Mplus

Annual report

for 2023

April, 2024.

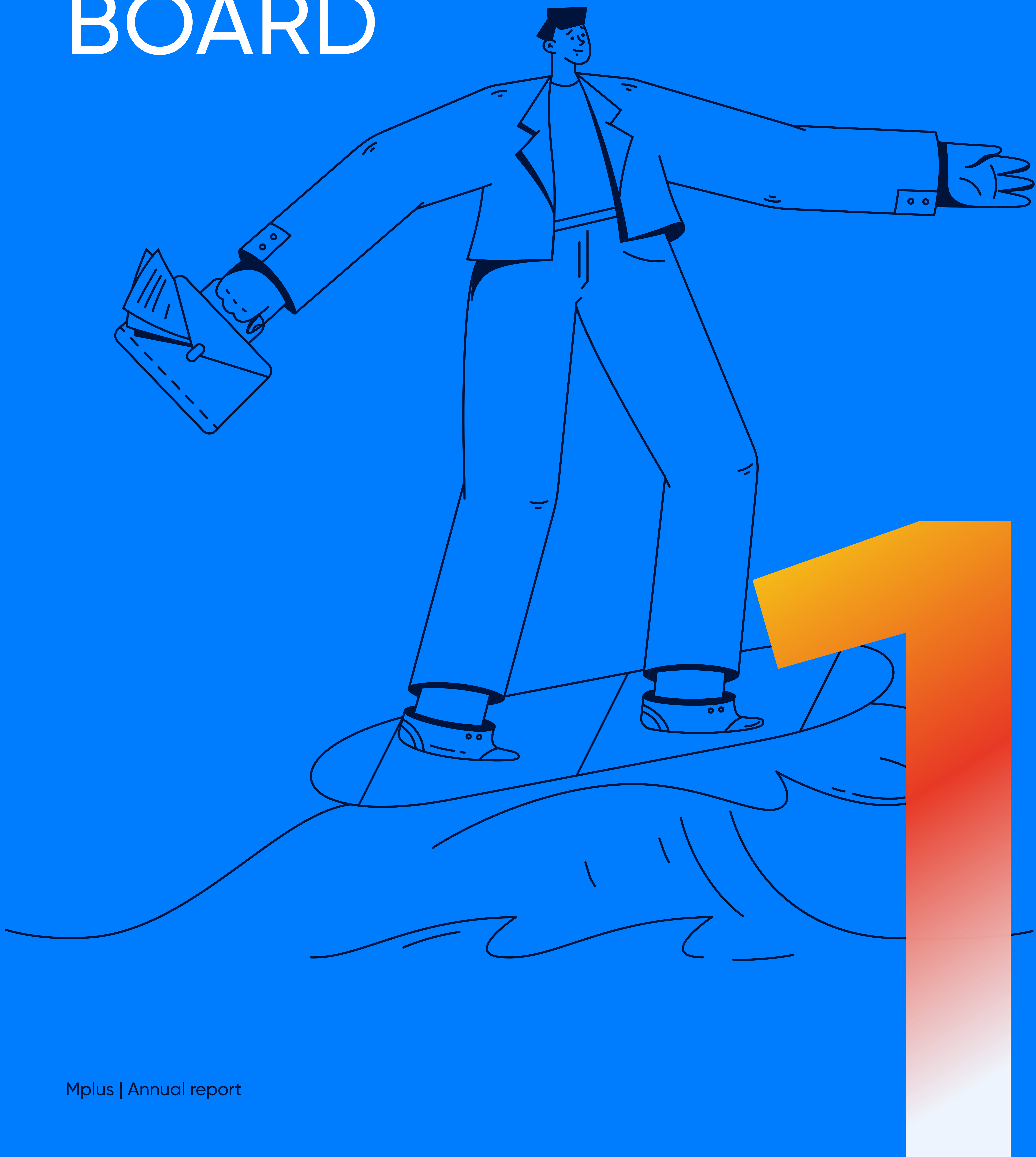
mplusgroup.eu

Content

Annual report

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

COMMENT OF THE PRESIDENT OF THE MANAGEMENT BOARD



Darko Horvat | President of the Management Board

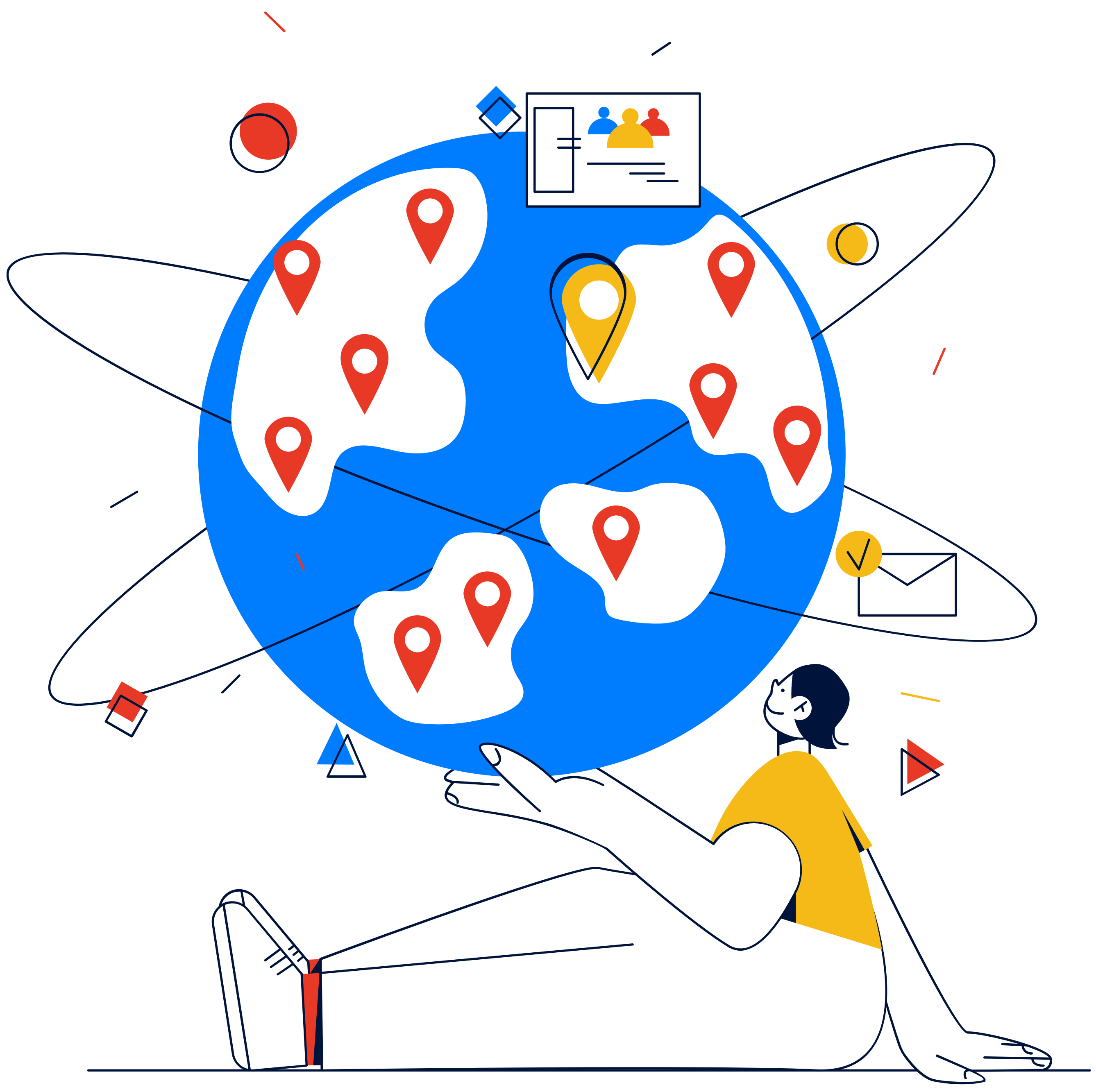
Despite the global challenges posed by 2023, we have once again demonstrated the sustainability and success of our business model, even in turbulent times. Thanks to well thought-out investments, investments in development, in the knowledge and expertise of our teams and thanks to the synergy of all members of the Group, we have made significant progress in business operations and achieved the desired success.

The beginning of the year was marked by the earthquake in Turkey, which significantly disrupted operations in our Business Process and Technology Outsourcing (BPTO) industry vertical. Already in the second half of the year, the Group was able to fully normalize its operations in Turkey, which was ultimately reflected in the excellent results, which were also influenced by the successful reorganization within the Group, supported by the integration of the business in Germany.

The past year was characterized by strong revenue growth, which reached EUR 303 million, an increase of 69% compared to 2022. EBITDA increased by 28% and reached an amount of EUR 34 million compared to the same period last year. Adjusted EBITDA recorded impressive growth of 39% and reached EUR 41 million.

The aforementioned growth is the result of organic revenue growth in the BPTO business, and the progress made in HR and eCommerce operations.
Following the establishment of the HR industry vertical under the Workplace brand in April 2023, with which we took a significant step forward in the HR segment, we reached a new milestone in the Group's development in September 2023 and established Eplus Ventures, an eCommerce industry vertical, by consolidating the eCommerce companies within the Group. With the establishment of the HR and eCommerce industry verticals, the Group began optimizing operations within these industry verticals with the aim of increasing profitability and revenue growth, preparing for new acquisitions and creating the conditions for long-term and sustainable growth

A significant step forward was also taken by investing in the development of proprietary technological solutions based on the use of artificial intelligence (AI). The improved communication platform Buzzeasy was introduced, which transforms an ordinary chat into a multipurpose contact center, enabling easy and successful interaction with users. By strengthening and developing all our industry verticals with the help of technological innovations, we expect further growth and expansion into new markets.



In 2023, we also strengthened our Supervisory Board with new members, while maintaining continuity. Ms. Tamara Sardelić, a long-time member of the Supervisory Board, became the new President of the Supervisory Board, and Mr. Philipp Rösler, former German vice-chancellor, was appointed to the Supervisory Board and elected Deputy President. With his rich experience and impressive career, Philipp Rösler will help formulate a new strategic direction for the further development of the Group.

Likewise, the whole year has been dedicated to achieving the Sustainable Development Goals. One of the main objectives is gender equality in the operative companies, particularly in the management teams, as we set out when we issued a Sustainability-Linked Bond (SLB).

At the end of the year, we signed an investment agreement for an investment worth EUR 60 million of the European Bank for Reconstruction and Development (EBRD) in the company M Plus Croatia d.o.o. (Mplus), which consolidates the Group's BPTO industry vertical.

This confirms our position as a reliable and long-term partner for leading national and international investors. The fresh capital will enable the implementation of our ambitious strategy of further growth of the BPTO business with the aim of creating a leading European BPTO group.

At the same time, the Group remains committed to delivering positive change for all our employees, business partners and the communities in which we operate. In line with the multicultural nature of our teams and the Group's plans for further expansion, the focus is on integration and fostering an inclusive working environment. The Group's other activities will also focus on implementing measures based on equality, diversity, gender equality and work-life balance. We will also continue to focus on the introduction of energy efficiency and waste management measures.

Our employees, clients, and investors are primarily responsible for the Group's success, and I would like to thank them for their contribution and trust.

KEY PERFORMANCE INDICATORS

NUMBER OF EMPLOYEES

13,900+

EBITDA

34M €

EBITDA MARGIN

11%

REVENUES

303M €

NUMBER OF COUNTRIES

18

ADJUSTED EBITDA

41M €

ADJUSTED EBITDA MARGIN

14%

AVERAGE AGE OF EMPLOYEES

31

NUMBER OF CLIENTS

1,500+

NUMBER OF COMPANIES

71

CORPORATE GOVERNANCE

Meritus ulaganja d.d. (Company) and its subsidiaries (Group) are modern Group that achievs growth in combination of organic growth and acquisitions in three main industry verticals. The Group consists of 71 companies from 18 countries around the world.

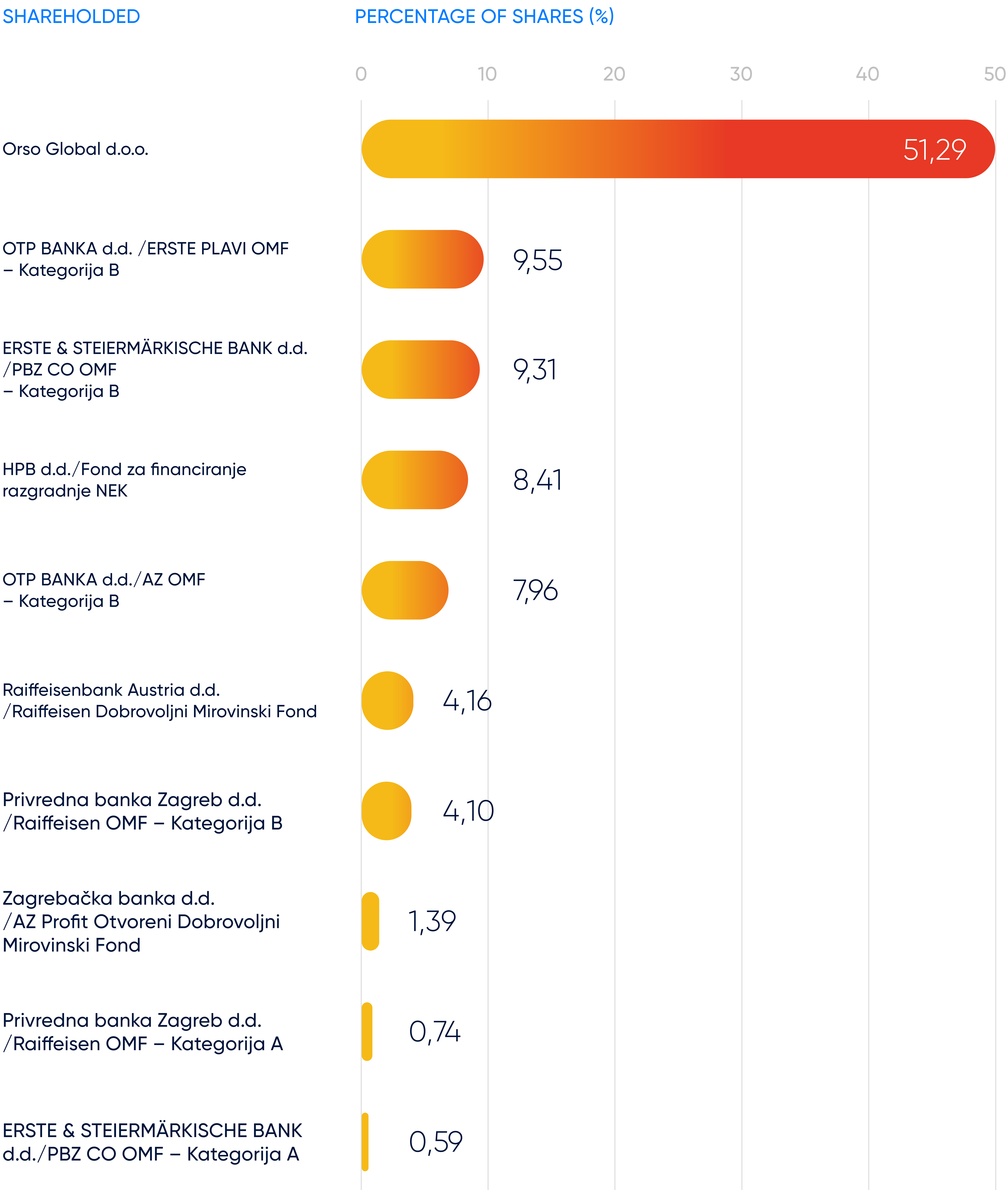
The most significant vertical of the Group is its Business Process and Technology Outsourcing (BPTO) industry vertical, which also includes companies that provide Information technology (IT) services.

During 2023, the Group made significant progress in other two industry verticals, Human Resource (HR) and eCommerce. By acquiring companies operating under the Manpower brand in April 2023, the Group formed its HR industry vertical under the Workplace brand, while by consolidating companies that provide eCommerce services, a new eCommerce industry vertical under the Eplus Ventures brand was launched in September 2023.

The Company's shares were listed on the Official Market of the Zagreb Stock Exchange under the mark MRUL-R-A on August 6, 2019, through an initial public offering of shares (IPO). The IPO raised additional capital in the amount of EUR 11,385 thousand. On June 2, 2021, the Company decided to increase its capital by issuing shares through a secondary public offering on the Zagreb Stock Exchange, raising EUR 14,015 thousand. In which qualified investors and retail investors participated.

Name	Meritus ulaganja d.d. za upravljanje društvima
Address	Zagreb, Ulica grada Vukovara 23
Date of establishment:	November 28, 2018., Commercial Court in Zagreb
OIB	62230095889
MBS	81210030
Activity code	70.10 Management activities
Share capital	EUR 13,033,800.00 paid in part by investment of property and rights and in part by cash payments, and divided into 982,032 ordinary registered shares without nominal amount
Listing on the stock exchange	August 6, 2019, Official Market of the Zagreb Stock Exchange
Oznaka Dionice	MRUL, 982,032 ordinary shares

Ownership structure of the Company as at Deceber 31, 2023.



In 2022, the Company issued the first Sustainability-Linked Bond (SLB) in the Republic of Croatia, collecting EUR 40 million from institutional, private and individual investors. It is a security whose interest rate for investors depends on the successful implementation of the Group's environmental, social and governance objectives. This is the Company's third successful issue on the domestic capital market, following the aforementioned IPO in 2019 and the secondary public offering in 2021.

Croatian Financial Services Supervisory Agency (HANFA) published in October 2023 the Annual Report on Corporate Governance for companies whose shares are listed on the regulated market of the Zagreb Stock Exchange for 2022. Group is one of two issuers on the Official Market that have shown full compliance. This recognition confirms the Group's commitment to quality corporate governance and sustainable business operations since its listing on the Official Market of the Zagreb Stock Exchange in mid-2019. In addition, over the past three years, Group has continuously complied with the guidelines of the new Zagreb Stock Exchange and HANFA Corporate Governance Code of January 2020.

The principles of corporate governance affect the entire Group and shape our roles and responsibilities. Thus, they contribute to the overall success of the organization. Therefore, we have involved our employees from the management and other bodies of all members of the Group in a training program titled Corporate Governance and ESG Development, organized by the Zagreb Stock Exchange, which conducts the program in cooperation with HANFA, the European Bank for Reconstruction and Development and the global corporate consultancy firm Morrow Sodals. The program was conducted with the aim of achieving a better understanding of the dynamic requirements in the governing bodies and to ensure more successful leadership of our organization towards sustainable and long-term growth, while strengthening relationships with stakeholders

Existence of branches of the Company

The Company has no established branches and operates only through subsidiaries.

Information on the acquisition of the Company's treasury shares

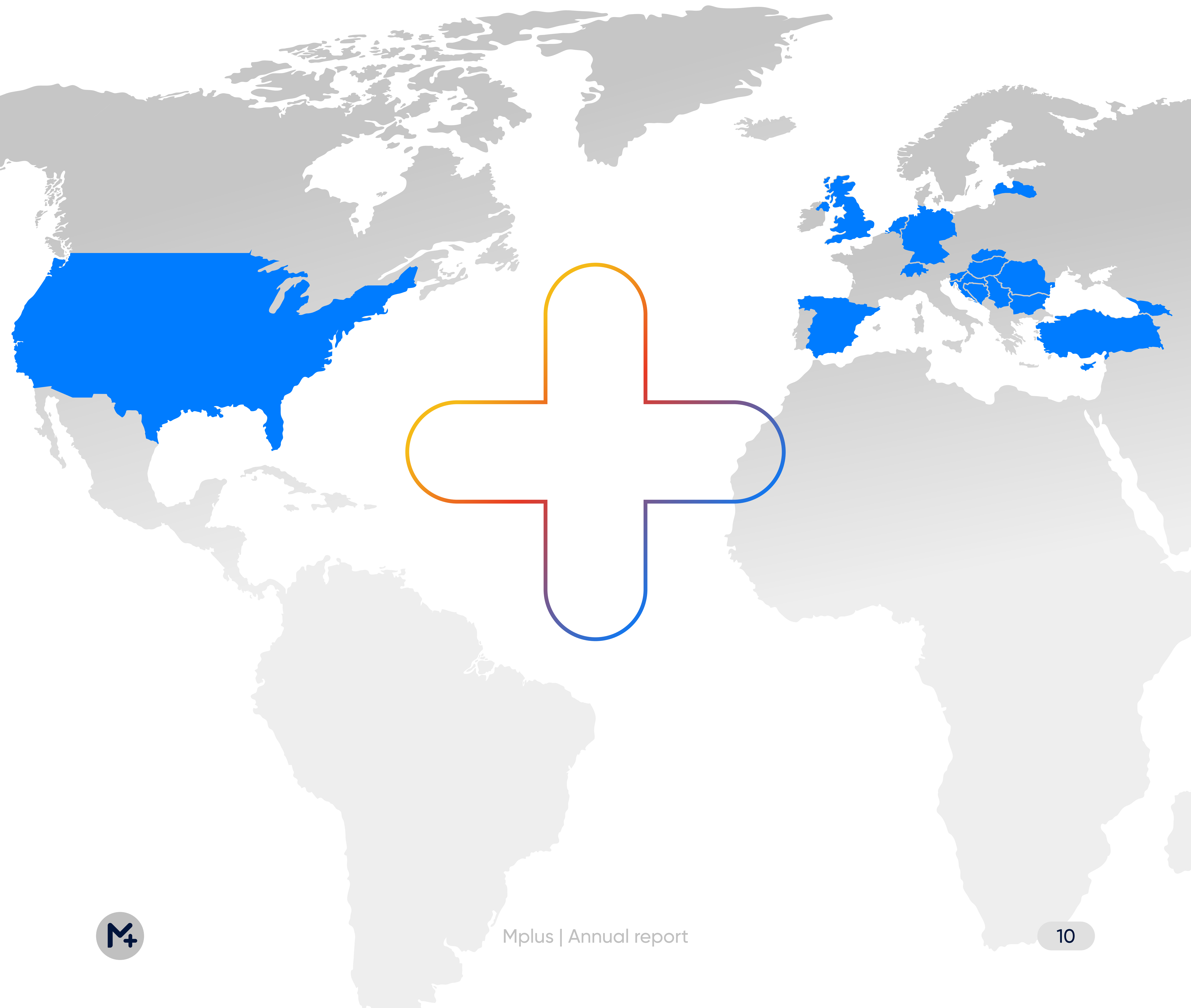
The Company did not acquire treasury shares in 2023, nor do the members of the Management Board and the Supervisory Board hold shares in the Company

The Company's activities in the area of research and development

In 2022, the Group had investments in research and development in the amount of EUR 3,850 thousand. The mentioned amount refers to investments in the development of software and applications, mostly in companies from the Group's IT segment.

18 countries

- Croatia
- Serbia
- Bosnia and Herzegovina
- Slovenia
- Hungary
- Turkey
- Georgia
- Bulgaria
- Romania
- Slovakia
- Germany
- Spain
- UK
- USA
- Cyprus
- Netherland
- Latvia
- Switzerland



Structure of the Group

1/2

BPTO

- M Plus Croatia d.o.o.
- M+ Agent d.o.o.
- M+ BH d.o.o.
- M Plus Serbia d.o.o.
- M Plus BL d.o.o.
- CDE Nove tehnologije d.o.o.
- CMC iletişim ve Çağr Merkezi Hizmetleri A.Ş.
- RGN iletişim Hizmetleri A.Ş.
- Meritus Georgia LLC
- Mplus Germany GmbH
- BusinessLine GmbH
- Mplus Halle GmbH
- Mplus Helmstedt GmbH
- Mplus Leipzig GmbH
- Mplus Lüneburg GmbH
- PİT İnsan Kaynakları ve Danışmanlık A.Ş
- ISS Sigorta Acentelik Hizmetleri A.Ş.
- M+ Deutschland BPTO GmbH
- Mplus Magdeburg GmbH
- Mplus Prenzlau GmbH
- ISF MicroUnits GmbH
- Mplus Sales GmbH
- Mplus Bielefeld GmbH
- Mplus Braunschweig GmbH
- Mplus Bremen GmbH
- Mplus Gran Canaria S. L. U.
- M Plus Smart Hub Romania SRL
- M+ Slovakia, S.R.O.
- SIA M+ Latvia
- Bulb d.o.o.
- Calyx d.o.o.
- Buzzeasy AI Kft
- Geomant - Algotech Zrt.
- Geomant Srl
- Geomant UK limited
- Inova Solutions Inc.
- Geomant Global d.o.o.
- Bulb Upravljanje d.o.o.
- Technology Services Holdings B.V.
- Meritus Plus Centar d.o.o. Belgrade

Structure of the Group

2/2

HR

- Smart Flex d.o.o.
- Smart Flex Sourcing d.o.o.
- Manpower d.o.o., Croatia
- Manpower Savjetovanje d.o.o.
- Manpower d.o.o., Bosnia and Herzegovina
- Manpower Bulgaria
- Manpower Group, Bulgaria
- Manpower Munkaerő Szervezési Kft
- Manpower Business Solutions Kft.
- Manpower d.o.o., Slovenia
- Business Integrator
- Manpower d.o.o., Serbia
- Manpower Business Solutions d.o.o
- Workplace Projekt - Adria d.o.o.
- Workplace Projekt d.o.o.
- MPS Integration
- Integrator Holding
- Workplace Project B.V.

eCommerce

- Meritus Global Technology d.o.o.
- Konverzija d.o.o.
- Moderna Ventures B.V.
- Moderna Ventures S.A.

Other

- Meritus Global Real Estate Management d.o.o.
- Meritus Global Strategics d.o.o.
- Meritus ulaganja d.d.
- TVPD Holdings B.V.
- Zeleni Horizont d.o.o.
- Global People Solutions d.o.o.
- Real Estate Development projekti - Projekt
- Vukovarska d.o.o.
- Go Health d.o.o.
- Kanatol IEDC Limited

European Bank for Reconstruction and Development invested EUR 60 milion in BPTO industry vertical

On November 28, 2023, the European Bank for Reconstruction and Development (EBRD) signed an Investment Agreement, which provides that it will invest EUR 60 million in the company M Plus Croatia d.o.o. (Mplus) which consolidates companies of BPTO industry verticals. The necessary regulatory approvals from the competition commissions in the countries where Mplus and the EBRD jointly operate are pending for the conclusion of the transaction. The closing of the mentioned approvals is expected at the beginning of the second quarter of 2024.

Thanks to investment, the BPTO industry vertical will be excellently positioned for further business expansion through acquisitions and organic growth while simultaneously improving the efficiency of business processes and creating new jobs. With this partnership, the EBRD will take over a 28.3% stake in the company MPlus, and Meritus ulaganja d.d., which currently has a 68.7% stake, will remain the majority shareholder with a 59.7% stake, while MidEuropa will continue to support the business as a minority investor.

The EBRD's investment is confirmation of the significant value created within this industry vertical in the last four years, since the initial public offering (IPO) in 2019. The investment also positions the Group as a credible and long-term partner to leading domestic and international investors.

Formation of HR industry vertical

In 2023, the Group made a significant step forward in the development of its HR industry vertical. By acquiring 90% of the shares in the company MPS integration d.o.o., and 51% shares in the company Integrator Holding d.o.o., on April 1, 2023, the Group took control of the companies operating under the Manpower brand in Bulgaria, Serbia, Bosnia and Herzegovina, Croatia, Slovenia and Hungary. The total value of the investment is estimated at approximately EUR 5.9 million

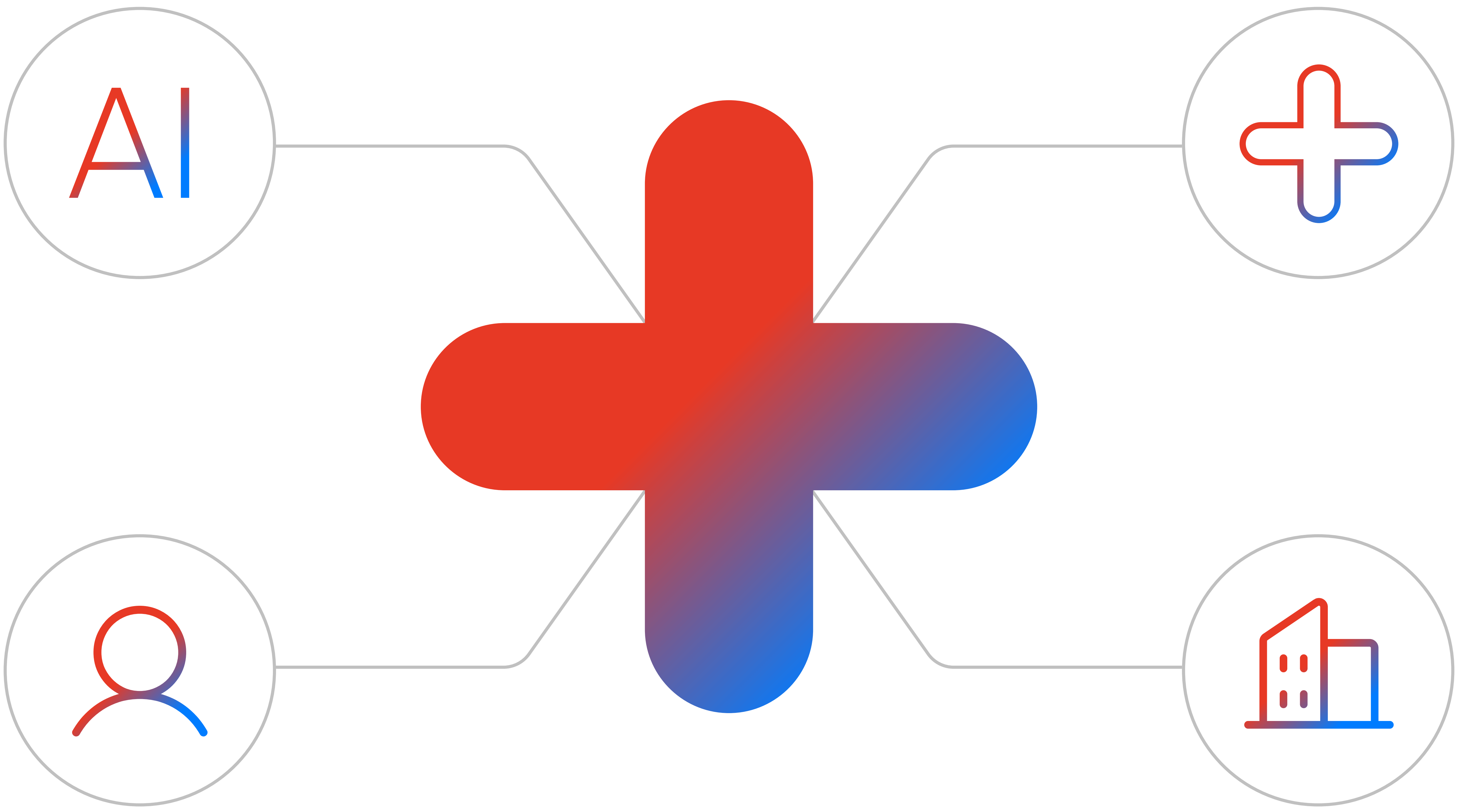
Today, the HR industry vertical operates through 18 companies under the Workplace brand, including companies operating under the Manpower brand, and three companies for HR processes under the independent brands Smartflex, Integrator and MPS Integration.

In the coming period, the Group intends to expand its operations in the HR segment to new markets in Europe, and to further strengthen its product and service offering through the introduction of high-tech solutions in the HR segment.

Formation of eCommerce industry vertical

In September 2023, the Group formed a new eCommerce industry vertical by consolidating companies from the eCommerce sector that it acquired during 2023 and in previous years. The eCommerce industry vertical will operate under the Eplus Venture brand and currently includes two online platforms covering the tourism segment (Megabon) and the beauty sector (Pink Panda). The formation of the eCommerce industry vertical was preceded by the acquisition on July 27, 2023 of the control package over the company Konverzija d.o.o. which owns the Pink Panda online platform.

Growth and innovation supported by leading technological achievements, a personalized shopping experience and an emphasis on flawless user experience are the key determinants on which the Group bases its further expansion.



Reorganization within the Group

In the third quarter, Workplace Projekt Adria d.o.o., a holding company in the HR vertical, acquired shares in the companies Smartflex d.o.o. and Smartflex Sourcing d.o.o. from M Plus Croatia d.o.o., and in the fourth quarter process is finished whereby Meritus Global Technology d.o.o., a holding company in the eCommerce vertical, acquired Moderna Ventures B.V., the ultimate owner of the online platform Megabon. This completed the internal restructuring that created the HR and eCommerce industry verticals within the Group.

In 2023, the Group purchased the remaining 23% stake in the company CDE Nove tehnologije d.o.o. thus acquiring a 100% stake in the said company.In the December 2023, company Linea Directa d.o.o. was merged into a company CDE Nove tehnologije d.o.o..

In December 2023, the Group carved out its AI solution Buzzeasy from the IT company Geomant into a separate company Buzzeasy AI with the goal of optimizing business processes, increasing visibility and sales opportunities on the market, and facilitating the development of new AI solutions within Buzzeasy AI.

Management Board

The Management Board of the Company is composed of two members. The function of the President of the Management Board is performed by Mr. Darko Horvat, and Mr. Tomislav Glavaš holds the function of a member of the Management Board. There were no changes in the composition of the Management Board in 2023.

The Management Board manages the Company's affairs in accordance with the Company's Articles of Association, the Rules of Procedure of the Management Board, and legal regulations.

The Management Board is appointed and recalled by the Supervisory Board. The term of office of the members of the Management Board lasts up to five years. The members can be reappointed.

Remuneration amount for Management Board are carried out in accordance with the new Remuneration policy for Management Board members, which was approved by the General Assembly on June 27, 2023, thus replacing the Remuneration policy for Management Board members approved by the General Assembly of the Company on June 30, 2020. The members of the Management Board are entitled to fixed remuneration defined by the employment contract they have with the Company or a related company of the Company, in accordance with the provisions of the law governing labor relations, other regulations and the Company's internal acts. In addition to the fixed part of the receipts, the members of the Management Board are also entitled to the variable part of the remuneration , i.e. bonuses, which will be determined and paid in accordance with the decision of the Supervisory Board and the criteria defined by the Supervisory Board.

Following the above, in 2023, the members of the Management Board were paid the following remuneration in gross (I) amounts:

REMUNERATION OF MANAGEMENT BOARD MEMBERS IN 2023

Member	Fixed remuneration	%	Variable remuneration	%	Total	%
Darko Horvat	EUR 197,549.87	100	-	-	197.549,87 EUR	100
Tomislav Glavaš	EUR 194,450.92	100	-	-	194.450,92 EUR	100

In addition to the above, the Company or its subsidiary paid other payments to the following members of the Management Board during 2023:

- a subsidiary of the Company, M Plus Croatia d.o.o. approved and made available a loan in the amount of EUR 650,000.00 to **Darko Horvat.**

Supervisory board

The Supervisory Board is composed of five members. At the time of preparing this Report, the Supervisory Board comprises following members:

Ms. Tamara Sardelić	President of the Supervisory Board
Mr. Philipp Rösler	Deputy President of the Supervisory Board
Mr. Ulf Gartzke	Member of the Supervisory Board
Mr. Joško Miliša	Member of the Supervisory Board
Ms. Ana Babić	Member of the Supervisory Board - employees representative

During 2023, the composition of the Board changed in such a way that Mrs. Tamara Sardelić became the new president of the Supervisory Board on April 17, 2023, where she was appointed as the new president following the resignation of the member and president of the Board, Mr. Sandi Češko, which he submitted on April 6, 2023. On May 16, 2023, Mrs. Ana Babić was appointed as a new member of the Board by the employees of the Company. Mr. Igor Varivoda resigned from the position of member and deputy chairman of the Board on June 30, 2023, and Mr. Hrvoje Prpić's membership in the Board ended on July 1, 2023. Additionally, on June 27, 2023, the General Assembly of the Company appointed Mr. Philipp Rösler as a new member of the Board, who was appointed by the Board members on July 10, 2023 as the new Deputy Chairman of the Board. The Supervisory Board supervises the Company's affairs in accordance with the Company's Articles of Association, the Rules of Procedure of the Supervisory Board, and legal regulations.

Members of the Supervisory Board are elected by the General Assembly of the Company, with the amendment of the Company's statutes by the General Assembly on June 27, 2023, the company Orso Global d.o.o., as a shareholder of the Company, with headquarters in Zagreb, Vjekoslava Heinzela 62A, registered in the court register of the Commercial Court in Zagreb under registration subject number (MBS): 081393625, OIB: 64606431733 has the right to appoint two (2) members of the Supervisory Board and to determine the term of office of the appointed members of the Supervisory Board, as well as to recall them before the end of the mandate to which they were appointed. The Supervisory Board, i.e., the Nomination Committee, proposes the candidates of the Supervisory Board to the General Assembly. The members of the Supervisory Board are elected for a period of up to four years, starting from the date of the appointment decision, and the same persons may be re-elected.

Remuneration is paid to the members of the Supervisory Board in accordance with the decision of the General Assembly of June 30, 2020, which in addition to the amounts provided for payment, also defines the dynamics of payment until a different decision of the Assembly of the Company.

The remuneration paid to members of the Supervisory Board does not include variable elements or other elements related to business performance. It is paid in a monthly lump sum and no payment of receipts in shares is foreseen.

Following the above, in 2023, the members of the Supervisory Board were paid the following remuneration in gross (I) amounts:

REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD IN 2023

Member	Fixed remuneration	Note
Tamara Sardelić	EUR 7,963,32	-
Philipp Rösler	EUR 3,406.53	-
Ulf Gartzke	EUR 8,869.61	-
Joško Mililša	EUR 7,963.32	-
Ana Babić	EUR 4,324.17	-
Sandi Češko	EUR 2,765.04	-
Igor Varivoda	EUR 0,00	He waived his right to compensation of a member of the Supervisory Board for the perodi from January 1 until June 30, 2023 until he was member of the Supervisory Board.
Hrvoje Prpić	EUR 4,666.68	-
TOTAL	**EUR 39,958.67**	

In addition to the above, the Company or its subsidiaries paid other payments to the following members of the Supervisory Board during 2023:

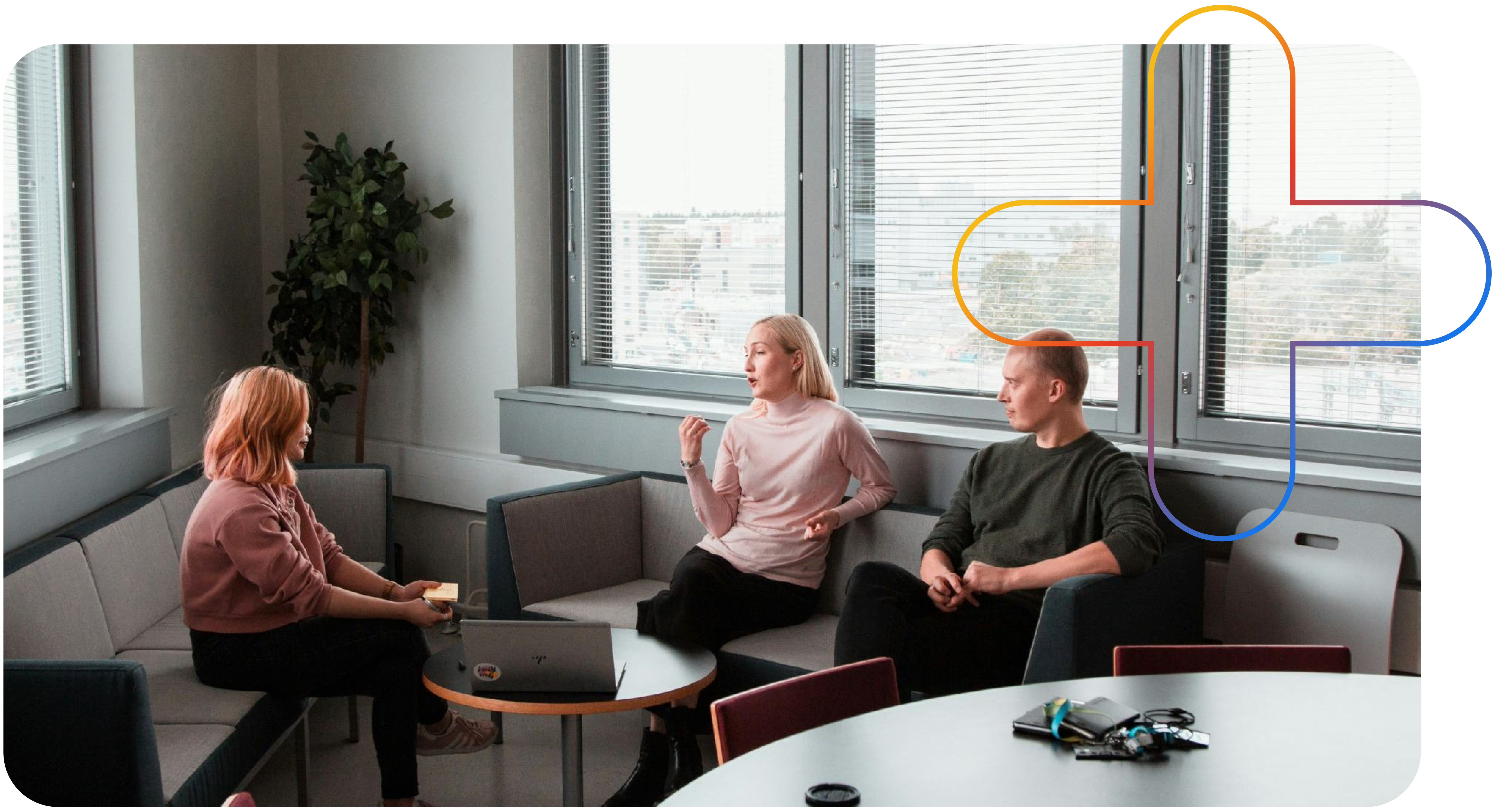
- **Tamara Sardelić**, the President of the Supervisory Board, in December 2017, entered into an Agreement on the provision of legal services with the Company's subsidiary, Meritus Plus d.o.o., whose legal successor, after the company's merger with another company, takes over the subsidiary M Plus Croatia d.o.o., where according to the above Contract for the year 2023 paid fees in the gross amount of EUR 10,949.82.

- **Philipp Rösler,** Deputy President of the Supervisory Board, in June 2023 entered into an Agreement on the provision of consulting services with the Company's subsidiary, M Plus Croatia d.o.o., where, based on the aforementioned Agreement, he was paid fees in the gross amount of EUR 40,637.99 for the year 2023.

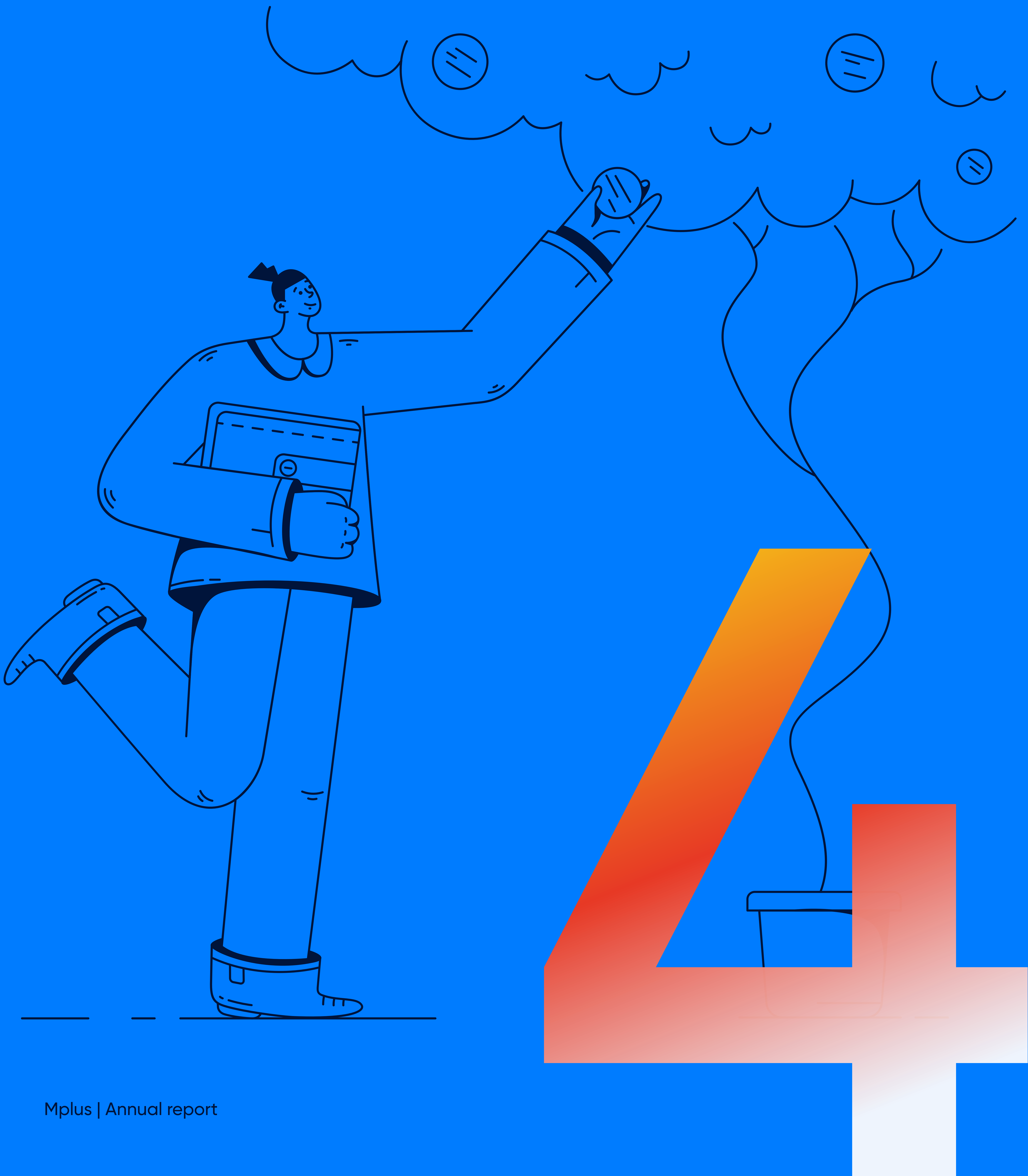
- **Ana Babić**, Member of the Supervisory Board - employees representative, in addition to remuneration for work in the Supervisory Board, received payments in accordance with the contract with the Company in the gross amount of EUR 43,289.45.

- **Igor Varivoda**, Deputy President of the Supervisory Board until June 30, 2023. in March 2022, concluded an Agreement on the provision of consulting services with the Company's subsidiary, Linea Directa d.o.o., Ljubljana, whose legal successor, after the company's merger with another company, is taken over by the subsidiary CDE Nove Tehnologije d.o.o. where based on the aforementioned Agreement, in the period from 1.1.2023 to 30.6.2023, when he was a member of the Supervisory Board, he was paid compensation in the gross amount of EUR 53,530.00.

- **Sandi Češko**, President of the Supervisory Board until April 6, 2023. is a member of Kanatol Holdings Ltd, Cyprus, to whom the Company's subsidiary, Meritus Global Strategics d.o.o., paid the gross amount of EUR 200,000.00 in 2023 based on the concluded Loan Agreement and the Annex to the Loan Agreement.



SOCIAL RESPONSIBILITY AND SUSTAINABILITY



Sustainability report

The Group published its Sustainability Report in June 2023, which includes information on the Group's economic, environmental and social performance. The report covers the period from January 1, 2022 to December 31, 2022. The report was compiled with regard to the consolidated set of GRI standards for 2022 and covers the Group's operations in 2022. The Report also includes information on our work in the context of the principles of the United Nations Global Compact (UNGC), along with the UNGC table of contents at the end of the Report.

The report presents the Group's activities in the field of sustainability during 2022 and draft plans to encourage improvements in the field of sustainable business, as well as the publication of information on all environmental, social and governance ("ESG") initiatives of the Group.

Within the scope of the Sustainability Report, the Group transparently communicates its activities and results and intends to continue this practice in future periods as well, through the creation and publication of annual sustainability reports. In order to identify and prioritize material issues to be reported in the Report, a survey was conducted as part of our Materiality Assessment to gather the opinion of internal and external stakeholders on the most prominent ESG topics and their importance to the Group.

More details about ESG topics within the Group can be found in Sustainability report available on web pages on the Group.

The Group will publish its Sustainability Report for the period from January 1, 2023 to December 31, 2023 in the second quarter of 2024.

The Sustainability-Linked Bonds issue

On July 29, 2022, the Group has issued the Sustainability-Linked bonds on the domestic capital market in the nominal amount of EUR 40 million, with a fixed annual interest rate and semi-annual interest payments and one-off maturity of the principal after five years with the ticker MRUL-O-277E and the ISIN HRMRULO277E9 (“Bonds”).

More information and terms about Bond are presented on Prospectus available on Group website.

Two key performance indicators ("KPI") have been determined, which are material and key to the overall operations of the Group, and are in line with the Group's strategic priority for reducing greenhouse gas emissions. greenhouse gas or "GHG") and achieving more balanced gender diversity in management teams

The framework document for Sustainability-Linked bonds defines two KPIs:

- To reduce absolute scope 1 and 2 GHG emissions by 25.2% to 2,148 tCO2e in 2027, against a 2021 baseline;
- To achieve 51% representation of women in management teams (including governance bodies) by the end of 2030

Social responsibility

As an organization that places people at the center of its values, the Group continuously develops its ethical standards and corporate governance. Groups approach is focused on maintaining high ethical standards in all aspects of business, thereby ensuring benefits for our employees and local communities. Group takes human rights seriously and creates opportunities for employment and development within different groups in society, and deals with the issues of vulnerable groups through various initiatives.

In the past year, as a result of issuing a sustainable bond and with related key performance indicators, the Group intensified its strategic initiatives aimed at improving diversity, equality and inclusiveness. This further improved the quality of life in the communities where we operate, through the promotion of social responsibility, creativity and innovation.

Group places great emphasis on social benefits, respect for the cultures of the communities in which operates and maintain a policy of zero tolerance towards human rights violations. A commitment to diversity remains key, with a focus on qualifications, work, knowledge and experience as key factors in hiring and determining pay and promotion. Group continuously work to improve working conditions and maintain good relations with employees and the wider community.

Obavijesti o zaštiti okoliša

In 2023, the Group achieved a significant reduction in greenhouse gas emissions through the use of energy from renewable sources in Turkey and Croatia, and Group plans to extend the same initiatives to other Group members in other countries. This reduction not only contributes to environmental sustainability, but also supports our carbon footprint reduction strategy. During 2023, within the framework of the Environmental Policy, the Group adopted a series of sub-policies and frameworks that define activities that affect the reduction of greenhouse gases, waste and electronic waste management, and other issues related to environmental protection.

Improvements in corporate governance

At the beginning of 2023, the Group formed the ESG Board to ensure the integration and implementation of sustainability strategies at all levels of the organization. This committee has an important role in overseeing and directing activities related to the ESG. Comprised of members of senior management and external experts, the ESG Board regularly reviews existing initiatives, identifies new opportunities for improvement and ensures compliance with the latest regulatory requirements and industry best practices. The board's work helps strengthen our commitment to transparency, ethics and accountability, making us leaders in the field of sustainable business.

The management of the Group went through training on corporate governance in cooperation with the Zagreb Stock Exchange and the EBRD, which contributes to the strengthening of our corporate standards and ethical values. Group formed the Corporate Governance & Compliance department with the goal of establishing corporate policies and rules and promoting ethical values and improving business compliance at all levels. In November 2023, the Group began final preparations for the implementation of the Whistleblower & Grievance mechanism software, which enables employees and third parties to confidentially or anonymously report irregularities. The implementation of the software and the associated Whistleblowing Policy was completed in February 2024 in most of our BPTO companies.

Environment, health and safety remain high on our priority list. The Group is determined to continue adapting our business processes and internal policies in this direction. The Group launched a review of business processes and policies at the Group level and a stakeholder analysis that contributes to defining the sustainability of our organization. In the past year, Group has implemented several key policies aimed at improving our approach to sustainability:

- **Environmental** protection policy aimed at managing risks affecting the environment and local communities.
- **The policy of equality, diversity and gender equality, balance of business and private life** ensures respect and promotion of equal opportunities for all employees, aimed at creating better conditions for our employees, promoting a healthy working relationship.
- A **procurement** policy that ensures our supply chains are aligned with our values and sustainability standards.

In 2023, the Group published its third Sustainability Report covering economic, environmental and social aspects until the end of 2022. With the report, we transparently presented our activities and contributions in the field of social responsibility, and we continue to set industry standards for transparency and contribution to the community.

More details on environmental topics and issues, including the Group's approach to environmental issues and concrete results, will be included in a Group 2023 Sustainability Report.

Taxonomy Regulation

Given that it is subject to the obligation of non-financial reporting in accordance with the Accounting Act (Official Gazette NN 78/15, 134/15, 120/16, 116/18, 42/20, 47/20, 114/22, 82/23), The group is also obliged to follow the new regulations on sustainable finance at the EU level. Regulation (EU) 2020/852, which establishes a framework for encouraging sustainable investment (Regulation on Taxonomy) and the delegated acts adopted on its basis, define the system of classification of economic activities in relation to six environmental goals. In 2023, reporting entities must publish data on key performance indicators (revenues, capital investments and operating costs), i.e. data on the share of taxonomically acceptable and harmonized economic activities: in relation to the first two environmental goals (mitigation and adaptation to climate change). Also, the Group is additionally obliged to report for the year 2023 on the taxonomic acceptability of economic activities that contribute to four environmental goals: sustainable use and protection of water and marine resources, transition to a circular economy, prevention and control of pollution, and protection and restoration of biodiversity and ecosystem.

In accordance with the obligations and deadlines prescribed by EU legislation, the Accounting Act and other applicable regulations, the Group will publish the necessary data on key performance indicators and applied methodology in the Sustainability Report for 2023.

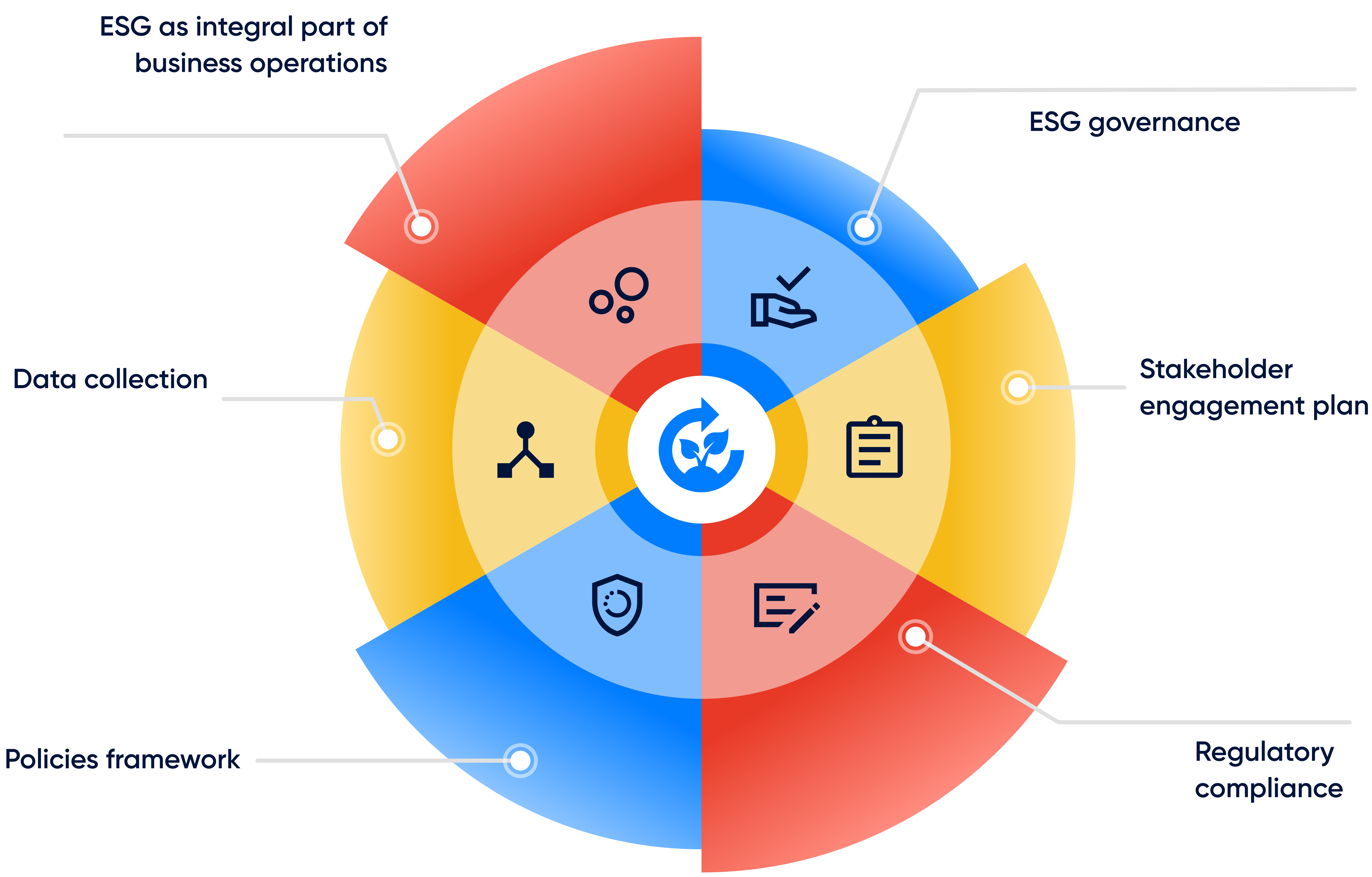
Sustainability strategy

The Supervisory Board approved the Management Board's proposal for the Group's Sustainability Strategy (ESG strategy – strategy for managing environmental, social and management factors). Following our commitment to ESG and SLB-related KPIs, we are determined to implement a robust ESG framework across the Group. One of the turning points was the definition of the Group's ESG strategy.

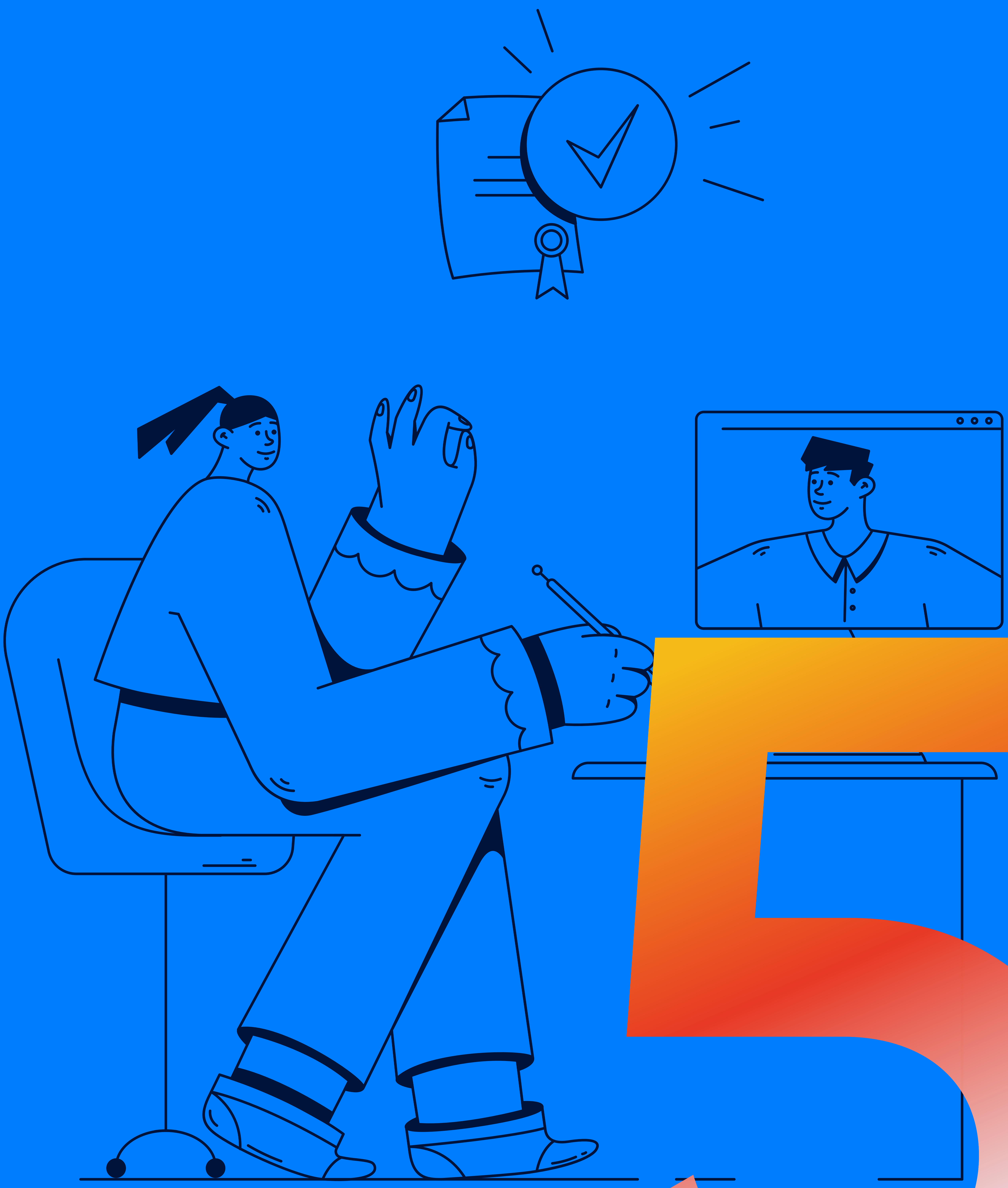
The Group's ESG strategy defines the strategic focus of each of the factors – environment, society, governance, with sets of accompanying activities and timelines. The Group's primary focus is reducing greenhouse gas emissions and increasing gender equality. The basis of the Group's strategy is summarized in the following ESG elements:

UN Global Compact

The Group joined the UN Global Compact initiative, the world's largest corporate sustainability initiative. This voluntary platform gathers more than 20,000 participants in more than 160 countries dedicated to the promotion and development of environmental, social and economic responsibility by applying the Ten Principles of the UN Global Compact and the UN Sustainable Development Goals. These principles serve as norms for responsible business behavior in areas such as human rights, labor, the environment and the fight against corruption. As an innovative company, which is ready to tackle global challenges, we are grateful to have the opportunity to make great efforts to make this world a better place.



PEOPLE



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The Group's results in 2023 are primarily based on the commitment, responsibility and knowledge of employees. Human capital is the Group's key comparative advantage and the most important source of success.

The Group is a diverse working environment with employees of different nationalities, abilities and ages operating in different industries. In 2023, the focus was on further improvement of management of our own human resource model, which includes all important areas – recruitment, performance management, career development, retention at all levels and in all industry verticals.

The largest share in the number of employees is still held by the BPTO industry vertical, which had more than 11.6 thousand employees in 2023, which is more than 84% of the total number of employees.

During 2023, the flexible work model of employees continued to be the dominant form of work in the BTPO industry vertical, and more than 84% of employees used work from home/ remote work/hybrid form of work. Regular feedback is collected from employees to monitor the impact of these flexible working forms on their job satisfaction and well-being.

The Group conducted the second employee engagement survey at the level of the entire BPTO industry vertical, in 11 languages (three more than in 2022), where employees of the Group's IT companies were also included for the first time. The same questionnaire as the previous year was used, so the results on employee engagement were comparable and, based on the analysis, conclusions were drawn on further action plans to improve employee engagement and satisfaction at the level of the entire BPTO industry vertical. The second part of the aforementioned survey's questionnaire covered research on diversity and inclusiveness/inclusion at the Group level in order to investigate the employees' perception of the Group as an employer of equal opportunities.

The Group, in cooperation with leading scientists and scientific institutions, conducted research related to working from home on a sample of 4,554 of its employees in seven countries. The research was published in the renowned journal Frontiers of Psychology at the end of 2023. The level of job satisfaction and balance between work and private life among our employees who work from home proved to be higher than among those who work in the office, which is why 78% of employees declared that they want to continue working from home, and the successful model of working from home was confirmed and a step forward was made in connecting the business and scientific community, but also in understanding the needs of employees and recognizing the factors that influence their satisfaction.

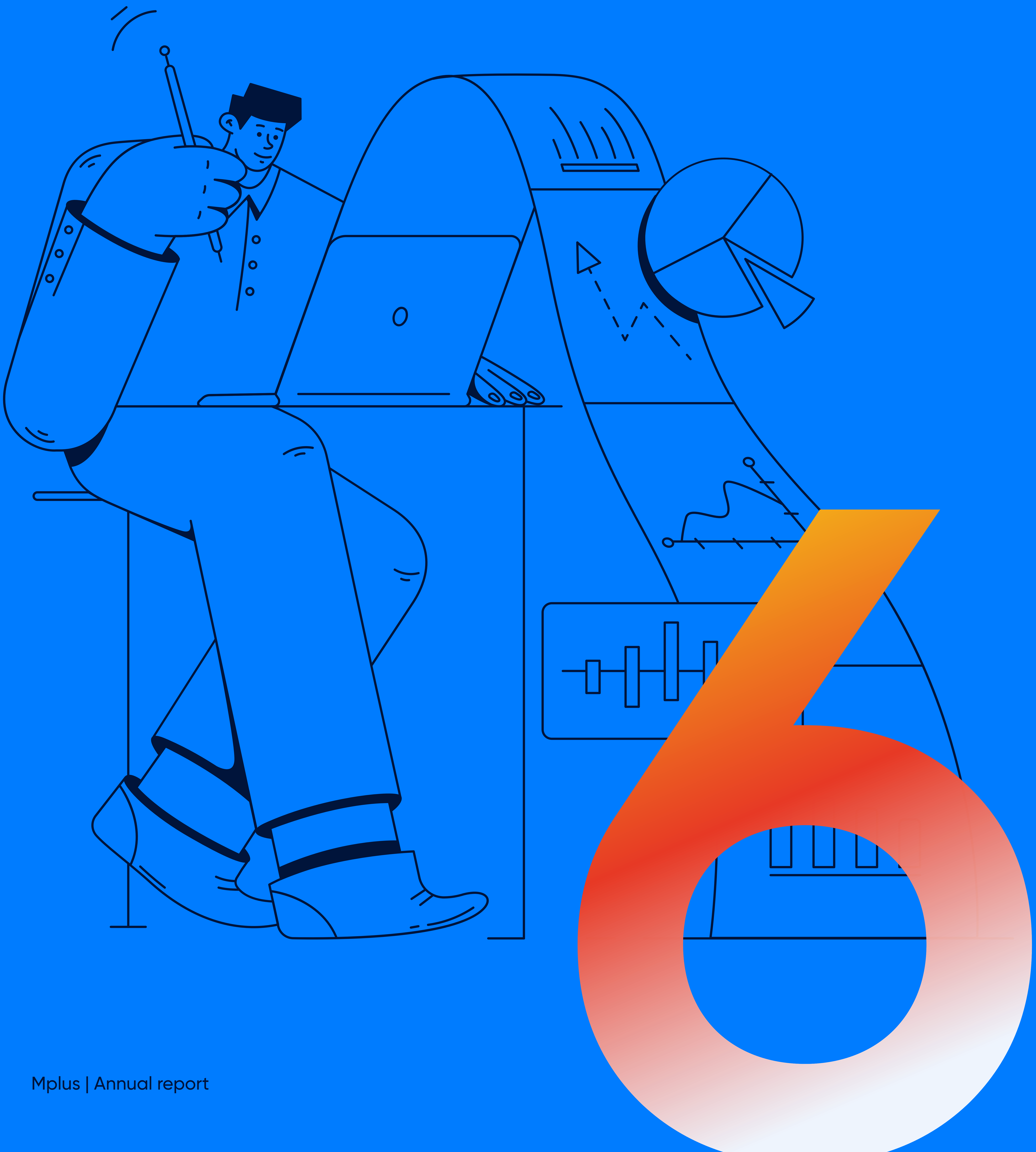
The main pillars of the Group's employee development strategy are the rapid development of leaders (in cooperation with renowned Universities) and their preparation for leadership in accordance with trends and technological challenges, internal knowledge exchange through an internal academy and an international mentoring program.

In partnership with the business school IEDC – Bled, the Group launched a unique development program for Group managers in 2023 - Mplus Elevate. The nine-month program addresses the key management challenges of the future, including the impact of new technologies and sustainability. This program will certainly have a great impact on the personal and professional development of the involved employees through the acquisition of advanced business competencies and numerous useful contacts with participants from other companies in the open part of the program. This program is also an opportunity to create new ideas and solutions that will lead to the further success of the Group. It continues the investment in employees who represent the Group's greatest value.

The Mplus Academy continued in 2023 and expanded its offer with new content and internal trainers. A new internally developed program for first-line managers - the Front Line Leaders program - was launched at the level of the entire Group with a focus on the BPTO industry vertical, with the goal of empowering team leaders and making it easier to manage changes and cope with the challenges brought by a rapidly developing environment in a flexible an environment where employees mostly work remotely.

Diversity, equality and inclusion are embedded in the Group's human resources policies (from recruitment to retention) with the aim of promoting equal opportunities and conditions for all employees in a healthy working environment, in line with the requirements of our industry. The human resources function continues to adapt to the significant growth in the number of employees in several countries, the increase in the number of industry verticals, the implementation of an agile human resources organization, the digitization of human resources processes (joint human resources information system, candidate tracking system and learning management system) while at the same time building the competence of human resources for a new era.

ANALYSIS OF PERFORMANCE



Revenues

Meritus ulaganja d.d. (the Company) and its subsidiaries (the Group) achieved growth of the revenue in 2023 compared with 2022 in amount of 123,376 thousand or 69%, from EUR 179.432 thousand to EUR 302.808 thousand.

The Group achieved the mentioned growth both through the organic growth of its BPTO (Business Process and Technology Outsourcing) business, whose revenues were EUR 209,434 thousand which represents 69% of total Group operating revenues and through development of new industry verticals, HR and eCommerce, which became a significant part of the Group both in terms of revenues and EBITDA.

The HR industry vertical achieved revenues in the amount of EUR 79,151 thousand, or 26% of the Group's total operating revenues, while eCommerce industry vertical achieved EUR 12.721 thousand, or 4% of the Group's total operating revenues. The Group achieved additional operating revenues trough rent and other activities of the Group not related to three main industry verticals.

Operating revenues from both, HR and eCommerce industry verticals, including only revenues from the moment when Group achieved control on key components until end of the 2023, or in the case of HR industry vertical and companies in ownership from Integrator from April 1, 2023 and in the case of Konverzija d.o.o. from August 1st, 2023.

BPTO industry vertical is still largest industry vertical and it is expecting to achieve around 70% of total revenue of Group in further period. In 2023, it is expected that organic revenue growth will continue as a result of acquiring new clients, providing new high-tech solutions to clients that will affect the increase in volume, the increase in the number of locations, the addition of new languages to the portfolio, but it is expected that there will be new the acquisition of complementary companies that will further strengthen the Group's position on the BPTO market.

(in EUR thousands)	1.-12.2023.	1.-12.2022. Restated*	Change	Percantage
Operating revenues	302,808	179,432	123,376	69%
EBITDA	34,026	26,642	7,384	28%
Adjusted EBITDA**	41,261	29,709	11,552	39%
Profit before tax***	7,995	8,588	(593)	(7%)

*Adjustments are related on restatement previous reported data

**Adjustments pertain to the impacts that are considered one-off (i.e.they dont have repetitive characteristics or effects on income and costs)

*** Profit before tax from continued operations

The HR industry vertical would generate EUR 101,239 thousand in revenue on the level of entire year 2023, and it is expected that through new acquisitions planned in 2024 and through organic growth planned through the provision of new high-tech solutions, the HR industry vertical will participate with approx. 30% in the revenues of the Group. In 2024, there will be a special emphasis on increasing the profitability of the HR industry vertical, which is why the focus will not be on additional revenue growth.

The eCommerce industry vertical would generate EUR 20,260 thousand at the level of the entire year 2023, and it is expected that in the coming period, although currently the smallest industry vertical, it will significantly influence the further development of the Group.

In 2023, the Group would achieve total revenues of EUR 332,436 thousand if all subsidiaries of the Group were consolidated from January 1, 2023.

EBITDA

In 2023, the Group achieved EBITDA of EUR 34,026 thousand which is for EUR 7.384 housand of 28% more in comparison to 2022.

Stable demand for BPTO services in all markets, integration and restructuring of Invitel GmbH and its subsidiaries (Invitel), implementation of new process and technologies during 2023, cost optimization, developing technology solutions based on AI (Artificial Intelligence) technology, establishing of Workplace Group and integration of eCommerce business resulted with positive impact on total EBITDA.

NThe largest share in Group EBITDA was held by BPTO industry vertical which achieved an EBITDA of EUR 28,352 thousand, which is 83% of Group's EBITDA.HR and eCommercem verticals EBITDA of EUR 2,315 thousand and EUR 3,200 thousand which represents 7% and 9% in relation to the Group's EBITDA for the year ended December 31, 2023

Total adjusted EBITDA of the Group for the year ended December 31, 2023 was EUR 41,261 thousand which is increase for EUR 11,552 thousand in comparison to the previous year or 39%.

Adjusted EBITDA of BPTO industry vertical for the year ended December 31, 2023 was EUR 35,370 thousand which is EUR 6,095 thousand more than the adjusted EBITDA of the entire Group for the same period of the previous year, or 20%, which shows continuity of BPTO business growth. The largest adjustment relates to the impact of the earthquake in operations in Turkey in amount of EUR 2,513 thousand while other adjustments relate to the restructuring of operations in CEE region in amount of EUR 749 thousand, EUR 1,064 thousand to the costs of M&A, EUR 632 thousand relates to restructuring costs in Germany, and other one-off items amount to EUR 2,060 thousand

In addition to the before mentioned adjustments related to BPTO business, additional adjustments on Groups EBITDA level were EUR 217 thousand.

Profit before tax

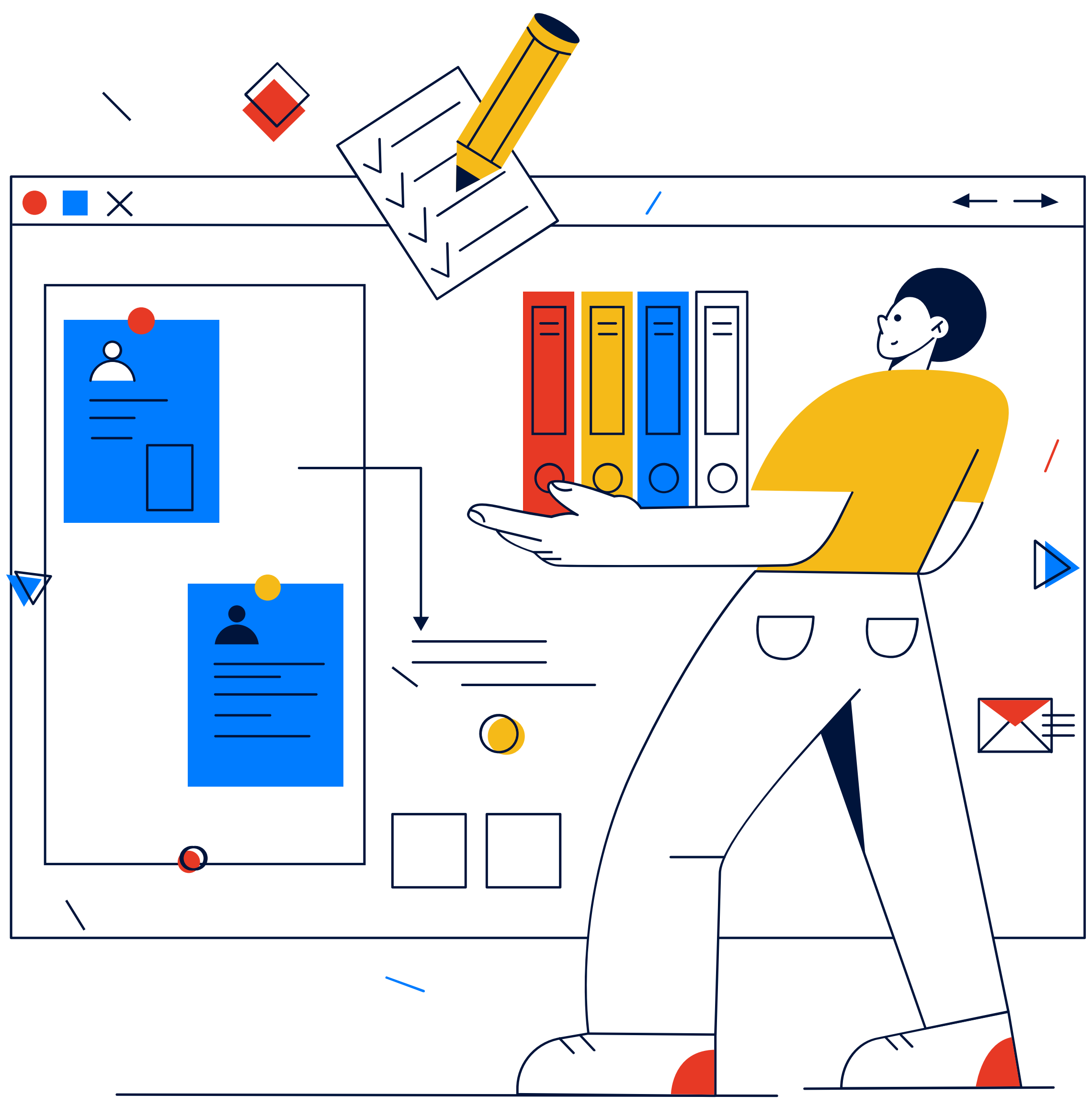
Profit before tax: In 2023, the Group achieved EUR 7,995 thousand of income before tax. Lower income before tax compared to the 2022 is primarily the result of the effects of exchange rate differences due to changes in the exchange rate against the EUR, higher interest costs due to interest on bond and higher depreciation costs due to additional investments in infrastructure due to bigger business volumes.

Assets

As of December 31, 2023, the Group's assets were EUR 241,430 thousand. Compared to December 31, 2022, assets increased by EUR 37,777 thousand or 19%. The Group's asset growth was significantly influenced through acquisition of several companies from HR industry vertical

Equity

As of December 31, 2023, the Group's equity was EUR 58,105 thousand, and it holds 24% of the total assets. Equity stayed on similar level in comparation with restated Equity as of December 31, 2022



Net debt

Net debt: As of December 31, 2023, the Group had a strong cash position in the amount of EUR 50,637 thousand, while liabilities to financial institutions and liabilities for assets with the right of use amounted to EUR 106,527 thousand, including liabilities for issued bonds, short-term framework loans and long-term investment loans. The net debt was EUR 55,890 thousand. The growth of net debt is the result of increased investment in infrastructure through right-of-use assets and an increase in short-term loans for working capital due to an increase in the volume of work and new industry verticals.

The aforementioned structure of net debt enables further organic growth, but also creates the potential for further acquisitions.

(in EUR thousand)	December 31, 2023	December 31, 2022*	Promjena	Postotak
Assets	241,430	203,653	37,777	19%
Equity	58,105	57,404	701	1%
Net debt	55,890	40,420	15,470	38%

*Adjustments are related on restatement previous reported data for year ended December 31, 2022

Mplus Group (BPTO)

M Plus Croatia d.o.o. and its subsidiaries (Mplus Group) are one of the fastest growing BPTO Group in Europe

Mplus Group has managed not only to maintain its leading market position in the local markets where it is present, but also to expand it in 2023. In 2023, the Group operates in 42 locations in 15 countries and employs more than 11,600 people what makes her the largest provider of BPTO services in Southeastern Europe. Biggest operations are in Germany, Turkey, Croatia and Serbia.

With forming two new regions in July 2023, Mplus CEE and Mplus MENA, the Group further strengthened its internal organization. Mplus CEE includes Germany and companies from Central and Eastern Europe. Raoul Blautzik, CEO of Invitel, was appointed as CEO of Mplus CEE. Mplus MENA includes Turkey and Georgia and Cemile Banu Hızlı, CEO of CMC Turkey, has been appointed as CEO.

During 2023, the focus was on reducing the impact of the earthquake in Turkey, on the integration and restructuring of operations in Germany, investments in technological solutions that resulted in the development of own AI solutions through the Buzzeasy product, reorganization of the sales department from reporting and pre-sales processes to customer success management and activities that will contribute to the expansion of the client portfolio. The improvement of the entire HR process through reorganization and the addition of a strategic layer and the implementation of two solutions that cover the entire process - from the search for candidates to the creation of schedules and forecasting of work needs.

The Group also completed the implementation of the Business Central solution (ERP) at the end of the year, with the aim of harmonizing the financial/accounting departments throughout the Group, which will further improve the reporting and management process.

REVENUES
EUR 209m

NUMBER OF AGENTS
9,977

EMPLOYEES
11,600+

AVERAGE AGE
31

LOCATIONS
42

NUMBER OF CALLS
134m

COUNTRIES
15

NUMBER OF MINUTES
450m

LANGUAGES
32

NUMBER OF CHAT
7.4m

CLIENTS
300+

NUMBER OF E-MAIL
7.5m

Margins in 2023 were significantly affected by inflation through the relative decline in purchase power and the rise in energy prices and other service costs, as well as the movement of labor costs and the availability of labor, primarily within the BPTO business. While inflation is expected to slow down in the coming period and the prices of energy products and services will stabilize, a further increase in the price of labor is also expected, primarily through an increase in minimum wages and a labor shortage. Due to the fact that existing contracts are automatically adjusted to increase labor prices, the subject should have an impact on profitability only in the short term.

During 2023, a strong growth trend was confirmed when it comes to existing clients, and new clients were successfully acquired in various segments, such as banking, technology and mobility. Special focus is on premium clients from the European market, especially from the DACH region, but also on clients in the USA, Canada and Australia.

In addition to multi-channel communication solutions, Mplus Group has continuously expanded its product portfolio, placing increasing emphasis on digital interaction solutions, automation (RPA) and process consulting. Mplus Group also initiated the development of new solutions based on artificial intelligence (AI) with the aim of developing new solutions that will ensure further development of the quality of services provided to clients.

In 2023, a special emphasis was placed on AI and the Buzzeasy multi-channel platform was significantly improved.

With a language portfolio of 32 languages, Mplus Group is one of the few service providers of this size that can truly meet all the language needs of large global clients. The core competencies are still based on the languages of the region and on English, German, Turkish and Italian, and services in these languages also bring in the majority of revenue.

Mplus Group offered its clients a successful combination of nearshore and offshore services by moving operations to countries such as Turkey, Croatia, Romania and Serbia. This approach has developed into a successful model that confirms the ability and flexibility of the Mplus Group, especially for clients who have high demands in the eCommerce and logistics sectors.

An integral part of the BPTO business line is also companies from the Information Technology (IT) segment that provide support for BPTO business, providing high-tech solutions and a strategic advantage in providing BPTO services. Calyx, Geomant, Buzzeasy AI and Bulb are companies whose solutions achieve a high level of digitization, automation and user self-service. Thus, in addition to contact center services, the Mplus Group also offers IT services and solutions in its portfolio - CEP, CRM, contact center software Buzzeasy, which was significantly improved in 2023 with the implementation of AI solutions, video identification (SaaS) and the development of specific software solutions, RPA (Robotic Process Automation), solutions for automating business processes and human resources management services, which were developed as complementary services to the aforementioned core activity. By merging the aforementioned business lines, Mplus Group offers a unique platform for improving the business of its clients.

Workplace Group (HR)

On April 1, 2023, the Group concluded the acquisition of 51% of the ownership of Integrator Holding d.o.o. (Integrator) and 90% of the company MPS Integrator d.o.o. (MPS).

Integrator, through subsidiaries under the Manpower brand, operates in six countries: Slovenia, Croatia, Hungary, Bosnia and Herzegovina, Serbia and Bulgaria. By concluding this transaction, the Group also represents the beginning of cooperation with Manpower International, a leading global company in the human resources management sector that operates in more than 80 countries. This creates the conditions for the expansion of the Group's operations and the acquisition of new companies operating under the Manpower brand.

With the conclusion of this transaction, the Group formed a new industry vertical under the Workplace brand, focused on HR, which, in addition to Integrator and MPS and their affiliated companies, also included the companies Smartflex d.o.o. and Smartflex sourcing d.o.o..

Workplace is already the market leader in the mentioned countries, where over 2,200 top experts from various HR fields work for more than 1,400 global and local companies, manage 6,200 employees for their clients and achieve a turnover of close to EUR 100 million per year.

By joining the Group, the mentioned companies that today make up Workplace recorded a growth of 7% in terms of realized revenues, a growth of 3% in the number of employees, as well as in the number of clients, while two new markets were entered during the year: North Macedonia and Kosovo.

Workplace's mission is to offer clients human resources management from start to finish, so that companies can focus on their "core" business, and thus, in addition to a wide range of services such as permanent employment and selection (in 2023, the Group permanently employed more than 3,500 candidates for its clients), temporary employment, payroll, finance, human resources administration, advanced outsourcing services, human resources management and consulting, as well as training and creating strategies in the field of human resources, the Workplace Group's specialty is "tailor made" solutions where each client is approached individually and his request is addressed in a targeted manner. Thus, Workplace is recognized as a "one-stop-shop" solution when it comes to HR services.

Ambitious plans for the future of Workplace development include the use of state-of-the-art technological solutions in combination with specialized teams, which actively expands the offer and space for action, and which also creates the conditions to expand the offers of all Group member companies to include comprehensive HR solutions.

Following global trends regarding changes in the labor market and human resources management and leading the market by creating its own trends, the Group will continue with an active policy of acquiring and merging companies that operate under the Manpower brand in cooperation with Manpower International, companies that possess high-tech solutions in in the field of human resources and leading regional companies.

REVENUES*

EUR 79m

NUMBER OF CLIENTS

1,400+

NUMBER OF EMPLOYEES

2,200+

NUMBER OF OUTSOURCED EMPLOYEES

6,200+

NUMBER OF COMPANIES

18

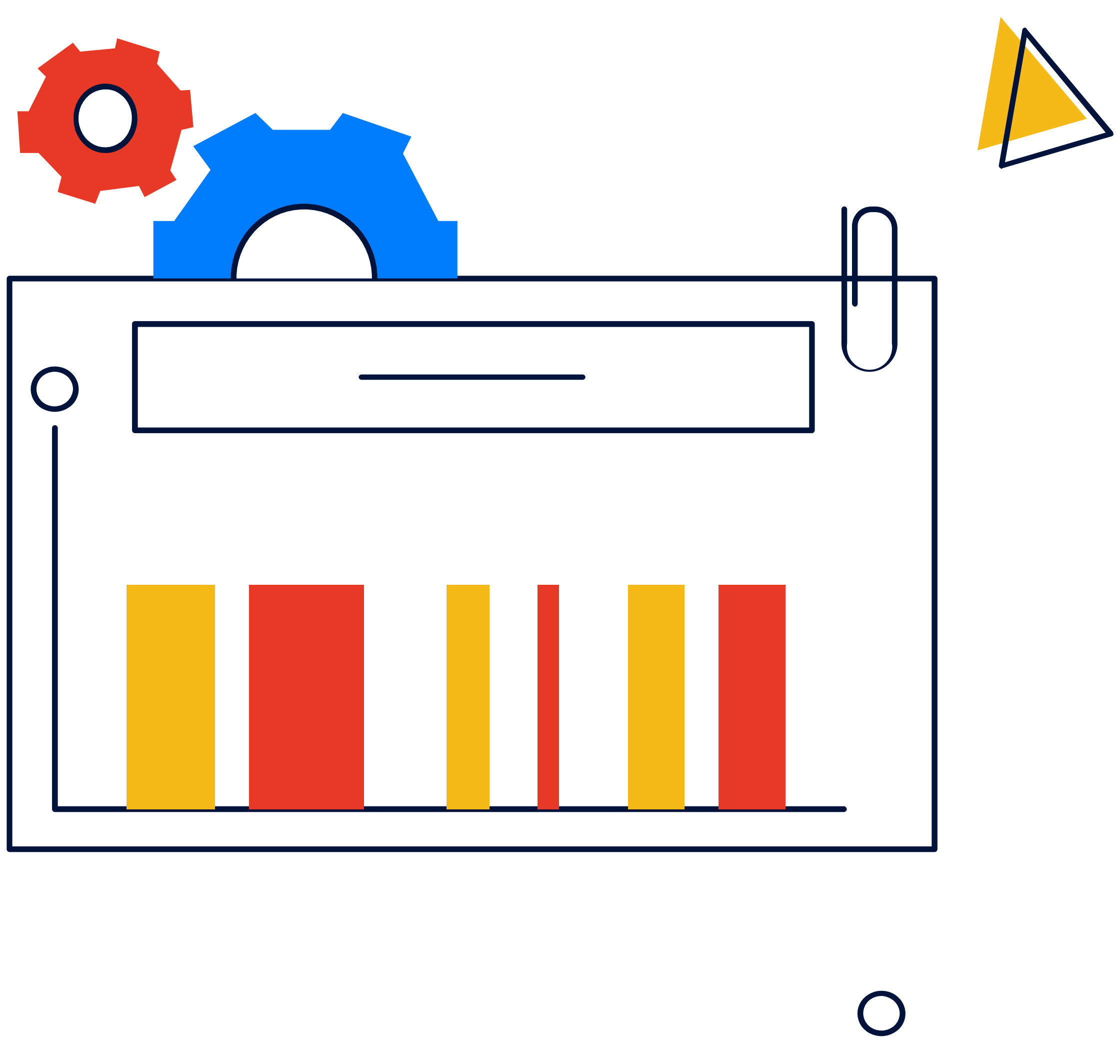
NUMBER OF RECRUITED CANDIDATES

3,500+

COUNTRIES

7

*Relates to revenues since April 1, 2023, when the Group started to consolidate



Eplus Ventures (eCommerce)

By bringing the companies Moderna Ventures S.A. (Megabon) and the company Konverzija d.o.o. (Pink Panda) within the umbrella of the company Meritus Global Technology d.o.o. in the third quarter of 2023, a new eCommerce industry vertical was formed within the Group, which will operate under the brand name Eplus Ventures.

In the conditions of the dynamic business environment in which the Group operates, adaptation is a key factor for the continued successful development of the Group. By bringing together companies that operate according to a common eCommerce business model, significant positive synergies are planned, with the aim of increasing the value of the Group's entire assets.

Eplus Ventures gathers more than 2.5 million active and registered users and is expected to generate more than 30 million euros in gross revenue annually. Providing services to millions of users in 13 markets of Central and Eastern Europe through 11 online stores and online marketplaces, it brings together platforms that mostly operate in the beauty, healthcare and travel segments and work with the companies L'Oréal, Hilton, Radisson Blu and other renowned partners. These are the Megabon and Pink Panda platforms, which are connected by an eCommerce business model and a strong orientation towards end users. Currently, Eplus Ventures employs more than 60 experts from the eCommerce industry, specializing in various services related to technology, sales, marketing and customer support.

Growth and innovation supported by leading technological achievements, a personalized shopping experience and an emphasis on flawless user experience are the key determinants on which the Group bases its further activities in the eCommerce vertical.

Megabon is the leading online platform in the Adria region for booking and managing tourism capacities. Partnerships have been established with all key global service providers including TUI and other carefully selected hotel partners. Currently, Megabon is present in 5 markets, in Slovenia, Croatia, Bosnia and Herzegovina, Serbia and Montenegro. In total, there are more than 600 thousand registered users and more than 430 thousand visitors per month. In 2023, Megabon sold more than 3.4 thousand packages per month and cooperated with more than 2 thousand partners.

Pink Panda was founded in 2010. In 13 years of operation, it has become the leading regional online platform in the beauty and cosmetics segment. It specializes in being present in a large number of markets in Europe and has more than 1.9 million registered users. The largest markets are the markets of Italy and Germany, where it generates more than 50% of its revenue. Pink Panda currently has over 2 million followers on various social networks.

Further development focuses on the markets of Croatia, Slovenia, Germany and Italy. with the plan of positioning as the leading operator of eCommerce platforms in that part of Europe

NET REVENUE*

EUR 13m

NUMBER OF USERS

2.5m+

NUMBER OF EMPLOYEES

60+

NUMBER OF TRANSACTION

590,000+

NUMBER OF MARKETS

13

NUMBER OF WEB VISITORS

22m+

ONLINE STORES

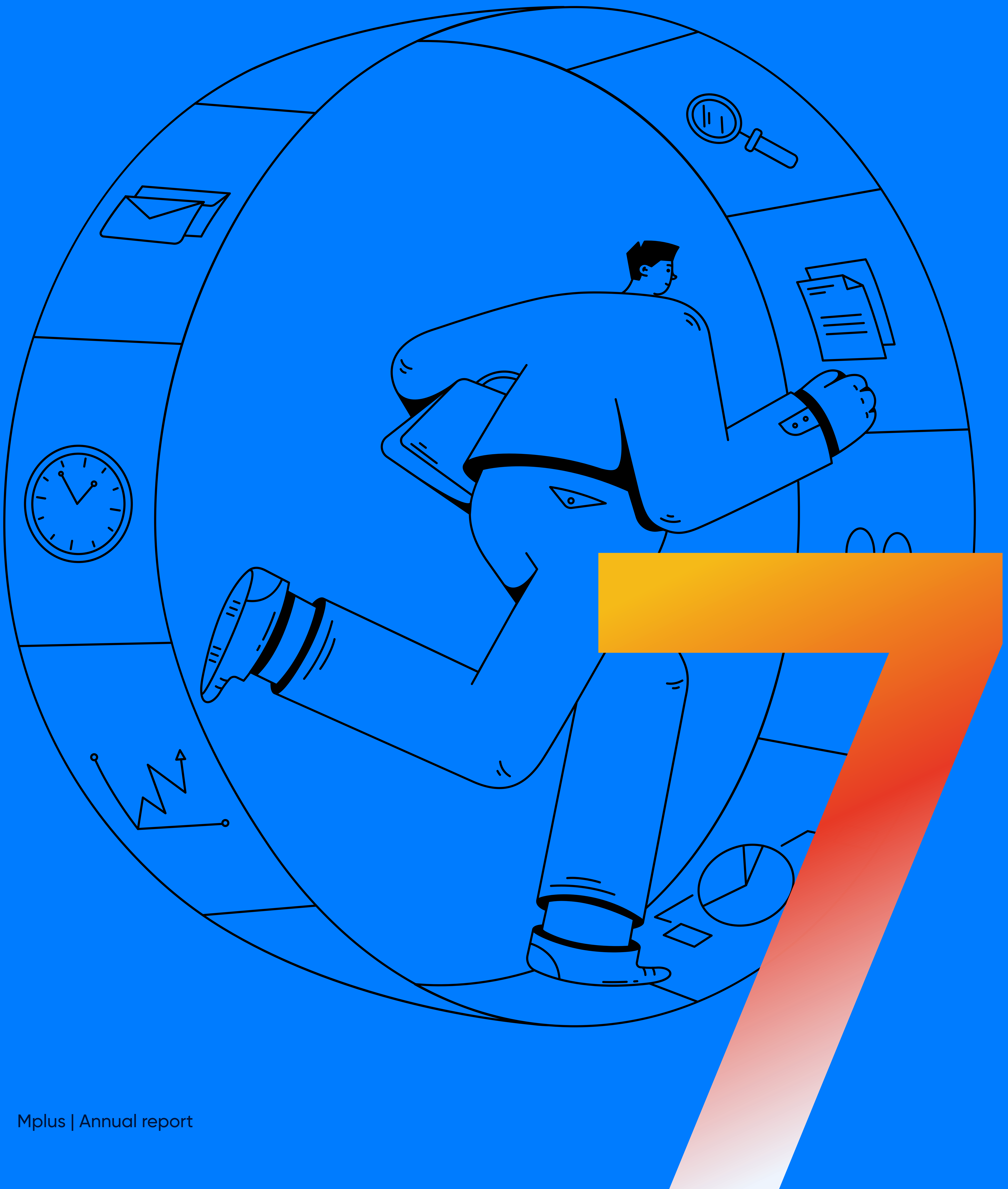
11

NUMBER OF FOLLOWERS

2m+

Includes "Pink Pande" revenues since August 1, 2023, when the Group started to consolidate*

RISK MANAGEMENT



Risk factors related to the Company, or its activities or risk factors related to the subsidiaries of the Group are presented in abbreviated form. Below please find the most significant risks related to the Company and the Group

Business environment risks

The risks in the Company's business environment are related to the risks of the Republic of Croatia, which is a stable parliamentary democracy, a member of the European Union, the Eurozone and NATO. The Republic of Croatia is considered a stable political and economic member of the European Union. The credit rating of the Republic of Croatia has been increased to BBB+, which is also a result of the Republic of Croatia entering the EURO zone on January 1, 2023. The more regulated and transparent the market, the greater the investment opportunities for foreign investors, and it is to be expected that the impact of the political and economic crisis on the capital market will be less.

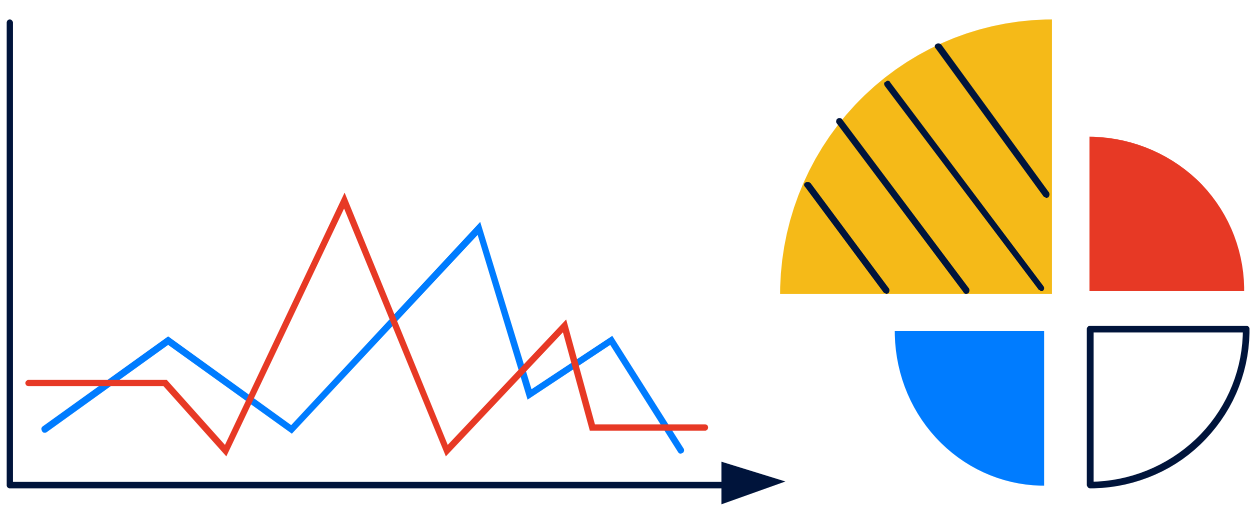
Risks in the business environment of the subsidiaries are related to the countries in which the subsidiaries operate, namely Germany, the Republic of Slovenia, Bosnia and Herzegovina, Turkey, Hungary, the Republic of Serbia and others. While risks in the business environment in European Union countries are considered low, risks in some countries such as Turkey and Serbia could be considered moderate due to the current political and economic turmoil in those countries.
Taking everything into account, the Group manages the risk of the business environment by regionally diversifying its business locations, and additionally by opening new industry verticals, the Group also diversifies its exposure to individual industries.

Price risks

The Group's operations are exposed to price risk related to changes in the prices of services required for the performance of activities. The Group's procurement function manages strategic procurement categories and key suppliers by developing partnerships with existing and new suppliers to mitigate these impacts. The Group generally manages inflation risk by pricing contractual relationships in contracts, in which the price of services or products is indexed to inflation.

The Group is particularly exposed to price risk fluctuations in relation to electricity prices, as well as telecommunications price fluctuations affected by the energy crisis primarily within the BPTO industry vertical, but the Group has managed to mitigate these risks through the procurement process, while in some countries governments have introduced specific energy frameworks that reduced the impact of energy price increases. The Group has started implementing Group procurement processes through different industry verticals, which strengthens its position when negotiating better terms with suppliers of key services.

The Group is also exposed to hyperinflation in Turkey, so the Group has implemented International Accounting Standard 29: Financial Reporting in a Hyperinflationary Economy to disclose the impact of the hyperinflationary economic environment on its financial statements.



Currency risks

Currency risks include transaction and balance sheet risk. Transaction risk is the risk that changes in exchange rates will negatively affect cash flows from business activities. Balance sheet risk is the risk that the value of net monetary assets denominated in foreign currencies will be lower when translated into euros due to changes in foreign currency exchange rates.

With the entering of the Republic of Croatia into the EURO zone on January 1, 2023, the risk of a change in the exchange rate of the euro against the kuna was eliminated, so that the Group's currency risk was significantly reduced. The group is currently exposed to fluctuations in the exchange rate of the Turkish lira as well as the fluctuation of the Serbian dinar. The Group manages this risk through the appropriate currency structure of its balance sheet.

Liquidity risks and cash flow risks

The Group manages liquidity risk by setting appropriate frameworks for managing this risk, in order to manage short-term and long-term funding and liquidity requirements and maintain adequate reserves and available borrowing lines.

This is the result of continuous monitoring of planned and realized cash flows, as well as monitoring the maturity of the Group's receivables and obligations towards customers and suppliers, banks and other financial institutions. In addition, cash flows are continuously monitored and analyzed with the aim of optimal liquidity management, in order to ensure a sufficient level of cash for business needs.

Competition related risks

The Group profiles itself as a regional leader in all industry verticals, which enables it to have a better market position compared to its competitors. Also, in the BPTO industry in general, and in the contact center industry in particular, there is no strong competition in the sales process between BPTO service providers, as the greatest growth potential lies in the acquisition of relevant processes that are still managed internally by clients, which is why there is still no market saturation. In the case of the HR industry vertical, the Group operates under one of the strongest global Manpower brands and as such has an initial advantage over the competition.

The Group manages the risk of the business environment by diversifying industries, customer base, constantly improving the quality management system, introducing new technological solutions in products and services, and continuously developing its brands.

Interest risks

Interest rate risk is the risk of negative effects on business as a result of changes in interest rates.

The Group manages the risk of interest rate changes by contracting borrowings in the currencies of its banks. While in the periods until the end of 2023 the interest rate risk due to the overall credit markets was increased compared to 2022, it is expected that the interest rate risk will stagnate and decrease in the future. It is expected that by the end of 2024, a correction will take place in the credit markets, which should have a positive effect on interest rates.

Credit risks

Credit risks refer to the risks associated with the collection of receivables from customers. The Group manages credit risk in such a way that it chooses renowned global and regional companies for its clients, by constantly monitoring the clients' operations and ensuring that the Group has no other financial assets, and therefore no additional credit risk that would lead to an increase in provisions for impairment of the value of customers and other claims. The group is not significantly exposed to a small number of customers, so its credit risk is spread over a significant number of customers.

Risks of changes in tax regulations

To a certain extent, the Group protected itself from the risk of changes in tax regulations by geographically diversifying operations in 18 countries, which significantly reduced the impact of possible changes in tax regulations in any of these countries on the Group's overall operations. The existing framework of tax regulations in the most important countries in relation to the Group's articles is stable and as such has a limited impact on the Group's operations.

Litigation risks

The Company is not at risk of loss in litigation because it is not involved in any material proceedings. Subsidiaries participate in several disputes as active parties, primarily in collection proceedings, while as passive parties they are involved in several, primarily labor law proceedings. However, considering the number of such proceedings, the status of such proceedings and possible financial exposure, the Group's risk of loss in litigation is not significant.

Workforce attritition risks

The Group is indirectly exposed to the risk of labor force outflow primarily within its BPTO industry vertical due to the fact that contact centers, as a labor-intensive industry, are the main business segment of subsidiaries. The Group's inability to have and secure a sufficient number of employees may have a negative impact on the Group's operations, financial position and operating results. Geographical diversification of business, especially expansion into Turkey and Serbia, reduces the risk of lack of human resources due to the nearshoring strategic business model.

However, if the Group is unable to attract and retain employees with the necessary skills and knowledge of foreign languages, the Group will be exposed to the risk of loss of profits, increased salary costs and additional costs in terms of employee training.

By forming the HR industry vertical, the Group reduced the risk within the BPTO industry vertical to a certain level because it provided additional resources that can mitigate problems related to the outflow of labor within the BPTO industry vertical. Workforce management is one of the great potentials for the further development of the Group through its HR industry vertical.

Risk of economic cycles

The Group operates mainly within industries that do not have significant cycles, except in the eCommerce business, where there are certain periods in which there is a significant increase in turnover. The mentioned cyclical periods in the online industry are aligned with market standards and there is a great knowledge of their management.

In the case of the BPTO industry vertical, as well as the HR vertical, sales models are focused on quality services, on new technological solutions that add additional value and customer satisfaction.

In times of recession or contraction, the emphasis is on reducing costs that BPTO provides to customers, while on the other hand, precisely in periods of growth, the need for new labor is extremely high. The Group can thus, through its HR operations, provide great added value.

EXPECTED FUTURE DEVELOPMENT OF THE COMPANY AND THE GROUP

8

In 2023, the Group made a significant step forward in diversifying its business through the establishment of new industry verticals in the HR and eCommerce segment. The BPTO industry vertical, which today accounts for around 70% of total revenues, will continue to represent the Group's most significant industry vertical in the coming period, despite significant investments in the development of HR and eCommerce verticals. Through its proven ability to consolidate the market of regional companies in Central and Southeastern Europe, the Group plans to further expand its operations to new industry verticals with the goal of further growth and risk diversification.

Through acquisitions and organic growth of its companies in the past three years, from 2021 to 2023, the group achieved revenue growth at a compound annual growth rate (CAGR) of 29%. In doing so, it demonstrated the resilience of its business model to various local and global economic and social crises. However, further development will also depend on local and global political, social and macroeconomic stability. The planned revenue growth will be significantly affected by new acquisitions in existing industry verticals, but also through the opening and establishment of new verticals.

During 2024, the group plans to conclude one or two new acquisitions. In case of successful conclusion of the planned transactions, subject to the willingness of the seller to conclude transactions in accordance with the Group's expectations, regulatory approvals and the state of the financial markets, and with organic revenue growth, in 2024 the Group could achieve significant revenue growth and reach EUR 500 million.

In addition to the expected growth in income, the focus will be on new products and services with higher added value, which, along with optimizing costs and increasing efficiency by introducing new technological solutions in all operational processes, will affect the growth of profitability. The overall profitability of the Group will be significantly affected by the final structure of industry verticals. All activities planned by the Group will also have goal to further maintain capital stability, during which the ratio of net debt to EBITDA will not exceed historical values.

The BPTO industry is very dynamic, with steady growth in recent years and great potential for the shift of the still dominant "in-house" customer support to external solutions. Global trends point to an increasing willingness to outsource customer support as users' expectations of service quality, communication channels and the necessary knowledge of capacity management increase.

Various business indicators suggest that the BPTO market segment, which focuses on the growth of digital solutions, artificial intelligence and business automation and contains a higher proportion of higher value-added services, has the potential to grow at double-digit rates over the next five years by taking advantage of market opportunities to attract customers high values and consolidation of companies with complementary development strategies.

BPTO companies focus on expanding their services to provide actionable insights and upcoming business opportunities, especially for industries such as financial services, telecommunications, utilities, automotive and healthcare, among others, which will enable further growth of the overall industry. Vendor investments in new technologies are expected to play a key role in overcoming the upcoming challenges.

Digital transformation with growing investments in technologies such as artificial intelligence (AI), digital assistants, analytics, robotic process automation (RPA), voice recognition and omni-channel capabilities will be a major driver of market growth. Although digital transformation may lead to a reduction in the number of agents in the next five years, companies that invest in technology with the aim of increasing agent efficiency are expected to have an advantage over other market participants. New technological solutions will reduce the dependence on the skills and expertise of agents and the time of education, and therefore the costs, but also expand the available talent pool that can be involved in client-oriented work. In 2023, the Group made a significant step forward in the implementation of AI in its technological solutions and will continue to develop the technology with the aim of increasing the efficiency of its agents.

The increased capacity that the Group has in nearshoring will have a positive impact on the Group's development, given the preferences of the Group's traditional clients who are less inclined to go to offshoring locations. The Group will continue to develop its nearshoring capacities through additional acquisitions or the opening of new compatible locations.

During 2023, there was a consolidation of companies on the BPTO market, and it is expected that the mentioned trend will continue in the coming years. The Group will continue to participate in the aforementioned processes through further acquisitions and mergers of companies with the aim of opening new markets, increasing the client base, increasing the ability to deliver services, attracting high-quality employees and developing new technological solutions.

In 2023, the Group formed the HR industry vertical. The global HR services market expects significant growth in the coming period. In the markets of developed economies, one of the key challenges is the lack of workforce, which is also faced by the countries where the Group currently provides its HR services. It is precisely the lack of quality workforce, especially visible in the financial, IT and FMCG sectors, that will be one of the main drivers in the growth of the HR industry. Companies turn to the services of HR companies in order to provide the necessary workforce for the further development of their business. In order to increase productivity, companies will seek to outsource HR services and focus on their core operations. With increased automation, innovation is key to the survival of companies that provide HR services. To retain existing customers, they will need to continue to implement new automation-immune services including education, training and recruitment.

There is an increasing share of higher value services that clients expect from HR service providers, which increases theirs profitability, and the mentioned trend is expected in the following periods as well.

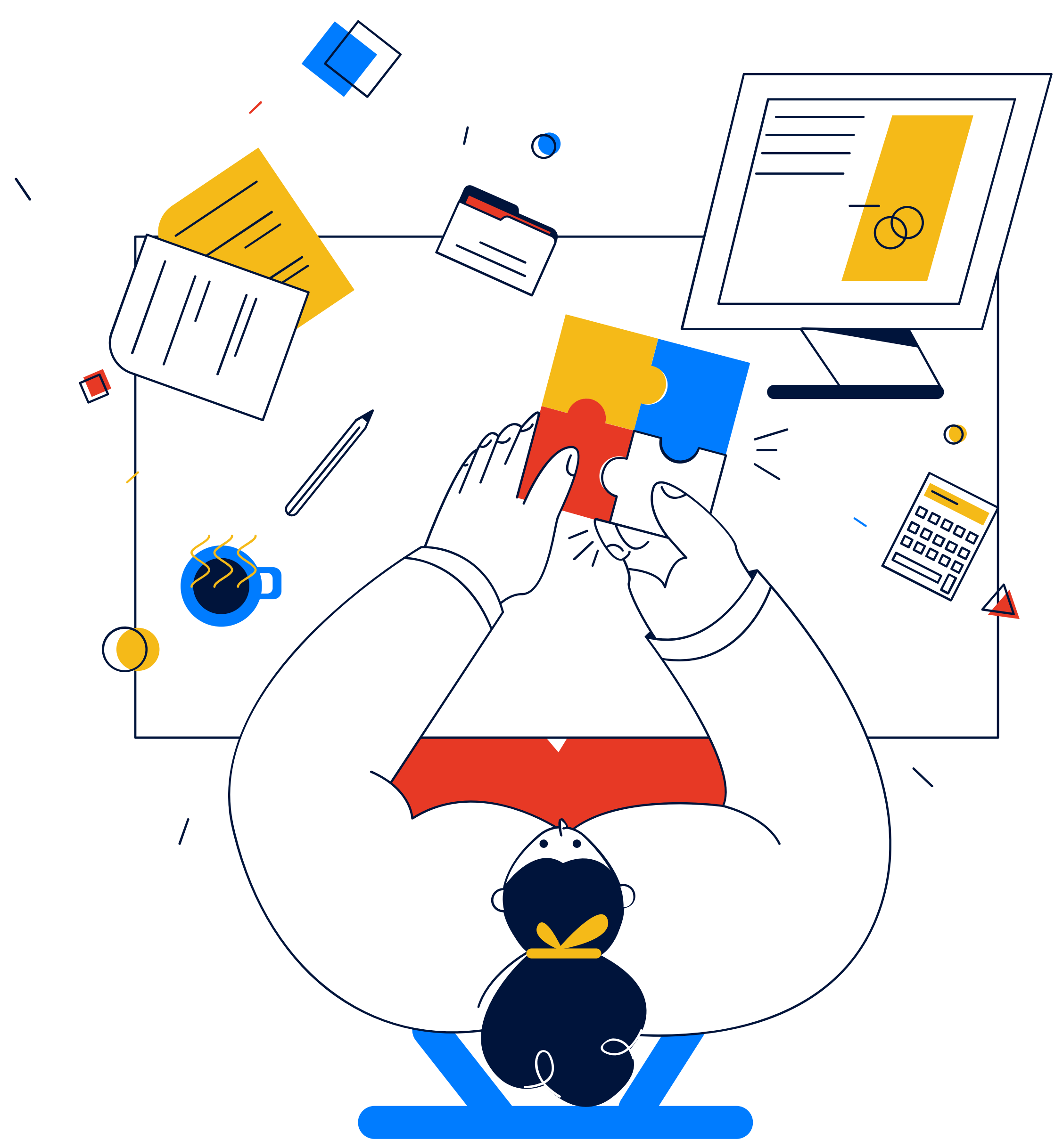
In the coming period, HR companies will pay special attention to the diversification of their services with an increase in the share of services that provide greater added value, the implementation of new technological solutions, and innovation with the aim of further growth and increased profitability.

Artificial intelligence (AI) and automation in HR processes provide benefits such as efficiency, personalization and data-driven decision-making. The integration of artificial intelligence and automation in HR processes helps companies in selecting ideal candidates, automating manual tasks, simplifying the recruitment workflow and others. AI and automation technologies are widely used to attract talent and improve the candidate experience during the hiring process. The Group will initiate the development of its own AI solutions within its IT companies in order to address all new challenges faced by companies from the HR industry vertical.

In the coming period, the Group will continue with further acquisitions in the HR segment primarily through further takeovers of companies that operate on European markets under a strong brand.

The Group will continue and develop the eCommerce industry vertical through further acquisitions and the development of existing online platforms. Although currently the smallest within the Group, this industry vertical represents great potential for further growth. The eCommerce industry is continuously going through changes that are expected to a significant extent in the coming period as well. More than ever before, retailers are creating and/or upgrading their eCommerce sites to reach customers at their locations. In this vertical too, a significant impact of AI on further development is expected through improving the reality and experience of online shopping, providing more information about customer habits and personalizing the customer experience. B2B transactions are also expected to grow and digital transformation will increase conversion, enable better analysis of a large amount of customer data and more ways to pay for services. It is expected that special emphasis will be placed on improving the experience of customers in communication with online platforms. The Group is able through its BPTO industry vertical to provide the highest quality service to online platforms within the eCommerce industry vertical, which will represent a significant comparative advantage over the competition.

The displayed and expected trends refer to the market for services provided by the Group, and the figures are indicative and refer to expected market trends with regard to current conditions, provided that there are no unexpected disruptions or changes in the future. However, these figures should in no way be interpreted as a forecast or estimate by the Group.



The text referred to in this section of the report contains statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of certain forward-looking terminology, including, but not limited to, the expressions: "believes", "estimates", "anticipates", "contemplates", "expects", "seeks", "goal", "strategy", "purpose"," "intends"," "continues"," "may"," "should" or, in each case, negative or other variations of these or similar terms. These forward-looking statements relate to matters that are not historical facts. Such forward-looking statements include statements regarding the Group's intentions, beliefs and/or current expectations with respect to, among other things, plans, objectives, achievements, strategies, future events, future revenues or performance, capital expenditures, financing requirements, plans and intentions for acquisitions, competitive strengths and weaknesses, business strategies and anticipated trends in the industry and political and legal environment in which the Group operates, as well as other non-historical information. The forward-looking statements contained in this document are inherently subject to risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and are more or less beyond the control and influence of the Group. Forward-looking statements are not guarantees of future performance. Actual performance, results of operations, financial condition, liquidity, trends, development of business strategies and operations in the markets in which it operates, directly or indirectly, and the actual resources available may differ materially from those suggested by the forward-looking statements contained in this document. Even if the investment performance, results of operations, financial condition, liquidity and the development of business strategies and operations in the markets in which it operates, directly or indirectly, are consistent with the forward-looking statements contained in this item of the report, they may not be indicative of results, developments, markets, or resources in future periods.

REPORT ON THE SUPERVISION OF BUSINESS OPERATIONS FOR BUSINESS YEAR 2023

The Supervisory Board of Meritus ulaganja d.d.

April, 2024.

mplusgroup.eu

The Supervisory Board of MERITUS ULAGANJA d.d., Zagreb, Ulica grada Vukovara 23, registered in the court register of the Commercial Court in Zagreb under the company's (court) registration number (MBS): 081210030, OIB: 62230095889 (the "Company"), delivers to shareholders:

I

The Report on the supervision of the Company's business operations in 2023, as provided for in Article 263, paragraph 3 of the Companies Act (Official Gazette 111/1993, 34/1999, 121/1999, 52/2000, 118/2003, 107/2007, 146/2008, 137/2009, 111/2012, 125/2011, 68/2013, 110/2015, 40/2019, 34/2022, 114/2022, 18/2023, 130/2023; "Companies Act");

II

The Report on the results of the examination of the annual financial statements of the Company and the Group, the Report on the state of the Company and its subsidiaries, and the proposal of the decision on the use of profit in 2023, as provided by Article 300c paragraph 2 of the Companies Act.

At the time of the preparation of this Report, the Supervisory Board comprises five (5) members:

Ms. Tamara Sardelić	President of the Supervisory Board
Mr. Philipp Rösler	Deputy President of the Supervisory Board
Mr. Ulf Gartzke	Member of the Supervisory Board
Mr. Joško Miliša	Member of the Supervisory Board
Ms. Ana Babić	Member of the Supervisory Board - representative of the workers

The Supervisory Board is composed mostly of independent members of the Supervisory Board, where the chairman and deputy chairman of the Supervisory Board are independent members of the Board.

During 2023, the composition of the Board changed in such a way that Mrs. Tamara Sardelić became the new president of the Supervisory Board on April 17, 2023, where she was appointed as the new president following the resignation of the member and president of the Board, Mr. Sandi Česko, which he submitted on April 6, 2023. On May 16, 2023, Ms. Ana Babić was appointed as a new member of the Board by the employees of the Company. Mr. Igor Varivoda resigned from the position of member and deputy chairman of the Board on June 30, 2023, and Mr. Hrvoje Prpić's membership in the Board ended on July 1, 2023. Additionally, on June 27, 2023, the General Assembly of the Company appointed Mr. Philipp Rösler as a new member of the Board, who was appointed by the Board members on July 10, 2023 as the new Deputy Chairman of the Board.

There are several committees of the Supervisory Board operating in the Company, which provide professional support to the Supervisory Board, in accordance with legal regulations and internal rules of the Company – the Audit Committee, the Remuneration Committee, and the Nomination Committee.

Audit Committee

The Audit Committee was established to ensure the objectivity and credibility of information and reports submitted to the Supervisory Board by monitoring and supervising the areas of existence and operational effectiveness of internal controls, adequacy of risk management processes, reliability of financial reporting, application of legislation and regulations, and relevant areas and issues related to the external and internal audit process. As of the date of this Report, the Audit Committee comprises three (3) members: Mr. Ante Vrančić, the President of the Committee, Mr. Joško Miliša, the member of the Committee and Mr. Boris Borzić, the member of the Committee. In 2023, the composition of the Committee changed as follows: Mr. Igor Varivoda was a member and chairman of the Committee until May 22, 2023, until the end of his mandate, after which Mr. Ante Vrančić was appointed by the members of the Committee as the new President of the Committee as of July 31, 2023. The Committee is composed mostly of independent members, and the President of the Committee is an independent member.

In 2023, the Audit Committee regularly monitored and supervised the Company's operations and achieved exceptional cooperation with the Management Board and the Supervisory Board of the Company and its certified external auditor, as well as internal audit. The attendance of all members of the Committee was 100%, except for Mr. Joško Miliša, who was not present at one session, but submitted his vote for decision-making

The Committee held seven sessions and two correspondence votes. During these, discussions took place, and decisions were made on the following topics:

Annual audited financial statements for 2022,

External auditor's report for 2022,

Annual Report on the work of the Audit Committee in 2022,

Recommendations related to the external auditor for 2023,

Work plan of the external auditor for 2023,

Approval for providing non-audit services to an external auditor,

Election of the new President of the Committee,

Quarterly and semi-annual unaudited financial statements,

Annual work plan of the internal audit for 2024, following to the received report for the year 2023,

Proposal for a decision on the dismissal and appointment of the head of internal audit,

Approval of the Internal Audit Charter

Evaluations of the effectiveness of the internal control and risk management system, the effectiveness of the publication and approval of related party transactions, and the effectiveness of the procedure for reporting violations of laws or internal rules.

Nomination Committee

The Nomination Committee has the duty to nominate candidates for member positions in the Management Board and the Supervisory Board and supervise the appointment process itself, monitor the progress of achieving the target percentage of female members on the Management Board and the Supervisory Board, as well as other prescribed responsibilities.

At the date of the publication of this Report, the Nomination Committee comprised three (3) members: Ms. Tamara Sardelić, President of the Committee, Mr. Igor Varivoda, Member of the Committee, and Mr. Joško Miliša, Member of the Committee. Mr. Joško Miliša is a new member of the Committee by decision of the Supervisory Board dated February 28, 2023, where he was appointed as a new member following the resignation of member Mr. Vanja Vlak, which he submitted on February 20, 2023. The Committee is composed mostly of independent members, and the President of the Committee is an independent member.

In 2023, the Nomination Committee held two sessions at which the Report on the work of the Committee for 2022 was adopted and the proposal to appoint the new member of the Supervisory Board was passed. All members were present at the session.

Remuneration Committee

The Remuneration Committee has the duty to propose the Policy on the remuneration of the members of the Management Board and the Supervisory Board (which is decided on by the General Assembly), to supervise the preparation of the statutory and mandatory annual Report on the remuneration of members of the Management Board and the Supervisory Board, as well as other prescribed responsibilities.

At the date of the publication of this Report, the Remuneration Committee comprises three (3) members: Ms. Tamara Sardelić, President of the Committee, Mr. Igor Varivoda, Member of the Committee, and Mr. Joško Miliša, Member of the Committee. Mr. Joško Miliša is a new member of the Committee by decision of the Supervisory Board dated February 28, 2023, where he was appointed as a new member following the resignation of member Mr. Vanja Vlak, which he submitted on February 20, 2023. The Committee is composed mostly of independent members, and the President of the Committee is an independent member.

During 2023, the Remuneration Committee held two (2) sessions, at which it adopted the Report on the work of the Committee in 2022, analysed the adopted revised Report on remuneration of members of the Management Board and the Supervisory Board in 2022 and adopted a recommendation on the amendment of the Remuneration policy of members of the Management Board. All members were present at the sessions.

In 2023, the Supervisory Board carried out regular supervision over the business operations of the Company and the Group, in accordance with the Company's Articles of Association, the Rules of Procedure of the Supervisory Board, other internal rules of the Company as well as legal regulations.

In 2023, a total of 11 sessions of the Supervisory Board were held, which were mostly held by video call, in accordance with the Rules of Procedure of the Supervisory Board. The total participation rate at the sessions was 98,86%, and the records of the presence of each member of the Supervisory Board and their participation rate at the meetings are as follows:

Member of the Supervisory Board	Participation	Participation rate
Tamara Sardelić	11/11	100%
Philipp Rösler	6/6	100%
Ulf Gartzke	11/11	100%
Joško Miliša	10/11	91%
Ana Babić	6/6	100%
Igor Varivoda	5/5	100%
Hrvoje Prpić	5/5	100%
Sandi Češko	2/2	100%
	Total	**98.86%**

The Supervisory Board accepted all proposals of the Management Board submitted in 2023 and made decisions that were not within the jurisdiction of the Management Board and the General Assembly of the Company.

During the supervision, the Supervisory Board paid special attention to examining the legality of operations in terms of compliance with the applicable legislation of the Republic of Croatia, internal legal regulations of the Company, including the Company's Articles of Association and decisions of the General Assembly, and the rules and Code of Corporate Governance of the Zagreb Stock Exchange and the Croatian Financial Services supervisory agency ("HANFA").

The Supervisory Board conducted an evaluation of its effectiveness and composition in 2023 and the effectiveness and composition of the Supervisory Board committees, including the individual results of the members. The evaluation was led by the President of the Supervisory Board, and all Supervisory Board members participated in the evaluation. No external evaluators were hired to carry out the evaluation process, nor were any consultations conducted with third parties. The Supervisory Board concluded that the Supervisory Board and its committees function well, have a balanced composition, and the necessary expertise that is in line with the requirements of the Company's operations. However, to achieve the planned activities with the aim of equalizing the representation of persons of both genders in the Supervisory Board, appropriate activities will be carried out to realize the mentioned equalization. The Supervisory Board will continue to apply corporate governance best practices, striving to achieve even greater effectiveness in the future.

In June 2023, the General Assembly amended the Company's Articles of Association, increasing the total number of Management Board members from three to five. With these changes, the Company adopted a new Diversity Plan for the Management Board and Supervisory Board for the next five years (2024 - 2029), setting the following targeted percentage of female members:

- Supervisory Board - at least 28.57%, or at least two members out of the current maximum number of Supervisory Board members (seven);
- Management Board - at least 40%, or at least two individuals out of the current maximum number of Management Board members (five).

These targets apply under the condition that the number of members is maintained according to the current Articles of Association. In the event of changes to the Articles of Association regarding the number of Management Board and/or Supervisory Board members, the Supervisory Board will adopt a new plan in line with the amendments, respecting the principles of the DEI Policy.

In 2023, the targeted percentage of female members in the Supervisory Board was achieved, while there were no changes in the target for the Management Board. The Company will continue to carry out appropriate activities with the aim of making advancements and realizing the set goal. The Group pays great attention to diversity within the Group, as proven by the fact that 60% of the Group's employees are women, and more and more women are being appointed to managerial positions within the Group. At the same time, with the issue of bonds related to sustainable business in 2022 on the Official Market of the Zagreb Stock Exchange d.d., the company set one of the two key performance indicators (KPIs) to promote more balanced gender diversity in management teams, where the goal is to achieve 51% representation women in management teams (including management bodies) by the end of 2030.

The Company's Management Board prepared the annual financial report and the consolidated annual financial report of the Group within the legal deadline. The two reports were audited by the independent auditor Deloitte d.o.o., Zagreb, Radnička cesta 80.

In accordance with the best knowledge of the Supervisory Board and based on the submitted data, the annual financial report of the Company and the consolidated annual financial report of the Group present an objective view of the state and results of operations of the Company and its subsidiaries. It determines that the reported business data correspond to the business status stated in the business books of the Company and its subsidiaries. It also presents an objective, complete, and true presentation of the assets and liabilities of the Company and its subsidiaries.

The Supervisory Board has no objections to the auditor's report on the examination of the annual financial statements for the business year 2023.

The Supervisory Board accepted the annual financial audited reports and gave its consent to the reports. The Management Board was informed of the given consent at the session of the Supervisory Board.

In accordance with the annual financial report of the Company, the Company made a net profit in the total amount of EUR 1,411,607.38 in the business year 2023.

In accordance with the powers provided by the applicable legislation of the Republic of Croatia, the Management Board of the Company proposed to the General Assembly to adopt a decision on the use of profits in such a way that it is distributed as follows:

- An amount of EUR 70,580.37 is to be allocated into legal reserves
- A dividend payment in the amount of EUR 2.258.673,60 is determined, which amounts to EUR 2.3 per share, to the Company's shareholders in proportion to the number of shares they hold. The dividend will be paid from the part of the retained earnings of the Company from 2022 in the amount of EUR 993,821.49 and the profit of the current year in the amount of EUR 1,264,852.11. The dividend will be paid to shareholders registered in the depository of the Central Depository and Clearing Company Inc. on the day July 16, 2024 (record date) as holders of MRUL shares, thus acquiring the right to the dividend payment. From July 15, 2024 (ex-date), the stock will be traded without the right to the dividend payment. The dividend payment will be on July 19, 2024 (payment date)
- The remaining amount of EUR 76,174.90 is retained in the unallocated profit of the Company.

The Supervisory Board has no objections to the proposal of the Management Board's decision on the use of profit and considers that it corresponds to the business results and that it is in the function of the business plan for the current year. The Supervisory Board gives its consent to the proposal of the Decision on the use of profits.

The Company's Management Board prepared and submitted to the Supervisory Board the Annual report on the status of the Company and the Group, which includes a report on the status of subsidiaries and relations with subsidiaries.

In accordance with the best knowledge of the Supervisory Board, the Annual report on the status of the Company is an objective presentation of the status and results of the operations of the Company, as well as its subsidiaries. The Supervisory Board accepted the report and gave its consent to the report, as the business results are in line with expectations.

Composition of the Management Board

The Management Board of the Company is composed of two members. The function of the President of the Management Board is performed by Mr. Darko Horvat, and the function of a member of the Management Board is performed by Mr. Tomislav Glavaš, both authorized to represent the Company independently and individually. In 2023, the year to which this report refers, there were no changes in the composition of the members of the Management Board.
The Management Board assessed its own effectiveness and the effectiveness of individual members of the Management Board in 2023 and informed the Supervisory Board thereof. The Management Board comprises members with different experiences, which include experience in business management, experience in identifying and monitoring risks and crisis management, developed organizational skills, knowledge related to accounting and finance, knowledge related to the Company's business, and knowledge related to the national and international market. They are familiar with good corporate governance practices and have a clear strategic vision. The Management Board determined that it conducted its business independently and at its own risk and made Decisions exclusively at its own discretion except for those decisions that it could not make without the express prior consent of the Supervisory Board. All decisions were made at the session of the Management Board and are listed in the minutes of the meeting, in accordance with the Rules of Procedure of the Management Board. In conclusion, it is established that the Management Board acted exclusively for the benefit of the Company and its shareholders and that it took into account the interests of employees and other stakeholders of the Company and the Group.

The Supervisory Board estimates that the Management Board and the Supervisory Board achieved exceptional cooperation in 2023 and that the Management Board provided maximum commitment to the Supervisory Board with the goal of achieving better cooperation and support. It participated in all the meetings of the Supervisory Board, and regularly and timely informed the Supervisory Board on the results and business status of the Company and the Group, corporate strategy and planning, business development, business compliance, risk status and risk management, and organizational and other changes related to the management of the Company and the Group.

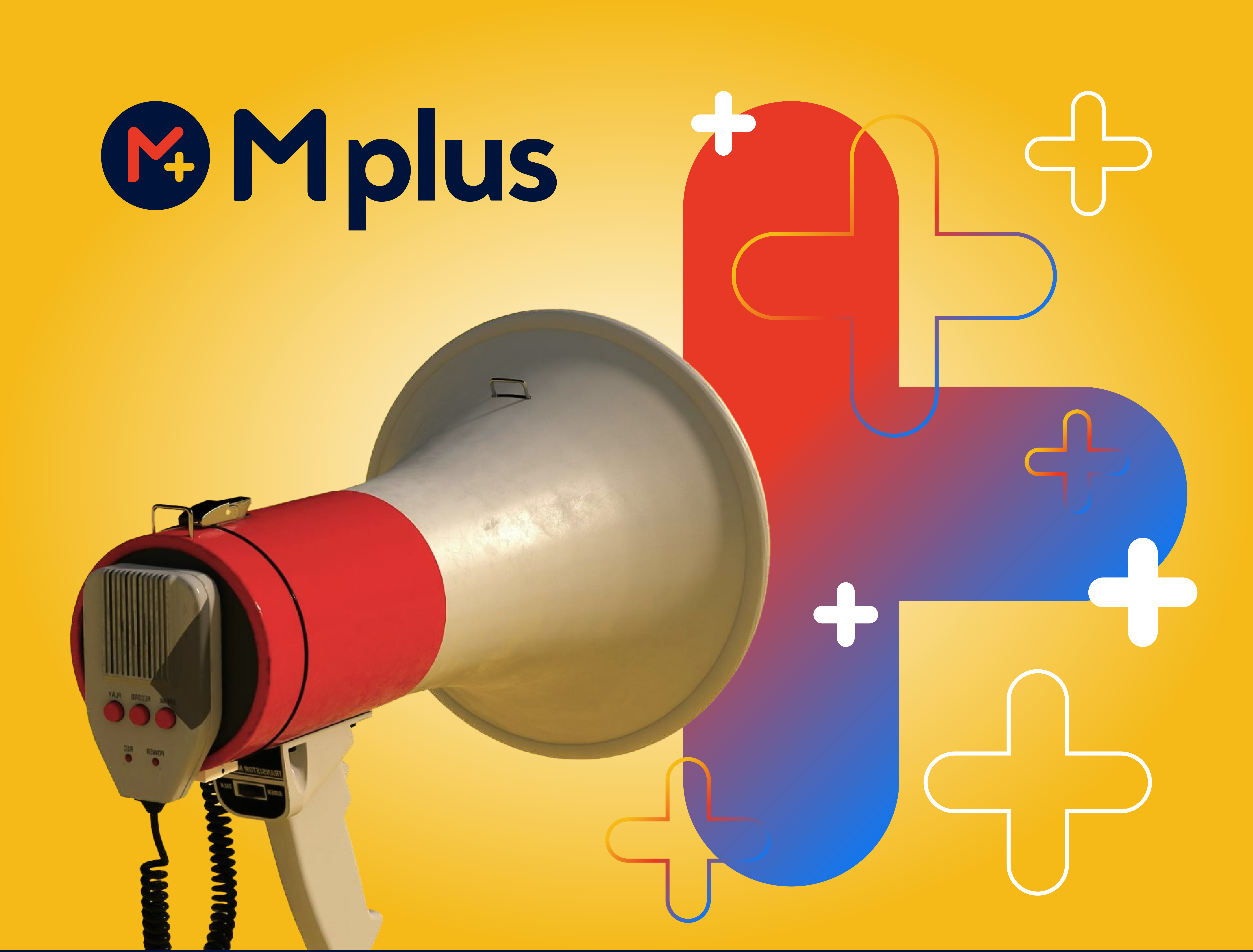
The Supervisory Board reached the following conclusions:

- the examination of the annual financial report and the consolidated annual financial report of the Group, the Report on the status of the Company and its subsidiaries, and regular monitoring conducted during 2023 established that the Management Board acted in accordance with the applicable legislation of the Republic of Croatia, Zagreb Stock Exchange, HANFA, internal acts of the Company (including the Articles of Association), and decisions of the General Assembly. It respected the guidelines and instructions of the Supervisory Board. Therefore, the Supervisory Board has no objections to the annual financial statements, the Report on the status of the Company and its subsidiaries, and the proposal on the use of profit;

- there are no objections to the Report and the opinion of the independent auditor on the annual financial statements;

- it approves the annual financial statements, the Report on the status of the Company and its subsidiaries, and the proposal of the Decision on the use of profit.

Tamara Sardelić, President of the Supervisory Board



Statement of Application of the Code of Corporate Governance

April, 2024.

mplusgroup.eu

Meritus ulaganja d.d. (hereinafter: the "Company"), in accordance with Article 250b and Article 272p of the Companies Act, issues a Statement of Application of the Code of Corporate Governance.

STATEMENT of Application of the Code of Corporate Governance

1 in 2023, the Company applied the Code of Corporate Governance of the Zagreb Stock Exchange d.d. and the Croatian Financial Services Supervisory Agency (www.hanfa.hr), which was published on the websites of the Stock Exchange (www.zse.hr) and the Croatian Financial Services Supervisory Agency (www.hanfa.hr) and applied from January 1, 2020.

In addition to the aforementioned Code of Corporate Governance of the Zagreb Stock Exchange, the Company also applies its own Code of Corporate Governance adopted On October 30, 2020. Its provisions are aimed at upgrading corporate relations arising from applicable legislation and internationally accepted principles and experiences of best corporate governance practices. It is available on the Company's website (www.mplusgroup.eu).

2 The Company complies with the provisions of the Code, with the exception of those provisions whose application at a given time is not practically feasible or envisaged given the applicable legal framework. The exceptions mentioned are as follows:

- The Supervisory Board did not adopt a decision on the categories of decisions of the Management Board that require the prior consent of the Supervisory Board and publish a summary of these decisions on the Company's social networks, as the list of decisions, i.e., actions, of the Management Board that require the prior consent of the Supervisory Board is defined by the Company's Articles of Association and the Rules of Procedure of the Management Board and the Supervisory Board, which are available free of charge on the Company's social networks.
- The Company has prescribed by its internal Code of Corporate Governance and in accordance with the Companies Act that transactions between members of the Management Board or the Supervisory Board and the Company (or persons related to any party) will require the prior consent of the Company's Supervisory Board if the value of the transaction alone or in combination with other transactions undertaken by the Company with a related party in the last twelve months before the transaction is carried out exceeds 2.25% of the sum of fixed and current assets determined in the last annual financial statements. Therefore, the fair value of transactions is determined by an independent expert only for these transactions, in accordance with the Company's internal Code of Corporate Governance. Considering the amendments to the Law on Companies that have come into force in the meantime, the Company is currently working on updating the internal Corporate Governance Code, with the aim of harmonizing it with the aforementioned amendments to the applicable legislation
- For certain extraordinary sessions of the Supervisory Board and the Audit Committee, the Company delivered the invitation and the materials necessary for the mentioned Committees session to the members of the mentioned Committees less than a week before the meeting, given that those were needed to be held in a shorter period of time to insure to the orderly execution of the Company's business, which the members of the mentioned Committees agreed to. The Company normally

complies with the obligation to deliver invitations and materials no later than one week before the meeting, and the same is stipulated in the Company's internal acts.

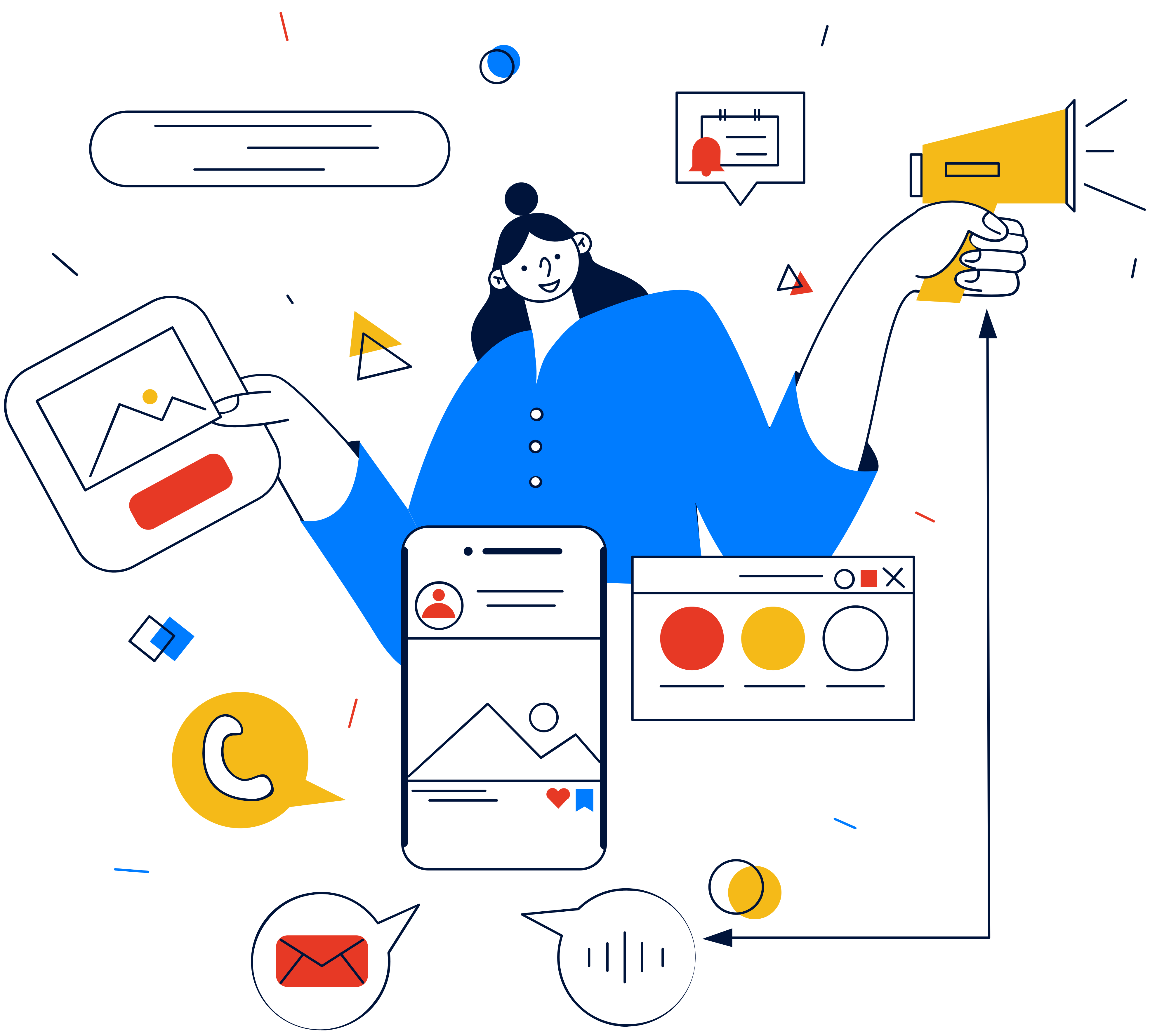
- The Supervisory Board did not determine the variable part of the annual remuneration of each member of the Management Board for 2023, based on the recommendations of the Remuneration Committee and in accordance with the approved remuneration policy and it will do so when the Remuneration Committee and Supervisory Board pass the appropriate decision.
- The Deputy Chairman of the Supervisory Board and the Chairman of the Audit Committee did not participate in the session of the General Assembly in 2023. However, the members of the Management Board, the chairman of the Supervisory Board, who is also the chairman of the other committees of the Supervisory Board, and the external auditor were present at the General Assembly and were able to provide answers to all potential questions of shareholders. At the future sessions of the General Assembly of the Company, the Company will endeavor to have all the listed persons from Article 81 of the Code present.
- In accordance with the Code of Corporate Governance and other regulations, the role of the Committees of the Supervisory Board is to make recommendations and proposals and monitor certain processes related to the Company. Therefore, no direct communication of the President of the Committees with key stakeholders, such as customers, suppliers, and others, has been envisaged.

3. Internal supervision is carried out by the controlling function, group consolidation and reporting, internal audit, and the Audit Committee. The mentioned services inform the Management Board about the performed supervision, the internal audit informs the Audit Committee, and the Audit Committee informs the Supervisory Board. The obligation of internal control is to ensure the objectivity and credibility of information and reports submitted to the Supervisory Board by monitoring and supervising the areas of existence and operational effectiveness of internal controls, adequacy of the risk management process, reliability of financial reporting, application of legislation and regulations, and relevant areas and issues connected to the process of external and internal audit.

4. The Company's shares were listed on the Official Market of the Zagreb Stock Exchange d.d. on August 6, 2019, and they have been traded through the Zagreb Stock Exchange since August 8, 2019. On June 2, 2021, the Group made a decision to increase its capital by issuing shares through a secondary public offering on the Zagreb Stock Exchange. During the period from July 12 to July 26, 2021, through two subscription rounds in which qualified investors and small investors participated, HRK 105,592,950.00 was collected. By the decision of the Management Board dated July 28 and with the consent of the Supervisory Board dated July 28, the paid-in capital was allocated to a total of 124,227 new shares without a nominal amount. Based on the decision of the Zagreb Stock Exchange dated August 3, 2021, these shares were listed on the Official Market under the same symbol and mark as the previously listed shares of the Company (MRUL-R-A, ISIN: HRMRULRA0009), on August 6, 2021, as their first day of trading.

The ownership structure of the Company as of December 31, 2023, was as follows:

Orso Global d.o.o.	51,29%
OTP BANKA d.d. /ERSTE PLAVI OMF – Kategorija B	9,55%
OTP BANKA d.d. /ERSTE PLAVI OMF – Kategorija B	9,55%
HPB d.d./Fond za financiranje razgradnje NEK	8,41%
OTP BANKA d.d./AZ OMF – Kategorija B	7,96%
Raiffeisenbank Austria d.d./Raiffeisen Dobrovoljni Mirovinski Fond	4,16%
Privredna banka Zagreb d.d. / Raiffeisen OMF – Kategorija B	4,10%
Zagrebačka banka d.d. /AZ Profit Otvoreni Dobrovoljni Mirovinski Fond	1,39%
Privredna banka Zagreb d.d. /Raiffeisen OMF – Kategorija A	0,74%
ERSTE & STEIERMÄRKISCHE BANK d.d./ PBZ CO OMF – Kategorija A	0,59%



- The Company does not have holders of securities with special control rights, nor holders of securities with restrictions on voting rights to a certain percentage or number of votes.

  The Company has adopted the Procedure for appointing members of the Management Board and the Supervisory Board. The procedure for appointing and recalling members is carried out in accordance with the Companies Act and the Company's Articles of Association.

  The Company has no special rules on the powers of members of the Management Board. According to the Companies Act and the Company's Articles of Association, the Management Board conducts business at its own risk. It is obliged and authorized to take all actions and make decisions it deems necessary for the successful conduct of the Company's business, provided that certain issues and decisions require the consent of the Supervisory Board.

  The Management Board of the Company was granted the authority to acquire treasury shares by the General Assembly of the Company on June 30, 2020. Authorization to acquire the Company's treasury shares is granted during a period of 5 (five) years from the date of the decision of the General Assembly of the Company, and up to a maximum amount of HRK 75,000,000.00, without the further special consent of the General Assembly, under the following conditionsl:

1. the total number of shares of the Company acquired pursuant to this Decision, together with treasury shares already held by the Company, may not exceed 10% (ten percent) of the share capital of the Company at the time of acquisition;

2. the Management Board of the Company must acquire treasury shares on the regulated securities market;

3. the price at which treasury shares are acquired may not be above 10% (ten percent) or below 10% (ten percent) of the average market price realized for those shares during the previous trading day;

4. in the business year in which the Company acquired its treasury shares, it must enter a part of the profit in the reserves for those shares in that year and state the amounts corresponding to the amounts paid for the acquisition of treasury shares, so that, due to the acquisition of shares, the Company's net assets shown in the financial statements for the last business year do not become less than the amount of share capital and reserves that the Company must have by law, by the Articles of Association, or by the decision of the General Assembly of the Company, and which may not be used for payments to shareholders;

5. the Management Board of the Company must inform the first following General Assembly of the Company about the reasons and purpose of acquiring shares, their number, and share in the share capital, and the equivalent of what the Company has given for these shares.

The Company's Management Board is authorized, with the consent of the Supervisory Board, to manage treasury shares that it already holds or which it will acquire based on the provisions of the General Assembly decision authorizing the Company's Management Board to acquire treasury shares even outside the regulated market (for example, through disposition within the ESOP program, the program of allotment of option shares, the remuneration program for members of the Management Board, and other programs for the disposition of treasury shares adopted by the Management Board with the prior consent of the Supervisory Board), without the need for a special decision of the General Assembly of the Company – apart from the aforementioned Decision.

Based on the decision of the General Assembly, the Management Board also adopted the Treasury share purchase program with the prior consent of the Supervisory Board on July 31, 2020, which is available free of charge on the Company's website.

In 2023, there was no acquisition of treasury shares.

5 **the Management Board** of the Company is composed of two members. The function of the President of the Management Board is performed by Mr. Darko Horvat, and Mr. Tomislav Glavaš holds the function of a member of the Management Board. There were no changes in the composition of the Management Board in 2023.
The Management Board manages the Company's affairs in accordance with the Company's Articles of Association, the Rules of Procedure of the Management Board, and legal regulations.
The Management Board is appointed and recalled by the Supervisory Board. The term of office of the members of the Management Board lasts up to five years. The members can be reappointed.

At the time of the preparation of this Report, **the Supervisory Board** comprises five (5) members:

Ms. Tamara Sardelić	President of the Supervisory Board;
Mr. Philipp Rösler	Deputy President of the Supervisory Board;
Mr. Ulf Gartzke	Member of the Supervisory Board;
Mr. Joško Miliša	Member of the Supervisory Board;
Ms. Ana Babić	Member of the Supervisory Board - representative of the workers

During 2023, the composition of the Board changed in such a way that Mrs. Tamara Sardelić became the new president of the Supervisory Board on April 17, 2023, where she was appointed as the new president following the resignation of the member and president of the Board, Mr. Sandi Česko, which he submitted on April 6, 2023. Mrs. On May 16, 2023, Ana Babić was appointed as a new member of the Board by the employees of the Company. Mr. Igor Varivoda resigned from the position of member and deputy chairman of the Board on June 30, 2023, and Mr. Hrvoje Prpić's membership in the Board ended on July 1, 2023. Additionally, on June 27, 2023, the General Assembly of the Company appointed Mr. Philipp Rösler as a new member of the Board, who was appointed by the Board members on July 10, 2023 as the new Deputy Chairman of the Board.

The Supervisory Board supervises the Company's affairs in accordance with the Company's Articles of Association, the Rules of Procedure of the Supervisory Board, and legal regulations. Members of the Supervisory Board are elected by the General Assembly of the Company, with the amendment of the Company's statutes by the General Assembly on June 27, 2023, the company Orso Global d.o.o., as a shareholder of the Company, with headquarters in Zagreb, Vjekoslava Heinzela 62A, registered in the court register of the Commercial Court in Zagreb under registration subject number (MBS): 081393625, OIB: 64606431733 has the right to appoint two (2) members of the Supervisory Board and to determine the term of office of the appointed members of the Supervisory Board, as well as to recall them before the end of the mandate to which they were appointed. The Supervisory Board, i.e., the Nomination Committee, proposes the candidates of the Supervisory Board to the General Assembly. The members of the Supervisory Board are elected for a period of up to four years, starting from the date of the appointment decision, and the same persons may be re-elected.

The Company has several committees of the Supervisory Board that provide professional support to the Supervisory Board in accordance with legal regulations and internal rules of the Company. Each board oversees at least three members, who are appointed from among the members of the Supervisory Board and/or members appointed by the General Assembly of the Company, for a mandate period of four years, and the same persons can be re-elected.
The Supervisory Board has established an Audit Committee. At the time of the preparation of this Statement, it comprises the following members:

- Mr. Ante Vrančić – President
- Mr. Joško Miliša – member
- Mr. Boris Borzić – member

In 2023, the composition of the Committee changed as follows: Mr. Igor Varivoda was a member and chairman of the Committee until May 22, 2023, until the end of his mandate, after which Mr. Ante Vrančić was appointed by the members of the Committee as the new President of the Committee as of July 31, 2023.
The Supervisory Board has a Nomination Committee and a Remuneration Committee. At the time of the preparation of this Statement, the two committees have the following members:

- Ms. Tamara Sardelić – President of both committees
- Mr. Igor Varivoda – member of both committees
- Mr. Joško Miliša – member of both committees.

Mr. Joško Miliša is a new member of both Committees by decision of the Supervisory Board dated February 28, 2023, where he was appointed as a new member following the resignation of member Mr. Vanja Vlak, which he submitted on February 20, 2023.

Darko Horvat, President of the Management Board

Tomislav Glavaš, Member of the Management Board

Mplus

Auditors report and consolidated financial statements

April, 2024.

mplusgroup.eu

The Management Board's responsibility for the Annual report

The Management Board must ensure that the consolidated financial statements are prepared in accordance with International Financial Reporting Standards, adopted by the European Union ("IFRS"), so as to provide a true and fair view of the financial status and results of operations of Meritus ulaganja d.d., Zagreb (the "Company") and its subsidiaries (the "Group") for the year that ended on December 31, 2023, and for each period presented.

Following examinations, the Management Board has a reasonable expectation that the Group will have 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 consolidated financial statements.

In preparing consolidated financial statements, the Management Board is responsible for:

- selecting and then consistently applying appropriate accounting policies;
- making sure that judgments and estimates are reasonable and prudent;
- the application of applicable accounting; and
- the preparation of consolidated financial statements on a going concern basis.

The Management Board is responsible for keeping proper accounting records, which, at any time, disclose with reasonable accuracy the consolidated financial position of the Group and must also ensure that it complies with the Croatian Accounting Act. The Management Board is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Group's Management Board is also responsible for the completeness and accuracy of the consolidated management report in accordance with Articles 21 and 24 of the Accounting Act.

Signed by members of the Management Board:

President of the Management Board	Member of the Management Board
Darko Horvat	Tomislav Glavaš

Meritus ulaganja d.d.

Ulica Vjekoslava Heinzela 62A

10 000 Zagreb

Republic of Croatia

April 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Meritus ulaganja d.d., Zagreb

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Meritus ulaganja d.d., Zagreb and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, 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 (IFRS).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note *4.1. Restatement of prior period* accompanied by the financial statements, which describe the effects of the restatements of comparative period. Our opinion has not been modified on the matter.

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

<table>
<tr><th>Revenue recognition</th><th>How we approached the key audit matter during our audit</th></tr>
<tr><td colspan="2">For accounting policies, see the Summary of Accounting Policies, Note 3.6. – Revenue from contracts with customers.</td></tr>
<tr><td>Revenue from contact centres is recognized in the period in which the services are rendered. Services are recognized either based on the time spent by staff on various communication channels, the quantity of processed units on various communication platforms, or the number of dedicated individuals on specific engagements or projects. Certain contracts also include a variable portion of the fee.

Revenue from the sale of software solutions is recognized over time. Revenue is recognized in the financial statements based on the degree of completion of the contract. The Group sells software directly to customers, and revenue is recognized at a specific point when control over the software is transferred to the customers, with the sale of the software considered a separate distinct obligation of delivery.

Revenue from agency employment and similar services is recognized in the period in which the services are rendered.

eCommerce revenue consists of resale services of tourism arrangements and sales of cosmetic products. Revenue from the resale of tourism arrangements is recognized as commission or fees earned for services provided as an agent. For the sale of goods, revenue is recognized when control over the goods is transferred to the customer.

Revenue recognition involves significant management estimation and judgment in determining the appropriate timing or degree of completion for the performance obligation, as well as the transaction price for each distinct performance obligation. Due to these risks, this area has been identified as a key audit matter.</td><td>In order to address the risks associated with revenue recognition, we designed audit procedures that enabled us to obtain sufficient appropriate audit evidence for our conclusion on this matter.

Our audit procedures included, among others:

• Evaluating the Group's revenue recognition policies and their compliance with IFRS 15;
• Testing the design and implementation of internal controls related to revenue recognition to ensure their adequacy of recording;
• Selecting a sample of transactions for each revenue stream and conducting substantive testing to determine the appropriateness of revenue recognition, considering relevant criteria under IFRS 15;
• Assessing management's estimates used in determining transaction prices, distinct delivery obligations, and the timing or degree of completion for performance obligations;
• Reviewing whether disclosures regarding revenue from customer contracts are appropriate in the consolidated financial statements.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

<table>
<tr><th>Business combinations</th><th>How we approached the key audit matter during our audit</th></tr>
<tr><td colspan="2">For accounting policies, see the Summary of Accounting Policies, Note 3.4. – Business combinations.</td></tr>
<tr><td>In the current financial year, the Group has completed significant business combinations, as noted in Note 34 “Acquisition of subsidiaries” to the consolidated financial statements. The application of IFRS 3, "Business Combinations," required the identification and fair valuation of acquired assets and liabilities.

The allocation of the purchase price in business combinations is a key audit matter due to the inherent subjectivity in determining the fair value of assets and liabilities and the identification of assets and liabilities, which primarily rely on the use of significant unobservable inputs and management estimates.

These valuations require the application of various estimation techniques and assumptions, including future cash flows, discount rates, and growth rates, which are subject to changes in the economy and industry-specific factors.</td><td>We assessed whether management appropriately applied the requirements of IFRS 3 by performing the following audit procedures:

• Evaluation of the appropriateness of the Group's accounting policy for business combinations under IFRS 3 and assessment of the adequacy of related disclosures in the consolidated financial statements.

• Assessing the competence, capabilities, and objectivity of external valuation experts engaged by the Group in determining the fair value of acquired assets and liabilities.

• Engaging our internal specialists who reviewed the purchase price allocations, on a business combination-by-business combination basis and evaluating their conclusions regarding reasonableness.

Analysis of data and assumptions used in valuation models, including testing the appropriateness of applied discount rates and growth rates, comparing them to external market data and our own expectations.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

<table>
<tr><th>Recoverability of goodwill</th><th>How we approached the key audit matter during our audit</th></tr>
<tr><td colspan="2">For accounting policies, see the Summary of Accounting Policies, Note 3.5. – Goodwill and note 4. Critical accounting judgements and key sources of estimation uncertainty</td></tr>
<tr><td>Goodwill is disclosed in Note 15 and amounts to 17,983 thousand EUR (2022: 17,249 thousand EUR).

The carrying amount of goodwill represents a significant segment of the total consolidated assets. The assessment of the recoverability of the cash-generating units of the Group involves significant management judgment related to: a) the future operating results of individual units of the Group and b) the discount rates used in the assessment of cash flows for these units.

Considering the significant reliance on management estimates in defining cash-generating units, designing cash flow projections, and calculating the net present value for each cash-generating unit, this area has been identified as a key audit matter.

compliance with IFRS adopted by the EU.</td><td>The audit procedures included:
Understanding the impairment assessment process of goodwill;
Reviewing the Group's methodology regarding the adequacy of defining cash-generating units;
Analysing the Group's future cash flows by comparing the inputs used in plans with approved budgets for each segment. Where possible and available, we also reviewed the fair value of each segment;
Comparing actual results from the current period (2023) with the inputs used in forecasts from the previous period (2022) to assess the assumptions used;
Reviewing management's key assumptions regarding the long-term growth rate by comparing it with historical growth rates;
Conducting audit procedures related to verifying the mathematical accuracy of the impairment model and sensitivity analysis, and assessing the appropriateness of the discount rates used in the calculation, with the assistance of valuation experts;
Evaluating the adequacy of disclosures in the consolidated financial statements and their compliance with IFRS adopted by the EU.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT (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 and Corporate Governance Statement (but does not include the consolidated financial statements and our auditor's opinion thereon), which we obtained prior to the date of this auditor's report, and the Non-financial report, which is expected to be made available to us after that date. When we read the Non-financial report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Our opinion on the consolidated financial statements does not cover the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. With respect to the Management Report and the Corporate Governance Statement, which are included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include examination of whether the Management Report include required disclosures as set out in the Articles 21 and 24 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in the Articles 22 and 24 of the Accounting Act.

Based on the procedures performed during our audit, to the extent we are able to assess it, we report that:

1) Information included in the other information is, in all material respects, consistent with the attached consolidated financial statements.
2) Management Report has been prepared, in all material respects, in accordance with the Articles 21 and 24 of the Accounting Act.
3) Corporate Governance Statement has been prepared, in all material aspects, in accordance with the Articles 22 and 24 of the Accounting Act.

Based on the knowledge and understanding of the Group and its environment, which we gained during our audit of the consolidated financial statements, we have not identified material misstatements in the other information.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's report to the related disclosures in the consolidated 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 auditor's 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 control 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, related 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

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INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements

Report based on the requirements of Delegated Regulation (EU) No. 2018/815 amending Directive No. 2004/109/EC of the European Parliament and of the Council as regards regulatory technical standards for the specification of the uniform electronic format for reporting (ESEF)

Auditor's reasonable assurance report on the compliance of consolidated financial statements (financial statements), prepared based on the provision of Article 462 (5) of the Capital Market Act by applying the requirements of the Delegated Regulation (EU) 2018/815 specifying for the issuers a single electronic reporting format ("ESEF Regulation"). We conducted a reasonable assurance engagement on whether the financial statements of the Group for the financial year ended 31 December 2023 prepared to be made public pursuant to Article 462 (5) of the Capital Market Act, contained in the electronic file [meritusulaganjagrupa-2023-12-31-en.html], have been prepared in all material aspects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the Management and Those Charged with Governance

Management is responsible for the preparation and content of the financial statements in line with the ESEF Regulation.

In addition, Management is responsible for maintaining the internal controls system that reasonably ensures the preparation of financial statements without material differences with the reporting requirements from the ESEF Regulation, whether due to fraud or error.

Furthermore, Management is responsible for the following:

- public reporting of financial statements presented in the annual report in valid XHTML format
- selection and use of XBRL markups in line with the requirements of the ESEF Regulation.

Those charged with governance are responsible for supervising the preparation of financial statements in ESEF format as part of the financial reporting process.

Auditor's Responsibilities

It is our responsibility to carry out a reasonable assurance engagement and, based on the audit evidence obtained, give our conclusion on whether the financial statements have been prepared without material differences with the requirements from the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with the *International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000). This standard requires that we plan and perform the engagement to obtain reasonable assurance for providing a conclusion.

Quality management

We have conducted the engagement in compliance with independence and ethical requirements as provided by the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants. The code is based on the principles of integrity, objectivity, professional competence and due diligence, confidentiality, and professional conduct. We comply with the *International Standard on Quality Management 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* (ISQM 1) and accordingly maintain an overall management control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and statutory requirements.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements (continued)

Report based on the requirements of Delegated Regulation (EU) No. 2018/815 amending Directive No. 2004/109/EC of the European Parliament and of the Council as regards regulatory technical standards for the specification of the uniform electronic format for reporting (ESEF) (continued)

Procedures performed

As part of the selected procedures, we have conducted the following activities:

- We have read the requirements of the ESEF Regulation;
- We have gained an understanding of internal controls of the Group, relevant for the application of the ESEF Regulation requirements;
- We have identified and assessed the risks of material differences with the ESEF Regulation due to fraud or error;
- We have devised and designed procedures for responding to estimated risks and obtaining reasonable assurance in order to give our conclusion.

Our procedures focused on assessing whether:

- Financial statements included in the consolidated report have been prepared in valid XHTML format;
- Data included in the consolidated financial statements required by the ESEF Regulation have been marked up and meet all of the following requirements:
  - XBRL has been used for markups.
  - Core taxonomy elements stipulated in the ESEF Regulation with the closest accounting meaning were used unless an extension taxonomy element was created in line with the Annex IV of the ESEF Regulation;
  - Markups comply with the common rules on markups in line with the ESEF Regulation.

We believe the evidence we obtained to be sufficient and appropriate to provide a basis for our conclusion.

Conclusion

We believe that, based on the procedures performed and evidence obtained, the financial statements of the Group presented in the ESEF format, contained in the aforementioned electronic file, and based on the provision of Article 462 (5) of the Capital Market Act, have been prepared to be published for public, in all material aspects in accordance with the requirements of articles 3, 4 and 6 of the ESEF Regulation for the year ended 31 December 2023.

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

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements (continued)

Other reporting obligations as required by Regulation (EU) No. 537/2014 of the European Parliament and the Council and the Audit Act

We were appointed as the statutory auditor of the Group by the shareholders on General Shareholders' Meeting held on 27 June 2023 to perform audit of accompanying consolidated financial statements. Our total uninterrupted engagement has lasted 6 years and covers period 1 January 2018 to 31 December 2023.

We confirm that:

- our audit opinion on the accompanying consolidated financial statements is consistent with the additional report issued to the Audit Committee of the Group on 30 April 2024 in accordance with the Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council;
- no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

There are no services, in addition to the statutory audit, which we provided to the Company and its controlled undertakings, and which have not been disclosed in the Annual Report.

The engagement partner on the audit resulting in this independent auditor's report is Katarina Kadunc.

Katarina Kadunc

Director and certified auditor

For signatures, please refer to the original Croatian auditor`s report, which prevails.

Deloitte d.o.o.

30 April 2024

Radnička cesta 80,

10 000 Zagreb,

Croatia

Consolidated income statement
For the year ended December 31, 2023
(*All amounts are presented in thousands of EUR*)

	Notes	2023	2022
Continued operations			
Revenue from contracts with customers	5	295,146	176,538
Other revenue	6	7,662	2,894
Total revenue		**302,808**	**179,432**
Costs of raw materials and supplies	7	(2,706)	(2,080)
Cost of goods and services sold	8	(6,727)	(2,145)
Expected credit losses (trade receivables)	20	(20)	(418)
Costs of services	9	(18,387)	(13,189)
Staff costs	10	(222,667)	(127,579)
Depreciation and amortization	11	(20,625)	(16,235)
Other operating expenses	12	(18,275)	(7,380)
Total operating expenses		**(289,407)**	**(169,026)**
Profit from operations		**13,401**	**10,406**
Financial income	13	4,460	3,153
Financial expenses	13	(9,866)	(4,972)
Losses from financial activities		**(5,406)**	**(1,819)**
Profit before taxation		**7,995**	**8,587**
Income tax	14	(1,707)	(161)
Profit from continued operations	13.1	**6,288**	**8,426**
Discontinued operations			
(Loss)/profit from discontinued operations	35	(1,324)	524
Ukupno poslovanje			
Profit for the year		**4,964**	**8,950**
Attributable to:			
To the owners of the Company		3,761	6,729
Non-controlling interests		1,203	2,221
Earnings per share			
Basic and diluted earnings per share (in euro and cents)	13.1	3.83	6.85

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

(All amounts are presented in thousands of EUR)

	Notes	2023	2022
Profit for the year		**4,964**	**8,950**
Other comprehensive income			
Items that can later be transferred to profit or loss			
Exchange rate differences from the translation of foreign parts of operations in the current business year		(3,548)	7,749
Items that cannot later be transferred to profit or loss			
Actuarial losses		(239)	(500)
Other comprehensive (loss)/income for the year		**(3,787)**	**7,249**
TOTAL COMPREHENSIVE INCOME FOR THE CURRENT YEAR		**1,177**	**16,199**
Attributable to:			
The owners of the Group		(26)	13,978
Non-controlling interests		1,203	2,221

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

Consolidated statement of financial position

As of December 31, 2023

(All amounts are presented in thousands of EUR)

	Notes	December 31, 2023	December 31, 2022
ASSETS			
Non-current assets			
Goodwill	15	17,983	17,249
Intangible assets	16	56,409	39,585
Right of use assets	17.1	13,583	11,045
Property, plant, and equipment	17	17,590	33,025
Investment property	17.2	14,276	-
Non-current financial assets	18	4,661	3,401
Deferred tax assets	14	4,739	3,355
Total non-current assets		**129,241**	**107,660**
Current assets			
Inventories		1,527	211
Current financial assets	19	2,751	165
Trade receivables	20	43,150	28,530
Other receivables	21	7,197	4,883
Accrued income and prepaid expenses	22	6,927	4,681
Cash and cash equivalents	23	50,637	57,523
Total current assets		**112,189**	**95,993**
TOTAL ASSETS		**241,430**	**203,653**

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

Consolidated statement of financial position (continued)

As of December 31, 2023

(All amounts are presented in thousands of EUR)

	Notes	December 31, 2023	December 31, 2022
Equity			
Share capital	24	13,034	13,034
Reserves	25	(3,127)	557
Retained earnings and profit for the current year		19,094	16,942
To the parent owners		**29,001**	**30,533**
Non-controlling interests	36	29,104	26,871
Total equity		**58,105**	**57,404**
Non-current liabilities			
Long term borrowings	26	33,718	36,594
Liabilities arising from issued bonds	26	40,000	40,000
Long-term lease liabilities	27	10,100	7,481
Deferred tax liability	14	3,272	2,957
Long-term provisions	28.1	3,135	3,226
Other non-current liabilities	28	7,211	813
Total non-current liabilities		**97,436**	**91,071**
Current liabilities			
Trade payables	29	12,237	6,358
Liabilities to employees	30	18,983	9,680
Income tax liabilities		2,489	1,044
Other current liabilities	31	7,506	5,180
Short term borrowings and accrued interests	26	29,022	19,782
Short-term lease liabilities	27	5,469	5,731
Accrued expenses and deferred Income	32	10,183	7,403
Total current liabilities		**85,889**	**55,178**
Total liabilities		**183,325**	**146,249**
TOTAL EQUITY AND LIABILITIES		**241,430**	**203,653**

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

Consolidated statement of changes in equity

For the year ended December 31, 2023

(All amounts are presented in thousands of EUR)

	Share capital	Other reserves	Capital reserves	Legal reserves	Reserves from foreign exchange differences from investments in foreign operations	Reserves for actuarial losses	Other equity items	Retained earnings	To the owners of the Company	Non-controlling interests	Total
Balance at January 1, 2022.	**13,034**	**(5,704)**	**19,784**	**737**	**(5,789)**	**(109)**	**(2,980)**	**12,345**	**31,318**	**22,975**	**54,293**
Restatement of previous periods (Note 4.1)	**-**	**-**	**-**	**-**	**-**	**-**	**(730)**	**455**	**(275)**	**730**	**455**
Balance at January 1, 2022. restated	**13,034**	**(5,704)**	**19,784**	**737**	**(5,789)**	**(109)**	**(3,710)**	**12,800**	**31,043**	**23,705**	**54,748**
Profit for the current year (Note 13.1)	-	-	-	-	-	-	-	6,729	**6,729**	2,221	**8,950**
Other comprehensive income for the current year less income tax	-	-	-	-	7,749	(500)	-		**7,249**	**–**	**7,249**
Total comprehensive profit of the current year	**-**	**-**	**-**	**-**	**7,749**	**(500)**	**–**	**6,729**	**13,978**	**2,221**	**16,199**
Acquisition of a non-controlling stake in the company M Plus Serbia	-	-	-	-	-	-	*(6,104)*	**–**	**(6,104)**	(2,772)	**(8,876)**
Acquisition of the company Moderna	-	-	-	-	-	-	**–**	-	**–**	1,030	**1,030**
Acquisition of the company Real-estate development projects - Vukovarska project	-	-	-	-	-	-	-	33	**33**	933	**966**
Acquisition of Invitel Group	-	-	-	-	-	-	-	-	**-**	(4,551)	**(4,551)**
Buyout of remaining NCI in M+ Deutcshland	-	-	-	-	-	-	(7,011)	-	**(7,011)**	2,595	**(4,416)**
Acquisition of a non-controlling stake in the company Smartflex	-	-	-	-	-	-	(103)	-	**(103)**	(148)	**(251)**
Payment by a minority shareholder (Convex Holding)	-	-	-	-	-	-	-	-	-	3,982	**3,982**
Allocation to reserves	-	-	-	1,026	-	-	291	(1,317)	**-**	-	**-**
Dividend payment	-	-	-	-	-	-		(1,303)	**(1,303)**	(124)	**(1,427)**
Balance as of December 31, 2022	**13,034**	**(5,704)**	**19,784**	**1,763**	**1,960**	**(609)**	**(16,637)**	**16,942**	**30,533**	**26,871**	**57,404**

Consolidated statement of changes in equity (continued)
For the year ended December 31, 2023
(All amounts are presented in thousands of EUR)

	Share capital	Other reserves	Capital reserves	Legal reserves	Reserves from foreign exchange differences from investments in foreign operations	Reserves for actuarial losses	Other equity items	Retained earnings	To the owners of the Company	Non-controlling interests	Total
Balance at January 1, 2023.	**13,034**	**(5,704)**	**19,784**	**1,763**	**1,960**	**(609)**	**(16,637)**	**16,942**	**30,533**	**26,871**	**57,404**
Profit for the current year (Note 13.1)	-	-	-	-	-	-	-	3,761	**3,761**	1,203	**4,964**
Other comprehensive income for the current year less income tax	-	-	-	-	(3,548)	(239)	-	-	**(3,787)**	-	**(3,787)**
Total comprehensive profit of the current year	**-**	**-**	**-**	**-**	***(3,548)***	***(239)***	**-**	***3,761***	***(26)***	***1,203***	***1,177***
Transfer to reserves	-	-	-	234	-	-	-	(234)	**-**	-	**-**
Acquisition of the company Konverzija	-	-	-	-	-	-	-	-	**-**	206	**206**
Payment by a minority shareholder in Kanatol	-	-	-	-	-	-	-	-	**-**	976	**976**
Acquisition of the non-controling interest in the company CDE Nove tehnologije	-	-	-	-	-	-	(131)	-	**(131)**	(160)	**(291)**
Acquisition of the Buzzeasy AI Kft.	-	-	-	-	-	-	-	-	**-**	8	**8**
Dividend payment	-	-	-	-	-	-	-	(1,375)	**(1,375)**	-	**(1,375)**
Balance at December 31, 2023.	**13,034**	**(5,704)**	**19,784**	**1,997**	**(1,588)**	**(848)**	**(16,768)**	**19,094**	**29,001**	**29,104**	**58,105**

Consolidated cash flow statement

For the year ended December 31, 2023

(All amounts are presented in thousands of EUR)

	Notes	December 31, 2023	December 31, 2022
Profit for the current year before taxes		**6,671**	**9,111**
Depreciation of tangible assets, intangible assets, and right of use assets	11	20,625	16,489
Net book value of disposed equipment and intangible assets	16, 17	11,104	345
Other financial income	13	(271)	(2,065)
Interest expenses		8,255	2,337
Income from interests	13	(762)	(26)
Exchange rates differences (non-realized)	13	(3,070)	(558)
Gain from bargain purchase	6	(1,577)	-
Expected credit losses on receivables	20	20	418
Decrease in provisions	28	(330)	(1,486)
Cash generated from operating activities before changes in working capital		**40,665**	**24,565**
Increase in inventories		(803)	(122)
Increase in trade receivables		(8,669)	(7,875)
Increase/(decrease) in trade payables		6,309	(2,644)
Decrease receivables		989	502
Increase/(decrease) in other current liabilities		1,212	(1,434)
(Decrease)/increase in non-current liabilities		(1,962)	1,744
Increase in prepaid expenses		(2,246)	(718)
Increase of accrued expenses		2,780	902
Cash generated in operating activities		**(2,390)**	**(9,645)**
Paid income taxes		(2,249)	(408)
Net cash generated from operating activities and changes in working capital		**36,026**	**14,512**
Cash flow from investing activities			
Increase in current financial assets		(1,824)	(4,135)
Increase in investments in non-current financial assets		158	(2,188)
Purchase of non-current assets	16, 17	(24,774)	(16,268)
Acquisition of a subsidiary company, less the money acquired	34	(2,178)	(4,891)
Net cash used in investing activities		**(28,618)**	**(27,482)**
Cash flow from financing activities			
Dividends paid		(1,375)	(1,303)
Loans received	26	39,338	56,757
Loans repaid	26	(41,030)	(19,527)
Leases repaid		(5,307)	(4,454)
Payments from changes in ownership interests in subsidiaries not resulting in loss of control		(291)	(4,895)
Net cash (used)/generated in financing activities		**(8,665)**	**26,578**
Net (decrease)/increase in cash and cash equivalents		**(1,257)**	**13,608**
Exchange rate differences from cash and cash equivalents		(5,629)	(2,301)
Cash and cash equivalents at the beginning of the year	23	**57,523**	**46,216**
Cash and cash equivalents at the end of the year	23	**50,637**	**57,523**

1. GENERAL INFORMATION

Registered activities of Meritus ulaganja d.d. include:

- management activities of holding companies;
- market research and public opinion polls;
- advertising activities (advertising and promotion);
- purchase and sale of good;
- trade mediation on the domestic and foreign markets;
- representation of foreign companies;
- business and management consulting;
- real estate business;
- accounting and bookkeeping services.

(All amounts are presented in thousands of EUR)

1. GENERAL INFORMATION (CONTINUED)

1.1. Company business activity (continued)

Information on the subsidiaries involved in the consolidation:

Company names of subsidiaries	Registered office
M Plus Croatia d.o.o.	Heinzelova ulica 62/a, 10000 Zagreb, Hrvatska
M+ Agent d.o.o.	Heinzelova ulica 62/a, 10000 Zagreb, Hrvatska
Smartflex d.o.o.	Radnička cesta 39/5, 10000 Zagreb, Hrvatska
Smartflex sourcing d.o.o.	Heinzelova ulica 62/a, 10000 Zagreb, Hrvatska
CDE nove tehnologije d.o.o.	Šmartinska cesta 52, Ljubljana, 1000 Ljubljana, Slovenija
Trizma d.o.o.	272 Tosin Bunar Street, Novi Beograd, Srbija
Technologies Services Holding B.V.	Naritaweg 165, Telestone 8, Amsterdam, Nizozemska
TVPD Holdings B.V.	Naritaweg 165, Telestone 8, Amsterdam, Nizozemska
Trizma GS d.o.o. Banja Luka	117 Mladena Stojanovica Street, 78000 Banja Luka, BiH
MPLUS BH d.o.o. Sarajevo	Džemala Bijedića 39, Sarajevo, BiH
Calyx d.o.o.	Ulica Vjekoslava Heinzela 62/A, Zagreb, Hrvatska
MERITUS PLUS CENTAR BEOGRAD d.o.o.	272 Tosin Bunar Street, Novi Beograd, Srbija
CMC İletişim ve Çağrı Merkezi Hizmetleri A.Ş.	Kagithane, Caglayan Mah, Karaagac Sok. ISS No:2/10, Istanbul, Turska
RGN İletişim Hizmetleri A.Ş.	Kagithane, Caglayan Mah, Karaagac Sok. ISS No:2/10, Istanbul, Turska
Pit İnsan Kaynakları ve Danışmanlık A.Ş.	Kagithane, Caglayan Mah, Karaagac Sok. ISS No:2/10, Istanbul, Turska
ISS Sigorta Acentelik Hizmetleri A.Ş.	Kagithane, Caglayan Mah, Karaagac Sok. ISS No:2/10, Istanbul, Turska
Geomant Global d.o.o.	Heinzelova ulica 62/a, 10000 Zagreb, Hrvatska
Geomant SRL	Cluj-Nacopa city, Bd-ul 21 Decembrie 1989, no.37, ap.16, Cluj county, Rumunjska
Geomant UK limited	Turnpike Gate House, Alcester Heath, Warwickshire, B49 5JG. UK
Inova Solutions Inc	800 Battery Ave SE Ste 100. Atlanta, SAD
Geomant Algotech Zrt.	Budapest 1123, Alkotas u. 50. Mađarska
Meritus Global Real Estate Management d.o.o.	Heinzelova ulica 62/a, 10000 Zagreb, Hrvatska
Meritus Global Technology d.o.o.	Heinzelova ulica 62/a, 10000 Zagreb, Hrvatska
BULB d.o.o.	Ulica Damira Tomljanovića-Gavrana 11, 11000 Zagreb, Hrvatska
Bulb Upravljanje d.o.o.	Heinzelova ulica 62/a, 10000 Zagreb, Hrvatska
MERITUS GEORGIA LLC	Georgia, Tbilisi, Vaja Pshavela Ave. 71a
M+ Deutschland BPTO Gmbh	Am Neuen Markt 9 E-F, Potsdam, Njemačka
CDE IT d.o.o	Šmartinska cesta 52, Ljubljana, 1000 Ljubljana, Slovenija
Trizma plus d.o.o.	Tošin bunar 272, Novi Beograd, Beograd, Srbija
Invitel GmbH	Büddenstedter Weg 138350 Helmstedt, Njemačka
Invitel Helmstedt GmbH	Helmstedt, Büddenstedter Weg 1, Njemačka
Invitel Prenzlau GmbH	Prenzlau, Neubrandenburger Straβe 14, Njemačka
Invitel Leipzig GmbH	Leipzig, Katharinenstraβe 17, Njemačka
Invitel Lüneburg GmbH	Lüneburg , Häcklinger Weg 66, Njemačka

(All amounts are presented in thousands of EUR)

1. GENERAL INFORMATION (CONTINUED)

1.1. Company business activity (continued)

Company names of subsidiaries	Registered office
Invitel Magdeburg GmbH	Magdeburg, Schleinufer 16-18, Njemačka
Sales Kultur GmbH	Büddenstedter Weg 138350 Helmstedt, Njemačka
BusinessLine GmbH	Büddenstedter Weg 138350 Helmstedt, Njemačka
ISF M icroUnits GmbH	Büddenstedter Weg 138350 Helmstedt, Njemačka
Invitel Halle GmbH	Halle (Saale), Franckestraβe 1, Njemačka
Simon & Focken Bielefeld GmbH	Bielefeld, Am Ellerbrocks Hof 2-6, Njemačka
Simon & Focken Bremen GmbH	Bremen, Hutfilterstraβe 24, Njemačka
Simon & Focken S.L.	C. Teobaldo Power 1, Maspalomas, Španjolska
Moderna Ventures B.V.	Naritaweg 165, Amsterdam, Nizozemska
Moderna Ventures S.A.	Via Industrie 25, 6512 Giubiasco, Švicarska
M Plus Smart Hub Romania SRL	Calea Dorobanti street, 6th floor, 1st District; Bukurešt, Rumunjska
Zeleni Horizont d.o.o (Dvorec Zemono d.o.o.)	Zemono 07, Vipava, Slovenija
Real Estate Development projekti - Projekt Vukovarska d.o.o.	Ulica grada Vukovara 23, Zagreb, Hrvatska
SIA M+ Latvia	Muitas iela 1, LV-1010, Riga, Latvija
M+ Slovakia, s.r.o.	Palisády 29A, Bratislava - mestská časť Staré Mesto 811 06, Bratislava, Slovačka
Go Health d.o.o.	Ulica Vjekoslava Heinzela 62A, Zagreb, Hrvatska
Workplace Projekt - Adria d.o.o. za usluge	Ulica grada Vukovara 23, Zagreb, Hrvatska
Workplace Projekt d.o.o. za usluge	Ulica grada Vukovara 23, Zagreb, Hrvatska
MPS Integration d.o.o.	Bulevar Milutina Milankovića 11g, Beograd, Srbija
Integrator Holding d.o.o.	Bulevar Milutina Milankovića 11g, Beograd, Srbija
Manpower d.o.o., Slovenia	Vilharjeva cesta 46, Ljubljana, Slovenija
ManpowerGroup Bulgaria	14, Filip Kutev str, Sofia, Bugarska
Manpower Bulgaria	14, Filip Kutev str, Sofia, Bugarska
Business Integrator d.o.o.	Bulevar Mihajla Pupina 6a, Beograd, Srbija
Manpower Munkaerő Szervezési Kft	Váci road 76., Budapest, Mađarska
Manpower Business Solutions Kft	Váci road 76., Budapest, Mađarska
Manpower d.o.o.	Avenija Dubrovnik 16, Zagreb, Hrvatska
Manpower Savjetovanje d.o.o.	Avenija Dubrovnik 16, Zagreb, Hrvatska
Manpower d.o.o.	Bulevar Milutina Milankovića 11g, Beograd, Srbija
Manpower d.o.o.	Fra Andjela Zvizdovica 1, Sarajevo, Bosna i Hercegovina
Manpower Business Solutions d.o.o.	Bulevar Milutina Milankovića 11g, Beograd, Srbija
Konverzija d.o.o.	Slovenčeva ulica 24, Ljubljana, Slovenija
Buzzeasy AI Kft	Alkotás utca 50., Budimpešta, Mađarska
Kanatol IEDC Limited	Nicosia 10-12 Florinis Street, Cipar

(All amounts are presented in thousands of EUR)

1. GENERAL INFORMATION (CONTINUED)

1.2. Number of employees

The number of employees as at December 31, 2023, amounted to 13,930 employees (it amounted to 12,517 employees at December 31, 2022).

	December 31, 2023	December 31, 2022
CMC İletişim ve Çağrı Merkezi Hizmetleri A.Ş.	7,367	7,815
M Plus Serbia d.o.o.	1,201	1,001
MPS Integration	1,430	-
M Plus Croatia d.o.o.	485	579
Smart Flex d.o.o.	471	484
M Plus BL d.o.o.	330	365
M+ BH d.o.o.	326	388
Invitel Magdeburg GmbH	256	253
CDE nove tehnologije d.o.o.	201	241
Invitel Helmstedt GmbH	190	203
Invitel Prenzlau GmbH	177	145
M Plus Smart Hub Romania SRL	155	9
Invitel Leipzig GmbH	121	115
Meritus Georgia LLC	110	61
Simon & Focken Bremen GmbH	81	105
Invitel GmbH	80	73
Simon & Focken Bielefeld GmbH	78	100
M+ Slovakia, s.r.o.	77	-
Manpower Bulgaria	64	-
Bulb d.o.o.	60	64
Geomant Algotech Zrt.	60	72
Invitel Lüneburg GmbH	58	45
Manpower Munkaerő Szervezési Kft	54	-
Manpower d.o.o., Serbia	51	-
Saleskultur GmbH	48	41
Konverzija d.o.o. (Pink Panda)	45	-
Simon & Focken S. L. U.	39	48
Invitel Halle GmbH	38	48
Simon & Focken Braunschweig GmbH	35	51
Geomant SRL	34	32
Manpower d.o.o., Slovenia	29	-
Manpower d.o.o., Croatia	27	-
Manpower Business Solutions d.o.o	24	-
Moderna Ventures SA	23	3
Manpower Group, Bulgaria	19	-
Buzzeasy AI Kft.	13	
Manpower Business Solutions Kft.	13	-
Geomant UK Limited	12	8
Manpower d.o.o., Bosnia and Herzegovina	11	-

(All amounts are presented in thousands of EUR)

1. GENERAL INFORMATION (CONTINUED)

1.2. Number of employees (continued)

	December 31, 2023	December 31, 2022
Inova Solutions Inc.	10	9
Meritus ulaganja d.d.	6	2
RGN İletişim Hizmetleri A.Ş.	4	9
Business Integrator	4	-
Go Health d.o.o.	4	-
Smart Flex Sourcing d.o.o.	2	100
Calyx d.o.o.	2	2
Manpower savjetovanje d.o.o.	2	-
Pit İnsan Kaynakları ve Danışmanlık A.Ş.	1	1
ISS Sigorta Acentelik Hizmetleri A.Ş.	1	1
Integrator Holding	1	-
CDE IT, poslovne in informacijske rešitve d.o.o.	-	13
ISF MicroUnits GmbH	-	30
M+ Deutschland BPTO GmbH	-	1
M+ Agent d.o.o.	-	-
Global People Solutions d.o.o.	-	-
Meritus Plus Centar Beograd d.o.o.	-	-
Technology Services Holdings B.V.	-	-
Meritus Global Real Estate Management d.o.o.	-	-
Meritus Global Strategics d.o.o.	-	-
Meritus Global Technology d.o.o.	-	-
Geomant Global d.o.o.	-	-
Bulb Upravljanje d.o.o.	-	-
Real Estate Development projekti - Projekt Vukovarska d.o.o.	-	-
SIA M+ Latvia	-	-
Moderna Ventures B.V.	-	-
TVPD Holdings B.V.	-	-
BusinessLine GmbH	-	-
Zeleni Horizont d.o.o (Dvorec Zemono d.o.o.)	-	-
Workplace Projekt - Adria d.o.o.	-	-
Workplace Projekt d.o.o.	-	-
Workplace project B.V.	-	-
Kanatol IEDC Limited	-	-
TOTAL	**13,930**	**12,517**

1. GENERAL INFORMATION (CONTINUED)

1.3. Management Board of the Company

Darko Horvat – President of the Management Board

Tomislav Glavaš – Member of the Management Board

1.4. Supervisory Board of the Company

Tamara Sardelić – President of the Supervisory Board;

Philipp Rösler – Deputy Preseident of the Supervisory Board;

Ulf Gartzke - Member of the Supervisory Board;

Joško Miliša - Member of the Supervisory Board;

Ana Babić – Member of the Supervisory Board – workers representative.

(All amounts are presented in thousands of EUR)

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1. First application of new amendments to existing standards in force for the current reporting period

In the current year, the Group applied a series of amendments to international accounting standards published by the International Accounting Standards Board (IASB) and adopted in the European Union ("EU"), which are mandatory for the reporting period starting on January 1, 2023 or after that date:

Standard	Title
IFRS 17	New standard IFRS 17 “Insurance Contracts” including the June 2020 and December 2021 Amendments to IFRS 17
Amendments to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules*

The adoption of amendments to existing standards and interpretations of standards is not significant for the operations of the Group and does not have a significant impact on the financial statements.

2.2. Standards and interpretations published by the Committee on Standards and adopted in the European Union but not yet in force

On the date of approval of these financial statements, the Group has not applied the following new and revised international accounting standards issued and adopted by the EU, but not yet in force:

Standard	Title	Effective date
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants	1 January 2024

The Group does not expect that the adoption of the above Standards will have a significant impact on the Group financial statements in future periods.

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.3. New standards and amendments to standards published by the IASB but not yet adopted in the European Union

At present, IFRS as adopted by the EU do not significantly differ from IFRS adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not adopted by the EU as at the date of authorization of these financial statements:

Standard	Title	EU adoption status
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements (IASB effective date: 1 January 2024)	Not yet adopted by EU
Amendments to IAS 21	Lack of Exchangeability (IASB effective date: 1 January 2025)	Not yet adopted by EU
IFRS 14	Regulatory Deferral Accounts (IASB effective date: 1 January 2016)	the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred by IASB indefinitely but earlier application permitted)	Endorsement process postponed indefinitely until the research project on the equity method has been concluded

The Group does not expect that the adoption of the above Standards will have a significant impact on the Group's financial statements in future periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Accounting principle

The financial statements have been prepared in accordance with IFRS as adopted by the European Union (IFRS) and, therefore, the Group's financial statements comply with Article 4 of the Regulation (EU) on International Accounting Standards.

The financial statements have been prepared under the historical cost principle as explained in the accounting policies that follow. The historical cost is based mainly on the fair value of the consideration given in exchange for the goods or services.

Fair value is the price that would be obtained by selling an asset item or paid to transfer a liability in an orderly transaction between market participants at the measurement date, whether directly visible or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group considers those characteristics that would be taken into account by market participants in determining the price of the asset or liability at the measurement date. It is also the basis on which fair value was measured or disclosed in these consolidated financial statements.

The following is a description of the main accounting policies adopted.

3.2. Going concern

At the time of approval of the financial statements, the Management Board has a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. Therefore, it continues to adopt the going concern basis in preparing its financial statements.

3.3. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the companies under its control prepared by December 31 each year. Control is achieved if:

- the Company has power over the entity;
- the Company is exposed, or has rights, to variable returns from its involvement with the entity; and
- is able to influence its returns by virtue of the power it has over the entity.

The Company reassesses the existence of its control when the facts and circumstances indicate that one or more of the above three control elements have changed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.3. Basis of consolidation (continued)

When the Company has less than a majority of voting rights in an entity in which it owns a particular interest, it considers that it has exercised control over the entity if the voting rights that the Company has are sufficient to enable it to unilaterally direct the relevant activities of that entity. In assessing the sufficiency of its voting rights for control over an entity, the Company considers all relevant facts and circumstances, including:

- the share of its voting rights in relation to the share and division of voting rights of other persons with the right to vote;
- potential voting rights of the Company, other voting rights holders, or other persons;
- rights arising from other contractual relationships; and
- any additional facts and circumstances that indicate that the Company has or does not have the current ability to direct the relevant affairs at the time when decisions need to be made, which includes the method of voting at previous sessions of shareholders.

The subsidiary is consolidated, i.e., it ceases to consolidate from the moment the Company acquires or loses control over it. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date on which the Company acquires control until the date of loss of control over the subsidiary. The financial statements of subsidiaries have been adjusted as necessary to reconcile their accounting policies with those of the Group. Consolidation eliminates all assets and liabilities, as well as all equity (i.e., all capital), all income, expenses, and cash inflows and outflows related to transactions between Group members.

Non-controlling interests in subsidiaries are determined separately from the Group's ownership interest in them. Non-controlling interests that relate to existing equity rights that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be measured at first posting, either at fair value or at their proportionate share of the calculated and reported net identifiable amounts of assets of the acquiree. The valuation method is chosen for each acquisition individually. The remaining non-controlling interests are measured at fair value the first time. After the acquisition, the carrying amount of non-controlling interests is the amount of the equity at first recognition increased by the non-controlling interest's share in subsequent changes in equity.

Profit and loss and each item of other comprehensive income are divided into the part that belongs to the owners of the Company and the part that belongs to the owners of non-controlling interests. The total comprehensive income of subsidiaries is attributed to the owners of the Company and the owners of non-controlling interests, even if this results in a negative balance of non-controlling interests.

Changes in the Group's interest in a subsidiary that do not result in it losing control of the subsidiary are accounted for as equity transactions, i.e., equity. The carrying amounts of the Group's interests and non-controlling interests are adjusted to reflect the change in their relative interests in the subsidiary. Any difference between the amount of the adjustment of non-controlling interests and the fair value of the consideration paid or received to acquire the interest is recognized directly in equity and attributed to the owners of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3. Basis of consolidation (continued)

The profit or loss associated with the Group's loss of control over the subsidiary is recognized in profit or loss as the difference between i) the total fair value of the consideration received and the fair value of any retained interest and ii) the previous carrying amount of assets (including goodwill) and liabilities of the subsidiary and potential non-controlling interests. All amounts previously recognized in other comprehensive income on a subsidiary basis are accounted for as if the Group had directly disposed of the entity's assets or liabilities, i.e., transferred to profit or loss or to a component of equity in accordance with applicable IFRSs. The fair value of a retained interest in a former subsidiary of the Group at the date of loss of control is subsequently accounted for in accordance with IFRS 9 as fair value on initial recognition or, if applicable, as an expense on first recognition of an interest in an associate or jointly controlled entity.

Control over subsidiaries

The Group consolidates a certain number of companies where it does not have a majority stake in voting rights. The Group effectively controls these subsidiaries through:

- Majority voting rights at meetings, which enable the group to nominate and appoint the majority of the boards of directors of these companies
- Provisions within contracts entered into at the time of or after the acquisition of these companies
- Open call options on shares in the subsidiary, which are in-the-money (ITM) call options and have no expiration date, i.e., they are of a permanent nature. The Group is not limited in the use of call options, and the option is significant. Through the aforementioned call option, the Group has control over that subsidiary and therefore, it is subject to consolidation.

Reorganization within the Group under common control

Reorganizations within the Group, through which one member acquires control over another member, and which do not result in substantive changes, economically speaking, are carried out in accordance with the so-called pooling of interest method, following the principles of predecessor accounting. This accounting entails the following:

- Assets and liabilities of subsidiaries are presented at their current net book values in the consolidated financial statements
- Goodwill is not recognized in the consolidated financial statements
- The consolidated statement of comprehensive income reflects the results of subsidiaries

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4. Business combinations

Acquisitions, i.e., acquisitions of subsidiaries and operations, are accounted for using the acquisition method. Compensation, i.e., performance within a business merger, is measured at fair value, which is the total fair value, at the date of exchange, of the Group's assets being transferred and liabilities of the Group to the former owners of the acquiree and the shares or stock issued by the Company in exchange for control over the acquiree. Acquisition-related costs are recognized in profit or loss as incurred. At the acquisition date, identifiable assets acquired and identifiable liabilities are recognized at their fair value at the acquisition date, except for:

- deferred tax assets or deferred tax liabilities and liabilities and assets related to employee income agreements, which are recognized and measured in accordance with IAS 12 and IAS 19, respectively;
- liabilities or equity instruments relating to the acquiree's or the Group's share-based payment agreements entered into to replace the share-based acquiree's payment agreements and are measured at the acquisition date in accordance with IFRS 2 (see below); and
- assets (or disposal groups) classified as held for sale in accordance with IFRS 5, which are measured in accordance with that standard.

Goodwill is measured as the positive difference between the sum of the transferred consideration for the acquisition, the amount of the non-controlling interest, if any, and the fair value of the acquirer's previous ownership interest in the entity, on the one hand, and the net amount at the date of acquisition of identifiable assets and liabilities, on the other. If a reassessment determines that the Group's share of the fair value of the acquiree's identifiable net assets is higher than the sum of the consideration transferred, the amount of the non-controlling interest, if any, and the fair value of the acquirer's previous ownership interest in the entity, the excess is recognized immediately in profit or loss as profit related to bargain purchase. When the consideration transferred by the Group in a business merger includes a conditional contingency agreement, that consideration is measured at fair value at the acquisition date and included in the consideration transferred in the business merger. Changes in the fair value of the contingent consideration that meet the eligibility criteria as compensation in the valuation period, i.e., measurements, are adjusted retrospectively, together with the corresponding goodwill adjustments. Adjustments in the valuation period are those adjustments that result from additional knowledge of the facts and circumstances that existed at the acquisition date and that were acquired during the valuation or measurement period that may not be longer than one year from the acquisition date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4. Business combinations (continued)

The manner in which changes in the fair value of the contingent consideration that do not meet the eligibility criteria as adjustments during the valuation period are subsequently calculated depends on the manner in which the contingent consideration is classified. A contingent consideration recognized in equity is not revalued at later reporting dates and its payment in subsequent periods is calculated and reported in equity. Other contingent (conditional) considerations are measured at fair value at a later date, recognizing changes in fair value in profit or loss.

In a business combination that takes place in phases, the Group's interests previously acquired in the acquiree (including joint management) are remeasured at fair value at the acquisition date, and any profit or loss on remeasurement is recognized in profit or loss. Amounts relating to an interest in the acquiree prior to acquisition and previously recognized in other comprehensive income are transferred to profit or loss if such a process would be appropriate if the interest had been disposed of.

If the first accounting of a business combination has not been completed by the end of the reporting period in which the merger occurred, the Group presents provisional amounts for items that have not been finally accounted for. Provisional amounts are adjusted over the measurement period (see above), or additional assets or liabilities are recognized in accordance with new knowledge of the facts and circumstances that existed at the acquisition date that, if known, would affect the amounts recognized at that date.

3.5. Goodwill

Goodwill is initially calculated and measured as described in the previous chapter. Goodwill is not depreciated but is reviewed for impairment at least once a year. For the purpose of impairment testing, goodwill is allocated to each cash-generating unit of the Group (or groups of such units) that is expected to benefit from the synergies arising from the merger. The cash-generating unit to which the goodwill is allocated is tested for impairment once a year or more frequently if there is an indication of possible impairment. If the recoverable amount of a cash-generating unit is lower than its carrying amount, the impairment loss is allocated first by reducing the carrying amount of goodwill allocated to the unit and then in proportion to the other cash-generating unit's assets based on the carrying amount of each asset in the cash-generating unit. Once recognized, an impairment loss for goodwill is not reversed in the next period. When a cash-generating unit is disposed of, the related amount of goodwill is included in determining the profit or loss on disposal. The Group's policy for accounting for goodwill arising from the acquisition of an associate is described in Note 15.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6. Revenue from contracts with customers

The Group recognizes revenue to present the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The fundamental principle is presented within the framework of the model in accordance with IFRS 15, which consists of five steps. Revenue consists of the fair value of the consideration received or receivable for goods or services sold in the Group's ordinary course of business. Revenues are stated at amounts net of value-added tax and any discounts that are an integral part of the contracts with customers. The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that the Group will obtain future economic benefits, and specific criteria for the Group's segments described below are met.

1. Revenue recognition – BPTO Segment - Contact centers

Revenue comes from various services related to Contact centers. Revenue is recognized in the period in which the services are provided. Services are recognized either as the time spent by staff on various communication platforms (e.g., phone, chat, email), or as the quantity of processed units on various communication platforms (e.g., number of calls, number of sales, number of emails), or as the number of dedicated individuals on a specific engagement or project. The provided services are tracked using internal or external operational tools. Certain contracts provide for additional settlements in the form of contractual bonuses or penalties based on the achievement or lack of contracted performance measures. Accordingly, fees in certain contracts include a variable component. The amounts related to the variable portion of the fees are not significant and can be reliably determined at any reporting date. The compensation does not contain financing elements, as the usual payment term for receivables is 60 to 90 days, which is in line with market practice.

2. Revenue recognition – BPTO Segment – IT services

The Group generates income from IT services through two types of income: income from consulting services and income from software sales.

Consulting services provided by the Group can be divided into two significant groups of services: services related to contracted projects with customers and advisory services related to customer support based on agreed price lists. Consulting services related to contracted projects (i.e. installations and/or development of various software products for specialized business operations) are reported as activities completed over time. Revenue is reported in the financial statements based on the degree of completion of the contract. When contracting projects, the Group defines the budget of hours needed to realize it. Accordingly, the Management and professional services have assessed that the degree of completion, which is determined as a part of the time that has passed until the end of the reporting period in relation to the total expected duration of the project, is an appropriate measure of progress until the full fulfillment of the obligation to act in accordance with IFRS 15. Given that projects are of such a nature that they are related to the time spent by each developer, the passage of time on the project is a representation of what has been done or delivered. Advisory support services imply standard services that are delivered on an hourly basis and are recognized at a certain moment of service delivery based on the agreed price lists.

The advisory support service is considered a distinct service because the Group regularly provides it to other consumers on an individual basis and may be provided to consumers by other service providers in the market. Discounts are not taken into account because they are granted only in rare circumstances and are not significant.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6. Revenue from contracts with customers (continued)

2. Revenue recognition - Software solutions and sale of software (continued)

The consulting support service is considered a distinct service because the Group regularly provides it to other consumers on an individual basis and may be provided to consumers by other service providers in the market. Discounts are not taken into account because they are granted only in rare circumstances and are not significant. The Group sells software directly to customers as part of software sales and service contracts or separate software sales contracts. Revenue is recognized at a certain point in time when control of the equipment is transferred to the customer, and the sale of the equipment is considered a separate, distinguishable delivery obligation. The transfer of control to the customer implies the physical possession and use of the software by the customer, the transfer of all rights of use and the risk of using the software to the customer, as well as the exercise of the right to collect from the Group. The process of selling software in most cases meets the condition that the transfer of control occurs after the goods have been delivered to the customer's specific location. The prices of transactions under these contracts are usually fixed and are generally charged after the delivery of the software and the completed installation services. The fee does not include financing elements, as the usual term for collection of receivables is 60 to 90 days, which is in line with market practice.

3. Revenue recognition – HR segment

The group generates income from the sale of temporary staff services, the sale of candidate selection and employment services, as well as personnel administration and other services. Revenues are recognized in the period in which the services were performed. The fee does not contain financing elements, because the usual term for collecting claims is 60 to 90 days, which is in line with market practice.

4. Revenue recognition – eCommerce segment – Resale service of tourist arrangements

Income from the resale of travel arrangements is recognized as a commission or fee earned for services rendered in the capacity of an agent. Commission or realized compensation is recognized in an amount that reflects the compensation to which the Group is entitled in exchange for the services rendered. All costs incurred for the acquisition or fulfilment of the contract are recognized separately and are not included in the measurement of income. Any incentives or bonuses offered to customers are recognized as a reduction of the commission or fee realized when the customer meets the related performance obligation. Taxes collected from customers are excluded from revenue and reported separately, and any refunds or credits provided to customers are recognized as a reduction of commission or fees earned. The fee does not include financing elements.

5. Revenue recognition – eCommerce segment – Cosmetic product sales service

The group sells a range of cosmetic products both in the wholesale market and in the direct-to-customer market through its own online retail channels. For the sale of goods on the wholesale market, revenue is recognized when the buyer has control over the transferred goods, i.e. when the goods are shipped to a specific location of the wholesaler (delivery). In the context of delivery, the wholesaler has complete discretion as to the method of distribution and the price for selling the goods and has primary responsibility for the sale of the goods and bears the risks of obsolescence and loss with respect to the goods. The group recognizes the receivable when the goods are delivered. The fee does not contain financing elements, because the usual term for the collection of receivables is 60 to 90 days, which is in line with market practice. For the sale of goods to retail customers, revenue is recognized when control over the goods is transferred to buyer. Control over the goods by the customer usually means delivery of the goods to the customer's location and acceptance from the customer. Payment of the transaction price is due at the time the customer purchases the goods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7. Leases

The Group as a lessee

The Group assesses whether a contract is a lease contract or whether it contains a lease at the inception of the contract. The Group discloses right of use assets and the related lease liability in respect of all leases in which it is a lessee, except for short-term leases (defined as leases lasting 12 months or less) and leases of low-value assets (such as tablets and personal computers, office furniture, and telephones). For such leases, the Group recognizes lease payments on a straight-line basis over the term of the lease, unless another systematic basis better reflects the timing of the economic benefits of the leased asset.

The lease liability is measured for the first time in the amount of the present value of the lease payments that have not been settled at the inception date, less the use of the rate arising from the lease. If this rate cannot be determined, the Group usually uses its borrowing interest rate.

Lease payments covered by measuring the lease liability include:

- fixed lease payments (including lease payments that are substantially fixed), less rental subsidies received;
- the cost of executing the purchase option if it is certain that the lessee will use that option as well.

Lease liabilities are presented as a separate item in the statement of financial position.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7. Leases (continued)

Right of use assets include the initial measurement of the lease liability in question, lease payments on or before the date of the lease, less any subsidies received to close the operating lease and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation begins on the lease start date. Right of use assets are depreciated over the lease term or useful life, whichever is shorter.

Right of use assets are presented as a separate item in the statement of financial position.

The Group applies IAS 36 to determine whether the value of a right of use asset is impaired or whether any impairment losses have been charged for it, as described in the "Property and equipment" policy.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its particular real estate investments. The Group rents business premises.

Leases in which the Group is the lessor are classified as finance or operating leases. A lease is classified as a finance lease if it transfers almost all the risks and rewards incidental to ownership of the related asset to the lessee. All other leases are classified as operating leases.

Lease income from operating leases is recognized on a straight-line basis over the term of the lease. Initial direct costs incurred in the phase of negotiating and contracting operating lease terms are attributed to the carrying amount of the leased item and recognized on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies IFRS 15 for the allocation of fees in accordance with the contract for each component.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Foreign currencies

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

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

- exchange rate differences on loans and borrowings in foreign currency related to assets under construction intended for future production, which are included in the purchase cost of those assets if viewed as an adjustment to interest expenses on liabilities for these loans and borrowings;
- foreign exchange rate differences arising from monetary receivables or liabilities from foreign operations whose settlement is not planned or expected in the near future, and which therefore form part of the net investment in foreign operations, which are first recognized in other comprehensive income and, when selling the entire or portions of net investment, are transferred from equity to profit or loss.

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

When selling a foreign operation, i.e., selling the entire Group's interest in a foreign operation in which the Group loses control over a subsidiary that has foreign operations or partially selling a share in a joint venture or an associate that has foreign operations, and retained interest in that foreign operation becomes a financial asset, all exchange rate differences accumulated in the foreign currency translation reserve attributable to the owners of the Group are transferred to profit or loss.

In cases where a member of the group is classified as a hyperinflationary economy, indexation is applied in accordance with IAS 29. In 2022, the Republic of Turkey met the requirements of IAS 29 for the above classification, and the corresponding indices were applied to the years 2022 and 2023.

The methodology used during indexing is as follows:

- From the balance sheet date, all items except those with current purchasing power shown are indexed using the appropriate general price index coefficients;
- Monetary assets and liabilities in the financial statements are not indexed because they are presented with current purchasing power at the balance sheet date. Monetary items are money and those items that are paid or collected in money;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Foreign currencies (continued)

- Non-monetary assets and liabilities in the financial statements are restated by reflecting changes in the general price index to acquisition costs and accumulated depreciation amounts during the period from the date of purchase or initial recognition to the balance sheet date. Therefore, tangible and intangible assets, subsidiaries and similar assets are indexed over their purchase values so as not to exceed their market values. Amounts included in shareholders' equity have been restated as a result of the application of general price indices in the periods when these amounts occurred within the Group;
- All items in the profit and loss account are indexed with coefficients calculated in the periods in which they were create;
- The gain or loss on the net monetary position as a result of general inflation is the difference in adjustments to non-monetary assets, equity and the profit and loss account. That gain or loss calculated on the net monetary position is included in the net profit / (loss) for the period.

Furthermore, in the case of a partial sale of a subsidiary of the Group that has foreign operations in which the Group does not lose control over the subsidiary, part of the cumulative exchange rate differences is again attributed to non-controlling interests in proportion to the portion sold and not included in profit or loss. In all other partial sales, i.e., partial sales of associates in which the Group does not lose significant influence, part of the cumulative exchange rate differences is transferred to profit or loss in proportion to the part sold.

Goodwill adjustments and adjustments at fair value due to the acquisition of foreign operations are accounted for as assets and liabilities of foreign operations and are translated at the closing rate. The resulting exchange rate differences are recognized in other comprehensive revenue.

Considering that the Republic of Croatia introduced the euro as the official currency as of January 1, 2023, in accordance with the Law on the Introduction of the Euro as the Official Currency in the Republic of Croatia, the Group changed the presentation currency for the purposes of preparing financial statements for the year ended December 31, 2023. from kuna to euros, and the financial statements for the year ended December 31, 2023 were first prepared in euros. From January 1, 2023, the euro is also the functional currency (until January 1, 2023, it was the kuna).

Although the change in the presentation currency in the financial statements represents a change in accounting policy that requires retroactive application, the Group did not publish the third balance sheet in the financial statements for the year ended December 31, 2023 in accordance with International Accounting Standard 8 (IAS) Accounting Policies, Changes in Accounting Estimates and Errors, considering that it determined that the change in the presentation currency does not have a significant impact on the Group's financial statements, due to the stable HRK/EUR exchange rate over the past few years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9. Government grants

State grants are not recognized until the fulfillment of the conditions for receiving state grants and receiving grants become realistically certain.

State grants are recognized in profit or loss on a systematic basis over the period in which the Group recognizes the costs to be covered by the grant as an expense. In particular, state grants that require the Group to acquire, build, or otherwise acquire fixed property, facilities, and equipment (including property and equipment) are recognized in the statement of financial position as deferred income and transferred to profit or loss systematically and rationally over the useful life of the property in question.

Receivables from state grants to recover costs or losses already incurred or to provide current financial support to the Group without future related costs are recognized in profit or loss in the period in which the receivable arises.

3.10. Severance payments

Liabilities for severance payments are recognized when the Group prematurely terminates the employment contract with the employee or when the employee decides to voluntarily accept the termination of the employment relationship in exchange for compensation, or when taking regular or early retirement. The Group recognizes liabilities for severance payments when it has demonstrably undertaken the obligation to terminate the employment relationship with current employees based on a detailed formal plan, without the possibility to withdraw from it, or when it provides severance payments as a result of an offer to encourage voluntary termination of the employment relationship, or when taking early retirement. The liability for severance payment upon regular retirement is shown as the present value of the liability for one-time severance pay upon regular retirement on the balance sheet date. The liability is measured by an independent actuary once a year. Actuarial gains and losses resulting from experience-based adjustments and changes in actuarial assumptions are reported in the period in which they arise directly in other comprehensive income. Interest from the actuarial calculation is reported in the profit and loss account, as part of interest expenses. Severance payments due in a period longer than 12 months after the balance sheet date are discounted to their present value.

3.11. Current and other non-current employee benefits

Benefits that employees accumulate on the basis of salaries, vacation time, and sick leave are recognized as a liability in the period of providing the service in question in the amount of the undiscounted expected amount of compensation that will have to be paid in exchange for that service.

Liabilities related to current benefits are measured in the undiscounted expected amount of compensation that will have to be paid in exchange for the specified service.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12. Taxation

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

Current tax

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

The provision is recognized for matters for which the tax calculation is uncertain, but it is very likely that there will be an outflow of funds to the tax authority. Provisions are measured according to the best possible estimate of the amount expected to be paid. The assessment is based on the judgment of tax experts within the Company in accordance with previous experience in such activities and, in some cases, on the basis of tax advice of independent experts.

Deferred tax

Deferred tax is recognized on the basis of the difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used to calculate taxable profit and is calculated using the balance sheet liability method. Deferred tax liabilities are generally recognized for all temporary tax differences, and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax liabilities and deferred tax assets are not recognized if the temporary difference arises from the initial recognition of other assets and other liabilities (except in the case of a business merger) in a transaction that affects neither taxable nor accounting profit. Deferred tax is also not recognized on temporary differences when the goodwill is first recognized.

Deferred tax liabilities are also recognized on taxable temporary differences arising on investments in subsidiaries and associates, except when the Group is able to influence the reversal of the temporary difference, and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets arising from deductible temporary differences related to investments and interests of this type are calculated and reported only up to the amount of probably available amount of taxable profit that will allow the use of deductible based on deductible temporary differences and if their cancellation is expected in the foreseeable future.

The net book value of deferred tax assets is reviewed at each reporting date and impaired to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the tax asset to be utilized.

Deferred tax is calculated according to the tax rates that are expected to apply in the period in which the liability is settled, i.e., the realization of assets based on tax rates and tax laws in force or in the process of adoption at the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13. Property, plant, and equipment

Buildings and land used in the supply of goods or services or for administrative purposes are presented in the consolidated statement of financial position at cost, less accumulated depreciation and accumulated impairment losses. Depreciation of property, plant, and equipment in preparation, which is calculated on the same basis as for other real estate, begins when the asset is ready for its intended use. Owned land is not depreciated. Equipment is stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated in such a way that the purchase value (cost) or the estimated value of assets, except for owned land and tangible fixed assets in preparation, is written off during the estimated useful life using the straight-line method on the following basis:

Buildings	3-5% per year
Equipment	15-25% per year

The estimated useful lives, residual values, and depreciation methods are reviewed at the end of each reporting period, and the effects of any changes in estimates are calculated prospectively.

Buildings and equipment cease to be accounted for and reported at the time of sale or when future economic benefits are no longer expected from their continued use. Profit or loss on the sale or disposal of an item is determined as the difference between the proceeds from the sale and the carrying amount of the asset in question, which is recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14. Separately acquired intangible assets

Separately acquired intangible assets of a certain useful life are stated at cost less accumulated amortization and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful lives specified in Note 16.

Depreciation is calculated in such a way that the purchase value (cost) or the estimated value of the asset is written off during the estimated useful life using the straight-line method on the following basis:

Licenses, software, and other intangible assets	25% per annum

The estimated useful lives, residual values, and depreciation methods are reviewed at the end of each reporting period, and the effects of any changes in estimates are calculated prospectively. Separately acquired intangible assets consist of software and other rights and intangible assets in preparation.

3.15. Internally generated intangible assets

Expenditure incurred on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or in the development phase of an internal project) is recognized if and only if it is possible to prove all of the following conditions:

- the technical feasibility of completing intangible assets to make them available for use or sale
- the intention to complete the intangible asset and use or sell it
- the possibility of using or selling intangible assets
- the manner in which tangible assets will generate future probable economic benefits
- the availability of adequate technical, financial, and other resources necessary to complete the development and use or sale of intangible assets; and
- the ability to reliably measure expenses that can be associated with the development of an intangible asset.

The amount initially recognized for internally generated intangible assets is the sum of the expenditures incurred since the date on which the assets first met the aforementioned recognition criteria. If internally generated intangible assets cannot be recognized, development expenses are included in profit or loss in the period in which they are incurred. Subsequent to initial recognition, internally generated intangible assets are stated at cost less accumulated impairment losses and accumulated impairment losses on the same basis as separately acquired intangible assets. Internally generated intangible assets are sold to third parties at the time of activation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16. Derecognition of intangible assets

Intangible assets are derecognized upon disposal or when no future economic benefits are expected from their use or sale. Any gain or loss arising from the derecognition of an intangible asset, determined as the difference between the net proceeds from the sale and the net carrying amount of that item, is included in profit or loss in the period in which the item is derecognized.

3.17. Impairment of buildings and equipment and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant, and equipment and intangible assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine any impairment losses. If an asset does not generate cash flows independent of other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If it is possible to determine a realistic and consistent basis for allocation, the assets of companies are also allocated to individual cash-generating units or, if this is not possible, to the smallest group of cash-generating units for which a realistic and consistent allocation basis can be determined.

Intangible assets with indefinite useful lives are tested for impairment on an annual basis and when there is an indication of impairment at the end of the reporting period.

The recoverable amount is the higher between the fair value less costs to sell and value in use. For the purposes of assessing value in use, the estimated future cash flows are reduced to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and asset-specific risks for which future cash flow estimates have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of that asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized immediately in profit or loss, unless the relevant asset is stated at revalued amount, in which case the impairment loss is recognized as an impairment loss from revaluation and if the impairment loss is greater than the related revaluation surplus, impairment losses are recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17. Impairment of buildings and equipment and intangible assets other than goodwill (continued)

Upon subsequent reversal of an impairment loss, the carrying amount of the asset (cash-generating unit) is increased to its revised estimated recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment losses were recognized for that asset (cash-generating unit) in previous years. A reversal of an impairment loss is recognized immediately in profit or loss if it eliminates the impairment loss recognized for the asset in previous years. Any increase in excess of that amount is considered an increase due to revaluation.

3.18. Investment property

Investment property are stated at historical cost less accumulated depreciation and impairment losses. Depreciation of buildings is calculated using the linear method. Useful life of investment property is estimated on 30 years. The transfer from the category Property, plant and equipment to the category Investments property is done at the net book value when the way of use of the property changes. A change occurs when the property in question meets the requirements of the definition of Investment property and when there is evidence of a change in the way the property is used.

Subsequent expenditure is capitalized only when the Group considers that it is probable it will realize future economic benefits associated with the item, and when the cost can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income when incurred. If the Group begins to use investment property, it is reclassified to property, plant, and equipment, and its carrying amount at the date of reclassification becomes the amount of the estimated cost that will be subsequently depreciated.

3.19. Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position of the Group when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables without a significant financing component, which are initially measured at the transaction price. Transaction costs directly related to the acquisition or issuance of financial assets and financial liabilities, except those that are carried at fair value through profit or loss, are added or subtracted from the fair value at first recognition. Transaction costs directly related to the acquisition of financial assets or financial liabilities that are accounted for at fair value through profit or loss are immediately recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19. Financial instruments (continued)

Financial assets

Financial assets include long-term financial assets, other short-term financial assets, trade receivables, other receivables, and cash and cash equivalents. Accounting policies for loans, receivables from customers and for cash and cash equivalents are presented below. After initial recognition, all financial assets are classified as financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income.

a) Long-term financial assets and other short-term financial assets

Long-term financial assets and other short-term financial assets mostly include loans given to related parties/companies and, in the minority, to the Groups Management Board, 3rd party companies and employees of the Group.

Long-term financial assets and other short-term financial assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

The loans given are held within the framework of the model, the purpose of which is to collect contractual cash flows and on the basis of the agreed conditions, on the basis of which cash flows are generated only for the payment of principal and interest on the outstanding amount of the principal.

Expected credit losses (given loans)

Impairment of financial assets is carried out by calculating the expected credit loss model, which is based on the classification of exposure in 3 stages based on the change in credit quality from the moment of initial recognition, given loans are classified into:

- Stage 1 – if there was no significant increase in the credit risk of the financial asset, and the 12-month expected credit loss is applied to it.
- Stage 2 – if there has been a significant increase in the credit risk of the financial asset, and the lifetime expected credit loss is applied to it.
- Stage 3 – if there is evidence of impairment of financial assets, and lifetime expected credit loss is applied to it. Assets in default status are classified in Phase 3.

When determining whether the risk of default status has increased significantly, the Group uses relevant and available data. The approach includes quantitative and qualitative criteria, that is, analysis based on historical data and expert assessment of credit risk.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19. Financial instruments (continued)

a) Long-term financial assets and other short-term financial assets (continued)

Expected credit losses (given loans) (continued)

Exposures to related parties/companies and third corporate parties

In the case of exposure to related parties/companies, the Group considers that the internal credit rating represents a comprehensive assessment of the debtor's credit quality, which determines the probability of ("PD") relevant for determining a significant increase in credit risk. The probability of occurrence of the status of default (PD) represents the probability that the related party/company and/or third parties will enter the status of default within the next year or until the end of repayment. Qualitative criteria contain information that can be obtained by using internal rating models that are used as input in determining the rating, given delays in the settlement of contractual provisions and other data.

Measurement of expected credit loss

The Group measures provisions for impairment in the amount of 12-month expected credit loss. The 12-month expected credit loss is the portion of the expected credit loss arising from the default status of a financial instrument that is possible in the period of 12 months after the date of the statement of financial position. For given loans for which the twelve-month expected credit loss is recognized, it refers to given loans Phase 1.

Exposures to the Group Management board and employees of the Group

In the case of exposure to the Management Board and employess of the Group, the Group considers that the internal credit rating represents a comprehensive assessment of the credit quality of the debtor, which determines the PD relevant for determining a significant increase in credit risk. The probability of default status (PD) represents the probability that the Group's Management board or employess will enter the status of default within the next year or until the end of repayment. Qualitative criteria contain information that can be obtained by using internal rating models that are used as input in determining the rating and other data. If the difference in the assessment of the probability of entry into default status is greater than the significance threshold, a significant deterioration of credit risk is determined for the exposure, which is why it is classified in stage 2.

Measurement of expected credit loss

The Group measures provisions for impairment in the amount of 12-month expected credit loss. The 12-month expected credit loss is the portion of the expected credit loss arising from the default status of a financial instrument that is possible in the period of 12 months after the date of the statement of financial position. For given loans for which the twelve-month expected credit loss is recognized, it refers to granted loans Phase 1.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19. Financial instruments (continued)

a) Long-term financial assets and other short-term financial assets (continued)

Expected credit losses (given loans) (continued)

Measurement of expected credit loss for long-term financial assets and other short-term financial assets

Expected credit losses are calculated as the product of PD, loss given default (LGD) and exposure at default (EAD), over the remaining expected life. duration of the financial asset and discounted with the reporting date at the effective interest rate for exposures with a significant increase in credit risk (Phase 2 contracts). On the other hand, for exposures classified as Phase 1, the expected credit loss is calculated over a one-year period, i.e. the expected credit loss of one year is estimated. PD estimates represent PD at a point in time, updated annually based on the Groups historical experience, current conditions and related forward-looking expectations.

Loss given default (LGD) represents the Group's expectations regarding loss after entering default, for placements that are not in default at the time of assessment.

EAD includes forward-looking expectations of repayments of drawn loans and expectations of future drawdowns where applicable.

Measured expected credit loss represents an unbiased, probability-weighted amount of expected loss, determined by taking into account various outcomes, the time dimension of the value of money, available information about past events, current characteristics and expected future economic conditions.

As a basis for calculating provisions in risk subgroups of Phase 1 and Phase 2, the Group applies the calculation of twelve-month and lifetime credit losses depending on the change in the estimated risk on the reporting date and the date of the initially recognized financial asset. Risk assessment and calculation of provisions is determined in models for measuring expected credit loss, the calculation of which is determined by the parameters of the probability of default (PD), loss given default (LGD), assessment of exposure in case of default (EAD) while anticipating the time value of money. The Group applies publicly available model parameters that are based on historical time series of relevant data that are applied individually to financial assets. The assessment and calculation of expected credit losses, in addition to statistically determined parameters, are influenced by key expected macroeconomic trends as an addition to future oriented information.

Other receivables are initially recognized at transaction value and subsequently measured at amortized cost using the effective interest rate method.

Expected credit losses

The Group calculates expected credit losses for other receivables. The amount of expected credit losses is calculated at each reporting date to reflect changes in credit risk since initial recognition.

For other receivables, the Group calculates lifetime expected credit loss (ECL) based on a simplified approach. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of the trade receivables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19. Financial instruments (continued)

Receivables from customers are initially recognized at transaction value and subsequently measured at amortized cost using the effective interest rate method.

Interest income is recognized using the effective interest rate method. Interest income is recognized in profit or loss and is included in the item "Financial income - interest income".

Expected credit losses (trade receivables)

The Group recognizes expected credit losses from trade receivables. The amount of expected credit losses is calculated at each reporting date to reflect changes in credit risk since the initial recognition of trade receivables.

For receivables from customers, the Group calculates lifetime expected credit loss (ECL) based on a simplified approach. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of the trade receivables.

Write-off policy for long-term financial assets, other short-term financial assets, trade receivables, other receivables

The Group writes off long-term financial assets, other short-term financial assets, receivables from customers, other receivables, when there are data indicating that the debtor is in serious financial difficulties and that there are no realistic prospects for recovery, for example, when the debtor is placed under liquidation or in bankruptcy proceedings. A written-off financial asset may still be subject to enforcement activities as part of recovery proceedings, taking into account legal advice where appropriate. Recovery, or inflows of previously impaired receivables from customers, are recognized in profit or loss.

The Group derecognizes a financial asset (in whole or in part) when its rights to receive cash flows from the financial asset expire or when it transfers the financial asset. The Group transfers financial assets, only and exclusively if it transfers contractual rights to receive cash flows from financial assets or retains contractual rights to receive cash flows from financial assets, but undertakes the contractual obligation to pay cash flows to one or more recipients within the contract.

b) Long-term financial assets measured at fair value through other comprehensive income

Investments in financial assets at fair value through other comprehensive income refer to equity instruments that are not listed on the stock exchange or do not have an active market, and the share is stated at cost, given that the fair value cannot be reliably measured. During 2023 and 2022, there was no impairment of financial assets at fair value through OCI.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19. Financial instruments (continued)

Financial liabilities

Financial liabilities include received loans, trade payables and lease liabilities. After initial recognition, all financial liabilities are measured at amortized cost.

(a) Loans received

Loans received are initially recognized at fair value. After initial recognition, received loans are valued at amortized cost. Any differences between receipts less transaction costs are recognized in profit or loss over the term of the loan, using the effective interest rate method.

Loans received are classified as short-term liabilities, unless the Group has an unconditional right to postpone the settlement of the liability for at least 12 months after the reporting date.

The Group stops recognizing received credits when, and only when, the obligations are paid, canceled or expired. The difference between the book value of the financial liability written off and the compensation paid for the compensation liability is recognized in profit or loss.

(b) Trade payables

Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

3.20. Cash and cash equivalents

Cash and cash equivalents are initially recognized at fair value plus transaction costs, and subsequently measured at amortized cost using the effective interest method.

3.21. Earnings per share

The Group presents basic and diluted earnings per share for ordinary shares. Basic earnings per share are calculated by dividing the profit or loss for the current period attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the Group and the weighted average number of ordinary shares, adjusted for the potential effects of the increase in the number of shares.

(All amounts are presented in thousands of EUR)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In applying the Group's accounting policies, which are described in Note 3, the Management Board is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not apparent from other sources. Estimates and associated assumptions are based on historical experience and other relevant factors. Actual results may differ from estimates. The estimates and assumptions on which the estimates are based are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the revision period of the estimate if the change affects only that period or in the revision period of the estimate and in future periods if the change affects both current and future periods The following is a description of the key judgments of the Management Board in the process of applying the Group's accounting policies that have had the most significant effect on the amounts recognized in the consolidated financial statements.

Impairment of goodwill

The Group performs regular impairment tests of goodwill in accordance with the policy disclosed in Note 3. Goodwill is allocated to cash-generating units or business segments as follows:

	December 31, 2023	**December 31, 2022**
BPTO	15,749	15,749
eCommerce	1,506	475
HR	521	521
Other	207	504
	17,983	**17,249**

The cash-generating unit to which goodwill is allocated undergoes impairment testing annually or more frequently if there are indications of potential impairment. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is first allocated to reduce the carrying amount of goodwill allocated to the unit, and then proportionately to the other assets of the cash-generating unit based on the carrying amount of each asset in the cash-generating unit. Any gains or losses arising from the impairment are recognized directly in profit or loss. Once recognized, impairment losses on goodwill are not reversed in subsequent periods.

The Group tests goodwill impairment at the level of the lowest cash-generating unit. The Group has defined business segments as the lowest cash-generating unit, except for the eCommerce segment, where each subsidiary is a cash-generating unit. This decision acknowledges the diversity of revenue sources and business models within each segment/company. Goodwill determined based on acquisitions made during 2023 were not subject to impairment testing due to the recent nature of these transactions.

The recoverable amount of the cash-generating units is determined as follows:

- **BPTO segment** – Using the fair value less costs to sell method.
- **All other segments** - the Group applies the discounted cash flow method based on cash flow projections approved by management covering multiple annual periods.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY (CONTINUED)

The methodology for calculating fair value less costs to sell is based on the recapitalization of the BPTO business segment through M Plus Croatia by the European Bank for Reconstruction and Development, with the fair value of the segment derived through the calculation of invested funds for the obtained ownership stake.

The discounted cash flow methodology involves estimating future cash flows for a period of 3 to 5 years, discounting these cash flows using a discount rate reflecting the risk of cash flows and the time value of money, estimating residual value and terminal value. The weighted average cost of capital (WACC), comprising both debt and equity, is 14% (2022: 14%). Key assumptions include a planned revenue growth rate of 15-18% by 2028, representing the estimated market growth on a global scale. The terminal growth rate is 1%.

The Group subjects goodwill to impairment testing annually or more frequently if there are indications of impairment.

Deffered tax asset

Deferred tax assets represent amounts of income tax recoverable based on future deductible taxable profits and are recognized in the balance sheet. Deferred tax assets are recognized up to the amount of taxable profits for which it is probable that they will be realized. Management exercises judgment and makes estimates based on taxable profits from previous years and expectations of future revenues, considered reasonable under current circumstances, when determining future taxable profits and the amounts of taxable profits likely to be realized in the future(Note 14).

Provisions

Provisions are recognized when the Group has an existing obligation as a result of past events and there is a probability of an outflow of resources to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the best current estimate. In cases where the time value of money is significant, the amount of the reserve represents the present value of expenditures. The Group has recognized provisions for long-term employee benefits, taxes, legal disputes, onerous contracts, and other provisions. The most significant provision are for long-term employee benefits, calculated assuming a real discount rate of 3.63% (2022: 1.82%) using a 21% annual inflation rate (2022: 10%) and discount rates of 24.63% (2022: 12%). The provision relate to the subsidiary CMC and comply with Turkish regulatory requirements.

Financial Reporting in Hyperinflationary Economies

In cases where a Group member is classified as operating in a hyperinflationary economy, restatement is applied in accordance with IAS 29. In 2022, the Republic of Turkey met the criteria of IAS 29 for such classification, and the appropriate restatements were applied to the years 2022 and 2023. The indices were determined at the level of the Republic of Turkey.

Useful life of long-term tangible and intangible assets

The Group reviews the estimated useful lives of long-term tangible and intangible assets at the end of each reporting date, based on the planned use in future periods.

4.1. RESTATEMENT OF PRIOR PERIOD

(i) FINAL ALLOCATION OF PURCHASE PRICE – REAL ESTATE DEVELOPMENT PROJEKT – PROJEKT VUKOVARSKA D.O.O.

During 2022, the Group acquired control in Real Estate Development Projekt – Projekt Vukovarska d.o.o. As the control was acquired towards the end of the year, it was not possible to finalize the acquisition calculation in accordance with the requirements of IFRS 3 by the issuance date of the Group's consolidated financial statements for that period. Consequently, a provisional acquisition calculation was made in the financial statements for the year 2022.

During 2023, the Management engaged an independent advisor to allocate the purchase price for the purpose of acquisition calculation as required by International Financial Reporting Standard 3 - Business Combinations ("IFRS 3"). The effects of the acquisition calculation are reflected in the period in which the acquisition occurred, hence it is necessary to adjust the published reports for the year 2022. The effects of the final settlement on the previous period are disclosed in this note, while the final settlement itself is disclosed in Note 34 - Business Combinations.

(ii) PRIOR PERIOD ADJUSTMENT

(a) During 2023, an error was identified regarding the recognition of a deferred tax liability in a subsidiary's financial statements for the year ended December 31, 2022. Since the error was identified subsequently, Management corrected the error in accordance with International Accounting Standard 8 - Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"), in the period when the error occurred.

(b) During the audit of the Group's consolidated financial statements for the year ended December 31, 2022, errors were identified. These errors were not materially significant individually or cumulatively and were not corrected in the financial statements for the year 2022. For fair presentation, the Group's Management decided to correct these errors in the financial statements for the year 2023, in accordance with the requirements of International Accounting Standard 8, in the period to which they relate. As they were not materially significant to the financial statements, no restatement was made to the Statement of Financial Position as of January 1, 2022, but the effects are disclosed in the following – Statement of Financial Position as of January 1, 2022.

(All amounts are presented in thousands of EUR)

4.1. RESTATEMENT OF PRIOR PERIOD (CONTINUED)

The effects of the mentioned transactions on previously issued reports are presented below as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2022

Description	Originally stated	Correction	Restated
Property, plan and equipment (i)	25,625	7,400	33,025
Goodwill (i)	23,134	(5,885)	17,249
Total long-term asset	**48,759**	**1,515**	**50,274**
Total asset	**201,683**	**1,515**	**203,198**
Deferred tax liability (i), (ii(a))	4,280	(1,323)	2,957
Total long-term liabilities	**92,394**	**(1,323)**	**91,071**
Retained earnings and profit of the year (i), (ii (a))	13,828	2,668	16,497
Non-controlling interest (i)	25,961	170	26,131
Total equity	**407,695**	**2,838**	**410,533**
Total equity and liabilities	**201,683**	**1,515**	**203,198**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

Description	Originally stated	Correction	Restated
Depreciation (i)	(16,452)	(37)	(16,489)
Profit before taxation (i)	9,148	(37)	9,111
Income tax (i), (ii (a))	(2,823)	2,662	(161)
Net profit	**6,325**	**2,625**	**8,950**
			-
Attributable to the:			-
Owners	4,104	2,625	6,729
Non-controlling interest	2,221	-	2,221

(All amounts are presented in thousands of EUR)

4.1. RESTATEMENT OF PRIOR PERIOD (CONTINUED)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 1st JANUARY 2022

Description	**Originally stated**	**Correction**	**Restated**
Deffered tax asset (ii (b))	398	349	747
Trade receivables (ii (b))	17,357	106	17,463
Total asset	**120,997**	**455**	**121,453**
Other equity items (ii (b))	(2,980)	(731)	(3,711)
Retained earnings (ii (b))	12,345	455	12,800
Non-controlling interest (ii (b))	22,974	731	23,704
Total equity	**54,290**	**455**	**54,746**
Total equity and liabilities	**120,997**	**455**	**121,453**

4.2. OPERATIONAL SEGMENTS

The group operates through three core operating segments. These segments offer different products and services and are managed separately because they require different technologies and marketing strategies.

As a result of forming new industrial verticals (Workplace and Eplus Ventures) during the year ended December 31, 2023 (see Note 34), the Group has restructured its internal organization and composition of its operating segments, resulting in a change in reporting segments. Accordingly, the Group has restated previously disclosed segment information for the year ended December 31, 2022

Operational segment	**Activities**
BPTO	Business process outsourcing services, contact center services, and customer care management development services
HR services	Temporary staffing services, human resource management, selection and recruitment
eCommerce	Resale services for tourism packages and the sale of beauty products through online
Other	Holding company services and real estate management

The data relating to each mentioned segment is provided below. Segment revenues are used to measure performance because management believes that analyzing these data is most relevant for evaluating the results of individual segments compared to other entities operating in the same industry. However, the Group's financing (which includes financial expenses and financial income) and income tax are reported at the Group level and are not relevant for making business decisions at the segment level.

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(All amounts are shown in thousands of EUR)

4.2.1. SEGMENT REVENUES AND RESULTS

2022 (restated)	BPTO	HR	eCommerce	Other	Elimination*	Total
Revenue from contracts with customers	165,710	8,119	2,609	100	-	**176,538**
Intersegment sales revenue	1,912	48	-	-	(1,960)	**-**
Other revenue	2,590	24	-	866	(586)	**2,894**
Cost of raw materials and supplies	(2,037)	(5)	-	(50)	12	**(2,080)**
Cost of goods sold	(2,145)	-	-	-	-	**(2,145)**
Cost of services	(12,423)	(200)	(554)	(1,271)	1,259	**(13,189)**
Staff costs	(120,575)	(7,929)	(41)	(81)	1,047	**(127,579)**
Depreciation	(15,962)	(32)	-	(241)	-	**(16,235)**
Other operating expenses including expected credit losses	(6,824)	(82)	(685)	(365)	158	**(7,798)**
Operating profit / (loss)	**10,246**	**(57)**	**1,329**	**(1,042)**	**(70)**	**10,406**
Financial income						**3,153**
Financial expense						**(4,972)**
Income tax						**(161)**
Profit for the year						**8,426**

(All amounts are shown in thousands of EUR)

4.2.1. SEGMENT REVENUES AND RESULTS (CONTINUED)

2023	**BPTO**	**HR**	**eCommerce**	**Ostalo**	**Elimintions***	**Total**
Revenue from contracts with customers	203,993	78,610	12,543	-	-	**295,146**
Intersegment sales revenue	1,391	48	-	-	(1,439)	**-**
Other revenue	4,049	493	178	2,633	309	**7,662**
Cost of raw materials and supplies	(2,119)	(242)	(124)	(259)	38	**(2,706)**
Cost of goods sold	(2,197)	-	(4,530)	-	-	**(6,727)**
Cost of services	(8,807)	(7,751)	(1,203)	(2,123)	1,497	**(18,387)**
Staff cost	(155,211)	(66,405)	(860)	(192)	1	**(222,667)**
Depreciation	(17,643)	(2,102)	(131)	(836)	87	**(20,625)**
Other operating expenses including expected credit losses	(12,747)	(2,439)	(2,804)	(470)	165	**(18,295)**
Operating profit / (loss)	**10,709**	**212**	**3,069**	**(1,247)**	**658**	**13,401**
Financial income						**4,460**
Financial expense						**(9,866)**
Income tax						**(1,707)**
Profit for the year						**6,288**

(All amounts are shown in thousands of EUR)

4.2.2 SEGMENT ASSETS AND LIABILITIES

2022 (restated)	**BPTO**	**HR**	**eCommerce**	**Other**	**Elimination***	**Total**
Long-term asset	133,021	57	5,643	75,523	(106,584)	**107,660**
Short-term asset	68,268	1,555	3,869	57,492	(35,191)	**95,993**
Total asset	**201,289**	**1,612**	**9,512**	**133,015**	**(141,775)**	**203,653**
Long-term liabilities	55,137	63	5,305	53,787	(23,221)	**91,071**
Short-term liabilities	65,470	1,524	30	5,973	(17,819)	**55,178**
Total liabilities	**120,607**	**1,587**	**5,335**	**59,760**	**(41,040)**	**146,249**

2023	**BPTO**	**HR**	**eCommerce**	**Other**	**Elimination***	**Total**
Long-term asset	53,476	13,814	7,479	45,817	8,655	**129,241**
Short-term asset	73,446	20,328	8,313	56,462	(46,360)	**112,189**
Total asset	**126,922**	**34,142**	**15,792**	**102,279**	**(37,705)**	**241,430**
Long-term liabilities	59,234	14,518	4,396	56,342	(37,054)	**97,436**
Short-term liabilities	63,877	20,390	14,740	10,220	(23,338)	**85,889**
Total liabilities	**123,111**	**34,908**	**19,136**	**66,562**	**(60,392)**	**183,325**

4.2.3 OTHER SEGMENT INFORMATION

2022	**BPTO**	**HR**	**eCommerce**	**Other**	**Total**
Additions to non-current assets	14,094	3	1,770	407	16,274

2023	**BPTO**	**HR**	**eCommerce**	**Other**	**Total**
Additions to non-current assets	21,006	1,073	1,336	1,359	24,774

The Group has presented the data on depreciation by segments within Note 4.2.1. Segment revenues and results.

*Eliminations include intersegment transactions and balances as well as consolidation adjustments.

(All amounts are shown in thousands of EUR)

4.2.4 GEOGRAPHICAL INFORMATION

The Group makes its geographical information and key decisions at the level of two geographical areas: EU and non-EU.
The Group's domicile environment is the geographical area of the EU.

2022 (restated)	**EU**	**non-EU**	**Elimination***	**Total**
Non-current asset	47,068	42,044	11,792	**100,904**

2023	**EU**	**non-EU**	**Elimination***	**Total**
Non-current asset	42,367	50,492	26,982	**119,841**

Geographic data on non-current do not include financial instruments or deferred tax assets.

The Group has presented geographic information on sales revenue within Note 5 - Revenue from Contracts with Customers.

4.2.5 INFORMATION ABOUT MAJOR CUSTOMERS

The Group does not have significant customers exceeding 10% of revenue from contracts with customers.

(All amounts are shown in thousands of EUR)

5. REVENUES FROM CONTRACTS WITH CUSTOMERS

	2023	2022
Revenues from contact centres	191,186	153,999
Revenues from sales of software solutions	12,807	12,710
Revenues from agency employment and similar services	78,610	8,120
Revenue from insurance intermediation	12,543	1,709
	295,146	**176,538**

2022:

	BPTO	HR	eCommerce	Other	Eliminations	Total
Revenues from contracts with customers	167,622	8,167	2,609	100	(1,960)	176,538
EU	86,699	8,167	-	100	(1,960)	93,006
non-EU	80,923	-	2,609	-	-	83,532
Total	**167,622**	**8,167**	**2,609**	**100**	**(1,960)**	**176,538**
Point in time	-	345	2,609	-	(41)	2,910
Through time	167,622	7,825	-	100	(1,919)	173,628
Total	**167,622**	**8,167**	**2,609**	**100**	**(1,960)**	**176,538**

2023:

	BPTO	HR	eCommerce	Other	Eliminations	Total
Revenues from contracts with customers	205,384	78,658	12,543	-	(1,439)	**295,146**
EU	91,675	46,779	9,753	-	(1,289)	**146,918**
non-EU	113,709	31,879	2,790	-	(150)	**148,228**
Total	**205,384**	**78,658**	**12,543**	**-**	**(1,439)**	**295,146**
Point in time	341	5,266	12,543	-	-	**18150**
Through time	205,043	73,392	-	-	(1,439)	**276,996**
Total	**205,384**	**78,658**	**12,543**	**-**	**(1,439)**	**295,146**

(All amounts are shown in thousands of EUR)

6. OTHER REVENUES

	2023	2022
Gain from bargain purchase (Note 34)	1,577	-
Income from the write-off of liabilities	1,464	3
Rental income (Note 17.2)	1,366	214
Income from subsidies	1,153	557
Income from reimbursed expenses	631	570
Income from the reversal of the provision	404	74
Profit from the reversal of the lease liability	180	83
Income from the sale of fixed assets	146	-
Income from penalties	78	1,036
Other	663	357
	7,662	**2,894**

The revenue from the write-off of liabilities primarily relates to the elimination of obligations recorded in periods before the acquisition of subsidiaries

7. COSTS OF RAW MATERIALS AND SUPPLIES

	2023	2022
Energy cost	1,461	1,285
Fuel cost	497	249
Cost of office supplies	178	469
Other costs of raw materials and supplies	570	77
	2,706	**2,080**

8. COSTS OF GOODS SOLD

	2023	2022
Cost of goods sold	6,727	2,145
	6,727	**2,145**

The cost of goods sold mainly relates to the operations of the eCommerce segment.

(All amounts are shown in thousands of EUR)

9. COSTS OF SERVICES

	2023	2022
Intellectual costs	5,283	5,593
Subcontractor expenses	3,333	1,310
Maintenance costs	2,290	1,170
Short-term rental costs	1,982	2,031
Insurance costs	894	25
Intermediation costs	576	619
Other service costs	4,029	2,641
	18,387	**13,189**

Other service expenses mainly consist of accounting services, market research services, and employment services.

Audit costs in 2023 amounted to EUR 466 thousand (2022: EUR 250 thousand), while the costs of non-audit services provided by statutory auditors amounted to EUR 273 thousand (2022: EUR 83 thousand).

10. STAFF COSTS

	2023	2022
Net salary costs	154,998	83,176
Costs of taxes and contributions from salaries	39,222	27,252
Costs of contributions on salaries	18,568	10,071
Costs of external employment	1,257	2,015
Other staff costs	8,622	5,065
	222,667	**127,579**

Other staff costs relate to business travel, transportation, vacation pay, bonuses and other employee benefits.

11. DEPRECIATION AND AMORTIZATION

	2023	2022
Amortization of intangible assets	11,796	8,034
Amortization of right of use assets	4,926	5,702
Depreciation of property, plant and equipment	3,431	2,499
Depreciation of investment property	472	-
	20,625	**16,235**

(All amounts are shown in thousands of EUR)

12. OTHER OPERATING COSTS

	2023	2022
Telecomumunication cost	4,315	2,571
Advertising and promotion cost	3,765	1,355
Transport costs	1,797	1,159
Other tax, liability and fee costs	1,204	355
Postal services costs	1,069	151
Recharged costs	929	554
License cost	888	462
Entertainment costs	770	432
Bank charges and transaction costs	465	243
Unamortised cost of derecognised assets	321	82
Parking cost	125	-
Other costs	2,627	16
	18,275	**7,380**

Other expenses primarily relate to cleaning, maintenance, education, web hosting, sales promotion, occupational safety, selection, and utility costs.

(All amounts are shown in thousands of EUR)

13. FINANCIAL REVENUE AND EXPENSES

	2023	2022
Financial income		
Interest income	762	25
Foreign exchange gains	3,427	1,063
Other financial income	271	2,065
	4,460	**3,153**
Financial expenses		
Interest expenses	8,255	4,166
Exchange rate losses	357	502
Other financial expenses	1,254	304
	9,866	**4,972**

Other financial income and other financial expenses mostly consists of monetary gain resulting from the recalculation of foreign operations in accordance with the recalculation rules applicable to hyperinflationary economies.

13.1. EARNINGS PER SHARE

	December 31, 2023	December 31, 2022
Net profit from continued operations attributable to owners	5,085	6,327
Weighted average number of shares over the period	982,032	982,032
Basic and diluted earnings per share (in euro and cents)	**5.18**	**6.44**

	December 31, 2023	December 31, 2022
Net (loss) / profit from discontinued operations attributable to owners	(1,324)	402
Weighted average number of shares over the period	982,032	982,032
Basic and diluted earnings per share (in euro and cents)	**(1.35)**	**0.41**

On June 27, 2023, the Annual General Meeting of Meritus Ulaganja d.d. was held, and a dividend of EUR 1,374,844.80 (EUR 1.4 per share) was approved. The dividend was paid on July 21, 2023.

On June 7, 2022, the Annual General Meeting of Meritus Ulaganja d.d. was held, and a dividend of EUR 1,303,380.45 (EUR 1.3 per share) was approved. The dividend was paid on June 24, 2022.

(All amounts are shown in thousands of EUR)

14. INCOME TAX AND DEFERRED TAX

	2023	2022
Current tax	3,669	1,657
Deferred tax, net	(1,962)	(1,496)
	1,707	**161**

	2023	2022
Profit before tax	**7,995**	**8,587**
Income tax at a tax rate of 18% (2022: 18%)	1,201	1,546
The effect of non-taxable revenue	(649)	(1,005)
The effect of non-tax deductible expenses	1,472	361
Unrecognized deferred tax assets on tax losses	573	525
Use of tax losses previously unrecognized as deferred tax assets	(1,090)	1,527
The effect of different tax rates	199	(138)
Income tax	-	(2,655)
Restatement (Note 4.1.)	**1,707**	**161**
Effective tax rate	***21.35%***	***1.87%***

An overview of tax loss carry forwards that have a certain deadline by which they can be used are shown below:

Tax loss that can be used until 2024	1,687
Tax loss that can be used until 2025	668
Tax loss that can be used until 2026	1,084
Tax loss that can be used until 2027	2,949
Tax loss that can be used until 2028	2,721
Total	**9,109**

EUR 9,109 thousand of carried forward tax losses pertain to companies within the Group, whose main source of income is profit from investments in subsidiary companies, which is non-taxable. Therefore, no deferred tax asset is recognized based on this.

Apart from the above, there are additional EUR 4,382 thousand of carried forward tax losses in subsidiaries of the Invitel group that do not have a specified expiration period. From this amount, the Group has not recognized a deferred tax asset of EUR 1,460 thousand of carried forward tax losses of companies due to the uncertainty of their utilization in future periods.

(All amounts are shown in thousands of EUR)

14. INCOME TAX AND DEFFERED TAX (CONTINUED)

The reconciliation of deferred tax assets and deferred tax liabilities is as follows:

Deferred tax assets

	Tax losses carried forward	Total
January 1, 2022	748	748
Acquisition of subsidiaries (Note 34)	2,485	2,485
Increase of deferred tax assets recognized in profit or loss	122	122
December 31, 2022	**3,355**	**3,355**
January 1, 2023	**3,355**	**3,355**
Acquisition of subsidiaries (Note 34)	-	-
Increase in deferred tax assets recognized in profit or loss	1,384	1,384
December 31, 2023	**4,739**	**4,739**

Deferred tax liability

	2023	2022
January 1	**2,957**	**834**
Adjustment of initial conditions for the impact of hyperinflation	(711)	(1,276)
Amortization	474	2,831
Effects of purchase price allocation (Note 34)	927	1,659
Capitalization of development costs	(140)	(405)
Leases	(180)	(201)
Unused vacations	224	(125)
Provisions for legal disputes	29	(61)
Non-current employee benefits	236	(191)
Other	(48)	(79)
Exchange rate fluctuations	(496)	(29)
December 31	**3,272**	**2,957**

The deferred tax movement is presented netted, considering that a significant part of deferred taxes is related to the members of the Group who present deferred taxes netted.

(All amounts are shown in thousands of EUR)

15. GOODWILL

	December 31, 2023	**December 31, 2022**
BPTO	15,749	15,749
eCommerce	1,506	475
HR	521	521
Other	207	504
	17,983	**17,249**

	2023.	**2022.**
Cost		
Status at the beginning of the year	**17,249**	**11,078**
Additional amounts recognized from acquisitions of subsidiaries during the year (Note 34)	1,031	6,171
Disposal	(297)	-
	17,983	**17,249**

16. INTANGIBLE ASSETS

	Licenses and software	**Other intangible assets**	**Intangible assets in preparation**	**Total**
Balance as at December 31, 2021				
Purchase value	8,714	21,208	454	**30,376**
Accumulated depreciation	(2,566)	(3,113)	(188)	**(5,867)**
Net book value	**6,148**	**18,095**	**266**	**24,509**
Changes during 2022				
Increase	6,309	4,011	354	**10,675**
Acquisition of subsidiaries	46	972	-	**1,018**
Adjustment of initial conditions for the impact of hyperinflation	952	13,410	327	**14,689**
Sale/write-off	-	(327)	-	**(327)**
Transfers	-	565	(565)	**-**
Exchange rate differences	(571)	(2,218)	(41)	**(2,830)**
Depreciation expense	(3,293)	(4,856)	-	**(8,149)**
Net book value	**9,591**	**29,652**	**341**	**39,585**
Balance as at December 31, 2022				
Purchase value	15,454	37,621	530	**53,605**
Accumulated depreciation	(5,863)	(7,970)	(188)	**(14,020)**
Net book value	**9,591**	**29,651**	**342**	**39,585**
Changes during 2023				
Increase				
Acquisition of subsidiaries (Note 34)	11,348	5,000	3,025	**19,372**
Sale/write-off	3,077	12,044	95	**15,216**
Transfers	(5,116)	(138)	-	**(5,254)**
Exchange rate differences	(1,667)	718	(838)	**(1,787)**
Depreciation expense	461	751	(139)	**1,073**
Net book value	(4,262)	(7,534)	-	**(11,796)**
	13,432	**40,492**	**2,485**	**56,409**
Balance as at December 31, 2023				
Purchase value	23,557	55,996	2,673	**82,225**
Accumulated depreciation	(10,125)	(15,504)	(188)	**(25,816)**
Net book value	**13,432**	**40,492**	**2,485**	**56,409**

The most significant item of other intangible assets relates to the customer base and is the result of acquiring control over the CMC Group. In addition to the customer base, this category also includes intangible assets based on franchise agreements and intangible assets recognized during the allocation of the purchase price.

(All amounts are shown in thousands of EUR)

17. PROPERTY, PLANT, AND EQUIPMENT

	Equipment	Buildings	Assets in preparation and other assets	Total
Balance as at December 31, 2021				
Purchase value	3,627	2,429	184	6,240
Accumulated depreciation	(1,141)	(644)	(138)	(1,923)
Net book value	**2,486**	**1,785**	**46**	**4,317**
Changes during 2022				
Increase	4,785	367	442	5,594
Acquisition of subsidiaries	536	23,823	-	24,359
Adjustment of initial conditions for the impact of hyperinflation	2,070	-	-	2,070
Sale/write-off	(18)	-	-	(18)
Depreciation expense	(824)	5	2	(817)
Exchange rate differences	(2,182)	(274)	(24)	(2,480)
Net book value	**6,853**	**25,706**	**466**	**33,025**
Balance as at December 31, 2022				
Purchase value	10,176	26,624	628	37,428
Accumulated depreciation	(3,323)	(918)	(162)	(4,403)
Net book value	**6,853**	**25,706**	**466**	**33,025**
Changes during 2023				
Increase	4,855	146	7	5,008
Acquisition of subsidiaries (note 34)	614	-	248	862
Sale/write-off	(988)	(2,077)	(400)	(3,465)
Transfers	196	(14,305)	(195)	(14,304)
Exchange rate differences	(103)	-	(2)	(105)
Depreciation expense	(3,094)	(327)	(10)	(3,431)
Net book value	**8,333**	**9,143**	**114**	**17,590**
Balance as at December 31, 2023				
Purchase value	14,750	10,388	286	25,424
Accumulated depreciation	(6,417)	(1,245)	(172)	(7,834)
Net book value	**8,333**	**9,143**	**114**	**17,590**

The total value of buildings is encumbered by mortgages in favour of banks.

(All amounts are shown in thousands of EUR)

17.1. RIGHT OF USE ASSETS

	Business premises	Vehicles	Equipment	Total
Balance as at December 31, 2021				
Purchase value	7,662	1,923	3,170	12,755
Value adjustment	(3,847)	(968)	(1,662)	(6,477)
Net book value	**3,815**	**955**	**1,508**	**6,278**
Changes during 2022				
Increase	1,499	752	631	2,882
Acquisition of subsidiaries	5,283	95	2,282	7,660
Adjustment of initial conditions for the impact of hyperinflation	527	227	-	754
Repurchase/reduction	(425)	(82)	-	(507)
Depreciation expense	(139)	(82)	18	(203)
Exchange rate differences	(2,919)	(669)	(2,230)	(5,819)
Net book value	**7,641**	**1,196**	**2,209**	**11,045**
Balance as at December 31, 2022				
Purchase value	14,407	2,833	6,101	23,341
Accumulated depreciation	(6,766)	(1,637)	(3,892)	(12,296)
Net book value	**7,641**	**1,196**	**2,209**	**11,045**
Changes during 2023				
Increase	3,909	1,671	146	5,728
Acquisition of subsidiaries (Note 34)	1,538	437	-	1,975
Sale/write-off	(999)	(99)	(990)	(2,088)
Transfers	1,389	303	91	1,783
Exchange rate differences	10	64	(8)	66
Depreciation expense	(3,308)	(950)	(668)	(4,926)
Net book value	**10,180**	**2,622**	**780**	**13,583**
Balance as at December 31, 2023				
Purchase value	20,254	5,209	5,340	30,805
Accumulated depreciation	(10,074)	(2,587)	(4,560)	(17,222)
Net book value	**10,180**	**2,622**	**780**	**13,583**

The right to use leased property refers to business premises, vehicles, and equipment for the needs of regular business operations.

Amounts recognized in the statement of comprehensive income	**2023**	**2022**
Depreciation expenses on right of use assets (Note 11)	4,926	5,702
Interest on operating leases	738	107
Costs related to current leases (Note 9)	1,982	2,031

The repayment of lease liabilities in fixed amounts in 2023 amounted to EUR 5,307 thousand (2022: EUR 4,454 thousand).

(All amounts are shown in thousands of EUR)

17.2. INVESTMENT PROPERTY

	Investment property
Balance as at January 1st, 2022	
Purchase value	-
Accumulated depreciation	-
Net book value	**-**
Movement during 2023	
Increase	444
Transfer	14,304
Depreciation expense	(472)
Net book value	**14,276**
Balance as at December 31, 2023	
Purchase value	14,748
Accumulated depreciation	(472)
Net book value	**14,276**

The property is encumbered by a mortgage in favor of banks.

Rental income is disclosed in Note 6 Other revenue

(All amounts are shown in thousands of EUR)

18. NON-CURRENT FINANCIAL ASSETS

18.1. FINANCIAL ASSET MEASURED AT AMORTIZED COSTS

	December 31, 2023	December 31, 2022
Non-current loans given	1,399	2,778
Non-current deposits	882	536
Other investments	978	-
	3,259	**3,314**

Non-current deposits in the amount of EUR 882 thousand (December 31, 2022: EUR 536 thousand) do not bear interest. The maturity date of these deposits is after 2024.

Non-current loans were given to third parties in the amount of EUR 296 thousand (2022: EUR 1,848 thousand) and to members of the Management Board and employees in the amount of EUR 1,103 thousand (2022: EUR 1,013 thousand), with an average interest rate of 2.4% (31 December 2022: 2.68%).

There was no increase in credit risk after the initial recognition of the financial asset.

18.2. FINANCIAL ASSET MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2023	December 31, 2022
Other investment	1,402	87
	1,402	**87**

Other investments mainly consist of investments in educational institutions with goal of long-term investment.

19. CURRENT FINANCIAL ASSETS

19.1. CURRENT FINANCIAL ASSETS MEASURED AT AMORTIZED COSTS

	December 31, 2023	December 31, 2022
Current loans given	2,451	161
Current deposits	300	4
	2,751	**165**

The maturity of the granted loans is within one year, with an average interest rate of 2.4 % (December 31, 2022: 2.68%). Current loans have been given to employees and third parties.

There was no increase in credit risk after the initial recognition of the financial asset.

(All amounts are shown in thousands of EUR)

20. TRADE RECEIVABLES

	December 31, 2023	December 31, 2022
Foreign trade receivables	4,016	2,556
Domestic trade receivables	39,308	26,348
Value adjustment of receivables	(174)	(374)
	43,150	**28,530**

The average days sales outstanding is 46 days (2022: 60 days). The Group has recorded an allowance for all outstanding receivables that are estimated to be uncertain in terms of collection.

Changes in the allowance for uncertain receivables can be shown as follows:

	2023	2022
Balance at the beginning of the year	374	42
New allowances during the year	20	418
Write-offs	(220)	(86)
	174	**374**

The expected credit loss rate used for the simplified ECL model was 0.55% (2022: 1.48%) for all due receivables, while for undue receivables, the expected credit loss rate was not significant.

The maturity analysis of trade receivables at December 31, 2023, and 2022 is as follows:

	Undue	31-60 days	61-90 days	91-180 days	>180 days	Total
December 31, 2023	34,578	5,669	931	1,354	618	**43,150**
December 31, 2022	26,532	921	80	410	587	**28,530**

21. OTHER RECEIVABLES

	December 31, 2023	December 31, 2022
Receivables from the state	4,799	3,545
Advances given from services	818	759
Receivables from employees	408	182
Receivables acquired by cession and assignment	100	99
Other receivables	1,072	298
	7,197	**4,883**

Receivables from the government relate to prepayments and advances for corporate income tax.

The given advances mostly pertain to advances for consulting services.

Other receivables relate to receivables from delivery services related to eCommerce operations and receivables for interest on given loans.

(All amounts are shown in thousands of EUR)

22. ACCRUED INCOME AND PREPAID EXPENSES

	December 31, 2023	December 31, 2022
Prepaid expenses	2,618	3,555
Accrued income	4,308	1,121
Prepaid rental expenses	1	5
	6,927	**4,681**

Accrued revenues relate to services performed but not yet invoiced. Prepaid expenses relate to maintenance, insurance, and IT support costs paid in advance.

23. CASH AND CASH EQUIVALENTS

	December 31, 2023	December 31, 2022
Balance on giro accounts in local currency	16,690	34,805
Balance on giro accounts in foreign currency	12,224	14,694
Deposits in banks with a maturity of up to 3 months	21,709	8,018
Cash on hand	14	6
	50,637	**57,523**

(All amounts are shown in thousands of EUR)

24. SHARE CAPITAL

	December 31, 2023			December 31, 2022		
Registered co-owner	**Share**	**Percentage of ownership**	**Number of shares**	**Share**	**Percentage of ownership**	**Number of shares**
Orso global d.o.o.	6,685	51.29%	503,674	6,685	51.29%	503,674
Other	6,349	48.71%	478,358	6,349	48.71%	478,358
Total:	**13,034**	**100.00%**	**982,032**	**13,034**	**100.00%**	**982,032**

25. RESERVES

25.1. CAPITAL RESERVES

As at December 31, 2023 capital reserves amount to EUR 19,784 thousand (December 31, 2022: EUR 19,784 thousand). During 2023 there were not changes in capital reserves or share capital of the Company.

25.2 LEGAL RESERVES

Legal reserves in 2023 amount to EUR 1,997 thousand (2022: EUR 1,763 thousand) and refer to reserves of the parent company in accordance with the Accounting Act and the Companies Act in the amount of HRK 414 thousand (2022: EUR 339 thousand) and reserves for capitalized costs development in the amount of HRK 1,582 thousand (2022: EUR 1,423 thousand).

25.2 FOREIGN EXCHANGE RESERVES

Foreign exchange reserves consist of exchange differences from the translation of investments in foreign operations.

The cumulative inflation rate in Turkey in the three-year period exceeded 100% in the second quarter of 2022, and the conditions based on IAS 29 have been fulfilled and the country should be formally classified as a hyperinflationary economy.

25.3 OTHER COMPONENTS OF EQUISTY

Other equity items relate to:

a) the difference between the effective liability of the Parent company paid to the remaining non-controlling shareholder of the subsidiary Meritus plus d.do.o. and the net book value of the non-controlling interest at the time of redemption of the described interest in the amount of EUR (3,710) thousand. The aforementioned transaction took place during 2020.
b) the difference between the effective liability of the Parent Company paid to the remaining non-controlling shareholder of the subsidiary Trizma d.o.o. and the net book value of the non-controlling interest at the time of redemption of the described interest in the amount of EUR (6,104) thousand. The aforementioned transaction took place during 2022.
c) the difference between the effective liability of the Parent Company paid to the remaining non-controlling shareholder of the subsidiary M+ GermanyGmbH and the net book value of the non-controlling share at the time of the redemption of the described share in the amount of EUR (7,011) thousand. The aforementioned transaction took place during 2022.
d) the difference between the effective liability of the Parent Company paid to the remaining non-controlling shareholder of the subsidiary Smartflex and the net book value of the non-controlling share at the time of the redemption of the described share in the amount of EUR (103) thousand. The aforementioned transaction took place during 2022.
e) reserves for own shares formed by a subsidiary in accordance with local regulations in the amount of EUR 291 thousand and
f) The difference between the consideration paid by the Company to the remaining non-controlling shareholder of the subsidiary CDE New Technologies and the net carrying amount of the non-controlling interest at the time of acquisition, for a total of EUR (131) thousand euros. This transaction occurred during the year 2023.

26. BORROWINGS

	December 31, 2023	December 31, 2022
Obligations for long-term issued bonds	40,000	40,000
Liabilities for long-term borrowings	33,718	36,594
Liabilities for short-term borrowings and accrued interest	29,022	19,782
	102,740	**96,376**

Long-term borrowings were used to finance capital investments and acquisitions. The average weighted interest rate on long-term borrowings in 2023 was 4.00% (in 2022: 5.05%). The Group regularly fulfills all obligations under these borrowings in compliance with all the terms of the agreement.

The table below shows the approved borrowing amounts with the corresponding interest rate and maturity date:

Approved borrowing amount (in thousands)	Currency	Borrowing approval period	Maturity period	Interest rate
2,000	EUR	02/2021	03/2031	3.25% + 3 mon EURIBOR
4,000	EUR	11/2023	05/2024	4.80%
4,000	EUR	11/2023	05/2024	4.80%
4,500	EUR	12/2022	12/2024	1.73% + 1 mon EURIBOR
3,500	EUR	01/2023	12/2024	2.10% + 3 mon EURIBOR
22,900	EUR	12/2023	12/2024	3.25% + 3 mon EURIBOR
520	EUR	06/2019	07/2029	3.15% + 3 mon EURIBOR
3,075	EUR	06/2019	07/2029	3.15% + 3 mon EURIBOR
1,252	EUR	06/2019	07/2024	3.15% + 3 mon EURIBOR
1,233	EUR	01/2022	06/2024	1.75%
500	EUR	06/2019	07/2024	3.15% + 3 mon EURIBOR
2,000	EUR	12/2022	02/2024	4.22% + 3 mon EURIBOR
200	EUR	06/2023	06/2024	6.00%
8,500	EUR	12/2021	12/2029	2.83% + 3 mon EURIBOR
500	EUR	06/2023	06/2024	3.50% + 3 mon EURIBOR
50	GBP	05/2021	05/2026	2.50%
50,000	TL	07/2020	06/2027	Godine 0-2 - 12%; godine 2-7 TRREF +1.75%
20,000	TL	07/2020	06/2027	16.80%
21,000	TL	08/2023	01/2024	25.75%
13,000	TL	08/2023	01/2024	25.75%
20,000	TL	10/2023	10/2024	57.00%
107,584	HUF	04/2018	03/2026	1.00%
11,440	EUR	07/2022	12/2030	2.00% + 3 mon EURIBOR
1,360	EUR	09/2022	12/2030	2.00% + 3 mon EURIBOR
150	EUR	09/2021	08/2026	3.30%
300	EUR	09/2022	08/2024	3.80% + 3 mon EURIBOR
30,000	RSD	12/2023	12/2024	4.10% + 6 mon BELIBOR
400	EUR	04/2021	04/2024	3.00% + 3 mon EURIBOR
1,000	EUR	12/2023	12/2024	7.93%

(All amounts are shown in thousands of EUR)

26. BORROWINGS (CONTINUED)

Short-term borrowings were used to finance new projects and working capital. Payment instruments are the collateral provided for short-term borrowings.

The weighted average interest rate on short-term borrowings in 2023 was 5.75% (in 2022: 4.12%).

Changes in borrowings received during the year can be shown as follows:

	2023	2022
Balance as at January 1	**96,376**	**39,366**
New borrowings	39,338	56,757
Accrued interest	5,429	2,337
New borrowings - acquisition of subsidiaries (Note 34)	5,011	18,424
Repayment of borrowings	(36,187)	(18,729)
Repayment of interest	(4,842)	(798)
Exchange rate differences	(2,384)	(981)
Balance as at December 31	**102,741**	**96,376**

Interest expense on loans in 2023 amounts to EUR 5,429 thousand (2022: EUR 2,337 thousand). Interest paid amounts to EUR 4,842 thousand (2022: EUR 798 thousand).

Issue of bonds

On July 29, 2022, the company issued bonds related to the sustainable domestic capital market in the total nominal amount of EUR 40 million, with a fixed annual interest rate of 4.25%, with semiannual interest payments and a one-time maturity of the principal after five years, marks MRUL-O-277E and International Identification Number (ISIN) HRMRULO277E9 ("Bonds").

The Group created a Framework document for the issuance of Bonds related to sustainable operations, aligned with the Principles of bonds related to sustainable operations published by ICMA (The International Capital Market Association) in June 2020.

The framework document Bonds related to sustainable business defines two key performance indicators:

(1) Reduce absolute Scope 1 and 2 greenhouse gas emissions by 25.2% to 2,148 tCO_2e in 2027 compared to the base year 2021

(2) Achieve 51% representation of women in management teams (including management bodies) by the end of 2030.

Detailed information about this issuance was published in the Prospectus, which was made publicly available on the Company's website on July 14, 2022. The Management estimates that both indicators will be met according to defined targets

(All amounts are shown in thousands of EUR)

26. BORROWINGS (CONTINUED)

Issue of bonds (continued)

According to the Prospectus, below is a table showing alternative performance indicators, explanations of which are provided in the Prospectus::

Name of indicator	2023	2022
Operating profit (EBIT)	13,401	10,975
EBITDA	34,026	27,427
EBITDA margin	11.24%	15.10%
Consolidated normalized EBITDA	41,261	30,495
Consolidated net debt	55,890	40,420
Consolidated debt	106,527	97,943
Consolidated equity	58,105	54,110
The ratio of Consolidated net debt and Consolidated normalized EBITDA	1.37	1.33
Ratio of Consolidated Debt and Consolidated equity	1.83	1.81
Operating profit margin (EBIT margin)	4.43%	6.04%
Net profit margin	2.08%	3.48%
Liabilities for non-current loans received from banks	22,594	25,478
Liabilities for current loans received from banks	26,185	17,656
Liabilities for non-current loans received from shareholders	11,783	11,644
Current liabilities for leases received	5,469	5,731
Non-current liabilities for leases received	10,100	7,481

27. LEASE LIABILITIES

Lease liabilities in the amount of EUR 15,569 thousand (December 31, 2022: EUR 13,212) have the following maturity:

	December 31, 2023	December 31, 2022
Within a year	5,469	5,731
In the second year	3,910	3,126
In the third year	2,445	1,546
In the fourth year	1,913	1,116
In the fifth year	1,045	936
After five years	787	757
Total	**15,569**	**13,212**

	December 31, 2023	December 31, 2023
Total non-current lease liabilities	10,100	7,481
Total current lease liabilities	5,469	5,731
	15,569	**13,212**

The movement in leases is presented in Note 17.1. Right-of-use assets

(All amounts are shown in thousands of EUR)

28. OTHER NON-CURRENT LIABILITIES

	December 31, 2023	December 31, 2022
Obligations for purchased rights	6,797	786
Other non-current liabilities	414	27
Total	**7,211**	**813**

The obligations for purchased rights primarily relate to obligations arising from franchise agreements related to the HR business segment.

28.1. LONG-TERM PROVISIONS

	December 31, 2023	December 31, 2022
Provisions for long-term employee benefits	2,008	1,645
Provisions for taxes	708	751
Provisions for loss-bearing contracts	155	559
Provision for legal cases	243	271
Other non-current liabilities	21	-
Total	**3,135**	**3,226**

The movement the movement in the provision for long-term employee benefits is shown in the following table:

	2023	2022
Balance as at January 1	**1,645**	**286**
Acquisition of subsidiaries (Note 34)	88	411
Service costs	1,051	588
Interest expense	98	111
Paid remuneration	(882)	(512)
Actuarial (losses) / gains recognized in the profit and loss statement	376	455
Actuarial (losses) / gains recognized in equity	239	500
Exchange rate differences	(607)	(194)
Balance as at December 31	**2,008**	**1,645**

(All amounts are shown in thousands of EUR)

28.1. LONG-TERM PROVISIONS (CONTINUED)

The movement in other provisions is presented as follows:

2022	Provisions for loss-bearing contracts	Provisions for taxes	Provisions for legal cases	Other provisions	Total
Balance as at January 1st	**-**	**-**	**217**	**-**	**217**
Acquisition of subsidiaries (Note 34)	2,524	670	-	145	**3,339**
Increase of provision	204	81	117	-	**402**
Reversing of provision-recognised in the statement of comprehensive income	(2,194)	-	-	-	**(2,194)**
Use of the provision-cash outflow	-	-	-	(145)	**(145)**
Exchange rate differences	25	-	(63)	-	**(38)**
Balance as at December 31	**559**	**751**	**271**	**-**	**1,581**

2023	Provisions for loss-bearing contracts	Provisions for taxes	Provisions for legal cases	Other provisions	Total
Balance as at January 1st	**559**	**751**	**271**	-	**1,581**
Acquisition of subsidiaries (Note 34)	-		-	21	**21**
Increase of provision	-	188	96	-	**284**
Reversing of provision-recognised in the statement of comprehensive income	(404)	(203)	-	-	**(607)**
Use of the provision-cash outflow	-	(28)	-	-	**(28)**
Exchange rate differences	-	-	(124)	-	**(124)**
Balance as at December 31	**155**	**708**	**243**	**21**	**1,127**

The tax provisions relate to provisions for potential penalties under the tax regulations of the Federal Republic of Germany pertaining to periods before the acquisition of the Invitel Group. The movement in 2023 arises from new circumstances related to the same.

29. TRADE PAYABLES

	2023	2022
Liabilities to foreign suppliers	1,505	5,249
Liabilities to domestic suppliers	10,732	1,109
	12,237	**6,358**

(All amounts are shown in thousands of EUR)

30. LIABILITIES TO EMPLOYEES

	December 31, 2023	December 31, 2022
Liabilities for net salaries	11,745	6,342
Employee contributions	7,238	3,338
	18,983	**9,680**

31. OTHER CURRENT LIABILITIES

	December 31, 2023	December 31, 2022
VAT liabilities	3,857	1,475
Other current liabilities	1,960	2,041
Liabilities for the acquisition of shares	1,293	1,400
Capitalized rights	396	264
	7,506	**5,180**

32. DEFERRED REVENUE AND ACCRUED EXPENSES

	December 31, 2023	December 31, 2022
Accrued operating expenses	5,716	4,929
Deferred revenue	4,467	2,474
	10,183	**7,403**

Deferred revenues as at December 31, 2023 and 2022 are primarily related to IT and contact center services. The accrued expenses are mostly related to the costs of insurance, subcontracting, maintenance and licenses.

(All amounts are shown in thousands of EUR)

33. RELATED PARTY TRANSACTIONS

Balances and transactions from the relationship between the Company and its subsidiaries, which are its related parties, have been eliminated by consolidation and are not disclosed in this note. The analysis of transactions between the Group and other related parties is presented below. The total remuneration accrued to the members of the Supervisory Board, the Management Board, and the executive directors in 2023 amounted to EUR 475 thousand (in 2022: EUR 258 thousand). Total receivables on the basis of borrowing granted to the Management Board and executive directors as at December 31, 2023, amounted to EUR 1,605 thousand (31 December 2022: EUR 931 thousand at December 31, 2022).

	Receivables		Liabilities	
	December 31 2023	**December 31 2022**	**December 31 2023**	**December 31 2022**
Other related parties	428	14	431	11
Total	**428**	**14**	**431**	**11**

	Loans receivables (principal)		Loans liabilities	
	December 31 2023	**December 31 2022**	**December 31 2023**	**December 31 2022**
Other related parties	657	-	11,783	11,573
Total	**657**	**-**	**11,783**	**11,573**

The loans liabilities relate to loans from the minority shareholder Dragon Bidco and minority shareholders of Invitel.

	Revenues		Expenses	
	2023	**2022**	**2023**	**2022**
Other related parties	1,170	10	2,633	1,036
Total	**1,170**	**10**	**2,633**	**1,036**

(All amounts are shown in thousands of EUR)

34. ACQUISITION OF SUBSIDIARIES

a) Integrator holding d.o.o. i MPS Integration d.o.o.

On December 20, 2022, the Group entered into a share purchase agreement for the indirect acquisition of a 90% stake in MPS Integration d.o.o. (MPS) and a 51% stake in Integrator holding d.o.o. (Integrator). Integrator owns companies operating under the Manpower brand in the region (Bulgaria, Serbia, Bosnia and Herzegovina, Croatia, SIovenia, and Hungary). The completion of the transaction was subject to approvals from the competent authorities of the Republic of Serbia. The Group obtained approval in March 2023, and the acquisition date was determined as April 1, 2023.

	Carrying value	Change	Fair value
Intangible asset	9,977	1,056	11,033
Right of use asset	1,682	-	1,682
Property, plant and equipment	727	-	727
Financial asset	443	-	443
Given advances	271	-	271
Trade receivables	12,385	-	12,385
Other receivables	3,039	-	3,039
Cash and cash equivalents	1,476	-	1,476
Borrowings	(1,615)	-	(1,615)
Long-term lease	(1,128)	-	(1,128)
Other long-term liabilities	(8,341)	-	(8,341)
Deffered tax liabilities	-	(190)	(190)
Short-term borrowings	(3,047)	-	(3,047)
Short-term lease	(507)	-	(507)
Trade payables	(2,549)	-	(2,549)
Other short-term liabilitie	(10,648)	-	(10,648)
Identifiable net asset	**2,672**	**866**	**3,538**

During the allocation of the purchase price, intangible assets related to customer contracts were recognized along with the corresponding deferred tax liability.

Consideration	2,166
Fair value of identifiable net asset	(3,538)
Gain from bargain purchase (Note 6)	**(1,372)**

Net cash outflow is shown as follows:	
Consideration paid in cash	(1,666)
Cash and cash equivalent balances acquired	1,476
Net cash outflow from acqusition	**(190)**

(All amounts are shown in thousands of EUR)

34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

b) Konverzija d.o.o.

On July 27, 2023, the Group acquired a 60% stake in the company Konverzija d.o.o ("Konverzija"), from Slovenia.

	Carrying value	Change	Fair value
Intangible asset	346	3,880	4,175
Right of use asset	293	-	293
Property, plant and equipment	143	-	143
Inventories	242	-	242
Trade receivables	279	-	279
Other receivables	264	-	315
Cash and cash equivalents	81	-	81
Long-term lease	(215)	-	(215)
Other long-term liabilities	(19)	-	(19)
Deffered tax liabilities	-	(737)	(737)
Short-term borrowings	(825)	-	(825)
Short-term lease	(86)	-	(86)
Trade payables	(2,640)	-	(2,640)
Other short-term liabilitie	(491)	-	(491)
Identifiable net asset	**(2,628)**	**3,143**	**515**

During the allocation of the purchase price, intangible assets related to the "Pink Panda" brand were recognized along with the corresponding deferred tax liability. The non-controlling interest was calculated using the proportional method based on the share of the identifiable net assets acquired proportionately to the non-controlling interest

Consideration	1,340
Non-controlling interest	206
Fair value of identifiable net asset	(515)
Goodwill (Note 15)	**1,031**

Net cash outflow is shown as follows:	
Consideration paid in cash	(1,340)
Cash and cash equivalent balances acquired	81
Net cash outflow from acqusition	**(1,259)**

(All amounts are shown in thousands of EUR)

34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

c) Kanatol d.o.o.

During July 2023, the Group acquired a 100% stake in the company Kanatol IEDC Limited.

	Carrying value	Change	Fair value
Financial asset	975	-	975
Borrowings	(31)	-	(31)
Trade payables	(11)	-	(11)
Identifiable net asset	**933**	**-**	**933**

Consideration	728
Fair value of identifiable net asset	(933)
Gain from bargain purchase (Note 6)	**(205)**

Net cash outflow is shown as follows:	
Consideration paid in cash	(728)
Cash and cash equivalent balances acquired	-
Net cash outflow from acqusition	**(728)**

The Group has prepared a provisional calculation of the acquisition purchase price for the acquisition of the company in 2023. The Group will evaluate the acquisition calculation over the period in accordance with IFRS 3 Business Combinations during 2024.

A third party conducted a capital injection into Kanatol IEDC Limited in November 2023, and the Group holds 75% of the voting rights in Kanatol IEDC Limited.

(All amounts are shown in thousands of EUR)

34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

d) Real estate development projekti-projekt Vukovarska (final calculation)

Meritus Global Real Estate Management d.o.o., a company wholly owned by the Company, concluded a transaction to acquire a 75% stake in REAL ESTATE DEVELOPMENT PROJEKTI - Projekt Vukovarska d.o.o. ("REDP") in October 2022. REDP is the 100% owner of Go Health d.o.o., based in Croatia, thus indirectly acquiring a 100% stake in Go Health d.o.o. The Group gained control over the operations of REDP, and consequently Go Health d.o.o., from November 1, 2022. During the preparation of the financial statements for 2022, the Group prepared a provisional calculation of the acquisition purchase price for acquisitions in 2022. In 2023, the Group conducted an acquisition calculation in accordance with IFRS 3 Business Combinations for acquisitions in 2023. The effects of adjustments based on the final calculation are disclosed in Note 4.1. The non-controlling interest was calculated using the proportional method based on the share of the identifiable net assets acquired proportionately to the non-controlling interest.The transaction is presented as follows based on the final acquisition calculation:

	Carrying value	Change	Fair value
Property, plant and equipment	14,173	7,437	21,610
Non-current financial asset	3,122	-	3,122
Trade receivables	29	-	29
Other receivables	72	-	72
Cash and cash equivalents	155	-	155
Borrowings	(13,846)	-	(13,846)
Deffered tax liability	-	(1,339)	(1,339)
Short-term borrowings	(572)	-	(572)
Trade payables	(5)	-	(5)
Other short-term liabilities	(199)	-	(199)
Identifiable net asset	**2,929**	**6,098**	**9,027**

Considearation	8,300
Non-controlling interest	933
Fair value of identifiable net asset imovine	(9,027)
Goodwill	**206**

(All amounts are shown in thousands of EUR)

35. DISCONTINUED OPERATIONS

On March 31, 2023, the Group concluded a sales agreement with IMC Plus d.o.o for the sale of its subsidiary CDE IT, which provided IT services in Slovenia, and the IT business segment of CDE New Technologies d.o.o.. The inflows from the sale did not exceed the net asset value of the mentioned subsidiary. This sale is in line with the Group's policy to focus its activities only on profitable services and regions. The sale was completed on the specified date, and since then, the Group has no control over the mentioned subsidiary. Details of the sold assets and liabilities, as well as the calculation of the sales result, are provided below. The results from discontinued operations are included in the year's results and are presented as shown below. Comparative results from discontinued operations are re-presented to include this discontinued operation in the current year.

(Loss)/profit for the year from discontinued operations	**December 31, 2023**	**December 31, 2022**
Revenue	-	1,890
Other income	-	322
	-	**2,212**
Cost of materials and supplies	-	(13)
Cost of good sold	-	(78)
Cost of services	-	(508)
Cost of staff	-	(574)
Depreciation	-	(254)
Other operating expenses	-	(254)
Financial income	-	1
Financial expenses	-	(9)
Profit before taxation	**-**	**523**
Loss from the sale of the business	(1,324)	-
Income tax	-	-
Net (loss)/profit from discontinued operations	**(1,324)**	**523**

(All amounts are shown in thousands of EUR)

35. DISCONTINUED OPERATIONS (CONTINUED)

Details of the sold assets and liabilities, as well as the calculation of the result of sal, are presented as follows:

Consideration received	**2023**
Consideration received in cash and cash equivalents	1,391

Analysis of the assets and liabilities over which control was lost	**December 31, 2023**
Current asset	
Cash	20
Trade receivables and loans given	2,570
Non-current asset	
Property, plant and equipment	118
Financial asset	8
Net asset sold	**2,715**

Loss from the sale of subsidiary	**2023**
Consideration received	**1,391**
Net asset sold	**2,715**
Non-controlling interest	-
Loss from sale	**(1,324)**

Net cash inflow from sale of the subsidiary	**December 31, 2023**
Consideration received in cash and cash equivalent	**1,391**
Less: cash and cash equivalents of sold subsidiary	**(20)**
Net cash inflow from sale of the subsidiary	**1,371**

(All amounts are shown in thousands of EUR)

36. NON-CONTROLLING INTERESTS

Additional information on subsidiaries with material non-controlling interests is presented below:

Subsidiary name	Share of non-controlling interest		(Loss)/profit intended for non-controlling interests	
Geomant	**2023**	**2022**	**2023**	**2022**
	49%	49%	(122)	205

	2023	**2022**
Current assets	8,315	6,050
Non-current assets	6,786	6,641
Current liabilities	(5,166)	(6,446)
Non-current liabilities	(2,662)	(1,775)
Net assets	**7,274**	**4,470**
Accumulated non-controlling interest	**2,705**	**2,826**
Revenues	10,652	10,064
Net (loss)/profit	(230)	56
Net decrease of cash flow	(238)	(137)

(All amounts are shown in thousands of EUR)

36. NON-CONTROLLING INTEREST (CONTINUED)

The Group acquired a 23% stake in Bulb d.o.o. through the newly established company Bulb Management d.o.o., in which it holds a 51% stake. Bulb Management d.o.o. holds a 45% stake in Bulb d.o.o. and has the right to 51% of the votes at the general meeting of Bulb d.o.o. From the transaction described, the Group obtained a controlling interest in Bulb d.o.o.

Subsidiary name	Share of non-controlling interest		Profit intended for non-controlling interests	
Bulb	**2023**	**2022**	**2023**	**2022**
	77%	77%	287	157

	2023	**2022**
Current assets	3,355	2,994
Non-current assets	4,532	2,546
Current liabilities	(1,635)	(646)
Non-current liabilities	(582)	(69)
Net assets	**5,671**	**4,825**
Accumulated non-controlling interest	**4,213**	**3,926**
Revenues	3,893	25,604
Net profit	360	1,537
Net decrease of cash flow	(549)	(547)

(All amounts are shown in thousands of EUR)

36. NON-CONTROLLING INTERESTS (CONTINUED)

Subsidiary name	Share of non-controlling interest		Profit intended for non-controlling interests	
M Plus Croatia	**2023**	**2022**	**2023**	**2022**
	31.26%	31.26%	263	861

	2023	**2022**
Current assets	48,559	45,694
Non-current assets	62,327	53,206
Current liabilities	(45,897)	(50,977)
Non-current liabilities	(28,404)	(12,280)
Net assets	**36,585**	**35,642**
Accumulated non-controlling interest	**19,178**	**18,915**
Revenues	35,543	38,543
Net profit	875	2,870
Net increase/(decrease) of cash flow	761	(5,242)

(All amounts are shown in thousands of EUR)

36. NON-CONTROLLING INTERESTS (CONTINUED)

Subsidiary name	Share of non-controlling interest		Profit intended for non-controlling interests	
Invitel GmbH	**2023**	**2022**	**2023**	**2022**
	25%	25%	67	401

	2023	**2022**
Current assets	6,112	5,818
Non-current assets	9,211	8,148
Current liabilities	(5,928)	(6,994)
Non-current liabilities	(15,473)	(13,264)
Net assets	**(6,078)**	**(6,292)**
Accumulated non-controlling interest	**(1,488)**	**(1,555)**
Revenues	44,065	42,726
Net profit	267	1,603
Net increase/(decrease) of cash flow	392	(92)

(All amounts are shown in thousands of EUR)

36. NON-CONTROLLING INTEREST (CONTINUED)

Subsidiary name	Share of non-controlling interest		Profit intended for non-controlling interests	
Moderna ventures	**2023**	**2022**	**2023**	**2022**
	49%	49%	562	589

	2023	**2022**
Current assets	3,125	2,802
Non-current assets	4,179	1,805
		-
Current liabilities	(5,094)	(1,699)
Non-current liabilities	(558)	(508)
		-
Net assets	**1,652**	**2,400**
Accumulated non-controlling interest	**2,182**	**1,620**
		-
Revenues	2,986	2,632
Net profit	1,148	1,202
Net (decrease)/increase of cash flow	(647)	253

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

37.1. Fair value

All financial instruments measured or disclosed at fair value in the balance sheet are categorized according to the hierarchy shown below, based on the lowest level of input significant to the determination of their fair value:

Levels of fair value indicators from 1 to 3 are based on the degree of measurability of fair value:

- Level 1 indicators: Fair value indicators are derived from (unadjusted) prices quoted in active markets for identical assets and liabilities.
- Level 2 indicators: Fair value indicators are derived from input variables that do not represent the aforementioned prices from Level 1 that are observable for the asset or liability, either directly (e.g., as prices) or indirectly (e.g., derived from prices).
- Level 3 indicators: Fair value indicators are derived using valuation techniques in which inputs based on the asset or liability data are used that are not based on available market data.

The fair value of financial instruments traded on active markets is based on quoted market prices at the balance sheet date. A market is considered active if quoted prices are readily and regularly available from an exchange, broker, industry group, or regulatory agency, and those prices represent actual and regularly occurring market transactions under usual market conditions. The fair value of financial instruments not traded on an active market (e.g., OTC derivatives) is determined using valuation techniques. These valuation techniques require the maximum use of observable market data where available and rely as little as possible on entity-specific estimates. If all significant inputs required for the fair valuation of the instrument are observable, the instrument is included in Level 2. If one or more significant inputs are not based on observable market data, the instrument is included in Level 3.

Of the total financial assets measured at fair value through other comprehensive income, EUR 1,062 thousand is measured through Level 3 fair value (2022: EUR 86 thousand), while EUR 340 thousand is measured through Level 2 fair value (2022: -).

(All amounts are shown in thousands of EUR)

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Categories of financial asset and liabilities

	Financial asset	Financial asset	Financial liabilities
December 31, 2023	**Fair value through other comprehensive income**	**Amortised cost**	**Amortised cost**
Non-current financial asset (Note 18)	1,402	3,259	-
Other current financial asset (Note 19)	-	2,751	-
Trade receivables (Note 20)	-	43,150	-
Other receivables (Note 21)	-	7,197	-
Cash and cash equivaletns (Note 23)	-	50,637	-
Long-term loans (Note 26)	-	-	73,718
Long-term leases (Note 27)	-	-	10,100
Other long-term liabilities (Note 28)	-	-	7,211
Trade payables (Note 29)	-	-	12,237
Liablities to employees (Note 30)	-	-	18,983
Other short-term liabilities (Note 31)	-	-	7,506
Short-term loans (Note 26)	-	-	29,022
Short-term lease (Note 27)	-	-	5,469

	Financial asset	Financial asset	Financial liabilities
December 31, 2022	**Fair value through other comprehensive income**	**Amortised cost**	**Amortised cost**
Non-current financial asset (Note 18)	87	3,314	-
Other current financial asset (Note 19)	-	165	-
Trade receivables (Note 20)	-	28,530	-
Other receivables (Note 21)	-	4,883	-
Long-term loans (Note 26)	-	-	76,594
Long-term leases (Note 27)	-	-	7,481
Other long-term liabilities (Note 28)	-	-	813
Trade payables (Note 29)	-	-	6,358
Liablities to employees (Note 30)	-	-	9,680
Other short-term liabilities (Note 31)	-	-	5,180
Short-term loans (Note 26)	-	-	19,782
Short-term lease (Note 27)	-	-	5,731

(All amounts are shown in thousands of EUR)

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

37.2. Financial risk management objectives

The Group's treasury function provides services to business segments within the Group, coordinates access to the domestic and international financial markets, monitors financial risks related to the Group's operations, and manages them through internal risk reports in which exposures are analyzed by degree and risk. These include market risk (including currency risk, interest rate risk, and price risk), followed by credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using financial instruments to hedge against these exposures. The Group does not enter into contracts for financial instruments, including derivatives, nor does it participate in the trade of such instruments for speculative purposes.

37.3. Market risk

The Group is primarily exposed to the financial risk of changes in foreign exchange rates and interest rates (see below). There have been no changes in the Group's exposure to market risks or the way in which the Group manages and measures that risk.

37.3.1. Currency risk management

Currency Risk Management The Group is exposed to the risk of changes in currencies other than the Group's functional currency (EUR), in which the Group's subsidiaries operate (TRY, RSD, and others).

37.3.2. Interest rate risk management

The Group is exposed to interest rate risk due to the fact that its entities borrow funds at fixed and variable interest rates. The Group manages risk by maintaining an appropriate ratio of fixed and variable interest rate borrowings. Interest rate risk on borrowing indebtedness is minimal because the contracted borrowing arrangements are mostly at a fixed interest rate. Nevertheless, the market situation is regularly monitored, and, if necessary, interest rates on existing borrowings are adjusted or refinanced with new borrowings so that the fair value of the interest rate is in line with the most favorable interest rates available on the market.

Interest rate risk sensitivity analysis

The sensitivity analyses that follow are based on the exposure to interest rates on non-derivative instruments at the end of the reporting period. For liabilities related to variable interest rates, the analysis was made under the assumption that the volume of liabilities stated at the date of the statement of financial position was valid throughout the year.

If interest rates were 0.5% higher while other variables were constant, the effects on the Group's profit would be as follows:

Interest rate risk	**2023**	**2022**
Variable interest rate instruments		
Borrowings	236	213
Total	**236**	**213**

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

37.4. Credit risk management

In order to reduce credit risk, the Group has adopted a policy of dealing exclusively with creditworthy parties and obtaining sufficient collection collateral instruments to mitigate the risk of financial loss due to default. The Group's exposure and the credit rating of the parties with which it does business are continuously monitored, and the total value of concluded transactions is allocated to approved clients.

Before accepting a new customer, the credit limit team uses an external credit rating system to assess the customer's creditworthiness and set a credit limit for each individual customer.

In addition, monitoring procedures have been established to ensure that the actions required to collect overdue debts are carried out. Expected credit losses on trade receivables are estimated using a provisioning matrix based on past experience with outstanding receivables and an analysis of the debtor's current financial position in accordance with the factors specific to the debtor, the general economic conditions in their industry, and the current and projected trend of conditions. No written-off receivable is subject to forced collection. Furthermore, the Group reviews the recoverable amount of debt and debt investment on an individual basis at the end of the reporting period to ensure adequate impairment provisions for non-recoverable amounts. In this regard, the Company's management believes that the Group's credit risk has been significantly reduced. Trade receivables relate to a large number of customers from various economic sectors and regions.

37.4.1. Collateral instruments and other credit enhancements

The Group takes collateral as required to cover its credit risk related to its financial assets and continuously monitors customers.

(All amounts are shown in thousands of EUR)

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)
37.5. Financing ratio

The Group's financing ratio, which is determined by the ratio of net debt to equity, can be presented as follows:

	December 31, 2023	**December 31, 2022**
Liabilities for long-term borrowings	62,018	66,186
Liabilities for short-term borrowings	28,940	18,545
Non-current liabilities for leases received (note 27)	10,100	7,481
Current liabilities for leases received (note 27)	5,469	5,731
Cash and cash equivalents (Note 23)	(50,637)	(57,523)
Net debt/(cash)	**55,890**	**40,420**
Equity (Notes 24, 25)	58,105	57,404
Debt to equity ratio	**96.19%**	**70.41%**

Borrowings include all external financing with the exception of loans from minority shareholders. The amount of loans includes accrued interest.

The Group's objectives in managing capital are to preserve the Group's ability to continue as a going concern, assuming an indefinite timeframe, to provide returns to its shareholders and benefits to other stakeholders, and to maintain an optimal debt and equity structure to minimize the cost of capital

(All amounts are shown in thousands of EUR)

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

37.6. Liquidity risk management

The Management Board is responsible for liquidity risk management. The Group manages its liquidity through the use of bank funds (overdrafts) and continuous monitoring of planned and realized cash flows, as well as the reconciliation of financial assets and financial liabilities. The following tables analyze the remaining period to the contractual maturity of the Group's non-derivative financial liabilities and assets. The tables have been prepared on the basis of undiscounted cash inflows. The tables include cash inflows by principal and interest.

The following table analyzes the expected maturity of the Group's non-derivative financial assets:

	Weighted average effective interest rate	Up to 1 month	1-3 months	3 months-1 year	1-5 years	After 5 years	Total	Book value
	%							
December 31, 2023								
Interest-free	-	104,246					104,246	104,246
Interest-bearing	2.40	240	481	2,162	1,466	-	4,349	4,150
		104,236	**481**	**2,162**	**1,466**	**-**	**108,345**	**108,145**
December 31, 2022								
Interest-free	-	91,202	-	-	-	-	91,202	91,202
Interest-bearing	2.68	14	28	127	2,927	-	3,096	2,942
		91,216	**28**	**127**	**2,927**	**-**	**94,298**	**94,145**

(All amounts are shown in thousands of EUR)

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

37.6. Liquidity risk management (continued)

The following table analyzes the expected maturity of the Group's non-derivative financial liabilities. The tables have been prepared on the basis of undiscounted contractual maturities of financial liabilities, including interest to be paid on those assets. Disclosure of information on a non-derivative financial liability is necessary to understand how the Group manages liquidity risk, as liquidity is managed based on the net amount of financial assets and financial liabilities.

	Weighted average effective interest rate	Up to 1 month	1-3 months	3 months-1 year	1-5 years	After 5 years	Total	Book value
	%							
December 31, 2023								
Interest-free	-	26,489			7,211		33,700	33,700
Interest-bearing	4.83	5,882	11,764	20,688	72,010	18,261	128,605	118,310
		32,371	**11,764**	**20,688**	**79,221**	**18,261**	**162,305**	**152,010**
December 31, 2022								
Interest-free	-	20,763	-	-	-	-	20,763	20,763
Interest-bearing	5.36	2,919	4,421	20,602	76,484	16,148	120,573	109,587
		23,682	**4,421**	**20,602**	**76,484**	**16,148**	**141,336**	**130,350**

38. COMMITMENTS AND CONTINGENT LIABILITIES

According to the management's assessment, as of December 31, 2023, and 2022, the Group does not have any significant commitments and contingent liabilities that would require disclosure in the notes to the consolidated financial statements. As of December 31, 2023, the Group was not involved in any significant legal disputes where an unfavorable outcome is expected, and such disputes were not disclosed in the consolidated financial statements.

39. ADOPTION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were adopted and approved for publication by the Company's Management Board on April 30, 2024

President of the Management Board	Member of the Management Board
Darko Horvat	Tomislav Glavaš