data.
6. **Business travel** – the calculation refers to emissions resulting from business trips by plane, bus and private vehicle. It is assumed that most of the emissions generated using official vehicles for business travel are covered by the calculation of Scope 1 and 2 emissions.
7. **Employee arrivals** – input data for the calculation of emissions of the observed category were collected through a questionnaire and extrapolated to all employees of the Group
8. **Outbound transport and distribution** – The Outbound Logistics Flow Group predominantly uses its own fleet, and emissions are included in the calculation of scopes 1 and 2.
9. **Processing, use and disposal of products** – observing the output flow of the value chain, the Group does not place electronic goods on the market, nor has it identified significant effects that would affect the amount of emissions in that part. The calculated emission refers to emissions resulting from the placement of packaging of a significant category of goods in the Group's product range and includes emissions related to the disposal and processing of products sold by the organization.
10. The calculation in the categories of **leased assets, franchises and investments** is not applicable to the Group.

The Group identifies an opportunity in managing greenhouse gas emissions, developing a collection methodology and expanding the scope of calculations in significant categories of emissions occurring in the input and output value chain. As expected, the most significant impact on emission reductions may have categories of input activities in the value chain. In the coming periods, the Group will primarily focus on the analysis of emissions generated in this part and will consider the possibility of defining target values to reduce the Group's total emissions.

## Pollution

CIAK Grupa d.d. is a long-standing market player in all business segments, with elaborate processes that enable the identification, monitoring and management of risks in accordance with applicable legislation and internal goals. The Group's experience and an expert ESG working group formed by employees of relevant departments in the field of environmental impact management, employees and the business environment enabled a thorough analysis of business activities and business locations, effectively identifying key impacts, risks and opportunities related to environmental pollution.

A special focus was placed on the ecology segment, where the measurement of emissions into water and air is integrated into regular business processes, thus ensuring compliance with applicable environmental standards and legislation. The waste management segment, which is subject to strict regulations and represents an activity of public interest in terms of environmental impact, is the focus of significant attention when assessing the Group's environmental impact.

With a focus on these key business segments, the Group has conducted a comprehensive analysis of all companies in the markets in which it operates, including stakeholder surveys. This approach has made it possible to apply the due diligence process and draw appropriate conclusions regarding the materiality of the environmental impact of pollution, thereby striving the Group to improve its environmental practices and the long-term sustainability of its operations.

In the ecology segment, environmental effects arise in terms of emissions into water and air, where emissions into the air are associated exclusively with the recycling process on the market of the Republic of Croatia. Polluted water from the recycling production process is disposed of as waste, which prevents direct discharges into the environment. Pollutants that can be found in potentially contaminated rainwater from asphalt surfaces must be within the set limit values, thus ensuring compliance with environmental standards and environmental protection. The Group takes measures that minimize these negative effects, ensuring that emissions remain within the legal permissible values and values defined by environmental permits.

The effects of the recycling and waste management processes on the environment and the reduction of pollution were primarily identified as positive. The recycling activity reduces the need for mining new raw materials, which reduces industrial pollution, emissions associated with the acquisition of raw materials, while the waste management activity reduces pollution caused by improper waste disposal. **CIAK Group's waste management processes also include the remediation of contaminated sites, which contributes to the reduction of soil, water and air pollution and the restoration of biodiversity and**

**water quality. The Group's activities in the environmental segment, especially in the recycling and waste management process, are recognized as key to achieving sustainability, as they have a direct and positive impact on the environment.**

As business in the waste management segment is a highly regulated activity, changes in regulations may require certain measures that require investments in infrastructure improvement, change of business practices, or procurement of environmentally friendly technologies.

CIAK Group has the relevant permits and certificates for performing waste management activities. The activity contributes to the minimization of pollution and harmful emissions and reduces the need for the use of new resources and is an example of implemented circular economy processes. This can have a positive impact on the price of the Group's securities, the possibility of more favourable lending, the creation of new partnerships and a better reputation of the Group, which represents a financial opportunity for the Group.

The identified significant impacts of the Group in terms of pollution arise from the ecology segment, specifically from the waste management and recycling sub-segments, and the significance of these effects has been determined at the level of the company CIAK d.o.o. RH. The Group company has established a Management System Policy that prescribes mandatory monitoring of relevant regulations in the field of environmental protection, including keeping an updated list of applicable legislation and other requirements applicable to the company's activities. In this way, the policy focuses on the application of environmental permit requirements, which additionally requires compliance of the Group's business processes with the high industry standards of environmental protection. The environmental permit requires that all processes within the Group comply with environmentally friendly practices, including reducing emissions, optimizing resource consumption and responsible waste management. It specifically impacts the mitigation of negative effects of pollution by setting emission limits for pollutants, monitoring and reporting obligations, and requirements for the application of available techniques.

**The policy includes a process of identifying and evaluating environmental aspects**, as well as setting specific environmental goals. As part of the monitoring process, the requirements for measuring and analysing environmental impacts are emphasized. The policy also requires the application of established procedures for monitoring and evaluating environmental aspects.

The management system defined within the framework of this policy is established and documented to the extent that enables systematic and effective management of the company's environmental impact.

CIAK Group implements pollution reduction measures in accordance with the environmental permits issued for each location subject to obtaining a permit. In accordance with the applicable regulations of the Republic of Croatia, measures based on the available techniques are applied. The implemented measures are continuously implemented through business, with regular control of pollutants into the environment according to the dynamics prescribed in the environmental permit. At the locations of companies where required by regulations, Civil Protection Operational Plans have been established, which include preventive measures to prevent sudden events. The Group ensures compliance with applicable regulations, regularly conducts monitoring and takes corrective actions as necessary, thereby minimizing the negative impact on the environment.

CIAK Group harmonizes its operations with applicable legal regulations and environmental permits that define target values for substances that pollute air and water. Emissions to air and water are regularly controlled to ensure compliance with the prescribed limits. These controls enable companies to actively manage their environmental impact, ensuring that polluting effects are minimized and contribute to environmental conservation through responsible business operations and the implementation of sustainable environmental practices.

In accordance with the applicable environmental permits of the Group, authorized laboratories carry out measurements of air emissions and wastewater analysis. From these measurements, the quantities of pollutants are calculated. Below, there is an overview of the quantities of pollutants generated at the location of the company C.I.A.K. d.o.o., according to the segment of activity in which the significance of the topic was determined. The display includes all pollutants from the list of pollutants applicable to the Group.

The Group publishes the quantities of pollutants for the observed reporting period, which is also the first reporting period and will represent the base year in the following periods.

C.I.A.K. d.o.o. Hrvatska	
Pollutants	in kilograms
Total suspended substance	179.79
Chemical oxygen demand by dichromate (as O <sub>2</sub> ) (COD)	195.74
Biochemical oxygen demand after five days (BOD <sub>5</sub> )	5.86
Total organic carbon (TOC) (as total C or COD/3)	25.72
Sulphur oxides expressed as SO <sub>2</sub>	1,761.71
Oxides of nitrogen expressed as NO <sub>2</sub>	11,314.83
Carbon monoxide (CO)	1,929.22
Carbon dioxide (CO <sub>2</sub> )	903,041.73
Sulphides (S <sub>2</sub> -)	0.20
Sulphates (SO <sub>4</sub> <sup>2-</sup> )	21.46
Halogenated organic compounds (such as AOX) (9)	0.27
Phenols (as total C)(13)	0.11
Total aromatic hydrocarbons	0.03
Hardly volatile lipophilic substances (total oils and fats)	38.75
Total hydrocarbons	4.47
Cadmium and its compounds (as Cd)(19)	0.13
Chrome 6+ (Cr <sup>6+</sup> )	0.33
Copper and its compounds (as Cu)(19)	1.07
Mercury and its compounds (as Hg)(19)	0.01
Nickel and its compounds (as Ni)(19)	0.33
Lead and its compounds (as Pb)(19)	66.21
Zinc and its compounds (as Zn)(19)	0.91
Iron (Fe)	0.49
Particulate matter	8.07

CIAK Group's waste management processes also include the remediation of contaminated sites, which contributes to the reduction of soil, water and air pollution and the restoration of biodiversity and water quality. The Group's activities in the environmental segment, especially in the recycling and waste management process, are recognized as key to achieving sustainability, as they have a direct and positive impact on the environment."

## Resource use and circular economy

### 4. ECOCYCLE

CIAK Group, in addition to being the significant distributor, collector and recycler of batteries in the region since 1994, has also proven itself as a socially and environmentally responsible partner through the CIAK EcoCycle program; a business model that describes the circular economy. CIAK Group produces, sells, collects and then recycles old batteries and accumulators and maximizes the usability of the obtained raw material for the next production cycle. CIAK EcoCycle is an exceptional example of a circular economy and an indicator of how it is possible to harmonize environmental, economic and development goals at the Group level.

The business model of this segment is set up in such a way that the obtained raw materials are sold after the recycling process to foreign buyers who are also battery manufacturers. Subsequently, such buyers of raw materials sell the finished new batteries to the Group as suppliers of the battery and oil distribution segment, based on contracts that established multi-year cooperation.

#### Battery buyback is done in two ways:

- active (B2B) in collection stations and mechanic shops, end users who have a larger vehicle fleet, and
- passive (B2C) through the "old for new" model, whereby the Group uses its own retail network and network of service partners, which consists of a total of 120 (one hundred and twenty) points of sale, making it the largest purchase network in the region.



Sustainable circular economy in Croatia - CIAK EcoCycle (VIDEO)



# 4

The first activities began in 1994 with the organized collection of old batteries and their treatment, followed by the expansion of activities to all other hazardous/non-hazardous waste, but also to other activities related to environmental protection. CIAK Group manages over 40 thousand tons of hazardous and non-hazardous waste per year. The Group has experience in the management of all types and categories of waste, with a maximum capacity of over 70 thousand tons per year.

The company has established cooperation with a large number of economic entities from which it takes, transports, processes and disposes of hazardous and non-hazardous waste on a daily basis. Part of the collected waste is handed over to authorized processors in the country or abroad, and part is processed at the locations of the company C.I.A.K. d.o.o. After treatment, part of the waste is handed over for further recovery/disposal procedures to authorized processors in the country or abroad.

The Group's entry into the waste management market was in 2000 in the former waste management centre in Vojnić, and it has significantly developed with a greenfield investment for the construction of a waste management centre at the location in Zabok. The greenfield investment in the Accumulator and Battery Recycling Centre is an example of harmonizing the economic and development goals of the company with the ecological ones. C.I.A.K. d.o.o. has established the only centre for CFCs in which it receives controlled substances and/or fluorinated greenhouse gases from refrigeration and air conditioning equipment, from authorized service providers. Also, CIAK Group has established its own testing laboratory as a natural sequence of performing the activities of remediation of contaminated sites and industrial plants.

The Centre for Hazardous and Non-Hazardous Waste Management in Zabok was purpose-built for these purposes and has all the permits prescribed by the competent Ministry. There are also vehicles at all locations, adequately equipped for logistics procedures with hazardous and non-hazardous waste. In addition to infrastructure and logistics, employees with many years of work experience in this

sector are preferred, from waste handling in the warehouse, through administrative and commercial tasks to expert engineers. The Centre for Recycling of Accumulators and Batteries in Zabok processes a significant quantity of lead-acid batteries in Croatia.

In order to consistently implement strategic and planning documents for the management of waste batteries and accumulators and the organization of the waste accumulator and battery management system in accordance with legal regulations, the Group recovers significant quantities of accumulators from the Croatian market and stands out as an example of the implementation of processes that have a positive impact on sustainability.

In addition to collecting and processing and using modern environmentally friendly technologies in battery processing, based on the principles of sustainable circular management, CIAK Group is also working on raising awareness and educating users through its projects in order to increase the amount of waste batteries handed over for processing and reduce the amount of those that end up inappropriately discarded, which thus endanger the health of humans, animals and plants.

In its plants, the Group tend to use state-of-the-art technology and state-of-the-art production methods, and all recycling processes are in line with industry and environmental standards. In this segment, it has a significant share in the waste management market. To perform waste management activities, it has all the necessary permits issued by the Ministry responsible for environmental protection.

The significant impact of the CIAK Group in the field of circular economy is manifested in business activities that form an integral part of the CIAK EcoCycle program. The program focuses on the collection and recycling of old lead-acid batteries. **This program represents an example of a circular economy because it successfully integrates environmental, economic and development goals.** Points of sale sell new batteries to customers and take over old ones, while vehicle maintenance services and car repair shops also take over old batteries when replacing worn-out ones. The collected batteries are



#### HAZARDOUS WASTE

C.I.A.K. annually manages over 30.000 tonnes of hazardous and non-hazardous waste



#### NON-HAZARDOUS WASTE

We provide waste management services for significant number of partners



#### CIAK LABORATORY

We examine and clean hundreds of kilometres of drainage systems of Croatian Motorways



#### EXPERT CONSULTING AND ENVIRONMENTAL PROTECTION

Obligation to conduct environmental impact studies is defined by environmental laws



#### REMEDIATION OF CONTAMINATED SITES

Contaminated locations and industrial plants present a potential threat to the environment



#### CLEANING AND MAINTENANCE OF INDUSTRIAL PLANTS

Cleaning and maintenance of water drainage systems, cleaning and maintenance of industrial equipment

then sent to a specialized recycling Centre, where lead is obtained from them, which is sold again as raw material to produce new batteries. This closed system has a positive effect on reducing the amount of waste in landfills, reducing the need to use new resources, and thus contributes to the preservation of natural raw materials such as lead.

**CIAK Group has all the necessary permits and certificates, including ISO 14001, which guarantees that the processes are carried out in accordance with environmental standards and legislation, which further contributes to the sustainability of its activities.**

The Group conducted a detailed review of its assets and activities to identify actual and potential impacts, risks and opportunities that could be identified in circular economy processes. Methodologies that include business process analysis with input from an expert ESG working group were used, focusing on key areas where impacts are expected.

In addition, the Group has consulted key stakeholders through meetings, consultations and surveys, ensuring the active involvement of stakeholders in identifying significant impacts, considering their knowledge of the business and interaction with the Group.

CIAK Group's approach to policies related to the circular economy is based on cooperation with environmentally conscious suppliers who adhere to environmentally responsible standards and support sustainable business practices. This approach is particularly evident in the IAM segment, where batteries are purchased from suppliers who use recycled lead from the CIAK Group's recycling process.

Procedures in waste management include the use of assessment criteria and methods to determine which waste goes to recycling and which must be disposed of in another way. This process involves cooperation with authorized waste disposal providers and recycling Centres, ensuring proper waste treatment in accordance with applicable legislation and environmental standards.

CIAK Group, as a distributor of batteries, actively integrates the principles of circular economy into its business practice. **Through responsible battery life cycle management, the Group ensures that batteries placed on the market are properly recycled through clearly defined and described procedures.** Customers can return used batteries and treat them in accordance with the latest environmental standards. This approach is not only in line with current legislation but also represents a key element of the Group's commitment to reducing waste, encouraging the reuse of resources and contributing to sustainable development.

CIAK Group implements **measures related to the use of resources and the circular economy through the opening of locations for retail purchase and handover of batteries, thus enabling customers to return end-of-life batteries.** Also, in its offer, the Group promotes the sales activity of replacing "old for new", which encourages customers to return old batteries. These measures contribute to increasing the amount of collected batteries and create a positive effect by actively encouraging the process of proper disposal through the recycling process, ensuring safe and environmentally friendly disposal and reuse of resources.

The goal of CIAK Group is primarily to increase the number of collected batteries by expanding the network of locations for the delivery of old batteries and their retail purchase, as well as increasing business in the recycling process within the existing capacities. The long-term plan includes improving the capacity for collecting and recycling batteries by installing new equipment, which plans to increase capacity, **which will significantly reduce the environmental risks associated with improper disposal of batteries and prevent soil and groundwater pollution.**

The introduction of quantitative goals of the Group will be considered in the coming periods, following the analysis of the collected data.

CIAK Group manages a significant amount of hazardous and non-hazardous waste annually. The Group focuses on further development of business in the field of waste management, building long-term partnerships with service users and cooperation with European companies for hazardous waste management, which operate in accordance with the environmental regulations of the European Union and high operational standards in waste recovery procedures.

At the points of sale of CIAK Group member companies, it is possible to pick up waste lead-acid batteries free of charge without the obligation to buy new ones. Documentation is kept for the collected batteries in accordance with the regulations. In retail stores, a certificate of acceptance of batteries and payment of a fee for the return of old batteries is issued, which ensures transparency of the process and compliance with legal obligations.

The company C.I.A.K. collects waste accumulators from retail outlets of CIAK Group members, as well as from other legal and natural persons in Croatia, and hands them over to the Accumulator and Battery Recycling Centre. The company C.I.A.K. d.o.o. in Slovenia, as an authorized collector, takes over waste lead-acid batteries from legal and natural persons in Slovenia and exports the collected quantities to Croatia, to the Centre for Recycling of Accumulators and Batteries in Zabok. Similarly, the company C.I.A.K. d.o.o. in Bosnia and Herzegovina takes over waste lead-acid batteries and exports part of the collected quantities to the Republic of Croatia, also to the Centre for Recycling of Accumulators and Batteries.

The Centre for Recycling of Accumulators and Batteries in Zabok receives lead-acid batteries collected in the Republic of Croatia, as well as imported quantities from abroad, which ensures responsible and environmentally friendly management of waste batteries through the recycling process, in accordance with applicable legislation.

In 2024, the CIAK Group carried out the activities of collecting waste accumulators in recycling and waste management activities and has removed significant quantities from the markets in which it operates, which is classified as hazardous waste, which represents a significant positive impact on the environment. The collected quantities are mostly used as inflows in the circular economy process and are recycled as part of the types of waste management.

## 4.2. WASTE MANAGEMENT

The Group manages waste generated in all business processes responsibly and with the aim of reducing the amount of waste that does not go into the recycling process. At almost all the Group's business locations, there are containers for sorting batteries, as well as appropriate containers for separating municipal waste and packaging. CIAK Group hands over most of the waste generated from regular operations to the Group company C.I.A.K. d.o.o. for further management processes, thus ensuring proper waste management in accordance with applicable regulations and environmental standards.

A significant part of paper, cardboard and plastic packaging is handed over to reputable partners authorized for the management of this

type of waste, most of which is handed over to partners who perform recycling services and other packaging recovery procedures.

The largest part of the presented quantities of hazardous waste generated from the operations of the Group companies refers to collected waste accumulators, which are significantly recycled at the Group level. The Group hands over a significant part of the packaging waste generated from operations for recycling and other recovery operations, and this part has a significant positive impact on the conservation of resources and contribution to the circular economy.

	Display of total waste inflows and outflows	Total amount of waste	Share according to the disposal procedure in the total quantities of disposed waste	Total amount of hazardous waste	Share according to the disposal procedure in the total quantities of disposed waste
	Total amount of waste inflows*	38,307		32,211	
		000 t	%	000 t	%
Amount of waste according to waste management procedures	Recycling	22,348	56%	16,123	54%
	Other recovery procedures	6,144	15%	2,734	9%
	Incineration	4,774	12%	4,740	16%
	Landfill	1,477	4%	1,300	4%
	Reuse	0	0%	0	0%
	Other disposal methods	5,191	13%	5,191	17%
	Total amount of waste outflow**	39,934		30,087	

\*The Group's waste inflows include inflows covered by waste management activities, which also include the inflow of resources in the circular economy process  
 \*\*The Group's waste outflows include outflows covered by waste management activities, which also include the amounts of sludge, dissolution and breakage generated by the business. The included data on the amount of waste disposal generated from business refers to the Croatian market. In the coming periods, the Group will expand the scope of data collection on business waste to other markets in which it operates.

88% of the waste generated in the business and the raw material collected for further recycling in 2024 was handed over to the waste management procedures of the company C.I.A.K. d.o.o. This company sends a significant part of the total collected waste and raw materials to the recycling process (54%, while of the total quantities of hazardous waste it manages, as much as 50% is recovered through this process. In line with its strategic sustainability goals, the company plans to increase its recycling capacity.

Data on waste management procedures are presented based on data from companies that carry out waste management activities.

In the process of production of lead ingots and recycling of lead-acid batteries, a semi-finished product is created in the form of a lead residue that can be subsequently used in the re-production process. Considering the existing permits, the Group may store semi-finished products of lead residues to a certain level in accordance with regulatory provisions, until permits are obtained for the implementation of the lead residue exploitation project.

According to the regulations, lead residue is considered hazardous waste since it contains lead, which can be utilized in the production process.

Above the defined levels determined by the relevant permits and until the implementation of the project, the Group places the surplus of semi-finished lead residues through its contractual partners, and the output quantities of this semi-finished product are included in the presented Group's waste outflow.

Companies operating in the segment of waste management activities achieve a significant impact on the environment by collecting and managing almost 40 thousand tons of waste per year. All received waste is processed through management procedures, guided by the approach of environmental sustainability and striving to make the share of the recycling process in the overall waste management procedures the most significant.

A significant part of these quantities refers to hazardous waste, which is then disposed of to the smallest extent by the disposal process, while the highest share of the output amount of waste in the total management procedures is recycled (54%). In 2024, the Group carried out a total of over 30 thousand tons of hazardous waste management activities through recovery or disposal procedures. The companies are continuously working on further modernization of the facilities and the use of procedures that minimize the impact on the environment. Through hazardous waste management activities, the Group greatly contributes to environmental goals.

The data presented in the report, as well as all other related relevant data, are collected regularly in accordance with legal regulations in companies that perform waste management activities.



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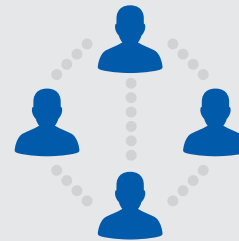
The basic principles of CIAK Group employee management include ensuring a safe and healthy working environment for all employees, their development and education, and maintaining a balance between employees' private and business lives.”

## Own workforce

The greatest value of the CIAK Group is its employees, and their safety, needs, motivation, satisfaction and protection were a priority for the management during 2024 as well. Attaching great importance to responsible and ethically based conduct in business, the Group respects the principles of ethics in all its

business relationships and acts in accordance with the principles of responsibility, truthfulness, efficiency, transparency and quality. Every day, we provide equality for employees, accepting their diversity, providing them with equal opportunities for employment, promotion, education and rewards.

On 31 December 2024.  
 CIAK Group had **3,409**  
 employees, which is **751**  
 employees more than on  
 31 December 2023.



Given the diversity of segments in which CIAK Group operates and the regional distribution of subsidiaries, it is very important to strive for simplification of communication channels and processes, transparency and availability of information. Accordingly, communication channels have been created that reflect this strategy and enable a quick and easy flow of information between all employees of the Group.

In 2023, the "Intranet" project was launched. The idea of this project is to provide employees with a single point of access to the common information they use in their daily work – from procedures and forms related to the execution of workplace tasks to information such as benefits that the Group provides to its employees.

During 2024, the Group continued to develop an "onboarding" process for all new employees. This process accelerates, and thus facilitates, the adaptation of new employees and introduces them to the functioning of the Company in which they are employed in a warm and collegial way.

In 2024, CIAK Group employed over 300 workers in Croatia in all areas of business and continues to continuously improve and reward its employees by recognizing their efforts, collegiality and willingness to progress.

The basic principles of CIAK Group employee management include ensuring a safe and healthy working environment for all employees,

their development and education, and maintaining a balance between employees' private and business lives. CIAK Group continuously invests in its employees through various channels of education, rewarding and communication, acting in accordance with positive business practices of employee management.

**CIAK Group employs a significant number of employees who perform various business activities, including production, transport, sales, warehousing and administrative activities.** Given the diverse operational processes within the Group, the workforce impact analysis began with a segmented approach, the conclusions of which were subsequently consolidated at the Group level. In this way, it is ensured that the analysis covers all employees and their specific roles within the organization.

The impact on employees' rights prescribed by law was analysed, including the right to adequate working hours and rest, the right to a safe and healthy working environment, the right to fair remuneration, the right to parental leave and family protection, and the right to protection from discrimination. The impact on rights that are not explicitly regulated by law, such as the right to working conditions that enable personal and professional development and the right to professional development, was also analysed.

CIAK Group conducted a comprehensive analysis of its organizational structure and internal acts, considering key aspects of human rights accountability, evaluation of existing policies and procedures, and effectiveness of reporting mechanisms.

The responsibility of CIAK Group in exercising the human rights of employees in the workplace arises from the nature of the relationship between the employer and the employee. Therefore, the Group as an employer actively implements policies and initiatives that have a positive impact on working hours, access to employment and working conditions, work-life balance, income and adequate remuneration, and professional development of employees.

CIAK Group ensures respect for the human rights of employees through the Labour Regulations. The activities of the local and central human resources team are focused on the well-being and exercise of all rights that employees have. The Ordinance defines the rights of employees, including the right to respect for working hours, a safe working environment, remuneration corresponding to the work performed, annual leave, sick leave and work-life balance. It also ensures the right to privacy, equality in employment and prevents discrimination based on gender, age, ethnicity and other personal characteristics. The Central Human Resources Department oversees the implementation of these policies, providing employees with legal certainty and equality in employment relations.

CIAK Group has also implemented all measures in accordance with the regulations on occupational safety through the development and application of the Rulebook on Occupational Safety, which covers in detail the specifics of processes within different business segments by applying adequate protection measures. The Ordinance includes risk assessment, employer's obligations regarding safety at the workplace, employee training and the use of protective equipment, which ensures the protection of the health and safety of all employees.

By implementing these measures, CIAK Group actively contributes to the realization of human rights of employees, ensuring a safe and healthy working environment, the right to protection from injuries and accidents, and the right to be informed about safety standards. These measures protect the basic human rights of employees, including the right to life, health and decent work.

CIAK Group continuously ensures respect for the human rights of employees, not only through the development and implementation of internal acts and measures in accordance with the applicable legislation, but also through additional activities resulting from the draft sustainability strategy of the Group in terms of managing its own workforce.

- A structured and centralized approach to employment in CIAK Group ensures respect for the human rights of employees by providing equal opportunities to all candidates applying for open competitions. The process is based on a clear job description and the selection of candidates according to the qualifications and requirements of the job, thus guaranteeing

equality and impartiality. This approach respects human rights such as the right to equality, the right to work and freedom from discrimination.

- Through an annual analysis of the volume of business activities and human resources capacities and planning the number of employees in the planning process, the Group ensures the compliance of all operations with regular working hours, thus protecting the human rights of employees to fair working conditions and the right to rest.
- The process of introducing new employees is adapted to the specifics of the workplace, with the assignment of a mentor who ensures a smooth transition and adaptation to the work environment and corporate culture. This process promotes the right to professional development and education, as well as the right to access information, as mentors provide employees with crucial information to get started successfully.
- Through the Intranet, employees have quick and easy access to the information needed for their daily business activities, which contributes to their right to information and freedom of expression.
- The Group ensures timely payment of wages and offers various benefits, including performance-based incentives, financial support for specific situations such as childbirth and deaths, and additional compensation for personal expenses, thus ensuring the right to fair remuneration for work performed and social security.
- By providing flexibility in working hours, where applicable in accordance with the duties of the workplace, and the possibility of using days off for family obligations, the Group contributes to the work-life balance of employees, thereby supporting human rights to family life and equality in employment.
- Resources for professional growth are available to employees with regular organization of internal training, which ensures the right to education and personal development.
- In addition, CIAK Group encourages employees to undergo regular health check-ups and engage in sports activities, thus ensuring the right to health and well-being in the workplace. For the use of these services, the Group provides benefits to employees.

Through all these activities, CIAK Group actively contributes to the realization and protection of human rights of employees with a significant impact on the right to equal treatment and opportunities, the right to fair working conditions, the right to fair remuneration and the right to education and personal development of employees.

Risks for CIAK Group in the context of implementing activities that have a positive impact on the human rights of employees include a potential increase in operating costs.

On the other hand, these activities bring significant opportunities, including reducing employee turnover, increasing loyalty, improving work performance, and employee innovation, especially through continuous investment in employee professional development. A high employee retention rate directly impacts business processes and operational efficiency, leading to improved business results. Also, the development of employee expertise reduces the need for external associates, which reduces the cost of using external services.

Indirect opportunities also include doing business without penalties and legal disputes in the field of labour law.

CIAK Group has established **the Labour Regulations as a key policy for managing the effects, risks and opportunities related to its own workforce**, covering all employees. This policy ensures compliance with applicable legislation and respect for certain human rights in the field of labour relations. Through the Labour Code, the Group applies international standards such as the UN Principles on Human Rights and Business and the International Labour Organization guidelines.

The Ordinance covers key aspects of employment relations, including the rights and obligations of employees, safety at work, maximum working hours, wages, work-life balance, employment and termination procedures, and the prevention of any discrimination. The abuse of child labour is prohibited, and special rights are guaranteed to mothers and pregnant women. The Group strongly supports the prevention and suppression of all forms of activities related to trafficking in human beings.

The Rules of Procedure also contain the described mechanisms for filing reports or complaints, i.e. possible reports on human rights violations.

The Management Board is responsible for the implementation of the Rules of Procedure in the CIAK Group, with the support of the Human Resources Department, participates in the implementation, staff training and compliance monitoring. Also, managers and team leaders ensure the application of the guidelines of the Regulations within their teams, which guarantees compliance with policies and legislation at all levels of management.

The Ordinance on Occupational Health and Safety in CIAK Group defines guidelines and measures to ensure the health and safety of employees in the work environment. This document covers risk assessment, preventive measures, procedures in the event of accidents or injuries, and employee training on safety standards. It also includes the obligations of employees and employers in order to minimize hazards and maintain safety in the workplace.

The responsibility for the implementation of the Occupational Safety and Health Ordinance lies with the management of CIAK Group, while the implementation of specific measures is delegated to the Group's management staff.

CIAK Group recognizes parents who care for children as a particularly vulnerable group and provides them with all legally guaranteed rights, including the right to parental leave, flexible working hours and return to work, which is regulated by the Labour Regulations. The Group also applies discretionary measures, such as working from home or flexible working hours, to facilitate work-life balance. Through these initiatives, CIAK Group not only ensures compliance with legal norms, but also actively promotes work-life balance and supports the professional development of parents in the organization.

**Cooperation with our own workforce is key to achieving business goals and sustainable business.** The basis of cooperation with employees is daily communication between employees and operational management, which enables the collection of important inputs for making business decisions. These inputs can come from employee initiative or through a proactive operational management approach, which encourages employee engagement to improve the business. The hierarchical structure of the Group is not deep, which allows for flexibility and fast, direct communication between the top and bottom management, so that feedback can be quickly used for change proposals and Group decision-making.

Cooperation with employees takes place through all phases of the business cycle, from setting goals to monitoring their realization.

In the phase of setting strategic goals, specifically in the market research process, employees who are actively involved in the relevant processes for the achievement of these goals provide key inputs. Live meetings with employees are the main channel for communication at this stage. In the final stages of defining the plan, the Management Board transmits information to the lower management through written communication. This phase is carried out at least once a year when setting the Group's strategic and operational goals.

In the implementation phase of goals and strategies, employees at all levels of the hierarchy not only actively implement the implementation but remain crucial for the continuous collection of information that allows decisions to be made about the continuation of implementation or necessary adjustments. Information is collected through regular reporting, either in writing or orally by lower and middle management, continuously during implementation.

In the phase of monitoring the implementation of the strategy and the achievement of goals, information is collected at all levels of management, so that the most strategically appropriate decision can be made at any time. This phase includes regular pre-set reports, ad hoc reports, and meetings at set intervals, continuously throughout the year or as needed.

Communication between the Management Board of the Group and employees takes place mostly through the directors of the

companies, who collect commercially important information and ensure that it reaches the Management Board. All employees can communicate directly with the Management when there is a need for it, and the Management also encourages direct communication with employees, where applicable.

In the context of workforce management, the human resources department analyses the information received from employees in order to evaluate the need to adopt measures of guidance, employee training, improvement of the working environment and guidance of management in workforce management. Human resources collect this information through direct communication with employees and through employee satisfaction surveys.

The effectiveness of cooperation with the workforce is measured through business KPIs and human resources KPIs, in order to assess whether cooperation, in addition to stable processes that result in efficient business management, has also led to a work environment in which employees feel valued and included. Evaluation is carried out in formal and informal ways, by monitoring employee turnover by companies or departments, direct communication with management and employees during their working life and during exit interviews and conducting employee satisfaction surveys.

The Group's business strategy includes goals related to the impact on employees and they are of a qualitative nature. Based on the analysis of the collected data and further activities related to the development of the sustainability strategy in the coming periods, the Group will consider the possibilities and the need to define quantitative goals in the observed area of activity. When defining the objectives, the Group will use the data contained in the first reporting year for the baseline values.

In the context of managing the effects on human rights in labour relations, CIAK Group recognizes the importance of cooperation with employees when developing measures that ensure respect for their rights. Employees are actively involved in the decision-making process through meetings and periodic interviews with superiors and at certain intervals with the human resources department, ensuring that measures are based on their real needs and experiences. Transparency and open communication are key in this process. Monitoring and evaluation of implemented measures is carried out through employee feedback and surveys, which enables the timely detection of potential shortcomings or the need to improve measures. Support is provided through advisory services and a system of anonymous reports, which further protects the human rights of employees. Through this cooperation, CIAK Group contributes to the creation of a motivated work environment, which has a positive effect on employee productivity.

The Rules of Procedure and the Rulebook on the Procedure for Internal Reporting of Irregularities in the CIAK Group define **measures to remedy negative effects on employees who express concerns or report potential irregularities**. The Rules on the Internal Whistleblowing Procedure ensure the protection of whistleblowing staff, including the prohibition of any retaliation, discrimination or negative consequences for whistleblowers. This approach allows employees to report irregularities in a safe environment. The Ordinance also guarantees the confidentiality of reports, thereby protecting the identity of the employee reporting irregularities, ensuring the safety and privacy of the whistleblower.

CIAK Group provides effective channels for reporting employee concerns in order to preserve the safety and integrity of the work environment. Employees have their own representative in the Supervisory Board of the company, through whom they can present any issues that are identified as relevant. Through regular open meetings with management and with the support of the human resources department, employees can voice their concerns. These meetings provide an opportunity for transparency and quick resolution of problems, thus creating trust and strengthening cooperation.

Also, there are personal data protection officers, who ensure that all reported data is processed in accordance with applicable legislation and practices for the protection of privacy.

CIAK Group employees are informed about the channels for reporting concerns when signing the Employment Contract, which enables them to have access to the internal acts and regulations that define the procedures for reporting irregularities. The documents are available for inspection by employees. The Human Resources Department regularly informs employees of any relevant changes or facts relevant to them. Management conducts regular periodic conversations with employees in order to maintain an open dialogue and transparent communication. Depending on the nature of the employee's concerns, the Human Resources Department and, in certain cases, the Legal Department are responsible for monitoring the resolution of open issues. Through conducting periodic surveys and exit interviews, the Human Resources Department monitors compliance with procedures and evaluates the effectiveness of the channels for reporting concerns.

In the event that the existence of an irregularity affecting the working environment or the human rights of employees is established, the Labour Regulations and the Ordinance on Reporting Irregularities define appropriate remediation measures. These measures may include correcting irregularities or undesirable practices, conducting education and training for employees to prevent similar problems in the future, introducing new procedures or policies to improve the working climate



and ensure an ethical workspace, and conducting internal investigations in cases of serious irregularities or reports involving violence, discrimination or mobbing. Also, sanctions can be taken against the responsible persons if it is determined that labour norms or legal obligations towards employees have been violated.

Measures for managing the effects on employees are primarily focused on the evaluation of the organizational climate, management and organization of work through interviews with employees and through periodic surveys on employee satisfaction, in accordance with the possibilities and needs in all companies of the Group. This forms the basis for the development of organizational culture and the evolution of the organization in accordance with the needs of employees and the market.

In the recruitment process, the Group's measure includes the cooperation of the management of the Group companies or the heads of departments and human resources departments in order to ensure a transparent and high-quality selection process that would provide potential employees with all relevant information and at the same time the employees for the Group.

An important measure includes a centrally coordinated process of short- and medium-term planning of the number of employees, in which it is crucial to align the planned changes in terms of one's own workforce with the planned development of the business, which contributes, among other things, to the reduction of overtime hours and the reduction of the workload of employees through a carefully planned scope of work delegated to them.

Continuous introduction of specific IT solutions is a measure that speeds up the work of employees and increases their efficiency. By working faster and more efficiently, employees can perform tasks faster and more precisely, which contributes to the interests of the Group, better organization of working time and increased employee safety when performing their tasks.

In CIAK Group, the measure of adjusting financial benefits based on actual work performance and employee contributions allows the Group to direct rewards and benefits towards actual achievements, creating a motivating environment that encourages productivity. Employees who achieve high results receive an adjustment of their financial income, including bonuses and other benefits, which further motivates them to achieve better results. While the companies within the Group have autonomy in managing the teams, all performance-based financial receipt decisions are made in coordination with the responsible persons of the parent company and the Group.

An additional measure of managing the effects related to the workforce is the continuous education of employees in accordance with the needs and personnel capabilities in each member state of the Group. The need to participate in the training

is expressed through a conversation between employees and superiors, considering business needs and budget, and they apply to the directors for approval, and in certain cases to the human resources department. Human resources direct the operational management to, in accordance with the budget, identify the key areas of employee development and the necessary education, because it is the operational management, which is involved in operational processes on a daily basis and in constant interaction with employees, that has the greatest competence to assess these needs.

Educating managers in the field of employee management, developing communication skills and educating managers on methods of providing regular feedback to employees are measures implemented with the aim of improving communication at all levels, minimizing operational errors and optimizing employee guidance in performing tasks, defining expectations and deadlines. The training is coordinated, if necessary, by the central human resources department.

The CIAK Group's Work Regulations are a key document that regulates employment relations, rights and obligations of employees and ensures compliance with applicable legislation. It ensures that the legally guaranteed rights of employees are respected and a standardized approach to workforce management. The Ordinance covers key aspects of employment relations, including employee rights and obligations, safety at work, regular working hours, wages, work-life balance, employment and termination procedures, prevention of discrimination, and mechanisms for filing complaints or reports on human rights violations.

Implementing and updating the rules, as well as instructing employees in their rights and obligations, are extremely important for complying with the requirements of positive regulations. These procedures represent a key measure for managing the positive impact on the human rights of employees with whom the employment relationship is established.

**CIAK Group monitors the effectiveness of the implemented measures through regular reports on business results and the achievement of key performance indicators defined at the level of the human resources department for certain key indicators.**

Communication with employees takes place through meetings and individual conversations and occasional surveys, which collects feedback on satisfaction and challenges in the application of measures. Based on these data, the Group adjusts its strategy and measures in terms of managing its own workforce in a timely manner.

## 5. EMPLOYEES OF CIAK GROUP

The data collected refer to data on the number and characteristics of the Group's employees as of 31 December 2024. The views contain data on the number of employees, while as part of regular business processes, the collection of data on FTE and HC achievements is carried out on a monthly basis at the Group level.

The data presented can be linked to Note 10 of the Group's Annual Financial Report.

### Number of employees by gender on 31 December 2024.

Gender	Number of employees
Men	2,960
Women	449
Secondly	0
Not reported	0
Total number of Employees	3,409



### Number of employees by market on 31 December 2024.

The overview below contains an overview of the number of employees by countries in which the Group operates and contains data for all countries in which the Group employs more than 50 workers representing more than 10% of the Group's employees.

Country	Number of employees	Share in the total number of employees
Croatia	1,579	46%
Serbia	825	24%
Bosnia and Herzegovina	624	18%
Montenegro	199	6%
Slovenija	132	4%
Macedonia	46	1%
Kosovo	4	0%
Total number of Employees	3,409	100%

### Number of employees by gender and type of contract on 31 December 2024.

2024.				
Women	Men	Another	Not published	Altogether
Number of employees				
449	2,960	0	0	3,409
Number of full-time employees				
366	2,427	0	0	2,793
Number of temporary employees				
83	533	0	0	616

In 2024, the number of employees whose employment ended with the Group is 536. The reported number refers to all employee departures during the observed period.

In the observed period, **the turnover rate is 15,7%** and was calculated as the ratio of the number of departures to the total number of employees of the Group on 31 December 2024.

**Number of employees by age group on 31 December 2024.**

Age group	Number of employees	Share of employees
<30	926	27.2%
30-50	1,962	57.6%
>50	521	15.3%
Total number of Employees	3,409	100%

The highest management level within the CIAK Group consists of the Management Board of the Group and the directors of the companies operating within the Group, who are appointed based on relevant experience and level of knowledge of the industry and business processes of individual companies. The Group's management is responsible for strategic management and decision-making at all levels of the organization. In accordance with the process of making key decisions, the management of subsidiaries is obliged to inform or seek the consent of a certain Member or Management Board when making significant business decisions.

The number of employed men **at the management level of CIAK Group** as of 31 December 2024 is 29 (93,55%) and women 2 (6.45%).

In CIAK Group, salaries and remuneration of employees are aligned with market conditions and the legislation of the countries in which the companies operate. **The Group regularly monitors market trends to ensure that salaries and benefits match the skills, experience and contribution of employees, while respecting all legal obligations.** Such an approach makes it possible to maintain competitiveness and employee satisfaction.

In the CIAK Group, the average salaries of female employees do not deviate significantly from the average earnings of male employees.

For the purposes of calculating the indicators below, monthly gross wages and benefits in 2024 were collected. The data collected contains values for individual companies of the Group.

Gender pay gap\*

**2,59%**

*\*defined as the difference between the average gross monthly earnings, uncorrected for working hours, of male and female employees, expressed as a percentage of the average earnings of male employees*

**Ratio of the highest paid employee of the Group to the average salary of the Group employee**

**6,90**

*\*The ratio of the total annual compensation of the highest paid person to the median of the total annual compensation for all employees (excluding the highest paid person)*

**The Group had no fines, sanctions or compensation paid in connection with employment relations.** Accordingly, no monetary amounts related to such incidents or complaints have been recorded.

## Consumers and end-users

### 6. CIAK AUTO ACADEMY

With the development of technology in the automotive industry, the complexity of vehicles has increased, and thus their maintenance. In order for the independent aftermarket to remain competitive in terms of knowledge and customer service in relation to authorized service networks, continuous education of mechanics becomes the key to success.




CIAK Auto Academy recognizes the importance of this segment of supporting your business and for several years we have been holding trainings together with our supplier partners such as TMD Friction, Vale, Bilstein Group, ZF Friedrichshafen and others. Through 140 seminars at more than 30 locations in Croatia, we have brought the latest technologies of our suppliers closer. Seeing the interest in deeper knowledge, we decided to take a step further – to launch **the CIAK Auto Academy**.

CIAK Auto Academy was founded at the end of 2017. For this purpose, we purchased a vehicle of the Euro V standard and sent it for modification for thematic seminars. It is a vehicle from the group, Škoda Octavia III, 1.6 TDI CR, 105HP from 2015. The vehicle is prepared according to all European standards of the knowledge

seminar with the support of Euro! Car organization, which is part of the AD International group. We have 8 different topics at our disposal that round off the complete vehicle according to the principle of working according to the methodology and didactics of a modern mechatronics technician. The development of cars has risen to a level where it is increasingly difficult for a "classic mechanic" to catch up, and it is necessary to enter the issue with a little more prior knowledge of the electrics itself and an understanding of the operation of individual assemblies. The goal of the CIAK Auto Academy is to bring knowledge closer to our B2B customers as much as possible.

In 2022, the CIAK Auto Academy online internship will start operating. The task of the online part of the academy is to create digital educational content primarily for mechanics (B2B segment). At the same time, the online Academy becomes a kind of knowledge base of CIAK Auto and partners. Both parts of the CIAK Auto Academy are independent, but their work is intertwined. The CIAK Auto Academy project started in Croatia and has been extended to all Group companies in the region, primarily in the auto parts segment.

Seminars are thematically divided into several steps (themes):

- |   |   |   |   |
|---|---|---|---|
|  |  |  |  |
| 1. Vehicle electricity  | 2. ECU unit and sensors   | 3. A/C in-vehicle system  | 4. CR injection (common rail)   |
|  |  |  |  |
| 5. Complaints – what and how  | 6. Workshop – what and how  | 7. CAN/LIN-bus data network   | 8. DSG clutch OAM gearbox   |



CIAK Auto Academy is a unified set of lectures focused on the professional development of car mechanics and mechatronics, where both the theoretical and practical part of the classes takes place at locations throughout Croatia.

In accordance with ESRS 2, CIAK Group identifies all relevant consumers on whom its business, range of products and goods and services can have a significant impact. The Group actively manages relationships with consumers, considering their specific needs and requirements in various business segments.

The effects of CIAK Group on consumers and end users are manifested through several key aspects, including the quality of the range and services and their development in accordance with customer needs. The Group ensures reliable supply and availability of goods, respects the agreed delivery times, thus enabling timely delivery, and provides transparent information through various channels, which enables customers to make purchasing decisions based on complete information. The provision of transparent and quality information stands out as a significant activity of the Group in terms of impact on consumers. In addition, CIAK Group pays special attention to user experience, after-sales activities and the protection of its customers' data. These effects result from the Group's approach which, in addition to complying with applicable regulations and monitoring their changes, also includes proactively addressing consumer needs.

The largest percentage of customers in the auto parts distribution segment are legal entities and craftsmen, including service Centres, mechanic shops and smaller dealers. The Group regularly consults its customers in this segment, integrating them into the development of the product range and business processes. The availability of products and new technologies and their application are of key importance for these customers. Through the CIAK Auto Academy, an additional significant activity of the Group in terms of consumer impact, the Group provides education that provides customers with information on new technologies and market trends, helping them meet market needs and maintain a competitive advantage.

The development and implementation of educational activities, such as the CIAK Auto Academy, require certain financial investments, which does not pose a financial risk for the Group because the costs of conducting the workshops are planned as part of the regular business planning process. The financial opportunity is manifested in the fact that educated customers, who better understand the value of the relevant assortment and services of the auto-segment, can significantly contribute to increasing sales and strengthening business relationships, which in the long run achieves a return on investment and creates a competitive advantage.

Customers in the freight distribution segment are also legal entities and craftsmen, including hauliers, large fleet customers, mechanic workshops and smaller dealers. Timely delivery of products is crucial for these customers, as delays in delivery can cause business downtime, reduced productivity, and increased operating costs.

CIAK Group ensures high-quality service and timely delivery, thus minimizing the business risks of its customers.

CIAK Group, as a distributor of batteries, sells products to both Group members and external customers, pays great attention to the quality and safety of products. All batteries are subject to strict quality controls, ensuring a high level of performance and longevity, which is key to making the decision to purchase this part of the range for vehicles. When purchasing a battery, the buyer receives a Product Notice with the product, which contains instructions for use and handling of the product, as well as instructions for disposal after loss of functions, i.e. wear and tear.

End users are provided with information about products, their potential effects on health and the environment and the manner of use, directly by the company's employees orally, then through the documentation that accompanies the goods (warranty cards, instructions for use, marketing materials, etc.), but there are also info phones for consumers. Companies that deal with wholesale inform their customers through brochures, presentations and trainings (CIAK AUTO Academy).

CIAK Group generates revenues in the ecology segment, especially in the waste management sub-segment, from customers who dispose of waste or use the collected waste as an energy source. The Group provides waste collection and disposal services, helping clients comply with environmental regulations and optimize waste management costs. Through cooperation with CIAK Group, companies avoid the risk of fines, reduce costs and manage waste in an environmentally friendly way.

Lead buyers, who are also battery manufacturers, are a key group of consumers in terms of sustainability. Their work has a direct impact on the quality and availability of recycled materials, which enables the further development of sustainable business solutions.

CIAK Group cooperates with large retail chains in Croatia in the wholesale segment. For these customers, timely delivery of products is essential to meet the demand of end consumers. The Group consistently adheres to the agreed delivery dates, thus ensuring the stability of business relations.

Customer relationships in all segments are carefully regulated to ensure compliance with applicable legislation and standards. The Group actively monitors changes in laws and regulations, enabling timely adaptation of operations. All products are clearly labelled with technical specifications, instructions for use, installation, maintenance and safety guidelines and are compliant with environmental standards and recycling regulations.

CIAK Group guarantees that all products meet safety standards and have the CE mark, which confirms compliance with European legislation. After-sales service includes clear terms and conditions of warranty, complaints and servicing, which ensures full customer support at the time of such customer needs.

Employees are educated and trained to be able to provide professional support to customers, improve their shopping experience and contribute to the quality of the post-sales process.

Relations with customers are based on mutual trust, with particular emphasis on agreeing on delivery times, specifications and requirements relating to quality, environmental protection, health and safety of workplaces, energy efficiency and road safety. This approach allows for the continuous maintenance of long-term, stable and mutually beneficial business relationships.

**The management system policy of CIAK Grupa d.d. clearly regulates customer relations through the obligation to provide services and deliver products that are compliant with relevant internal, national and international standards.** The Group places special emphasis on meeting customer requirements, with priority on quality, occupational health and safety, environmental protection, and energy efficiency. All processes within the company are subject to established procedures that ensure consistency and high standards in meeting customer expectations.

The policy also emphasizes the importance of long-term cooperation with customers based on mutual trust, transparency and harmonization of specific requirements. Through continuous professional development of employees, CIAK Group strives to maintain a high quality of services and responsibility for the execution of tasks.

In accordance with the UN Principles on Business and Human Rights, the Management System Policy promotes responsible business, respect for human rights and the provision of safe and healthy working conditions. The Group actively ensures the transparency of information, the security of its products and services, and the right to protect the privacy of customers. In addition, the Policy ensures responsible business practices that include honesty, timely delivery of products and compliance with legislation and customer rights, including protection through clear warranty conditions and complaints.

In its operations, the CIAK Group strives to harmonize its practices with the UN Guiding Principles on Business and Human Rights, the provisions of the Declaration of Fundamental Rights at Work of the International Labour Organization and the OECD Guidelines for Multinational Enterprises. No case of non-compliance with the principles contained in these documents has been recorded.

This policy is available to all interested parties and communicated to everyone who works for and on behalf of CIAK Grupa d.d.

**Companies within the CIAK Group cooperate with end consumers daily, providing them with information about products, their effects on health and the environment, and how they are used.** Information is provided to users orally as well as through documentation that includes warranty cards, operating instructions and marketing materials. Consumers can also obtain additional information through information phones.

For wholesale companies, communication with customers takes place through brochures, presentations and trainings. For specific products, such as tires or batteries, additional information sheets are created to accompany the product, providing details about its performance, conditions of use, and safety risks. These documents help users make informed decisions about products that suit their needs.

Cooperation with end consumers and business users takes place through different phases of the business process, with the aim of ensuring their well-being, satisfaction and respect for feedback. In retail, the Group cooperates mostly with the end users of the Group's product range, while in business relations with legal users, communication is achieved through their proxies and representatives. Cooperation includes defining and, if necessary, revising contractual terms for jobs, which is the basis for long-term cooperation to mutual satisfaction.

CIAK Group has developed long-term partnerships with business entities, especially in the segments of ecology and waste management, where waste disposal is carried out based on long-term contracts. In the recycling segment, customers are also suppliers of batteries, while in the IAM sector, smaller businesses, businesses with large fleets, such as trucks and buses, are regular customers. Cooperation with these customers is crucial in the development of the range. In all segments, cooperation with customers begins at the stage of product sales with specifics at the segment level in the form of the need to conclude contracts or one-off purchases and takes place up to post-sales activities.

The functions and key roles in the company responsible for engaging with consumers include sales, marketing, and customer support departments. This team ensures that the results of cooperation are considered in all strategic and operational activities of the company, thus enabling the alignment of business goals with the interests and needs of end users.

In the event of adverse effects on consumers due to failures in the cooperation phases, the company takes corrective measures in accordance with the applicable legislation, the terms of the contract (where applicable) or business communication with the consumer. Depending on the situation, appropriate steps shall be taken to eliminate irregularities, nullify or reduce the potential negative impact on end-users and ensure the protection of their rights and interests.

**Consumers and end users can express their concerns or complaints through a variety of channels, including customer service hotlines and email addresses.** The company undertakes to process the received complaints in a fast and efficient manner and to provide an appropriate solution in the shortest possible time, ensuring transparency in the process of remediation of adverse effects.

In retail outlets, consumers can file a complaint about the purchased product electronically or in writing to the company's headquarters, which initiates the complaint procedure. The consumer will receive

a response to each complaint received within 15 days at the latest, i.e. within the legal deadline. If the complaint is justified, appropriate steps are taken in agreement with the consumer, such as replacing the product or refunding the amount paid, if the reason for the complaint cannot be eliminated in any other way. Every consumer is familiar with the measures as they are based on applicable legislation, contract provisions, as well as policies that are available to stakeholders on the Group's website or upon request.

**CIAK Group's measures to achieve positive effects on customers and end users include several key aspects. Providing** clear and relevant information at the level of all sales channels and acting in accordance with the policy of transparent communication at all stages of cooperation enable customers to make responsible, informed decisions, thus ensuring long-term partnerships and customer loyalty. With the establishment of web sales, products and information about them became available to all categories of end users, including people with disabilities. The quality of services and products is continuously improved through innovation and high-quality standards with the aim of achieving customer satisfaction. For this purpose, the Group uses customer feedback and internal analyses. Management staff and other employees ensure that all deadlines and customer requirements are met. The Group also educates customers in the IAM segment through the CIAK Auto Academy on new technologies, making it easier for customers to adapt to new market demands, launching a new range and developing long-term partnerships. Customer support via info phone and e-mail has also been developed to resolve inquiries and complaints, thus building trust and long-term relationships. The protection of personal data within the Group's system ensures the secure storage and use of data in accordance with the provisions of the GDPR. Regarding specific measures, the Group aims to simplify the treatment of waste batteries for all end consumers. The Group companies have a developed network of business units that provide retail purchase services for used batteries, while at most of the Group's business locations there are containers for the disposal of small batteries.

User feedback is collected regularly, which makes it possible to constantly improve the offer and improve this function of the business. These measures enable the provision of high-quality service, transparency, responsible business operations and contribution to sustainability. The effectiveness of these measures is monitored through regular monthly reports and calculations of key performance indicators as requested by management. Effectiveness is also monitored through regular interactions and customer feedback.

In the event of exceptional negative effects on consumers, CIAK Group defines the procedures and necessary measures according to the guidelines of the Legal Department and in accordance with the applicable regulations and contractual regulations, if a contract has been concluded with the customer. The Group's approach is based on monitoring relevant regulations and their amendments, as well as timely adaptation of internal processes, with regular feedback

from customers that serves as a basis for upgrading processes and developing successful cooperation. Although the effects of cooperation with consumers manifest themselves in different ways in different business segments, the risk of damage in exceptional situations remains the same. Although no negative impact on consumers has been identified so far, nor have serious problems and cases related to consumer human rights been reported, the Group is taking appropriate measures to minimize or completely avoid the occurrence of negative effects on end consumers and partners. Partners with special characteristics that could be exposed to a higher risk of damage have not been identified within the Group. The risks arising from the effects on consumers relate to the incurrence of costs and their growth in order to address consumer needs. These risks are not identified as material, and they are managed through the annual budgeting process. Risks are monitored as part of regular reporting, and the necessary measures for amending the budget are adopted if necessary. As part of the annual budgeting, resources are allocated to manage significant impacts on consumers. Resources include human resources allocated to sales and post-sales activities, expenditures to produce information materials and investments in the education of business partners, employees and customers. All significant effects are analysed in the process of adopting a business plan, and the measures that are implemented are based on the requirements of positive regulations that are primarily considered in the development of measures. In addition, measures are developed based on the specific needs of customers at the level of individual segments, and in exceptional cases, measures can be developed for individual customers when such a need arises.

CIAK Group implements a consistent and continuous approach to consumer relations with the aim of maintaining high standards of service and product quality, consumer satisfaction and ethical business. CIAK Group regularly monitors the effectiveness of its activities through the evaluation of key indicators, consumer feedback and internal analysis, thus ensuring long-term positive effects on customer satisfaction. This approach allows for maintaining flexibility in responding to changes in the market and in consumer behaviour and allows for the adaptation and improvement of policies without the need to identify quantitative targets, but with a clear focus on long-term sustainability and responsibility towards consumers.

The Group's consumer relations goals are aligned with the Group's business strategy as well as business plans. These have not been quantified, but the Group will consider the need and possibilities of adopting specific goals in this area in the coming periods. The success of the measures used is assessed by analysing the Group's business results, as well as collecting consumer feedback. When considering the adoption of specific objectives or monitoring the effectiveness of implemented measures, the Group shall use the achievements of previous years or planned outputs, where applicable.

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The expertise of the management and supervisory bodies of CIAK Group d.d. is based on many years of experience in corporate governance and a high level of experience in the Group's business activities, which aims to apply best practices in all aspects of business.”



## Business conduct

**The management and supervisory bodies of CIAK Group have a key responsibility for the design, implementation and supervision of business conduct within the organization.** Each body, within its competences, is responsible for the drafting, publication and implementation of internal acts that define business conduct with special emphasis on the documents Ordinance on Key Decisions (PKO) and the Rules of Procedure that regulate internal rules of business conduct.

It is planned to adopt a special Code of Business Ethics, which will deal in detail with the issues of ethical behaviour, procedures for detecting unethical behaviour and defining procedures for its resolution.

Effective management and supervision are key to verifying the application of responsible business conduct in accordance with the guidelines set and encouraged by the Group. Managing authorities are responsible for developing and aligning a business strategy with the principles of sustainable and ethical business, while supervisory authorities exercise control over the implementation of these strategies and their compliance with applicable legislation. This dualistic approach enables effective monitoring and implementation of business policies, which has a positive impact on the level of social and environmental responsibility of the Group.

The expertise of the management and supervisory bodies of CIAK Group d.d. is based on many years of experience in corporate governance and a high level of experience in the Group's business activities, which aims to apply best practices in all aspects of business. A deep understanding of business processes, legislative frameworks, and ethical guidelines enables the development of policies and guidelines that not only meet regulatory requirements but also set high ethical standards for the entire organization. The relevant experience of the members of the Supervisory Bodies enables effective supervision of operations, insisting on adherence to and application of internally defined business guidelines, as well as external regulations. The expertise and experience of these bodies plays a key role in identifying potential non-compliances and ensuring timely action, minimizing or eliminating potential business risks and ensuring the long-term trust of all Group stakeholders.

CIAK Group applies the **Code of Corporate Governance** of the ZSE and HANFA. The Code of Corporate Governance contributes to the development of corporate culture by laying the foundations for responsible, transparent and ethical business within the organization. The recommendations of the Code, such as the

clear division of responsibilities between the Supervisory Board and the Management Board, promote a culture of professionalism, trust and cooperation. Fostering transparency in reporting to shareholders and other stakeholders creates an environment of open communication and responsible decision-making.

By emphasizing the importance of risk management and protecting shareholder rights, the Code guides organizations to make careful, informed decisions, thereby strengthening a culture of commitment to a high standard of business. The Code also promotes ethical guidelines and social responsibility, which contributes to the creation of an organizational culture that values integrity, compliance with the law, and long-term sustainable practices. The application of the Code shapes the corporate culture with an emphasis on transparency, sustainability and social responsibility.

CIAK Group has developed a Management System Policy for Group members that apply ISO standards. CIAK Group's management system policy directs business operations through a clear definition of obligations in terms of quality, environmental protection, occupational health and safety, and energy efficiency. Employees actively participate in achieving defined goals, which increases their engagement and motivation. The policy encourages cooperation with stakeholders and business transparency, building trust and long-term relationships.

CIAK Grupa d.d. currently does not have a specific policy in place regarding corruption and bribery issues, as there have been no such cases in practice. However, the Labour Regulations recognise behaviours that can be considered corruption or bribery as serious breaches of work obligations.

For proven cases, the sanction is the termination of employment in the company. The group has zero tolerance for the behaviours described.

The Group protects whistleblowers through the implementation of the Rulebook on the Internal Irregularity Reporting Procedure, which provides mechanisms for reporting irregularities in the organization and the protection of persons who report such irregularities. Under this Ordinance, two confidential persons, male and female, have been appointed to ensure balance and trust in the reporting process.

The Ordinance regulates in detail the procedure for reporting irregularities, which includes clear steps for reporting, the protection of whistleblowers from possible retaliation or discrimination, and the procedure for resolving reports.

Confidential persons are responsible for accepting reports, processing them properly and ensuring the confidentiality of the data. Also, the Ordinance includes measures that ensure that reports of irregularities are treated with seriousness, that the anonymity of whistleblowers is not jeopardized, and that an objective procedure is carried out and a verdict is made based on correctly established facts.

The Group does not have specific processes to promptly, independently and objectively investigate incidents in business conduct, including cases of corruption and bribery, as no such cases have been recorded in practice so far. However, if such cases occur, they could be resolved according to the guidelines of the existing Ordinance on the Internal Irregularity Reporting Procedure.

The training of members of the management and supervisory bodies is organized according to the proposal of the human resources department or at the proposal of the Member of the Management Board. Members of management and supervisory bodies have gained relevant knowledge in the field of corporate governance and business conduct through many years of professional experience. In order to promote positive practices of improving corporate culture and awareness of the importance of business behaviour, training of the Management Board and the highest management staff on an annual basis is planned, which will carry out the transfer of acquired knowledge to lower management levels, ensure the transfer of principles to all employees of the organization.

## 7.1. VENDOR RELATIONSHIP MANAGEMENT

**CIAK Group manages relationships with suppliers with a special emphasis on sustainable development, environmental protection and compliance with applicable legislation.** In accordance with the General Conditions of Procurement, when selecting suppliers, the Group requires that the purchased goods meet the environmental and health protection regulations defined for the European Union market. The supplier is also liable for damages resulting from the delivery of environmentally questionable goods or inappropriate packaging, whereby the Group ensures high environmental standards in business relationships.

CIAK Group also conducts a detailed compliance check when establishing a business relationship with a new supplier. Using the NAMSCAN platform, which enables the verification of the identity of natural and legal persons, checks of politically exposed persons (PEPs), sanctions lists, and anti-money laundering (AML) measures are carried out. This process ensures that all suppliers with whom the Group does business meet high standards of compliance and ethical business, minimizing risks and strengthening trust in business relationships.

The relationship with suppliers is based on mutual trust, with special emphasis on the importance of harmonizing agreed deadlines, specifications and quality level requirements, identifying approaches to environmental protection, health and safety at work, ensuring energy

efficiency and road safety. The Group strives to maintain long-term, partnership relationships with all suppliers who share the same values and business standards.

CIAK Group's payment system regularly processes payment proposals according to contracts with suppliers and defined due dates for liabilities, in accordance with defined internal procedures. The process is carried out in strict compliance with the security measures of operational payment transactions, which ensures the timely settlement of due obligations to suppliers.

The average payment days for supplier liabilities in 2024 are 103 days. Deviations from the agreed payment currencies can be up to 20 days, depending on the agreed commercial and overall business relationships with suppliers.

In parallel with the agreed payment currencies, they can vary, and range up to 180 days for suppliers from the largest business segments. The most significant supplier contracts, due to long-term partnership relationships, have an agreed payment deferral for a greater number of days than the standard conditions defined by general procurement processes.

As part of the internal act "General Procurement Conditions", the Group provided general guidelines for the Group's activities in order to prevent late payments. **The Group has no ongoing litigation related to late payment to suppliers.**



## 7.2. KEY INDICATORS OF ENVIRONMENTALLY SUSTAINABLE ECONOMIC ACTIVITIES (EU TAXONOMY)

In accordance with Article 8. of the Regulation on the establishment of a framework to facilitate sustainable investments (EU) 2020/852 and supplementary delegated acts (EU Taxonomy), the Group is required to disclose the proportion of revenues (Turnover), CapEx and OpEx in the reporting period that is eligible for the EU Taxonomy and aligned with the Taxonomy with respect to the environmental objectives of climate change mitigation and adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems. The Taxonomy Regulation is a key component of the European Commission's action plan to reorient capital flows towards a sustainable economy. It represents an important step towards achieving carbon neutrality by 2050 in line with the EU's climate goals, as the Taxonomy is a classification system for environmentally sustainable economic activities.

In accordance with the prescribed regulations, the Group has identified taxonomy-eligible activities as part of its business activities: battery production (classified under NACE code C27.2 in accordance with the statistical classification of economic activities established by Regulation (EC) No. Regulation (EC) No 1893/2006 and the collection and transport of hazardous and non-hazardous waste in fractions separated at source (classified

under NACE code E38.11 according to the statistical classification of economic activities established by Regulation (EC) No 1893/2006).

In the following, the Group publishes the key performance indicators prescribed by the aforementioned regulation.

According to Article 3. Regulation (EU) 2020/852, which defines that economic activities qualify as taxonomically aligned if they contribute substantially to one or more of the environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Furthermore, economic activities must not significantly harm any of the other environmental objectives (DNSH = do no significant harm) and must be carried out in accordance with minimum safeguards, in terms of human and consumer rights, anti-corruption and bribery, taxation and fair competition.

The identified eligible activities contribute to the environmental objective of climate change mitigation.

The Group's identified eligible activities are not compliant. In the following periods, the activities necessary to confirm taxonomic compliance for taxonomically eligible activities will be carried out.



**Share of revenues from products or services of taxonomy-eligible activities**

The table below shows the share of revenues of taxonomy-eligible and taxonomically ineligible economic activities in the consolidated revenues of CIAK Group.

The proportion of revenues is calculated as the ratio of net revenues generated from products or services, including intangible assets, generated by the performance of taxonomy-eligible activities and the Group's total consolidated sales revenues.

Within the eligible activity of Battery Production, the activity of battery recycling is listed. Revenues of battery recycling activities in CIAK Group companies account for 5% of CIAK Group's consolidated revenues. The majority of the presented revenues

are generated at the profit Centres of the company C.I.A.K. d.o.o., in the segment of recycling activities.

The environmentally sustainable activity of collection and transport of hazardous and non-hazardous waste in fractions separated at the source accounts for 3.4% of the consolidated revenues of the CIAK Group. The observed revenues include revenues generated by the Group companies that perform waste management activities, and the most significant part refers to the revenue generated on the Croatian market.

The total revenues of environmentally friendly activities within the CIAK Group account for 8.5% of the consolidated revenues of the CIAK Group.

Financial year 2024	2024			Substantial contribution criteria						DNSH criteria									
Economic Activities (1)	Code (2)	Turnover (3)	Proportion of Turnover, year 2024 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year 2023 (18)	Category enabling activity (19)	Category transitional activity (20)
Text		000 EUR	%	Y; N; N/EL (1)	Y; N; N/EL (1)	Y; N; N/EL (1)	Y; N; N/EL (1)	Y; N; N/EL (1)	Y; N; N/EL (1)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned)(A.1)		0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	0%	-	-
Of which enabling		0	0%																
Of which transitional		0	0%																
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Battery production	27.20	17.629	5,0%																5,3%
Collection and transportation of hazardous and non-hazardous waste in fractions that are separated at source	38.11	12.037	3,4%																3,8%
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		29.665	8,5%																9,1%
A. Turnover of Taxonomy-eligible activities (A.1 + A.2)		29.665	8,5%																9,1%
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																			
Turnover of Taxonomy-non-eligible activities		320.889	91,5%																
TOTAL		350.555	100 %																

D - Yes, a taxonomy-friendly and taxonomically compliant activity with a relevant environmental objective

N - No, taxonomy-acceptable but taxonomically non-compliant activity with the relevant environmental objective

N/EL - not an eligible, taxonomically ineligible activity for the relevant environmental objective

The reported operating revenues are linked to note 6 of the financial statements. The financial statement does not contain data on achievements at the level of individual activities within the defined reporting segment of business.

## Share of operational expenditure for products or services of taxonomy-eligible activities

The table below shows the share of operating expenses of taxonomy-eligible and taxonomy-ineligible economic activities in the consolidated operating expenses of the CIAK Group.

The observed operating expenditure in accordance with the regulation includes direct non-capitalised costs related to research and development, building renovation measures, short-term rental, maintenance and repair, and any other direct expenditure for the day-to-day servicing of property, plant and equipment carried out by the company or by a third party entrusted with these tasks, which are necessary for the proper functioning of those assets.

Within the eligible activity of battery production, the activity of battery recycling is listed. Operating expenses of the recycling

activity account for 11.2% of the consolidated operating expenses of the CIAK Group. The taxonomy-eligible activity of collection and transport of hazardous and non-hazardous waste in fractions separated at source accounts for 9.5% of the consolidated operating expenses of the CIAK Group. Within the observed operating expenditures, the most significant part refers to the expenditures of the company C.I.A.K., in the recycling activities, i.e. in the places of environmental costs if we look at the waste management activity.

Total operating expenses of environmentally sustainable activities within the CIAK Group account for 20.6% of the consolidated operating expenses of the CIAK Group.

Financial year 2024	2024			Substantial contribution criteria						DNSH criteria									
Economic Activities (1)	Code (2)	OpEx (3)	Proportion of OpEx, year 2024 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) OpEx, year N=1 (18)	Category enabling activity (19)	Category transitional activity (20)
Text		000 EUR	%	Y: N/ N/EL (0)	Y: N/ N/EL (0)	Y: N/ N/EL (0)	Y: N/ N/EL (0)	Y: N/ N/EL (0)	Y: N/ N/EL (0)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	0%	-	-
Of which enabling		0	0%																
Of which transitional		0	0%																
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Battery production	27.20	1.679	11,2%														14,0%		
Collection and transportation of hazardous and non-hazardous waste in fractions that are separated at source	38.11	1.426	9,5%														9,7%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		3.106	20,6%														23,7%		
A. OpEx of Taxonomy eligible activities (A.1 + A.2)		3.106	20,6%														23,7%		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																			
OpEx of Taxonomy-non-eligible activities		11.956	79,4%																
TOTAL		15.062	100 %																

D – Yes, a taxonomy-friendly and taxonomically compliant activity with a relevant environmental objective

N – No, taxonomy-acceptable but taxonomically non-compliant activity with the relevant environmental objective

N/EL – not an eligible, taxonomically ineligible activity for the relevant environmental objective

The observed operating expenditure is contained in notes 8 and 9 of the financial statement. The presented costs, which are observed as expenses in the context of the calculation of performance indicators on the basis of the regulation, are prepared at the level of the account and the place of expense, and consequently it is not possible to identify the exact amounts in the Group's financial statement.

**Share of CapEx for products or services related to taxonomy-eligible activities**

This performance indicator shows the share of capital expenditures of taxonomy-eligible and taxonomy-ineligible economic activities in the consolidated capital expenditures of the CIAK Group. Equity investments are viewed as increases in tangible and intangible assets in the financial year, before their depreciation and remeasurement, including increases resulting from revaluation and impairment, for the relevant financial year and excluding changes in fair value. Total capital investments also refer to investments in assets with the right to use in the observed period. Leases that do not lead to the recognition of right-of-use assets are not accounted for as capital expenditure. Investments also include changes in assets resulting from business combinations.

Capital expenditures of the recycling activity account for 4,3% of the consolidated capital expenditures of the CIAK Group.

The environmentally sustainable activity of collection and transport of hazardous and non-hazardous waste in fractions separated at source accounts for 4,3% of the consolidated capital expenditures of the CIAK Group.

Total capital expenditures of environmentally sustainable activities within the CIAK Group account for 8,6% of the consolidated capital expenditures of the CIAK Group.

Financial year 2024	2024			Substantial contribution criteria						DNSH criteria									
Economic Activities (1)	Code (2)	CapEx (3)	Proportion of CapEx, 2024 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) CapEx, 2023 (18)	Category enabling activity (19)	Category transitional activity (20)
Text		000 EUR	%	Y: N/ N/EL ( )	Y: N/ N/EL ( )	Y: N/ N/EL ( )	Y: N/ N/EL ( )	Y: N/ N/EL ( )	Y: N/ N/EL ( )	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																			
<b>A.1 Environmentally sustainable activities (Taxonomy-aligned)</b>																			
CapEx of environmentally sustainable activities (Taxonomy-aligned)(A.1.)		0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	0%	-	-
Of which enabling		0	0%																
Of which transitional		0	0%																
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																			
Battery production	27.20	1.295	4,3%														4,3%		
Collection and transportation of hazardous and non-hazardous waste in fractions that are separated at source	38.11	1.296	4,3%														9,6%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)(A.2)		2.591	8,6%														13,9%		
A. CapEx of Taxonomy-eligible activities (A.1+ A.2)		2.591	8,6%														13,9%		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																			
CapEx of Taxonomy-non-eligible activities		27.389	91,4%																
TOTAL		29.980	100 %																

D - Yes, a taxonomy-friendly and taxonomically compliant activity with a relevant environmental objective

N - No, taxonomy-acceptable but taxonomically non-compliant activity with the relevant environmental objective

N/EL - not an eligible, taxonomically ineligible activity for the relevant environmental objective

The observed total capital expenditures of the Group are also contained in notes 14, 15 and 16 of the financial statements. The presentation at the level of defined activities, i.e. taxonomically eligible investments, was calculated based on the Group's operational reports.

## Certificates and associations

### 8.1. CERTIFICATES

CIAK Group has various quality certificates:

#### ISO 14001:2015

ISO 14001:2015 is an international standard that helps organizations establish and maintain an environmental management system. The goal is to reduce the negative impact of business activities on the environment, through systematic monitoring, reduction of waste, emissions and resource consumption. The standard also places emphasis on compliance with legislation and continuous improvement of the organization's environmental performance. The implementation of ISO 14001 helps organizations reduce costs, improve their image and attract investments, while contributing to sustainability and environmental protection.



#### ISO 9001:2015

The ISO 9001 quality management system focuses on the continuous improvement of the organization in all processes from design to marketing, production/service, after-sales, all with the aim of meeting the needs and expectations of all interested parties in the organization.

The ISO 9001 quality management system has become imperative in today's industry, and the need for it arises for several reasons. It is this system with its widespread application that has become a key factor in solving the problems faced by organizations of all types and sizes. In addition to providing a guarantee that all processes or products or services are realized according to the requirements for the quality management system defined in the ISO 9001 standard, regardless of the type of product or service, the quality management system also brings far more significant benefits. These advantages are mostly outlined in increasing employee satisfaction and reducing employee turnover, reducing the number of non-conformities, saving time and thus reducing costs, full compliance with legal requirements and obligations, etc.



#### ISO 50001:2018

ISO 50001 is a global standard for energy efficiency management that often makes it possible to achieve significant savings with simple organizational changes, without large investments. It enables the establishment of a practice of conscientious use of energy, which, in addition to reducing costs, also increases productivity.



#### ISO 45001:2018

The ISO 45001 standard ensures a safe working environment, increases the satisfaction and efficiency of all employees, identifies and controls health and safety risks, reduces the potential risk of accidents, reduces the number of sick days, fully complies with legal regulations and fully improves the business and image of the company.



#### ISO 39001:2012

ISO 39001:2012 certification specifies the requirements for a road safety management system (RTS) to enable an organization that interacts with the road traffic system to reduce the fatalities and serious injuries associated with traffic accidents that it may affect. The requirements in ISO 39001:2012 include the development and implementation of an appropriate RTS policy, the development of RTS objectives and action plans, which consider the legal and other requirements to which the organization is subscribed, and information about the elements and criteria related to the RTS that the organization identifies as controllable and influential.



**SCCP:2011**

SCCP:2011 is a certification for manufacturers, contractors and service providers. This certificate certifies that the organization and employees apply an occupational safety, health and environmental management system. The certificate allows you to work in extremely dangerous conditions.



**HRN EN ISO/IEC 17025:2017**

The ISO/IEC 17025:2007 certificate covers testing carried out using standard methods, non-standard methods and laboratory-developed methods.

The certificate is applicable to all organizations that carry out tests and/or calibrations. This includes, for example, first-, second- and third-party laboratories, and laboratories where testing and/or calibration forms part of product inspection and certification.

ISO/IEC 17025:2007 is applicable to all laboratories regardless of the number of staff or the scope of testing and/or calibration activities. ISO/IEC 17025:2007 uses laboratories in the development of their quality management system, administrative and technical operations. It can also be used by laboratory users, regulatory bodies and accreditation bodies to certify or recognise the competence of laboratories.



**8.2. ASSOCIATIONS**

**AD International**



AD Adria is a proud member of AD International, a group that brings together over 600 wholesale distributors from 48 countries in Europe, North America and Central Asia, with the aim of exchanging information and improving business methods with superior logistics efficiency. AD International provides support services to its partners by providing them with adequate and timely information, as well as technical support in the form of training, advice and assistance.

ADI has established its own exclusive program to improve and promote technical training and support: Euro! Emperor. Euro! Car includes high-quality technical training for professional mechanics and is supported by leading auto parts manufacturers. CIAK Auto Academy is the implementation of the successful Euro! Car concept in Croatia, with the aim of raising the level of knowledge of the complete independent aftermarket.

**AD International u brojkama**



**23**

partners



**48**

countries



**600**

wholesale distributors



**3.000**

outlets



**10.000**

service stations in the ADI network



## New products

### 9.1. TOOLS & SERVICE EQUIPMENT

By especially listening to the needs of customers and mechanics over the many years of our operation, we have ensured an extremely wide range of products with fast delivery of service equipment and tools. Thus, a wide selection includes vulcanizing equipment, two-column car cranes, scissor car cranes, four-column car cranes, workshop furniture, diagnostic testers, compressors, pneumatic guns, hydraulic presses, special sets of tools for the engine phase, precise measuring instruments, welding equipment, various cordless and electric tools and many others.

By continuously expanding the range of tools and service equipment, CIAK Group has enabled car mechanics in Croatia and the region to have daily availability of premium brands of tools from world-renowned manufacturers. Through a network of over 150 branches and 320 delivery vehicles, CIAK Group has 150,000 premium items available within just 24 hours in Croatia and the region, thus confirming its status as a market leader. Some of the brands that are in our offer: **Bosch, DeWalt, Stanley, Black & Decker, Omega Air, Draper Tools, Mimont, Tools4you, Ravaglioli, Hazet, Sw-Stahl, Fervi, Kassmayer** and many others.

In order to provide our partners with the most relevant possible tools for work, and our customers with the highest quality service and products, we continuously invest in the development of the assortment, as well as professional technical support and quality education. In addition to the already sizable number of over 1,500,000 items that are available through our network of branches and delivery, it is also worth mentioning the commendable work of the CIAK Auto Academy. It is through this program that we have been providing our mechanical partners with significant knowledge of diagnostic devices and tools through professional seminars and individual education for several years, so that they can offer the users of our services the highest quality knowledge in step with new technologies.

We have gathered a team of dedicated sales and technical experts who, with their dedication, strive to exceed the expectations of every customer daily. We have created a positive working environment that will enable sales colleagues to succeed in the given endeavour and thus achieve personal satisfaction and professional growth.

Our ultimate goal has always been, and continues to be, to satisfy our customers with a large selection, unsurpassed quality and affordability of the sales assortment in a professional and affordable way with continuous growth and development of the company.



## 9.2. FLEET DEPARTMENT

**CIAK Auto Fleet Management** is a national network of service Centres organized by CIAK Auto. CIAK Auto Fleet Management gathers over 90 independent service Centres, and they were selected based on their quality work and in accordance with the criteria of the CIAK Auto standard.

CIAK Auto Fleet Management and service partners provide their customers with maintenance of all brands of vehicles, passenger cars and light commercial vehicles, as well as the availability of high-quality spare parts for the first installation that have the IATF 16949 certificate. In addition to the existing network in the Republic of Croatia, the foundation for the growth of CA Fleet Management solutions in the Serbian market has been laid.

All CIAK service partners can provide services according to the most modern standards and requirements of today's cars:

- Trained and trained service teams.
- With the latest equipment and tools,
- warranty on installed spare parts for a period of 2 years,
- A high-quality and fast service,
- The possibility of online ordering,
- ecological waste disposal,
- records of works on the vehicle.

Vehicle maintenance and repair is a very demanding job, but also a great responsibility. In order to ensure quality, safety and financial savings, all CIAK Auto service partners are equipped and trained for a wide range of car repairs and services.

CIAK Auto Fleet Management offers:

- the largest network of service Centres throughout Croatia,
- fully equipped workshops,
- qualified personnel,
- installation of original spare parts and original installation parts that have IATF 16949 certification,
- standardized services according to the licensed AUTODATA program,
- Towing service and roadside assistance from 0-24 hours.

**AUTOMOTIVE MECHANICS:** includes regular service maintenance according to the service intervals prescribed by the vehicle manufacturer, all other repairs of the engine group, transmission, suspension, braking system, exhaust system.

**AUTOELECTRICS:** includes all types of repairs and replacements of electrical components on the vehicle, including batteries and lighting equipment.

**DIAGNOSTICS:** diagnosing all types of faults and resetting service intervals with state-of-the-art diagnostic devices.

**AUTOKLIMA:** control and servicing of the complete air conditioning system on the vehicle with the most modern devices, replenishment of the system with gas, cleaning and disinfection.

**VULCANIZATION:** sale of tires and rims, assembly and balance, wheel alignment.

**TOWING SERVICE:** roadside assistance 0-24 h for all contractual users of AutoPlus service, warranty on used vehicles for all users of AutoPlus service within the warranty period for installed parts and service.

**MAP OF THE HEADQUARTERS OF THE CIAK CAR SERVICE NETWORK WITHIN THE REPUBLIC OF CROATIA**



# CORPORATE GOVERNANCE REPORT

The Management Board of CIAK Group d.d. (hereinafter: the Company) submits a Report on the application of the Code of Corporate Governance pursuant to Article 25 of the Corporate Governance Act. of the Accounting Act. Because the company's shares are listed on a regulated market, CIAK Group d.d. applies the Code of Corporate Governance prepared jointly by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange and has been in force since January 1, 2020 (hereinafter: the Code). The Code was published on the websites of the Zagreb Stock Exchange ([www.zse.hr](http://www.zse.hr)) and the Croatian Financial Services Supervisory Agency ([www.hanfa.hr](http://www.hanfa.hr)). Apart from the aforementioned code, the Company does not apply any other corporate governance codes due to the relatively short period of listing on the stock exchange.

By applying the recommendations of the Code in its business, the Company has achieved all the basic principles of corporate governance that the Code aims to achieve:

- transparency of operations,
- clearly elaborated procedures for the work of the supervisory board, management and other management structures,
- avoidance of conflicts of interest,
- effective internal control,
- an effective accountability system.

In relation to each of the corporate governance stakeholders, this means the following:

## 1.1. SHAREHOLDERS AND THE INVESTMENT PUBLIC

Shares of CIAK Group d.d., under the ticker symbol CIAK-R-A, are traded on the Regular Market of the Zagreb Stock Exchange as well as outside the organized market.

All shareholders have the same position regardless of the number of shares, just as institutional and individual investors are treated equally.

All shareholders have the right to be informed, and the notification is made through the Company's website [www.ciak.hr](http://www.ciak.hr) the "Investors" section, where quarterly, semi-annual and annual reports and other documents and acts of the Issuing Company are available. Furthermore, the prescribed information is published in Croatian and English through HINA and through the ZSE and HANFA (SRPI) services.

At least once a year, the general meeting of the company is held, in which all shareholders and their proxies have the right to participate. The agenda of the General Meeting shall be published in the manner and within the deadlines set by the Companies Act, and decisions shall be made by the prescribed majority of votes with the application of the principle of one share – one vote. An obligatory item on the agenda is the report of the Supervisory Board and the annual report on the state of the company, which reports are given to shareholders to discuss and ask questions before making a final decision. The rules of convening, holding and conducting during the General Assembly, as well as the manner of operation of the General Assembly and its authorizations, shareholder rights and realization of the same, are determined by a special internal act (Rules of Procedure of the General Assembly) published on the Company's website. The rules related to registering for participation in the assembly, the participation of assistants, the new date of the assembly in the absence of a quorum are contained in the invitation to the assembly itself, which is published through the announcement of the court register, HINA, ZSE and HANFA (SRPI). After the assembly, decisions are published through the above forms of publication, and the minutes are submitted to the competent court register.

## 1.2. ADMINISTRATIVE AND SUPERVISORY BODIES AND THEIR COMMITTEES

The internal acts of the Company (Memorandum of Association, Statute, Rules of Procedure of the Management Board, Rules of Procedure of the Supervisory Board, Rules of Procedure on the Work of the Audit Committee) determine the criteria for the appointment and election of the Management Board, the Supervisory and Audit Committee (composition, education, tasks and responsibilities, manner of work, holding of sessions and manner of decision-making), relationship with other bodies and related persons. When appointing members of the Management Board (5 members) and the Supervisory Board (7 members, of which 1 member is an employee representative), the existence of a conflict of interest and possible membership of members in the management and supervisory boards of other companies shall be taken into account. When electing members, the Society invests special efforts in promoting the diversity of represented professions and achieving a balanced representation of both sexes (e.g. 29% of women in the Supervisory Board) as well as the diversity of generational representation with an emphasis on knowledge of new technologies. The Company monitors and evaluates the work of the members of the Management Board and the Supervisory Board and rewards or penalizes them accordingly to the results achieved, all in accordance with the acts adopted at the General Assembly "Remuneration Policy of Management Board Members" and the Decision on the amount of remuneration for the work of the Supervisory Board members.

The Management Board and the Supervisory Board work at sessions, and the condition for making valid decisions is the existence of a quorum and an absolute majority of votes. During the business year 2024, the Management Board and the Supervisory Board held 12 sessions each.

## 1.3. INTERNAL AND EXTERNAL AUDIT OF THE COMPANY

The Management Board and the Supervisory Board are particularly attentive in identifying financial, operational, organizational and external risks in a timely manner and strive to ensure effective internal and external control systems.

The scope of work of the special Internal Audit Department is to research, examine and evaluate the effectiveness of the internal control system, protect the Company's assets, report on the findings and propose solutions to the Management Board. Reports are submitted to the Audit Committee and the Management Board of the Company.

In accordance with the Audit Act, a special committee has been formed within the Supervisory Board - the Audit Committee, which has the task of supervising the correctness and integrity of the company's financial statements and accounting policies, ensuring the independence and sufficiency of the internal audit function, and supervising the implementation of measures determined as a result of external and internal audit and own supervision. The members of the Audit Committee are appointed from among the members of the Supervisory Board, are independent of the Company and are experts in the field of accounting and auditing. The Audit Committee is independent in its work, works at sessions, and during 2024 it held 9 sessions.

An independent audit firm has been selected as the external auditor by a decision of the General Assembly. An independent external auditor is in charge of auditing the statutory financial statements and verifying the Sustainability Report.

## 1.4. INCLUSIVE

From all the above, it is clear that the Company has a transparent attitude towards investors. Material facts and inside information are regularly published on the official website of the Company. A calendar of important events and a shareholder structure are published on the official website. The Company's website is published in Croatian and English and contains a contact through which relevant information can be requested from the company's management or an authorized person in charge of investor relations. Special conferences with investors are held periodically. The Management Board is responsible for quality and transparent relations in the company.

The company is also making every effort to comply with the new EU guidelines in terms of achieving sustainable corporate governance through the alignment of business activities with the achievement of the EU's overall environmental objectives set out in the "European Green Deal".

When making decisions on the company's strategy and business plan, the Management Board and the Supervisory Board consider the impact of the same on stakeholders, the environment and the community, as well as on the company's reputation, which they report on in more detail as part of the Sustainability Report.

# *ANNUAL FINANCIAL REPORTS*



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED 31 DECEMBER 2024**

<i>(in thousands of EUR)</i>	<b>Note</b>	<b>2024</b>	<b>2023</b>
Operating revenues	6	350,555	277,841
Bargain purchase gain	31	6,378	147
Other income	7	2,498	3,683
Material expenses	8	(232,144)	(185,946)
Employee expenses	10	(66,680)	(48,398)
Depreciation and amortisation	14,15,16	(14,765)	(11,080)
Impairment of brand	14	(3,738)	-
Other operating expenses	9	(27,365)	(24,191)
<b>Operating profit</b>		<b>14,739</b>	<b>12,056</b>
Finance income	11	258	244
Finance costs	12	(4,481)	(2,710)
<b>Net finance expense</b>		<b>(4,223)</b>	<b>(2,466)</b>
<b>Profit before tax</b>		<b>10,516</b>	<b>9,590</b>
Income tax	13	(1,284)	(2,590)
<b>Net profit for the year</b>		<b>9,232</b>	<b>7,000</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign operations - foreign translation differences		(240)	(242)
<b>Total comprehensive income</b>		<b>8,992</b>	<b>6,758</b>
<b>Profit attributable to:</b>			
Equity holders of the parent		9,285	7,025
Non-controlling interests		(53)	(25)
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent		9,045	6,783
Non-controlling interests		(53)	(25)
<b>Earnings per share (in EUR):</b>			
Basic		0.47	0.36
Diluted		0.47	0.36

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
 AS AT 31 DECEMBER 2024**

<i>(in thousands of EUR)</i>	<b>Note</b>	<b>31.12.2024</b>	<b>31.12.2023</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets and goodwill	14	11,091	9,263
Property, plant and equipment	15	37,902	31,488
Right of use assets	16	39,149	23,369
Equity-accounted investees	17	317	315
Trade and other receivables	20	288	300
Deferred tax assets	13	1,103	295
Financial assets	18	178	365
<b>Total non-current assets</b>		<b>90,028</b>	<b>65,395</b>
<b>Current assets</b>			
Inventories	19	135,194	95,798
Trade and other receivables	20	55,414	46,867
Income tax receivable		811	308
Financial assets	18	83	27
Cash and cash equivalents	21	21,738	13,706
Non-current assets held for sale	22	236	359
<b>Total current assets</b>		<b>213,476</b>	<b>157,065</b>
<b>Total assets</b>		<b>303,504</b>	<b>222,460</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	23	26,215	26,215
Reserves	24	24,505	24,505
Legal reserves		769	454
Treasury shares	25	(126)	(34)
Reserves for treasury shares	25	126	183
Retained earnings		23,960	18,885
<b>Attributable to equity holders of the parent</b>		<b>75,449</b>	<b>70,208</b>
Non-controlling interests	26	(66)	(37)
<b>Total shareholders' equity</b>		<b>75,383</b>	<b>70,171</b>
<b>Non-current liabilities</b>			
Borrowings	27	84,178	54,481
Provisions	28	3	3
Trade and other payables	29	11,181	1,171
Deferred tax liability	13	879	778
<b>Total non-current liabilities</b>		<b>96,241</b>	<b>56,433</b>
<b>Current liabilities</b>			
Trade and other payables	29	106,714	74,675
Income tax payable		222	1,242
Borrowings	27	24,944	19,939
<b>Total current liabilities</b>		<b>131,880</b>	<b>95,856</b>
<b>Total liabilities</b>		<b>228,121</b>	<b>152,289</b>
<b>Total equity and liabilities</b>		<b>303,504</b>	<b>222,460</b>

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED 31 DECEMBER 2024**

<i>(in EUR thousands)</i>	Share capital	Capital reserves	Legal reserves	Treasury shares	Reserves for treasury shares	Retained earnings	Total	Non-controlling interests	Total
<b>As at 1 January 2023</b>	<b>26,215</b>	<b>24,505</b>	<b>247</b>	<b>(224)</b>	<b>11</b>	<b>15,417</b>	<b>66,171</b>	<b>(12)</b>	<b>66,159</b>
<i>Comprehensive income</i>									
Profit for the year	-	-	-	-	-	7,025	7,025	(25)	7,000
Foreign exchange differences	-	-	-	-	-	(242)	(242)	-	(242)
Other comprehensive income	-	-	-	-	-	(242)	(242)	-	(242)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,783</b>	<b>6,783</b>	<b>(25)</b>	<b>6,758</b>
Transfer to reserves for treasury shares	-	-	-	-	521	(521)	-	-	-
Transfer to reserves	-	-	207	-	-	(207)	-	-	-
Allotment of treasury shares	-	-	-	349	(349)	448	448	-	448
Purchase of treasury shares	-	-	-	(159)	-	-	(159)	-	(159)
Dividend paid	-	-	-	-	-	(3,035)	(3,035)	-	(3,035)
<b>Total transactions with owners recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>207</b>	<b>190</b>	<b>172</b>	<b>(3,315)</b>	<b>(2,746)</b>	<b>-</b>	<b>(2,746)</b>
<b>As at 31 December 2023</b>	<b>26,215</b>	<b>24,505</b>	<b>454</b>	<b>(34)</b>	<b>183</b>	<b>18,885</b>	<b>70,208</b>	<b>(37)</b>	<b>70,171</b>
<b>As at 1 January 2024</b>	<b>26,215</b>	<b>24,505</b>	<b>454</b>	<b>(34)</b>	<b>183</b>	<b>18,885</b>	<b>70,208</b>	<b>(37)</b>	<b>70,171</b>
<i>Comprehensive income</i>									
Profit for the year	-	-	-	-	-	9,285	9,285	(53)	9,232
Foreign exchange differences	-	-	-	-	-	(240)	(240)	-	(240)
Other comprehensive income	-	-	-	-	-	(240)	(240)	-	(240)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,045</b>	<b>9,045</b>	<b>(53)</b>	<b>8,992</b>
Purchase of minority share	-	-	-	-	-	(74)	(74)	24	(50)
Transfer to reserves	-	-	315	-	-	(315)	-	-	-
Allotment of treasury shares	-	-	-	83	(57)	(26)	-	-	-
Purchase of treasury shares	-	-	-	(175)	-	-	(175)	-	(175)
Dividend paid	-	-	-	-	-	(3,555)	(3,555)	-	(3,555)
<b>Total transactions with owners recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>315</b>	<b>(92)</b>	<b>(57)</b>	<b>(3,970)</b>	<b>(3,804)</b>	<b>24</b>	<b>(3,780)</b>
<b>As at 31 December 2024</b>	<b>26,215</b>	<b>24,505</b>	<b>769</b>	<b>(126)</b>	<b>126</b>	<b>23,960</b>	<b>75,449</b>	<b>(66)</b>	<b>75,383</b>

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.



**CONSOLIDATED STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED 31 DECEMBER 2024**

<i>(in thousands of EUR)</i>	<b>Note</b>	<b>2024.</b>	<b>2023.</b>
<b>Profit for the year</b>		<b>9,232</b>	<b>7,000</b>
Income tax	13	1,284	2,590
Depreciation and amortization	14, 15, 16	14,765	11,080
Impairment of brand		3,738	-
Bargain purchase gain		(6,378)	(147)
(Gain)/loss on disposal of property, plant, equipment and intangibles		(689)	(912)
Impairment of trade and other receivables		865	2,348
Impairment of inventories		2,367	3,327
Write off of liabilities		(31)	(188)
Net change in provisions		-	(5)
Unrealised exchange rate differences		(263)	(144)
Interest income	11	(50)	(28)
Interest expense	12	4,137	2,488
Other non-cash adjustments		(2)	439
		<b>28,975</b>	<b>27,848</b>
<b>Changes in working capital:</b>			
Trade and other receivables		(3,894)	(9,738)
Inventories		(30,144)	(12,221)
Trade and other payables		25,070	10,007
<b>Cash generated from operations</b>		<b>20,007</b>	<b>15,896</b>
Interest paid		(2,894)	(2,019)
Income taxes paid		(3,003)	(2,420)
<b>Net cash from operating activities</b>		<b>14,110</b>	<b>11,457</b>
<b>Cash flows from investing activities</b>			
Purchase of intangibles		1,541	2,674
Purchase of property, plant, equipment		160	(48)
Proceeds from sale of property, plant, equipment		(11,390)	(10,555)
Net change in deposits		526	(954)
<b>Net cash used in investing activities</b>		<b>(9,163)</b>	<b>(8,883)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(3,555)	(3,035)
Loans received		71,522	22,159
Loans repaid		(53,881)	(13,908)
Lease liabilities paid		(10,826)	(7,988)
Purchase of treasury shares		(175)	(159)
<b>Net cash used in financing activities</b>		<b>3,085</b>	<b>(2,931)</b>
<b>Net increase of cash and cash equivalents</b>		<b>8,032</b>	<b>(357)</b>
Cash and cash equivalents at beginning of year		13,706	14,063
<b>Cash and cash equivalents at the end of year</b>	21	<b>21,738</b>	<b>13,706</b>

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024**

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**NOTE 1 – GENERAL INFORMATION**

**History and incorporation**

CIAK Grupa d.d., Zagreb (formerly named Direkt d.o.o., “the Company”) is incorporated in the Republic of Croatia on 14 January 1999. The principal activities of the Company and its subsidiaries (together referred to as “the Group”) comprise wholesale and retail of automotive parts as well as waste management.

The Group is headquartered in Zagreb, Croatia, Savska Opatovina 36.

By the decision on legal transformation of 27 December 2019, the Company was transformed from a limited liability company into a joint stock company which was registered at the Commercial Court in Zagreb on 2 January 2020 and the Company changed its name to CIAK Grupa d.d.

The shareholder structure is shown in note 23.

**Corporate governance and management**

*General Assembly*

The General Assembly of the Company consists of the shareholders of CIAK Grupa d.d.

*Supervisory Board*

The members of the Supervisory Board during the reporting periods until the date of these financial statements were as follows:

President	Stjepan Ljatifi
Deputy President	Vjekoslav Mesaroš
Member	Slavica Zrinski
Member	Štefica Jambrek
Member	Damir Kos
Member	Zvonko Merkaš
Member	Marko Varga

*Management Board*

The Management Board members of the Company are as follows:

President of the Management Board	Ivan Leko
Member of the Management Board	Dominik Leko
Member of the Management Board	Dalibor Bagarić
Member of the Management Board	Ivica Greguraš
Member of the Management Board	Ivan Miloš

During 2024, the Company’s auditors of and their related entities provided services to the Company and its subsidiaries related to the statutory audit of the consolidated and separate financial statements and other assurance services with respect to sustainability reporting and reporting on remuneration of Management and Supervisory Board members totalling EUR 294 thousand (2023: EUR 178 thousand), as well as permissible non-audit services related to business consulting in the amount of 41 thousand euros.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

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**NOTE 2 – BASIS OF PREPARATION***(i) Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“EU IFRS”). The separate financial statements the Company is required to prepare in accordance with EU IFRS are published separately and issued simultaneously with these consolidated financial statements.

*(ii) Basis of measurement*

The consolidated financial statements of the Group have been prepared on the historical cost basis, except where stated otherwise (see note 5).

*(iii) Functional and presentation currency*

The items included in the Group's financial statements are expressed in the currency of the primary economic environment in which the Group operates (functional currency) and translated into EUR which represents the Group's presentation currency. The predominant functional currency related to the Group's operations is also EUR.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been consistently applied to all the years presented in these consolidated financial statements.

**3.1 Basis of consolidation**
*(i) Group structure and scope of consolidation*

As at the reporting dates, the Company held the following ownership interests in controlled entities:

Company	Country	2024.		2023.	
		*DOI%	*EOI%	*DOI%	*EOI%
<b>C.I.A.K. auto d.o.o.</b>	HR	100%	100%	100%	100%
C.I.A.K. Auto d.o.o.	BiH		100%		100%
AD Adria d.o.o.	HR		100%		100%
C.I.A.K. Auto Srbija d.o.o.	RS		100%		100%
Lukena Auto d.o.o.	RS		100%		100%
Auto Milovanović d.o.o.	BiH		100%		100%
Bagi d.o.o.	BiH		100%		100%
Lukena Auto d.o.o.	MKD		100%		100%
Next Auto	CG		100%		100%
Mika komerc d.o.o.	RS		100%		100%
Potokar d.o.o.	SLO		100%		100%
C.I.A.K. Auto Slovenija d.o.o. (ex Stahlgruber trgovina d.o.o.)	***** SLO		100%		0%
Sim Impex d.o.o.	***** BiH		100%		0%
Ars Parts d.o.o.	***** RS		100%		0%
CIAK Auto SH.P.K	**** KOS		100%		0%
<b>C.I.A.K. d.o.o.</b>	HR	100%	100%	100%	100%
C.I.A.K. d.o.o.	RS		100%		100%
Top start Srbija d.o.o.	RS		100%		100%
EKO PARTNER PLUS d.o.o.	RS		100%		100%
C.I.A.K. d.o.o.	SLO		100%		100%
C.I.A.K. d.o.o. Sarajevo	BiH		100%		100%
Jumetal d.o.o.	***** BiH		100%		0%
Grioss RS d.o.o.	BiH		100%		100%
Bendj trade d.o.o.	BiH		62%		62%
Top start d.o.o.	HR		100%		100%
Autodijelovi d.o.o.	HR		50%		50%
Adriatik ulja d.o.o.	HR		100%		100%
Ciak Makedonija	MKD		100%		100%
<b>CIAK Truck d.o.o.</b>	HR	100%	100%	100%	100%
Trgometal d.o.o.	HR		100%		100%
TM Auto d.o.o.	*** HR		100%		50%
Cordia Trade d.o.o.	HR		100%		100%
C.I.A.K. Truck Srbija d.o.o.	RS		100%		100%
C.I.A.K. Truck Servis	HR		100%		100%
C.I.A.K. Truck	BiH		100%		100%
<b>C.I.A.K. trade d.o.o.</b>	HR	100%	100%	100%	100%
<b>C.I.A.K. trade d.o.o. Brčko</b>	**** BiH		100%		0%
<b>CIAK USLUGE d.o.o. NOVI SAD</b>	RS	100%	100%	100%	100%
<b>C.I.A.K. Truck (Kamionland)</b>	** SLO		50%		50%

\*DOI = direct ownership interest of parent company / EOI = effective ownership interest of parent company.

\*\* Company accounted as equity accounted investee as of 1 January 2021

\*\*\* Bought minority stake in the company

\*\*\*\* Newly founded company

\*\*\*\*\* Newly acquired company

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 Basis of consolidation (continued)**

*(ii) Subsidiaries*

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are de-consolidated from the date that control ceases.

*(iii) Business combinations*

The Group uses the acquisition method of accounting to account for business combinations (other than business combinations under common control). The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed in the statement of comprehensive income as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of consideration transferred, the amount of any non-controlling interest in the acquiree and acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of bargain purchase, the difference is recognised directly in the statement of comprehensive income.

*(iv) Non-controlling interests*

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

*(v) Loss of control over subsidiaries*

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

*(vi) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.2 Goodwill**

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

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

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

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

**3.3 Non-current assets held for sale**

Non-current assets and disposal groups (which may include both non-current and current assets and liabilities directly associated with those assets) are classified in the statement of financial position as 'held for sale' if it is highly probable that their carrying amount will be recovered principally through a sale transaction within twelve months after the reporting date rather than through continuing use. Non-current assets classified as held for sale in the current period's consolidated statement of financial position are not reclassified in the comparative consolidated statement of financial position.

Held-for-sale property, plant and equipment or disposal groups as a whole are generally measured at the lower of their carrying amounts and fair values less costs to sell or distribute. Held-for-sale property, plant and equipment are not depreciated.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4 Revenue recognition**

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer and specific criteria have been met for each of the Group's activities as described below.

Revenue is recognised net of value-added tax, volume rebates, trade discounts and returns.

*(i) Revenue from wholesale and retail of merchandise*

The Group sells trade goods of third parties (for which the Group is a distributor) as part of its wholesale and retail activities. Revenue is recognised when the Group has delivered the products to the customer, there is no continuing management involvement over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Delivery does not occur until the products have been shipped to the specified location, the control has been transferred to the customer and either of the following has occurred: the customer has accepted the products in accordance with the contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied. The most common parity is the CIP, where the control is transferred to the customer at the moment the goods are delivered and the delivery note is confirmed upon the transfer of goods.

Products are sold with volume discounts and customers have a right to return products in case of defects. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data. In these circumstances, a refund liability and a right to recover returned goods asset are recognised. The right to recover returned goods asset is measured at the former carrying amount of the inventory. The refund liability is included in other payables and the right to recover returned goods is included in inventory. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

Sales are recorded based on the price specified in the sales contracts, net of estimated volume rebates and trade discounts and returns. The volume discounts are assessed based on contracts with customers. No element of financing is deemed present in the sales.

Retail sales are usually in cash or by credit card.

*(ii) Revenue from services*

The Group generates revenue from services primarily through sales of services such as waste management and vehicle related services (repairs and similar). Revenue from waste management services is recognised at a point in time when the services is completed (generally when the waste has been collected for processing or delivered for processing to third parties as is the case with special and hazardous waste). Revenues from vehicle related services are recognised over time, by reference to stage of completion calculated on the basis of the actual services provided as a proportion of the total services to be provided and are mostly rendered within a very short timeframe of one to several days.

*(iii) Finance income*

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised when the right to receive payment is established.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.5 Leases - Group as a lessee**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in separate line items in the statement of financial position.

*Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.6 Foreign currency transactions***(i) Transactions and balances in foreign currencies*

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the foreign exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary assets and items that are measured in terms of historical cost of a foreign currency are not retranslated.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into functional currency at foreign exchange rates ruling at the date of transaction.

*(ii) Group companies*

Income and expense items and cash flows of foreign operations are translated into the Company's and Group's presentation currency at rates approximating the foreign exchange rates ruling at the dates of transactions and their assets and liabilities are translated at the exchange rates ruling at the year end. All resulting exchange differences are recognised in a separate component of equity. The applicable foreign exchange rates for relevant currencies are included within currency risk disclosures.

**3.7 Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions associated with them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

**3.8 Dividends**

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the General Assembly of the Company's shareholders.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.9 Segment reporting**

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

At the consolidated level, the Group internally monitors and reports the following segments:

- Auto program – vehicles
- Truck program
- Batteries, oils and similar
- Wholesale
- Ecology

The Group identifies operating segments on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (Director or the Management Board of the Company) in order to allocate resources to the segments and to assess their performance. Details on the operating segments are disclosed in note 6 to the consolidated financial statements. Comparative information is presented using the comparability principle.

**3.10 Taxation**

*(i) Income tax*

Income tax expense comprises current and deferred tax. Tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in the statement of other comprehensive income or in equity.

Income tax for the current year is calculated on the basis of the tax laws enacted at the balance sheet date in countries where the Company and its subsidiaries operate and earn taxable profit.

*(ii) Deferred tax assets and liabilities*

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax assets for deductible temporary differences arising from investments in subsidiaries, and interests in joint arrangements, are only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference will be utilised, while liabilities are recognised only to the extent that the entity is able to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax asset recognised on the basis of tax losses carried forward is recognised in accordance with tax legislation of the country where the company operates for the period envisaged by the law and is discharged at the expiry of this period if it is not used until then.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.11 Property, plant and equipment**

Property, plant and equipment are included in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Land and assets under construction are not depreciated. Depreciation of other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 to 40 years
Plant and equipment	2 to 10 years
Transport assets	4 to 10 years

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date and when necessary.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 3.13).

Gains and losses on disposals are determined as the difference between the income from the disposal and the asset's carrying amount, and are recognised in profit or loss within other income/expenses.

**3.12 Intangible assets**

Intangible assets are included in the consolidated statement of financial position at cost less accumulated amortisation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items.

*Computer software*

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their useful lives estimated at 5 years.

*Brands*

Brands arising on an acquisition of a business is carried at fair value as established at the date of acquisition of the business, less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the brand over its estimated useful life. Brands with an indefinite useful life are not amortized, but are tested annually for impairment at the cash-generating unit level.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.13 Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (apart from 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 in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the “cash-generating unit” (“CGU”) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is expensed immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized as income immediately.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.14 Inventories**

Inventories of raw materials and spare parts are stated at the lower of cost, determined using the weighted average cost method, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business.

The cost of work-in-progress and finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Merchandise is carried at the lower of purchase cost and selling price (less applicable taxes and rebates).

Group annually makes an estimate of inventory value based on turnover of each individual item. Based on that calculation Group recognises loss allowance for items that fall short of expected turnover rate for that type of product.

Allowance for items with lower turnover than expected based on historical experience is accounted as deduction from book value of Inventory and recognised in the income statement.

**3.15 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid instruments with original maturities of three months or less. Bank overdrafts are included within current liabilities on the consolidated statement of financial position.

**3.16 Share capital**

Share capital consists of ordinary shares. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds of those transactions. Any excess of the fair value of the consideration received over the par value of the shares issued is presented in the notes as a share premium.

In case the Group purchases its own share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income tax) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

**3.17 Employee benefits***(i) Short-term employee benefits*

The Group recognises a provision for employee bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

*(ii) Pension obligations and post-employment benefits*

In the normal course of business, the Group makes payments to mandatory pension funds operated by third parties on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Group is not obliged to provide any other post-employment benefits with respect to these pension schemes and they are therefore treated as defined contribution plans.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.18 Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the reversal of such discounting in each year is recognized as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

**3.19 Financial instruments****A. Financial assets****(i) Recognition and initial measurement**

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**(ii) Classification and subsequent measurement**

On initial recognition, a financial asset is classified as measured at:

- amortised cost;
- FVOCI (fair value through other comprehensive income) – debt investment;
- FVOCI – equity investment;
- or FVTPL (fair value through profit or loss).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.19 Financial instruments (continued)**

**A. Financial assets (continued)**

**(ii) Classification and subsequent measurement (continued)**

A financial assets is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*Business model assessment*

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Trade receivables are held in the business model of holding for the purpose of collection.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.19 Financial instruments (continued)**

**A. Financial assets (continued)**

**(ii) Classification and subsequent measurement (continued)**

*Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, relevant for the purpose of classifying financial assets at amortised cost, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing the main criterion, i.e. whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The structure of the Group's financial assets is simple and primarily relates to trade receivables without a significant financial component, loans given and short-term deposits in banks at fixed interest rates, while forward contracts are of insignificant amount. This significantly reduces the complexity of the assessment whether the financial assets meet the criterion of 'solely payments of principal and interest'.

*Subsequent measurement and gains and losses*

The table below provides an overview of key provisions of the accounting policy used by the Group for subsequent measurement of financial assets and recognition of gains and losses:

<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
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**(iii) Derecognition**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.19 Financial instruments (continued)****B. Financial liabilities****(i) Recognition and initial measurement**

Debt securities are initially recognised when they are originated. All other financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

**(ii) Classification and subsequent measurement**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

**(iii) Derecognition**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

**C. Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.19 Financial instruments (continued)**

**D. Impairment of non-derivative financial assets**

*Recognition of impairment losses*

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if early warning indicators have been activated in accordance with the Group's policy or contractual terms of the instrument.

The Group considers a financial asset to be fully or partially in default if:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 360 days past due based on historical experience of average market participant.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. Regular external trade receivables that are not past due and uncollected receivables past due up to 360 days from the maturity date are impaired using the percentage that reflects the expectations of the non-collection of trade receivables (ECL). The percentage of impairment is determined on the basis of the average of the previous three-year period (historical rate) separately for each of the Group's companies. The calculation of the historical rate is adjusted for extraordinary and specific circumstances, if required.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**


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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**
**3.19 Financial instruments (continued)**
**Credit-impaired financial assets**

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a significant delay of payment by the borrower;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

*Presentation of allowance for ECL in the statement of financial position.*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

*Write-off of financial assets*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount of a financial asset upon the legal statute of limitation and it generally expects no recovery of the amount written off.

**3.20 New standards and interpretations that have not yet been adopted**

The following new standards, interpretations, and amendments to existing standards are mandatory for periods beginning on 1 January 2024:

- Amendments to IFRS 16 Leases: Lease liability in a sale and leaseback transaction
- Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current or non-current, Long-term liabilities with covenants
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier finance arrangements.

The adoption of these standards did not have a significant impact on the amounts presented in the statement of financial position or the statement of comprehensive income, or on the disclosed accounting policies.

The following new standards, interpretations, and amendments to existing standards issued by the IASB and adopted by the EU are either not yet effective or have not been adopted by the EU, and therefore the Group has not adopted them early and does not expect them to have a significant impact on the Group's financial statements when they become effective:

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of exchangeability
- Amendments to the Classification and Measurement of Financial Instruments (IFRS 7 and IFRS 9): Classification of financial assets, Electronic payment settlements
- IFRS 1, IFRS 7, IFRS 9, IFRS 10, IAS 7 Annual Improvements Volume 11: Clarifications, simplifications, corrections, and amendments aimed at improving the consistency of these IFRS standards
- IFRS 18 Presentation and Disclosure in Financial Statements: New standard
- IFRS 19 Subsidiaries without Public Accountability – Disclosures: New standard
- Amendments to IFRS 9 and IFRS 7: Contracts for nature-dependent electricity – Nature-linked electricity contracts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

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**NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of financial statements in conformity with EU IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of EU IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed more detail below.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)**
*(i) Recoverability of trade and other receivables*

The recoverable amount of trade and other receivables is estimated at present value of future cash flows discounted at the market interest rate at the measurement date. Short-term receivables with no stated interest rate are measured by the amount of original invoice if the effect of discounting is not significant.

The Group regularly reviews the ageing structure of trade receivables and monitors the average collection period. In cases where debtors with extended payment periods are identified, the Group reduces the related credit limits and payment days for future transactions and, in cases where it deems it necessary, imposes restrictions on future transactions until the outstanding balance is repaid either entirely or in part. In cases where the Group identifies receivables toward debtors which have entered into pre-bankruptcy or bankruptcy proceedings, an impairment loss is immediately recognised in full.

By applying the percentage that reflects expectations on the non-collection of trade receivables (expected credit loss), the Group impairs undue regular external trade receivables and past due uncollected receivables up to 360 days from the maturity date.

In the process of regulating the collection of overdue debts, the Group actively negotiates with the respective debtors taking into account expectations of future business relations, significance of exposure to an individual debtor, possibilities of compensation, exercise of instruments of security (if any) or seizure of assets, etc.

*(ii) Recoverability of goodwill and intangible assets with indefinite useful life*

Group regularly annually tests goodwill and intangible assets with indefinite useful life and goodwill for impairment as stated in note 3.13. Goodwill and intangible assets with indefinite useful life are tested individually.

Goodwill and brands are allocated to the following segments:

	<b>Brand</b>	<b>Goodwill</b>	<b>Brand</b>	<b>Goodwill</b>
	<b>2024.</b>		<b>2023.</b>	
	<i>(in thousands of EUR)</i>		<i>(in thousands of EUR)</i>	
Batteries, oils and similar	-	149	-	149
Freight program	-	191	-	191
Car program	7,073	591	6,529	344
Ecology	-	63	-	-
	<b>7,073</b>	<b>994</b>	<b>6,529</b>	<b>684</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

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**NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)**

*(iii) Testing for impairment of goodwill and intangible assets with indefinite useful life*

*Goodwill*

The recoverable amount of goodwill is determined using the discounted cash flow method (DCF method) whereby the Group calculates the present value of future cash flows of cash-generating units attributable to goodwill. The DCF method used to determine the recoverable amount of goodwill also implies a terminal growth rate after a five-year discrete period of 3,5%. Cash flows created from such plans are discounted using a discount rate that reflects the risk of the respective asset, approximated by weighted average cost of capital for the relevant market and industry segment and ranged from 10% (goodwill related to Croatian market) to 13% (goodwill related to Bosnian market).

As a result of the conducted goodwill impairment test, the Group had no goodwill impairment expense during 2024. The sensitivity analysis of the assumptions does not indicate material differences in the outcome of impairment testing compared to amounts recognised for goodwill in the statement of financial position.

*Brands*

Brands refer to the acquired rights to use trademarks and brand names that the Group allocates to business segments in accordance with the internal categorization of products to which a specific brand refers, whereby the value of the brand is fully allocated to a specific segment.

The Group annually performs an impairment test for brands to assess whether the recoverable amount of the brands indicates a potential impairment of the book value, whereby the primary focus is given to those brands where the deviation of the recoverable amount compared to the book value indicates a significant sensitivity to the key assumptions used in the impairment tests. The calculation of the recoverable amount is based on the five-year sales plans of the products that make up each brand, which the Group developed taking into account the corporate sales and marketing strategy, trends in the markets where individual brands are sold (such as expected trends in the subject gross social product, market share of relevant products and categories) and competitor analysis.

Cash flows generated from such plans are discounted using an after-tax discount rate that reflects the risk of the asset in question and which, for purposes of calculating the impairment test, is approximated by the weighted average cost of capital (WACC) related to the primary sales market of the particular brand and industry.

To calculate the recoverable value of the brands as of 31 December 2023, the group applied the income approach - the relief from royalty method.

The basis of the relief from royalty method states that the value of an intangible asset is equal to the amount that the owner would pay for a license over that asset if he did not own it, that is, the value is equal to the discounted after-tax savings in a situation of non-payment of royalties, i.e. fees for the use of trademarks.

During the acquisition of company SIM Impex d.o.o. in 2024, the Group assessed the fair value of the brand. This assessment was considered relevant for reporting purposes as of 31 December 2024, as the Management Board determined that there were no significant changes in circumstances and/or adverse changes in the business operations of the acquired company. Details regarding the brand valuation methods used in business acquisitions are presented in Note 31 *Business Combinations*.

As part of the strategic and operational reorganization of the subsidiary Auto Milovanović d.o.o., aimed at improving operational efficiency and business performance, the full rebranding of sales locations, logistics, and delivery vehicles to the CIAK Auto brand is expected.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

**NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)**

*Brands (continued)*

Accordingly, in 2024 the Management Board of the Company has decided to impair the Auto Milovanović brand. The impairment expense of EUR 3,738 thousand is presented in the Statement of comprehensive income.

When calculating the recoverable value of other brands, rates were used that are equal to the weighted average cost of capital after tax (WACC) for a particular market and industry and are within the range of 12% to 13% (2023: in the range of 13% to 14%), while the applied terminal growth rate for all brands is 2.5% (in 2023 in the range 2.5%).

An increase of weighted average cost of capital by 50 basis points with an unchanged terminal growth rate would not result in an impairment of other brands. A decrease in the terminal growth rate with an unchanged rate of the weighted average cost of capital by 50 basis points would not result in a decrease in value.

**NOTE 5 – DETERMINATION OF FAIR VALUES**

The Group has an established control framework with respect to fair value measurement which assumes the overall responsibility of the Management Board and finance department in relation to the monitoring of all significant fair value measurements, consultation with external experts and the responsibility to report, with respect the above, to those charged with corporate governance.

Fair values are measured using information collected from third parties in which case the Board and the finance department assess whether the evidence collected from third parties support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy where such valuations should be classified.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1* - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2* - inputs other than quoted prices included in level 1, that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3* - input variables for assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more significant inputs are not based on observable market data, the fair value estimate is included in level 3.

The Group does not have significant amounts related to items measured at fair value in the financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 6 – SALES REVENUE AND SEGMENT REPORTING**

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Revenue from products	333,291	263,160
Waste management services	11,451	9,513
Revenue from other services	5,452	5,042
Other	361	126
	<b>350,555</b>	<b>277,841</b>

Other sales revenues are mostly comprised of revenues from marketing and leasing activities.

For management purposes, the Group is organised in business units based on the similarity in the nature of individual product groups and the nature of the distribution and sales channel and has identified reportable segments in accordance with quantitative thresholds for segment reporting. The reportable segments of the Group are as follows:

- Auto program – vehicles
- Truck program
- Batteries, oils and similar
- Wholesale
- Ecology

The reportable segments are part of the internal financial reporting to the Management Board which was identified as the chief operating decision maker. The Management Board reviews the internal reports regularly and assesses the segment performance, and uses those reports in making operating decisions.

**Segment revenues and results**

Set out below is an analysis of the Group's revenue and results by its reportable segments, presented in accordance with IFRS 8 *Operating segments* and a reconciliation of segment profits to profit or loss before tax as presented in the consolidated statement of comprehensive income. The revenue presented below relates to third-party sales and revenues between segments. Intra-segment revenues are eliminated on consolidation.

(in thousands of EUR)	<b>Segment revenues</b>		<b>Segment Earnings</b>	
	<b>2024.</b>	<b>2023.</b>	<b>2024.</b>	<b>2023.</b>
Auto program - vehicles	257,401	198,875	16,480	10,509
Truck program	38,818	38,273	626	1,542
Batteries, oils and similar	68,599	53,880	1,898	2,529
Wholesale	13,692	11,125	1,147	1,015
Ecology	30,077	25,467	849	1,170
	<b>408,587</b>	<b>327,620</b>	<b>21,000</b>	<b>16,765</b>
Inter-segment revenues	(58,032)	(49,779)	-	-
	<b>350,555</b>	<b>277,841</b>	<b>21,000</b>	<b>16,765</b>
Finance income			258	245
Finance expenses			(4,481)	(2,711)
Central administration and other costs			(6,261)	(4,709)
<b>Profit before tax</b>			<b>10,516</b>	<b>9,590</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 6 – SALES REVENUE AND SEGMENT REPORTING (CONTINUED)**
**Segment revenues and results (continued)**

The segment "Auto program – vehicles" operates as a retail channel for sales of auto parts in the "Independent Aftermarket" (IAM), i.e. market for repair and maintenance of vehicles. Typical products are brakes, filters, wipers, shock absorbers, lights, suspension parts, batteries, tires, oils, antifreeze, accessories, etc.

Truck program operates as wholesale of truck parts in the IAM. Typical products are brakes, filters, wipers, shock absorbers, lights, suspension parts, batteries, tires, oils, antifreeze, accessories, etc.

Generators, oils and similar includes the wholesale of batteries, industrial batteries, oils, lubricants and other automotive equipment such as brooms, additives, etc. through several sales channels: wholesale in the IAM, wholesale to products end users, wholesale to gas stations and retail.

Wholesale segment relates to wholesale to large retail chains which includes sales of car supplies (e.g. car cosmetics, windshield washer fluid, steering wheel covers, batteries, etc.), textiles (bedding, towels, blankets, etc.), garden program (mowers, trimmers, flaxers, saws) to retail chains.

Ecology comprises two sub-segments: recycling and waste management. The recycling operations relate to the recycling of accumulators and industrial batteries at the Recycling Centre in Zabok, which is the only closed system for recycling accumulators and batteries in Croatia. Waste management includes the collection, treatment and disposal of hazardous and non-hazardous waste (e.g. motor oils, filters, grease, etc.), remediation of contaminated sites, maintenance of industrial plants, consulting services related to hazardous waste, etc.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, other income, other expenses, finance expenses, and income tax expense.

**Geographical information**

The Group operates in seven principal geographical areas by which it reports third-party sales:

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Croatia	196,996	172,009
Serbia	67,362	44,416
Bosnia and Herzegovina	43,805	33,389
Slovenia	17,111	7,070
Montenegro	21,383	17,576
North Macedonia	3,893	3,381
Kosovo	5	-
	<b>350,555</b>	<b>277,841</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 6 – SALES REVENUE AND SEGMENT REPORTING (CONTINUED)**

Non-current assets (intangible assets, property, plant and equipment and right of use assets) based on the geographical areas are presented as follows:

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Croatia	46,175	35,192
Serbia	11,901	7,600
Bosnia and Herzegovina	18,512	12,887
Slovenia	3,280	1,429
Montenegro	7,434	6,472
North Macedonia	821	540
Kosovo	19	-
	<b>88,142</b>	<b>64,120</b>

**NOTE 7 – OTHER INCOME**

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Gain from sale of non-current assets	689	912
Income from damage claims	440	1,204
Subsidies	238	335
Rent income	167	164
Write-off of liabilities	31	188
Other	933	880
	<b>2,498</b>	<b>3,683</b>

**NOTE 8 – MATERIAL COSTS**

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Cost of goods sold	193,784	153,382
Raw materials and consumables used	38,360	32,564
	<b>232,144</b>	<b>185,946</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 9 – OTHER OPERATING EXPENSES**

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Transport and logistics	4,799	3,359
Vehicle and similar repairs	2,925	2,093
Impairment of inventories	2,367	2,135
Banking and similar charges	2,030	1,020
Maintenance	2,003	1,678
Entertainment	1,395	1,003
Advertising and similar costs	1,109	939
Intellectual services	1,099	769
Taxes, fees and similar charges	928	762
Insurance	883	561
Impairment of receivables	865	2,348
Vehicle costs	863	830
Telecommunications and postal services	834	671
Utilities and fees	682	410
Rent expense	617	1,436
Daily subsistence allowances and other travel expenses	565	645
Inventory surpluses / shortfalls	546	1,192
Office materials	488	388
Authors fee	283	102
Membership fees, fees and similar charges	248	208
Security services	219	166
Penalties, penalties and damages	131	126
Donations	62	84
Legal expenses	59	32
Increase/(decrease) in provisions	(76)	350
Other	1,441	884
	-	-
	<b>27,365</b>	<b>24,191</b>

**NOTE 10 – EMPLOYEE EXPENSES**

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Net salaries	44,643	32,205
Taxes and contributions	17,487	12,858
Other employee' costs	4,550	3,335
	-	-
	<b>66,680</b>	<b>48,398</b>

As at 31 December 2024, the number of staff employed by the Group was 3,409 (2023: 2,658). Other employee costs primarily relate to employee transport costs and bonuses.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

**NOTE 11 – FINANCE INCOME**

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Interest income	50	28
Positive FX difference	200	215
Other finance income	8	1
	-	-
	<b>258</b>	<b>244</b>

**NOTE 12 – FINANCE EXPENSES**

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Interest expenses and similar	4,137	2,488
Negative FX difference	335	216
Other finance costs	9	6
	-	-
	<b>4,481</b>	<b>2,710</b>

**NOTE 13 – INCOME TAX**

Income tax expense consists of:

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Current income tax	1,608	2,522
Deferred tax	(324)	68
	<b>1,284</b>	<b>2,590</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 13 – INCOME TAX (continued)**

A reconciliation of tax expense per the statement of comprehensive income and taxation at the statutory rate is detailed in the table below:

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
<b>Profit before taxation</b>	<b>10,516</b>	<b>9,590</b>
Income tax at 18%	1,893	1,726
Non-taxable income	(1,148)	-
Non-deductible expenses	800	741
Temporary differences and tax losses not recognised as deferred tax assets	(5)	10
Effect of a change in the tax rate on deferred tax assets and liabilities	(256)	113
Income tax	<b>1,284</b>	<b>2,590</b>
Effective tax rate	12%	27%

In its financial statements, the Group has recognized deferred tax assets in its financial statements based on tax losses exclusively for the newly acquired company in Slovenia. As for other losses the Group did not recognize deferred tax assets on tax losses, since it is not certain that the tax losses will be used by the companies to which they relate. Unutilized tax losses (net) at the reporting date were as follows:

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Tax losses expiring at 31 December 2025	12	12
Tax losses expiring at 31 December 2026	50	50
Tax losses expiring at 31 December 2027	209	209
Tax losses expiring at 31 December 2028	460	460
Tax losses expiring at 31 December 2029	148	-
Tax losses expiring at 31 December 2031	1,136	-
	<b>2,015</b>	<b>731</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 13 – INCOME TAX (continued)**
*Deferred tax assets*

<i>(in thousands of EUR)</i>	<b>PPE</b>	<b>Trade and other receivables</b>	<b>Inventory</b>	<b>Tax losses</b>	<b>Trade and other payables</b>	<b>Total</b>
At 1 January 2023	112	150	23	-	76	361
Business combinations	-	4	-	-	-	4
Net increase/(decrease)	(75)	(7)	52	-	(40)	(70)
<b>As at 31 December 2023</b>	<b>37</b>	<b>147</b>	<b>75</b>	<b>-</b>	<b>36</b>	<b>295</b>
At 1 January 2024	<b>265</b>	<b>1,060</b>	<b>375</b>	<b>376</b>	<b>469</b>	<b>295</b>
Business combinations	-	164	39	604	4	811
Net increase/(decrease)	(27)	26	2	-	(4)	(3)
<b>As at 31 December 2024</b>	<b>10</b>	<b>337</b>	<b>116</b>	<b>604</b>	<b>36</b>	<b>1,103</b>

*Deferred tax liabilities*

<i>(in thousands of EUR)</i>	<b>PPE</b>	<b>Intangible assets</b>	<b>Trade and other receivables</b>	<b>Total</b>
At 1 January 2023	68	709	3	780
Net increase/ (decrease)	-	-	(2)	(2)
<b>As at 31 December 2023</b>	<b>68</b>	<b>709</b>	<b>1</b>	<b>778</b>
At 1 January 2024	68	709	1	778
Business combinations	-	428	-	428
Net increase/ (decrease)	-	(374)	47	(327)
<b>As at 31 December 2024</b>	<b>68</b>	<b>763</b>	<b>48</b>	<b>879</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 14 – INTANGIBLE ASSETS AND GOODWILL**

<i>(in thousands of EUR)</i>	<b>Brand</b>	<b>Goodwill</b>	<b>Software</b>	<b>Leasehold improvements</b>	<b>Investments in progress</b>	<b>Total</b>
<b>Cost</b>						
At 1 January 2023	6,529	571	1,964	1,426	67	10,557
Additions	-	-	-	-	789	789
Business combinations	-	113	46	-	6	165
Transfers	-	-	671	166	(837)	-
Disposals and write offs	-	-	-	(17)	-	(17)
	-	-	1	1	-	2
<b>As at 31 December 2023</b>	<b>6,529</b>	<b>684</b>	<b>2,682</b>	<b>1,576</b>	<b>25</b>	<b>11,496</b>
<b>Accumulated amortisation</b>						
At 1 January 2023	-	-	995	768	-	1,763
Business combinations	-	-	28	-	-	28
Charge for the year	-	-	267	179	-	446
Disposals and write offs	-	-	-	(4)	-	(4)
<b>As at 31 December 2023</b>	<b>-</b>	<b>-</b>	<b>1,290</b>	<b>943</b>	<b>-</b>	<b>2,233</b>
<b>Cost</b>						
At 1 January 2024	6,529	684	2,682	1,576	25	11,496
Additions	-	-	64	5	1,309	1,378
Business combinations	4,282	310	613	137	31	5,373
Transfers	-	-	514	525	(1,039)	-
Disposals and write offs	-	-	(7)	(20)	(28)	(55)
FX	-	-	(1)	-	-	(1)
<b>As at 31 December 2024</b>	<b>10,811</b>	<b>994</b>	<b>3,865</b>	<b>2,223</b>	<b>298</b>	<b>18,191</b>
<b>Accumulated amortisation</b>						
At 1 January 2024	-	-	1,290	943	-	2,233
Business combinations	-	-	354	112	-	466
Charge for the year	-	-	451	237	-	688
Brand impairment	3,738	-	-	-	-	3,738
Disposals and write offs	-	-	(7)	(18)	-	(25)
<b>As at 31 December 2024</b>	<b>3,738</b>	<b>-</b>	<b>2,088</b>	<b>1,274</b>	<b>-</b>	<b>7,100</b>
<b>Net book value at 1 January 2024.</b>						
	<b>6,529</b>	<b>684</b>	<b>1,392</b>	<b>633</b>	<b>25</b>	<b>9,263</b>
	-	-	-	-	-	-
<b>Net book value at 31 December 2024.</b>	<b>7,073</b>	<b>994</b>	<b>1,777</b>	<b>949</b>	<b>298</b>	<b>11,091</b>

Testing for impairment of goodwill and intangible assets with indefinite useful life is disclosed in Note 4.

As presented in Note 4, as part of the strategic and operational reorganization of the subsidiary Auto Milovanović d.o.o., the Company's Management Board decided to impair the value of the Auto Milovanović brand. The impairment expense is presented in the Statement of Comprehensive Income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 15 – PROPERTY, PLANT AND EQUIPMENT**

<i>(in thousands of EUR)</i>	<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Transport assets</b>	<b>Investments in progress</b>	<b>Total</b>
<b>Cost</b>					
At 1 January 2023	22,674	16,391	6,170	3,327	48,562
Additions	-	-	-	9,695	9,695
Business combinations	-	132	124	-	256
Transfers	3,844	3,853	2,024	(9,721)	-
Disposals and write offs	(1,676)	(607)	(827)	-	(3,110)
Transfer From ROA	-	-	1,303	-	1,303
<b>As at 31 December 2023</b>	<b>24,842</b>	<b>19,769</b>	<b>8,794</b>	<b>3,301</b>	<b>56,706</b>
<b>Accumulated depreciation and impairments</b>					
At 1 January 2023	7,036	10,266	4,010	-	21,312
Business combinations	-	106	95	-	201
Charge for the year	354	2,446	1,213	-	4,013
Disposals and write offs	(283)	(417)	(661)	-	(1,361)
Transfer to ROA	-	-	1,053	-	1,053
<b>As at 31 December 2023</b>	<b>7,107</b>	<b>12,401</b>	<b>5,710</b>	<b>-</b>	<b>25,218</b>
<b>Cost</b>					
At 1 January 2024	24,842	19,769	8,794	3,301	56,706
Additions	-	189	76	13,095	13,360
Business combinations	1,196	3,529	1,243	-	5,968
Transfers	4,009	7,210	681	(11,900)	-
Disposals and write offs	-	(1,791)	(564)	-	(2,355)
Transfer to ROA	-	-	(245)	(2,980)	(3,225)
<b>As at 31 December 2024</b>	<b>30,047</b>	<b>28,906</b>	<b>9,985</b>	<b>1,516</b>	<b>70,454</b>
<b>Accumulated depreciation and impairments</b>					
At 1 January 2024	7,107	12,401	5,710	-	25,218
Business combinations	408	2,670	500	-	3,578
Charge for the year	814	3,301	1,200	-	5,315
Disposals and write offs	-	(1,096)	(463)	-	(1,559)
Transfers	249	418	(667)	-	-
<b>As at 31 December 2024</b>	<b>8,578</b>	<b>17,694</b>	<b>6,280</b>	<b>-</b>	<b>32,552</b>
<b>Net book value at 1 January 2024</b>					
	<b>17,735</b>	<b>7,368</b>	<b>3,084</b>	<b>3,301</b>	<b>31,488</b>
<b>Net book value as at 31 December 2024</b>					
	<b>21,469</b>	<b>11,212</b>	<b>3,705</b>	<b>1,516</b>	<b>37,902</b>

Assets under construction mainly relate to buildings and plant and equipment.

*Assets under mortgage*

Land and buildings with a carrying value of EUR 7,438 thousand (2023: EUR 6,964 thousand) are under mortgage and collateral for bank loans.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 16 – RIGHT OF USE ASSETS**

<i>(in thousands of EUR)</i>	<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Transport assets</b>	<b>Total</b>
Net book value at 1 January 2023	15,851	1,035	3,763	20,649
Additions	4,812	209	2,288	7,309
Business combinations	1,393	-	11	1,404
Modifications	945	(54)	(13)	878
Charge for the year	(5,185)	(251)	(1,185)	(6,621)
Transfer to PPE	-	-	(250)	(250)
<b>As at 31 December 2023</b>	<b>17,816</b>	<b>939</b>	<b>4,614</b>	<b>23,369</b>
Net book value at 1 January 2024	<b>17,816</b>	<b>939</b>	<b>4,614</b>	<b>23,369</b>
Additions	9,228	261	382	9,871
Business combinations	2,128	3	535	2,666
Modifications	8,859	(3)	(50)	8,806
Charge for the year	(7,050)	(205)	(1,507)	(8,762)
Disposals and write offs	-	-	(26)	(26)
Transfer from PPE	-	54	3,171	3,225
<b>As at 31 December 2024</b>	<b>30,981</b>	<b>1,049</b>	<b>7,119</b>	<b>39,149</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

**NOTE 17 – EQUITY ACCOUNTED INVESTEEES**

	<b>2024.</b>
	<i>(in thousands EUR)</i>
As at 1 January	315
Share of profit/(loss) of joint venture	2
	-
As at 31 December	<b>317</b>

As at 1 January 2021, the Group no longer has control over Kamioland d.o.o. However, through ownership of 50%, the Group retained a significant influence over the company. As of 1 January 2021 Kamioland d.o.o. is accounted as equity accounted investee.

**NOTE 18 – FINANCIAL ASSETS**

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Deposits	261	390
	<b>261</b>	<b>390</b>
Short term	83	27
Long term	178	365
	<b>261</b>	<b>392</b>

Deposits relate to deposits at commercial banks with maturity more than three months that carry a variable interest rate up to 0,01% (2023: 0,01%).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 19 – INVENTORIES**

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Raw materials and supplies	3,544	4,163
Trade goods and merchandise	128,718	89,406
Small inventory	53	53
Advances for inventories	1,697	1,188
Security downpayment	1,182	988
		-
	<b>135,194</b>	<b>95,798</b>

Movements in write-down of inventory is recognized in other operating operations within profit or loss. In 2024 it is amounted to 2,367 thousands of EUR (2023: 2,135 thousands of EUR).

In accordance with accounting policies, the Group analyses the expected turnover per item based on historical sales information and, based on the results of the analysis, recognizes a decrease in the value of inventories to the estimated net realizable value.

The Group is actively using its presence on multiple markets to optimize inventory management.

In other markets e.g. Serbia, Bosnia and Hercegovina and Montenegro, average age of vehicles is significantly higher than in Croatia and therefore demand for some slow moving parts is also higher.

**NOTE 20 – TRADE AND OTHER RECEIVABLES**

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Trade receivables	47,321	41,455
Impairment of receivables	(5,652)	(4,744)
Net trade receivables	<b>41,669</b>	<b>36,711</b>
Interest receivables	48	56
Receivables for taxes and contributions	1,282	1,370
Advances given	254	228
Receivables from employees	118	150
Loans receivable	1,556	1,498
Accrued rebates	8,049	4,990
Prepayments	2,177	1,552
Other receivables	549	612
		-
	<b>55,702</b>	<b>47,167</b>
Short term	55,414	46,867
Long term	288	300
	<b>55,702</b>	<b>47,167</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 20 – TRADE AND OTHER RECEIVABLES (continued)**

During 2024, within other operating expenses the Group recognised impairment allowances in the amount of EUR 865 thousand (2023: EUR 2,350 thousand) with respect to trade receivables and other receivables.

Movement in the accumulated impairment allowance for trade and other receivables was as follows:

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
At 1 January	4,744	3,307
Net Increase/decrease	974	2,419
Amounts collected	(109)	(69)
Business combinations	365	132
Written off as uncollectable	(322)	(1,045)
At 31 December	<b>5,652</b>	<b>4,744</b>

Ageing analysis of gross trade receivables:

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Not due	27,328	23,055
0-90 days	11,698	9,956
91-180 days	2,064	2,218
181-360 days	1,486	1,656
More than 360 days	4,745	4,570
	<b>47,321</b>	<b>41,455</b>

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a “roll rate” method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased. Loss rates are based on actual credit loss experience over three years.

Trade receivables in original currency (net amount):

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
EUR	27,600	26,545
BAM	6,168	3,755
RSD	7,327	5,631
MKD	574	780
	<b>41,669</b>	<b>36,711</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 21 – CASH AND CASH EQUIVALENTS**

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Cash register	767	357
Cash with banks	14,471	13,349
Overnight bank deposits	6,500	-
	<b>21,738</b>	<b>13,706</b>

Cash with banks relates to transaction accounts at commercial banks that carry an average interest rate around 0,11% (2023: 0,11%).

In 2024, the Group initiated the process of investing in overnight deposits with banks to optimize financial income. The average interest rate earned on overnight deposits follows the EURIBOR rate, with occasional minor deviations.

The table below summarises cash and cash equivalents by currency:

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
EUR	15,564	10,749
RSD	3,143	1,068
BAM	2,932	1,485
MKD	92	286
Other currencies	7	118
	<b>21,738</b>	<b>13,706</b>

**NOTE 22 – NON-CURRENT ASSETS HELD FOR SALE**

	<b>2024</b>	<b>2023</b>
	<i>(in thousands of EUR)</i>	
Land and buildings	236	359
	<b>236</b>	<b>359</b>

Non-current assets held for sale relates to smaller items of Plant and Equipment.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 23– SHARE CAPITAL AND EARNINGS PER SHARE**
*Share capital*

Share capital on the 31 December 2024 amounts to EUR 26,215 thousand and consists of 19,751,989 shares outstanding (2023: 19,751,989). Nominal share price is EUR 1.33 per share.

The ownership structure at the reporting dates was as follows (total number of shares reduced by treasury shares):

Ownership structure	2024.		2023.	
	Number of shares	% of ownership	Number of shares	% of ownership
Ivan Leko	10,006,913	50.71%	10,000,694	50.64%
Ljilja Leko	3,180,140	16.12%	3,180,140	16.10%
Others	6,546,069	33.18%	6,566,155	33.25%
<b>Total</b>	<b>19,733,122</b>	<b>100.00%</b>	<b>19,746,989</b>	<b>100.00%</b>

*Earnings per share*

	2024.	2023.
	<i>(in thousands of EUR)</i>	
Profit attributable to owners	9,285	7,025
Shares outstanding as at 31 December (excluding treasury shares)	19,733,122	19,746,989
Average weighted number of shares	19,741,263	19,679,864
Basic earnings per share	<b>0.47</b>	<b>0.36</b>
Diluted earnings per share	<b>0.47</b>	<b>0.36</b>

**NOTE 24 – CAPITAL RESERVES**

Capital reserves refer to capital gains on sold issued shares.

**NOTE 25 – TREASURY SHARES**

During 2024, the Group purchased 26,221 shares in the amount of EUR 176 thousands (2023: 23,750 shares in the amount of EUR 159 thousand). As at 31 December 2024 treasury shares amount to EUR 126 thousands (18,867 shares) (31 December 2023: EUR 34 thousand (5,000 shares)). During 2024, the Group awarded its own shares in the amount of EUR 84 thousand to Group employees based on a discretionary decision of the General Assembly.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 26 – NON-CONTROLLING INTERESTS**

Group has non-controlling interests arising from ownership interest in subsidiaries Autodijelovi d.o.o. (Croatia) and Bendj trade d.o.o. (Bosnia and Herzegovina). In 2021. Due to loss of control of Kamioland, is now accounted through equity accounting Summary financial information for these companies are as follows:

<b>31 December 2024</b>	<b>BENDJ TRADE</b>	<b>AUTO DIJELOVI</b>
(in thousands of EUR)	<b>d.o.o.</b>	<b>d.o.o.</b>
	-	-
<b>Non-controlling interest</b>	<b>38%</b>	<b>50%</b>
	-	-
Non-current assets	268	-
Current assets	-	257
Non-current Liabilities	-	(10)
Current liabilities	(35)	(282)
	-	-
Net assets	<b>233</b>	<b>-35</b>
	-	-
<b>Statement of comprehensive income</b>	-	-
Revenues	-	352
Profit	(4)	(55)
Total comprehensive income	<b>(4)</b>	<b>(55)</b>
	-	-
<b>Statement of cash flows</b>	-	-
Increase/ (decrease) of cash	-	<b>4</b>

The movement in non-controlling interest was as follows:

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
		-
As at 1. January	(37)	(12)
Gain/ (Loss) attributable to the Group	(53)	(25)
Purchase of minority stake in TM AUTO	24	-
	<b>(66)</b>	<b>(37)</b>
Consists of		
Auto Dijelovi d.o.o.	<b>(59)</b>	<b>(31)</b>
Bendj trade d.o.o.	<b>(7)</b>	<b>(6)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 27 – LOANS AND BORROWINGS**

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
<b>Non-current borrowings</b>		
Bank borrowings	54,149	37,028
Other loans	116	206
Lease liabilities	29,913	17,247
	<b>84,178</b>	<b>54,481</b>
<b>Current borrowings</b>		
Bank borrowings	13,709	12,834
Other loans	320	338
Interest liabilities	39	123
Lease liabilities	10,876	6,644
	<b>24,944</b>	<b>19,939</b>
		-
<b>Total borrowings</b>	<b>109,122</b>	<b>74,420</b>

The Group's borrowings contain covenants which obligate the Group to comply with (such as DSCR), which is calculated as the ratio of consolidated gross financial debt and consolidated EBITDA (operating profit before interest, depreciation and taxes) In case the specified ratios are breached, the loans would be considered matured in full and payable on the bank's request. At the reporting dates, the Group was in compliance with the covenants.

Bank loans in the amount of EUR 67,858 thousand (2023: EUR 49,861 thousand) are insured through mortgages on land, buildings, plant and equipment amounting to EUR 7.438 thousand (2023: EUR 6,964 thousand) as stated in note 15.

The maturity of non-current bank borrowings and other loans is as follows:

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Between 1 and 2 years	9,510	23,958
Between 2 and 5 years	27,391	13,276
Over 5 years	17,364	-
	<b>54,265</b>	<b>37,234</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 27 – LOANS AND BORROWINGS (CONTINUED)**

The maturity of non-current lease liabilities is as follows:

	<b>2024</b>	<b>2023</b>
	<i>(in thousands of EUR)</i>	
		-
Between 1 and 2 years	9,641	5,893
Between 2 and 5 years	15,185	9,056
Over 5 years	5,087	2,298
	<b>29,913</b>	<b>17,247</b>

The carrying amounts of the Group's borrowings are denominated in the following currencies:

Borrowings:

	<b>2024</b>	<b>2023</b>
	<i>(in thousands of EUR)</i>	
EUR	64,080	48,177
BAM	4,047	1,851
MKD	167	275
RSD	-	103
	<b>68,294</b>	<b>50,406</b>

Leases:

	<b>2024</b>	<b>2023</b>
	<i>(in thousands of EUR)</i>	
EUR	28,897	18,441
BAM	7,976	5,450
RSD	3,916	-
	<b>40,789</b>	<b>23,891</b>

An overview of borrowings by fixed and variable interest rates is as follows:

	<b>2024</b>		<b>2023</b>	
	<b>Fixed</b>	<b>Variable</b>	<b>Fixed</b>	<b>Variable</b>
	<i>(in thousands of EUR)</i>			
Borrowings	<b>3,735</b>	<b>64,559</b>	<b>11,667</b>	<b>38,739</b>

The average weighted cost of debt on the Group's interest-bearing liabilities was as follows:

	<b>2024</b>	<b>2023</b>
	EUR	
Average weighted interest rate	4.51%	3.9%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 27 – LOANS AND BORROWINGS (CONTINUED)**

Reconciliation of movements in liabilities with cash flows from financing activities:

<i>(in thousands of EUR)</i>	<b>Loans and borrowings</b>	<b>Leases</b>	<b>Total</b>
<b>At 1. January 2023</b>	<b>41,892</b>	<b>20,702</b>	<b>62,594</b>
<i>Cash transactions:</i>			
Loans received	22,159	-	22,159
Loans repayments	(13,908)	-	(13,908)
Lease repayments	-	(7,988)	(7,988)
<b>Total cash transactions</b>	<b>8,251</b>	<b>(7,988)</b>	<b>263</b>
<i>Non - cash transactions:</i>			
Effect of change in exchange rates	54	46	100
Business combinations	209	1,397	1,606
Unwinding of discount	-	430	430
Modifications	-	938	938
New lease contracts	-	8,366	8,366
<b>Total non - cash transactions</b>	<b>263</b>	<b>11,177</b>	<b>11,440</b>
<b>At 31. December 2023</b>	<b>50,406</b>	<b>23,891</b>	<b>74,297</b>
<b>At 1. January 2024</b>	<b>50,406</b>	<b>23,891</b>	<b>74,297</b>
<i>Cash transactions:</i>			
Loans received	71,522	-	71,522
Loans repayments	(53,881)	-	(53,881)
Lease repayments	-	(10,826)	(10,826)
<b>Total cash transactions</b>	<b>17,641</b>	<b>(10,826)</b>	<b>6,815</b>
<i>Non - cash transactions:</i>			
Effect of change in exchange rates	(3)	(17)	(20)
Business combinations	250	3,008	3,258
Unwinding of discount	-	1,141	1,141
Modifications	-	7,603	7,603
New lease contracts	-	15,989	15,989
<b>Total non - cash transactions</b>	<b>247</b>	<b>27,724</b>	<b>27,971</b>
<b>At 31. December 2024</b>	<b>68,294</b>	<b>40,789</b>	<b>109,083</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 28 – PROVISIONS**

As part of contracts with its suppliers, Group has contracts with its suppliers which include estimated amounts of returns with right of reimbursement from suppliers. The Group's assessment is that additional provisions for the warranty period for the stated reason are not necessary because in previous periods the cost did not exceed the contracted amounts for reimbursement from suppliers and therefore the Group did not incur costs of product returns. For the stated reason, the Group does not have material amounts of recognized provisions on the stated basis.

**NOTE 29 – TRADE AND OTHER PAYABLES**

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
		-
Trade payables	87,024	59,990
Taxes, contributions and other duties payable	11,343	8,610
Payable for purchase of shares	10,270	202
Salaries and other benefits to employees	4,146	2,724
Advances received	1,285	715
Accrued expenses	2,198	1,925
Liability for unused holiday	884	892
Obligations based on profit sharing	1	-
Other payables	744	797
		-
	<b>117,895</b>	<b>117,895</b>
Current	106,714	74,684
Non-current	11,181	1,171
	<b>117,895</b>	<b>75,855</b>

Within trade payables, the amount of EUR 7,911 thousand (2023: EUR 6,209 thousand) refers to the liability for supplier chain financing arrangement (reverse factoring).

The group has concluded agreements on reverse factoring for the management of its working capital. According to the contracts, the Group transfers its payables to suppliers to factoring companies, which pay the payables to suppliers on behalf of the Group, and the Group repays the payables to factoring companies with an extended maturity of up to 180 days. Given that the extended maturities do not exceed the market conditions common to the business sectors in which the Group operates, the Group presents the aforementioned liabilities within working capital.

At reporting dates the carrying amounts of trade and other payables approximate their fair values due to the short-term nature of those liabilities.

Long term liabilities for the purchase of shares were discounted to their present value as follows:

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Undiscounted payable for purchase of shares	12,134	202
Discount	(1,864)	-
	<b>10,270</b>	<b>202</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024**

**NOTE 29 – TRADE AND OTHER PAYABLES (continued)**

The maturity of non-current trade and other payables is as follows:

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Between 1 and 2 years	270	270
Between 2 and 5 years	10,911	901
	<b>11,181</b>	<b>1,171</b>

The structure of trade and other payables with respect to currency denomination as at the reporting dates was as follows

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
EUR	107,748	69,331
RSD	5,378	4,270
BAM	2,067	1,296
MKD	1,085	487
Other	1,617	462
	<b>117,895</b>	<b>75,846</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 30 – RISK MANAGEMENT**
**Financial risk management**

Categories of financial instruments are as follows:

	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
<b>Financial assets</b>		
Long-term loans	1,556	1,498
Long-term deposits	261	390
Trade receivables	41,669	36,711
Other receivables	549	612
Cash and cash equivalents	21,738	13,706
	-	-
<b>Total financial assets</b>	<b>65,773</b>	<b>52,917</b>
<b>Financial liabilities at amortised cost</b>		
Loans and borrowings	68,294	50,406
Lease liabilities	40,789	23,891
Trade payables and other liabilities	101,521	63,629
<b>Total financial liabilities</b>	<b>210,604</b>	<b>137,926</b>

**Fair value of financial instruments**

The fair value of financial assets and financial liabilities is determined as follows:

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 30 – RISK MANAGEMENT (continued)**
**Fair value of financial instruments (continued)**

Financial instruments held to maturity in the ordinary course of business are recorded at the lower of cost and net amount less the portion repaid. Fair value is determined as the amount at which a financial instrument can be exchanged between willing and knowledgeable parties in an arm's-length transaction, except in the event of forced sale or liquidation. The fair value of financial instruments is the one quoted on the securities market or obtained using the discounted cash flow method.

As at the reporting dates, the carrying amounts of cash and cash equivalents, short-term deposits, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their fair value due to the short-term nature of those assets and liabilities and due to the fact that a majority of short term assets and liabilities are at variable interest rates.

As at the reporting dates, the carrying amounts of borrowings arising from bank and other loans approximates their fair values as the majority of these borrowings bear variable interest rates or fixed interest rate approximating current market interest rates.

**Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Management Board, which has built an appropriate liquidity risk management framework to manage the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by monitoring the net current asset position and by addressing any expected current liquidity deficits.

**Liquidity risk analysis**

The following tables detail the contractual maturity of the Group's financial liabilities and financial assets presented in the consolidated statement of financial position at each reporting period end. The tables have been drawn up based on the undiscounted cash flows until maturity and include cash flows from both interest and principal. Ultimate responsibility for liquidity risk management rests with the Management Board which has built an appropriate liquidity risk management framework to manage the short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by monitoring the net current asset position and by addressing any working capital requirements.

<i>as at 31 December 2024</i>	<b>Net book value</b>	<b>Contracted cash flow</b>	Up to one year	1 - 5 years	over 5 years
	<i>(thousands of EUR)</i>				
<i>Non-interest bearing liabilities:</i>					
Trade and interest payables	<b>101,521</b>	101,521	90,340	11,181	-
	<b>101,521</b>	<b>101,521</b>	90,340	11,181	-
<i>Interest bearing liabilities:</i>					
Loans and borrowings	<b>68,294</b>	79,552	14,384	42,876	22,292
Lease liabilities	<b>40,789</b>	44,378	11,064	27,274	6,040
	<b>109,083</b>	<b>123,930</b>	25,448	70,150	28,332
<b>Total liabilities</b>	<b>210,604</b>	<b>225,451</b>	115,788	81,331	28,332
<i>Non-interest bearing assets:</i>					
Trade and other receivables	<b>55,702</b>	55,702	55,414	288	-
Cash and cash equivalents	<b>21,738</b>	21,738	21,738	-	-
	<b>77,440</b>	<b>77,440</b>	<b>77,152</b>	<b>288</b>	-
Financial assets	<b>261</b>	267	84	183	-
	<b>261</b>	<b>267</b>	<b>84</b>	<b>183</b>	-
<b>Total assets</b>	<b>77,701</b>	<b>77,707</b>	<b>77,236</b>	<b>471</b>	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 30 – RISK MANAGEMENT (continued)**

<i>as at 31 December 2023</i>	Net book value	Contracted cash flow	Up to one year	1 - 5 years	over 5 years
	<i>(thousands of EUR)</i>				
<i>Non-interest bearing liabilities:</i>					
Trade and interest payables	63,620	63,620	62,449	1,171	-
	<b>63,620</b>	<b>63,620</b>	<b>62,449</b>	<b>1,171</b>	<b>-</b>
<i>Interest bearing liabilities:</i>					
Loans and borrowings	50,406	54,607	13,469	41,138	-
Lease liabilities	23,891	25,610	6,743	16,203	2,664
	<b>74,297</b>	<b>80,217</b>	<b>20,212</b>	<b>57,341</b>	<b>2,664</b>
<b>Total liabilities</b>	<b>137,917</b>	<b>143,837</b>	<b>82,661</b>	<b>58,512</b>	<b>2,664</b>
<i>Non-interest bearing assets:</i>					
Trade and other receivables	47,167	47,167	46,867	300	-
Cash and cash equivalents	13,706	13,706	13,706	-	-
	<b>60,873</b>	<b>60,873</b>	<b>60,573</b>	<b>300</b>	<b>-</b>
Financial assets	390	403	27	376	-
	<b>390</b>	<b>403</b>	<b>27</b>	<b>376</b>	<b>-</b>
<b>Total assets</b>	<b>61,263</b>	<b>61,276</b>	<b>60,600</b>	<b>676</b>	<b>-</b>
<b>Net liquidity position</b>	<b>(76,654)</b>	<b>(82,561)</b>	<b>(22,061)</b>	<b>(57,836)</b>	<b>(2,664)</b>

As of the reporting date, the Group operates a network of more than 200 retail locations, the majority of which are leased, resulting in a significant lease obligation. Furthermore, due to the specific nature of the business, which requires a high level of stock availability in each retail unit within the network, maintaining a substantial inventory level is essential. Given the above, sales conditions and the structure of cash inflows are largely driven by the sale of goods without deferred payment, which has a significant direct positive impact on the company's liquidity position.

Taking these factors into account, as well as the inventory turnover achieved by the Group, the Management Board considers the Group's net liquidity to be adequate.

**Interest rate risk management**

The Group is exposed to interest rate risk as it borrows funds at both fixed and variable interest rates. Changes and projections of interest rates are monitored continuously as the majority of the Group's borrowings are at variable interest rates.

**Interest rate sensitivity analysis**

The sensitivity analysis below has been determined based on the exposure to interest rate changes at the reporting date. For variable rate liabilities, the analysis is prepared by calculating the effect of a reasonably possible increase in interest rates on variable rate debt on the expected contractual cash flows of such debt compared to those calculated using the interest rates applicable at the current reporting period end date. A 50 basis point increase/decrease is used when reporting interest rate risk internally to key management personnel and represents the Management Board's assessment of the reasonably possible change in interest rates.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 30 – RISK MANAGEMENT (continued)**

The estimated effect of the reasonably possible change in interest rates on the Group's result before tax for the reporting periods is as follows:

<i>as at 31 December 2024</i>	<b>Contractual cash flows</b>	from 1 to 5		
		up to 1 year	years	over 5 years
		<i>(thousands of EUR)</i>		
At currently applicable interest rates	<b>123,930</b>	25,448	70,150	28,332
At currently applicable interest rates + 50 basis points	<b>125,658</b>	25,509	71,135	29,014
<b>Effect of increase of interest rate by 50 basis points</b>	<b>(1,728)</b>	<b>(61)</b>	<b>(985)</b>	<b>(683)</b>

<i>as at 31 December 2023</i>	<b>Contractual cash flows</b>	from 1 to 5		
		up to 1 year	years	over 5 years
		<i>(thousands of EUR)</i>		
At currently applicable interest rates	<b>80,217</b>	20,212	57,341	2,664
At currently applicable interest rates + 50 basis points	<b>80,993</b>	20,261	58,003	2,729
<b>Effect of increase of interest rate by 50 basis points</b>	<b>(776)</b>	<b>(49)</b>	<b>(662)</b>	<b>(65)</b>

**Currency risk management**

The Group performs certain transactions in foreign currencies and is therefore exposed to risks of changes in exchange rates. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows.

	<b>Liabilities</b>		<b>Assets</b>	
	<b>2024.</b>	<b>2023.</b>	<b>2024.</b>	<b>2023.</b>
	<i>(thousands of EUR)</i>		<i>(thousands of EUR)</i>	
Bosnia and Hercegovina (BAM)	6,114	3,147	9,100	5,240
Serbia (RSD)	5,378	4,373	10,470	6,699
North Macedonia (MKD)	1,252	762	666	1,066

**Foreign currency sensitivity analysis**

The Group is primarily exposed to currency risk arising from changes in the exchange rate of the EUR against convertible mark (BAM), the Serbian dinar (RSD), and Macedonian dinar (MKD) as it is operating on foreign markets (B&H, Serbia and North Macedonia) and, other than in euro, records most transactions with foreign customers in these currencies. Loans and borrowings are partly denominated in EUR and partly denominated in local currencies.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 30 – RISK MANAGEMENT (continued)**

The currency risk analysis is based on the official exchange rates for the currencies analysed above which were as follows:

	<b>31 December 2024</b>	<b>31 December 2023</b>
BAM	0.511	0.510
RSD	0.009	0.009
MKD	0.016	0.016

The following table details the Group's sensitivity to a 1% increase in EUR against the BAM, RSD and MKD as the estimated reasonably possible increase in the exchange rate of the respective currencies. The sensitivity analysis includes only outstanding monetary assets and monetary liabilities in foreign currency and their translation at the end of the period based on the percentage change in currency exchange rates. A negative number below indicates a decrease in profit where EUR changes against the relevant currency for the percentage specified above. For an inversely proportional change of EUR against the relevant currency, there would be an equal and opposite impact on the profit.

	<b>BAM exposure</b>		<b>RSD exposure</b>	
	<b>2024.</b>	<b>2023.</b>	<b>2024.</b>	<b>2023.</b>
	<i>(thousands of EUR)</i>		<i>(thousands of EUR)</i>	
Increase/ (decrease of net result	30	21	51	23
	<b>MKD exposure</b>			
	<b>2024.</b>	<b>2023.</b>		
	<i>(thousands of EUR)</i>			
Increase/ (decrease of net result	(6)	6		

**Market risk management**
***Credit risk management***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before standard payment and delivery terms and conditions are offered. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

Total exposure to credit risk at the reporting date is as follows is set out in note 29 to the financial statements. The Group does not have a significant credit exposure that is not covered by security instruments, or not reflected in the estimates of indications of impairment as at the reporting dates.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 31– BUSINESS COMBINATIONS**

During 2024, the Group successfully completed several acquisitions. In all acquisitions Group acquired 100% of shares outstanding. Overview of acquisitions is listed below:

Company	Segment	Date of acquisition	% of ownership
CIAK AUTO SLOVENIJA d.o.o. (ex Stahlgruber trgovina d.o.o.)	Auto program	30.4.2024	100%
ARS PARTS D.O.O.	Auto program	31.5.2024	100%
Jumetal d.o.o.	Ecology	31.8.2024	100%
SIM IMPEX d.o.o. BiH	Auto program	30.9.2024	100%

During IPO process, Group stated that one of the key goals is strengthening its position in the regional markets and consolidating of still unconsolidated markets in the region.

*Net assets of acquired companies*

Fair value of assets and liabilities was as follows:

<i>(in thousands of EUR)</i>	Note	SIM IMPEX d.o.o.*	CIAK AUTO SLOVENIJA d.o.o.*	Other business combinations	Total
Intangible assets	14	4,572	25	-	4,597
Property, plant and equipment	15	1,537	691	162	2,390
Right of use assets	16	1,332	1,334	-	2,666
Deferred tax assets	13	159	652	-	811
Inventories		9,300	2,264	55	11,619
Trade and other receivables		2,215	1,321	230	3,766
Income tax receivable		94	-	3	97
Financial assets		29	-	-	29
Cash and cash equivalents		1,400	860	50	2,310
Loans	27	-	-	(250)	(250)
Lease liabilities	27	(1,659)	(1,349)	-	(3,008)
Deferred tax liability	13	(428)	-	-	(428)
Trade and other payables		(5,777)	(810)	(210)	(6,797)
<b>Net identifiable assets acquired</b>		<b>12,774</b>	<b>4,988</b>	<b>40</b>	<b>17,802</b>
Cash			1,388	350	1,738
Payable for purchase of shares	29		9,996	-	9,996
<b>Total acquisition cost</b>			<b>11,384</b>	<b>350</b>	<b>11,734</b>
<b>Goodwill</b>				<b>310</b>	<b>310</b>
<b>Bargain purchase</b>			<b>6,378</b>		<b>6,378</b>
<i>Period from acquisition date till 31. December 2024</i>					
Revenue		6,904	9,251	629	16,784
Profit / (loss)		<b>131</b>	<b>(611)</b>	<b>(25)</b>	<b>(505)</b>

\* Since the acquisition of Sim Impex d.o.o. and CIAK Auto d.o.o., Slovenia was a related transaction, the resulting gain from a bargain purchase was calculated based on the allocation of the purchase price to the net acquired assets of both companies as a single unit. The acquisition dates differ due to

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 31– BUSINESS COMBINATIONS (continued)**

In the event that all acquisitions happened on 1 January 2024, consolidated revenues and profits of the Group would amount to:

<b>Revenue up to acquisition date</b>	<b>2024.</b>
	<i>(in thousands of EUR)</i>
Revenue of acquired companies up to acquisition date	21,612
Consolidated revenue stated in FS	352,128
<b>Total revenues had all business combinations occurred at 1. January 2024</b>	<b>373,740</b>
<b>Profit/ (loss) up to the acquisition date</b>	<b>2024.</b>
	<i>(in thousands of EUR)</i>
Net profit of acquired companies up to acquisition date	(1,559)
Net profit for the Group	9,232
<b>Profit/ (loss) had all business combinations occurred at 1. January 2024</b>	<b>7,673</b>

*Methods used in determining fair values of assets*

<b>Caption</b>	<b>Methods used</b>
PPE	The fair value is determined using the amortized replacement cost method. Amortized replacement cost is the estimated amount that reflects both the physical depreciation and the functional and economic obsolescence of the asset being estimated.
Intangible assets	It consists of brands. The fair value of the brands is based on a report by an independent valuation expert who assessed them using the relief-from-royalty method. In determining the brand value, the valuator applied a royalty rate of approximately 1.74% to the operating cash flows of the acquired companies, projected over a three-year period, with a terminal growth rate of 2% and discounted using a discount rate of 13%, depending on the geographic market.
Inventory	The fair value of inventories acquired in a business combination is based on the estimated selling price in the ordinary course of business, less the estimated cost of selling the inventory.
Current Receivables and current payables	Current receivables and payables were where recognised at nominal value reduced for impaired amount and are approx. equal to their fair values due to their short term nature.
Long term payables	Long-term liabilities are recognized at amortized cost and are approximately equal to their fair value as they relate mainly to lease liabilities with approximately market interest rates. The increase in long-term liabilities upon acquisition is the result of

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**
**NOTE 32 – RELATED PARTY TRANSACTIONS**

The Group is in a related party relationship with its majority shareholder Ivan Leko, who is the ultimate owner of the Company and parties related to him or entities under his control or significant influence. The Group also has a related party relationship with key management personnel and Supervisory Board members, their close family members and entities controlled, jointly controlled by them and/or their close family members, in accordance with the definitions contained in International Accounting Standard 24 *Related Party Disclosures* ("IAS 24").

Transactions between the Company and its subsidiaries are eliminated through consolidation and are not presented in this note. The list of subsidiaries is disclosed in note 3 to the financial statements.

*Transactions with the owner and his related parties and entities under his control or significant influence:*

<b>Sales Revenue</b>	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Majority shareholder and parties related to majority shareholder	594	2,539
Equity-accounted investees	98	97
	<b>692</b>	<b>2,636</b>
	<hr/>	
<b>Cost of goods sold and other operating expenses</b>	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Majority shareholder and parties related to majority shareholder	1,394	1,421
Equity-accounted investees	92	90
	<b>1,486</b>	<b>1,511</b>
	<hr/>	
<b>Trade and other receivables</b>	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Majority shareholder and parties related to majority shareholder	708	548
Equity-accounted investees	33	59
	<b>741</b>	<b>607</b>
	<hr/>	
<b>Trade and other payables</b>	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Majority shareholder and parties related to majority shareholder	2,469	3,122
Equity-accounted investees	3	57
	<b>2,472</b>	<b>3,179</b>
	<hr/>	
<b>Borrowings</b>	<b>2024.</b>	<b>2023.</b>
	<i>(in thousands of EUR)</i>	
Majority shareholder and parties related to majority shareholder	4,644	929
	<b>4,644</b>	<b>929</b>
	<hr/>	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2024**


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**NOTE 32 – RELATED PARTY TRANSACTIONS (continued)**

*Transactions with key management and Supervisory Board members and their related parties:*

<b><i>Key management remuneration</i></b>	<b>2024</b>	<b>2023</b>
	<i>(in thousands of EUR)</i>	
Gross salaries, severance payments, bonuses	1,051	834
	<b>1,051</b>	<b>834</b>

Key management of the Group comprises the Management Board and consisted of 5 persons (2023: 5 persons).

Total remuneration paid to Supervisory Board members in 2024 amounted to EUR 131 thousand for seven members of the Supervisory Board (2023: EUR 118 thousand for seven members of the Supervisory Board). As at 31 December 2024, the Supervisory Board had seven members.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The Management Board is required to prepare the consolidated financial statements for each financial year which give a true and fair view of the financial position of the Company and its subsidiaries ("the Group") and of the results of its operations and its cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

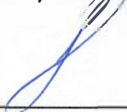
The Management Board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business. After making enquiries, the Management Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the consolidated financial statements.

The Management Board is also responsible for the preparation and publishing, in accordance with the Accounting act and other laws and regulations governing the preparation of financial statements in Croatia, of the following:

- Management Report, which includes the Sustainability Report;
- Corporate Governance Report; and
- Annual consolidated financial statements in single electronic reporting format.

The separate financial statements of the Company are published separately and issued simultaneously with the annual consolidated financial statements.

The Management report which includes the Sustainability Report, and the Corporate Governance Report, as well as the annual consolidated financial statements in single electronic reporting format were approved and signed by the Management Board on 1 April 2025 for submission to the Supervisory Board.



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**Ivan Leko**  
*President of the Management Board*



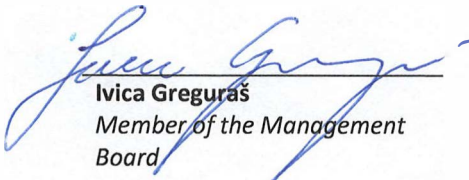
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**Dominik Leko**  
*Member of the Management Board*




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**Dalibor Bagarić**  
*Member of the Management Board*



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**Ivica Greguraš**  
*Member of the Management Board*



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**Ivan Miloš**  
*Member of the Management Board*

CIAK Grupa d.d.  
Savska Opatovina 36  
10 000 Zagreb  
Croatia



## Independent Auditor's Limited Assurance Report on the Sustainability Report

### To the Shareholders of CIAK Grupa d.d.

#### Limited assurance conclusion

We have performed a limited assurance engagement on whether the Consolidated Sustainability Report of CIAK Grupa d.d. ("the Company") and its subsidiaries (collectively, "the Group"), included in the *Sustainability Report* section of the Group's Management Report as of and for the year ended 31 December 2024 ("the Sustainability Report"), has been prepared in accordance with the Croatian Accounting Law ("the Accounting Law").

Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the Group's Sustainability Report as of and for the year ended 31 December 2024 is not prepared, in all material respects, in accordance with the Accounting Law, including:

- Compliance with the European Sustainability Reporting Standards ("ESRS"), including that the process carried out by the Group to identify the information reported in the Sustainability Report ("the Process") is in accordance with the description set out in the *Significant Impacts, Risks and Opportunities* section thereof; and
- Compliance of the disclosures in the *Key indicators of environmentally sustainable economic activities (EU Taxonomy)* section of the Sustainability Report with the reporting requirements of Article 8 of Regulation (EU) 2020/852 ("the Taxonomy Regulation").

Our conclusion on the Sustainability Report does not extend to any other information that accompanies or contains the Sustainability Report and our limited assurance report thereon, nor to any information within the Sustainability Report not in scope of our assurance engagement. We have not performed any assurance procedures as part of this engagement with respect to such other information. However, we audited the Group's consolidated financial statements as of and for the year ended 31 December 2024 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, forming part of the other information, and our auditor's report thereon is also included with the other information.

#### Basis for conclusion

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board (IAASB). Our responsibilities under this standard are further described in the "Our responsibilities" section of our report.

We have complied with the independence and other ethical requirements of the International Code of Ethics of Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA code), together with the ethical requirements that are relevant to our assurance engagements on the Sustainability Reports in Croatia.

Our firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the IAASB. This standard requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

#### Other matter – Comparative information

Our assurance engagement does not extend to comparative information in respect of earlier periods. Our conclusion is not modified in respect of this matter.



## Independent Auditor's Limited Assurance Report on the Sustainability Report (continued)

### **Responsibilities for the Sustainability Report**

The Management Board of the Company is responsible for designing, implementing and maintaining a process to identify the information reported in the Sustainability Report in accordance with the ESRS and for disclosing this Process in the *Significant Impacts, Risks and Opportunities* section of the Sustainability Report. This responsibility includes:

- Understanding the context in which the Group's activities and business relationships take place and developing an understanding of its affected stakeholders;
- Identifying the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected to affect, the Group's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium-, or long-term;
- Assessing the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- Developing methodologies and making assumptions that are reasonable in the circumstances.

The Management Board of the Company is further responsible for the preparation of the Sustainability Report in accordance with the Accounting Law, including:

- Compliance with the ESRS;
- Preparing the disclosures in the *Key indicators of environmentally sustainable economic activities (EU taxonomy)* section of the Sustainability Report, in compliance with Article 8 of the Taxonomy Regulation;
- Designing, implementing and maintaining such internal controls that the Management Board of the Company determines are necessary to enable the preparation of the Sustainability Report such that it is free from material misstatement, whether due to fraud or error; and
- Selecting and applying appropriate sustainability reporting methods and making assumptions and estimates about individual sustainability disclosures that are reasonable in the circumstances.

Those charged with governance are responsible for overseeing the reporting process for the Group's Sustainability Report.

### **Inherent limitations in preparing the Sustainability Report**

There are inherent limitations regarding the measurement or evaluation of the sustainability matters presented in the Sustainability Report subject to limited assurance, which have been set out below:

- As described in the *General information about the report and basis of preparation* section, greenhouse gas emissions quantification is subject to inherent uncertainty as a result of both scientific and estimation uncertainty.
- Certain metrics reported within the Sustainability Statement may be subject to inherent limitations.
- In reporting forward-looking information in accordance with the ESRS, Management Board is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. The actual outcome is likely to be different since anticipated events frequently do not occur as expected.
- In determining the disclosures in the Sustainability Report, Management Board interprets undefined legal and other terms. Undefined legal and other terms may be interpreted differently, including the legal conformity of their interpretation and, accordingly, are subject to uncertainties.

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## Independent Auditor's Limited Assurance Report on the Sustainability Report (continued)

### **Our responsibilities**

Our objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the Sustainability Report is free from material misstatement, whether due to fraud or error, and reporting our limited assurance conclusion to the Company's shareholders. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Report as a whole.

Our responsibilities in relation to the Process for reporting the Sustainability Report, include:

- Obtaining an understanding of the Process but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process; and
- Designing and performing procedures to evaluate whether the Process is consistent with the Group's description of its Process, as disclosed in the *Significant impacts, Risks and Opportunities* section.

Our other responsibilities in respect of the Sustainability Report include:

- Obtaining an understanding of the Group's control environment, processes and information systems relevant to the preparation of the Sustainability Report but not evaluating the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness;
- Identifying disclosures where material misstatements are likely to arise, whether due to fraud or error; and
- Designing and performing procedures focused on disclosures in the Sustainability Report where material misstatements are likely to arise. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

### **Summary of the work we performed as the basis for our conclusion**

A limited assurance engagement involves performing procedures to obtain evidence about the Sustainability Report. We designed and performed our procedures to obtain evidence about the Sustainability Report that is sufficient and appropriate to provide a basis for our conclusion.

The nature, timing and extent of our procedures depended on our understanding of the Sustainability Report and other engagement circumstances, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the Sustainability Report. We exercised professional judgment and maintained professional skepticism throughout the engagement.

In conducting our limited assurance engagement, with respect to the Process, the procedures we performed included:

- Obtaining an understanding of the Process by:
  - performing inquiries to understand the sources of the information used by management (including stakeholder engagement, business plans and strategy documents); and
  - inspecting the Group's internal documentation of its Process;
- Evaluating whether the evidence obtained from our procedures about the Process was consistent with the description of the Process set out in the *Significant Impacts, Risks and Opportunities* section.

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## Independent Auditor's Limited Assurance Report on the Sustainability Report (continued)

### *Summary of the work we performed as the basis for our conclusion (continued)*

In conducting our limited assurance engagement with respect to the Sustainability Report, the procedures we performed included:

- Obtaining an understanding of the Group's reporting processes relevant to the preparation of its Sustainability Report by performing inquiries of the relevant personnel and inspecting the Group's internal documentary evidence;
- Evaluating whether material information identified by the Process is included in the Sustainability Report;
- Evaluating whether the structure and the presentation of the Sustainability Report is in accordance with the ESRS;
- Performing inquiries of relevant personnel and analytical procedures on selected disclosures in the Sustainability Report;
- Performing substantive assurance procedures on a sample basis on selected disclosures in the Sustainability Report;
- Obtaining evidence on the methods, assumptions and data for developing material estimates and forward-looking information and on how these methods were applied;
- Obtaining an understanding of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Sustainability Report;
- Evaluating whether the standardized reporting templates required by the Taxonomy Regulation were appropriately used to present the key performance indicators;
- Assessing whether the taxonomy disclosures are reconciled, where relevant, with the Group's consolidated financial statements; and
- Performing substantive assurance procedures on selected taxonomy disclosures.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

**KPMG Croatia d.o.o. za reviziju**

Croatian Certified Auditors

Eurotower, 17th floor

Ivana Lučića 2a

10000 Zagreb

Croatia

**1 April 2025**

This version of our limited assurance report is a translation from the original, which was prepared in 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 our audit report takes precedence over this translation.



## Independent Auditors' Report to the shareholders of CIAK Grupa d.d.

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of CIAK Grupa d.d. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statements of comprehensive income, changes in equity and cash flows of the Group for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## Independent Auditors' Report to the shareholders of CIAK Grupa d.d. (continued)

### Report on the Audit of the Financial Statements (continued)

#### Key Audit Matters

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

<b>Revenue recognition</b>	
Revenue recognized in profit or loss for 2024 amounts to EUR 350,555 thousand (2023: EUR 277,841 thousand). Please refer to the Note 3.4 <i>Revenue recognition</i> within <i>Significant accounting policies</i> and Note 6 <i>Revenue and segment reporting</i> in the financial statements.	
<b>Key audit matter</b>	<b>How we addressed the matter</b>
<p>The Group's core activities include wholesale and retail sales of automotive parts and accessories, waste disposal services and other related services. Revenue is a key measure used to evaluate the performance of the Group.</p> <p>The applicable financial reporting standard governing the accounting for revenues, IFRS 15 <i>Revenue from Contracts with Customers</i>, requires management to identify all goods or services provided to customers and determine whether to account for each such good or service as a separate performance obligation, as well as to determine an appropriate revenue recognition pattern (point-in-time vs over time).</p> <p>Given the nature of customer contracts or contract equivalents, the Group recognises most of its revenue (wholesale and retail sales) at a point in time when the performance obligation relevant to the contract is executed and when control over the products transfers to the customer which is typically upon delivery to the customer.</p> <p>For waste disposal services, revenue is recognised in part over time as the performance obligation is performed, and in part upon completion, i.e. upon fulfilment of the performance obligation, depending on the specifics of a relevant contract. Revenue from other related services is generally recognised over time.</p> <p>Due to the above factors, accounting for revenues requires management to exercise significant judgment. Consequently, this area required our increased attention in the audit and is considered by us to be a key audit matter.</p>	<p>Our audit procedures performed in this area included:</p> <ul style="list-style-type: none"> <li>• Assessing the accounting policy for recognition of revenue and its compliance the requirements of the revenue standard;</li> <li>• Evaluating the design and implementation of controls over the revenue cycle;</li> <li>• For a sample of contracts or contract equivalents with customers in force during the reporting period: <ul style="list-style-type: none"> <li>- challenging the identification of performance obligations included therein;</li> <li>- critically assessing the determination of revenue recognition pattern (point-in-time vs over time);</li> <li>- critically evaluating the revenue amounts recognized by comparing a sample of revenue transactions to the outgoing invoices (taking into account on-invoice rebates), goods delivery notes and general ledger entries and other relevant source documentation, with particular attention paid to amounts recognised at or around the reporting date;</li> </ul> </li> <li>• Inspecting journal entries posted to revenue accounts focusing on unusual and irregular items;</li> <li>• Assessing the adequacy of revenue recognition – related disclosures against the relevant requirements of the financial reporting standards.</li> </ul>

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## Independent Auditors' Report to the shareholders of CIAK Grupa d.d. (continued)

<b>Business combinations</b>	
<p>As at 31 December 2024 the fair value of net assets acquired in business combinations during the year amounted to EUR 17,802 thousand, and the gain on a bargain purchase recognised in profit or loss for the year then ended amounted to EUR 6,378 thousand. Please refer to the Note 3.1 (iii) <i>Business Combinations</i> within <i>Significant accounting policies</i> and Note 31 <i>Business Combinations</i> in the financial statements.</p>	
<b>Key audit matter</b>	<b>How we addressed the matter</b>
<p>As discussed in the Note 31 <i>Business combinations</i>, during 2024, the Group concluded share purchase agreements for acquisition of controlling stakes in four entities. The total purchase price amounted to EUR 11,734 thousand.</p> <p>With respect to business acquisitions, IFRS 3 <i>Business combinations</i> imposes a number of requirements, including those to determine the acquisition consideration, identify all of the assets acquired and liabilities assumed in the combination, and to measure and recognize the identifiable assets and liabilities at their acquisition-date fair values.</p> <p>Complying with the above requirements in the context of the acquisitions required significant judgement and complex assumptions, in particular as regards the following:</p> <ul style="list-style-type: none"> <li>- Identification of all of the assets acquired, with main focus on intangible assets (primarily brands), and</li> <li>- Measurement of brands acquired with respect to which the Group applied the relief from royalty method to determine fair value, with key assumptions such as discount rate, royalty rate, growth rate and terminal growth rate.</li> </ul> <p>As a result, the Group recognized also a gain on a bargain purchase of EUR 6,378 thousand mainly as a result of recognition of fair values of intangible assets with indefinite lives (brand) in the amount of EUR 3,738 thousand.</p> <p>Due to the above factors, the business combinations, and valuation of brands, was associated with an increased risk of material misstatement and required our increased attention in the course of the audit, and was considered by us to be a key audit matter.</p>	<p>Our audit procedures performed in this area included:</p> <ul style="list-style-type: none"> <li>• evaluating, based on analysis of the purchase agreements as well as the criteria defined in IFRS 10 <i>Consolidated Financial Statements</i>, the assessment made by management with regard to the control over entities acquired;</li> <li>• assessing the completeness of the assets acquired and liabilities assumed as a result of the acquisitions, based on inspection of the share purchase agreements, our understanding of the acquirees' operations and inspection of the acquirees' accounting records;</li> <li>• assisted by our own valuation specialists, we challenged the recognized acquisition-date fair values of significant assets acquired and liabilities assumed in the acquisitions, which included: <ul style="list-style-type: none"> <li>○ assessment of the methods and models applied to fair valuations of specific assets and liabilities, by reference to the relevant requirements of the financial reporting standards and market practice;</li> <li>○ testing the integrity of the model for fair value measurement of brand, including mathematical accuracy, and evaluating the key assumptions applied (such as discount rates, growth rates and royalty rates) for reasonableness compared to both externally derived data and historical financial performance;</li> </ul> </li> <li>• assessing the accuracy and completeness of the disclosures on the acquisitions made in the notes in the consolidated financial statements against the relevant requirements of the financial reporting standards.</li> </ul>

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## **Independent Auditors' Report to the shareholders of CIAK Grupa d.d. (continued)**

### **Report on the Audit of the Financial Statements (continued)**

#### ***Other Information***

Management is responsible for the other information. The other information comprises the Management Report (together with Sustainability Statement) and Corporate Governance Report included in the Annual Report of the Group but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With regard to the Management Report, and the Corporate Governance Report, we also performed procedures prescribed by applicable legal requirements and we report that:

- the information given in the Management Report and the Corporate Governance Report for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report, excluding the Sustainability Report (which constitutes a separate part of the Management Report), and the Corporate Governance Report have been prepared, in all material respects, in accordance with applicable legal requirements;
- with respect to the Sustainability Report (which is included as part of the other information and constitutes a separate part of the Management Report), we performed a limited assurance engagement, the results of which were presented in a separate limited assurance report with an unmodified conclusion.

If, based on the work we have performed above, we conclude that there is a material misstatement, we are required to report that fact. We have nothing to report in this regard.

#### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with EU IFRS, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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



## **Independent Auditors' Report to the shareholders of CIAK Grupa d.d. (continued)**

### **Report on the Audit of the Financial Statements (continued)**

#### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit.



## **Independent Auditors' Report to the shareholders of CIAK Grupa d.d. (continued)**

### **Report on the Audit of the Financial Statements (continued)**

#### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

We were appointed by those charged with governance on 12 June 2024 to audit the consolidated financial statements of CIAK Grupa d.d. for the year ended 31 December 2024. Our total uninterrupted period of engagement is six years, covering the years ending 31 December 2019 to 31 December 2024.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 31 March 2025;
- for the period to which our statutory audit relates, we have not provided any prohibited non-audit services (NASs) referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit.

The engagement partner on the audit resulting in this independent auditors' report is Igor Gošek.





## **Independent Auditors' Report to the shareholders of CIAK Grupa d.d. (continued)**

### **Report on Compliance with the ESEF Regulation**

In accordance with the requirements of Article 462 paragraph 5 of Capital Market Act, we are required to express an opinion on compliance of the consolidated financial statements of the Group as at and for the year ended 31 December 2024, as included in the attached electronic file „ciakgrupakons-2024-12-31-eng.zip“, with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the “RTS on ESEF”).

#### ***Responsibilities of Management and Those Charged with Governance***

Management is responsible for the preparation of the consolidated financial statements in a digital format that complies with the RTS on ESEF. This responsibility includes:

- the preparation of the consolidated financial statements in the applicable xHTML format and their publication;
- the selection and application of appropriate iXBRL tags, using judgment where necessary;
- ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

Those charged with governance are responsible for overseeing the Group's ESEF reporting, as a part of the financial reporting process.

#### ***Auditors' Responsibilities***

Our responsibility is to express an opinion on whether the consolidated financial statements comply, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.



## Independent Auditors' Report to the shareholders of CIAK Grupa d.d. (continued)

### Report on Compliance with the ESEF Regulation (continued)

#### *Auditors' Responsibilities (continued)*

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements of set out in the RTS on ESEF, whether due to fraud or error. Reasonable assurance is a high degree of assurance. However, it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with the RTS on ESEF.

Our procedures included, among other things:

- obtaining an understanding of the tagging process;
- evaluating the design and implementation of relevant controls over the tagging process;
- tracing the tagged data to the consolidated financial statements of the Group presented in human-readable format;
- evaluating the completeness of the Group's tagging of the consolidated financial statements;
- evaluating the appropriateness of the use of iXBRL elements selected from the ESEF taxonomy used and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements; and
- evaluating the appropriateness of the format of the consolidated financial statements.

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

#### **Opinion**

In our opinion, based on the procedures performed and evidence obtained, the consolidated financial statements of the Group as at and for the year ended 31 December 2024, presented in ESEF format and contained in the aforementioned attached electronic file, have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

Our opinion does not represent an opinion on the true and fair view of the financial statements as this is included in our Report on the Audit of the Financial Statements. Furthermore, we do not express any assurance with respect to other information included in documents in the ESEF format.

**KPMG Croatia d.o.o. za reviziju**  
Croatian Certified Auditors  
Eurotower, 17th floor  
Ivana Lučića 2a  
10000 Zagreb  
Croatia

**1 April 2025**

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# 2024

## Annual Report

Annual Report 2024 - CIAK Grupa d.d. and its subsidiaries

### CIAK Grupa d.d.

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**CIAK**  
G R U P A