m san GRUPA

2024

ANNUAL Report

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

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OVERVIEW OF KEY INDICATORS IN 2024

GROUP IN 2024

BUSINESS REVENUE* (IN EURO)	**CHANGE** (COMPARED TO 2023)
502.0 million	**+6.4%**
EBITDA* (IN EURO)	**CHANGE** (COMPARED TO 2023)
11.5 million	**+5.0%**
EBIT* (IN EURO)	**CHANGE** (COMPARED TO 2023)
8.5 million	**+3.5%**
NET PROFIT* (IN EURO)	**CHANGE** (COMPARED TO 2023)
3.9 million	**(15.9%)**

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

OVERVIEW OF KEY INDICATORS IN 2024

COMPANY IN 2024

BUSINESS REVENUE* (IN EURO)	**CHANGE** (COMPARED TO 2023)
342.8 million	**+1.9%**
EBITDA* (IN EURO)	**CHANGE** (COMPARED TO 2023)
4.8 million	**(15.2%)**
EBIT* (IN EURO)	**CHANGE** (COMPARED TO 2023)
3.9 million	**(10.3%)**
NET PROFIT* (IN EURO)	**CHANGE** (COMPARED TO 2023)
1.3 million	**(8.1%)**

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

A COMMENT BY IRENA LANGER-BREZNIK CHAIRPERSON OF THE MANAGEMENT BOARD

In 2024, M SAN Grupa continued to operate successfully despite a challenging global environment, once again demonstrating its resilience, strategic focus and adaptability. Thanks to the focus on targets and operational excellence of the entire Group, we achieved growth in total operating revenue of 6.4% to EUR 502.0 million, while EBITDA increased by 5.0% compared to the previous year.

The most important contribution to this growth came from the private brands segment, whose share in the total revenue rose to 27.8%. Within this segment, VIVAX, our strategic, most important own brand, stands out, having become one of the most important factors in the stability and long-term sustainability of the business of M SAN Grupa. With its growth and the strengthening of its presence in all distribution channels, VIVAX has confirmed its market relevance and secured a strong position in the context of independence from external suppliers and macroeconomic fluctuations. In 2024, we further strengthened VIVAX's position as a major brand in all the markets in which we operate, with a focus on export markets.

In the first half of the year, we focused on internal reorganisation with the aim of maximising the potential of the individual business divisions. Particular attention was paid to operational efficiency and agility, which is essential for increasing the satisfaction of our business partners, employees and end consumers, but also for maintaining long-term competitiveness and for sustainable growth and development. In this context, one of the most important strategic steps was the strengthening of logistics capacities – in North Macedonia, capacities were expanded by an additional 10,000 m^2, thereby strengthening the most important logistics centre for Macedonia, Kosovo and the countries of the Southern Balkans. At the same time, an investment cycle for the construction of a new production and logistics complex was launched in Rijeka. Both investments are being made in cooperation with companies that have a common ultimate owner and are active in the field of property management.

Within the Group, all key business areas made a strong contribution to the overall result:

- The Enterprise division continued its growth as the leading regional VAD distributor and achieved a revenue of 111.1 million euros (12.3%). The software segment (43.4%) and Cloud (10.6%) made the largest contributions. Strategic agreements were concluded with Red Hat and Check Point over the course of the year, further strengthening our expertise in the areas of AI, virtualisation, security solutions and automation.
- The Green division achieved sales growth of 12.5%, with particularly strong growth in the solar energy sector (44.1%). The MS Lux brand was expanded to include new sports and industrial lighting lines, and a significant step forward was taken with accreditation to EN ISO/IEC 17025 for the testing of lighting systems, making a further contribution to sustainability and energy efficiency.
- The VIVAX division achieved significant growth in all strategic product groups: air conditioning systems (60.9%), white goods (38.0%) and small domestic appliances by shifting the focus to year-round products. The reorganisation into three independent divisions was implemented and in the fourth quarter preparations began for expansion into the EU markets through the establishment of subsidiaries.
- The ITCE division recorded a slight decline in sales (4.7%), which is in line with the market trend. However, market share was maintained, and positive developments were achieved in the most important categories: Computers (33%), monitors, televisions and telephones. The division continued the process of reorganisation by vertical with the aim of increasing operational efficiency and reducing costs.

Over the course of the year, we also faced challenges in the supply chain, particularly in the procurement of goods from China. Geopolitical unrest and conflicts had a significant impact on logistics flows and extended the average shipping time from 35 to up to as much as 67 days. Nevertheless, thanks to timely measures, planning and flexibility, we were able to ensure the continuity of supply and fulfil our obligations to our partners.

The year 2024 represents an important milestone for M SAN Grupa – a time when we have begun to lay the foundations for a systematic and comprehensive approach to sustainability that is aligned with the new European Sustainability Reporting Standards (ESRS).

Although we are aware that we still have a long way to go, 2024 in particular has been pivotal in shifting our focus to a more attentive understanding of the impacts we have, the risks we face and the opportunities we can identify and seize in collaboration with our many stakeholders.

In this process, we have begun to look at sustainability from a broader perspective – not only within the boundaries of our Group, but also through the complexity of the value chains to which we are connected. We have recognised how important it is not only to measure and report, but also to actively raise awareness – within the company, among employees and partners as well as in the community. Green solutions, sustainable innovations and the responsible use of resources are increasingly becoming the focus of our stakeholders – and for good reason.

We would like to thank our employees, partners, customers and suppliers for their continued cooperation and support. Together, we will continue on the path to a stronger, more efficient and even more innovative future.

ABOUT US

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

The M SAN Grupa is the largest private IT Company in the Republic of Croatia. Within the M SAN Grupa, whose primary activity is the distribution of computer hardware, software and consumer electronics, companies in the region such as Kim Tec Bosnia and Herzegovina, Kim Tec Serbia, Kim Tec Montenegro and Pakom Kompani North Macedonia operate, among others, and from the end of 2022 and Alterna distribucija d.o.o. in Slovenia. In July 2023, the Company concluded the acquisition of the company Data Link, which specializes in the production of professional LED lighting and develops products and production technology, software solutions and the technology of LED lighting fixtures. On 21 May 2024, a contract was signed for the acquisition of 100% of the ownership shares in the company Ask Tec d.o.o. (Kosovo), which until then was under the direct control of the sole member of the company. This acquisition was carried out with the aim of consolidating all sales companies within the same business vertical.

In addition to the above, the Group distributes IT equipment and consumer electronics of its own brands, which includes TV sets, air conditioners, lighting fixtures (LED lamps), white goods, desktop computers and electric mobility products (electric scooters, electric bicycles and electric motocycles), which it also distributes through its distribution network.

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

Since its establishment, the Group has implemented a strategy of strengthening its portfolio with all major world-renowned brands of IT equipment and consumer electronics. Special emphasis is placed on the production and development of our own brands, with production taking place in the People's Republic of China, the Republic of Turkey, the Republic of Croatia and the Republic of Serbia. Most of the production takes place in the plants of third parties, while in the plants of the Group's companies, in the Republic of Croatia and the Republic of Serbia, the assembly of personal computers, TV sets and electric bicycles takes place, as well as the production of led lighting of our own brands. In parallel, the expansion of the Group's operations in the Adriatic region is being carried out by establishing companies and logistics centres with the development of its own logistics, as well as service and service support. Its own regional logistics network is one of the Group's key competitive advantages. Since entering the market until today, we have gained the trust of our customers, partners and suppliers, the number of which is constantly increasing. We are proud that we have become one of the best distributors on the regional IT and CE market from our beginning until today. We attribute our position as a market leader to the commitment of our employees, suppliers, customers and stakeholders, because we firmly believe that achieving common goals leads to success and enables additional expansion and improvement of our own business.

The company is active in research and development.

30 **years**

YOUR RELIABLE PARTNER

BUSINESS MODEL

The business model of the M SAN Grupa is based on building and maintaining trust and reliability of cooperation with suppliers and customers, developing a diverse product portfolio and financial stability, and special care that is devoted to products of its own brands.

We have acquired a large number of satisfied partners and customers by investing in production, distribution, marketing and development. Our own brands that we are proud of are VIVAX in the consumer electronics range, MS Energy in the e-mobility range, MSGW computers, MS in the range of peripherals, cables, drones, housings, power supplies and accessories for mobile phones, laptops and desktops, Solmacht which covers the field of solar systems and MS Lux which offers a range of LED lighting products.

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

is our own brand of electric scooters, bicycles and all other modern personal electric transportation systems. It has been present on the Croatian market since 2019, and today's range of MS Energy is divided into four categories: electric bicycles, electric scooters, electric motorcycles and accessories. In today's world, where mobility and ecology define a new lifestyle, MS Energy provides answers to customer demands for sustainable, simple and smart transport solutions, the for complete e-mobility. The reliability and quality of e-mobility products is one of the foundations of the MS Energy brand. The product creation strategy and the entire production process are based on the use of proven technological solutions, and the very idea of creating a product is based on the desire to offer the user a complete, reliable, environmentally friendly and economical solution to the issue of urban mobility.

BUSINESS MODEL

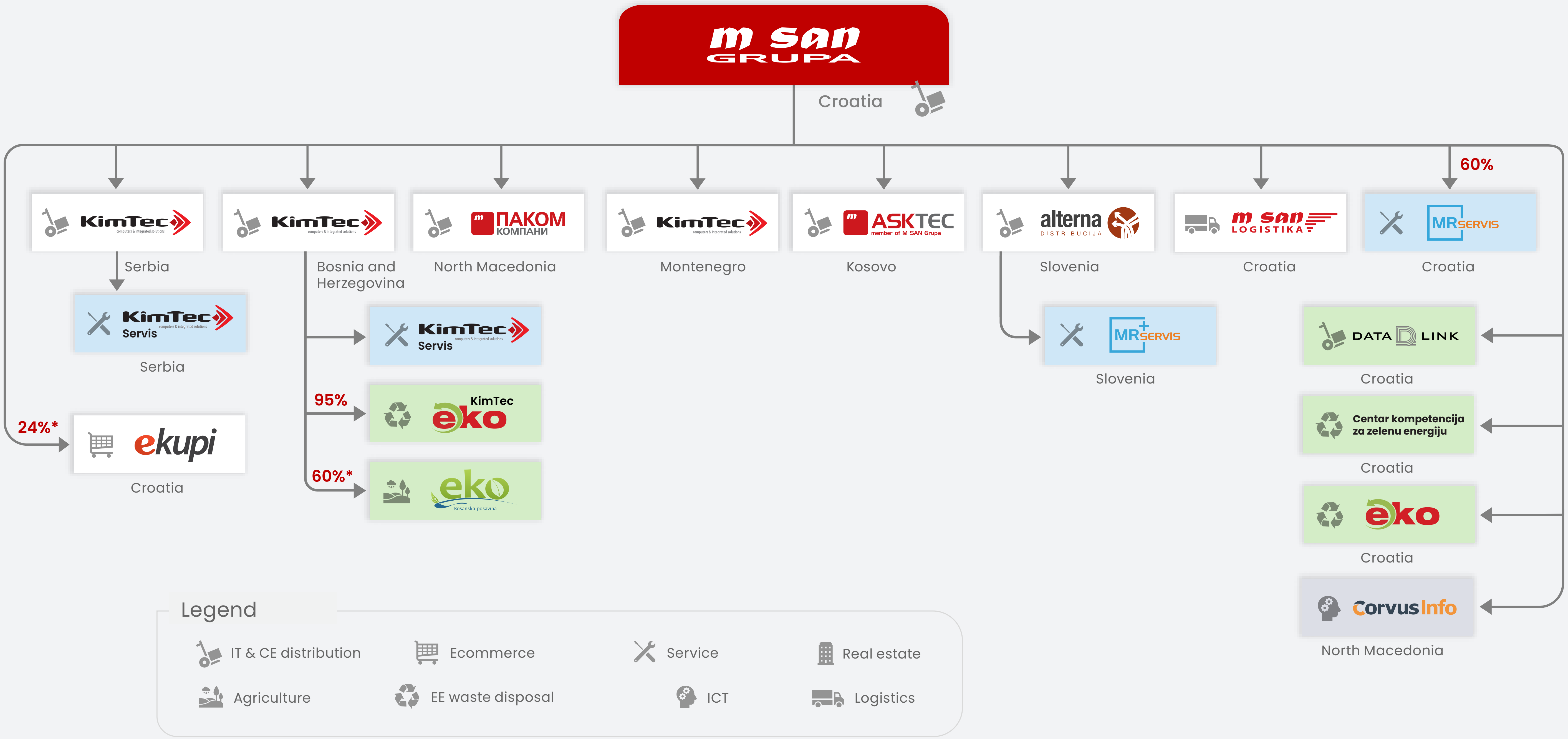
MS LUX is one of the leading European manufacturers of professional lighting. Utilizing state-of-the-art LED technology, it replicates sunlight, adapting and optimizing it for all needs with the smallest ecological footprint. The development of the production of MS Lux lighting began in 2015 under the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

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

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

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

OVERVIEW OF AFFILIATED COMPANIES WITHIN THE GROUP



*on December 31, 2024, the company did not participate in the consolidation.

PORTFOLIO, SALES CHANNELS, PARTNERS

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

THE M SAN GRUPA'S LOGISTICS IS AMONG THE MOST DEVELOPED IN THE REGION, WHICH ENSURES FAST AND ACCURATE DELIVERY.

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

With a large number of partners, the Group has significantly diversified its operations, where the largest unrelated customer accounts for 2.2% of the total annual turnover. The Group invests significantly in the sales channels of exports to third countries (countries where there are no subsidiaries), so the total share of exports to third parties amounted to 9.6% in 2024.

HISTORICAL DEVELOPMENT OF

The Group

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

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

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

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

2004
VIVAX brand registered

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

2006
Business shares in Pakom Kompani (North Macedonia) acquired

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

MR Servis d.o.o. was founded

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

2013
Kim TEC Eko was founded, MS brand registered

2019
MS ENERGY brand registered

2021
Issuance of a corporate bond, SOLMACHT brand registered

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

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

2024
Acquired business shares in the company ASK TEC d.o.o. (Kosovo)

ORGANIZATIONAL STRUCTURE

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

Supervisory Board:
Željko Menalo, Chairman of the Supervisory Board,
Miroslav Huzjak, Deputy Chairman of the Supervisory Board,
Stipo Matić, member of the Supervisory Board until March 1, 2025,
Marko Rašić, member of the Supervisory Board,
Snježana Matić, member of the Supervisory Board until April 7, 2024,
Branko Bojanić, member of the Supervisory Board since August 1, 2024,
Goran Kotlarević, member of the Supervisory Board since March 1, 2025.

Management Board:
Irena Langer-Breznik, Chairperson of the Management Board,
Žarko Kruljac, Vice-Chairperson of the Management Board,
Slaven Stipančić, member of the Management Board until March 1, 2025,
Goran Kotlarević, member of the Management Board until March 1, 2025,
Alen Panić, member of the Management Board,
Vladimir Brkljača, member of the Management Board,
Miroslav Gabrić, member of the Management Bord until March 8, 2023,
Bruno Jozić, member of the Management Board since June 1, 2024.

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

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

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

ORGANIZATIONAL STRUCTURE

In the reporting period ending on 31 December 2024, a total of 540 employees contributed to the core business of the parent Company M SAN Grupa and related companies in Croatia, as well as 453 employees in the region (Serbia, Bosnia and Herzegovina, Montenegro, Macedonia, Slovenia, Kosovo). A total of 993 employees contributed to the growth and development of our companies during the year as of 31 December 2024.

Our main goals and ambitions are:

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

7.400+
PARTNERS

200.000
PRODUCTS DELIVERED PER MONTH

950+
EMPLOYEES

6
OWN BRANDS

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

The M SAN Grupa is not obliged to apply the Corporate Governance Code of the Croatian Financial Services Supervision Agency and the Zagreb Stock Exchange d.d., but the Group is guided in its operations by the highest standards of governance and responsibility in accordance with good corporate management practices, and the standards and practices themselves are included in the Articles of Association, which are available on the Company's website (www.msan.hr).

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

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

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

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

BODIES OF THE COMPANY

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

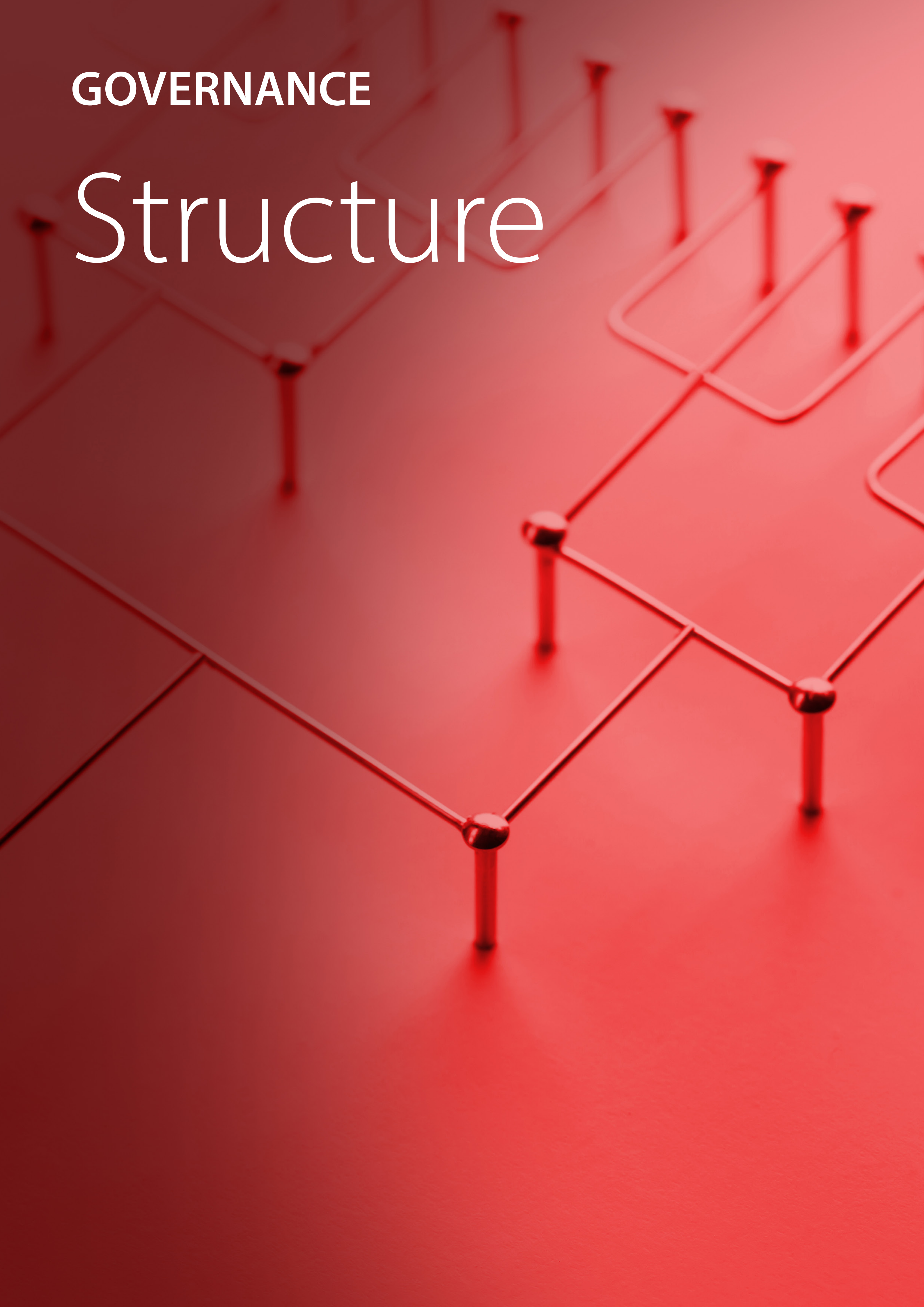
DESCRIPTION OF DIVERSITY POLICY

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

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

GOVERNANCE

Structure



Governance within M SAN is based on the transparency and efficiency of corporate governance based on the best international practices, ensuring the success and sustainability of the entire Group's activities. M SAN operates within a two-level board structure, consisting of the Supervisory Board and the Management Board. During 2024, the Supervisory Board consisted of five members, while the number of Management Board members decreased from seven at the beginning of the year to six by the end of the first quarter and then increased again to seven members from the end of the second quarter of 2024.

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

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

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

THE M SAN GRUPA'S MANAGEMENT BOARD

IRENA LANGER BREZNIK

CHAIRPERSON OF THE MANAGEMENT BOARD

Irena Langer Breznik has held a number of management positions in the M SAN Grupa for 19 years. In her roles, which include a leadership position in the M SAN Grupa's procurement, in addition to responsibility for the complete procurement process in the Republic of Croatia and regionally, she is responsible for obtaining new distributions, nurturing quality relationships with principals, organizing and implementing marketing activities at the level of M SAN and companies in the region; moreover, she was responsible for the establishment of new business processes as well as the improvement of existing ones and worked continuously on structural improvements of business processes with special emphasis on regional procurement, development and improvement of operations in the foreign markets of Group members, management of numerous projects with the aim of developing and improving business applications, electronic trade development between business entities, inventory management and digital transformation. Since 2011, Mrs. Langer Breznik leads the e-commerce development and operations of eKupi, both in the Republic of Croatia and regionally, and serves as a member of the M SAN Grupa Management Board. On 1 January 2023, she assumed the position of Chairperson of the Company's Management Board.

ŽARKO KRULJAC

VICE-CHAIRPERSON OF THE MANAGEMENT BOARD

Žarko Kruljac devoted 18 years in the M SAN Grupa to the development of the Group's sales force and distribution reach. Initially, he stood out thanks to the successes in business and the realization of strategic goals that he achieved in management positions in companies in the Republic of Serbia and Bosnia and Herzegovina, and after that, managing commercial operations in Croatia and the region, and focused his activities on three key aspects: continuous building and strengthening of partnership customer networks, raising the competences of sales operations and adapting sales processes to market changes. He received his doctorate in the field of economic sciences in 2020. Since 2009, Mr. Kruljac has been a member of the Company's Management Board.

SLAVEN STIPANČIĆ

MEMBER OF THE MANAGEMENT BOARD

During his 20 years in the M SAN Grupa, Slaven Stipančić focused on improving the procurement process and expanding the distribution portfolio. Mr. Stipančić, leading a team of successful professionals, is responsible for and made a great contribution to the development of M SAN's own VIVAX brand, thanks to which VIVAX became a recognized brand that is sold on almost the entire European market, as well as on other continents. As director of the consumer electronics segment, he works on contracting and developing distribution cooperation with the world's strongest CE brands, in Croatia and the region. At the same time, he is working on optimizing the connection between the sales processes of international CE brands and the Company's procurement processes. He was the member of the Management Board from 2009 until 1 March 2025.

ALEN PANIĆ

MEMBER OF THE MANAGEMENT BOARD

During almost 20 years within the M SAN Grupa, Mr. Alen Panić held a number of functions related to the construction and development of the division of high technologies and project business, including the role of executive director of the so-called value-added distribution. Today, the mentioned division consists of a number of departments that are responsible for the business of infrastructure, software, cloud and project solutions, distributed in all the countries of the region, distributing the world's largest technology principals, and represents the regional leader in that segment of business behind which hundreds of successfully delivered the most complex ICT projects, continuous growth and business expansion. Since October 2022, he has been a member of the Company's Management Board .

VLADIMIR BRKLJAČA

MEMBER OF THE MANAGEMENT BOARD

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

BRUNO JOZIĆ

MEMBER OF THE MANAGEMENT BOARD

In the period from 2014 to 2024, Bruno Jozić managed the business of M SAN Grupa on the Montenegrin market in the position of Country Manager of Kim Tec in Podgorica. During this time, he brought Kim Tec to a leading position as a distributor of IT and CE products on the Montenegrin market and achieved exceptional financial and commercial results. After 10 successful years, he left the position of Country Manager in Montenegro to take over the position of Board Member of M SAN Grupa in June 2024. He is responsible for the business of the ITCE division.

SUPERVISORY BOARD OF THE M SAN GRUPA

ŽELJKO MENALO

CHAIRMAN OF THE SUPERVISORY BOARD

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

MIROSLAV HUZJAK

DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD

For the past 25 years, Miroslav Huzjak has been working in leading positions in the M SAN Grupa, leading teams of professionals who have positioned the Company as the most important ICT and CE distributor in the Adria region. He worked in various jobs in the Company, and held a managerial position in the commercial department, which in addition to the responsibility for the organization of the commercial department, and its successful operation and the positioning of M SAN as a market leader, included numerous other responsibilities. Mr. Huzjak was responsible for conducting key negotiations for concluding a distribution contract with the largest globally significant principals, thanks to which M SAN became an authorized distributor of numerous world-famous brands, both in the territory of the Republic of Croatia and regionally. As of 1 January 2023, Mr. Huzjak holds the position of Deputy Chairman of the Supervisory Board of the M SAN Grupa.

MARKO RAŠIĆ

MEMBER OF THE SUPERVISORY BOARD

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

STIPO MATIĆ

MEMBER OF THE SUPERVISORY BOARD

Stipo Matić founded M SAN in 1995 and is its sole founder and member. In the period until 2009, Stipo Matić held the position of director of M SAN Grupa, and then took over the position of Chairman of the Supervisory Board of the Company. Moreover, Stipo Matić is the director of M SAN Logistika d.o.o. and M SAN EKO d.o.o., member of the Management Board of eKupi d.o.o., as well as the Chairman of the Supervisory Board of KING ICT d.o.o. Today, the portfolio of companies owned by him includes KING ICT d.o.o., eKupi d.o.o., Ured za podršku d.o.o., CORVUS PAY d.o.o., M SAN Grupa d.o.o., and others. He was the member of the Supervisory Board from 2004 until 1 March 2025.

SNJEŽANA MATIĆ

MEMBER OF THE SUPERVISORY BOARD

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

BRANKO BOJANIĆ

MEMBER OF THE SUPERVISORY BOARD

Branko Bojanić spent most of his career in companies of the Končar Elektroindustrija d.d. group in various management positions in the field of finance and investments. After Končar, he worked in the financial sector as a member and President of the Management Board of Alternative Invest d.o.o., an investment fund management company. He returned to the real sector as Finance Director of Monting d.o.o. and joined the SM Group in 2024 as Director of Strategic Risk Management at Ured za podršku d.o.o. He is Chairman of the Supervisory Board of Alternative Invest d.o.o., member of the Management Board of the Croatian Association of Corporate Treasurers and since August 2024 member of the Supervisory Board of M SAN Grupa, KING ICT d.o.o. and Chairman of the Supervisory Board of PPK Valpovo d.o.o.

GORAN KOTLAREVIĆ

MEMBER OF THE SUPERVISORY BOARD

Strengthening sales operations and expanding the distribution reach, in all countries of the region, are the main subjects of Mr. Kotlarević's activities. In his 20 years of work in the M SAN Grupa in the positions of sales manager, sales director and business development director, Mr. Kotlarević directly influenced the building of the Company's strong market presence and its current recognition. From March 2021 to March 2025, he was the member of the Management Board, and as of 1 March 2025, he has joined the Supervisory Board.

OPERATING
Business

ITCE DIVISION

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

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

The IT vertical includes strategic groups of products that are primarily components of the desktop computer and accessories that are closely related to the computer itself. The most important strategic groups in the IT vertical are desktop computers, desktop computer components, monitors, consumables and printers, peripherals, network equipment and the gaming range. In the IT vertical, there is an own brand of desktop computers called MSGW, which is manufactured in an automated plant for the production of IT equipment, and the private MS brand, which encompasses computer peripherals such as headphones, speakers, power supplies, keyboards and mice, and housings and cables.

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

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

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

In 2024, the ITCE business division recorded revenues of EUR 196.4 million, which corresponds to a decrease of 4.7% (EUR 9.7 million) compared to 2023.

Looking at the countries in which the Group operates, the two largest markets recorded a negative result compared to the previous year: Serbia with a decrease of 11.2% (EUR 6 million) and Croatia with a decrease of 10.2% (EUR 7.3 million). The other markets recorded growth: Macedonia 0.7% (65 thousand euros), Slovenia 32.0% (3.5 million euros) and Montenegro 63.6% (5.7 million euros).

Common to all the markets mentioned is a year-on-year decline of 7.4 in the Notebook strategy group, particularly in retail, e-commerce and the traditional channel. On the other hand, all markets recorded sales growth thanks to projects and partners focusing on system integration. Increased investment in the refurbishment of devices, both in the private and public sectors, contributed to this.

The ITCE division also recorded a decline in exports to the EU market. This can be explained by the high level of saturation in this market, which led to a fall in prices and the unprofitability of sales.

Looking at sales by strategic product group, the ITCE division recorded significant growth in monitors (6.4% or 850 thousand euros), computers (33.0% or 7.3 million euros) and TVs (4.6% or 1.04 million euros) as well as telephones (9.3% or 922 thousand euros). The growth is the result of increased sales and an expansion of the product range in the retail channel as well as a significantly higher presence in the project business due to the aforementioned increase in investments in the refurbishment of appliances. In addition, the growth in TV set sales in 2024 was significantly influenced by the Olympic Games and the European Football Championship.

The largest decline in terms of strategic groups was realised in the aforementioned strategic group of notebooks by 7.4%, printers by 18.9% and consumables by 16.9%. We explain this with the reduction in the use of printed media and the switch to digital media, both in the use and exchange as well as in the archiving of data.

From a strategic perspective, the division began the second phase of reorganisation and consolidation by vertical in 2024. Completion is planned for 2025. The ultimate goal of the reorganisation is to strengthen the vertical organisation, increase efficiency and reduce costs in all sales channels and markets.

VIVAX DIVISION

In 2024, the VIVAX division achieved exceptional business results with sales growth in all key strategic product groups, confirming its strong market position and potential for further development. Particularly noteworthy is the growth in the area of air conditioning systems, where an increase of 60.9% was recorded. The successful implementation of new marketing activities, increased awareness of the VIVAX brand and the expansion of the sales channel network contributed to this significant growth. The white goods segment also achieved significant growth of 38.0%. In this segment, the presence of the Group's products was increased in all sales channels, the product range was expanded, and logistics processes were improved, ensuring better product availability. An important strategic change was made in the small household appliances segment by abandoning the seasonal range and focusing resources on year-round products. This decision led to an increase in sales in the first year, whereby we exceeded the sales achieved in the seasonal range. Although the TV segment recorded a lower growth rate of 3.9%, which is a consequence of the particular challenges in the export markets, we are continuously working on strategy adjustments to increase the competitiveness and presence of the Group's products.

In order to create a basis for further growth and improve the organisation, the VIVAX division was restructured in the middle of the year into three new divisions based on the most important strategic groups: Air Conditioning, White Goods and Multimedia & Small Home Appliances. This new organisational structure allows for a stronger focus on the most important strategic product groups, increases the competence level of employees and creates room for strengthening the team with existing employees and new experts.

In addition to the continued investment in the marketing of the VIVAX brand, an internal market research team has been formed to facilitate decision-making related to understanding the needs of end consumers and to simplify the process of developing and creating new products and services.

In the last quarter of 2024, a strategic business development plan was established in the European Union markets through the creation of own companies, which will enable additional growth and increased market presence of the VIVAX brand.

GREEN DIVISION

The consolidated total revenue of the Green Division for 2024 amounts to EUR 32.9 million, which corresponds to an increase in revenue of 12.5% compared to 2023. The largest growth was achieved in the Solar Energy division (44.1%), while the LED lighting division recorded a decrease of 43.5%, mainly due to a lower number of projects in this specific area. The largest growth in the solar energy segment was achieved in Serbia and Montenegro, while the largest sales in the LED lighting segment were still generated in the Republic of Croatia.

The LED lighting business segment has been enhanced with a new range of sports and industrial lighting, while the technical features of the road lighting range have been significantly improved. The MS LUX brand, with its product portfolio, is capable of meeting all requirements for road lighting, specialised motorway lighting, outdoor and indoor sports lighting, as well as lighting needs for large industrial halls. Significant investments have been made in the development of the HCL range.

Intensive field work following the presentation of the new range at the Light&Building trade fair led to business co-operation with a number of partners in the EU. The company Centar kompetencije za zelenu energiju d.o.o., which operates in the LED lighting vertical, was awarded the prestigious EN ISO/IEC 17025 accreditation for the EN 13032-4 standard, which enables the testing of photometric and colorimetric parameters of lighting fixtures. The company has thus successfully positioned itself on the Croatian market. The company's research laboratory is equipped with Viso LabSpion, supports and measures street lighting fittings and offers all manufacturers testing opportunities in accordance with the open market principle.

In the solar energy business area, cooperation was initiated with new suppliers of solar modules who are setting new standards with their production quality. Significant progress was also made in the distribution of Huawei inverters and the conditions for gold status were met as one of the first distributors in the Group's distribution area.

ENTERPRISE DIVISION

The Enterprise division is a Value Added Distribution (VAD) organized in several units – the Infrastructure department, the Software and Cloud department, the Special Projects, technical support and marketing department, and the Enterprise Sales department, in order to provide competitive goods and services to business ICT partners.

It operates as part of the M SAN Grupa, in Croatia, Serbia, Bosnia and Herzegovina, Slovenia, North Macedonia, Montenegro, Albania and Kosovo. Its offering includes several dozen global brands.

This segment is characterized by:

- working with a more demanding product portfolio – servers, data storage, networks, software, solutions, video surveillance, industrial specialized products, cloud computing, high-tech services.
- working with more demanding customers - system integrators (SI), software manufacturers (ISV), service providers (MSP) - which requires a higher level of knowledge and complex skills, as well as professional specialization and certification for employees.
- working with more demanding suppliers – complex and dynamic technological, technical and operational processes, and enormous breadth and depth of technologies, Groups, subgroups and specialization of products.
- Partners, and indirectly end users, are not only offered a product, the optimal solution is also designed, suggested, upgraded and maintained, which gives a high value to the offer, especially for smaller and medium-sized customers who cannot afford to hire expensive professionals and monitor the dynamics of technology evolution, certification and other regulations; this approach reduces price pressure, as solutions are not simply compared to identical products but are evaluated through more complex economic parameters such as quality, total cost of ownership (TCO), scalability, cost reduction, service-level agreements (SLA), and others. Given the advanced technological framework in this industry, profit margins are structured differently compared to traditional retail. Additionally, the profiles, requirements, budgets, installed technology base, and habits of end users vary significantly. This model also entails greater initial investments in technologies and human resources, focusing on highly skilled engineering profiles and ongoing investment in education and training.

The Group recognized the value of such an approach about 17 years ago, invested in an independent, specialized division on a regional level, and, in the sales channel today, is the leading so-called Value Add distributor in Croatia and the region.

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

Throughout 2024, within the broader global economic and technological framework, the continuation of challenges stemming from the onset of the COVID crisis was felt, along with disruptions in supply chains, wars, inflationary pressures, price fluctuations and other direct or indirect instabilities. Irrespective of this, this division generated sales of 111.1 million euros in 2024, which corresponds to growth of 12.3% compared to the previous year. The Infrastructure segment recorded a decline in revenue of 1.6%, the Cloud segment an increase of 10.6% and the Software segment an increase of 43.4%.

Broken down by market, a 2.5% decline in sales was achieved in Croatia, mainly due to reduced or delayed public infrastructure projects, a 0.8% decline in sales in Serbia, a 40% increase in sales in Bosnia and Herzegovina, a 28.3% increase in North Macedonia, a 7.4% decline in sales in Kosovo, a 28.8% increase in sales in Montenegro and a 22.3% increase in sales in Slovenia.

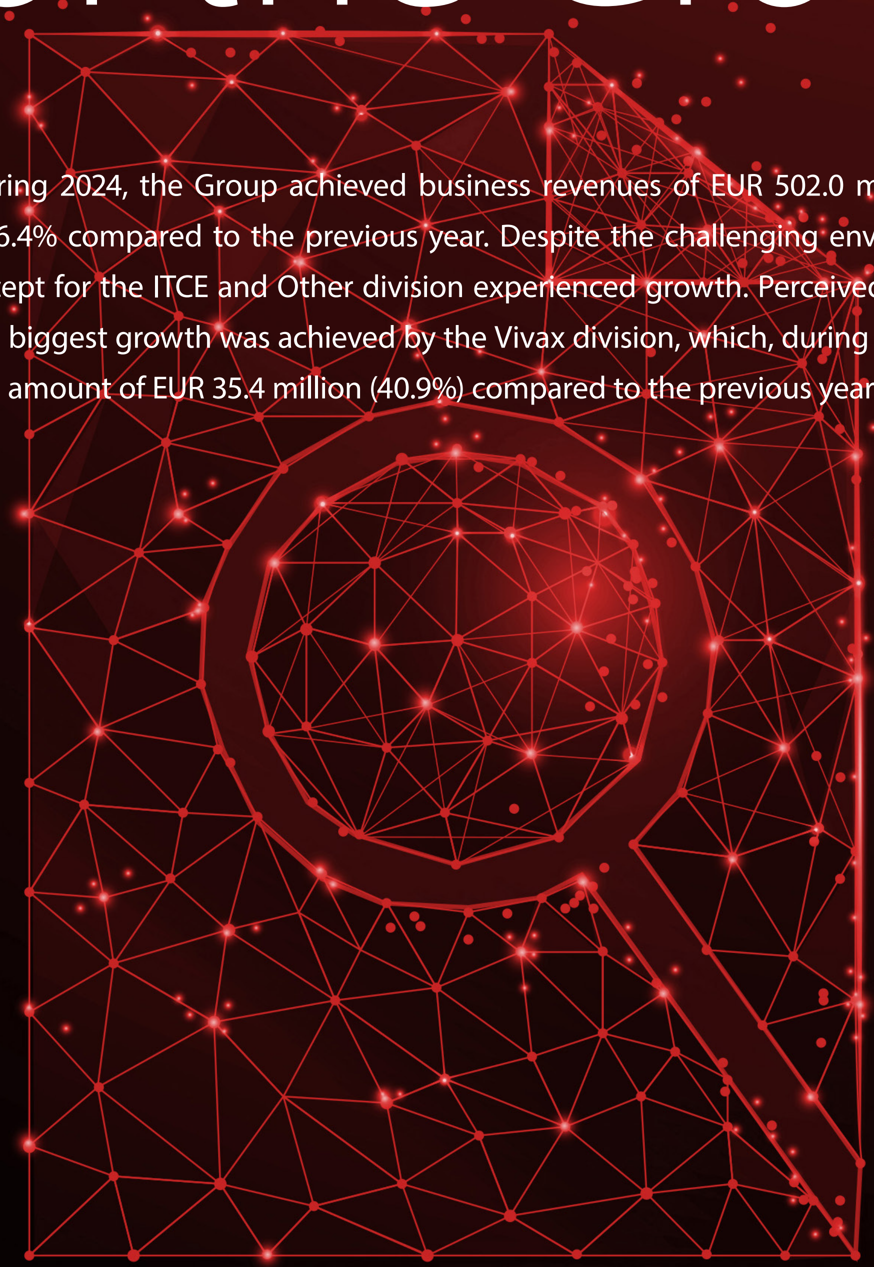
The year was marked by major changes at the technological level, driven by large mergers, acquisitions and restructuring of the portfolio of technology manufacturers, their strong turns in organisations or strategic investments, the most prominent and influential of which is the focus on AI (artificial intelligence), the further development of MSP (managed services provider) services, hybrid cloud solutions and quantum computing, which will significantly change the technological, but also the overall picture of the world in all segments of life and work. The Group continues to invest in knowledge and technology in order to follow market and technology trends. The crowning achievement in 2024 will be the awarding of contracts by major global brands:

- Red Hat, in the areas of middleware, AI, virtualisation and automation, and
- Check Point, as one of the indispensable players in the field of security solutions.

FINANCIAL

Operations of the Group

During 2024, the Group achieved business revenues of EUR 502.0 million, representing an increase of 6.4% compared to the previous year. Despite the challenging environment, all strategic divisions except for the ITCE and Other division experienced growth. Perceived both apsolutely and relatively, the biggest growth was achieved by the Vivax division, which, during 2024, had an increase in sales in the amount of EUR 35.4 million (40.9%) compared to the previous year.

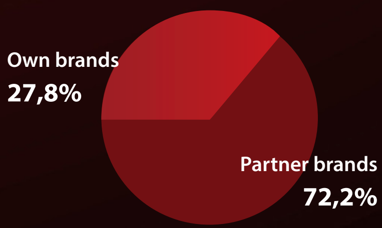


REVENUE BY DIVISION IN 2023 AND 2024

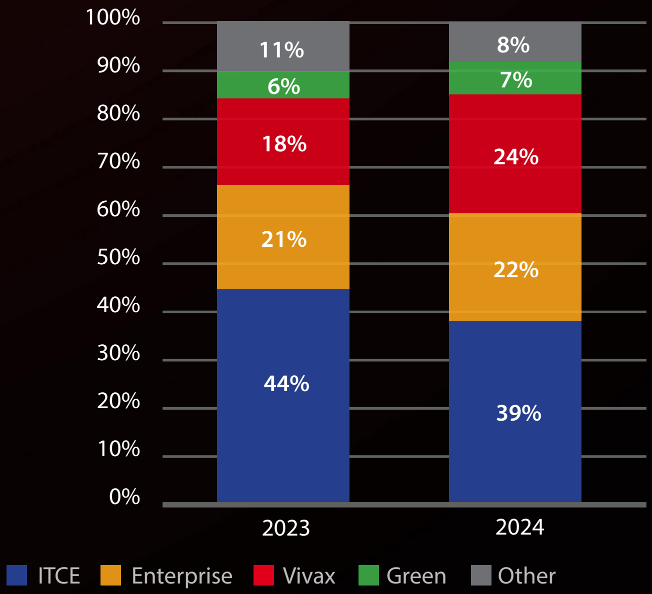
Table 1: Revenue by division

(in thousand EUR)

Division (Name)	2023	2024	Difference	% Change
ITCE	206,097	196,423	(9,674)	(4.7%)
Enterprise	98,906	111,051	12,145	12.3%
VIVAX	86,537	121,896	35,359	40.9%
Green	29,277	32,941	3,663	12.5%
Other	50,855	39,738	(11,117)	(21.9%)
Total	**471,672**	**502,049**	**30,377**	**6.4%**

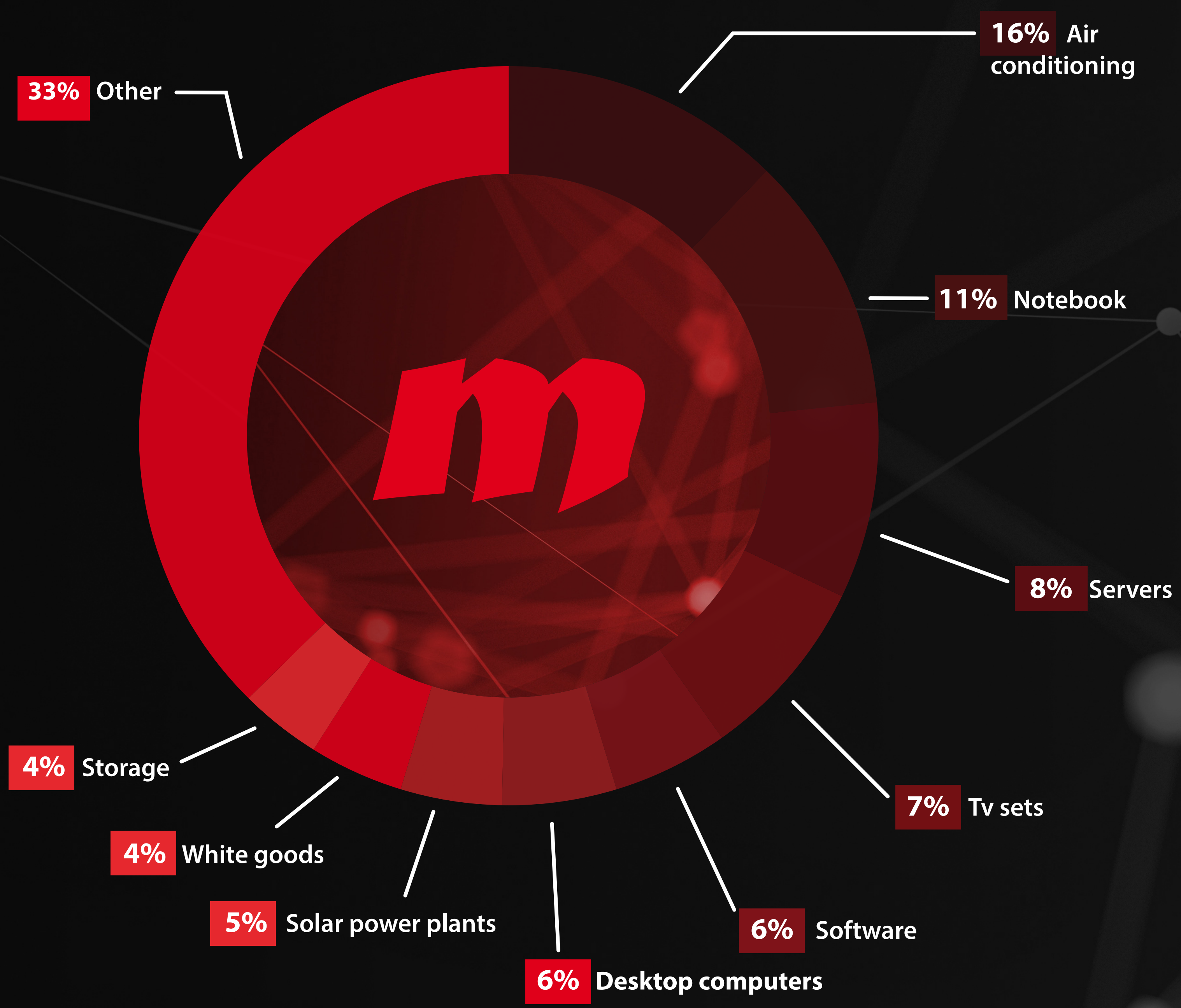


Graph 1: Share of sales of own and partner brands in 2024



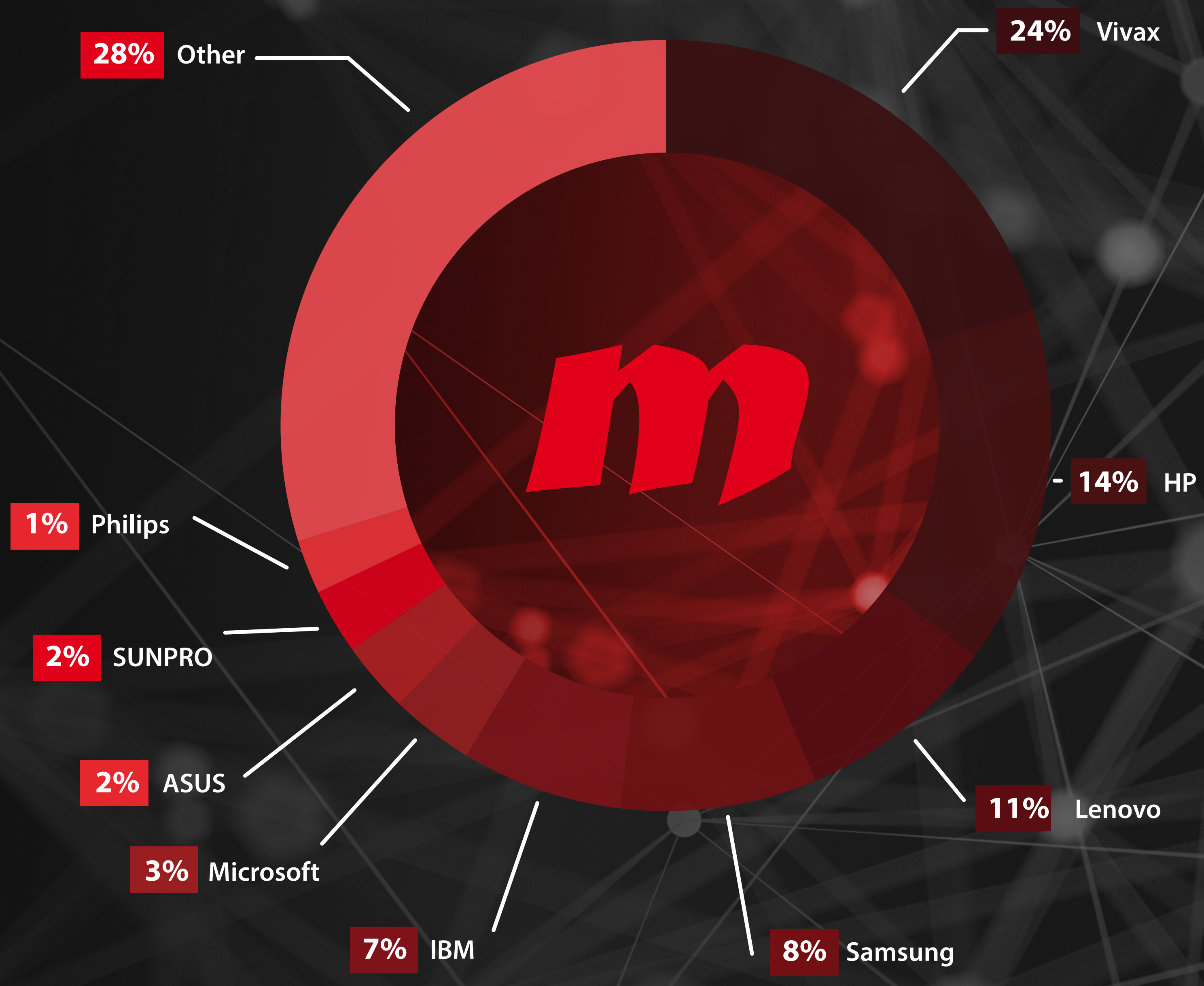
Graph 2: Revenue structure by Divisions

SALES REVENUE BY STRATEGIC GROUPS IN 2024



Graph 3: Sales Revenue by Strategic Groups in 2024

SALES REVENUE BY BRANDS IN 2024

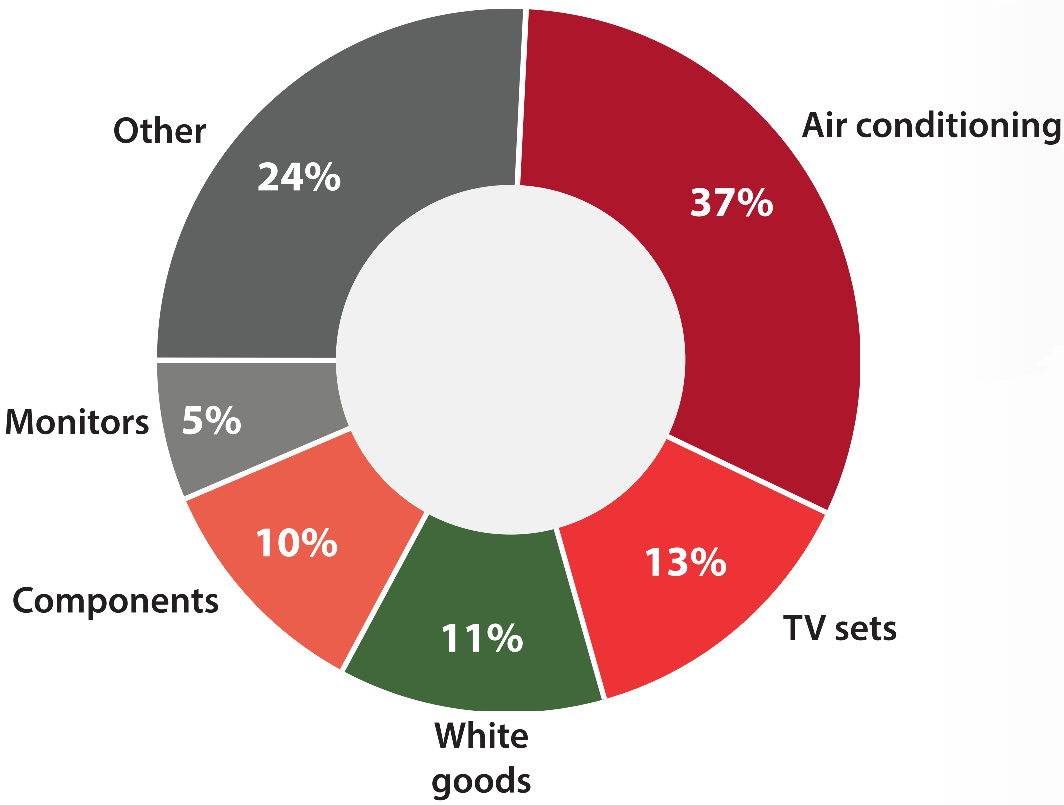


Graph 4: Market Share in Sales Revenue by Brands in 2024

MARKET SHARE IN SALES REVENUE BY COUNTRIES IN 2024

Geographically, 41,0% of the Group's revenue comes from sales in Croatia, 18,0% from Serbia, 10,2% from Slovenia, 8,4% from Bosnia and Herzegovina, 5,6% from Montenegro, 4,9% from North Macedonia, and 2,3% from Kosovo. The remaining 9,6% of revenue comes from exports, i.e., from countries where the Group did not have affiliated companies during 2024. *

**Since November 2022, the Slovenian market has been considered a 'domestic market,' and as of the end of May 2024, this designation also applies to the Kosovo market.*



Graph 5: Sales Share by Segments in Countries without Subsidiaries in 2024

Graph 6. Share in sales revenue by countries

FINANCIAL INDICATORS

Table 2: Profit and Loss Statement for the Year 2024

(in thousand EUR)	2023	2024	% Change
Business revenue*	471,672	502,049	6.4%
EBITDA*	10,992	11,544	5.0%
EBIT*	8,254	8,542	3.5%
Net income*	4,611	3,878	(15.9%)

Table 3: Financial Indicators for the Year 2024

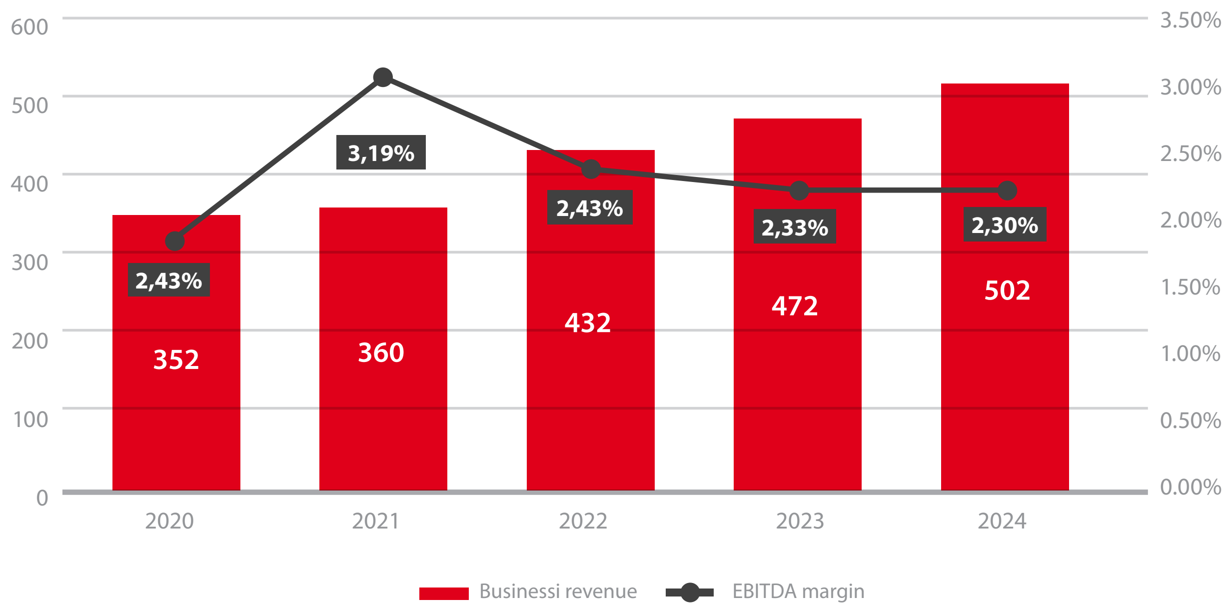
(in thousand EUR)	December 31, 2023	December 31, 2024
Net financial debt*	22,333	21,269
Total assets*	187,276	206,447
Total equity*	45,256	49,179
Current ratio*	1.3	1.2
Net working capital (days)*	32.0	30.2
Equity ratio*	24.2%	24.6%
NFD / EBITDA*	2.0	1.8

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

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

Business income and EBITDA margin trend over 5 year period

Graph 7: Business income and EBITDA margin trend over 5 year period



The operating revenue of the Group increased by 6.4%, compared to the previous year, and amounted to EUR 502.0 million. The growth in operating revenue was achieved thanks to positive market trends, meaning an increase in sales income.

The operating expenditure (without depreciation and amortization) increased by 6,4%, and in 2024 they amount to EUR 490.5 million. The largest share in operating expenditure is the cost of goods sold, which increased by 6.0% in 2024. In addition to the cost of goods sold, staff costs, costs of services and other costs have also increased. Due to weakening inflationary pressures, the costs of raw materials and materials have decreased by 14.3%.

Table 4: Operating costs in 2024

(in thousand EUR)	2023	2024	% Change
Costs of goods sold	402,694	426,834	6.0%
Cost of raw materials and supplies	8,755	7,504	(14.3%)
Staff costs	20,556	23,248	13.1%
Cost of services	23,238	26,839	15.5%
Oter expenses	5,729	6,072	6.0%
TOTAL	**460,972**	**490,497**	**6.4%**

Table 4: Operating costs in 2024

Since January 1, 2023, the official currency of the Republic of Croatia has been the euro, which has reduced the volatility of financial revenues and expenses. The Group's net financial expense amounted to EUR 4.0 million. The Group ended the year with a net result after tax of EUR 3.9 million, representing a decrease of 15.9%.

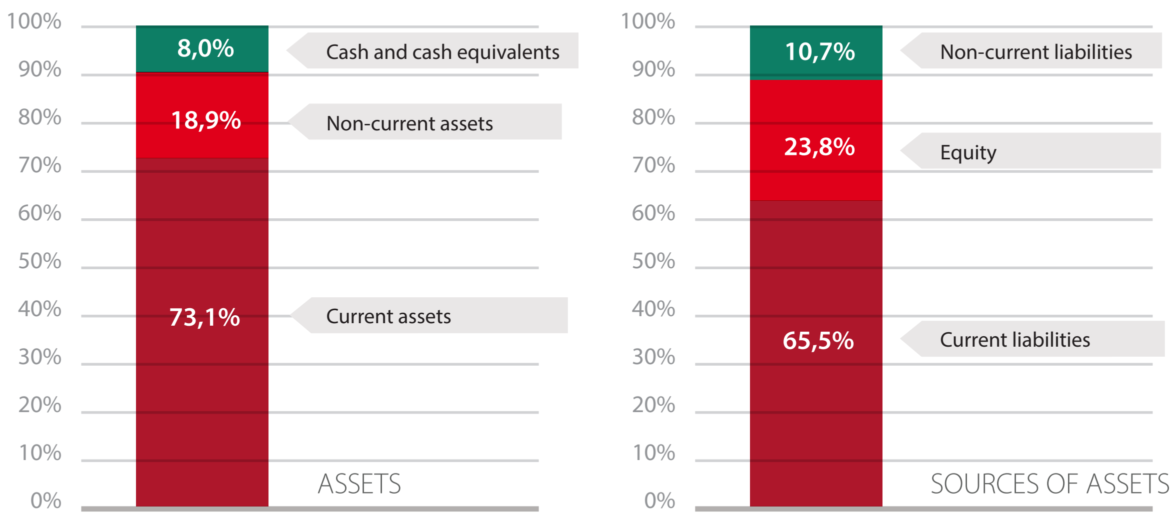
In 2024, the Group's EBITDA amounts to EUR 11.5 million (2023 EUR 11.0 million), which is an increase of 5.0% compared to the previous year. After the challenging year of 2023, during which we witnessed various changes in the market and the environment, there was a recovery in business operations and growth in operational performance indicators in 2024. The operating profit amounted to EUR 8.5 million, representing an increase of 3.5% compared to the year 2023.

ASSETS AND LIABILITIES

As at 31 December 2024, the Group's total assets increased by 10.2% year-on-year to EUR 206.4 million, with current assets 17.2% and non-current assets 13.0% increasing at almost the same rate. The Group's current assets account for 73.1% of total assets. Inventories increased by 26.0% and trade receivables by 6.6%.

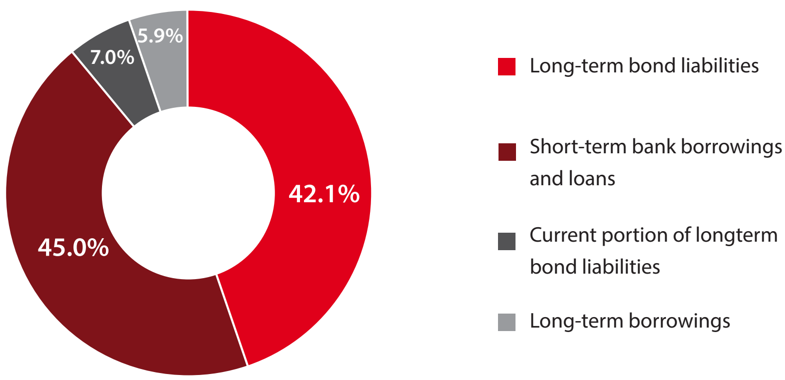
As at 31 December 2024, 65.5% of the sources of assets are current liabilities, 15.4% more than in the previous year. Of the total amount of current liabilities, 66.9% is attributable to trade payables, an increase of 22.3% compared to the previous year. The Group's capital accounts for 23.8% of total sources of assets, with an increase of 8.7% compared to the previous year. Total non-current liabilities fell by 11.4% compared to the previous year, in line with the amortisation schedule.

Structure of Assets and Sources of Assets of the Group on 31 December 2024



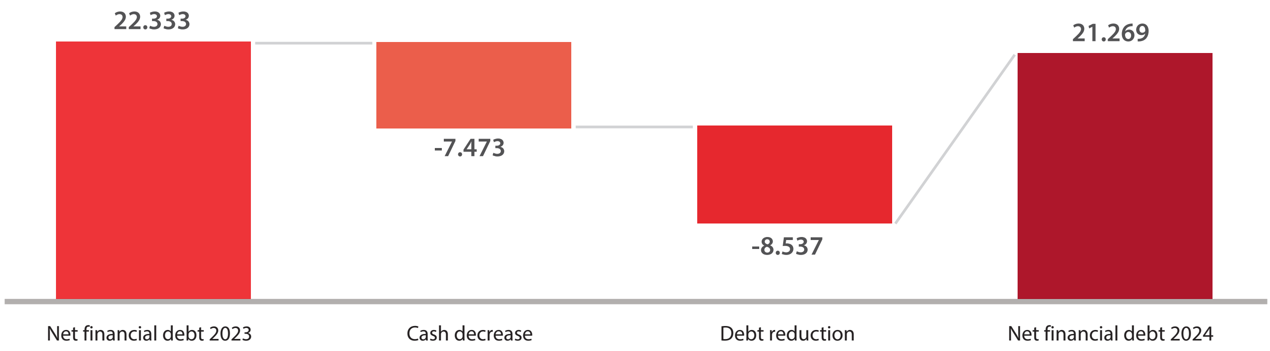
Graph 8: Structure of Assets and Sources of Assets of the Group in 2024

Structure of Financial Liabilities at 31 December 2024



Graph 9: Structure of Financial Liabilities at 31 December 2024

The Group's financial debt decreased by 4.8% in 2024, with a simultaneous decrease in debt of 18.4% and a decrease in cash of 31.1%. The structure of total liabilities is shown in charts 8 and 9.



Graph 10: Movement of Financial Debt during 2024

Table 5. Alternative performance measures

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

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

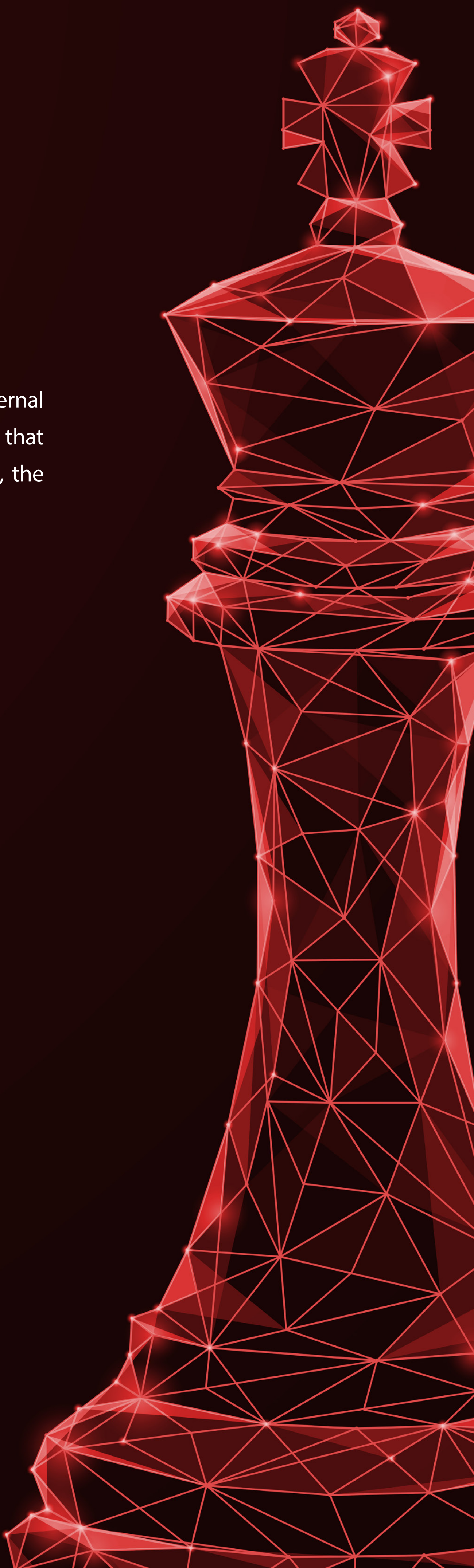
The above-mentioned measures have been presented in order to provide useful information on the financial state and business results of the Group, namely, for the following reasons:

- they are measures that the Group uses to assess operational performance.
- they are measures that the managing bodies of the Group use to make everyday business decisions.

OPERATING

Risks

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



OPERATING ENVIRONMENT RISK

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

POLITICAL RISK

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

MACROECONOMIC RISK

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

RISK OF NATURAL DISASTERS

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

RISK OF INFECTIOUS DISEASES

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

INDUSTRY AND COMPETITION RISK

INDUSTRY RISK

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

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

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

COMPETITION RISK

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

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

BUSINESS RISK

RISK ASSOCIATED WITH THE EMERGENCE OF NEW DISRUPTIVE TECHNOLOGIES

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

RISK ASSOCIATED WITH INTELLECTUAL PROPERTY

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

RISK ASSOCIATED WITH IT SYSTEMS

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

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

FINANCIAL RISK

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

FOREIGN EXCHANGE RISK

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

INTEREST RATE RISK

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

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

CREDIT RISK

The risk of debt collection arises from the existing and future potential insolvency of business partners and their inability to meet their obligations towards individual companies of the Group. The Group's assets that bear the risk of collection of receivables consist mainly of receivables from customers and other receivables.

The Group implements an active sales policy, as part of which it monitors business relations with all customers and within the framework of predetermined credit limits and defined policies, whereby the level of approved credit limits of insurance companies that insure claims plays an important role. Also, the Group defines a maximum credit limit and payment terms for customers with a suitable credit history. Accordingly, strict measures are implemented to control the collection and delivery of goods, as well as the acquisition of debtor's security instruments (bank guarantees, bills of exchange and promissory notes, registration of liens and occasional rights of return of goods).

LIQUIDITY RISK

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

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

REGULATORY RISK

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

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

EXPECTATIONS OF THE MANAGEMENT FOR THE YEAR 2025

The Group continues to build its future on capitalising on opportunities for further organic growth, primarily based on strengthening the awareness of its own brands across Europe. Preparations for the process of expanding business activities in several countries, which began at the end of 2024, continued at the beginning of 2025, when the procedures for establishing subsidiaries were initiated, which are expected to start operating significantly in the second half of 2025. The Group is also continuing to expand its logistics capacities as a necessary prerequisite for realising the planned growth.

In addition to focusing on organic growth, the Group will continue to examine potential acquisitions that it believes can contribute to business development.

Risk management, optimising business processes, investing in people and technology and increasing operational efficiency remain the most important pillars of our activities. We are convinced that it is this focus that will enable M SAN Grupa to continue its stable and sustainable growth in the coming years.

In the area of sustainability, we have a clear goal for the coming period: to develop a strong, realistic and actionable sustainability strategy based on double materiality, an integrated analysis of impacts, risks and opportunities, and targets that encompass all relevant aspects – environmental, social and governance.

We believe that sustainability is not something that happens all at once, but something that is built step by step – in every business process, in every decision. Our task is to be ready, responsible and consistent.

Responsibility for Separate and Consolidated Financial Statements

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

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

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

Irena Langer-Breznik
Chairperson of the Management Board

Žarko Kruljac
Member of the Management Board

Vladimir Brkljača
Member of the Management Board

Alen Panić
Member of the Management Board

Bruno Jozić
Member of the Management Board

M SAN Grupa d.o.o., Dugoselska ulica 5, 10372 Rugvica, Republic of Croatia
30 April 2025

AUDITOR'S REPORT AND

Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of separate and consolidated annual financial statements

Opinion

We have audited the separate and consolidated financial statements of M SAN GRUPA d.o.o., (the Company) and its subsidiaries (the Group), which include separate and consolidated Statement of Financial Position as at 31 December 2024, separate and consolidated Statement of Comprehensive Income, separate and consolidated Statement of Cash Flows and separate and consolidated Statement of Changes in Equity for the year then ended, as well as the accompanying Notes to the separate and consolidated annual Financial Statements, including information on significant accounting policies.

In our opinion, the accompanying separate and consolidated annual financial statements give a true and fair view of the financial position of the Company and the Group as of 31 December 2024, their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the European Union (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these standards are described in detail in our Independent Auditor's Report in the section on the *Auditor's responsibilities for the audit of separate and consolidated annual financial statements*. We are independent from the Company and the Group in accordance with International Code of Ethics for Professional Accountants (with International Independence Standards) issued by the International Ethical Standards Board for Accountants (IESBA) (IESBA Code), as well as in comply with ethical requirements relevant to our audit of the financial statements in Republic of Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

Key audit matters (continued)

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

Key audit matter	How we addressed the key audit matter
Revenue recognition In the Statement of Comprehensive Income, the Company and the Group reported sales income in the amount of EUR 341,540 thousand and EUR 500,178 thousand, respectively. Sales is generated by selling goods and providing services. Revenues consist of the fair value of compensation received or receivables for sold products, goods or services during the regular operations of the Company and the Group. Revenues are shown in amounts less value added tax, volume rebates and discounts. In accordance with International Financial Reporting Standard 15 - *Revenue from contracts with customers*, the Company and the Group recognize sales revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which they expect to be entitled in exchange for those goods or services. Considering the significance of the sales revenue presented in the separate and consolidated Statement of comprehensive income and the risk of recognizing the same, we concluded that the occurrence, accuracy and completeness of the revenue as well as their distribution in the proper reporting period is a key audit matter. See notes 3. "Revenue recognition" and 5. "Sales" in the accompanying separate and consolidated annual financial statements.	Our audit procedures related to this matter included, but were not limited to: - Gaining an understanding of the sales process by interviewing key personnel; - Gaining an understanding of key controls related to the recognition of sales revenue; - Examining the design and implementation of internal controls related to occurrence and accuracy of the revenue recognition; - Conducting detail tests on the sample in order to identify unusual or irregular items and the correct allocation of revenue between reporting periods; - Comparison of obtained external confirmations of the amount of outstanding trade receivables at the reporting date and the balances presented in the Company's and Group's records on the same date; - Assessment of the compliance of the sales revenue recognition policy with International Financial Reporting Standard 15 - Revenue from Contracts with Customers; - Assessing the adequacy of disclosures related to the recognition of sales revenue in accordance with International Financial Reporting Standard 15 - Revenue from Contracts with Customers.

INDEPENDENT AUDITOR'S REPORT (continued)

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

Key audit matters (continued)

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

Key audit matter	How we addressed the key audit matter
Valuation of investments in subsidiaries and affiliates In its separate Statement of financial position as of 31 December 2024, the Company recognized investments in subsidiaries and affiliates in the amount of EUR 31,864 thousand. Determining the valuation of individual investments in subsidiaries and affiliates requires the Company's Management to use various assumptions, projections and forecasts related to future cash flows, applied discount rates and growth rates in order to calculate the expected future operations of subsidiaries. Impairment of investments in subsidiaries and affiliates is defined as a key audit matter due to its significant carrying value as well as the wide range of assumptions, projections and forecasts used in the models and impairment assessment. See notes 3. "Investments in subsidiaries", "Shares in associates and joint ventures", 20. “Investment in associates and other financial asset” and 20.1 „Investments in subsidiaries” in the related separate and consolidated annual financial statements.	Our audit procedures in addressing this area included, among other: - Gaining an understanding of the Company's accounting policies and processes regarding impairment testing of investments in subsidiaries and affiliates - Review of the collected financial information used in the consideration of the existence of investment impairment indicators and evaluation of the Company's judgment of potential impairment indicators; - Critical evaluation of the selected model used in the calculations of recoverable value and fair value of subsidiaries and affiliates where impairment indicators are recognized to assess compliance with IFRS, which have been adopted by the EU and are consistently applied; - An assessment of the reasonableness of the key assumptions used in the model for estimating the value of investments in subsidiaries and affiliates, especially projections of operating cash flows, discount rates and estimates of long-term growth rates; - Comparison of key assumptions with external information, where applicable; - Test of the sensitivity of the investment valuation model in subsidiaries and affiliates to changes in key assumptions; - Test of the mathematical accuracy of the investment valuation model in subsidiaries and affiliates; - Review of related notes and assessment of suitability of disclosures related to investments in subsidiaries and affiliates to assess compliance with IFRS, which have been adopted by the EU.

INDEPENDENT AUDITOR'S REPORT (continued)

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

Key audit matters (continued)

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

Key audit matter	How we addressed the key audit matter
Allocation of purchase price for acquired company and goodwill impairment assessment In the consolidated annual Statement of financial position as of 31 December 2024, the Group reported goodwill in the amount of EUR 9,804 thousand. During 2024, the Group assessed the fair value of the assets and liabilities of the acquired company Ask Tec d.o.o., Kosovo as an integral part of the allocation of the purchase price, which determined the fair value of the net acquired assets. When acquiring the company Ask Tec d.o.o. the difference between the acquisition fee and the fair value of the acquired company's net assets resulted in goodwill in the amount of EUR 4,427 thousand. The Group annually conducts an impairment test to determine whether the amount of goodwill shown in the financial statements is recoverable. The calculation of the recoverable amount of goodwill is based on the five-year revenue plan that companies generate on local and foreign markets, developed by the Group, taking into account the business strategy and relevant market trends. Allocation of the purchase price for the acquired companies as well as the assessment of goodwill impairment are defined as a key audit matter due to the wide range of used assumptions, projections and forecasts in the models and impairment assessment. See notes 3. "Business combinations", "Goodwill", 6. "Other operating income" and 18. "Goodwill" in the corresponding separate and consolidated annual financial statements.	Our audit procedures in addressing this area included, among other: - Gaining an understanding of the Group's accounting policies and processes regarding sales price allocation for acquired companies and goodwill impairment testing - Critical evaluation of the selected model used in the calculations of the fair value of assets and liabilities of the acquired companies and the assessment of impairment of goodwill in order to assess compliance with IFRS, which have been adopted by the EU; and that it is consistently applied - Assessment of the reasonableness of the key assumptions used in the asset and liability valuation models of the acquired companies, as well as in the goodwill impairment assessments, especially the projections of operating cash flows, discount rates and estimates of long-term growth rates; - Comparison of key assumptions with external information, where applicable; - Sensitivity test of the asset and liability valuation model of acquired companies as well as goodwill impairment valuations to changes in key assumptions; - Mathematical accuracy test of investment valuation models in subsidiaries and affiliates; - Reviewing the related notes and evaluating the appropriateness of the disclosures related to the allocation of the purchase price and goodwill to assess compliance with IFRS, which have been adopted by the EU.

INDEPENDENT AUDITOR'S REPORT (continued)

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

Other information

Management is responsible for other information. Other information includes the Management Report, Statement on the Application of the Code of Corporate Governance and Sustainability Report included in the Annual Report, but not including the separate and consolidated annual financial statements and our Independent Auditor's Report thereon.
Our opinion on the separate and consolidated annual financial statements does not include other information.
In connection with our audit of the separate and consolidated annual financial statements, it is our responsibility to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated annual financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Regarding the Management Report and the Statement on the Application of the Corporate Governance Code, we also carried out the procedures required by the Accounting Act. These procedures include considering whether the Company's Management Report has been prepared in accordance with Articles 22 and 24 of the Accounting Act and whether the Statement on the Application of the Corporate Governance Code has been prepared in accordance with Article 25 of the Accounting Act.

Based on the performed procedures, to the extent that we are able to assess it, we report that:
1. The information in the attached Management Report and Statement on the Application of the Corporate Governance Code is harmonized, in all significant respects, with the attached separate and consolidated annual financial statements;
2. The attached Management Report is compiled in accordance with Articles 22 and 24 of the Accounting Act; and
3. The attached Statement on the Application of the Corporate Governance Code includes the information defined in Article 25 of the Accounting Act;
4. In relation to the Sustainability Report, which is included as part of the other information and forms a separate part of the Management Report, we have performed limited procedures to issue a limited assurance report, the results of which are presented as a separate limited assurance report with a modified conclusion.

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

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

Management Board is responsible for the preparation of separate and consolidated annual financial statements that give a true and fair view in accordance with IFRSs, and for those internal controls that the Management Board determines are necessary to enable the preparation of separate and consolidated annual financial statements that are free from material misstatement due to fraud or error. In preparing the separate and consolidated annual financial statements, Management Board is responsible for evaluation of the Company's and Group's ability to continue operations assuming going concern principle, disclosure, if applicable, of issues related to going concern, and using accounting based on going concern principle, unless the Management Board intends to liquidate the Company or the Group or discontinue its business or there is no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the financial reporting process established by the Company.

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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

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

Statement on other legal requirements

On 20 September 2024, we were appointed by the General Assembly of the Company to audit the separate and consolidated annual financial statements for 2024.

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

In the audit of the separate financial statements of the Company for 2024, we determined the materiality for the separate financial statements as a whole in the amount of EUR 5,834 thousand, which represents approximately 1.7% of sales income for 2024. In the audit of the consolidated annual financial statements of the Group for 2024, we determined the materiality for the consolidated annual financial statements as a whole in the amount of EUR 8.232 thousand, which represents approximately 1.6 % of sales income for 2024.

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

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

During the period between the starting date of the audited separate and consolidated annual financial for 2024 and the date of this Independent Auditor’s Report, we did not provide prohibited non-audit services to the Company and its subsidiaries and did not provide services for the design and implementation of internal control procedures or risk management related to preparation and/or control of financial information or the design and implementation of technological systems for financial information, and we have maintained independence in relation to the Company and the Group.

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

Auditor's assurance report on the compliance of separate financial statements (financial statements), prepared pursuant to the provision of Article 462, paragraph 5 of the Capital Market Act (OG 85/24) by applying the Delegated Regulation (EU) 2018/815 establishing a single electronic reporting format for issuers (the ESEF Regulation).

We conducted the engagement with expressing reasonable assurance as to whether the financial statements prepared for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, which are contained in the electronic file *M SAN Grupa FS 2024 EN,* in all material aspects prepared in accordance with the requirements of the ESEF Regulation

Responsibilities of Management and those charged with governance

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

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

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

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

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

Auditor's responsibilities

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

Procedures performed

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

Procedures performed (continued)

The aim of our procedures was to assess whether:

- the financial statements, which are included in the separate and consolidated annual report, are prepared in the valid XHTML format,
- the information contained in the separate and consolidated annual financial statements required by ESEF Regulation, are labelled and all labels meet the following requirements:
- *XBRL mark-up language was used,*
- *the elements of the basic taxonomy listed in the ESEF Regulation with the closest accounting meaning were used, unless an additional element of taxonomy has been created in accordance with Annex IV ESEF Regulations,*
- *the labels comply with the common labelling rules under the ESEF Regulation.*

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

Conclusion

In our opinion, based on the procedures performed and the evidence obtained, the financial statements presented in ESEF format, contained in the above-mentioned electronic file and based on the provision of Article 462, paragraph 5 of the Capital Market Act prepared for the purposes of public disclosure, in all material respects are in line with the requirements from articles 3, 4 and 6 of the ESEF Regulation for the year ended 31 December 2024.

In addition, as well as the opinion contained in this Independent Auditor's Report for the accompanying separate and consolidated annual financial statements and the report for the year ended 31 December 2024, we do not express any opinion on the information contained in these statements or other information contained in the file stated above.

The engaged partner involved in the audit of the Company's and Group’s separate and consolidated annual financial statements for 2024 which results in this Independent Auditor’s Report, is the certified auditor Vedrana Stipić.

Zagreb, 30 April 2025

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

Hrvoje Stipić, President of the Management Board

Vedrana Stipić, Certified Auditor

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

Consolidated statement of comprehensive income
for the year ended 31 December 2024
(all amounts are expressed in thousands of euro)

	Notes	2024	2023
OPERATING INCOME			
Sales	5	500,178	467,963
Cost of goods sold	8	(426,834)	(402,694)
Gross profit		**73,344**	**65,269**
Other operating income	6	1,871	3,709
(Decrease)/Increase in inventories of finished goods and work in progress		(8)	292
OPERATING EXPENSES			
Cost of raw material and supplies	7	(7,504)	(8,755)
Cost of services	9	(26,839)	(23,238)
Staff costs	10	(23,248)	(20,556)
Depreciation and amortization	11	(3,002)	(2,738)
Other expenses	12	(5,447)	(5,300)
Impairment allowance	13	(201)	(282)
Provisions	13.1	(424)	(147)
Total operating expenses		**(66,665)**	**(61,016)**
Operating profit		**8,542**	**8,254**
FINANCIAL INCOME AND EXPENSES			
Financial income	14.1.	2,098	1,951
Financial expenses	14.2.	(6,107)	(4,970)
Net financial expense		**(4,009)**	**(3,019)**
Share of net result of associates	15	198	24
Profit before tax		**4,731**	**5,259**
Income tax	16	(853)	(648)
Profit for the year		**3,878**	**4,611**
OTHER COMPREHENSIVE INCOME			
Translation exchange differences and other		45	23
Total comprehensive income for the year		**3,923**	**4,634**
Profit attributable to:			
Equity holders of the Company		3,914	4,608
Non-controlling interests		(36)	3
		3,878	**4,611**
Total comprehensive income attributable to:			
Equity holders of the Company		3,959	4,631
Non-controlling interests		(36)	3
		3,923	**4,634**

Accounting policies and notes are integral part of these annual financial statement

Consolidated statement of financial position at 31 December 2024

(all amounts are expressed in thousands of euro)

ASSETS	Notes	31 December 2024	31 December 2023
NON-CURRENT ASSETS			
Intangible assets	17	5,892	7,452
Goodwill	18	9,804	5,377
Property, plant and equipment	19	3,079	3,058
Right of use assets	19	1,665	873
Investment in associates and other financial asset	20	15,384	15,186
Deposits and loans given	25	3,084	2,468
Long-term receivables		20	24
Deferred tax assets	16	8	7
TOTAL NON-CURRENT ASSETS		**38,936**	**34,445**
CURRENT ASSETS			
Inventories	21	61,962	49,185
Trade receivables	23	75,211	70,550
Prepayments	22	5,198	2,902
Given loans and deposits	25	1,441	1,719
Prepaid expenses and accrued income	26	3,086	1,180
Other receivables	24	4,071	3,280
Cash and cash equivalents	27	16,542	24,015
TOTAL CURRENT ASSETS		**167,511**	**152,831**
TOTAL ASSETS		**206,447**	**187,276**

Accounting policies and notes are integral part of these annual financial statement

Consolidated statement of financial position (continued)
at 31 December 2024
(all amounts are expressed in thousands of euro)

EQUITY AND LIABILITIES	Notes	31 December 2024	31 December 2023
EQUITY			
Share capital	28	14,493	14,493
Legal reserves		2,220	2,220
Reserves from exchange of foreign currencies		(578)	(623)
Retained earnings	29	33,014	29,100
EQUITY HOLDERS OF THE PARENT		**49,149**	**45,190**
Non-controlling interest	30	30	66
TOTAL EQUITY		**49,179**	**45,256**
NON-CURRENT LIABILITIES			
Provisions	31	956	999
Long-term borrowings	32	2,215	3,354
Long-term bond liabilities	35	15,927	18,581
Other long-term liabilities	36	1,063	651
Long-term lease liabilities	33	1,190	406
Deffered tax liability	16	641	824
TOTAL NON-CURRENT LIABILITIES		**21,992**	**24,815**
CURRENT LIABILITIES			
Short-term bank borrowings and loans	34	17,015	21,759
Current portion of long-term bond liabilities	35	2,654	2,654
Trade payables	38	90,585	74,059
Current portion of long-term lease liabilities	33	561	492
Payables towards employees		1,426	1,241
Income tax liability		424	200
Other current liabilities	37	20,233	13,857
Accrued expenses and deferred income	39	2,378	2,943
TOTAL CURRENT LIABILITIES		**135,276**	**117,205**
TOTAL EQUITY AND LIABILITIES		**206,447**	**187,276**

Accounting policies and notes are integral part of these annual financial statement

Consolidated statement of changes in shareholder's equity
for the year ended 31 December 2024
(all amounts are expressed in thousands of euro)

	Share capital	Legal reserves	Foreign currency translation reserves	Retained earnings	Equity holders of the parent	Non-controlling interest	Total
Balance at 1 January 2023	**14,493**	**2,220**	**(646)**	**24,492**	**40,559**	**63**	**40,622**
Profit for the year	-	-	-	4,608	4,608	3	**4,611**
Other comprehensive income	-	-	23	-	23	-	**23**
Total comprehensive income for the year	-	-	*23*	*4,608*	*4,631*	*3*	***4,634***
Balance at 31 December 2023	**14,493**	**2,220**	**(623)**	**29,100**	**45,190**	**66**	**45,256**
Profit for the year	-	-	-	3,914	3,914	(36)	**3,878**
Other comprehensive income	-	-	45	-	45	-	**45**
Total comprehensive income for the year	-	-	*45*	*3,914*	*3,959*	*(36)*	*3,923*
Balance at 31 December 2024	**14,493**	**2,220**	**(578)**	**33,014**	**49,149**	**30**	**49,179**

Accounting policies and notes are integral part of these annual financial statement

Consolidated statement of cash flows
for the year ended 31 December 2024
(all amounts are expressed in thousands of euro)

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		3,878	4,611
Adjusted by:			
Income tax	16	853	648
Depreciation and amortization	11	3,002	2,738
Impairment allowance of trade receivables	13, 19	201	279
Net movement of provisions	31, 37	395	123
Loss on disposal of non-current assets		(18)	-
Profit from bargain purchase		(71)	(1,560)
Net interest expense	14.1., 14.2	2,950	2,370
Net other non-cash adjustments		(7)	(36)
		11,183	**9,173**
CHANGES IN WORKING CAPITAL			
(Increase)/decrease in inventory		(12,776)	12,317
Increase in trade receivables		(4,570)	(18,230)
Increase in given advances		(2,297)	(1,290)
Increase in other receivables		(949)	(1,192)
(Decrease)/increase) in received advances		(542)	1,451
Increase in trade payables		16,600	12,302
Expected payment for the acquisition of subsidiaries	37	601	285
(Decrease)/increase in other current liabilities		(1,459)	2,929
CASH GENERATED FROM OPERATIONS		**5,791**	**17,745**
Interests paid		(1,790)	(1,198)
Income taxes paid		(516)	(572)
Net cash generated from/(used in) operating activities		**3,485**	**15,975**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangible assets	17, 19	(1,235)	(1,185)
Interests collected		312	172
Cash disbursements for acquisition of subsidiaries	43	(788)	(2,363)
Cash receipts from acquisition of subsidiaries	43	349	60
Cash receipts from the sale of fixed assets		44	208
(Increase) in other financial assets		(200)	(41)
Cash disbursements from loans given		(235)	(1,091)
Net cash used in from investing activities		**(1,753)**	**(4,240)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from financial institutions		97,587	95,241
Payments made to financial institutions		(103,568)	(94,298)
Liability repayments for right-of-use-assets	33	(570)	(535)
Cash disburstments for issued bonds	35	(2,654)	(2,654)
Net cash used in financing activities		**(9,205)**	**(2,246)**
Net increase in cash and cash equivalents		**(7,473)**	**9,489**
Cash and cash equivalents at the beginning of the year	27	**24,015**	**14,526**
Cash and cash equivalents at the end of year	27	**16,542**	**24,015**

Accounting policies and notes are integral part of these annual financial statement

Separate statement of comprehensive income
for the year ended 31 December 2024

(all amounts are expressed in thousands of euro)

	Notes	2024	2023
OPERATING INCOME			
Sales	5	341,540	335,157
Cost of goods sold	8	(306,123)	(300,115)
Gross profit		**35,417**	**35,042**
Other operating income	6	1,210	1,249
Decrease in the value of inventories of work-in-progress and finished goods		(3)	(200)
OPERATING EXPENSES			
Cost of raw material and supplies	7	(2,209)	(3,271)
Cost of services	9	(18,425)	(16,661)
Staff costs	10	(8,698)	(8,316)
Depreciation and amortization	11	(973)	(1,396)
Other expenses	12	(2,266)	(2,003)
Impairment allowance	13	(96)	(84)
Provisions	13.1	(105)	(66)
Total operating expenses		**(32,772)**	**(31,797)**
OPERATING PROFIT		**3,852**	**4,294**
FINANCIAL INCOME AND EXPENSES			
Financial income	14.1.	2,965	1,954
Financial expenses	14.2.	(5,472)	(4,793)
Net financial expense		**(2,507)**	**(2,839)**
Profit before tax		**1,345**	**1,455**
Income tax	16	(72)	(71)
PROFIT FOR THE YEAR		**1,273**	**1,384**
OTHER COMPREHENSIVE INCOME		**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,273**	**1,384**

Accounting policies and notes are integral part of these annual financial statement

Separate statement of financial position
at 31 December 2024
(all amounts are expressed in thousands of euro)

ASSETS	Notes	31 December 2024	31 December 2023
NON-CURRENT ASSETS			
Intangible assets	17	2,296	2,805
Property, plant and equipment	19	579	603
Right of use assets	19	21	42
Investments in subsidiaries and associates	20	31,864	26,040
Deposits and loans given	25	1,930	2,429
Long-term receivables		17	17
TOTAL NON-CURRENT ASSETS		**36,707**	**31,936**
CURRENT ASSETS			
Inventories	21	35,874	30,283
Trade receivables	23	53,016	46,539
Prepayments	22	4,145	2,491
Receivables from employees		11	12
Other financial assets		43	41
Loans and deposits given	25	2,358	353
Prepaid expenses and accrued income	26	1,093	34
Other receivables	24	468	386
Cash and cash equivalents	27	9,001	16,302
TOTAL CURRENT ASSETS		**106,009**	**96,441**
TOTAL ASSETS		**142,716**	**128,377**

Accounting policies and notes are integral part of these annual financial statement

Separate statement of financial position (continued)
at 31 December 2024
(all amounts are expressed in thousands of euro)

EQUITY AND LIABILITIES	Notes	31 December 2024	31 December 2023
EQUITY			
Share capital	28	14,493	14,493
Legal reserves		2,143	2,143
Retained earnings	29	4,071	2,798
TOTAL EQUITY		**20,707**	**19,434**
NON-CURRENT LIABILITIES			
Provisions	31	734	790
Long-term bond liabilities	35	15,927	18,581
Long-term loans liabilities	32	1,914	2,731
Other long-term liabilities	36	1,053	641
Long-term lease liabilities	33	-	2
TOTAL NON-CURRENT LIABILITIES		**19,628**	**22,745**
CURRENT LIABILITIES			
Short-term bank borrowings	32	12,906	16,770
Current portion of non-current bond payables	35	2,654	2,654
Trade payables	38	71,701	58,202
Other current liabilities	37	13,479	7,382
Current portion of long-term lease liabilities	33	3	20
Payables to employees		475	458
Accrued expenses and deferred income	39	1,163	712
TOTAL CURRENT LIABILITIES		**102,381**	**86,198**
TOTAL EQUITY AND LIABILITIES		**142,716**	**128,377**

Accounting policies and notes are integral part of these annual financial statement

Separate statement of changes in shareholder's equity
for the year ended 31 December 2024
(all amounts are expressed in thousands of euro)

	Share capital	Legal reserves	Retained earnings	Total
Balance at 1 January 2023	**14,493**	**2,143**	**1,414**	**18,050**
Profit for the year	-	-	1,384	1,384
Total comprehensive income	-	-	*1,384*	*1,384*
Balance at 31 December 2023	**14,493**	**2,143**	**2,798**	**19,434**
Profit for the year	-	-	1,273	1,273
Total comprehensive income	-	-	*1,273*	*1,273*
Balance at 31 December 2024	**14,493**	**2,143**	**4,071**	**20,707**

Accounting policies and notes are integral part of these annual financial statement

Seperate statement of cash flows
for the year ended 31 December 2024

(all amounts are expressed in thousands of euro)

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	2024	2023
Profit for the year		1,273	1,384
Adjusted by:			
Income tax	16	72	71
Depreciation and amortization	11	973	1,396
Impairment allowance of trade receivables	13	11	84
Impairment of given loans		-	308
Losses from investments in shares	15.2	-	95
Disposed value of non-current assets		9	-
Net movement in long-term provisions		105	66
Net interest expense	14.1., 14.2.	2,491	1,947
		4,934	**5,351**
CHANGES IN WORKING CAPITAL			
Decrease in inventory		(5,591)	9,415
Increse in trade receivables		(6,477)	(13,397)
Increase in given advances		(1,654)	(1,171)
(Increase)/decrease in other receivables		(1,810)	396
Increase/(decrease)in received advances		641	(902)
Increase in trade payables		14,287	11,283
The expected cash disbursement for the acquisition of the subsidiaries	37	601	285
(Decrease)/Increase in other current liabilities		(1,357)	715
CASH GENERATED FROM OPERATIONS		**3,574**	**11,975**
Interests paid		(1,593)	(1,150)
Income taxes paid		(72)	(52)
Net cash generated from operating activities		**1,909**	**10,773**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangible assets	17, 19	(429)	(661)
Interests collected		248	168
Cash disbursements for acquisition of subsidiaries		(788)	(2,363)
Dividends received		632	-
Increase in other financial assets		-	(41)
Cash receipts/ (disbursements) for loans given		(1,519)	8
Cash receipts from the sale of fixed assets		-	3
Net cash used in investing activities		**(1,856)**	**(2,886)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from credit institution		61,470	65,280
Repayments of loans to financial institutions		(66,151)	(64,052)
Liability repayments for right-of-use-assets		(19)	(52)
Cash disbursements for issued bonds	35	(2,654)	(2,654)
Net cash used in financing activities		**(7,354)**	**(1,478)**
Net increase in cash and cash equivalents		**(7,301)**	**6,409**
Cash and cash equivalents at the beginning of the year	27	**16,302**	**9,893**
Cash and cash equivalents at the end of year	27	**9,001**	**16,302**

Accounting policies and notes are integral part of these annual financial statement

1. GENERAL INFORMATION

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

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

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

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

Management Board in 2024 and 2023:

Irena Langer-Breznik, President of Management Board
Žarko Kruljac, Vice President of Management Board
Slaven Stipančić, Member of Management Board until March 1, 2025
Goran Kotlarević, Member of Management Board until March 1, 2025
Miroslav Gabrić, Member of Management Board, until March 8, 2023
Alen Panić, Member of Management Board,
Vladimir Brkljača, Member of Management Board,
Bruno Jozić, Member of Management Board since June 1, 2024

Supervisory Board in 2024 and 2023:

Željko Menalo, President of Supervisory Board
Miroslav Huzjak, Deputy President of Supervisory Board
Stipo Matić, Member of Supervisory Board until March 1, 2025
Marko Rašić, Member of Supervisory Board
Snježana Matić, Member of Supervisory Board until April 7, 2024
Branko Bojanić, Member of Supervisory Board since August 1, 2024
Goran Kotlarević, Member of Supervisory Board since March 1, 2025

Audit committee in 2024 and 2023:

Branislav Vrtačnik
Kristina Alebić
Branka Gerić

(all amounts are expressed in thousands of euro)

1. GENERAL INFORMATION (CONTINUED)

Subsidiaries

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

Name of related party	*Country*	*Ownership in %*		*Main Activity*
		2024	*2023*	
KIM TEC D.O.O. VITEZ	BIH	100%	100%	*Distribution of IT equipment*
- KIM TEC SERVIS D.O.O. VITEZ	BIH	100%	100%	*Maintenance of IT equipment*
- KIM TEC EKO D.O.O.	BIH	95%	95%	*Collection of EE waste*
CENTAR KOMPETENCIJE ZA ZELENU ENERGIJU D.O.O.	Croatia	100%	100%	*Consulting*
KIM TEC D.O.O. PODGORICA	Montenegro	100%	100%	*Distribution of IT equipment*
PAKOM KOMPANI D.O.O.E.L.	North Macedonia	100%	100%	*Distribution of IT equipment*
KIM TEC D.O.O. BEOGRAD	Serbia	100%	100%	*Distribution of IT equipment*
- KIM TEC SERVIS D.O.O. BEOGRAD	Serbia	100%	100%	*Maintenance of IT equipment*
M SAN LOGISTIKA D.O.O.	Croatia	100%	100%	*Transport and logistics*
M SAN EKO D.O.O.	Croatia	100%	100%	*Collection of EE waste*
MR SERVIS D.O.O.	Croatia	60%	60%	*Maintenance of IT equipment*
ZELENA AGENDA 1.0. D.O.O.	Croatia	-	100%	*Consulting*
KORVUS MK D.O.O.E.L	North Macedonia	100%	100%	*ICT*
ALTERNA DISTRIBUCIJA D.O.O.	Slovenia	100%	100%	*Distribution of IT equipment*
- MR PLUS SERVIS D.O.O.	Slovenia	100%	100%	*Maintenance of IT equipment*
DATA LINK D.O.O.	Croatia	100%	100%	*Manufacturing*
ASK TEC D.O.O.	Hrvatska	100%	-	*Distribution of IT equipment*

In May 2024, the Company acquired 100% ownership of shares in ASK TEC d.o.o., Priština, Kosovo, based on a share purchase agreement. The company operates as a distributor of IT equipment.
In July 2023, the Company acquired DATA LINK, established in 1995. The company specializes in the production of professional LED lighting, and is engaged in the development of products and production technologies, software solutions, and LED lighting technologies.

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

INITIAL APPLICATION OF NEW AMENDMENTS TO THE EXISTING STANDARDS AND INTERPRETATIONS EFFECTIVE FOR THE CURRENT FINANCIAL PERIOD ("IFRSs")

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

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the period beginning 1 January 2024:

- Supplier Finance Arrangements (Amendments to IAS 7 "Statement of Cash Flows" & IFRS 7 "Financial Instruments: Disclosures");
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 "Leases");
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 "Presentation of Financial Statements"); and
- Non-current Liabilities with Covenants (Amendments to IAS 1 "Presentation of Financial Statements")

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

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

The following amendments are effective for the annual reporting period beginning 1 January 2025:

- Lack of Exchangeability (Amendment to IAS 21 "The Effects of Changes in Foreign Exchange Rates");

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

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

The following amendments are effective for the annual reporting period beginning 1 January 2026:

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures")
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures")

The following standards are effective for the annual reporting period beginning 1 January 2027:

- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures.

The Company and Group is currently assessing the effect of these new accounting standards and amendments.

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

IFRS 18 Presentation and Disclosure in Financial Statements, which was issued by the IASB in April 2024 supersedes IAS 1 and will result in major consequential amendments to IFRS Accounting Standards including IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Even though IFRS 18 will not have any effect on the recognition and measurement of items in the separate and consolidated financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorisation and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

The Company and the Group does not expect to be eligible to apply IFRS 19.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of preparation and functional currency

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

Items included in the financial statements of the Company and the Group are measured using the currency of the primary economic environment in which the Company and the Group operate (the functional currency).

The following is a summary of the principal accounting policies:

Basis of consolidation

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

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

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

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

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

Goodwill

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (continued)

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

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

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

Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

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

Investments in subsidiaries

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

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

Revenue recognition

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

i) <u>Sales of services</u>

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

ii) Sales of goods

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

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

Dividend and interest income

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

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

Segmental reporting

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

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

Foreign currencies

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

(all amounts are expressed in thousands of euro)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The exchange rates applied as of 31 December 2024 and 2023 as well as the average rates applied in the translation of income and expense items are as follows:

Currency	31/12/2024	Average exchange rate for 2024	31/12/2023	Average exchange rate for 2023
RSD	116,97070	117,08658	117,16100	117,24563
KM	1,95583	1,95583	1,95583	1,95583
MKD	61,58300	61,58077	61,63450	61,54226

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

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

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

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

Taxation

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

i) Current tax

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

ii) Deferred tax

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

ii) Deferred tax (continued)

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

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

iii) Current and deferred tax for the year

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

Property, plant and equipment

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

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

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

(all amounts are expressed in thousands of euro)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

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

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

Owned land is not depreciated.

Intangible assets

Intangible assets acquired separately

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

Internally generated intangible assets – research and development expenditure

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

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

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

Intangible assets acquired in a business combination

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

Derecognition of intangible assets

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

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

Impairment of tangible and intangible assets, excluding goodwill

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Inventories

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

Cash and cash equivalents

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

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

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

The Group as a lessee

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

Right-of-use assets

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

Lease liabilities

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

Lease liabilities are reported as a separate item under long-term and short-term liabilities. The statement of comprehensive income shows the cost of depreciation of assets with the right of use and interest costs on lease obligations (see note 33).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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

Financial assets

Classification of financial assets

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

Financial assets at amortized cost

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Impairment of financial assets

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

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

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

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

(i) Significant increase in credit risk

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

(iv) Write-off policy

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

(v) Derecognition of financial assets

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

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

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

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

Financial liabilities measured subsequently at amortised cost

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

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

Classification in liabilities or equity

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

Equity instruments

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

Financial liabilities

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Derecognition of financial liabilities

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

Provisions

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

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

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

Warranty provision for own brands

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

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

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

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

Contingent liabilities

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

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

Events after the reporting date

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

Accounting judgements and estimates

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting judgements and estimates(continued)

(b) Expected credit losses

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

(c) Provision for warranty risk

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

(d) Assessment of Goodwill impairment

Goodwill is tested annually for impairment in accordance with the accounting policy. The recoverable amounts of cash generating units are determined based on the calculated value in use. These calculations require the use of estimates (Note 18).

(e) Recoverability of investments in subsidiaries and associates

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

(f) Determination of achieving of control over subsidiaries

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

- Power of disposal derives from voting rights based on ownership instruments, the right to appoint or revoke the entity's key managers who are capable of conducting relevant affairs, the right to direct the entity to conclude transactions in favor of investors or veto changes to such transactions, and the ability to conduct relevant affairs.
- Achieving variable returns in an affiliated company depends on the right to receive returns (dividends, share value changes, other payments of economic benefit) depending on the success of its business.
- The connection between the power of disposal and yield – control in relation to the dependent company results from the ability to apply the power of disposal in such a way that the Company affects its yield (Note 43).

(all amounts are expressed in thousands of euro)

4. SEGMENT INFORMATION

As of 31 December, 2024, the reporting segments of the Group consisted of several business segments by geographic area: Croatia, Bosnia and Herzegovina, Serbia, Montenegro, North Macedonia, Slovenia and Kosovo. Business segments are reported in accordance with internal reporting to the executive decision maker – the Company's Management Board, which is responsible for resource allocation and performance evaluation of business segments.

The following is an analysis of the Group's income and results by geographic segment. The displayed sales revenues refer to revenues generated by sales to external customers, revenues generated by sales within segments and other business revenues. The revenues and expenses shown at the operating segment level represent total revenues/expenses generated from relations with third parties, but also with subsidiaries from other operating segments. Such presentation of income and expenses is eliminated in the "Eliminations/Corrections" line.

Revenues and operating results by segment

2024	Croatia	Bosnia and Herzegovina	Serbia	Montenegro	North Macedonia	Slovenia	Kosovo	Total	Eliminations / Corrections	Total
Sales	363,063	49,957	89,584	27,377	33,482	45,112	10,844	619,418	(119,241)	500,178
Cost of goods sold	(313,261)	(42,119)	(79,473)	(23,648)	(28,725)	(39,976)	(9,506)	(536,709)	109,875	(426,834)
Changes in inventory	(69)	-	-	-	-	-	-	(69)	62	(8)
Other operating income	1,348	87	328	12	99	20	2	1,895	(24)	1,871
Other operating expenses	(48,373)	(6,597)	(9,038)	(2,018)	(3,892)	(4,253)	(804)	(74,976)	8,309	(66,665)
Profit from operations	2,707	1,328	1,401	1,722	963	903	536	9,559	(1,018)	**8,542**
Net finance expenses	(2,624)	(121)	(269)	(87)	(50)	(155)	(103)	(3,409)	(401)	(3,810)
Profit before taxes	83	1,207	1,132	1,635	912	748	433	6,150	(1,419)	**4,731**

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

(all amounts are expressed in thousands of euro)

4. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

2024	Croatia	Bosnia and Herzegovina	Serbia	Montenegro	North Macedonia	Slovenia	Kosovo	Total	Eliminations / Corrections	Total
Tangible and intangible assets	4,130	336	175	797	188	444	82	6,152	14,288	20,440
Other non-current assets	33,828	10,111	1,293	1	13	52	-	45,298	(26,802)	18,496
Current assets	108,942	13,753	27,851	7,733	14,533	13,637	6,449	192,898	(25,386)	167,511
Total assets	**146,900**	**24,201**	**29,319**	**8,530**	**14,733**	**14,134**	**6,531**	**244,347**	**(37,900)**	**206,448**
Long-term liabilities	20,075	128	289	478	50	224	-	21,245	748	21,992
Short-term liabilities	108,615	8,988	16,644	2,763	7,399	11,711	4,699	160,819	(25,542)	135,276
Total liabilities	**128,690**	**9,117**	**16,933**	**3,241**	**7,448**	**11,936**	**4,699**	**182,063**	**(24,794)**	**157,269**

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

(all amounts are expressed in thousands of euro)

5. SALES INCOME

	GROUP		COMPANY	
	2024	2023	2024	2023
Domestic sales of goods	411,389	384,601	194,188	199,566
Foreign sales of goods	68,280	62,066	98,818	102,093
Income from sale of service	16,039	18,116	5,762	9,640
Income from sales of spare parts	8,812	6,022	427	419
Income from sale of licences	5,948	6,003	3,447	2,860
Re-export sales	1,840	5,170	52,022	33,808
Other	629	383	-	-
Allowances and discounts provided to customers	(12,759)	(14,398)	(13,124)	(13,229)
Total	**500,178**	**467,963**	**341,540**	**335,157**

The foreign market for the Company includes all markets except the Republic of Croatia, while for the Group the foreign market includes all markets except the Republic of Croatia, the Republic of Serbia, Bosnia and Herzegovina, the Republic of Montenegro, Republic of Slovenia, the Republic of Northern Macedonia and the Republic of Kosovo.

Reexport implies direct export of goods to foreign markets in such a way that the goods were not physically in the warehouse of the Company or the Group.

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

	GROUP		COMPANY	
	2024	2023	2024	2023
Croatia	205,757	203,217	196,097	199,192
Serbia	90,557	82,011	41,263	39,056
Slovenia	51,144	41,243	5,871	4,777
Bosnia and Herzegovina	42,175	39,017	24,236	20,337
Montenegro	28,276	18,854	12,066	9,590
North Macedonia	24,535	21,644	20,993	13,901
Kosovo	11,314	10,138	8,402	6,948
Poland	5,989	7,019	5,975	6,999
Romania	5,352	3,257	5,351	3,257
Germany	5,232	6,488	5,218	6,484
Singapur	4,923	5,004	683	964
Finland	4,444	6,263	4,442	6,263
Slovakia	3,417	5,071	3,414	5,066
Cezch Republic	3,418	4,873	3,252	4,525
Austria	2,226	3,649	540	1,156
Other	24,178	24,613	16,861	19,871
Total	**512,937**	**482,361**	**354,664**	**348,386**

(all amounts are expressed in thousands of euro)

6. OTHER OPERATING INCOME

	GROUP		COMPANY	
	2024	**2023**	**2024**	**2023**
Income from free receipts	617	864	520	746
Income from reinvoicing	311	250	218	151
Income from reversal of provisions	189	113	160	88
Income from in-kind contributions	186	123	102	77
Income from elimination of expected credit loss	157	133	84	69
Income from bargain purchase	71	1,560	-	-
Compensation Income	57	42	33	7
Income from incentives and subsidies	56	99	-	-
Profit from sale of fixed assets	39	208	31	3
Inventory surpluses	18	24	14	17
Other	170	293	48	91
Total	**1,871**	**3,709**	**1,210**	**1,249**

7. COST OF RAW MATERIAL AND SUPPLIES

	GROUP		COMPANY	
	2024	**2023**	**2024**	**2023**
Cost of spare parts	2,463	3,082	-	-
Basic and auxiliary materials, and office supplies	2,059	2,775	1,506	2,439
Servicing, replacement and repair costs under warranty	1,263	1,335	373	530
Energy and fuels for freight and personal vehicles	1,146	1,073	209	196
Small inventory, packaging and tires	546	465	121	106
Other	27	25	-	-
Total	**7,504**	**8,755**	**2,209**	**3,271**

(all amounts are expressed in thousands of euro)

8. COST OF GOODS SOLD

	GROUP		COMPANY	
	2024	**2023**	**2024**	**2023**
Cost of goods sold	447,623	429,207	322,968	322,889
Intellectual property use fee (license)	8,053	7,317	3,608	3,217
Other expenses	1,183	1,084	856	746
Allowances and discounts provided by suppliers	(30,025)	(34,914)	(21,309)	(26,737)
Total	**426,834**	**402,694**	**306,123**	**300,115**

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

9. COST OF SERVICES

	GROUP		COMPANY	
	2024	**2023**	**2024**	**2023**
Business premise and equipment rental costs	4,922	4,533	1,335	1,214
Costs of Ured za podršku d.o.o. and bookkeeping services	3,840	3,825	2,801	2,882
Telephone, shipping and transportation costs	3,764	3,770	5,849	4,806
Marketing, sponsorships and fairs	3,304	2,918	1,807	1,663
Maintenance and repairs	2,529	1,175	936	570
Utilities	1,889	1,683	1,314	1,208
Representation	1,372	948	614	326
Intellectual services	692	760	297	390
Income from quality control and attestation of goods	518	658	577	657
Outsourced repair of faulty goods under warranty period	496	495	794	830
Students and youth employees service costs	169	296	49	87
Costs of storage and palletizing of goods	-	-	1,067	1,175
Other	3,344	2,177	985	853
Total	**26,839**	**23,238**	**18,425**	**16,661**

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

(all amounts are expressed in thousands of euro)

10. STAFF COSTS

	GROUP		COMPANY	
	2024	**2023**	**2024**	**2023**
Net salaries	14,419	12,716	5,146	4,922
Taxes, surtaxes and contributions from salaries	5,908	5,274	2,490	2,386
Contributions on salaries	2,921	2,566	1,062	1,008
Total	**23,248**	**20,556**	**8,698**	**8,316**

The Group had an average of 982 employees in 2024 (2023: 932 employees). The Company had an average of 259 employees in 2024 (2023: 281 employees).

11. DEPRECIATION AND AMORTIZATION

	GROUP		COMPANY	
	2024	**2023**	**2024**	**2023**
Amortization	1,645	1,606	637	1,089
Depreciation	823	672	315	273
Depreciation of the right of use asset	534	460	21	34
Total	**3,002**	**2,738**	**973**	**1,396**

12. OTHER EXPENSES

	GROUP		COMPANY	
	2024	**2023**	**2024**	**2023**
Insurance premiums for equipment, vehicles and inventories	1,161	974	557	502
Other employee expenses	721	756	194	96
Severance costs, christmas allowance, children's gifts, awards	601	568	211	258
Per diems and other business travel costs	550	491	228	222
Professional training and literature	518	382	453	322
Travel expenses	479	470	152	161
Bank and payment operation charges	364	346	94	112
Forest levies, other contributions and membership fees	217	191	89	111
License costs	119	126	-	-
Donations	70	29	63	27
Write-offs of receivables	28	59	11	44
Claims and damage costs	3	503	1	-
Other	616	405	213	148
Total	**5,447**	**5,300**	**2,266**	**2,003**

(all amounts are expressed in thousands of euro)

13. IMPAIRMENT ALLOWANCE

	GROUP		COMPANY	
	2024	**2023**	**2024**	**2023**
Impairment allowance of trade receivables (ECL)	167	279	96	84
Impairment allowance of Inventories	34	3	-	-
Total	**201**	**282**	**96**	**84**

13.1 PROVISIONS

	GROUP		COMPANY	
	2024	**2023**	**2024**	**2023**
Provisions for warranty risks and refunds	(50)	9	(56)	9
Provisions for termination benefits	7	-	-	-
Total long-term risks provisions	**(43)**	**9**	**(56)**	**9**
Reserves for accruals unused vacation days	47	114	1	57
Short-term provisions for bonuses	420	24	160	-
Total short-term risks provisions	**467**	**138**	**161**	**57**
Total provisions	**424**	**147**	**105**	**66**

(all amounts are expressed in thousands of euro)

14.1 FINANCIAL INCOME

	GROUP		COMPANY	
	2024	2023	2024	2023
Foreign exchange gains	1,834	1,756	2,122	1,825
Interest income	264	167	209	101
Dividend income	-	-	632	-
Other	-	28	2	28
Total	**2,098**	**1,951**	**2,965**	**1,954**

14.2 FINANCIAL EXPENSES

	GROUP		COMPANY	
	2024	2023	2024	2023
Interest expense	3,213	2,537	2,700	2,048
Foreign exchange losses	2,088	1,782	2,206	1,942
Bank guarantees fees	342	250	285	190
Factoring fees	320	317	164	172
Losses from investments in financial assets	-	-	-	95
Imapirment of financial assets	-	-	-	308
Other financial expenses	144	84	117	38
Total	**6,107**	**4,970**	**5,472**	**4,793**

15. SHARES IN THE RESULT OF THE ASSOCIATES

	GROUP		COMPANY	
	2024	2023	2024	2023
Income from profit attribution from associates	198	24	-	-
Total	**198**	**24**	**-**	**-**

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

	GROUP	
	2024	2023
E Kupi	9	20
EKO Bosanska Posavina	189	4
Total	**198**	**24**

(all amounts are expressed in thousands of euro)

16. INCOME TAX

Corporate income tax in Croatia is determined by applying the rate of 18% (Serbia: 15%, Montenegro: 9%, Bosnia and Herzegovina: 10%, Slovenia 22%, North Macedonia: 10% and Kosovo 10%) to taxable profit for the year.

	GROUP		COMPANY	
	2024	2023	2024	2023
Current tax	1,036	648	72	52
Deferred tax	(183)	-	-	19
Income tax expense	**853**	**648**	**72**	**71**

Current tax

	GROUP		COMPANY	
	2024	2023	2024	2023
Accounting profit before tax	4,731	6,133	1345	1,436
Income tax 18%	852	1,104	242	258
Tax effect of lower tax rates	61	(472)	-	-
Tax effect of permanent deductiable expenses	507	413	908	168
Tax effect of premanent deductiable income	(241)	(66)	(1,058)	(50)
Income tax expense	**1,179**	**979**	**92**	**377**
Withholding tax paid that could not be used	**72**	**52**	**72**	**52**
Utilisation of tax loss	(215)	(382)	(92)	(377)
Net tax expense	**1,036**	**648**	**72**	**52**

Deferred tax assets

	GROUP		COMPANY	
	2024	2023	2024	2023
Balance at 1 January	**7**	**24**	-	**19**
Recognized in profit or loss account	1	(17)	-	(19)
Balance at 31 December	**8**	**7**	**-**	**-**

Deferred tax liabilities

	GROUP		COMPANY	
	2024	2023	2024	2023
Balance at 1 January	**824**	**-**	**-**	**-**
Recognized in profit or loss account	(183)	824	-	-
Balance at 31 December	**641**	**824**	**-**	**-**

(all amounts are expressed in thousands of euro)

16. INCOME TAX (CONTINUED)

During the preparation of Purchase Price Allocation (PPA) in June 2023 related to the acquisition of the company Alterna distribucija in November 2022, there was an increase in the fair value of intangible assets, which resulted in the recognition of a deferred tax liability in accordance with the requirements of the IAS 12. At the same time, the Group recognized EUR 824 thousand in deferred tax liabilities which will be released over the useful life of the identifiable asset, and for the purpose of harmonizing the consolidated current cost of income tax. In 2024, the Group derecognised deferred tax liabilities in the amount of EUR 183 thousand.

Effective tax rate in 2024 was 18.03% (2023: 15.9%).
Gross tax losses in the amount of EUR 5.538 thousand for the Group are available to reduce future taxable profits at the end of 2024. Tax losses cannot be transferred and used within group members. The Group did not recognize deferred tax assets based on tax losses carried forward, given that it is uncertain when individual companies within the Group will achieve sufficient future taxable profit on the basis of which such tax assets could be used. On the next reporting date, the Group and the Company will reassess the assumptions for the recognition of deferred tax assets.

Table of transferred tax losses

	GROUP		COMPANY	
	2024	**2023**	**2024**	**2023**
Up to 1 year	1,389	1,544	929	1,544
Up to 2 year	1,868	1,481	1,480	1,481
Up to 3 year	824	735	734	735
Up to 4 year	665	274	206	206
Up to 5 year	783	34	-	-
Total tax loss available for transfer	**4,746**	**4,068**	**3,349**	**3,966**

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

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

In 2024, a tax audit was initiated in the Company. The Company's Management does not expect a material impact on the Company's financial statements upon completion of the audit.

(all amounts are expressed in thousands of euro)

17. INTANGIBLE ASSETS

GROUP	Software	Development expenses	Trade-mark	Customer relationships	Intangible assets under construction	Total
COST						
At 1 January 2023	**7,200**	**271**	**79**	**-**	**1,644**	**9,194**
Additions	-	-	-	5,084	140	5,224
Transfer from assets under construction	130	51	3	-	(181)	3
Acquisition of the subsidiary (note 43)	53	-	-	-	51	104
At 31 December 2023	**7,383**	**322**	**82**	**5,084**	**1,654**	**14,525**
Additions	-	-	-	-	102	102
Transfer from assets under construction	92	-	10	-	(102)	-
Impairment of assets under constructions	-	-	-	-	(16)	(16)
At 31 December 2024	**7,475**	**322**	**92**	**5,084**	**1,638**	**14,611**
ACCUMULATED AMORTIZATION						
At 1 January 2023	**5,098**	**271**	**46**	**-**	**-**	**5,415**
Charge for the year	1,088	-	10	508	-	1,606
Acquisition of the subsidiary (note 43)	53	-	-	-	-	53
At 31 December 2023	**6,239**	**271**	**56**	**508**	**-**	**7,074**
Charge for the year	603	13	12	1,017	-	1,645
At 31 December 2024	**6,842**	**284**	**68**	**1,525**	**-**	**8,719**
NET BOOK VALUE						
At 31 December 2024	**633**	**38**	**24**	**3,559**	**1,638**	**5,892**
At 31 December 2023	**1,144**	**51**	**27**	**4,576**	**1,654**	**7,452**

(all amounts are expressed in thousands of euro)

17. INTANGIBLE ASSETS (CONTINUED)

COMPANY	Software	Development expenses	Trade-mark	Intangible assets under construction	Total
COST					
At 1 January 2023	**6,962**	**264**	**79**	**1,605**	**8,910**
Additions	-	-	-	261	261
Transfer from assets under construction	238	-	3	(241)	-
At 31 December 2023	**7,200**	**264**	**82**	**1,625**	**9,171**
Additions	-	-	-	129	129
Transfer from assets under construction	119	-	10	(129)	-
Na dan 31 December 2024	**7,319**	**264**	**92**	**1,625**	**9,300**
ACCUMULATED AMORTIZATION					
At 1 January 2023	**4,966**	**264**	**47**	**-**	**5,277**
Charge for the year	1,078	-	11	-	1,089
At 31 December 2023	**6,044**	**264**	**58**	**-**	**6,366**
Charge for the year	626	-	12	-	638
At 31 December 2024	**6,670**	**264**	**70**	**-**	**7,004**
NET BOOK VALUE					
At 31 December 2024	**649**	**-**	**22**	**1,625**	**2,296**
At 31 December 2023	**1,156**	**-**	**24**	**1,625**	**2,805**

(all amounts are expressed in thousands of euro)

18. GOODWILL

	GROUP	
	December 31 2024	December 31 2023
Cost	9,804	5,377
	9,804	**5,377**

	2024	2023
Cost		
Oppening balance	5,377	7,688
Sale of subsididary	4,427	567
Purchase price allocation when acquiring 100% share	-	(2,878)
Closing balance	**9,804**	**5,377**

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

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

	December 31 2024	December 31 2023
KIM TEC BG	3,883	3,883
Pakom Kompani d.o.o.	891	891
MR SERVIS	36	36
Data Link	567	567
ASK TEC	4,427	-
Total	**9,804**	**5,377**

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

In July 2023, the Company acquired a 100% business share in the company Data link d.o.o. (Note 43) based on the contract on the purchase of business shares, and the fair value of the compensation in the amount of EUR 2,277 thousand for the acquisition of 100% ownership share was determined. The assessment of the fair value of the Company's assets and liabilities, as an integral part of the distribution of the purchase price, determined the fair value of the acquired net assets (100% of the share capital) in the amount of EUR 1,709 thousand. Goodwill resulting from the acquisition is defined as the difference between the fair value of consideration and the fair value of the net assets of the acquired company in the amount of EUR 567 thousand.

(all amounts are expressed in thousands of euro)

18. GOODWILL (CONTINUED)

In May 2024, the Company acquired an equity interest in Ask Tec d.o.o. (Note 43) based on a share purchase agreement, and the fair value of the consideration for the acquisition of a 100% ownership interest was determined at EUR 5,900 thousand. As part of the purchase price allocation process, a fair value assessment of the acquired company's assets and liabilities was carried out, resulting in the fair value of the acquired net assets (100% of equity) being determined at EUR 1,473 thousand. Goodwill arising from the acquisition was calculated as the difference between the consideration transferred and the fair value of the acquired net assets, amounting to EUR 4,427 thousand.

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

Cash generating units	2024	2023
KIM TEC BG	10.9%	13.1%
MR SERVIS	9.2%	10.2%
Pakom Kompani d.o.o.	13.7%	15.4%
Data Link	9.2%	10.2%
ASK TEC	12.4%	-

The Group performs an impairment test annually to assess whether the recoverable amount of goodwill shows a potential impairment of the carrying amount. The calculation of the recoverable amount of goodwill is based on a five-year plan of revenues that the Companies generate in local and foreign markets developed by the Group, considering corporate and marketing strategies, and relevant market trends.
The calculation of the recoverable amount implies terminal growth rates after a projection period of five years in range of 2.0% - 3.0% (2023 2.0% - 3.0%), depending on the industry in which the Company operates. The cash flows arising from these plans are discounted using a discount rate that reflects the return on the underlying assets, which is defined for the purposes of the goodwill impairment test as the weighted average cost of capital for the local market.

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

Revenues and Gross Margins – Revenues and gross margins are based on average values achieved in the last few years before the start of the business plan period. The same are increased during the business plan period for the expected customer retention rate, business expansion, synergies, and efficiency improvements. Average revenue growth rates in the business plan period range from 4,5% to 12,5% (2022: 3.1% to 17.2%). Discount rates represent the current assessment of market risks specific to cash-generating units. It is a benchmark used by the Group to assess business performance and to evaluate future investment proposals. The sensitivity analysis of the key assumptions used in the goodwill impairment test shows that an increase in the discount rate by 1 percentage point, with other assumptions unchanged, would not lead to an impairment of goodwill. Also, the value of goodwill would remain unchanged with a decrease in the terminal growth rate by 1 percentage point, with other assumptions unchanged, as well as with a decrease in expected free cash flow by 5 percentage points, with other assumptions unchanged.

(all amounts are expressed in thousands of euro)

19. PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2024, the current value of the real estate on which the bank's mortgage was registered as loan insurance is EUR 249 thousand (2023: EUR 266 thousand). The mortgage on the said property amounts to EUR 1,062 thousand (2023: EUR 912 thousand), while the amount owed on the said mortgages amounts to EUR 293 thousand (EUR 248 thousand).

GROUP	Land and buildings	Plant and equipment	Vehicles	Office and other equipment	Other assets	Right of use assets	Assets under construction	Total
COST								
At 1 January 2023	**-**	**6,615**	**1,654**	**1,983**	**231**	**2,277**	**51**	**12,811**
Additions	642	334	25	-	-	241	805	2,047
Transfer from assets under construction	-	541	119	60	10	68	(801)	(3)
Acquisition of the subsidiary	585	1,755	28	192	-	-	38	2,598
Disposals	(88)	(95)	(76)	(6)	-	(751)	-	(1,016)
At 31 December 2023	**1,139**	**9,150**	**1,750**	**2,229**	**241**	**1,835**	**93**	**16,437**
Additions	-	-	-	3	-	1,041	1,131	2,175
Transfer from assets under construction	-	462	266	102	6	296	(1,132)	-
Acquisition of the subsidiary (note 43)	25	12	166	33	-	-	-	236
Impairment of assets under construction	-	-	-	-	-	-	(34)	(34)
Disposals	-	(164)	(76)	(8)	(15)	(332)	-	(595)
At 31 December 2024	**1,164**	**9,460**	**2,106**	**2,359**	**232**	**2,840**	**58**	**18,219**

(all amounts are expressed in thousands of euro)

19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP	Land and buildings	Plant and equipment	Vehicles	Office and other equipment	Other assets	Right of use assets	Assets under construction	Total
ACCUMULATED DEPRECIATION								
At 1 January 2023	**-**	**5,947**	**1,400**	**1,654**	**197**	**931**	**-**	**10,129**
Depreciation for the year	24	464	93	81	10	460	-	1,132
Disposals	(89)	(85)	(37)	(6)	-	(429)	-	(646)
Acquisition of the subsidiary	309	1,409	20	153	-	-	-	1,891
At 31 December 2023	**244**	**7,735**	**1,476**	**1,882**	**207**	**962**	**-**	**12,506**
Depreciation for the year	42	565	102	111	3	534	-	1,357
Disposals	-	(141)	(62)	(4)	(4)	(321)	-	(532)
Acquisition of the subsidiary (note 43)	21	12	94	17	-	-	-	144
At 31 December 2024	**307**	**8,171**	**1,610**	**2,006**	**206**	**1,175**	**-**	**13,475**
NET BOOK VALUE								
At 31 December 2024	**857**	**1,289**	**496**	**353**	**26**	**1,665**	**58**	**4,744**
At 31 December 2023	**895**	**1,413**	**274**	**347**	**34**	**873**	**93**	**3,931**

(all amounts are expressed in thousands of euro)

19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Land and buildings	Plant and equipment	Vehicles	Right of use assets	Office and other equipment	Leasehold improvements	Assets under construction	Total
COST								
At 1 January 2023	**-**	**5,097**	**584**	**152**	**1,023**	**68**	**-**	**6,924**
Additions	-	-	-	-	-	-	401	401
Transfer from assets under construction	-	352	41	-	8	-	(401)	-
Disposals	-	(13)	(38)	(10)	-	-	-	(61)
At 31 December 2023	**-**	**5,436**	**587**	**142**	**1,031**	**68**	**-**	**7,264**
Additions	-	-	-	-	-	-	301	301
Transfer from assets under construction	-	295	3	-	3	-	(301)	-
Disposals	-	(87)	(59)	-	-	-	-	(146)
At 31 December 2024	**-**	**5,644**	**531**	**142**	**1,034**	**68**	**-**	**7,419**

As of December 31, 2024, the Company has no tangible assets on which a bank mortgage was registered as loan security (December 31, 2023, EUR 0 thousand).

(all amounts are expressed in thousands of euro)

19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Land and buildings	Plant and equipment	Vehicles	Right of use assets	Office and other equipment	Leasehold improvements	Total
ACCUMULATED DEPRECIATION							
At 1 January 2023	**-**	**4,790**	**576**	**70**	**853**	**62**	**6,351**
Depreciation for the year	-	224	11	34	37	1	307
Disposals	-	(13)	(22)	(4)	-	-	(39)
At 31 December 2023	**-**	**5,001**	**565**	**100**	**890**	**63**	**6,619**
Depreciation for the year	-	275	7	21	31	1	335
Disposals	-	(78)	(59)	-	-	-	(136)
At 31 December 2024	**-**	**5,199**	**513**	**121**	**921**	**64**	**6,818**
NET BOOK VALUE							
At 31 December 2024	**-**	**445**	**18**	**21**	**113**	**4**	**600**
At 31 December 2023	**-**	**435**	**22**	**42**	**141**	**5**	**645**

(all amounts are expressed in thousands of euro)

20. INVESTMENT IN ASSOCIATES AND OTHER FINANCIAL ASSET

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Investments in subsidiaries	-	-	26,356	20,532
Investments in associates	15,379	15,182	5,508	5,508
Other financial assets	5	4	-	-
	15,384	**15,186**	**31,864**	**26,040**

20.1. INVESTMENTS IN SUBSIDIARIES

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

Name of subsidiary	Principal activity	Country of incorporation and business	Ownership share and share in the voting power		Amount	
			31.12. 2024.	31.12. 2023.	31.12. 2024.	31.12. 2023.
			%	%		
Kim Tec Vitez d.o.o.	DISTRIBUTION	Bosnia and Herzegovina	100	100	875	875
Kim Tec BG d.o.o.	DISTRIBUTION	Serbia	100	100	8,168	8,168
Kim Tec CG d.o.o.	DISTRIBUTION	Montenegro	100	100	1,553	1,553
Pakom Kompani d.o.o.	DISTRIBUTION	North Macedonia	100	100	2,360	2,360
M San Eko d.o.o.	COLLECTION AND DISTRIBUTION OF WASTE	Croatia	100	100	66	66
MR SERVIS d.o.o.	MAINTAINANCE	Croatia	60	60	1,528	1,528
M San Logistika d.o.o.	LOGISTICS	Croatia	100	100	3	3
Centar kompetencija za zelenu energiju d.o.o.	CONSULTING	Croatia	100	100	5	5
Corvus MK	IT	Croatia	-	100	-	5
Alterna distribucija d.o.o.	DISTRIBUTION	Slovenia	100	100	3,620	3,691
Data Link d.o.o.	PRODUCTION	Croatia	100	100	2,278	2,278
Ask Tec d.o.o.	DISTRIBUTION	Kosovo	100	-	5,900	-
					26,356	**20,532**

(all amounts are expressed in thousands of euro)

20. INVESTMENT IN ASSOCIATES AND OTHER FINANCIAL ASSET (CONTINUED)

20.1. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

In July 2023, the Company acquired a business stake in the company Data link d.o.o. based on the contract on the purchase of business shares, and the fair value of compensation in the amount of EUR 2,278 thousand for the acquisition of 100% of the owner's capital was determined.
In May 2024, the Company acquired an equity interest in Ask Tec d.o.o. based on a share purchase agreement, with the fair value of the consideration for the acquisition of 100% of the share capital determined at EUR 5,900 thousand.

All business combinations are described in more detail in Note 43.

20.2. INVESTMENTS IN ASSOCIATES

The table below contains an overview of investments in associated companies as of December 31, 2024 and December 31, 2023:

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Shares in the company EKO Bosanska Posavina	9,751	9,562	-	-
Shares in the company E Kupi d.o.o.	5,628	5,620	5,508	5,508
	15,379	**15,182**	**5,508**	**5,508**

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

Name of associate	Principal activity	Country of incorporation and business	Ownership and share in the voting rights	
			2024	**2023**
E Kupi d.o.o.	E-commerce	Croatia	24%	24%
EKO Bosanska Posavina	Agriculture	Bosnia and Herzegovina	60%	60%

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

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

(all amounts are expressed in thousands of euro)

20. INVESTMENT IN ASSOCIATES AND OTHER FINANCIAL ASSET (CONTINUED)

20.2. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following is a summary of the financial information relating to the associate E kupi d.o.o. and Eko Bosanska Posavina d.o.o. for 2024:

	E Kupi	Eko Bosanska Posavina	Total
Property, plant and equipment	168	20,992	**21,160**
Intangible assets	662	77	**739**
Other assets	875	0	**875**
Inventories	7,200	2,243	**9,443**
Trade receivables	3,224	2,612	**5,836**
Cash and cash equivalents	908	8	**916**
Other current assets	758	409	**1,167**
Long-term liabilities	0	1,737	**1,737**
Short-term liabilities	13,285	3,831	**17,116**
Net assets of associates	510	20,773	**21,283**
Group's share in the net assets of the associates	**122**	**12,464**	**12,586**
Total income	59,676	4,922	**64,598**
Total profit for the current year	38	315	**353**
Group's share in the profit of the associates (note 15)	**9**	**189**	**198**

21. INVENTORIES

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Merchandise	34,807	32,829	10,852	15,876
Goods in the customs warehouse	12,091	7,356	11,498	6,745
Goods in transit	12,694	6,749	12,457	6,528
Other	2,370	2,251	1,067	1,134
Total	**61,962**	**49,185**	**35,874**	**30,283**

22. PREPAYMENTS

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Prepayments for services	4,413	2,836	4,145	2,491
Prepayments for goods	785	66	-	-
Total	**5,198**	**2,902**	**4,145**	**2,491**

(all amounts are expressed in thousands of euro)

23. TRADE RECEIVABLES

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Domestic trade receivables	72,308	65,768	30,476	35,281
Foreign trade receivables	4,116	6,043	22,813	11,519
Impairment allowance on trade receivables	(1,213)	(1,261)	(273)	(261)
Total	**75,211**	**70,550**	**53,016**	**46,539**

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

	GROUP		COMPANY	
	2024	2023	2024	2023
At 1 January	1,261	1,157	261	244
Impairment allowance (Note 13)	167	279	96	84
Reversed on collection	(44)	(16)	-	(4)
Write-off receivables (Note 6)	(157)	(116)	(84)	(69)
Exchange differences	(14)	(43)	-	6
At 31 December	**1,213**	**1,261**	**273**	**261**

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

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Undue	62,771	57,753	33,202	34,413
Up to 60 days	9,420	10,801	16,337	8,230
61-90 days	874	953	1,648	3,264
91-120 days	351	162	567	400
121-365 days	713	834	797	20
More than 365 days	1,082	47	465	212
Total	**75,211**	**70,550**	**53,016**	**46,539**

The average receivables collection period in the Group in 2024 was 55 days (2023: 48 days), while in the Company it was 55 days (2023: 44 days).

(all amounts are expressed in thousands of euro)

24. OTHER RECEIVABLES

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
VAT prepayments	1,137	520	133	40
Receivables acquired through debt assumption	1,106	874	-	-
Receivables from acquired assignments	914	860	-	-
Receivables for spare parts used during the warranty period	190	179	-	-
Receivables from the CHIF	163	99	40	16
Interest receivables	145	222	190	220
Receivables from suppliers due to claims	131	97	102	96
Receivables for corporate income tax prepayments	117	230	-	-
Receivables for other taxes, contributions, and membership Fees	13	-	1	1
Other	154	199	2	13
Total	**4,071**	**3,280**	**468**	**386**

*Croatian Health Insurance Fund

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Interest receivables	115	200	159	198
Contractual interest receivables	30	22	31	22
Ukupno	**145**	**222**	**190**	**220**

(all amounts are expressed in thousands of euro)

25. GIVEN LOANS AND DEPOSITS

Long-term loans and deposits:

	GROUP		COMPANY	
	December 31 2024	**December 31 2023**	**December 31 2024**	**December 31 2023**
Loans to corporate entities	3,020	2,429	1,930	2,429
Given deposits to unrelated parties	64	39	-	-
Total	**3,084**	**2,468**	**1,930**	**2,429**

Long-term loans and deposits	**Original currency**	**Amount**	**Due date**	**December 31 2024**	**December 31 2023**
Loans to corporate entities					
Company					
Baks grupa d.o.o.	EUR	18,309	31.12.2025.	1,930	2,429
Total				**1,930**	**2,429**
Group					
Ekupi d.o.o. Beograd	RSD	169,000	30.9.2025.	1,090	-
Total				**3,020**	**2,429**

Short-term loans and deposits:

	GROUP		COMPANY	
	December 31 2024	**December 31 2023**	**December 31 2024**	**December 31 2023**
Loans to corporate entities	1,035	1,415	2,625	609
Given deposits to unrelated parties	304	300	304	300
Loans to individuals	102	4	2	4
Impairment of given domestic loans	-	-	(573)	(560)
Total	**1,441**	**1,719**	**2,358**	**353**

(all amounts are expressed in thousands of euro)

25. GIVEN LOANS AND DEPOSITS (CONTINUED)

Short-term loans and deposits:

Company *Loans to entities within group*	Original currency	Amount	Due date	December 31 2024	December 31 2023
M SAN EKO d.o.o.	EUR	575	31.12.2025	*575*	*560*
M SAN Logistika d.o.o.	EUR	2,050	31.12.2025	*2,050*	-
Castalia projekt d.o.o.	EUR	477	31.12.2024	-	*49*
Total short term loans to corporate entities - Company				**2,625**	**609**

Group					
Castalia projekt d.o.o.	EUR	477	31.12.2025	-	49
Ekupi BG d.o.o.	RSD	100,000	01.12.2025	284	854
Kim tec BG Nekretnine	RSD	30,000	30.06.2025	342	256
Kim tec BiH Nekretnine	KM	240	31.12.2025	409	256
Total				**1.035**	**1.415**

Total amount of deposits to non related entities	304	300
Total amount of deposits to individuals	102	4
	1,441	**1,719**

(all amounts are expressed in thousands of euro)

26. PREPAID EXPENSES AND ACCRUED INCOME

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Accrued income for subsequently approved discounts	1,686	665	-	-
Prepaid expenses	1,393	508	1,093	34
Accured overdue revenues	7	7	-	-
Total	**3,086**	**1,180**	**1,093**	**34**

27. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Cash in banks	16,541	24,013	9,001	16,301
Petty cash	1	2	-	1
Total	**16,542**	**24,015**	**9,001**	**16,302**

28. SHARE CAPITAL

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Nominal value	14,493	14,493	14,493	14,493
Total	**14,493**	**14,493**	**14,493**	**14,493**

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

29. RETAINED EARNINGS

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Retained earnings	33,014	29,100	4,071	2,798
Total	**33,014**	**29,100**	**4,071**	**2,798**

(all amounts are expressed in thousands of euro)

29. RETAINED EARNINGS (CONTINUED)

Changes in retained earnings can be shown:

	GROUP	COMPANY
Balance as of December 31 2023	**29,100**	**2,798**
Profit for the year	3,914	1,273
Balance as of December 31 2024	**33,014**	**4,071**

30. MINORITY INTEREST

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Minority interest	30	66	-	-
Total	**30**	**66**	**-**	**-**

	MR SERVIS	KIM TEC BIH EKO	TOTAL
At 1 January 2024	**33**	**33**	**66**
Total profit for the current year	(35)	(1)	**(36)**
At 31 December 2024	**(2)**	**32**	**30**

31. PROVISIONS

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Long-term provisions for risks within the warranty period	813	799	650	642
Provisions for returns	101	165	84	148
Long-term provisions for bonuses and severance pay	42	35	-	-
Total	**956**	**999**	**734**	**790**

(all amounts are expressed in thousands of euro)

32. LONG-TERM LOANS LIABILITIES

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Total loans from financial institutions	3,352	4,575	2,731	3,547
Less: current portion of loans from financial institutions	(1,137)	(1,221)	(817)	(816)
Total long-term loans from financial institutions	**2,215**	**3,354**	**1,914**	**2,731**

COMPANY

Financial institution	**Original currency**	**Amount**	**Due date**	**December 31 2024**	**December 31 2023**
ERSTE & STEIERMARKISCHE BANK d.d.	EUR	2,175	20.12.2027	2,731	3,547
Total				**2,731**	**3,547**
More: the current part of the loan obligation from financial institutions - Company				**(817)**	**(816)**
Total				**1,914**	**2,731**

GROUP

Financial institution	**Original currency**	**Amount**	**Due date**	**December 31 2024**	**December 31 2023**
ProCredit Bank AD.	EUR	4,000	12.10.2026	504	754
ERSTE & STEIERMARKISCHE BANK d.d.	EUR	105	31.03.2029	54	104
Zagrebačka banka d.d.	EUR	70	31.12.2026	26	47
Hamag Bicro	EUR	100	30.06.2026	37	62
Intesa Sanpaolo Banka d.d.	EUR	2,500	28.08.2024	-	61
Total				**3,352**	**4,575**
Less: short-term part of long-term loans - Group				**(1,137)**	**(1,221)**
Total - Group:				**2,215**	**3,354**

The range of interest rates on borrowings for the Group in 2024 was from 0.25% to 6.26% (2023: 0.25% to 6.18%), while for the Company it ranged from 3.91% to 5.06% (2023: 4.91% to 6.06%).

(all amounts are expressed in thousands of euro)

33. LEASE LIABILITIES

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Current portion of long-term lease liabilities	561	492	3	20
Long-term lease liabilities	**1,190**	**406**	**-**	**2**
Total lease liabilities	1,751	898	3	22

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

Defining the lease period

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

Contracts with variable installments

During the year ending December 31, 2024 and December 31, 2023, the Group did not pay rents with variable installments.

(all amounts are expressed in thousands of euro)

34. SHORT-TERM LOANS AND BORROWINGS

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Short-term bank loans	15,778	20,495	12,090	15,911
Obligations for loans	100	43	-	43
Total	**15,878**	**20,538**	**12,090**	**15,954**
Current part of long-term loan	1,137	1,221	816	816
Total	**17,015**	**21,759**	**12,906**	**16,770**

Short term loans liabilities

COMPANY

Financial institutions	Original currency	Amount	Due date	December 31 2024	December 31 2023
Zagrebačka banka d.d.	EUR	6,000	24.05.2025	4,225	6,000
Hrvatska poštanska banka d.d.	EUR	5,000	31.03.2025	4,165	4,911
Erste banka d.d.	EUR	5,000	01.08.2025	3,700	5,000
Total				**12,090**	**15,911**

GROUP

Financial institutions	Original currency	Amount	Due date	December 31 2024	December 31 2023
UniCredit Bank Mostar d.d.	BAM	2.000	24.5.2024	1,022	1,022
Intesa Sanpaolo Banka d.d.	BAM	2.000	13.06.2025	1,023	1,023
NLB Tuzlanska banka	BAM	500	30.06.2025	256	256
Bosna Bank International d.d.	BAM	1.800	20.06.2025	920	920
Erste banka d.d.	EUR	49	31.10.2025	168	115
Zagrebačka banka d.d.	EUR	33	31.01.2025	100	48
Gorenjska banka d.d.	EUR	1.000	04.06.2025	200	1,000
Addiko Bank d.d.	EUR	700	03.05.2024	-	200
Total				**15,778**	**1,200**
Loans				100	43
Plus: Current portion of loans from financial institutions				1,137	1,221
Total current portion of long-term borrowings and short-term loans				**17,015**	**21,759**

35. LONG-TERM BOND LIABILITIES

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Long-term bond liabilities	18,581	21,235	18,581	21,235
Current portion of non-current Bond payables	(2,654)	(2,654)	(2,654)	(2,654)
Total	**15,927**	**18,581**	**15,927**	**18,581**

(all amounts are expressed in thousands of euro)

36. OTHER LONG-TERM LIABILITIES

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Long-term liabilities for the purchase of a business share	680	627	680	627
Long-term liabilities to insurance companies	372	14	373	14
Other long-term liabilities	11	10	-	-
Total	**1,063**	**651**	**1,053**	**641**

37. OTHER SHORT-TERM LIABILITIES

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Business share purchase liabilities	5,847	801	5,847	801
VAT payables	5,158	4,250	3,483	3,560
Factoring liabilities	4,093	3,922	1,825	1,362
Liabilities for advances received	2,156	2,698	1,450	809
Liabilities for payroll taxes and contributions	774	665	315	284
Customs duties payable	674	573	26	25
Liabilities for memberships, contributions and other taxes	515	29	3	7
Short-term provisions for bonuses	420	380	160	160
Short-term provisions for unused annual leave	331	263	124	123
Interest payable on issued bonds	167	190	167	190
Interest payable on borrowings and loans	75	66	74	60
Other liabilities	23	20	5	1
Total	**20,233**	**13,857**	**13,479**	**7,382**

Some suppliers offer modular payment terms, whereby the Company has the option to pay within the contractual terms or to settle earlier in exchange for certain early payment discounts. In such arrangements, the Company occasionally utilizes factoring, where the cost of factoring is lower than the early payment discount (cash discount), thereby generating additional savings.

(all amounts are expressed in thousands of euro)

38. TRADE PAYABLES

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Foreign trade payables	74,424	52,159	59,669	41,906
Domestic trade payables	16,161	21,900	12,032	16,296
Total	**90,585**	**74,059**	**71,701**	**58,202**

39. ACCRUED EXPENSES AND DEFERRED INCOME

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Unbilled invoices	2,185	2,779	1,163	701
Accrued income	98	142	-	11
Other	95	22	-	-
Total	**2,378**	**2,943**	**1,163**	**712**

40. RELATED-PARTY TRANSACTIONS

The table below shows Company's receivables and payables from transactions with its subsidiaries in purchase transactions at December 31 2024 and December 31 2023:

	Receivables		Payables	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Kim Tec d.o.o., Beograd	8,578	3,487	(6)	(21)
Kim Tec d.o.o., Vitez	2,257	2,519	-	-
Pakom Kompani d.o.o.e.l., Skopje	5,151	93	-	-
Ask Tec d.o.o., Priština	3,296	-	-	-
Alterna distribucija d.o.o., Ljubljana	403	207	(12)	(1)
Kim Tec CG, Podgorica	278	170	(16)	(67)
Centar kompetencije za zelenu energiju d.o.o.	79	61	(3)	(15)
Data link d.o.o. Bjelovar	19	2	(61)	(1)
M San Eko d.o.o.	7	6	-	-
MR Servis d.o.o.	-	131	(108)	(299)
M San Logistika d.o.o.	-	-	(4)	(384)
Korvus MK d.o.o.e.l. ,Skopje	-	-	-	(110)
	20,068	**6,676**	**(210)**	**(898)**

(all amounts are expressed in thousands of euro)

40. RELATED-PARTY TRANSACTIONS (CONTINUED)

The table below shows the receivables and payables that the Company had with associates and companies with a common ultimate owner in sales transactions on December 31 2024 and 2023:

	Receivables		Payables	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Ekupi d.o.o.	8,949	10,718	(67)	-
PP Orahovica d.o.o.	1,057	7	(67)	-
PPK Valpovo d.o.o.	793	3	(59)	-
King ICT d.o.o.	608	271	-	-
Planet IX.d.o.o.	531	88	-	-
Pametna energija d.o.o.	153	1,077	-	-
M San Nekrenine d.o.o.	69	-	(8)	(120)
Omega Software d.o.o.	8	18	-	(4)
Agroinvest Grupa	6	-	-	-
Corvus pay d.o.o.	3	-	-	(48)
MS Industrial Kina	842	646	-	(76)
Grey Wolf	-	3,550	-	-
Ask Tec d.o.o., Priština	-	2,526	-	-
Aktivis d.o.o.,	-	8	(2)	-
Ured za podršku d.o.o.	-	-	(714)	(1,295)
	13,020	**18,912**	**(917)**	**(1,543)**

The table below shows the income and expenses that the Company had in sales transactions with subsidiaries in 2024 and 2023:

	Income /sale		Expenses		Cost of goods	
	2024	2023	2024	2023	2024	2023
Kim Tec d.o.o., Beograd	38,638	36,384	274	19	-	171
Kim Tec d.o.o., Vitez	24,199	19,557	231	12	-	230
Pakom Kompani d.o.o.e.l., Skopje	21,830	13,569	97	-	-	52
Kim Tec CG, Podgorica	11,533	9,430	16	3	-	-
Ask Tec d.o.o., Priština	8,362	-	-	-	-	-
MR Servis d.o.o.	885	940	906	1,367	-	51
Alterna distribucija d.o.o., Ljubljana	879	128	37	2	-	166
M San Logistika d.o.o.	97	87	5,859	6,034	-	1
Data link d.o.o. Bjelovar	36	23	70	1	-	-
Centar kompetencije za zelenu energiju d.o.o.	14	-	56	49	-	-
M San Eko d.o.o.	-	2	-	-	-	-
Kim Tec BG Servis d.o.o	-	2	-	-	-	-
Kim Tec BiH Servis d.o.o.	-	1	-	-	-	-
Korvus MK	-	-	27	-	-	-
	106,473	**80,123**	**7,573**	**7,487**	**-**	**671**

(all amounts are expressed in thousands of euro)

40. RELATED-PARTY TRANSACTIONS (CONTINUED)

The income and expenses of the Company from purchase/sales transactions with its associates and entities with the same ultimate owner during 2024 and 2023 were as follows:

	Income /sale		Expenses		Cost of goods	
	2024	2023	2024	2023	2024	2023
Ekupi d.o.o.	38,753	36,084	835	659	-	605
King ICT d.o.o.	9,237	11,409	74	494	-	31
Pametna energija d.o.o.	553	4,287	-	-	-	-
Grey Wolf	531	3,550	-	-	-	-
Planet IX .d.o.o.	354	81	-	-	-	-
PP Orahovica d.o.o.	100	336	86	63	-	-
M San Nekrenine d.o.o.	57	133	1,074	1,206	-	14
Omega Software d.o.o.	52	278	49	82	-	-
Ured za podršku d.o.o.	51	67	3,295	3,339	-	-
Corvus pay d.o.o.	23	17	1	1	-	-
Agroinvest Grupa	10	-	-	-	-	-
PPK Valpovo d.o.o.	7	228	47	-	-	-
Aktivis d.o.o.	5	14	6	1	-	-
MS Industrial Kina	-	185	9,814	546	-	8,074
Zelena Agenda d.o.o.	-	-	-	1	-	-
Ask Tec d.o.o., Priština	-	6,662	-	-	-	-
	49,733	**63,331**	**15,281**	**6,392**	**-**	**8,725**

The table below presents receivables and revenue of the Company from loan transactions with its subsidiaries at 31 December 2024 and 2023:

	Receivables		Income	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
M San Logistika d.o.o.	2,063	-	41	4
M San Eko d.o.o.	34	573	19	13
MR Servis d.o.o.	-	-	-	1
	2,097	**573**	**60**	**18**

(all amounts are expressed in thousands of euro)

40. RELATED-PARTY TRANSACTIONS (CONTINUED)

The table below presents receivables and revenue of the Company from loan transactions with its associates and entities with the same ultimate owner at 31 December 2024 and 2023:

	Receivables		Income	
	December 31 2024	**December 31 2023**	**December 31 2024**	**December 31 2023**
Baks Grupa d.o.o.	1,942	2,488	78	58
M San Nekrenine d.o.o.	-	-	32	-
	1,942	**2,488**	**110**	**58**

The table below presents the liabilities and expenses that the Company had with its associates and entities with the same ultimate owner from loan transactions as at 31 December 2024 and 2023:

	Liabilities		Expenses	
	December 31 2023	**December 31 2022**	**December 31 2023**	**December 31 2022**
PP Orahovica d.o.o.	(7)	(102)	1	42
King ICT d.o.o.	-	-	83	14
	(7)	**(102)**	**84**	**56**

Management remuneration through the year were as it follows:

	GROUP		COMPANY	
	December 31 2024	**December 31 2023**	**December 31 2024**	**December 31 2023**
Short-term income - gross	1,463	1,410	858	666
Total	**1,463**	**1,410**	**858**	**666**

(all amounts are expressed in thousands of euro)

41. FINANCIAL INSTRUMENTS

41.1. Capital risk management

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

The Group's capital consists of debt, which includes loans and borrowings disclosed in Notes 32 and 34 and issued corporate bonds disclosed in Note 35, less cash and cash equivalents (the so-called net debt) and equity, which comprises share capital, reserves and retained earnings as reported in the statement of changes in equity.

41.1.1. Gearing ratio

Gearing ratio at the end of the reporting period:

	GROUP		COMPANY	
	December 31 2024	**December 31 2023**	**December 31 2024**	**December 31 2023**
Debt	37,811	46,348	33,401	40,736
Less: cash in banks and petty cash	(16,542)	(24,015)	(9,001)	(16,302)
	21,269	**22,333**	**24,400**	**24,434**
Equity	49,179	45,256	20,707	19,434
Gearing ratio	**43.25%**	**49.35%**	**117.84%**	**125.73%**

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

(all amounts are expressed in thousands of euro)

41. FINANCIAL INSTRUMENTS (CONTINUED)

41.1. Capital risk management (continued)

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

41.1.2. Categories of financial instruments

	GROUP		COMPANY	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023
Financial assets				
Cash and cash equivalents	16,542	24,015	9,001	16,302
Loans and receivables	89,025	80,070	61,945	52,168
Total financial assets	**105,567**	**104,085**	**70,946**	**68,470**
Financial liabilities				
Bank loans	19,230	25,113	14,820	19,501
Corporate bonds	18,581	21,235	18,581	21,235
Other financial liabilities	1,751	898	3	22
Total financial liabilities	**39,562**	**47,246**	**33,404**	**40,758**

(all amounts are expressed in thousands of euro)

41. FINANCIAL INSTRUMENTS (CONTINUED)

41.2. Foreign currency risk management

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

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

GROUP	Assets		Liabilities		Difference	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023	December 31 2024	December 31 2023
USD	4,454	6,057	(22,541)	(15,246)	(18,087)	(9,189)

COMPANY	Assets		Liabilities		Difference	
	December 31 2024	December 31 2023	December 31 2024	December 31 2023	December 31 2024	December 31 2023
USD	15,935	6,745	(25,445)	(14,262)	(9,510)	(7,517)

41.2.1. Analysis of sensitivity to currency risk

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

(all amounts are expressed in thousands of euro)

41. FINANCIAL INSTRUMENTS (CONTINUED)

41.2. Foreign currency risk management (continued)

41.2.1. Analysis of sensitivity to currency risk (continued)

GROUP	USD impact 2024	2023
Profit/Loss	(1,809)	(919)

COMPANY	USD impact 2024	2023
Profit/Loss	(951)	(752)

41.3. Credit risk management

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

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

The Group's customer portfolio is highly diversified, and the 10 largest customers account for 21.2% of sales revenue. If customers with a common ultimate owner are excluded, the top 10 customers account for 13.5% of sales revenue.

41. FINANCIAL INSTRUMENTS (CONTINUED)

41.4. Interest risk management

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

Interest rate sensitivity analysis

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the interest expense of the Company as of 31 December 2024 would have changed by EUR 148 thousand (31 December 2023: EUR 195 thousand), and the Group as of 31 December 2024 would have changed by EUR 153 thousand (31 December 2023: EUR 212 thousand). Interest rates on issued corporate bonds and loans were not considered because they are instruments with fixed interest rates.

41.5. Liquidity risk management

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

41.5.1. Liquidity and interest rate risk tables

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

(all amounts are expressed in thousands of euro)

41. FINANCIAL INSTRUMENTS (CONTINUED)

41.5. Liquidity risk management (continued)

41.5.1. Liquidity and interest rate risk tables (continued)

GROUP December 31 2024	**Up to 1 month**	**1 to 3 months**	**3 months to 1year**	**1 to 5 years**	**After 5 year**	**Total**
Assets						
Non-interest bearing	101,022	-		20	-	101,042
Interest bearing instruments	-	-	1,441	3,084	-	4,525
Total assets	**101,022**	**-**	**1,441**	**3,104**	**-**	**105,567**
Liabilities						
Non-interest bearing	90,585	-	-	-	-	90,585
Lease liabilities	47	94	421	1,190	-	1,751
Interest bearing instruments	2,745	2,836	14,089	18,142	-	37,811
Total liabilities	**93,377**	**2,929**	**14,509**	**19,332**	**-**	**130,148**
Net asset / (liabilities)	**7,903**	**(2,929)**	**(13,068)**	**(16,229)**	**-**	**(24,324)**

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

(all amounts are expressed in thousands of euro)

41. FINANCIAL INSTRUMENTS (CONTINUED)

41.5. Liquidity risk management (continued)

41.5.1. Liquidity and interest rate risk tables (continued)

COMPANY December 31 2024	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	After 5 year	Total
Assets						
Non-interest bearing	66,684	-	-	17	-	66,701
Interest bearing instruments	-	-	2,358	1,930	-	4,288
Total	**66,684**	**-**	**2,358**	**1,947**	**-**	**70,989**
Liabilities						
Non-interest bearing	71,701	-	-	-	-	71,701
Finance lease liabilities	-	1	2	-	-	3
Interest bearing instruments	2,403	2,151	11,007	17,840	-	33,401
Total	**74,104**	**2,152**	**11,009**	**17,840**	**-**	**105,105**
Net asset / (liabilities)	**(7,420)**	**(2,152)**	**(8,651)**	**(15,893)**	**-**	**(34,117)**

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

41. FINANCIAL INSTRUMENTS (CONTINUED)

41.6. Fair value of financial instruments

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

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

As at 31 December 2024, reported amounts of cash, short-term deposits, receivables, short-term liabilities, accrued expenses, short-term loans and other financial instruments correspond to their market value, due to the short-term nature of these assets and liabilities.

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

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

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

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

(all amounts are expressed in thousands of euro)

41. FINANCIAL INSTRUMENTS (CONTINUED)

41.7. Market risk

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

42. CONTRACTUAL AND CONTINGENT LIABILITIES

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

	GROUP		COMPANY	
	2024	**2023**	**2024**	**2023**
Within one year	3,819	2,809	962	739
1-5 years	22	22	-	-
Total	**3,841**	**2,831**	**962**	**739**

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

(all amounts are expressed in thousands of euro)

43. BUSINESS COMBINATIONS AND DEACQUISITIONS

43.1. BUSINESS COMBINATIONS AND DEACQUISITIONS IN 2023

A. DISPOSAL OF SUBSIDIARY ZELENA AGENDA 1.0

In March 2023, the Company disposed of its subsidiary Zelena Agenda 1.0 d.o.o. to Pametna energija d.o.o., a company under common ultimate ownership. The transaction was carried out at book values and had no impact on the Company's profit or loss for 2023. The total net carrying amount of the disposed assets was EUR 132 thousand as of 6 March 2023.

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

In July 2023, upon fulfillment of all contractual conditions stipulated in the share purchase agreement signed in May 2023 for the acquisition of a 100% ownership stake in Data Link d.o.o., Croatia, the Company completed the acquisition of the aforementioned entity. The estimated purchase price for the 100% stake amounts to EUR 2,277 thousand, of which EUR 1,907 thousand was paid upon closing of the transaction. The remaining amount represents the expected contingent consideration, dependent on the subsidiary's EBIT performance during the 2023–2026 period. Consequently, the Company obtained control over the subsidiary as of 1 July 2023, and it has been consolidated into the Group's financial statements from that date. Following the completion of the Purchase Price Allocation (PPA), the Company recognized goodwill in the amount of EUR 567 thousand arising from this transaction (Note 18).

	07.2023
Property, plant and equipment	707
Intangible assets	51
Inventory	376
Trade receivables	157
Cash and cash equivalents	60
Other short-term assets	14
Total assets	**1,365**
Long-term liabilities	209
Short-term liabilities	511
Total liabilities	***720***
Book value of net assets	**645**

43.2. BUSINESS COMBINATIONS AND DEACQUISITIONS IN 2024

A. ACQUISITION OF SUBSIDIARY ASK TEC D.O.O.

In May 2024, the Company acquired a 100% ownership stake in ASK TEC d.o.o., Kosovo a company under common ultimate ownership. The estimated purchase price for the full stake amounts to EUR 5,900 thousand. As a result, the Company obtained control over the subsidiary as of 15 May 2024, and it has been consolidated into the Group's financial statements from that date. Following the completion of the Purchase Price Allocation (PPA), the Company recognized goodwill in amount of EUR 4,427 thousand arising from this transaction (Note 18).

(all amounts are expressed in thousands of euro)

43. BUSINESS COMBINATIONS AND DEACQUISITIONS (CONTINUED)

43.2. BUSINESS COMBINATIONS AND DEACQUISITIONS IN 2024 (CONTINUED)

A. ACQUISITION OF SUBSIDIARY ASK TEC D.O.O. (CONTINUED)

	05.2024
Property, plant and equipment	92
Intangible assets	-
Ostala dugotrajna imovina	-
Inventory	1,338
Trade receivables	3,123
Cash and cash equivalents	349
Other short-term assets	138
Total assets	**5,041**
Long-term liabilities	-
Short-term liabilities	3,641
Total liabilities	**3,641**
Book value of net assets	**1,400**

44. SUBSEQUENT EVENTS

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

45. AUDIT FEES

Fees for the statutory audit of the Group’s financial statements amounted to EUR 167 thousand (2023: EUR 127 thousand), while fees for other services amounted to EUR 0 thousand (2023: 0 thousand).

46. APPROVAL OF THE FINANCIAL STATEMENTS

Consolidated and separate financial statements for the year ended on December 31, were approved by the Management Board and authorised for issue on April 30, 2025

Irena Langer-Breznik
President of Management Board

Žarko Kruljac
Member of Management Board

Vladimir Brkljača
Member of Management Board

Alen Panić
Member of Management Board

Bruno Jozić
Member of Management Board

2024

Sustainability Report

Statement of Management Responsibility

In accordance with the provisions of Articles 32 and 36 of the Accounting Act (Official Gazette 85/2024, 145/2024) the Management Board is responsible for the preparation of the consolidated Sustainability Report in accordance with the European Sustainability Reporting Standards (ESRS), and for:

- the preparation of disclosures in the section "Information in accordance with the Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)" of the consolidated Sustainability Report in accordance with the reporting requirements of Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation),
- the design, implementation and maintenance of internal control systems as determined necessary by the Management Board to enable the preparation of the consolidated Sustainability Report free from material misstatement due to fraud or error, the selection and application of appropriate sustainability reporting methods, and
- the formulation of reasonable estimates and judgements concerning individual sustainability disclosures under the given circumstances.

The Management Board is also responsible for the design and implementation of a process to identify information to be disclosed in the consolidated Sustainability Report in accordance with the ESRS, and for disclosing this process in the section "ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities" in the consolidated Sustainability Report. This responsibility includes:

- understanding the context in which the Group's activities and business relationships take place, as well as understanding the affected stakeholders,
- identifying actual and potential (negative and positive) impacts related to sustainability matters, as well as risks and opportunities that affect or could reasonably be expected to affect the Group's financial position, financial performance, cash flows, access to finance or cost of capital in the short, medium or long term,
- assessing the materiality of identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate materiality thresholds, and
- making assumptions that are reasonable under the circumstances.

The Management Board of M SAN Grupa approved the consolidated Sustainability Report for issuance on 30 April 2025.

Irena Langer-Breznik
Chairperson of the Management Board

Žarko Kruljac
Member of the Management Board

Vladimir Brkljača
Member of the Management Board

Alen Panić
Member of the Management Board

Bruno Jozić
Member of the Management Board

GENERAL DISCLOSURES ESRS 2

TOPIC	DESCRIPTION	CHAPTER	PAGE
ESRS 2 – General disclosures			
Basis for preparation			
BP-1	General basis for preparation of the statement	General disclosures - Basis for preparation	150
BP-2	Disclosures in relation to specific circumstances	General disclosures - Basis for preparation	151
Governance			
GOV-1	The role of the administrative, management and supervisory bodies	General disclosures - management of sustainability matters	153
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	General disclosures - management of sustainability matters	156
GOV-3	Integration of sustainability-related performance in incentive schemes	General disclosures - management of sustainability matters	157
GOV-4	Statement on due diligence	General disclosures - management of sustainability matters	157
GOV-5	Risk management and internal controls over sustainability reporting	General disclosures - management of sustainability matters	158
Strategy			
SBM-1	Strategy, business model and value chain	General disclosures - Strategy and business model	159
SBM-2	Interests and views of stakeholders	General disclosures - Double materiality	159
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	General disclosures - Double materiality	167, 186, 195, 216, 222
Impact, risk and opportunity management			
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	General disclosures - Double materiality	160, 168, 186, 201, 217, 222, 230
IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statement	General disclosures - Double materiality	164

Basis for preparation

ESRS 2, BP-1, BP-2

M SAN Grupa publishes its Sustainability Report as set out by the Accounting Act (Official Gazette of the Republic of Croatia, Nos. 85/2024, 145/2024) and Capital Markets Act (Official Gazette of the Republic of Croatia, Nos. 65/2018, 17/2020, 83/2021, 151/2022, 85/2024) for the first time. The Report has been published as part of the Management Report, in line with Commission Delegated Regulation (EU) 2023/2772 supplementing Directive 2013/34/EU of the European Parliament and Council as regards sustainability reporting standards (European Sustainability Reporting Standards (ESRS)). The Sustainability Report incorporates information under Article 8 of Regulation (EU) 2020/852 on establishing a framework to facilitate sustainable investment (Taxonomy Regulation).

The Report has been made on consolidated basis in line with the financial statements of M SAN Grupa and includes the reporting period from 1 January to 31 December 2024. The Report includes significant events. Disclosures relate to M SAN Grupa d.o.o. za proizvodnju računala, trgovinu i uvoz-izvoz, with a registered office in Rugvica, the Republic of Croatia, which owns several companies in Croatia and other states. In its distribution branch, several affiliated companies operate in the region: KimTec d.o.o. in Bosnia and Herzegovina, KimTec d.o.o. in Serbia, KimTec d.o.o. in Montenegro, Pakom Kompani d.o.o.e.l. in Macedonia, Alterna distribucija d.o.o. in Slovenia and ASK Tec d.o.o. in Kosovo. In its portfolio, the Group also includes logistics that primarily relates to storage, handling and transport of goods (M SAN Logistika d.o.o.), provision of servicing and repair of goods within the warranty period and beyond the warranty period (MR Servis d.o.o., KIM TEC-SERVIS d.o.o. Vitez, KIM TEC SERVIS d.o.o. Beograd) and the collection and disposal of electrical and electronic waste (M SAN EKO d.o.o., KIM TEC EKO d.o.o. Vitez). Apart from above-mentioned companies, DATA Link d.o.o. and Centar kompetencije za zelenu energiju d.o.o. related to LED lighting are also part of the Group. The Group has one branch office in Zagreb.

As of 31 December 2024, M SAN Grupa comprised 17 undertakings. The Group places special emphasis on the production and development of proprietary brands, where production takes place in the Republic of Croatia, the Republic of Serbia, the People's Republic of China and the Republic of Turkey. Most of the manufacturing takes place in third-party plants, while the assembly of personal computers, TV sets and electric bicycles, as well as the production of LED lighting of proprietary brands, takes place in the facilities of the Group in the Republic of Croatia and the Republic of Serbia. The growth of the M SAN Grupa's business continues by expanding the Group's logistics network. An extremely long and complex value chain of the Group and its dispersion in terms of various business activities poses numerous sustainability reporting challenges. Pronounced data dispersion further complicates data collection and verification of their reliability. For some indicators, collecting and consolidating data supporting this Sustainability Report was impossible.

So far, M SAN Grupa was strongly focused on growth and market development and product quality assurance and so various sustainability aspects across the value chain were considered for some situations only. In 2024, M SAN Grupa checked material impacts, risks and opportunities based on previous impact analyses. Decisions on objectives and key performance indicators were also made. From 2024, the internal ESG organisation started to develop, supporting the development of the environmental, social and governance matters and their integration into the business operations of the Group.

In 2025, M SAN Grupa intends to strengthen its sustainability approach, which includes an in-depth overview and mapping of the value chain, impacted stakeholders and focal sustainability points. Additionally, the goal is to re-implement a deep dive and analysis of the impacts, risks and opportunities to more precisely define and, if necessary, review the results of the double materiality assessment. Furthermore, in 2024, M SAN Grupa set the cornerstones for its Sustainability Strategy, defining targets for key areas, which will be developed in more detail in 2025. We are aware of the necessary improvements relating to our calculations, record keeping, collection and tracking of data to achieve the expected improvement in the management of sustainability topics in the future. M SAN Grupa will continue developing mechanisms for ensuring sustainability compliance with the expectations of our stakeholders and best practice recommendations. Also, we will continue integrating environmental, social and governance matters into our business processes and decisions.

M SAN Grupa has not used the possibility to omit information on intellectual property, know-how, experience or innovation results, and on disclosing upcoming events. This Sustainability Report includes own operations and production activities and the upstream and downstream value chain activities, wherever possible and to the extent possible. Although our financial statements use definitions prescribed by the International Financial Reporting Standards, for this Sustainability Statement we have used the definitions for short-, mid- and long-term periods defined by ESRS.

Changes in reporting and errors from previous reporting periods

ESRS 2, BP-2

M SAN Grupa reports in line with the European Sustainability Reporting Standards (ESRS) for the first time.

Sources of estimation and outcome uncertainty

ESRS 2, BP-2

In some disclosures included in this Report, integral data was unavailable or was unavailable for all markets. Assumptions, approximations and estimates were not used for the parts for which complete or reliable data were unavailable. Instead, it is clearly stated that the data is unavailable or uncollected. The challenge in collecting and reporting data is caused by a high dispersion of the sources of information and the Group's prior focus on different strategic priorities.

In the chapter ESRS E1 Climate change and energy, GHG Scope 1 and 2 emissions were calculated for 2023. Due to a high business granularity, the complexity concerning the availability and recording of data, as well as an extensive value chain and various data owners within the organisation, more than six months were needed to collect and consolidate the data on GHG emissions for 2023. Given these challenges, until the end of the year it was difficult to collect and consolidate the data for 2024 in a timely manner. In the meantime, M SAN Grupa gained a better insight into the key focus areas to improve its data collection processes. Therefore, the 2024 GHG emissions report is expected to be will be finalised by 30 June 2025.
In the chapter ESRS E5-3 Resource use and circular economy, it was impossible to disclose the required data.

Implementing provisions on phasing in under ESRS 1, Appendix C

ESRS 2, BP-2

In line with Appendix C of ESRS 1, M SAN Grupa decided to omit information, whose disclosure is possible to postponed in the first reporting year. Following that, certain information on matters relating to ESRS SBM-3 para 48c, ESRS E1-9, ESRS E2-6, ESRS E5-6 and ESRS S1-7 to ESRS 1-15 was omitted.

Incorporation by reference

ESRS 2, BP-2

Disclosure requirement (data point)	Reference, chapter
G1 ESRS 2 GOV-1 para 5a Detailed information on the composition and activities of the Management Board and Supervisory Board	ESRS 2 GOV-1 – The role of the administrative, management or supervisory bodies
ESRS 2 GOV-1 para 21c/G1 ESRS 2 GOV-1 para 5b Curricula vitae of members of the Management Board and Supervisory Board	ESRS 2 GOV-1 – The role of the administrative, management or supervisory bodies
ESRS 2 SBM-1 para 40f Significant products and/or services and significant markets and customer groups	ESRS 2 SBM-1 Strategy, business model and value chain
ESRS 2 SBM-1 para 42c Significant products and/or services and significant markets and customer groups	ESRS 2 SBM-1 Strategy, business model and value chain

Managing sustainability issues

The role of administrative, management or supervisory bodies

ESRS 2, GOV-1

The role of the administrative, management or supervisory bodies concerning business conduct is key to ensuring ethical and responsible business operations. The administrative bodies set the legal framework and standards that define the expected business conduct. Supervisory bodies ensure that undertakings comply with regulations and standards. Administration bodies may require regular reports on business conduct and related activities, which additionally ensures responsibility in processes and business operations.

Governance structure

M SAN has a Management Board and a Supervisory Board as the key corporate governance bodies. The Management Board of M SAN Grupa manages the business operations taking into account sustainability and ESG (environmental, social and governance) standards, while the Supervisory Board monitors the efficiency of implementing the sustainability strategy. M SAN Grupa's Audit Committee oversees its financial statements, implementation of internal controls and risk assessment concerning sustainable business. More details on corporate governance are available in the Management Report on page 21.

Key managers role

The Management Board also reviews and discusses the topics relating to business continuity. The Management Board member in charge of the Enterprise segment is also in charge of the matters of environmental, social and governance sustainability. In this process, the Management Board member in charge of the Enterprise segment cooperates with an expert for sustainable development and business in a planned and structured manner. Plans and activities for all short- and long-term sustainability matters are agreed upon jointly. Additionally, each Management Board member of M SAN Grupa actively contributes to the understanding and development of the sustainability strategy within their scope of activities, including IT and CE Distribution, Enterprise, Green Technologies and proprietary brands such as Vivax. This approach enables aligned activities and sets the foundation for further sustainability improvements.

Sustainability Committee

The Committee's tasks are: setting the strategic directive for managing sustainability issues in line with material topics approved by the Management Board, monitoring the implementation of ESG matters in business operations, identifying ESG risks and alignment with regulatory requirements and coordinating sustainability-related initiatives with the business goals and strategy.

The Sustainability Committee was established in July 2024 and comprises 11 permanent and some temporary members. Permanent Committee members are: Management Board member for Sustainability, expert for sustainable development and business, Human Resources Director, Marketing Director, M SAN Nekretnine Director, Company's Legal Officer, Head of Product Development, Head of Waste Management and Head of General Affairs. Temporary members participate in the Committee's work as necessary, and they are, most often, Directors of affiliated companies in the region, Head of Transport – M SAN Logistika, Head of Business Processes Analysis, Production Department Director and others.

The Committee meets annually to discuss all matters concerning sustainability, approvals and harmonisations, or as necessary in the event of extraordinary needs. The Management Board is informed of the Committee's conclusions. It confirms the Committee's decisions, which the line managers of the respective organisational units implement. The Sustainability Committee is a key structure of M SAN Grupa that ensures compliance with ESG standards and promotes sustainable business practices. The most recent meeting of the Sustainability Committee was held at the end of 2024.

Information on the members of the Supervisory Board and the Management Board of M SAN Grupa can be found in the Management Report on page 22. As of 31 December 2024, the Management Board of M SAN Grupa was composed of seven members, six of whom were men and one was a woman. The representation of women on the Management Board of M SAN Grupa stands at 14.3%. The Supervisory Board's Audit Committee of M SAN Grupa has one independent member.

Members of the Management Board of M SAN Grupa possess and continuously enhance their sustainability-related competencies, including technological innovation, process optimisation, regional expansion, future product planning and strengthening business models that integrate sustainable practices. Each member contributes to specific aspects of sustainability through their responsibilities and areas of expertise. Below is a brief description of the sustainability competencies of the Management Board:

Irena Langer Breznik, President of the Management Board

Sustainability-related competences: Long-term experience in leading eCommerce development and digital transformation, which includes business processes optimisation with the potential to decrease environmental impact. Focus on innovation and regional operations including sustainable procurement processes and labour practices. Sustainability contribution: Integration of digital tools to reduce emissions across the value chain and enhance efficiency through digitalisation.

Žarko Kruljac, Vice-President of the Management Board

Sustainability-related competences: Doctoral degree in economic sciences focusing on resource management. Specialisation in strengthening partner network and adapting to market changes.
Sustainability contribution: Application of economic models involving resource optimisation and long-term growth strategies that support sustainable development.

Slaven Stipančić, Management Board member (until 1 March 2025)

Sustainability-related competences: Focus on procurement process improvement and expansion of the distribution portfolio. Contracting partnerships with leading global brands that promote sustainable products and solutions. Sustainability contribution: Introduction of products that reduce environmental footprint and promote climate- and environmentally responsible solutions within the distribution portfolio.

Goran Kotlarević, Management Board member (until 1 March 2025)

Sustainability-related competences: Development and expansion of sales operations and business growth in the region. Strong focus on market recognition alongside developing regional distribution with sustainable practices. Sustainability contribution: Utilisation of regional distribution centres to reduce transport emissions and enhance logistical efficiency.

Alen Panić, Management Board member

Sustainability-related competences: Led the high-tech and project business department, including solutions for infrastructure, cloud operations and software tools. Participated in IT conferences focused on sustainability and technological solutions.
Sustainability contribution: Development of advanced ICT solutions that facilitate resource optimisation and support emission reduction objectives.

Vladimir Brkljača, Management Board member

Sustainability-related competences: Development of the VIVAX brand, including implementing projects for the production of energy-efficient devices such as LED TV sets and electric bicycles. He led the project for the relocation and construction of production facilities in Croatia with a focus on local sustainability. In 2024, he completed an MBA programme at IEDC Bled School of Management, which includes a focus on sustainability, enabling expert insights about integrating sustainable practices into the Group's strategic objectives.
Sustainability contribution: Promoting products with low climate and environmental impact and development of brands that support the circular economy concept.

Bruno Jozić, Management Board member (as of 1 June 2024)

Sustainability-related competences: For ten years, he led the operations of M SAN Grupa in the Montenegrin market as Country Manager of the company Kim Tec in Podgorica. During that period, he positioned the company as the leading distributor of IT and CE products in the Montenegrin market and achieved outstanding financial and commercial results. Sustainability contribution: as Management Board member of M SAN Grupa, he is in charge of the ITCE division and contributes to the development of solutions with a reduced environmental footprint.

Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

ESRS 2, GOV-2

The Management Board of M SAN Grupa is included in assessing, planning and managing sustainability matters in all segments – environmental, social and governance. In addition to regularly receiving information on sustainability topics, Management Board members also initiate and actively participate in meetings, workshops and educational activities related to sustainability.

The Management Board initiated surveys to assess employee engagement and workplace climate, with a particular focus on the social dimension of sustainability to improve labour practices. In 2024, the Sustainability Committee and a working group were established, whose members regularly receive training on sustainability topics. A Sustainability and Business Expert was also employed, whose tasks include, among other things, raising awareness of sustainability within the organisation and implementing sustainable practices

Two workshops were conducted for the Management Board in 2024 to enhance their knowledge and competencies in the field of sustainability. External consultants were engaged to calculate greenhouse gas emissions and to improve plans in the area of emissions management. In addition, external advisers were engaged to plan an upgrade of the sustainability strategy in 2025, including an enhancement of the double materiality assessment, in-depth sustainability risk assessments across all business segments and a due diligence analysis of the value chain.

In 2025, an upgrade of the sustainability strategy is planned to ensure a more effective integration of sustainability matters into business operations. The decision-making process for upgrading the existing 2024 strategy is based on the principles of strategic planning and the inclusion of double materiality, to ensure sustainability and accurate impact assessment. The key steps of this process include:

- analysis of the current state and evaluation of the 2024 strategy;
- definition of the framework for double materiality;
- impacts, risks and opportunities analysis;
- implementation and management of strategy;
- review and adjustment of necessary areas.

The upgrade of the 2024 strategy requires a comprehensive approach to ensure an inclusive and adaptable decision-making process, enabling the organisation to create long-term value for all stakeholders and contribute to sustainable development.

At the time of drafting the Sustainability Report, no workers' representative had been elected at M SAN Grupa and, therefore, the consultation process in accordance with Article 34 of the Accounting Act (Official Gazette of the Republic of Croatia, Nos 85/24, 145/24) could not be conducted. Once a workers' representative is elected, the workers' representative will be informed about the Sustainability Report.

Integration of sustainability-related performance in incentive schemes

ESRS 2, GOV-3

Supervisory Board members do not receive remuneration for their work. Remuneration to Management Board members is set out by their contracts. The salary of Management Board members is comprised of a fixed and a variable performance-based part. The remunerations and salaries of Management Board members do not include key performance indicators relating to sustainability objectives.

Statement on due diligence

ESRS 2, GOV-4

Due diligence, as a process of identifying, preventing, mitigating or describing how actual or potential negative impacts on people and the environment are addressed, is partially integrated into the Management Board's considerations within the impact assessment process. In doing so, publicly available disclosures from relevant international organisation, rating agencies and industry-specific topics important according to the SASB standard reporting were used. To fully comply with ESRS requirements and other international instruments relating to the precision of objectives and data integrity, in 2025, M SAN Grupa will conduct an in-depth due diligence process to audit its double materiality assessment process.
Due diligence elements included in the Sustainability Report are described below:

Key due diligence elements	Reference in the sustainability statement
Embedding due diligence in governance, strategy and business model	Managing sustainability issues Strategy and business model Policies related to material topics within topical standards (E1, E5, S1, S2, S4, G1)
Engagement with affected stakeholders in all key steps of the due diligence process	Managing sustainability issues Double materiality Including stakeholders related to material topics within topical standards (E1, E5, S1, S2, S4, G1)
Identifying and assessing negative impacts	Managing sustainability issues Double materiality Our material impacts, risks and opportunities related with material topics within topical standards (E1, E5, S1, S2, S4, G1)
Taking actions to address these negative impacts	Actions and activities related to material topics within topical standards (E1, E5, S1, S2, S4, G1)
Tracking the effectiveness of these efforts and communication	Objectives and indicators related to material topics within topical standards (E1, E5, S1, S1, S2, S4, G1)

Risk management and internal controls over sustainability reporting

ESRS 2, GOV-5

In 2024, M SAN Grupa adopted a new Risk Management Strategy for M SAN Grupa and its affiliated companies. The purpose of this Strategy is to clearly define how the Group approaches the risks to which it is or may be exposed in its operations, with the aim of preventing ambiguity, inconsistency and imbalance in risk management. The Strategy is designed to enhance the effectiveness of risk management and to embed risk management into corporate culture. This positions risk management as a standard part of the planning and decision-making process, enabling a comprehensive and consistent approach across all business segments. The Strategy also aims to establish an effective system for coordinating risk management and ensures that the key elements of this system are applied and respected at all levels of the organisation. Particular emphasis is also placed on sustainability-related risks, which have been recognised as one of the fundamental types of risk within this Strategy.

In 2024, M SAN Grupa also adopted a Risk Management Policy and a Risk Tolerance Statement. The Policy sets out the objectives of risk management and provides a framework for a continued integration of risk management processes throughout the organisation, with defined roles and responsibilities and a structured process. The Policy prescribes the internal control system for risk management. The Management Board is responsible for risk management processes, while the implementation rests with the Directors of organisational units. M SAN Grupa has also adopted the Risk Management Regulations of M SAN Grupa and Affiliated Companies. It sets out the risk management system in more detail.

In 2025, the Strategy, Policy and Risk Management Regulations are planned to be further aligned with the aim of centralising and consolidating responsibilities and competences. The updated documents will also include a more in-depth approach to sustainability risk management, following the enhanced double materiality assessment process.

To further ensure the effectiveness of managing economic and financial business risks, in 2024 a person having expertise in risk management was employed as at M SAN Grupa as Director of Strategic Risk Management.

Certain material sustainability risks are described in separate topical chapters of this Report.

Strategy, business model and value chain

ESRS 2, SBM-1

M SAN Grupa's Sustainability Report covers the Group's business activities in the Republic of Croatia and the region. The main business activities of M SAN Grupa are the distribution of computer hardware, software and consumer electronics, production and production technology, software solutions and LED lighting technology. The Group also distributes IT equipment and consumer electronics of proprietary brands, including TV sets, air conditioners, large appliances, desktop computers and electrical mobility products. The Group also deals with logistics, and collection and disposal of electrical and electronic waste. The business segments, portfolio and sales channels of M SAN Grupa have been described in detail on page 10 of the Management Report. The business model of M SAN Grupa is based on building and maintaining trust and reliability of cooperation with suppliers and customers, developing product portfolio diversity and financial stability and paying special attention to the products of proprietary brands.

Business revenues per business line are shown on page 33 of the Management Report.

In line with its business activities, M SAN Grupa has an extremely long value chain that involves numerous stakeholders. Being organised into four divisions, described in the Management Report on page 27, the Group organises its business processes that vary across segments, depending on the specific characteristics of each value chain. M SAN Grupa has taken basic steps in the detailed mapping of its value chain and related stakeholders.

The following important value chain components were recognised in mapping:

The upstream value chain, which, depending on the particular division, includes:

- Market research
- Procurement of materials and components
- Factory inspections and quality control
- Product development
- Inbound transport

Value chain in own operations includes:

- Production processes
- Quality control
- Marketing and sales
- Other non-production and support processes

Downstream value chain includes:

- Product transport and distribution
- Distribution and retail sales channels
- Authorised service centres and customer support
- Customers and end users – product use
- Waste disposal, recovery and recycling

Stakeholder engagement

ESRS 2, SBM-2

Interests and views of stakeholders are referred to in the double materiality chapter and have been additionally described in topical standards, where necessary.

Double materiality

Double materiality process

ESRS 2, IRO-1

M SAN Grupa's business activities to date have primarily focused on identifying and managing economic, i.e. financial impacts and risks, thereby ensuring the stability and sustainable growth of the Group. However, given the increasingly complex and dynamic business environment, and in the context of continued implementation of the Sustainability Strategy, the Management Board deems it necessary to broaden its risk management approach. It has therefore been determined that, during 2025, a more in-depth analysis of the negative and positive impacts, risks and opportunities (Impact Risk Opportunity – IRO) must be conducted, enabling a comprehensive overview of impacts, risks and opportunities across all business segments. This will result in a revision of the previous materiality assessment.

M SAN Grupa conducted an impact materiality assessment in 2023, based on which an impact matrix was developed. According to the process description applied, the sustainability context assessment was first carried out, taking into account the business model description, organisational structure, portfolio, business partners and channels of the Group, the Group's value chain, locations of its business activities, ESG impacts related to consumer electronics manufacturing and distribution sector and other aspects. In the second phase, the actual and potential impacts of M SAN Grupa on the environment and society were identified. In this phase, the stakeholders on whom the Group has a significant impact were also identified. In the third phase, the significance of individual impacts was assessed through a survey (stakeholders' involvement) across 13 topics that have the most significant impacts on stakeholders. In this process, the initial financial impact matrix was created, based on a survey in which, as the first step of assessing the financial materiality, managers evaluated topical standards referred to in ESRS and related topics and sub-topics in accordance with ESRS 1 AR 16. This was done based on the magnitude of potential financial impacts on M SAN Grupa and the likelihood of occurrence of the financial impacts for M SAN Grupa.
The Management Board of M SAN Grupa conducted additional checks in a special workshop to establish the connection between impacts, risks and opportunities, i.e., to link the findings of impact materiality with the ESRS topics. The Management Board of M SAN Grupa determined that the significance of impacts corresponds with the initially identified impacts and ESRS areas, linking the recognised significant topics by impact and the initially identified risks and opportunities with ESRS areas and specific sub-areas. Certain details were identified and verified through industry benchmarking as well as the materiality description of the SASB industrial standard for ICT and manufacturing of electronic equipment and technical products.

Impact materiality

The assessment conducted in 2023 included an initial review of the Group's activities and business relationships, establishing their sustainability context, which formed the basis for identifying their materiality. To define the topics to be assessed, the actual and potential impacts of the Group's business activities and key stakeholders were identified. The process of assessing the significance of impacts also included stakeholder opinions collected through an online survey, in which 227 stakeholders participated. Stakeholders assessed the areas of governance, environment, social matters and the working environment, as well as business operations across 13 topics. A quantitative assessment was conducted, with a significance threshold set at 75 points (on a scale of 100 points).

In the impact assessment, the following areas were assessed as significant:

Topic	ESRS disclosure equivalent
High materiality	
Labour practices	S1
Employee health and safety	S1-1-S-5 / S1-14
Business and personal data security	S1/S4
Business practices and product labelling	S4
Business ethics	G1
Systemic risk management	ESRS 2 GOV-1
Long-term nature of the business model	--
Competition	--
Moderate materiality	
ESG impact management in the supply chain	S2/E5
Employee engagement, diversity and participation	S1
Energy efficiency management	E1
GHG emissions management	E1
Waste management	E5

Financial materiality assessment

The initial assessment of the likelihood of occurrence and the magnitude of financial impacts was made by the Management Board, evaluating the probability of a financial impact and the magnitude of potential negative or positive financial effects on the Group's operations. A more comprehensive and in-depth assessment of financial materiality will be conducted after the development of a detailed risk and opportunity catalogue and a thorough evaluation of physical and transition climate risks, which will be undertaken during 2025. It is shown in the diagram below:

E1 Climate change*	Extremely low probability / extremely low impact
E2 Pollution	Extremely low probability / extremely low impact
E3 Water and water resources	Extremely low probability / extremely low impact
E4 Biodiversity and ecosystems	Extremely low probability / extremely low impact
E5 Circular economy	Medium probability / medium impact
S1 Own workforce	Medium probability / high impact
S2 Workers in the value chain**	Low probability / low impact
S3 Impact on the community	Extremely low probability / low impact
S4 Consumers and end-users**	Extremely low probability / low impact
G1 Business conduct	Medium probability / medium impact

* Although financial impacts were initially assessed as low, circumstances have since occurred that would lead to a different assessment, and the topic of climate change is now considered material.
** Although financial impacts were initially assessed as low, due to the number and vulnerability of stakeholders, the topic is considered material.

Identified stakeholders and their interests and views

Stakeholders	Interest and views	Way of communication and engagement
Employees (managers and heads / workers / foreign workers)	Secured employment and adequate wages Labour rights protection Occupational safety and protection Professional development Respecting diversity	Meetings Direct and written communication Individual communication Yearly engagement surveys Onboarding talks Informal and formal events
Consumers and end users: consumers and business partners / end users	Product safety and compliance Product availability and production stability Proper product labelling and transparency Fair pricing	Meetings Direct and written communication Participation in events Surveys and market research Product feedback
Suppliers and business partners: large enterprises / SMEs / distributors / carriers	Fair business relationships and procurement processes Timely payments to suppliers Long-term collaboration Measures to combat corruption and bribery	Meetings Direct and written communication Audits and quality checks Participation in events Tenders
State organisations: ministries / funds / agencies / administrations bodies / other bodies	Lawfulness of business operations Product compliance Responsible financial and business management Responsible investments Settling financial obligations timely	Meetings Direct and written communication Events Reports and announcements Implementation of supervision
Financial stakeholders: banks / credit institutions / insurance companies / leasing companies / investors	Lawfulness of business operations Responsible financial and business management Successful business operations Risk management Settling financial obligations timely	Meetings Direct and written communication Events Reports and announcements
Civil society associations, NGOs	Sponsors and donations	Direct and written communication Events, fairs, sports events
Education and science: faculties / secondary schools / scientific institutes	Traineeships and employment Collaboration in scientific projects Knowledge transfer Sponsorships and donations	Meetings Direct and written communication Events and presentations

Uncertainty of assessment and process updates

Taking into account that the double materiality assessment considered the identification of impacts, risks and opportunities made earlier, which the Management Board linked and aligned with ESRS topics, there is some uncertainty relating to the double materiality assessment. The assessment was based on the previous period's tested context and business analysis. In 2025, we plan a comprehensive re-check of double materiality.
For the process upgrade, M SAN Grupa will undertake the following:

- a detailed mapping of the value chain, including identifying focal points and stakeholder mapping;
- material topics check: check of relevant environmental, social and governance matters related to business operations;
- impact check: qualitative and quantitative analysis of the Group's impact on people and the environment, and what the material risks and opportunities are, by implementing an in-depth check of negative and positive impacts and risks and opportunities;
- estimation of financial materiality: analysis of how the identified ESG matters can impact the financial performance, including costs, revenue, investment and enterprise value;
- an adequate stakeholders ' interaction: engaging internal and external stakeholders (employees, investors, creditors, regulatory authorities, suppliers, consumers and others) to ensure a holistic view about material topics.

Material impacts, risks and opportunities

ESRS 2, IRO-2

TOPIC	Impact	Risk	Opportunity
ESRS E1 - Climate change	√	√	√
ESRS E5 - Circular economy	√	√	√
ESRS S1 - Own workforce	√	√	√
ESRS S2 - Workers in the value chain	√	√	
ESRS S4 - Consumers and end users	√	√	√
ESRS G1 - Business conduct	√	√	√

In the supplementary double materiality check, the M SAN Grupa's Management Board determined the connection between the materiality of impacts and the risks and opportunities that could affect the M SAN Grupa's financial performance, which correspond to the areas referred to in ESRS. M SAN Grupa uses the above-mentioned ESRS disclosures in its 2024 Sustainability Report. General topics from the previously determined impact materiality: "Long-term nature of the business model" and "Competition" can be related to several ESRS areas and have thus been incorporated under respective topics. The materiality topic "Systemic risk management" has been integrated into all material areas and, in future due diligence, all sustainability-related risks will be re-analysed and addressed.

Disclosure requirements in ESRS covered by the undertaking's sustainability statement

ESRS 2, IRO-2

Material topics, sub-topics and impacts, risks and opportunities have been described under chapters on topical standards.

Following the materiality assessment, the areas ESRS 2 "Pollution", ESRS E2 "Water and marine resources", ESRS E4 "Biodiversity and ecosystems" and ESRS S3 "Affected communities" were assessed as not material. The disclosures assessed as material are referred to in the topical chapters, or the option to postpone the disclosure was used:

DISCLOSURE	Page/remark
General information	
ESRS 2 – General disclosures	149
Environmental information	
ESRS E1 - Climate change	165
Disclosure under Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)	175
ESRS E5 - Circular economy	184
Social information	
ESRS S1 - Own workforce	191
ESRS S2 - Workers in the value chain	215
ESRS S4 - Consumers and end users	220
Governance information	
ESRS G1 - Business conduct	228

Disclosures stemming from other legislation or generally accepted sustainability reporting pronouncements

ESRS 2, IRO-1

Disclosed in Appendix 2

ESRS E1: CLIMATE CHANGE

Disclosure requirements		Information
ESRS 2 GOV-3 E1	Integration of sustainability-related performance in incentive schemes	157
ESRS 2 SBM-3 E1	Material impacts, risks and opportunities and their interaction with strategy and business model	167
ESRS 2 IRO-1 E1	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	168
ESRS E1-1	Transition plan for climate change mitigation	167
ESRS E1-2	Policies related to climate change mitigation and adaptation	168
ESRS E1-3	Actions and resources in relation to climate change policies	168
ESRS E1-4	Targets related to climate change mitigation and adaptation	169
ESRS E1-5	Energy consumption and mix	169
ESRS E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	171
ESRS E1-7	GHG removals and GHG mitigation projects financed through carbon credits	174
ESRS E1-8	Internal carbon pricing	174
ESRS E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	Use of phase-in option

The production of electrical and electronic devices and equipment is an intensive activity in terms of its impact on climate change, as significant emissions are generated throughout the entire value chain. The Group's activities belong to sectors that significantly impact the climate according to ESRS and NACE classification, as they include the manufacturing industry, the production of computers and peripheral equipment, cooling and ventilation equipment, electronic devices, vehicles, as well as the collection, treatment and disposal of hazardous and non-hazardous waste, and the transportation and storage of goods. Considering its extensive value chain, M SAN Grupa is aware of the need to track and adapt its business decisions and processes to reduce its climate impact as well as to adapt to climate change. The M SAN Grupa's operations are closely linked to climate impacts in many ways, as the production of electrical and electronic devices relies on the primary production of components that require large amounts of energy. Furthermore, the intensive inbound and outbound transportation generates significant greenhouse gas emissions. Energy management in production, exposure to dynamic energy price fluctuations and energy efficiency issues are material for the M SAN Grupa's operations.

ESRS 2 General disclosures

Identified impacts, risks and opportunities

CLIMATE CHANGE			
Negative impact – actual; in own operations, in the upstream and downstream value chain			
GHG emissions from production	Greenhouse gas emissions from raw material extraction, raw material production, semi-finished products and proprietary products, inbound and outbound transport.	Originating from the business model; linked to business relationships	Short-term to long-term
ENERGY			
Negative impact – actual; in own operations; in the upstream value chain			
Electricity and energy sources consumption	Negative impacts associated with energy and energy products from non-renewable sources.	Originating from the business model; linked to business relationships	Short-term to long-term
RISKS AND OPPORTUNITIES CONNECTED WITH CLIMATE AND ENERGY			
RISK; in own operations; in the upstream and downstream value chain			
Increases in transport prices	Potential increases in transport prices are possible due to transport-related costs and charges, as well as energy and energy products prices	Originating from the business context	Short-term to long-term
OPPORTUNITIES; in own operations			
Generation and purchasing electricity from RES	Generation of electricity from its own solar power plants may represent an opportunity in terms of reducing energy costs. By purchasing energy from RES, the footprint in this segment would be fully reduced.	Originating from the business model	Short-term to long-term
Production potential	Increased production of electrically powered vehicles affects the use of more environmentally friendly modes of transport. Increased demand for cooling appliances may have positive financial effects	Originating from the business model and business context	Short-term to long-term

E1-1 Transition plan for climate change mitigation

M SAN Grupa has undertaken the first phase of detailed value chain mapping and business process analysis to identify physical and transition climate risks across all business lines, business opportunities, and key climate change impacts originating from the business operations. The transition plan will be adopted once targets and actions are defined and scenarios related to climate change are analysed, based on all conducted analyses.

During 2024, data was collected to calculate Scope 1 and Scope 2 GHG emissions for 2023 as the baseline year, which were determined at the beginning of 2025. As part of the calculation of Scope 1 and Scope 2 emissions for the baseline year 2023, recommendations for climate change mitigation actions were developed, which may serve as a basis for the preparation of the transition plan. The recommendations do not represent a final list of actions, as each action must be further developed from the technical, economic and environmental perspective prior to its inclusion in the plan and implementation. This needs to be done, for example, by preparing a feasibility study, cost-benefit analysis, life cycle assessment (LCA), or similar analyses to demonstrate the sustainability of the respective investment. The recommendations include, in addition to calculating Scope 3 emissions, adopting actions for Scope 3 emissions management; establishing a system for continuous measurement and monitoring energy consumption and emissions; actions to improve energy efficiency, particularly those aimed at reducing heat loss and optimising the operation of heating and cooling systems; increasing the share of renewable energy sources; the use of alternative fuels and propulsion systems; and the optimisation of fuel consumption.

Due to the extreme complexity and expansion of the value chain, which involves numerous suppliers, logistics partners and end users across various geographic regions and sectors, it is currently impossible to reliably and consistently capture all categories of Scope 3 emissions. Limited access to standardised and high-quality data further hinders the accuracy and reliability of reporting, particularly in the case of smaller suppliers who lack the capacity to monitor their own emissions. At this stage, the Group is primarily focused on calculating the baseline year for Scope 1 and Scope 2 emissions, which fall under its direct operational control and can be directly influenced. At the same time, the Group recognises the importance of incorporating Scope 3 emissions into its climate strategy and is already developing plans for their gradual integration, starting with identifying priority categories.

Material impacts, risks and opportunities and their interaction with strategy and business model

ESRS 2 SBM-3

Climate risks can impact various business activities of M SAN Grupa. The process of extracting and processing raw materials for electronics, such as metals and minerals, requires large amounts of energy and contributes to GHG emissions. Raw material extraction can lead to excessive destruction of forests, water pollution and biodiversity loss, further exacerbating the impacts of climate change. The production process also requires large amounts of energy, often from non-renewable sources and involving the use of fossil fuels, which increases carbon dioxide emissions. Climate change can disrupt supply chains and affect the availability of raw materials, semi-finished products and finished goods. The concentration of critical production hubs in vulnerable regions can amplify climate-related risks. The above-listed risks can be adequately addressed through a range of actions.

In 2024, experts from various business verticals at M SAN Grupa assessed the physical and climate-related risks associated with specific activities. Given that most risks have been assessed as low, the following are risks some that have been identified as medium to high risks.

Among the acute physical climate risks, the most significant are storm winds, extreme rainfall and fire. Key chronic physical climate risks include the rise in average air temperature and changes in the type and frequency of precipitation. Among the transitional risks, particular attention is given to product and service regulations, regulatory changes, unsuccessful investments in new technologies, shifts in customer behaviour, uncertainty of market signals and increased raw material costs.

Impacts, risks and opportunities management

ESRS 2 IRO-1

M SAN Grupa assessed climate-related impacts, risks and opportunities in this phase at the top (general) level. By analysing the business lines, priority was put on identifying the most important physical and transition climate-related risks for the core activities of M SAN Grupa and possible business opportunities.

The process of assessing physical and transition risks and opportunities included key managers and experts in the organisation who reviewed the magnitude of the risk for individual production lines. Climate scenarios analysis was not conducted in this assessment phase. A detailed risk assessment of climate-related physical and transition risks will be done again in 2025. Upon completion of the thorough analysis of these risks to the business model, an assessment of the business model's resilience to climate change risks will also be conducted

E1-2 Policies related to climate change mitigation and adaptation

ESRS 2 MDR-P

M SAN Grupa will adopt policies related to climate change mitigation and adaptation after a detailed assessment of climate risks. The Group is currently preparing an assessment of the climate change impacts on its business operations and intends to conduct a through analysis before adopting formal policies. In line with business priorities and regulatory requirements, the Group will review the development of respective policies in the future.

E1-3 Actions and resources in relation to climate change policies

ESRS 2 MDR-A

At present, climate aspects are considered within the broader context of operational efficiency and sustainability, but they are not formally defined as a separate initiative. Taking business priorities into account, M SAN Grupa plans to gradually develop strategies and actions in line with regulatory requirements and industry practices.

Metrics and targets

E1-4 Targets related to climate change mitigation and adaptation

ESRS 2 MDR-T

As a detailed reassessment of climate impacts on business operations is currently being prepared, the Group has not yet defined indicators or target values related to climate change. The year 2024 saw the commencement of the data collection on Scope 1 and 2 GHG emissions for 2023 which is considered the baseline year. This Report shows the values for Scope 1 and 2 GHG emissions for 2023; at the moment of the compilation of this Report, the data for 2024 was still being collected and will be disclosed by 30 June 2025. Although objectives have still not been formally defined, the Group is monitoring the parameters related to energy consumption. In the upcoming period, we plan to develop key indicators and objectives aligned with the regulatory framework and strategic priorities.

E1-5 Energy consumption and mix

Activities of M SAN Grupa in high climate impact sectors

Sectors with high climate impact according to ESRS standards[1] and NACE classification[2]	Other activities
Section C - Manufacturing 26.20 Manufacture of computers and peripheral equipment 26.40 Manufacture of consumer electronics 27.40 Manufacture of electric lighting equipment 30.92 Manufacture of bicycles and invalid carriages **Section E - Water supply, sewerage, waste management** 38.11 Collection of non-hazardous waste **Section H - Transportation and storage** 49.41 Freight transport by road 52.10 Warehousing and storage 52.24 Cargo handling	**Section N - Administrative and support services** 82.92 Packaging activities **Section S - Other service activities** 95.1 Repair of computers and communication equipment 95.11 Repair of computers and peripheral equipment 95.12 Repair of communication equipment 95.2 Repair of personal and household goods 95.21 Repair of consumer electronics 95.22 Repair of household appliances and home and garden equipment 95.29 Repair of other personal and household goods

1 Sectors with high climate impact are referred to in sections A through H and section L of NACE (as defined in the Delegated Commission Regulation (EU) 2022/1288)

2 REGULATION (EC) No 1893/2006 of the EUROPEAN PARLIAMENT AND COUNCIL of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains (Annex I)

Energy within M SAN Grupa is used for the following purposes: heating and cooling of offices, warehouses and other enclosed spaces, electricity for indoor and outdoor lighting, computers, machinery, air conditioning and other uses and fuels for vehicles.

At the locations in Buzin and Rugvica, where the companies M SAN Grupa, M SAN Logistika, M SAN Eko d.o.o., Centar kompetencije za zelenu energiju d.o.o. and MR Servis are situated, energy consumption (electricity from the electricity supplier, electricity from renewable sources and thermal energy) has been estimated based on the proportion of the floor space occupied by each of the mentioned companies. Photovoltaic (PV) panels have been installed and integrated within the Group at the locations of Buzin and Rugvica, generating electricity on-site as renewable energy source.

Energy consumption per source in 2023

Energy consumption per source in 2023			
1.	Fuel consumption from coal and coal products	0	MWh
2.	Fuel consumption from crude oil and petroleum products	6,750.04	MWh
3.	Fuel consumption from natural gas	670.05	MWh
4.	Fuel consumption from other fossil sources	0	MWh
5.	Consumption of the purchased or acquired electricity, heating energy, steam and cooling energy from fossil sources	1,899.49	MWh
6.	**TOTAL FOSSIL ENERGY CONSUMPTION (CALCULATED AS THE SUM OF LINES 1-5)**	**9,319.58**	**MWh**
	Share of fossil sources in the total energy consumption	97.4	%
7	Consumption from nuclear sources	0	MWh
	Share of consumption from nuclear sources in total energy consumption	0	%
8.	Fuel consumption from renewable sources, including biomass (also comprising industrial and municipal waste of biologic origin, biogas, renewable hydrogen, etc.)	0	MWh
9.	Consumption of purchased or acquired electricity, heat, steam and cooling from renewable sources	0	MWh
10.	Consumption of self-generated non-fuel renewable energy	245.63	MWh
11.	**TOTAL RENEWABLE ENERGY CONSUMPTION (CALCULATED AS THE SUM OF LINES 8-10)**	**245.63**	**MWh**
	Share of renewable sources in the total energy consumption	2.6	%
	TOTAL ENERGY CONSUMPTION (CALCULATED AS THE SUM OF LINES 6 AND 11)	**9,565.21**	**MWh**

Energy intensity based on net revenue of the Group for 2023, calculated as the as the ratio of total energy consumption from activities in sectors with material climate impact to the net revenue generated from these activities.

Energy intensity based on net revenue of the Group

Indicator	Amount	Unit
Energy intensity per net revenue	**0.2028**	MWh/EUR 1,000
Total energy consumption from activities in high climate impact sectors	**9,565.21**	MWh
Net revenue from activities in high climate impact sectors used to calculate energy intensity	**471,672.00**	MWh
Net revenue (other)	**0.00**	EUR 1,000

E1-6 Gross Scope 1, 2 and 3 GHG emissions and total GHG emissions

ESRS 1

In 2024, data for Scope 1 and 2 GHG emissions for 2023 was collected, which is from that point onwards considered to be the baseline year. Not all data necessary for calculating Scope 1 and 2 emissions for 2024 were available when preparing this Report. The following steps are to collect the data and do the calculation for 2024, as well as do preparatory activities for the analysis and calculation of Scope 3 emissions.

The data presented in Table 6 refer to the gross emissions of seven greenhouse gases: carbon dioxide (CO_2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3), but are not limited to these gases.
The GHG emissions inventory includes all GHGs emitted across the M SAN Grupa's value chain within its organisational and operational boundaries, as presented in the following table.

GHG emissions, consolidated, M SAN Grupa

GHG	Sources	Scope
Carbon dioxide (CO_2)	Direct stationary sources: Combustion of natural gas and LPG for building heating and diesel combustion in generators. Direct mobile sources: combustion of diesel and petrol in vehicles.	1
	Indirect emissions from electricity supply.	2
Methane (CH_4)	Direct stationary sources: Combustion of natural gas and LPG for building heating and diesel combustion in generators. Direct mobile sources: combustion of diesel and petrol in vehicles.	1
	Indirect emissions from electricity supply.	2
Nitrous oxide (N_2O)	Direct stationary sources: Combustion of natural gas and LPG for building heating, and diesel combustion in generators. Direct mobile sources: combustion of diesel and petrol in vehicles.	1
	Indirect emissions from electricity supply.	2
Hydrofluorocarbons (HFCs)	Direct fugitive emissions from stationary and mobile air conditioning units due to the leakage of HFC gases: HFC-32, R-22, R-401A, R-407C, R-410A, HFC-134a, R-1234yf	1

GHG emissions, consolidated, M SAN Grupa

Indicator	Reference year 2023	2024
GHG emissions Scope 1		
Gross Scope 1 GHG emissions (tCO_2eq)	2,356.36	Data unavailable
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)	0	0
GHG emissions Scope 2		
Location-based gross Scope 2 GHG emissions (tCO_2eq)	1,223.22	Data unavailable
Market-based gross Scope 2 GHG emissions (tCO_2eq)	1,714.24	Data unavailable
Significant scope 3 GHG emissions		
Total gross indirect Scope 3 GHG emissions (tCO_2eq)	Data unavailable	Data unavailable
Total GHG emissions		
Total Scope 1 + 2 (location-based) gross GHG emissions (tCO_2eq)	3,579.57	Data unavailable
Total Scope 1 + 2 (market-based) gross GHG emissions (tCO_2eq)	4,070.60	Data unavailable

GHG intensity based on net revenue

The intensity of GHG emissions is shown as the ratio of the total gross GHG emissions to total net revenues of the Group. The data in the table below pertains to 2023. The calculation for 2024 is under preparation.

GHG intensity per net revenue

GHG intensity per net revenue (2023)	Value
Total net revenue of M SAN Grupa (EUR 1,000)	**471,672.00**
GHG intensity per net revenue (t CO_2 eq./EUR 1,000)	**0.00759**

E1-7 GHG removals and GHG mitigation projects financed through carbon credits

M SAN Grupa does not conduct or finance GHG removal projects, does not participate in programmes for purchasing, selling or trading in carbon credits, and does not use carbon credits to offset GHG emissions. M SAN Grupa primarily focuses on plans for direct emission reductions through operational measures and efficiency improvements rather than on compensatory mechanisms.

E1-8 Internal carbon pricing

M SAN Grupa does not apply an internal carbon pricing mechanism in its business processes, investments or strategic decision-making.

INFORMATION IN ACCORDANCE WITH ARTICLE 8 OF REGULATION (EU) 2020/852

Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (Taxonomy Regulation) establishes a system for classifying economic activities, which the European Union established to enable a significant contribution to sustainability, while complying with the standards concerning human rights, battle against corruption, fair market competition and tax transparency. Article 8 of the Taxonomy Regulation provides for reporting obligation for undertakings covered by Non-Financial Reporting Directive (NFRD) (EU) 2014/95, which was replaced by Corporate Sustainability Reporting Directive (CSRD) (EU) 2022/2464, whose provisions were transposed to the Accounting Act of the Republic of Croatia (Official Gazette of the Republic of Croatia, Nos 85/2024 and 145/2024) and which are binding for M SAN Grupa.

Article 9 of the Taxonomy Regulation defines the following environmental objectives:

(a) climate change mitigation,
(b) climate change adaptation,
(c) the sustainable use and protection of water and marine resources,
(d) the transition to a circular economy,
(e) pollution prevention and control,
(f) the protection and restoration of biodiversity and ecosystems.

The reporting process under the Taxonomy Regulation requirements can be divided into the three principal steps:

- assessment of Taxonomy-eligible economic activities,
- detailed assessment of compliance of identified Taxonomy-eligible economic activities with the criteria for environmentally sustainable economic activities set out in Article 3 of the Taxonomy Regulation. Technical criteria are defined by delegated acts of the Taxonomy Regulation, and include criteria of significant contribution to one or more environmental objectives, of not doing significant harm to other environmental objectives (DNSH) and compliance with minimum social safeguards,
- calculation of key performance indicators (KPIs) for determining the degree of environmental sustainability of required to be reported under Article 3 of the Taxonomy Regulation, which relate to the ratio of Taxonomy-eligible and Taxonomy-aligned activities in turnover, capital expenditure (CapEx) and operational expenditure (OpEx).

In compiling disclosures related to Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, we have also reviewed provisions of the following delegated acts of the Taxonomy Regulation:

- Commission Delegated Regulation (EU) 2021/2178 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information concerning environmentally sustainable economic activities of undertakings,
- Commission Delegated Regulation (EU) 2021/2139 supplementing Regulations (EU) 2020/852 of the European Parliament and Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and whether this economic activity causes significant harm to another environmental objective,
- Commission Delegated Regulation (EU) 2022/1214 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities,

- Commission Delegated Regulation (EU) 2023/2485 amending Delegated Regulation (EU) 2021/2139 establishing additional technical screening criteria for determining the conditions under which certain economic activities qualify as contributing substantially to climate change mitigation or climate change adaptation and for determining whether those activities cause significant harm to any of the other environmental objectives,
- Commission Delegated Regulation (EU) 2023/2486 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities,
- Commission Delegated Regulation (EU) 2024/3215 on correcting certain language versions of Delegated Regulation (EU) 2021/2139 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes significant harm to any of the other environmental objectives.

Taxonomy-eligibility assessment

Article 1 of Delegated Regulation (EU) 2021/2178 supplementing Regulation (EU) 2020/852 of the European Parliament and Council by specifying the content and presentation of information on environmentally sustainable economic activities to be disclosed by undertakings as economic activity has been described in the delegated acts. Accordingly, a Taxonomy-non-eligible economic activity means any activity that is not described in the delegated acts. An analysis of potential Taxonomy-aligned economic activities of M SAN Grupa has been conducted considering all delegated acts related to the Taxonomy Regulation.

The analysis has shown that M SAN Grupa generates turnover from the following Taxonomy-eligible economic activities:

- 2.3 Collection and transport of non-hazardous and hazardous waste (CE),
- 3.5 Manufacture of energy efficiency equipment for buildings (CCM),
- 5.1 Repair, refurbishment and re-manufacturing (CE),
- 5.2 Sale of spare parts (CE),
- 6.6 Freight transport services by road (CCM).

Along with the activities whereby M SAN Grupa generates turnover, this Sustainability Report and disclosures under the Taxonomy Regulation comprise the following activities, which have been recognised in the capital expenditure (CapEx) and/or operational expenditure (OpEx) of M SAN Grupa in 2024:

- 6.5 Transport by motorbikes, passenger cars and light commercial vehicles (CCM),
- 7.7 Acquisition and ownership of buildings (CCM).

M SAN Grupa does not engage in, finance or is exposed to activities related to nuclear energy and gas.

Overview and description of M SAN Grupa’s Taxonomy-eligible activities in 2024 concerning turnover, capital expenditure (CapEx) and operational expenditure (OpEx)

2.3 Collection and transport of non-hazardous and hazardous waste (CE)	Revenue is generated from the collection of electrical and electronic waste from legal persons, which includes the collection and temporary storage phase until sale, as well as from the separate collection and sale of waste generated by the company's core business activity.
3.5 Manufacture of energy efficiency equipment for buildings (CCM)	Manufacture of light sources classified in the two highest energy efficiency classes in accordance with Regulation (EU) 2017/1369 and delegated acts adopted pursuant to this Regulation.
5.1 Repair, refurbishment and re-manufacturing (CE),	Providing repair services for computer components and peripherals, as well as electronic devices used in households (e.g. audio and video equipment, white and brown goods, small household appliances, etc.), as well as mobile phones and e-mobility devices, to both natural and legal persons.
5.2 Sale of spare parts (CE)	Sale of spare parts necessary for the repair of mobile phones, computer equipment and peripherals, as well as electronic devices used in households and LED lights manufactured by the Grupe.
6.5 Transport by motorbikes, passenger cars and light commercial vehicles (CCM),	Use of passenger and light commercial vehicles under lease agreements.
6.6 Freight transport services by road (CCM)	Use of commercial vehicles under lease agreements for the provision of service of transporting goods to customers.
7.7 Acquisition and ownership of buildings (CCM)	Use of office and warehouse premises under lease agreements.

Assessment of alignment with Regulation (EU) 2020/852

A Taxonomy-aligned economic activity is such an activity that meets the criteria referred to in Article 3 of the Taxonomy Regulation, which relate to meeting all criteria for environmentally sustainable economic activities. These criteria include the criteria of significant contribution to one environmental objective, not harming any other environmental objectives (DNSH) and compliance with minimum social safeguards.

Taxonomy-eligible economic activities identified in the turnover of M SAN Grupa are not aligned with the criteria for environmentally sustainable activities:

• 2.3 Collection and transport of non-hazardous and hazardous waste (CE),

The Group collects electrical and electronic waste, but its business processes are not aligned with the technical screening criteria referred to in the Taxonomy Regulation.

• 3.5 Manufacture of energy efficiency equipment for buildings (CCM),

The Group manufactures light sources classified in the two highest energy efficiency classes in accordance with Regulation (EU) 2017/1369 and delegated acts adopted pursuant to this Regulation. However, the manufacturing processes are not aligned with the technical screening criteria referred to in the Taxonomy Regulation.

• 5.1 Repair, refurbishment and re-manufacturing (CE),

The Group provides repair services for computer components and peripherals, as well as electronic devices used in households (e.g. audio and video equipment, white and brown goods, small household appliances, etc.), as well as mobile phones and e-mobility devices, to both natural and legal persons. However, the manufacturing processes are not aligned with the technical screening criteria referred to in the Taxonomy Regulation,

- 5.2 Sale of spare parts (CE),

The Group sells spare parts necessary for the repair of mobile phones, computer equipment and peripherals, as well as electronic devices used in households. However, the sales processes are not aligned with the technical screening criteria referred to in the Taxonomy Regulation,

- 6.6 Freight transport services by road (CCM),

The Group uses commercial vehicles based on lease agreements to transport goods to customers; however, the record of these vehicles and their characteristics have not been aligned with the technical screening criteria referred to in the Taxonomy Regulation.

Taxonomy-eligible and Taxonomy-aligned activities of M SAN Grupa identified in capital expenditure (CapEx) and/or operational expenditure (OpEx) are not aligned with criteria for environmentally sustainable activities:

- 6.5 Transport by motorbikes, passenger cars and light commercial vehicles (CCM),

The Group uses personal and light commercial vehicles based on lease agreements; however, the record of these vehicles and their characteristics have not been aligned with the technical screening criteria referred to in the Taxonomy Regulation,

- 7.7 Acquisition and ownership of buildings (CCM),

The Group uses office and warehouse space based on lease agreements; however, their management has not been aligned with the technical screening criteria referred to in the Taxonomy Regulation.s processes are not aligned with the technical screening criteria referred to in the Taxonomy Regulation.

Key performance indicators (KPIs) relating to turnover in 2024

For the purposes of disclosures related to the Taxonomy Regulation, to calculate the turnover KPI, the turnover from sales has been used as the denominator pursuant to the definition of the turnover from sales referred to in the consolidated financial statements (Note 5 in the attached audited consolidated financial statements).

The numerator includes turnover from sales generated from Taxonomy-eligible and Taxonomy-aligned economic activities.

When calculating the turnover KPIs, care was taken not to do a double count by showing a significant contribution of the same item for several environmental objectives for various M SAN Grupa's companies, both relating to capital expenditure (CapEx) and/or operational expenditure (OpEx).

Turnover (2024)	**Turnover share / Absolute turnover**	
	Taxonomy-aligned activities per objective (%)	Taxonomy-eligible objectives per objective (%)
Climate change mitigation (CCM)	0%	0.16%
Climate change adaptation (CCA)	0%	0%
The sustainable use and protection of water and marine resources (WTR)	0%	0%
The transition to a circular economy (CE)	0%	1.73 %
Pollution prevention and control (PPC)	0%	0%
The protection and restoration of biodiversity and ecosystems (BIO)	0%	0%

Information in accordance with article 8 of Regulation (EU) 2020/852

Turnover			SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA (DO NO SIGNIFICANT HARM)										
Economic activities (1)	Turnover (3)	Proportion of turnover, 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular economy (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	"Share of turnover from taxonomy-aligned (A.1) or acceptable (A.2) activities year 2024 (18)"	"Share of turnover from taxonomy-aligned (A.1) or acceptable (A.2) activities year 2023 (19)"	Enabling Activity Category (20)	Transition Activity Category (21)
	(EUR)	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	E	T
A. Taxonomy-Eligible Activities																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%											
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
2.3. Collection and transport of non-hazardous and hazardous waste (CE)	89,494.78	0.02%	0.00%	0.00%	0.00%	0.02%	0.00%	0.00%											
3.5. Manufacture of energy efficiency equipment for buildings (CCM)	591,306.57	0.12%	0.12%	0.00%	0.00%	0.00%	0.00%	0.00%											
5.1. Repair, refurbishment and remanufacturing (CE)	4,065,385.15	0.81%	0.00%	0.00%	0.00%	0.81%	0.00%	0.00%											
5.2. Sale of spare parts (CE)	4,487.811.17	0.90%	0.00%	0.00%	0.00%	0.90%	0.00%	0.00%											
6.6. Freight transport services by road (CCM)	210.273.89	0.04%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%											
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)	9,444,271.55	1.89%	0.16%	0.00%	0.00%	1.73%	0.00%	0.00%											
Total (A.1. + A.2.)	9,444,271.55	1.89%	0.16%	0.00%	0.00%	1.73%	0.00%	0.00%											
B. Taxonomy-Non-Eligible Activities																			
Turnover of Taxonomy non-eligible activities (B)	490,733,735.45	98.11%																	
Total (A + B)	500,178,007.00	100.00%																	

Environmental objectives	%
Climate change mitigation (CCM)	0,16%
Climate change adaptation (CCA)	0,00%
Sustainable use and protection of water and marine resources (WTR)	0,00%
Transition to circular economy (CE)	1,73%
Pollution prevention and control (PPC)	0,00%
Protection and restoration of biodiversity and ecosystems (BIO)	0,00%

Key performance indicators relating to capital expenditures (CapEx KPI) in 2024

For the calculation of the key performance indicator related to capital expenditure (CapEx KPI), the denominator for the purposes of disclosures pursuant to the Taxonomy Regulation includes increases in tangible and intangible assets during the financial year, before depreciation and re-measurements. The denominator also includes increases in tangible and intangible assets resulting from business combinations, as presented in the consolidated financial statements (Notes 17 and 19 of the attached audited consolidated financial statements).
The numerator is equal to the portion of capital expenditure included in the denominator that relates to capital expenditure associated with Taxonomy-eligible and Taxonomy-aligned economic activities.
When calculating turnover KPIs, care was taken not to do a double count that may arise by showing a significant contribution of the same item for several environmental objectives for various companies of M SAN Grupa, both relating to capital expenditure (CapEx) and/or operational expenditure (OpEx).

Capital expenditure (2024)	**Capital expenditure share / Absolute capital expenditure**	
	Taxonomy-aligned activities per objective (%)	Taxonomy-eligible objectives per objective (%)
Climate change mitigation (CCM)	0%	47.41 %
Climate change adaptation (CCA)	0%	0%
The sustainable use and protection of water and marine resources (WTR)	0%	0%
The transition to a circular economy (CE)	0%	0%
Pollution prevention and control (PPC)	0%	0%
The protection and restoration of biodiversity and ecosystems (BIO)	0%	0%

The capital expenditure (CapEx) plan as required by Commission Delegated Regulation (EU) 2021/2178

M SAN Grupa has not adopted a capital expenditure (CapEx) plan aligned with the requirements of Delegated Regulation (EU) 2021/2178 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information concerning environmentally sustainable economic activities to be disclosed by undertakings.

Information in accordance with article 8 of Regulation (EU) 2020/852

Capital expenditure

Economic activities (1)	Turnover (3)	Proportion of turnover, 2023 (4)	SUBSTANTIAL CONTRIBUTION CRITERIA: Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular economy (9)	Biodiversity and ecosystems (10)	DNSH CRITERIA (DO NO SIGNIFICANT HARM): Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	"Share of turnover from taxonomy-aligned (A.1) or acceptable (A.2) activities year 2024 (18)"	"Share of turnover from taxonomy-aligned (A.1) or acceptable (A.2) activities year 2023 (19)"	Enabling Activity Category (20)	Transition Activity Category (21)
	(EUR)	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	E	T
A. Taxonomy-Eligible Activities																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	0.00	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%											
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
6.6. Freight transport services by road (CCM)	295,900.00	15.27%	15.27%	0.00%	0.00%	0.00%	0.00%	0.00%											
7.7. Acquisition and ownership of buildings (CCM)	622,877.15	32.14%	32.14%	0.00%	0.00%	0.00%	0.00%	0.00%											
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)	918,777.15	47.41%	47.41%	0.00%	0.00%	0.00%	0.00%	0.00%											
Total (A.1. + A.2.)	918,777.15	47.41%	47.41%	0.00%	0.00%	0.00%	0.00%	0.00%											
B. Taxonomy-Non-Eligible Activities																			
CapEx of Taxonomy non-eligible activities (B)	1,019,130.71	52.59%																	
Total (A + B)	1,937,907.86	100.00%																	

Environmental objectives	%
Climate change mitigation (CCM)	47,41%
Climate change adaptation (CCA)	0,00%
Sustainable use and protection of water and marine resources (WTR)	0,00%
Transition to circular economy (CE)	0,00%
Pollution prevention and control (PPC)	0,00%
Protection and restoration of biodiversity and ecosystems (BIO)	0,00%

Key performance indicators relating to operational expenditures (OpEx KPI) in 2024

For the calculation of the key performance indicator related to operating expenditure (OpEx KPI), the denominator includes direct non-capitalised costs relating to research and development, building renovation measures, short-term leases, maintenance and repair, as well as all other direct expenditures relating to the day-to-day servicing of property, plant and equipment carried out either by the undertaking itself or by a third party to whom these activities are outsourced, and which are necessary to ensure the continued and effective functioning of such assets (Notes 7 and 9 of the attached audited consolidated financial statements).

The numerator is equal to the portion of operational expenditure included in the denominator that relates to operational expenditure associated with Taxonomy-eligible and Taxonomy-aligned activities. When calculating operational expenditure (OpEx) KPIs, care was taken not to do a double count that may arise by showing a significant contribution of the same item for several environmental objectives for various companies of M SAN Grupa, both relating to turnover and/or capital expenditure (CapEx).

Operational expenditure (2024)	**Operational expenditure share / Absolute operational expenditure**	
	Taxonomy-aligned activities per objective (%)	Taxonomy-eligible objectives per objective (%)
Climate change mitigation (CCM)	0%	14.9%
Climate change adaptation (CCA)	0%	0%
The sustainable use and protection of water and marine resources (WTR)	0%	0%
The transition to a circular economy (CE)	0%	0%
Pollution prevention and control (PPC)	0%	0%
The protection and restoration of biodiversity and ecosystems (BIO)	0%	0%

Information in accordance with article 8 of Regulation (EU) 2020/852

Operational expenditures			SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA (DO NO SIGNIFICANT HARM)										
Economic activities (1)	Turnover (3)	Proportion of turnover, 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular economy (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	"Share of turnover from taxonomy-aligned (A.1) or acceptable (A.2) activities year 2024 (18)"	"Share of turnover from taxonomy-aligned (A.1) or acceptable (A.2) activities year 2023 (19)"	Enabling Activity Category (20)	Transition Activity Category (21)
	(EUR)	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	E	T
A. Taxonomy-Eligible Activities																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%											
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
3.5. Manufacture of energy efficiency equipment for buildings (CCM)	367,024.50	1.07%	1.07%	0.00%	0.00%	0.00%	0.00%	0.00%											
"6.5. Transport by motorbikes, passenger cars and light commercial vehicles (CCM)"	886,834.39	2.58%	2.58%	0.00%	0.00%	0.00%	0.00%	0.00%											
6.6. Freight transport services by road (CCM)	217,289.68	0.63%	0.63%	0.00%	0.00%	0.00%	0.00%	0.00%											
7.7. Acquisition and ownership of buildings (CCM)	3.645,189.84	10.61%	10.61%	0.00%	0.00%	0.00%	0.00%	0.00%											
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)	5,116,338.42	14.90%	14.90%	0.00%	0.00%	0.00%	0.00%	0.00%											
Total (A.1. + A.2.)	5,116,338.42	14.90%	14.90%	0.00%	0.00%	0.00%	0.00%	0.00%											
B. Taxonomy-Non-Eligible Activities																			
OpEx of Taxonomy non-eligible activities (B)	29,226,661.58	85.1%																	
Total (A + B)	34,343,000.00	100%																	

Environmental objectives	%
Climate change mitigation (CCM)	14,90%
Climate change adaptation (CCA)	0,00%
Sustainable use and protection of water and marine resources (WTR)	0,00%
Transition to circular economy (CE)	0,00%
Pollution prevention and control (PPC)	0,00%
Protection and restoration of biodiversity and ecosystems (BIO)	0,00%

ESRS E5: RESOURCE USE AND CIRCULAR ECONOMY

Given the nature of its business activities, M SAN Grupa recognises the importance of topics related to resource use and the circular economy. Resource inflows and outflows in the production of electronic devices are material and the objective of M SAN Grupa is to transparently present its business practice. M SAN Grupa includes the company M SAN Eko, whose role is the collection of electrical and electronic waste. Apart from this segment, M SAN Grupa has not yet established systematic processes for managing and monitoring data related to resource inflows and outflows, or waste volumes. With the aim of aligning with ESRS requirements, the Group will focus on developing systems for data management and monitoring. The objective is also to develop measures for waste reduction and improving resource use efficiency. Efforts to improve practices will include collaboration with suppliers and partners to optimise resource use across the entire value chain. The M SAN Grupa's goal is to become part of a sustainable business environment and to contribute to the development of the circular economy in the region.

Disclosure requirements		Information
ESRS 2 SBM-3 E5	Material impacts, risks and opportunities and their interaction with strategy and business model	186
ESRS 2 IRO-1 E5	Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities	186
ESRS E5-1	Policies related to resource use and circular economy	187
ESRS E5-2	Actions and resources related to resource use and circular economy	188
ESRS E5-3	Targets related to resource use and circular economy	189
ESRS E5-4	Resource inflows	189
ESRS E5-5	Resource outflows	189
ESRS E5-6	Anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities	Use of phase-in option

ESRS 2 General disclosures
Material impacts, risks and opportunities

RESOURCE INFLOWS			
Negative impact – actual; in the upstream value chain			
Inflows and resource use	M SAN procures large quantities of materials, semi-finished products and products that are neither recycled nor recyclable.	Originating from the business model and linked to business relationships	Short-term to long-term
RESOURCE OUTFLOWS			
Negative impact – actual; in the downstream value chain			
Resource outflows related to products and services	M SAN generates large quantities of waste. Given the nature of its operations, the quantities of packaging waste as well as electrical and electronic waste generated are material. The impact is linked to the downstream business relationships.	Originating from the business model and linked to the downstream value chain	Short-term to long-term
WASTE			
Positive impact – potential; in own operations and in the downstream value chain			
Waste management	M SAN Grupa generates various types of waste in line with the nature of its business activities, while the affiliated company M SAN EKO carries out waste management operations by collecting hazardous and non-hazardous electronic waste. The e-waste collection service is made available to all of the M SAN Grupa's partners.	Originating from the business model and linked to the downstream value chain	Long-term
Opportunity – in own operations			
Waste collection and disposal	A business opportunity is recognised in building internal resources and securing logistical capacities for waste collection and disposal, which may contribute to increased revenue (M SAN Eko's operations).	Originating from the business model	Short-term to mid-term

Explanation of impacts, risks and opportunities

ESRS 2 SBM-3

The production of electrical and electronic equipment and devices is highly intensive in terms of waste management. Its impacts can be observed in ensuring the collection of electronic waste, as well as device repair services. Ensuring the longest possible product lifespan can also represent an actual negative impact (if lacking), and a potential positive impact, if managed appropriately. Consequently, this impact is linked to ESRS S4 – particularly concerning consumer information and product safety. The identified risks relate to increased costs associated with the collection and further management of electrical and electronic waste streams. These are linked to regulatory measures that impact the supply chain, specifically the capacity of suppliers to whom electrical and electronic waste is handed over for its further processing.

Risks within the scope of ESRS S4 – concerning information for the partner network, users or customers – may affect customer awareness and their knowledge of the options for returning equipment and devices to M SAN Grupa. There is also a risk related to M SAN Grupa's competencies for receiving and further processing electrical and electronic waste, as well as the operational complexity of the associated activities. Opportunities can be identified in strengthening this segment, which may reflect in the development of internal resources (knowledge, logistical capacities, development, investments, market research) as well as in potential revenue generation. Negative impacts may arise from the inherent characteristics of products, if the highest efficiency standards are not applied, as well as from non-compliance with energy efficiency requirements. Customer awareness of energy efficiency puts pressure on equipment manufacturers, which can also represent an opportunity.

M SAN Grupa uses numerous materials in the production of electrical and electronic equipment as key resources for finished products. This is particularly evident in the production of electronic equipment, electrical devices and electric vehicles. Negative impacts are evident in the absence of policies related to the procurement of materials, semi-finished products and products used.

M SAN Grupa may impact product design aligned with circular economy principles, i.e. increasing or fully utilising the potential for product, material and waste stream recirculation. However, a systematic management of such materials is lacking.

Impacts can be identified in ensuring the collection of electrical and electronic waste, as well as in providing repair services for devices. Given that M SAN Eko, an undertaking within the M SAN Grupa, collects and manages electrical and electronic waste, the impacts can be negative (in the case of system malfunction) or positive (in the case of system improvement). Negative impacts may be reflected in insufficient capacities for waste collection and disposal (in-house, downstream).

Impacts, risks and opportunities management

ESRS 2 IRO-1

As a result of changes and the implementation of substitute materials, e-waste is becoming increasingly lighter due to the characteristics of products shaped by technological advancement and development. The introduction of substitute materials, and notably the increased use of plastics, has led to a causal relationship resulting in reduced mass. As a result, there are risks that are unpredictable and directly impact business operations. Certain situations have material impacts on the overall business system, such as dependence on the Environmental Protection and Energy Efficiency Fund, which manages specific categories of waste. At the end of 2024, a new pricing list was introduced, which automatically affects the entire value chain. The Fund disburses funds to the collector and processor, who determine the value of the waste handed over to them through their purchase prices. The current system is a continuation of the former concession model, pending the establishment of a different operational framework, which depends on the competent authorities responsible for respective areas.

In the event of system stagnation and/or extraordinary circumstances, we are automatically put in an uncertain position – facing waste accumulation, which entails financial risk due to potential penalties. The risk also relates to a lack of understanding of the system, given the frequent occurrence of theft when waste is left unattended, even for just a few moments. The dynamics of waste collection are influenced by unpredictable situations such as traffic congestion, delays, accidents and similar events, which can prolong the collection time and create opportunities for the theft of the collected waste.

E5-1 Policies related to resource use and circular economy

ESRS 2 MDR-P

M SAN Grupa does not have a unified and dedicated policy for management in the area of circular economy and waste management. In managing this area, the Group is guided by laws and regulations and compliance with statutory waste management obligations, while also continuously undertaking measures aimed at more efficient resource use.

M SAN Grupa relies on applicable legislation and permits issued by the Ministry for carrying out activities related to the management of non-hazardous and hazardous waste. The conduct of business operations, performance of activities and waste management are subject to amendments of law and by-laws, as well as to alignment with these laws and by-laws. M SAN Eko holds permits for carrying out waste management activities. Permits for hazardous waste are issued by the competent ministry, while permits for non-hazardous waste are issued by the respective county. Permits consist of an accompanying study, which provides a detailed description of the technological processes in accordance with the relevant codes (for which the permit is issued). Permits are issued for a period of five years and are subject to revision within the same time interval. Each shipment of e-waste is accompanied by a consignment note (a legally required document) that includes the key waste code, date, description, consignment note number and information about the sender and recipient. When received, it is weighted and its weight is recorded. After the weight recording, M SAN Eko certifies the consignment note, and one copy is provided to the sender as a proof of delivery. All other types of waste generated, such as cardboard and paper, are also handed over via consignment notes, and records on the generation and flow of waste are kept in accordance with regulations.

MR Servis, as part of the M SAN Grupa, holds the ISO 14001:2015 certificate.

At the SM group level (covering all companies with a common ultimate owner), the “reuse” option is implemented, involving the repeated use of pallets, cardboard and all materials that can be reused. Cardboard is shredded and used for packaging and/or repacking boxes; in this way, the Group pursues waste reduction and adheres to environmental protection principles. Proper sorting and separation directly contribute to increasing the collection rate of various types of waste that would otherwise end up in municipal waste. In line with all of the above, continuous efforts are being made to reduce the volume of municipal waste. In the undertaking’s yard, there is a “green island” with containers for different types of waste, where larger quantities are disposed of daily in accordance with the business requirements of that day.

MR SERVIS is responsible for extending the product life cycle, which falls under the domain of waste prevention. If, upon inspection, repairing a piece of equipment is found to be uneconomical and/or cost-ineffective, the equipment is handed over as e-waste to M SAN EKO. M SAN EKO receives e-waste in accordance with the waste codes specified in the obtained permits for carrying out waste management activities (both hazardous and non-hazardous). The reverse logistics business model directly contributes to reducing CO2 emissions, fuel consumption and optimising resource utilisation.

The Management Board is responsible for the implementation of policies and measures at the highest level.

E5-2 Actions and resources related to resource use and circular economy

ESRS 2 MDR-A

Since 2009, M SAN Grupa has been operating in the field of e-waste collection through its subsidiary company M SAN Eko. E-waste belongs to special categories of waste. In addition to being available to the business partners of company M SAN Grupa, this service is also offered through the sister company eKupi (DTH – Delivery to Home, collecting the old device upon delivering the new one). The purpose of M SAN Eko's operations is to enhance capabilities and support for business partners within the value chain by recognising market needs as well as the principles of the circular economy. To provide support to the partner network, a portal has been developed for submitting requests for the delivery and collection of containers and/or waste. The portal allows users to view the total quantities they have handed over, define preferred times and select waste types in accordance with the relevant waste codes.

Upon receipt of the partner's request, a work order is automatically generated in the system and sent via email to M SAN Logistika, which collects e-waste on a return route. Besides being available to the partner network of M SAN Grupa, the collection service is also available to eKupi customers, who can choose to have their old device collected when they purchase their new device.

All necessary actions are taken to comply with legal and regulatory obligations, one of which is the entry of yearly quantities, both generated and collected, into the Environmental Pollution Register system. Additionally, every change in status, i.e. the entry and/or exit of e-waste, is recorded using the prescribed consignment note form and confirmed in the Eonto system. In addition to the aforementioned systems, the Imperios and Pandora systems are also used. In accordance with the newly emerging types/categories of waste, actions are taken as needed to place the greatest possible emphasis on waste reuse and reduction. Proper separation reduces the volume of municipal waste, which represents a positive development, especially considering the number of employees and other contributing factors. The waste collection yard is adapted to meet the requirements of proper waste sorting.

In order to achieve the set objectives, the following actions are planned by 2027.

For the purpose of increasing the amount of collected WEEE (Waste Electronical and Electric Equipment):

- Enhancing communication about the activities of M SAN Eko among employees of all Group members, as well as raising awareness (internally and externally) of the law and related by-laws, including cause-and-effect relationships;
- Communicate the return option to end users via the Group's customers, familiarise employees with the activities of M SAN Eko, promote green business practices and the circular economy. Engage partners who work directly with end users;
- Expand the energy efficiency and environmental compatibility of products and processes, and increase awareness of producer responsibility.

For the purpose of implementing sustainable use of raw materials and packaging:

- Develop a roadmap for replacing packaging with recyclable alternatives and/or reducing the amount of packaging used;
- Use of best available technologies with the aim of reducing environmental impact.

Metrics and targets

E5-3 Targets related to resource use and circular economy

ESRS 2 MDR-T

In 2024, the Management Board of M SAN Grupa set two general objectives for circular economy management:
To increase the amount of collected WEEE, by category: hazardous waste and non-hazardous waste. Given that EE equipment is becoming increasingly lighter, the share of the collected WEEE will be measured in relation to the EE equipment placed on the market.
Implement sustainable use of raw materials and packaging (input materials, recyclable packaging, digitalisation, reduction of paper consumption). By 2027, demonstrate progress in technological processes, i.e. by identifying what can be replaced (recyclable materials/technologies and/or improvement of existing technology).

E5-4 Resource inflows

Although the topic of resource inflows has been recognised as material, it was not possible to establish an effective system for collecting relevant information and data during the reporting period. M SAN Grupa will make efforts to establish a data monitoring system by the end of 2026 and to report on the required data. The Group does not have data on the description of inflows of significant resources, or on the mass of unprocessed reused or recycled parts of semi-finished products and materials used in production (including packaging).

E5-5 Resource outflows

Although the topic of resource outflows has been recognised as material, it was impossible to establish an effective system for collecting relevant information and data during the reporting period. The Group will make efforts to establish a data monitoring system by the end of 2026 and to report on the required data. Product packaging of the Group's own brands features labels indicating proper waste separation and disposal.

Waste

M SAN Eko holds permits for carrying out waste management activities for hazardous and non-hazardous categories of e-waste. Each permit includes an accompanying study as its integral part. The Environmental Protection and Energy Efficiency Fund is responsible for fulfilling national targets and is the competent authority for special categories of waste. M SAN Eko is registered with the Register of Carriers (PRV-1060) and the Register of Brokers (POS-354), while the carrier M SAN Logistika is also registered with the Register of Carriers (PRV-1364), with yearly status updates being carried out.
All offices are equipped with waste separation bins, and employees have the option to dispose of used batteries in designated containers.

The table provides data on waste generated in 2024 and relates to the undertakings Kim Tec Eko d.o.o., Data Link d.o.o., M SAN Logistika d.o.o., M SAN Grupa d.o.o., M SAN Eko d.o.o. and MR Servis d.o.o. Data for the rest of M SAN Grupa are unavailable. The data presented refer to categories for which it was possible to collect information. Efforts will be made over the next two years to establish systematic monitoring of the required data.

WASTE	QUANTITY (kg)
Total quantity of waste generated	**463,719.00**
Hazardous waste diverted from disposal	
Hazardous waste diverted from disposal - preparation for reuse	
Hazardous waste diverted from disposal - recycling	138,791.00
Hazardous waste diverted from disposal - other recovery operations*	
Non-hazardous waste diverted from disposal	
Non-hazardous waste diverted from disposal - preparation for reuse	
Non-hazardous waste diverted from disposal - recycling	324,928.00
Non-hazardous waste diverted from disposal - other recovery operations	
Hazardous waste that is disposed	
Hazardous waste that is disposed of - incineration	
Hazardous waste that is disposed of - landfill	
Hazardous waste that is disposed of - other disposal operations	8.00
Non-hazardous waste that is disposed	
Non-hazardous waste that is disposed of - incineration	
Non-hazardous waste that is disposed of - landfill	
Non-hazardous waste that is disposed of - other disposal operations	46,739.00
Non-recycled waste	
Share of non-recycled waste	
Total quantity of hazardous waste	138,791.00
Total quantity of radioactive waste	

ESRS S1: OWN WORKFORCE

A large business system such as M SAN Grupa directly impacts employee well-being across all areas of operation, from secure employment, working hours and fair wages, to employee health and safety, work-life balance and the facilitation of the freedom of association, social dialogue and workers' right to information. Managing one's own workforce is becoming one of the key strategic challenges for undertakings operating in the electronic and electrical products and equipment manufacturing industry, as well as in the development of advanced energy efficiency systems, e-mobility and other sustainable solutions. High employee fluctuation, a shortage of qualified labour, and a complex competitive landscape in the labour market in Croatia and the wider region require a systematic and sustainable approach to recruitment, development and employee retention. The long-term stability of business operations depends on the undertaking's ability to attract, develop and motivate employees in line with high standards of responsible human capital management.

Transparent recruitment practices, systematic investment in education and the adaptation of employees' knowledge and skills to advanced technology products, as well as the promotion of diversity and inclusion, are becoming key factors in building a resilient and productive working environment. In addition, responsible management of wages and benefits contributes to reducing inequality and increases employee loyalty. The sustainability of business operations largely depends on workforce engagement and satisfaction. The implementation of ESG criteria in employee management processes not only strengthens the Group's reputation but also enhances its competitive advantage in the market. By integrating sustainability principles into its workforce management strategy, the Group lays the foundation for its long-term resilience, innovation and sustainable growth.
The index below shows the materiality-based disclosure requirements relating to the topical standard S1 - Own workforce.

Topic	Description	Page	Comment
ESRS 2 SBM-2	Interests and views of stakeholders	200	
ESRS 2 SBM-3 S1	Material impacts, risks and opportunities and their interaction with strategy and business model	195	The undertaking uses the option to disclose only qualitative information under ESRS2 SBM-3 para 48e
ESRS S1-1	Policies related to own workforce	197	
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ESRS S1-5	Targets related to managing material negative impacts, enhancing positive impacts and managing material risks and opportunities	207	
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ESRS S1-7	Characteristics of non-employee workers in the undertaking's own workforce	--	The undertaking uses the option to make a limited disclosure
ESRS S1-8	Collective bargaining coverage and social dialogue	212	
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ESRS S1-12	Persons with disabilities	--	The undertaking uses the option to postpone the disclosure of this information
ESRS S1-13	Training and skills development metrics	--	The undertaking uses the option to postpone the disclosure of these information
ESRS S1-14	Health and safety metrics	213	
ESRS S1-15	Work-life balance metrics	--	The undertaking uses the option to postpone the disclosure of this information
ESRS S1-16	Compensation metrics (pay gap and total compensation)	213	
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ESRS 2 General disclousures

Material impacts, risks and opportunities and their interaction with business model

ESRS 2, SBM-3

S1

The table below shows material impacts to stakeholders that arise from the business activities of M SAN Grupa as well as risks and opportunities pertaining to its own workforce.

WORKING CONDITIONS			
Positive impact – actual; in own operations			
Secure employment	Secure employment is evident from the practice of concluding permanent employment contracts. This contributes to income security for employees, enabling decent living conditions for workers. This positive impact applies to all permanently employed workers.	Originating from the business model	Mid-term to long-term
Negative impacts – actual; in own operations			
Inflexibility of working conditions	The absence of options for hybrid work and flexible working hours can have negative effects on work-life balance.	Originating from the business model	Short-term to mid-term
Employee health and safety	Potential delays in providing adequate training to employees on occupational health and safety (OHS) matters may negatively impact health and safety outcomes at the workplace.	Originating from the business model	Short-term to mid-term

EQUAL TREATMENT AND OPPORTUNITIES FOR ALL			
Positive impact – potential; in own operations			
Organisational openness to diversity	The organisation fosters a culture of diversity, inclusion and equal opportunities, as well as the integration of individuals from diverse backgrounds.	Originating from the business model	Mid-term to long-term
Positive impact – actual; in own operations			
A work environment free from discrimination	The organisation is committed to and implements zero-tolerance policies against discrimination, violence and harassment in the workplace.	Originating from the business model	Short-term to mid-term

RISKS AND OPPORTUNITIES RELATED TO OWN WORKFORCE			
RISKS; in own operations			
Workforce fluctuation	A high risk of employee fluctuation can lead to increased costs and impact the efficiency of business processes.	Originating from the business model	Short-term to long-term
OPPORTUNITY; in own workforce			
Employing interns and foreign workers	Internship programmes and the employment of foreign workers contribute to employee diversity and the rejuvenation of the organisation. The opportunity is actual, short-term to long-term.	Originating from the business model	Short-term to long-term

Impact, risk and opportunity management

ESRS 2, SBM-3

S1

Workforce fluctuation poses a challenge to business stability, reduces productivity and increases recruitment and training costs. Frequent employee departures hinder knowledge transfer, disrupt organisational culture and prolong the execution time of key tasks. Additionally, the lack of qualified workers delays the filling of job positions and the achievement of business objectives. The risk also encompasses challenges related to labour market competitiveness, particularly in comparison to industries such as the IT sector, which offer attractive working conditions and where highly educated and skilled employees can easily find employment. With globalisation and digitalisation, the possibility of remote work is increasingly widespread, further heightening the risk of losing qualified employees, as it opens up opportunities for them to work for employers in other cities or even countries. This has a significant impact on the increased risk of high rates of voluntary (unwanted) fluctuation, which is further exacerbated by the effects associated with inflexible working conditions within the organisation.

To effectively address the fluctuation rate of 21.45% in 2024, M SAN Grupa has undertaken a series of strategic actions, including the engagement of foreign workers in the warehouse and logistics sector, the introduction of a documentation portal (Quality Management System – QMS) with work procedures, and the development of an online training system (Learning Management System – LMS) to maintain productivity. Additionally, the adjustment of the wage and benefits system is a response to employee needs and market conditions.

Since 2024, a reorganisation of the business has been underway, alongside the development of a system for assessing employee performance and competencies. The QMS portal, featuring consolidated work instructions and documentation, has been implemented, and the benefits package has been expanded, including additional health insurance and co-financing of kindergarten costs, to reduce turnover and attract qualified personnel. Investing in talent development and aligning competencies with business objectives enhances the Group's value chain. Further improvements to the benefits packages are planned to improve employee engagement and satisfaction, thereby ensuring sustainable business growth through strategic workforce management. A decrease in employee fluctuation is expected in 2025 and 2026.

Inflexibility of working conditions. The absence of a formally established hybrid work model or flexible working hours contributes, among other matters, to a high employee fluctuation, which negatively affects permanently employed staff, as they are often required to "cover" the workload until a new colleague is hired. Additionally, new employees require onboarding and familiarisation with the work processes and procedures, which places an additional burden on the existing staff. This impact is partly linked to the business model and partly to market conditions. Within the Group, different operational needs across individual teams result in variations in working hours. Organisational dynamics sometimes requires additional flexibility to support specific business needs. We recognise the importance of aligning practices with applicable legislation and believe that open dialogue and collaboration can support the harmonisation of these needs with regulatory requirements.

Secure employment. Business stability and growth accompanied by a low rate of employer-initiated fluctuation are indicators of secure employment for employees, as reflected in employee engagement survey results, where secure employment is perceived as a positive aspect of working at the Group. This effect is linked to the business model, which is characterised by a workplace culture that fosters a sense of job security regardless of the current market fluctuations or economic and global crises. This impact applies to all permanently employed workers across the region in which the Group operates, with particular focus on those with potential for career advancement. There are no strategic guidelines or strategies in place that indicate changes which could potentially have a long-term negative impact on this positive effect.

Openness to diversity and the integration of individuals with different characteristics. The diversity of professional backgrounds across the organisation, along with the interconnectedness of employees in all Group companies, has a significant impact on knowledge sharing. The broad range of competencies enhances the organisation's overall capacity and its ability to adapt to changing market conditions and demands. The impact applies to all employees within the Group and originates from the strategy that highlights respect for diversity as one of the organisation's core values. The impact is expected to be long-term, as there are no plans to change the strategy or business model that could negatively affect it. It originates from a broad range of activities involving the participation of employees from various M SAN Grupa's undertakings across all countries from the Group's footprint in joint business activities, regular regional coordination meetings involving all employees of a specific business unit from all undertakings, as well as regional events and initiatives aimed at strengthening team cohesion. These activities have a positive impact on all Group employees.

Employee health and safety. High fluctuation can lead to delays in providing essential training to employees in the area of occupational health and safety. This impact originates from the Group's own business model and applies to new employees. The negative impact can be mitigated by strengthening capacities and resources for employee health and safety issues, as well as by engaging third parties in the training processes.

Employing foreign workers and interns presents an opportunity to address some of the aforementioned negative impacts or business risks.

S1- Policies related to own workforce

Working conditions, including collective bargaining

ESRS 2 MDR-P

M SAN Grupa manages working conditions and processes in accordance with applicable legislation and its own internal instruments governing labour-related matters. The main document that guarantees employee rights and sets out their obligations is the **Labour Regulations**, which has been in effect since 1 July 2023 It lays down provisions on the establishment and termination of employment, work organisation, wages, allowances and other material rights of workers, working hours and the allocation of working time, the periods of rest and leave, prohibition of competition, protection of life and health, occupational health and safety measures, protection of workers' dignity and measures against discrimination, among others. The Regulations on Organisation, the Regulations on the Systematisation of Job Positions, the Job Positions Catalogue, the Personal Data Protection Regulations, the Regulations on the Procedure for Internal Reporting of Irregularities and the Appointment of a Confidential Person, and other documents also apply to working conditions.

Human rights

The Code of Ethics adopted in 2023 sets forth respect for integrity and dignity and a zero-tolerance policy towards any form of discrimination, mobbing and harassment. It also comprises respect for human rights and a zero-tolerance policy on forced and child labour. Additionally, the Code of Ethics contains provisions on expertise, responsibility and professionalism in business, trust and collegiality, teamwork and professional communication.

M SAN Grupa is committed to protecting human rights in accordance with national and international laws and regulations. The Group ensures fair and safe employee working conditions, complies with labour legislation and ensures fair wages and benefits. The Group has included in its relevant internal documents, such as the Labour Regulations, a prohibition of all forms of discrimination in accordance with the Labour Act, the Gender Equality Act and the Anti-Discrimination Act. This includes prohibiting discrimination based on racial and ethnic origin, race, gender, sexual orientation, gender identity, disability, age, religion, political opinion and social background. The Management Board of M SAN Grupa is responsible for implementing the Code of Ethics.

M SAN Grupa has a zero-tolerance to forced and child labour, which has been clearly defined by internal policies. There is no forced labour at the Group, and work is organised in compliance with all laws and regulations. There are no reported incidents or risks concerning child labour. In employing foreign workers from third countries, particular attention is paid to ethical employment and ensuring of workers' rights. Human rights policies are implemented indirectly through other policies regulating labour relations, equality and protection against discrimination and harassment, and their full implementation is a continuous process. A further improvement and education of employees about human rights is planned to be implemented via the LMS platform.

Employee health and safety

M SAN Grupa has occupational health and safety policies, including the R**egulations on Occupational Health and Safety, the Fire Safety Regulations** and **the Emergency Management Regulations**. The document titled Supplement to the Occupational Health and Safety Risk Assessment was adopted in November 2023.

To ensure high standards of workplace safety, M SAN Grupa continuously invests efforts in the training and education of employees by occupational health and safety experts and authorised institutions.

In 2024, training sessions have been conducted two to three times per year due to the high employee fluctuation rate. With the support of additional resources, efforts are being made to accelerate this process, with the goal of conducting future training every two months. Periodic medical checkups for jobs with special working conditions are carried out regularly, and the introduction of vision tests for employees working with computers is also planned. To improve its safety practices, the Group has begun developing new evacuation and rescue plans and it will organise training of personnel responsible for their implementation. The aim is to continuously improve the occupational health and safety system. With the new resources invested and processes enhanced, a higher level of employee health and safety protection will be achieved.
The Group provides medical check-ups and adjusts working conditions to protect employees' health. Within M SAN Grupa in the Republic of Croatia, all employees are covered by supplementary health insurance and receive regular medical check-ups. Through the Flexi Benefits programme, employees can also choose additional check-ups. In the Republic of North Macedonia and the Republic of Serbia, employees undergo regular medical check-ups.
M SAN Grupa is continuously improving its occupational health and safety system, and further digitalisation of the training through the LMS platform is planned for 2025 and 2026. This will enhance the organisation's capacity to conduct regular occupational health and safety training, rather than doing it occasionally.

ESRS 1 AR 17

In its recruitment and promotion processes, M SAN Grupa takes into account only the results of the employee selection process, their competencies, skills and previous work experience. The highest responsibility for ensuring an equal treatment lies with the Management Board, the HR Department, and the line management, who oversee recruitment and employee development and equal access to professional opportunities. Employee progress is regularly monitored, and as of 2025, all data on training and development will be digitalised via the LMS platform and the internal HRIS application. Employees have the possibility to raise their grievances safely through a dedicated system, with each report being thoroughly investigated and appropriate actions taken. The formal complaints procedure is defined by the Labour Regulations and is available 24/7 via the QMS portal. M SAN Grupa continuously invests in employee development and plans to expand its training programmes and introduce personalised development plans in 2025 and 2026. M SAN Grupa aims to establish a Diversity, Inclusion and Equal Opportunities Policy by the end of 2025, along with a corresponding action plan for 2026. The Group is currently partially adapting the physical work environment to persons with disabilities. All job tasks are defined based on the required competencies, without discrimination, and the HR Department and line management ensure that working conditions do not place specific groups at a disadvantage.

Employees who are not in an employment relationship with the Group but are significantly affected by the Group's operations are the employees our contractual partners in the European Union countries where the Group does not have an affiliated undertaking. These external collaborators promote their own brand in their respective countries and contribute to the expansion of our sales network. As a rule, M SAN Grupa does not employ agency workers.

M SAN Grupa operates in an industry that occasionally requires increased workforce engagement, particularly during seasonal peaks or in situations where temporary engagement through agencies is impossible due to a lack of qualified workers in the market. In such cases, certain tasks must be completed within a short timeframe, which sometimes necessitates the redistribution of working hours. During these periods, permanent employees temporarily work longer hours to ensure the timely execution of key operations. This redistribution is carried out in accordance with labour laws, but it may be perceived as a form of mandatory work.

M SAN Grupa explicitly prohibits child labour, as clearly defined in its internal documents. Its operations are organised in accordance with national and international laws, and all departments are organised for adult employees only. Regular internal audits are conducted to ensure that child labour is not present within the M SAN Grupa's own operations or in its business relationships with third parties. The Group has not had any reported incidents or identified risks of child labour.

Working environment and climate change

M SAN Grupa recognises the importance of reducing negative environmental impacts. Significant impacts on its own workforce resulting from the plans to reduce environmental harm and achieve greener and more climate-neutral operations include, among other things, an increase in the number of employees dedicated to tasks directly related to market expansion in the field of solar power plant construction, primarily for business entities and tourist facilities, but indirectly also for private individuals through our business partners. Additionally, the number of employees engaged in the production of LED lighting systems and fixtures for industrial and public use is also increasing. Significant investments in R&D projects aimed at improving the efficiency of LED lighting products and system solutions indirectly affect production processes and contribute to the acquisition of new competencies and knowledge among employees involved in these business activities. At the end of 2024, the Group also decided to make significant investments in expanding its branch network across the European Union, focusing on developing its e-mobility products market (e-scooters and e-bikes). This has a positive impact on reducing environmental harm and advancing greener, more climate-neutral operations.

Furthermore, the Group encourages collective employee commuting (to and from work) in order to optimise travel distances and reduce CO2 emissions. In line with internal policies, business trips, meetings, conferences and similar events are always organised using the minimum number of vehicles, regardless of whether employees have access to an assigned company vehicle for solo travel. In line with internal policies, business trips, meetings, conferences and similar events are always organised using the minimum number of vehicles, regardless of whether employees have access to an assigned company vehicle for solo travel.

Internal policies on the rational use of resources, such as paper recycling and water conservation, also contribute to more responsible business practices and increased ecological awareness among employees.

Through the implementation of green initiatives and planned changes, the Group will enhance operational processes, raise environmental awareness, and foster a more sustainable environment, thereby reducing its carbon footprint and demonstrating accountability towards the community and future generations.

Interests and views of stakeholders

ESRS 2, SBM-2

The interests and views of employees are taken into account in the matters of work optimisation, communication improvement, leadership and employee organisation, workplace challenges and the identification of required competencies and development measures. The primary tool for gathering employee views is the annual WTW survey, which was conducted at the beginning of 2024 and is planned again in 2025. Additionally, employees' views are collected via group meetings and individual talks.

Through engagement and communication with employees at all organisational levels, the Group gains a better insight into employee needs. It can thus influence their motivation, engagement and productivity and identify and develop their competencies, particularly in terms of their career advancement and development. Additionally, this enables a better understanding of the reasons behind employee fluctuation and allows for an effective management of fluctuation-related risks. Business operations are improved by implementing employee ideas related to task automation and optimisation. Decision-making is enhanced through a timely and effective identification, resolution and prevention of potential issues. Based on the collected facts and employee views, better interpersonal relations are fostered, reducing the risk of occurrence of stressful situations.

Timely notification of administration bodies enables effective decision-making to address the current issues and prevent negative impacts on business operations. Administration bodies are informed of employee views and interests both verbally and in writing (via email communication), and these are also presented at meetings of the Management Board and the Supervisory Board, based on structured organisational surveys (such as the WTW Engage engagement survey and occasional pulse-check surveys). There is no predefined yearly reporting schedule, which allows for prompt and effective decision-making aimed at resolving immediate issues and preventing further negative effects on operations.

S1-2 Processes for engaging with own workforce and workers' representatives about impacts

M SAN Grupa takes into account the perspectives of its own employees in the decision-making process, especially with regard to business optimisation and the improvement of working conditions. The primary means of implementing inclusiveness relates to regular engagement surveys in which all employees participate. Reports are prepared about the of these surveys, including direct suggestions for improvements, which the Management Board takes into consideration when making operational and strategic decisions. Engaging with employees takes place directly, through written (email) communication, in meetings, individual conversations and via occasional surveys. The Management Board reviews the received proposals during meetings and assesses their impact on business operations, as well as their financial and operational feasibility.

Feedback is collected through annual surveys (WTW), verbal conversations with line managers and other managers and email suggestions. Collaboration is ongoing at the level of the entire Group. Strategic decisions are made centrally, while operational aspects are adapted to the specificities of individual sectors. Information about decisions is delivered to employees through the corporate intranet, via email and in meetings. Formal decisions, i.e. procedures, work instructions, and other documentation, are available to all employees through the QMS. Responsibility for ensuring engaging with employees and its impact on decision-making lies with the following organisational units:

- The HR team, who is responsible for implementing strategies and collecting employee data.
- The Management Board, which makes key strategic decisions.
- Line management, which implements operational changes.

Training of individuals in managerial positions has been ongoing since 2024, including all management levels. During 2025 and 2026, it will be extended to all employees through the LMS platform.
Currently, there are no formal measuring instruments for assessing the effectiveness of engagement with the internal workforce.

M SAN Grupa provides direct and indirect support to particularly vulnerable groups, especially in situations that pose danger to the health or life of individuals. Support may take the form of material assistance during long-term sick leave, counselling or guidance in life-critical events, and the organisation of assistance with relevant institutions (clinics, private practices, professional counsellors, government services, and the like).

S1-3 Processes to remediate negative impacts and channels for own workers to raise concerns

Employee complaints are primarily resolved through individual conversations with the HR team, line managers, or through written reports to the Group in cases of reporting mobbing, discrimination, or harassment, as described in the Labour Regulations. Employee feedback on this approach is positive, as they have the opportunity to present the problem in detail and participate in its resolution. In the case of a written report by an employee, the Group is also obliged to formally communicate the resolution of the complaint/report to the employee in writing.

In order to provide employees with the easiest possible access to the channels for expressing concerns, the Group provides:

- The “Red Box” on the corporate intranet (clearly marked on the intranet homepage), through which employees can send any questions or express any concerns fully anonymously; and in case of any doubts regarding anonymity, a dedicated email address, anonimna.pitanja@msan.hr, is also provided, to which such inquiries can be sent privately from a temporary email address;
- Physical and digital reports (email, meetings);
- Open communication with HR, which is available to all employees;
- Formal reports as described in the Labour Regulations (which are available to all employees at all times through the QMS portal);

At M SAN Grupa, a Person Responsible for the Protection of Dignity has been formally appointed. This person receives written reports (mobbing, harassment, discrimination, etc.), initiates the process of establishing the circumstances. Also, this person proposes measures to be taken in cooperation with HR, Legal, and, where possible, the respective line manager of the employee who submitted the report. The Management Board decides on the proposal, and written feedback is provided to the reporting employee. No incidents of discrimination or other serious violations of labour rights were identified in 2024. A court proceeding is ongoing before a court in Montenegro following a lawsuit for mobbing, which has not been concluded by a final judgment.

Although M SAN Grupa does not have explicitly defined and prescribed mechanisms for protection against retaliation, it implements a zero-tolerance policy on discrimination and retaliation. To date, there have been no reported incidents requiring a special protection procedure.

S1-4 Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

ESRS 2 MDR-A

In 2024, M SAN Grupa launched a series of strategic initiatives aimed at reducing employee fluctuation, improving working conditions, and increasing workforce engagement and satisfaction. Key measures, which will continue in 2025 and 2026, include:

Actions for preventing, mitigating and remedying negative impacts on the workforce

- **Reduction of fluctuation** through continuous investment in the professional and personal development of employees via training programmes that began in 2024 and will continue in 2025 and 2026.
- **Increasing employee satisfaction** by expanding the benefits package focused on health and family well-being, and introducing a flexible model in which employees choose the benefits that suit them best.
- **Access to sports and recreational facilities** through the Multisport/PassSport cards, including swimming pools, as well as discounts in restaurants and shops.
- **Implementation of a dynamic pay model**, to be introduced at the end of 2024, with a full implementation during 2025 and early 2026.

Actions for achieving positive impacts on the workforce

- **Talent development and career advancement** through educational programmes launched in 2024, with a further expansion of the LMS platform content, enabling 24/7 training and systematic monitoring of employee development.
- **Digitalisation and improved organisation of business processes** through the KPM platform, which optimises the HRM process management and enhances efficiency.

Key risks

- **Lack of a qualified workforce**, as the Group focuses on the development of proprietary brands in a specific segment, and employing workforce from other EU countries is financially more demanding.
- **High competitiveness of other sectors**, which can attract and retain educated and skilled employees.
- **Openness of the EU market**, which can also draw away talented employees
- **Inflation and rising operating costs, which negatively affect employees' purchasing power and the Group's financial stability.**

Opportunities the undertaking tries to capitalise on

- **Attracting and retaining talent** through competitive wages, its development and advancement system, and an expanded benefits package.
- **Increasing employee engagement**, which contributes to higher productivity and work quality.
- **Modernisation and digitalisation of employee management**, ensuring better connectivity, transparency, and efficiency of business processes.
- **Openness of the EU market** as an opportunity for more competitive business operations and for employing foreign labour in areas with a shortage of locally available experts.

Resources allocated for the implementation of actions

- **Investments in education and talent development** through the LMS platform, individual and group training programmes.
- **Development and implementation of the KPM and LMS digital platforms** for monitoring employee progress and optimising work processes.
- **Increase in the salary budget and expansion of benefits**, providing employees with greater financial stability and improved working conditions.

Initiatives to strengthen the undertaking's opportunities

ESRS 2 MDR-A
S1-4

In 2024, M SAN Grupa launched a series of initiatives aimed at seizing opportunities related to the development, engagement and productivity of its own workforce. These opportunities will be further developed and expanded throughout 2025 and 2026. Key actions include:

- Development of training programmes through the LMS platform
- Development of an internal academy with in-house trainers for key operational processes
- Introduction of the KPM system to increase efficiency and digitalise HRM processes
- Enhancing the system of benefits and perks for employee
- Development of internal mentoring and knowledge transfer system
- Increase in employee engagement and satisfaction
- Strengthening employer branding and attracting talent
- Investment in the green transition and employment opportunities through sustainable practices

M SAN Grupa continuously adapts its business practices to ensure that it does not cause or contribute to material negative impacts on its own workforce.

Transparent organisational structure and continuous improvements in job systematisationa

- In 2024, work began on a new business organisation and the introduction of a series of improvements in the job systematisation

Employee training and development

- In 2025, employees will be given the opportunity for individual training and skills development in accordance with the requirements of their job positions.
- The introduction of a mentoring model is planned, in which experienced colleagues will transfer their knowledge to less experienced colleague.

Management of risks related to business pressures

- The Management Board ensures that business pressures, such as cost constraints, do not result in negative consequences for employees.
- All changes in work organisation are implemented in consultation with the HR Department, supervisors and employees, in order to ensure timely identification and minimisation of risks.
- zaposlenicima, kako bi se rizici pravovremeno identificirali i minimizirali.

Transparency and communication

- All employees are regularly informed about changes through corporate intranet pages (as of the second half of 2024), emails and meetings with their line managers.
- In 2024, the Group conducted the WTW engagement survey, which serves as a key tool for identifying potential issues. The next survey is planned for 2025.

Change management in line with ESG objectives

- In 2024, the Group launched training on sustainability and resource optimisation.
- All operational changes are implemented with the aim of reducing environmental impact while ensuring maximum protection of employees through adapted working conditions.

M SAN Grupa continues to develop its processes to further ensure that none of its business practices result in adverse impacts on employees.

M SAN Grupa employs a multi-phase approach to identify and determine the necessary measures in response to actual or potential adverse impacts on the workforce. This process includes:

1. Through the analysis of employee feedback – via WTW annual surveys, individual interviews, quarterly/annual evaluations introduced as of 2025, and meetings with management – we collect employee opinions on the existing challenges and potential improvements.
2. Monitoring of key performance indicators (KPIs) – includes fluctuation rates, employee engagement, productivity, and the number of reported issues related to working conditions and organisational culture.
3. Management and HR meetings – the HR team, the Management Board and Heads of Sectors analyse the collected data and define specific measures needed to mitigate negative impacts.
4. Benchmarking and alignment with market practices – by monitoring market trends in the sector and benchmarking against other companies, we ensure that the measures taken are in line with best practices.
5. Piloting and testing of new measures – prior to a full implementation of new initiatives (e.g. the LMS platform, variable pay component), they will be tested on selected teams to assess their effectiveness.
6. Performance monitoring and iterative improvement – following their implementation, measures will be evaluated through internal analyses, employee feedback and financial indicators to ensure their effectiveness and timely adjustment.

   By combining these steps, it is ensured that the actions taken are based on concrete data and actual employee needs, thereby reducing negative impacts and increasing workforce satisfaction.

The main risks in 2024 remained the same as in the previous reporting period: the threat of workforce loss; shortage of qualified labour; and competitiveness of the labour market.

However, a downward trend in these risks is expected due to the launched strategic initiatives, such as:

- Systematic assessment of employee engagement, with the first WTW survey conducted at the beginning of 2024.
- Launch of structured educational programmes focusing on employee development and their competencies.
- Strengthening HR competencies and capabilities.
- Implementation of key tools and systems (QMS, LMS and KPM tools, Performance Management System), whose rollout began in 2024 and continues to be improved and expanded.

In 2025 and 2026, full implementation of these initiatives is expected, along with the launch of new processes to further reduce risks and increase the Group's competitiveness in the labour market.

In 2024, a formalised system for monitoring the effectiveness of the actions taken was not in place, but its establishment is planned for 2025 and 2026 through:

- Systematic collection of employee feedback through WTW surveys (annual survey from 2024 + pulse check at the beginning of 2025 and ongoing in the following years).
- Introduction of annual employee interviews to continuously monitor employee needs and satisfaction.
- Monitoring of data through the KPM platform, which will enable improved analytic in the areas of recruitment, employee development and performance appraisal systems.
- Benchmarking of results with the aim of measuring performance in comparison with the previous year.

Allocated resources

For 2024, 2025 and 2026, M SAN Grupa has allocated significant resources to the management of material impacts, particularly in the areas of employee retention, talent development, improvement of working conditions and process digitalisation. The allocated resources include:

1. Financial resources (adjustment of salaries and expansion of the additional benefits model)
2. Employee education and development (investments in training and upskilling, implementation of the LMS platform, development of educational materials; launch of the internal academy)
3. Improvement of recruitment processes and internal operations (introduction of the KPM platform, digitalisation of candidate tracking and selection processes, enhancement of the employee feedback monitoring system)
4. Actions aimed at long-term sustainability (adjustments to business organisation and job classification; improvement of working conditions and reduction of fluctuation).

S1-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

ESRS 2 MDR-T

M SAN Grupa defined target values based on the monitoring of HR records, HR reports, results of the 2024 WTW survey, individual interviews with employees, and meetings between the Human Resources Department and management. The objectives also support the most significant impacts, risks and opportunities and are set out in the Management Board resolution on ESG objectives.

The following are M SAN Grupa's general objectives related to the improvement of the working environment, with a target completion date by the end of 2026.

Objective: Attraction and development of employees (linked to the risk of fluctuation) and building a culture of excellence

Key performance indicators:

- Reduce the turnover rate to 20%
- Employee Net Promoter Score (NPS) – 5% increase in the share of "promoters" within the NPS
- (KPI = 26% over a three-year period)
- Building a culture of excellence
- >50% of employees (in the commercial and corporate business area) with an individual development plan
- Greater employee engagement (compared to the 2024 result) – target: 78 Sustainable Engagement Score
- 100% of evaluated employees (all employees with personal objectives must receive assessments from their line manager).

Actions for achieving this objective:

- Attraction of talent in line with the business development plan
- Alignment of the onboarding process
- Identification of talents and key performers, their career paths, mapping of exit risks, potential successors for managerial / leadership positions and expert / key positions
- Development of a career development management model
- Introduction of a performance management system at Group level
- Development of a policy and definition of a methodology for talent retention
- Development of a reward policy

Objective: Occupational health and safety

- Protection of the health for all employees and creating a safer working environment
- Keeping the occupational health and safety (OHS) system up to date
- Upgrading the occupational health and safety (OHS) system to a higher level

The key performance indicator for this area is a reduction in the number of workplace accidents and injuries, as well as an increase in employees' sense of safety.

Actions for achieving this objective:
- Enhancing employee awareness of their personal responsibility for health and safety
- Continuous training, professional development and education of employees on occupational health and safety (OHS)
- Regular monitoring of laws and regulations
- Continuous implementation of periodic medical check-ups
- Integration of OHS into employee onboarding
- More frequent updating of risk assessments
- More frequent evacuation drills

Financial effects and resilience of the strategy

ESRS 2

The most material financial impact in 2024 was due to increased costs arising from comprehensive growth in operating expenses related to employee costs, as well as intensified expansion of business activities and workforce in markets beyond the countries where M SAN Grupa previously operated. Additionally, following the introduction of new logistics models in delivery and transportation, the number of employees involved in logistics processes is increasing, which will further contribute to rising employee-related costs. These investments are planned as a strategic step towards long-term business improvement and strengthening the Group's competitiveness in the labour market. To date, the expected financial impacts of significant risks and opportunities have not been assessed; however, this assessment is planned for future periods.

M SAN Grupa continuously adapts its business model and strategy to address risks and capitalise on opportunities. Key adjustments include enhancing employer attractiveness, securing intellectual capital through 24/7 access to documents and procedures, and expanding operations into new markets both within and outside the EU. Additionally, logistics optimisation is being carried out through the introduction of a capillary distribution model via regional hubs. As part of the digitalisation process, a new intranet portal has been developed, and the implementation of LMS, QMS and KPM platforms is underway to enhance planning, training, and internal communication. Given the Group's geographical dispersion, these innovations enable improved collaboration and professional development of employees, regardless of their location. These actions have increased productivity, modernised operations and facilitated talent attraction. The HR team now able to present the benefits of working within the Group more clearly, which improves recruitment and reduces fluctuation. The adaptable and proactive strategy has proven resilient to global challenges, particularly in the context of market changes and digitalisation.

M SAN Grupa has conducted a qualitative analysis of the resilience of its strategy and business model, taking into account key matters such as employee fluctuation, labour market competitiveness, and the impact of digitalisation on its workforce. The analysis was conducted through an internal assessment of key risks and opportunities, based on brainstorming sessions and in-depth discussions with the Management Board and Heads of all Divisions and Sectors.

The HR team, based on the input received, has developed new strategies and activities.

As a result, significant changes have occurred compared to the previous reporting period. Key changes include:
- Salary increases and changes in the calculation of the variable component based on employee performance.
- The implementation of various digital platforms to optimise operations, plan training, and improve communication.
- Strengthening the talent attraction strategy through better working conditions and opportunities for professional development.
- Increase in operating costs due to adjustments in the salary system and investments in digitalisation.

These changes are the result of a strategic business adjustment aimed at increasing the Group's resilience and long-term growth.

This area carries certain risks, including employee turnover, competition from other industries and markets, and the rise in labour costs due to inflation and the introduction of the euro. At the same time, opportunities have been recognised – digitalisation of HR processes through LMS and KPM platforms contributes to work optimisation and the professional development of employees. Talent attraction is encouraged through improved working conditions, training, and new motivation systems, while investments in external communication strengthen the Group's reputation in the labour market.

Additional Group-specific information not covered by ESRS pertains to internal digitalisation processes, plans for expansion into other markets, planned changes in operational business models in logistics, and specific measures for attracting and retaining employees.

S1-6 Characteristics of the undertaking's employees

M SAN Grupa includes 17 active undertakings, of which six operate in the Republic of Croatia, three in Bosnia and Herzegovina, two in Serbia, Slovenia and North Macedonia, and one in Montenegro and Kosovo.

Table 1

Gender	**Headcount**
Men	739
Women	254
Other	0
Not reported	0
Total headcount (ESRS 2 SBM 1, para 40a iii)	993

Table 2

Country	**Headcount**
Republic of Croatia	540
Bosnia and Herzegovina	129
Republic of Serbia	160
Republic of Slovenia	24
Republic of North Macedonia	76
Republic of Montenegro	33
Republic of Kosovo	31

The headcount numbers shown in Table 1 and Table 2 correspond to the official headcount numbers used in the financial statements of M SAN Grupa for 2024. These data include all permanently employed persons. The data refers to the status as at 31 December 2024.

Employees per contract type, broken down per gender, for the entire M SAN Grupa

Table 3

Reporting period	WOMEN	MEN	OTHER	NOT REPORTED	TOTAL
Headcount (number/FTE)	254	739	0	0	993
Full-time employees (number/FTE)	228	645	0	0	873
Part-time employees (number/FTE)	28	92	0	0	120
Number of non-guaranteed hours employees (headcount/FTE)	0	0	0	0	0
Number of full-time employees (headcount/FTE)	251	727	0	0	978
Number of part-time employees (headcount/FTE)	3	12	0	0	15

Table 4

Reporting period							
CROATIA	BOSNIA AND HERZEGOVINA	SERBIA	NORTH MACEDONIA	MONTENEGRO	SLOVENIA	KOSOVO	**TOTAL**
Headcount (number/FTE)							
540	129	160	76	33	24	31	**993**
Full-time employees (number/FTE)							
498	113	143	51	23	24	21	**873**
Part-time employees (number/FTE)							
42	16	17	25	10	0	10	**120**
Number of non-guaranteed hours employees (headcount/FTE)							
0	0	0	0	0	0	0	**0**
Number of full-time employees (headcount/FTE)							
530	129	160	75	33	24	26	**977**
Number of part-time employees (headcount/FTE)							
10	0	0	1	0	0	5	**16**

In 2024, a total of 213 employees left M SAN Grupa (excluding transfers to other affiliated companies and contract expirations). The annual fluctuation rate was 21.45% across the entire Group. The data refers to the entire M SAN Grupa, excluding the companies Data Link, Alterna, and AskTec.

The fluctuation data refers to the number of employees who left the Group (excluding those who transferred to another company within the Group or whose fixed-term contracts expired) in relation to the average number of employees (the average number of employees in January and December 2024).

S1-8 Collective bargaining coverage and social dialogue

M SAN Grupa nema potpisan kolektivni ugovor.
M SAN Grupa does not have a signed collective bargaining agreement.
There is no agreement with employees for representation within the European Works Council (EWC), the employee council of a Societas Europaea (SE), or the employee council of a Societas Cooperativa Europaea (SCE).

S1-9 Diversity metrics

The highest management positions refer to individuals responsible for the legal entities within the group (excluding undertakings founded by subsidiary companies), i.e. members of the Management Board or Directors of affiliated undertakings. In 2024, five women (42%) and nine men (64%) were employed in these positions.

This is the breakdown of employees per age, according to headcount and percentage:

1. younger than 30 years of age: 222 (22%)
2. 30 – 50 years of age: 625 (63%)
3. older than 50 years of age: 146 (15%)

The distribution includes individuals employed as at 31 December 2024.

S1-10 Adequate wages

M SAN Grupa pays employees wages and remuneration in accordance with laws. All employees receive an adequate wage, which is in all cases higher than the minimum wage (taking into account each country where the Group operates separately). Additionally, all Group employees are entitled to the same benefits (hot meals, transportation to and from work), regardless of their years of service, position, gender, age or any other characteristic. Furthermore, all employees who hold similar job positions / are in similar job groups in a country where the Group operates have their base salaries within similar pay grades, with no significant deviations (taking into account the lowest and the highest salary within the job group).

S1-14 Health and safety

M SAN Grupa's health and safety management system covers all employees (100%) and is governed by the policies outlined in this chapter, under the section "Policies related to own workforce", on page 197. The Risk Assessment related to occupational safety incorporates the Employee Training Programme. The development of a new Risk Assessment was initiated during the reporting period and is expected to be finalised in the first quarter of 2025.

S1-16 Remuneration metrics

The salary calculation based on the gender of employees includes all employees in all M SAN Grupa companies who are employed full-time (98.90% of employees, excluding those at Alterna Distribucija d.o.o., for which data was unavailable).

Gross hourly wage for women (W) = EUR 10.17; Gross hourly wage for men (M) = EUR 9.98

$[(W-M) \div M] \times 100 = 1.90$

The ratio of the total annual remuneration of the highest-paid individual to the median total yearly remuneration for all employees (excluding the highest-paid individual) in 2024 is 6.63:1. This calculation includes employees in all Group companies that received their wage in every month of 2024.

S1-17 Incidents, complaints and severe human rights impacts

During the reporting period, no reported incidents of discrimination based on gender, race or ethnic origin, nationality, religion or belief, disability, age, sexual orientation or any other relevant grounds were recorded. Additionally, there were no fines, sanctions or compensation for damages related to incidents of discrimination. Currently, there is no formalised mechanism for receiving complaints; instead, complaints are addressed in individual talks between employees and the HR Department or line managers. In 2024, no formal complaints of discrimination were submitted through the available channels. In 2024, no severe human rights violations were recorded, nor were any fines, sanctions or compensation for damages related to serious human rights violations imposed.

ESRS S2: WORKERS IN THE VALUE CHAIN

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M SAN Grupa operates in a complex and globally connected value chain, sourcing materials, components, and services from various countries, including China, Turkey and other international markets. The Group recognises the importance of ensuring dignified working conditions throughout our supply chain, as outlined in our policies and programmes. However, to date, no formal policies or systematic approach have been developed for in-depth analysis of working conditions within our supply chain. We acknowledge that there is room for improvement in recognising and managing the impact on workers in the value chain. As a Group that is required to report in accordance with ESRS, we are committed to the gradual improvement of our practices in line with regulatory requirements and standards. We conduct basic checks to promptly identify potential risks and ensure compliance with regulations, being aware of the importance of good business practices.

Interests and views of stakeholders

ESRS 2 SBM-2

The production of electronic equipment and devices is associated with potential human rights violations in the upstream value chain (supply chain), especially in third countries. M SAN Grupa, which is involved in the development and distribution of products under its own brand, is part of global value chains where negative impacts on workers' rights can be expected, arising from the business model and related to the organisation's business relationships.

Material impacts, risks and opportunities and their interaction with strategy and business model

ESRS 2 SBM-3

WORKING CONDITIONS			
Negative impact – potential; in the upstream value chain			
Non-adequate wages **Overtime work** **Health and safety**	The production of electronic equipment and devices is associated with overtime, low wages that do not enable a decent living, and inadequate protection of workers' health and safety.	Originating from the business model and linked to business relationships	Short-term to long-term
EQUAL TREATMENT AND OPPORTUNITIES FOR ALL			
Negative impact – potential; in the upstream value chain			
Gender inequality **Unequal pay for equal work**	Migrant workers, women, young workers, and workers in third countries and global regions with lower standards of workers' rights have been recognised as vulnerable groups of the workers associated with M SAN Grupa, who are at significant risk of underpayment.	Originating from the business model and linked to business relationships	Short-term to long-term
OTHER RIGHTS ARISING FROM EMPLYOMENT RELATIONSHIP			
Negative impact – potential; in the upstream value chain			
Forced labour **Child labour**	The extraction of raw materials and production in third countries are associated with forced labour and child labour, which are the most severe forms of human rights violations	Originating from the business model and linked to business relationships	Short-term to long-term

Impacts, risks and opportunities management

ESRS E2 IRO-1

The complexity of the electronics production supply chain makes it difficult to precisely identify, assess and address issues related to human rights of the workers within the value chain, particularly forced labour and child labour, which represent the most severe forms of violation. Since the process of mapping the upstream value chain, or the supply chain of M SAN Grupa, was not completed at the time of the publication of this Report, the assessment was made by prioritising negative aspects, i.e. negative impacts and risks based on available information. The focus was placed on the most serious potential human rights violations in third countries, where M SAN Grupa and its business partners operate, as well as on matters for which it was assessed that there is a reasonable chance that the risk will materialise. All described significant negative impacts on workers in the value chain have been classified as potential risks in the short, medium and long term

Positive impacts and opportunities, as well as the actual negative impacts and risks along the chain of activities, i.e. in the upstream and downstream value chain, will be assessed in the next reporting period, after the value chain mapping process is completed. The results of the new double materiality assessment related to workers in the value chain will be published in the next sustainability report of M SAN Grupa.

M SAN Grupa has identified several key types of workers in the value chain who may be significantly impacted:

- At M SAN Grupa locations, third-party workers are employed, including maintenance, security, and logistics staff, who are hired through external recruitment agencies or through the Group's own Human Resources Department (such as students, etc.).
- Workers of manufacturers and suppliers of raw materials, parts and components that M SAN Grupa uses in its products. These can be workers in manufacturing plants and factories.
- Workers in distribution, logistics and retail who enable the sale and placement of M SAN Grupa's products in the market. Their working conditions may be influenced by our business practices, particularly through the selection of partners with responsible employment and occupational safety policies.
- Vulnerable worker groups in the value chain identified include migrants, women, young workers and workers in third countries and global regions with lower standards of workers' rights.

S2-1 Policies related to value chain workers

ESRS 2 MDR-P

As described in more detail in the chapter S1-1 under "Policies related to own workforce", the respect of human rights and the values upheld by M SAN Grupa are governed by the Corporate Compliance and Ethics Programme and the Code of Ethics of M SAN Grupa and its affiliated companies.

M SAN Grupa addresses worker-related issues in the value chain through the Supplier Management Procedure Rules. The Rules include procedures for factory or supplier quality checks to ensure high standards of product and labour practices. M SAN Grupa has set its own standards and norms that suppliers must adhere to, which include respecting human and labour rights. Factories and suppliers must conduct a thorough analysis and adjust their operations according to M SAN Grupa's requirements, which includes absolute intolerance of child labour and forced or compulsory labour.

S2-2 Processes for engaging with value chain workers about impacts

ESRS 2 MDR-A

Before starting cooperating with suppliers, M SAN Grupa conducts factory audits to check ISO certifications and working conditions. The assessment is based on the conditions to which workers are exposed, including humidity and temperature of the work environment, the availability of protective equipment required for specific tasks and the provision of all necessary tools. It is also checked whether workers have appropriate chairs if the job requires sitting or standing. Workplaces are categorised according to their purpose, such as offices, warehouses, and production, depending on the factory's activity. During this audit, it is checked whether these areas are properly segregated in accordance with regulations. In addition, the inspector uses a subjective assessment to evaluate the production line to determine whether there are employees under the age of 18. Supplier workers are not directly included in this assessment.

S2-3 Processes to remediate negative impacts and channels for value chain workers to raise concerns

Given the effects and risks in the value chain in third countries where M SAN's business partners operate, as well as its complexity, there is a need to expand the scope of the Corporate Compliance and Ethics Programme and the Code of Ethics of M SAN Grupa and its affiliated companies, and to regulate supplier management in line with M SAN Grupa's values. This includes expanding the channels for reporting irregularities and expressing concerns to cover the practices of suppliers and business partners of M SAN Grupa, which will be known and accessible to workers in M SAN Grupa's value chain.

S2-4 Taking action on material impacts, and approaches to mitigating material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions and approaches

M SAN Grupa is actively working on improving working conditions throughout the value chain by setting standards, collaborating with responsible partners and conducting regular compliance checks versus M SAN Grupa's standards. When it has joint projects or special business arrangements with partners, M SAN Grupa ensures that all workers in those entities have fair working conditions and that M SAN Grupa's working standards are applied to prevent negative impacts on workers in the value chain. Positive impacts and opportunities, as well as actual negative impacts and risks along the chain of activities or in the upstream and downstream value chain, will be considered in the next reporting period after the completion of the value chain mapping process. Consequently, an action plan will be developed and published in the next reporting periods.

Metrics and targets

S2-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

ESRS 2 MDR-P

M SAN Grupa recognises the need to regulate the area of supplier management. The Management Board of M SAN Grupa has therefore set a goal in 2024 to create internal regulations that will establish a systematic supplier check process and initiate this process by the end of 2025.

A detailed analysis of the value chain and supplier checks in 2025 and 2026 will enable the setting of time-limited result-oriented targets for managing material negative impacts, promoting positive impacts and managing significant risks and opportunities.

Target setting and the inclusion of workers in the value chain will be considered in future reporting periods after the completion of M SAN Grupa's value chain mapping and the corresponding double materiality assessment of the impacts, risks and opportunities related to workers in the value chain, based on information gathered from supplier checks.

ESRS S4: CONSUMERS AND END USERS

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M SAN Grupa has a highly diversified product portfolio, which is consolidated into four divisions, described in more detail in the Management Report on page 27. The divisions cover operations in the regional Group members. M SAN Grupa's operations comprise more than 7,400 partners and deliver 200,000 products monthly through various sales and distribution channels. The production and distribution of a large number of diverse products have significant effects on consumers and end users. M SAN Grupa places safety, product and service quality, delivery stability and serviceability at the centre of its operations. To achieve these standards, a thorough quality control process has been implemented for components and finished products So far, the focus has primarily been on quality, safety and availability, with consumer policies being part of the quality control process. In the future, M SAN Grupa plans to gradually integrate the management of impacts, risks and opportunities into all key processes – including production, distribution, marketing and sales.

Strategy

Interests and views of stakeholders

ESRS 2 SBM-2

Given that M SAN Grupa's business activities cover a wide range of products, customers and end users, it is crucial to responsibly manage the impacts and consider the interests and views of the affected stakeholders. At the forefront of their interest is the quality of the delivered products and services, as well as service and support. Furthermore, detailed and clear labelling of product characteristics and usage instructions provide stakeholders with an in-depth understanding of correct handling, ensuring product safety during use. Regarding communication with consumers and end customers, in addition to clear labelling, transparent marketing communications ensure accessible information, product benefit descriptions and market-sustainable behaviours. M SAN Grupa provides customers and business partners with access to all essential information on its website, as well as opportunities for interaction about products and access to complaint mechanisms.

During 2024, M SAN Grupa conducted several market research studies, which are described below in the chapter on implemented measures.

Material impacts, risks and opportunities and their interaction with strategy and business model

ESRS 2 SBM-3

IMPACTS ON CONSUMERS AND END USERS			
Positive impact – actual; in the downstream value chain			
Comprehensive and transparent product information	Comprehensive, clear and transparent product information, along with ensuring mechanisms for customer complaints.	Originating from the business model and linked to business relationships	Short-term to long-term
Positive impact – actual; in the downstream value chain			
Quality control	Quality control ensures a high level of product safety for consumers.	Originating from the business model and linked to business relationships	Short-term to long-term
Positive impact – actual; in the downstream value chain			
Product availability and responsible marketing practices	Products are equally available to all stakeholder groups, and the Group implements responsible marketing practices based on transparent and truthful advertising.	Originating from the business model and linked to business relationships	Short-term to long-term
RISKS RELATED TO CONSUMERS AND END USERS			
Comprehensive and transparent product information	Risks have been identified related to the collection, storage and use of sensitive, confidential and/or proprietary data of users or customers. Additionally, non-compliance with regulations such as GDPR and NIS2/ Cyber Security Act may pose a risk, potentially leading to financial impacts in business dealings with major partners. Regulatory changes and trends in product safety may lead to increased production costs and material procurement expenses.	Originating from the business model and linked to business relationships	Short-term to long-term

Impacts, risks and opportunities management

ESRS E2 IRO-1

The diversity of products, the complexity of production processes and the multitude of business partners in the downstream value chain, as well as consumers or end users, contribute to the potential occurrence of both negative and positive effects and risks.

Since the process of mapping the downstream value chain, i.e. the supply chain of M SAN Grupa, was not completed at the time of the publication of this Report, the assessment was made by prioritising impacts and risks based on the information available at that time. Given that M SAN Grupa produces consumer goods, it has direct effects on consumers and end users, particularly with regard to product information, the provision of complaint mechanisms and the safeguarding of user information.

By complying with applicable regulations, M SAN Grupa develops positive impacts on consumers through product quality control and the provision of key information about its products and services. It has been recognised that potential negative impacts on stakeholders may occur in the areas of user data security and privacy, product labelling and access to quality product information, but these can only be thoroughly verified and documented in further assessments. The main activity of M SAN Grupa is the production of electrical and electronic devices, and the accuracy and quality of its products have been assessed as crucial for the safety of consumers and end users. High-quality product information, user instructions and product quality control are directly linked to the management of potential negative impacts on consumers. Positive impacts have been clearly recognised in terms of adequate consumer information, product quality and safety control, and the equal availability of products to a very wide range of consumers.

Positive impacts and opportunities, as well as the actual negative impacts and risks along the value chain will be considered in the next reporting period after the completion of the value chain mapping process. The results of the new assessment of double materiality related to worker issues in the value chain will be published in the next M SAN Grupa's sustainability report.

In the consumer and end user segment, the following stakeholders have been recognised as clearly evident: wholesalers, retailers, web shops, specialised retail chains, undertakings within M SAN Grupa, designers, air conditioning installers, kitchen furniture manufacturers and end users.

S4-1 Policies related to consumers and end users

ESRS 2 MDR-P

S4, ESRS 2 SBM-2

M SAN Grupa respects human rights, the safety and health of end consumers and trade provisions by monitoring and implementing the applicable regulations of the European Union and the Republic of Croatia, as well as other relevant international regulations and those in force in key markets (such as the United States). During product development, the needs, preferences and views of consumers and end users are taken into account. This is monitored through market analyses and direct interaction with business partners, installers, service technicians and end customers.

M SAN Grupa has adopted revised Rules on the Customer Management Procedure, which set out the procedures and processes that must be applied in establishing business relations with customers, including the initiation of business cooperation, mandatory data checks, procedures for verifying existing customers and behaviours to be taken into account as they may have potential negative impacts on the operations of M SAN Grupa. The Rules apply to business entities, i.e., companies with which contracts are concluded, both in the Croatian and foreign markets. The Rules also lay down provisions on the verification of customers' financial characteristics in order to mitigate risks related to payments for delivered goods.

M SAN Grupa's Export Compliance Programme is available on the Group's website. Among other things, it specifies necessary checks of business partners and customers. The Rules are described in the chapter G1 – Business governance on p. 228.

S4-2 Processes for engaging with consumers and end-users about impacts

ESRS 2 MDR-A

All M SAN Grupa products are accompanied by legally required and appropriate materials containing information and user instructions. M SAN Grupa carries out strict quality checks on its products throughout the entire process of their manufacturing and assembly. Channels for advice, questions and complaints are available to consumers and end users, and are published in the accompanying documents as well as on M SAN's websites. Distributors and business partners also provide appropriate channels for user communication with the undertaking. The Group's policy allows for customer complaints to be acknowledged even in cases where not all conditions for complaint acceptance under the warranty terms have been met. In its relations with customers, M SAN Grupa is also guided by the principles of conduct set out in its Code of Ethics and the Anti-Corruption Policy, which are described in chapter G1 – Business governance, on p. 231.

S4-3 Processes to remediate negative impacts and channels for consumers and end-users to raise concerns

As consumers and end users place the greatest emphasis on product quality and safety, the characteristics of product warranties are extremely important in addressing negative impacts. M SAN Grupa offers extended warranties for its products, as well as additional warranties for certain products and provides spare parts within the legally prescribed period.

Timely and clear information and awareness-raising for users is of vital importance with regard to the safe use of products. All user manuals clearly specify the intended user groups for each product, indicating which vulnerable users (children, children under the age of 8, persons with mental or physical impairments) should not use the product.

Particular attention is given to child safety and to warnings related to children.

In the electric vehicles segment, this is ensured through promotions and test drives aimed at protecting the safety and health of users. In 2024, M SAN Grupa ran a promotion offering a free helmet for safe riding with every purchased electric scooter and electric bicycle.

On M SAN Grupa's website, a form and email address are available for complaints, claims, enquiries and commendations, accessible to all stakeholders involved in the relevant process. Depending on the nature of the enquiry or complaint, the responsible function within M SAN Grupa provides the responses.

In the event of an undesirable incident during product use, M SAN Grupa has a contract in place with an insurance company to cover all costs. Communication with the consumer or user takes place through an insurance broker or, in the case of a minor damage, through direct negotiations with the user/consumer, with the aim of reaching a fair compensation agreement to the mutual satisfaction of both parties.

S4-4 Taking action on material impacts, and approaches to mitigating material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions and approaches

ESRS 2 MDR-A

M SAN Grupa is actively working on improving working conditions throughout the value chain by setting standards, collaborating with responsible partner, and conducting regular compliance checks against M SAN Grupa's standards.

The Market Analysis Department conducts surveys and other methods to research the needs, rights, views and preferences of end customers. In 2024, several market studies were conducted, with the main focus on the specialised air conditioning installer channel, where two partner surveys were carried out. The surveys included VIVAX service technicians in Croatia, Serbia, Bosnia and Herzegovina and Montenegro. The surveys assisted in assessing what matters to partners in their business operations, their interests in cooperation, determining the level of satisfaction with their collaboration with M SAN Grupa and gathering ideas for improvements. The two surveys were conducted using quantitative methods, focus groups and in-depth interviews, and covered a total of 586 stakeholders.

Suggestions for improving cooperation were collected, and a new sales plan was developed based on the research findings.

A quantitative survey was conducted at the largest gaming fair with the aim of gathering stakeholder opinions on the perceptions of individual brands. The survey was preparatory, aimed at obtaining initial information on product reliability and quality.

In 2025, multiple surveys related to various products are planned, some of which will also include the e-mobility segment. In addition to satisfaction with products and their quality, the surveys also collect valuable information on which communication channels customers prefer, providing a solid basis for delivering high-quality and comprehensive product information. Some of the planned surveys will also focus on studies related to quality of life and health, the use of e-mobility and other aspects of sustainability.

Taking into account customer views about products and based on market research and customer preferences, new products are developed or improvements introduced to existing products.

Consumer rights are stated and enclosed with each product through the warranty statement. Consumers can submit their enquiries via on online form on the Group's website and their enquiries are answered on a daily basis.

The M SAN Grupa websites also contain relevant information relating to the importance of and issues concerning cyber security, as well as the implementation of the NIS 2 Directive.

M SAN Grupa's central service centre is located in Rugvica, covering an area of 2,200 m2, and is equipped with state-of-the-art technical equipment as well as measurement and calibration devices essential for efficient operation and top-level performance. M SAN Grupa invests in the training of service staff, who continuously undergo professional development both in Croatia and abroad. All service employees hold the internationally recognised CompTIA A+ certificate, compliant with ISO 17024 and US Directive 8140/8570.01-M, which guarantees their expertise and competence in maintaining and servicing personal computers, laptops, desktop and mobile phones, printers and peripherals. They are also specialised in the specific technological segment in which they operate.

The Enterprise Division is a value-added IT distribution (VAD). Enterprise services are aimed at system integrators, Value Add Resellers, Managed Services Providers, Independent Software Vendors, Cloud Solution Providers, large and small companies, whether being well-established or startups, as well as local and regional offices. The enabling solutions include software solutions, infrastructure solutions, as well as cloud operations and project-based solutions. M SAN Grupa collaborates with a range of globally recognised brands. As part of these services, M SAN provides comprehensive customer and advisory support to clients.

One of the measures implemented is Smart BMS and was carried out by MS Energy. It is a smarter way of battery management, providing insight into battery health via a mobile application. A centralised battery production was introduced in a single factory using the same software, which led to improved product performance and enhanced quality control. This reduced the number of devices returned for repair, the quantity and number of spare parts required, and, consequently, the volume of transport in the region, as well as the number of written-off devices and electronic waste.

Metrics and targets

S4-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

ESRS 2 MDR-M

M SAN Grupa is aware of its opportunities and potential in ensuring product quality, as well as the importance of managing its performance in terms of quality management and consumer information. For this purpose, the Management Board of M SAN adopted key objectives in 2024.

Responsible marketing and product labelling includes a key indicator of 100% of the product range being labelled with the following information on the products.

- source of product components and services;
- content, particularly with regard to substances that could impact the environment and society;
- safe use of a product and service;
- product disposal and its impact on the environment and society.

Actions for achieving this objective are:

- collection of accurate specifications from factories and suppliers
- obtaining complete technical documentation
- verification of all specifications via quality control
- preparation of a verified manufacturer's specification for publication on the product and in the technical instructions
- marketing communication of the accurate product name and characteristics in price lists and all communication materials.

Implementation of the quality management process: ensure the delivery of devices that meet the defined quality control standards. The following actions are undertaken to achieve this:

- continuously improve product and process safety
- expand the energy efficiency and environmental compatibility of products and processes
- sampling and testing, correction and analysis of errors identified in the sample
- production quality control in accordance with defined standards (AQL, full check and quality control procedures).

Implementation of a data security management system across all Group members, which will be monitored by the total number of substantiated complaints received regarding user privacy breaches and the total number of data leaks, thefts or losses of user data. The actions to achieve this objective include the development of data security policies and the provision of physical security, access controls, network security, backup and recovery and cryptography. Employee training on the topic of business and personal data security is also planned.

ESRS G1: BUSINESS GOVERNANCE

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As a large business system with a highly complex and extended value chain (both upstream and downstream), M SAN Grupa maintains business relations with numerous business partners, suppliers and customers across multiple markets. Given the multitude and complexity of these relationships, business ethics is an area that requires particular attention. Potential negative impacts and risks related to business conduct and corruption may occur along the value chain. Taking into account M SAN Grupa's business activities and its traditionally strong and responsible relationships with many users, customers and suppliers, the adoption of strict standards and adherence to rules of business conduct are essential for sustainable and resilient operations. Associated risks may manifest in increased procurement and production costs as well as disruptions in the supply chain.

Existing policies and regulations, along with the development of a corporate culture of responsibility, strengthen M SAN Grupa's business capacities and consequently the stability of the organisation. Business conduct is regulated by codes, regulations and programmes, while corporate culture is based on M SAN Grupa's corporate values, vision and mission. M SAN Grupa has established a Sustainability Committee. Given its international business relations, a culture of sustainability is the basis for establishing responsible relationships with customers, suppliers and other stakeholders.

ESRS 2 GENERAL DISCLOSURES

Identified impacts, risks and opportunities

CORPORATE CULTURE			
Positive impact – potential; in own operations			
Corporate culture	A corporate culture policy in which employees have an easy access to top management, can communicate openly and have insight into all aspects of the company's operations.	Originating from the business model	Short-term to mid-term
MANAGEMENT OF RELATIONSHIPS WITH SUPPLIERS			
Positive impact – actual; in business relationships, in the upstream value chain			
Regular payments to suppliers	Fair market relations with suppliers, including negotiation and contracting procedures as well as regular payments, can have positive impacts, particularly on small suppliers who are significantly dependent on such practices.	Linked to business relationships	Short-term to long-term
Negative impact – potential; in business relationships, in the upstream value chain			
Lack of due diligence	Since there is no systematic checking of suppliers based on environmental protection and human rights criteria, the Group cannot provide adequate support to suppliers relating to sustainable practices. This can lead to inadequate working conditions for suppliers or negative environmental impacts.	Linked to business relationships	Short-term to long-term
ANTI-CORRUPTION			
Negative impact – actual; in own operations			
Insufficient employee awareness	Although the Group takes care of all legal obligations, the negative impact arises from employees' insufficient awareness and familiarity with anti-corruption measures.	Originating from the business model	Short-term to mid-term

GOVERNANCE-RELATED RISKS			
RISK; in the upstream value chain			
Assessment of suppliers' sustainability practices	Although suppliers are checked using methods primarily focused on the prescribed quality, there is no systematic process for checking (significant) suppliers based on environmental protection and human rights criteria, which poses a risk in governance and compliance with sustainability requirements in the supply chain.	Linked to business relationships	Short-term to long-term
RISK; in own operations; in the upstream and downstream value chain			
Anti-corruption	Given the industry and sector and the markets the Group operates in, there is a risk of corruption and bribery. The Anti-Corruption Policy prescribes zero tolerance for corruption and bribery, however, the need to organise a more systematic training of the exposed functions has been recognised.	Originating from the business model	Short-term to mid-term

Impact, risk and opportunity management

ESRS 2 IRO-1 G1

M SAN Grupa is commercially active in diverse markets and takes into account various legal frameworks and social norms in its operations. So far, the Management Board of M SAN Grupa has largely focused its management of impacts, risks and opportunities on business processes, particularly in terms of quality control and the consideration of financial, market and operational risks. Impact assessment was initiated in 2023, when the Management Board undertook an initial review of the likelihood and significance of financial impacts. Risk management has been described in chapter ESRS 2 "General disclosures", on p. 167. A comprehensive update of the impact, risk and opportunity management process will be carried out in 2025.

G1-1 Business conduct policies and corporate culture

ESRS 2 MDR-P
ESRS 1 AR1

M SAN Grupa's business conduct and corporate culture are based on ethical business practices, transparency and inclusiveness. Through regular discussions, education and incentives, key functions are ensured to understand the importance of these values and actively contribute to creating a positive working environment.

M SAN Grupa relies on several key policies and documents in its governance.

The Code of Ethics and Anti-Corruption Policy comprise the following principles:

- The principle of compliance with laws and other regulations
- The principle of respect for integrity and dignity
- The principle of zero tolerance for any form of discrimination, mobbing and harassment
- The principle of zero tolerance for bribery and corruption
- The principle of avoiding and preventing conflicts of interest
- The principle of fair market competition
- The principle of responsible management of assets, business finances and the procurement process
- The principle of zero tolerance for money laundering and terrorist financing
- The principle of professionalism and accountability
- The principle of trust and collegiality
- The principle of teamwork and professional communication
- The principle of confidentiality of personal data and business information, and the security of IT systems
- The principle of zero tolerance for the consumption of alcohol, drugs and other addictive substances during working hours
- The principle of environmental protection and human health
- The principle of respect for human rights and zero tolerance for forced labour and child labour
- The principle of transparency in business operations and reporting
- The principle of compliance with import-export controls, restrictions and sanctions

Business partners, suppliers and other stakeholders may lodge a complaint about employee conduct they believe to be in breach of the provisions of the Code of Ethics. Employees may file a complaint against their direct superiors and/or other employees if they believe their behaviour is in breach of the provisions of the Code of Ethics. Grievances may be submitted in writing to the contact email address: compliance@msan.hr or by telephone using the number available and published on the intranet pages for employees or on the website for all third parties concerned. The data of the complainant are considered confidential information. The submission of a complaint by an employee in good faith cannot be a reason for disciplinary action against them. The Group does not tolerate any retaliation against stakeholders, especially employees, who report potential violations or express concerns in good faith.

In 2023, M SAN Grupa adopted a comprehensive **Corporate Compliance and Ethics Programme**. It sets out the corporate values, mission and vision. It sets out in detail the compliance objectives, the management of compliance processes and their improvement. Furthermore, it defines the responsibilities of management and key personnel for the implementation of compliance, as well as the responsibilities of the Compliance Officer and Internal Audit.

In 2023, M SAN Grupa adopted an **Export Compliance Programme**, which reflects the Group's adherence to and compliance with all export control laws and econoMic SANctions of the United States, the European Union and other applicable jurisdictions. M SAN Grupa complies with all anti-corruption laws applicable in the Republic of Croatia, the European Union, including the United States Foreign Corrupt Practices Act (FCPA) and the United Kingdom Bribery Act. M SAN Grupa does not engage in business cooperation with individuals or entities with whom business is prohibited under the SDN List (Specially Designated Nationals and Blocked Persons), or with individuals or entities listed on other U.S. lists such as the Entity List, the Denied Persons List or the Debarred Parties List. M SAN Grupa also does not participate in the provision of services or products intended for prohibited end uses (Prohibited End Users). M SAN Grupa trains its employees in accordance with the Programme.

At the end of 2019, M SAN Grupa adopted the **Rules on the Internal Reporting of Irregularities** and the Appointment of a Confidential Person. Each report may be submitted to the immediate supervisor or Legal, and Internal Audit is involved as necessary.

All relevant documents are available on the Group's intranet pages, while the Anti-Corruption Policy, Code of Ethics and Export Compliance Programme are also available on the website at the following link: https://www.msan.hr/en/corporate-compliance-and-ethics-statement/.

G1-2 Management of relationships with suppliers

M SAN Grupa governs its relationships with suppliers through the **Supplier Code of Conduct**. This document, which all suppliers must accept, sets out the Group's expectations when establishing cooperation and during cooperation with suppliers, and defines the minimum standards the Group expects from its procurement business partners. These expectations can be grouped into the following areas: ethics and integrity; worker protection, human rights; health and safety protection; environment and sustainability; security and privacy protection. When procuring products, enquiries are initially directed to local suppliers who meet the requirements, where such suppliers exist and are able to provide the specific type of goods or services. In this way, the local community is supported and, due to the proximity of delivery, the harmful environmental impact of transport is reduced. Uncertainties, i.e., the risks of unstable supply chains, are addressed by securing alternatives and continuously expanding the base of reliable suppliers. The nature of the products also dictates the possibility of expanding the supplier base, with consideration given to the length of supply chains.

According to M SAN Grupa's regulations, the approach to suppliers is based on a careful risk assessment in order to minimise potential issues such as financial penalties, loss of revenue, reputational damage and supply chain disruptions. When selecting and checking suppliers, particular attention is given to checks such as VAT number verification, registration in national registers, analyses of financial indicators and assessment of supplier reliability. Existing suppliers are also continuously monitored and periodically evaluated to ensure compliance with internal and legal standards. Factory assessment is described in the chapters ESRS S2 "Workers in the value chain" and ESRS S4 "Consumers and end users". Based on the audit of the supplier / factory carried out by quality control, a somewhat relevant information is obtained on the internal organisation of the supplier or factory, working conditions, social rights and other aspects related to ethical business conduct. Suppliers are assessed in accordance with the Factory Evaluation Report, the subjective impression from the communication with the supplier's responsible and contact persons, and information about the suppliers obtained from third parties. M SAN Grupa selects suppliers whose supply chains have all processes and certifications fully aligned with European Union regulations.

The process of selecting and verifying suppliers through social and environmental criteria, as well as the application of ESG factors, was not active during 2024. However, the Regulations highlight the importance of evaluating supplier sustainability, as well as ensuring compliance with the M SAN Grupa's Code of Ethics or the supplier's own ethical standards, which include relevant social and environmental elements. An action plan for introducing social and environmental criteria into the supplier selection process for the next two years should be an organic continuation of this process, along with a thorough analysis of the value chain.

G1-3 Prevention and detection of corruption and bribery

The Anti-Corruption Policy is available to all employees and is publicly published. All employees of M SAN Grupa are required to read, understand and comply with this policy. Managers are required to implement this policy and ensure that the employees, individuals, and entities they are responsible for are familiar with this business policy, understand it, and adhere to its provisions.

The goal of identifying corporate risks is to uncover weak points within the established decision-making processes, or parts of the system that, due to various circumstances, are most exposed to corruption. Additionally, the Group is required to maintain books and documentation that accurately reflect the Group's transactions and the allocation of its resources. The books and documentation must be accurate and complete, including forms necessary for processing payments, attachments and backups used to justify payment requests, authorisation and payment classification by accounting codes. No undisclosed or undocumented financial funds will be established for any purpose.

M SAN Grupa, its employees and representatives may be exposed to criminal, civil and administrative penalties, including imprisonment and/or fines. A violation of the business policy or anti-corruption laws may subject employees to disciplinary actions, including termination of their employment contract.

According to the provisions of the Anti-Corruption Policy, reports of violations or suspicious activities can be submitted to the relevant line manager or Legal, either personally or anonymously. M SAN Grupa does not tolerate retaliation against anyone who, in good faith, submits a report or cooperates in an investigation process. If an investigation has been conducted, the Confidential Person, Legal and Internal Audit submit a report to the Management Board. The most high-risk functions in the Group in terms of corruption and bribery are those involving financial transactions, business decision-making, relations with external partners and government institutions. These functions carry a higher risk due to their role in awarding contracts, handling finances, making strategic decisions and interacting with third parties.

M SAN Grupa's Anti-Corruption Policy is available to all employees through internal channels. The introduction of the new LMS system aims to implement an anti-corruption training in 2025.

G1-4 Incidents of corruption or bribery

No reports were recorded during the reporting period, and therefore no confirmed cases of corruption or bribery.

G1-5 Political influence and lobbying

M SAN Grupa does not engage in lobbying or hire lobbyists to exert political influence related to its material impacts, risks and opportunities. Additionally, the Group's Anti-Corruption Policy prohibits offering and giving political donations, which include monetary or non-monetary contributions such as equipment rentals, donations, free services or donating employees' time.

None of the members of the company's administrative, management or supervisory bodies or the Group companies have held a comparable position in the public administration within the two years prior to their appointment in the current reporting period.

M SAN Grupa is member of the Croatian Chamber of Commerce.

G1-6 Payment practices

The average weighted payment period for obligations to EU suppliers during 2024 was 47.0 days, while for non-EU suppliers, this period was 70.5 days. The average days were obtained based on a sample that included all distribution companies within the Group. The closing days were weighted based on the invoice amounts for each supplier, and the same method was used to calculate the weighted average for all suppliers at the Group level. Of the analysed payments, 47% relate to payments to suppliers within the EU. The Group has contracted payment terms within the EU ranging from 30 to 60 days. The remaining 53% relates to suppliers outside the EU, where payment terms are contracted, depending on the supplier, between 30 to 120 days. Some suppliers offer modular payment terms, where the Group has the option to pay under the contractual conditions or opt for shorter payment terms, receiving discounts for early payment.

In such options, the Group occasionally uses factoring payments, where the factoring costs represent a lower expense than the amount of the discount, thus generating additional savings. M SAN Grupa has no ongoing legal proceedings related to delayed payments.

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S2-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	S2 - Workers in the value chain: Targets	219
S4 – CONSUMERS AND END USERS			
SBM-2	Interests and views of stakeholders	S4 - Consumers and end users: Material impacts, risks and opportunities	221
		ESRS 2 - General disclosures: Double materiality	159
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	S4 - Consumers and end users: Material impacts, risks and opportunities	222
S4-1	Policies related to consumers and end-users	ESRS 2 - General disclosures: Double materiality	223
S4-2	Processes for engaging with consumers and end-users about impacts	S4 - Consumers and end users: Management approach	224
S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	S4 - Consumers and end users: Actions and activities	224
S4-4	Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	S4 - Consumers and end users: Actions and activities	225
S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	S4 - Consumers and end users: Actions and activities	227

G1 – BUSINESS GOVERNANCE			
GOV-1	The role of the administrative, management and supervisory bodies	ESRS 2 - General disclosures: Managing sustainability issues	153
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	G1 - Business governance: Material impacts, risks and opportunities	230
		ESRS 2 - General disclosures: Double materiality	160
G1-1	Business governance policies and corporate culture	G1 - Business governance: Management approach	231
G1-2	Management of relationships with suppliers Prakse plaćanja	G1 - Business governance: Management approach	232
		S2 - Workers in the value chain: Actions and activities	225
G1-3	Prevention and detection of corruption and bribery	G1 - Business governance: Management approach	234
G1-4	Confirmed incidents of corruption or bribery	G1 - Business governance: Metrics and targets	234
G1-5	Political influence and lobbying activities	G1 - Business governance: Metrics and targets	235
G1-6	Payment practices	G1 - Business governance: Metrics and targets	235

Appendix 2: List of data points in cross-cutting and topical standards that derive from other EU legislation

The table below includes all data points arising from other EU regulations as outlined in ESRS 2 Appendix B, with references to the chapters in this Sustainability Report where these data can be found. The data is not listed if it is related to a topic that is "Not material" or "Not applicable" to the business activities of M SAN Grupa.

Requirement	Data point	Designation	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference	Comment	Page
ESRS 2 GOV-1	21d	Management Board's gender diversity	x		x			154
ESRS 2 GOV-1	21e	Percentage of Management Board members who are independent			x			154
ESRS 2 GOV-4	30	Statement on due diligence	x					157
ESRS 2 SBM-1	40d-i	Involvement in activities related to fossil fuels and energy	x	x	x		Not applicable	
ESRS 2 SBM-1	40d-ii	Involvement in activities related to chemical production	x		x		Not applicable	
ESRS 2 SBM-1	40d-iii	Involvement in activities related to controversial weapons	x		x		Not applicable	
ESRS 2 SBM-1	40d-iv	Involvement in activities related to the cultivation and production of tobacco			x		Not applicable	
ESRS E1-1	14	Transition plan to reach climate neutrality by 2050				x	Use of phase-in option	
ESRS E1-1	16g	Undertakings excluded from Paris-aligned benchmarks		x	x			167
ESRS E1-4	34	GHG emissions reduction goals	x	x	x			169
ESRS E1-5	38	Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors)	x					169
ESRS E1-5	37	Energy consumption and mix	x					169

Requirement	Data point	Designation	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference	Comment	Page
ESRS E1-5	40-43	Energy intensity associated with activities in high climate impact sectors	x					169
ESRS E1-6	44	Gross Scopes 1, 2, 3 and Total GHG emissions	x	x	x			171
ESRS E1-6	53-55	Gross GHG emissions intensity	x	x	x			171
ESRS E1-7	56	GHG removals and carbon credits				x	Not material	
ESRS E1-9	66	Exposure of the benchmark portfolio to climate-related physical risks			x		Use of phase-in option	
ESRS E1-9	66a	Disaggregation of monetary amounts by acute and chronic physical risk		x			Use of phase-in option	
ESRS E1-9	66c	Location of significant assets at material physical risk		x			Use of phase-in option	
ESRS E1-9	67c	Breakdown of the carrying value of its real estate assets by energy-efficiency classes			x		Use of phase-in option	
ESRS E1-9	69	Degree of exposure of the portfolio to climate-related opportunities	x				Use of phase-in option	
ESRS E2-4	28	Amount of each pollutant listed in Annex II of the EPRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil	x				Not material	
ESRS E3-1	9	Water and marine resources	x				Not material	
ESRS E3-1	13	Dedicated policy	x				Not material	

Requirement	Data point	Designation	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference	Comment	Page
ESRS E3-1	14	Sustainable oceans and seas	x				Not material	
ESRS E3-4	28c	Total water recycled and reused	x				Not material	
ESRS E3-4	29	Total water consumption in m3 per net revenue on own operations	x				Not material	
ESRS 2 SBM-3 E4	16a-i	Biodiversity-sensitive areas	x				Not material	
ESRS 2 SBM-3 E4	16b	Land impact	x				Not material	
ESRS 2 SBM-3 E4	16c	Endangered species	x				Not material	
ESRS E4-2	24b	Sustainable land/agriculture practices or policies	x				Not material	
ESRS E4-2	24c	Sustainable oceans/seas practices or policies	x				Not material	
ESRS E4-2	24d	Policies to address deforestation	x				Not material	
ESRS E5-5	37d	Non-recycled waste	x					189
ESRS E5-5	39	Hazardous waste and radioactive waste	x					189
ESRS 2 SBM-3 – S1	14f	Risk of incidents of forced labour	x				Not material	
ESRS 2 SBM-3 – S1	14g	Risk of incidents of child labour	x				Not material	
ESRS S1-1	20	Human rights policy commitments			x			197
ESRS S1-1	21	Due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8	x					197
ESRS S1-1	22	Processes and measures for preventing trafficking in human beings	x				Not material	
ESRS S1-1	23	Workplace accident prevention policy or management system	x					197

Requirement	Data point	Designation	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference	Comment	Page
ESRS S1-3	32c	Grievance/complaints handling mechanisms	x		x			202
ESRS S1-14	88b, 88c	Number of fatalities and number and rate of work-related accidents	x				Use of phase-in option	
ESRS S1-14	88e	Number of days lost to injuries, accidents, fatalities or illness	x		x		Use of phase-in option	
ESRS S1-16	97a	Unadjusted gender pay gap	x					213
ESRS S1-16	97b	Excessive CEO pay ratio	x					213
ESRS S1-17	103a	Incidents of discrimination	x		x			214
ESRS S1-17	104a	Non-respect of UNGPs on Business and Human Rights and OECD	x					214
ESRS 2 SBM3 S2	11b	Significant risk of child labour or forced labour in the value chain	x					215
ESRS S2-1	17	Human rights policy commitments	x					217
ESRS S2-1	18	Policies related to value chain workers	x		x			217
ESRS S2-1	19	Non-respect of UNGPs on Business and Human Rights and OECD	x					217
ESRS S2-1	19	Due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8	x					217
ESRS S2-4	36	Human rights issues and incidents connected to its upstream and downstream value chain	x					218
ESRS S3-1	16	Human rights policy commitments	x		x		Not material	

Requirement	Data point	Designation	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference	Comment	Page
ESRS S3-1	17	Non-respect of UNGPs on Business and Human Rights and OECD	x				Not material	
ESRS S3-4	36	Human rights issues and incidents	x				Not material	
ESRS S4-1	16	Policies related to consumers and end users	x		x			223
ESRS S4-1	17	Non-respect of UNGPs on Business and Human Rights and OECD	x					223
ESRS S4-4	35	Human rights issues and incidents	x					225
ESRS G1-1	10b	United Nations Convention against Corruption	x					231
ESRS G1-1	10d	Protection of whistle-blowers	x		x			231
ESRS G1-4	24a	Fines for violation of anti-corruption and anti-bribery laws	x					234
ESRS G1-4	24b	Standards for preventing corruption or bribery	x					234

Tel: +385 1 2395 741
E-mail: bdo-croatia@bdo.hr

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

INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT ON THE CONSOLIDATED SUSTAINABILITY REPORT FOR 2024

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

Subject of Examination

We have been engaged by M SAN Grupa d.o.o. to conduct an engagement with limited assurance, in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (revised) ("Engagement"), on the consolidated Sustainability Report ("Subject of Examination") of M SAN Grupa d.o.o. ("Company") and its subsidiaries (together "Group"), contained in the "Sustainability Report" in the Management Report (consolidated Sustainability Report) as of 31 December 2024, and for the year then ended.

Criteria Applied by the Group

In preparing the consolidated Sustainability Report, the Group applied the provisions of Articles 32 and 36 of the Accounting Act (Official Gazette, No. 85/24 and 145/24), including:

- Compliance with the provisions of the European Sustainability Reporting Standards (ESRS), including the implementation of the process for identifying information disclosed in the consolidated Sustainability Report ("Process") as described in the section The process of assessing double materiality; and
- Compliance of disclosures in the consolidated Sustainability Report with the reporting requirements of Article 8 of Regulation (EU) 2020/852 ("Taxonomy Regulation").

Inherent Limitations in Preparing the Consolidated Sustainability Report

Inherent limitations exist in all assurance engagements.

The criteria and characteristics of the Sustainability Report and the lack of long-established authoritative guidelines, standard applications, and reporting practices allow for the adoption of different, but acceptable, measurement methodologies, which may result in differences among entities. The adopted measurement methodologies can also affect the comparability of sustainability data reported by different organizations and the consistency within the same organization from year to year as methodologies evolve.

In reporting information about future events in accordance with ESRS, the Group's Management is required to prepare information about future events based on published assumptions about events that may occur in the future and possible future activities of the Group. The actual outcome is likely to be different, as future events often do not follow expectations.

In determining disclosures in the consolidated Sustainability Report, the Group's Management interprets undefined legal and other terms. Undefined legal and other terms can be interpreted in different ways, including the legal compliance of their interpretation, and are therefore subject to uncertainties.

Management's and Those Charged with Governance Responsibility for Sustainability Reporting

Management is responsible for the design and implementation of the process for identifying information disclosed in the consolidated Sustainability Report in accordance with ESRS, and for disclosing this Process in the section The process of assessing double materiality in the consolidated Sustainability Report. This responsibility includes:

- Understanding the context in which the Group's activities and business relationships take place and understanding the affected stakeholders;
- Identifying actual and potential impacts (both negative and positive) related to sustainability issues, as well as risks and opportunities that affect or could reasonably be expected to affect the Group's financial position, financial performance, cash flows, access to financing, or cost of capital in the short, medium, or long term;
- Assessing the significance of identified impacts, risks, and opportunities related to sustainability issues by selecting and applying appropriate materiality thresholds; and
- Making assumptions that are reasonable in the given circumstances.

Furthermore, Management is responsible for preparing the consolidated Sustainability Report in accordance with the provisions of Articles 32 and 36 of the Accounting Act, including:

- Compliance with ESRS;
- Preparing disclosures in the section Information in accordance with Article 8 of Regulation (EU) 2020/852 in accordance with the reporting requirements of Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation);
- Designing, implementing, and maintaining internal control systems that Management determines are necessary to enable the preparation of the consolidated Sustainability Report without material misstatements due to fraud or error; and
- Selecting and applying appropriate sustainability reporting methods and forming appropriate estimates and judgments about individual sustainability disclosures that are reasonable in the given circumstances.

Those charged with governance are responsible for overseeing the Group's sustainability reporting process established by the Company.

Auditor's Responsibility

We conducted an engagement with limited assurance in accordance with the International Standard on Assurance Engagements, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE) 3000 (revised), as prescribed by the provision of Article 37 of the Accounting Act and the provisions of the contract for this engagement concluded with M SAN Grupa d.o.o. on 10 October 2024. These standards require planning and performing the engagement to express a conclusion on whether we are aware of any significant changes that need to be made to the Subject of Examination to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of selected procedures depend on our professional judgment, including the assessment of the risk of material misstatement, whether due to fraud or error.

Auditor's Responsibility (continued)

Our responsibility is to express a conclusion on the presentation of the Subject of Examination based on the evidence we have obtained. Our responsibilities regarding the Subject of Examination, in relation to the Process, include:

- Gaining an understanding of the Process but not for the purpose of expressing a conclusion on the effectiveness of the Process, including the outcome of the Process;
- Considering whether the identified information meets the applicable ESRS disclosure requirements; and
- Designing and performing procedures to assess the compliance of the Process with the description of the Group's Process, as disclosed in the section The process of assessing double materiality.

Our other responsibilities regarding the Subject of Examination include:

- Identifying disclosures where significant misstatements are likely to occur, whether due to fraud or error;
- Designing and performing procedures aimed at disclosures in the consolidated Sustainability Report where significant misstatements are likely to occur. The risk of not detecting a significant misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusion with limited assurance.

Our Independence and Quality Management

We comply with the independence and other ethical requirements established by the International Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (IESBA), which sets out fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. We possess the necessary knowledge and experience to conduct this assurance engagement.

We also apply the International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and accordingly, maintain a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Description of Procedures Performed

Procedures performed in a limited assurance engagement differ in nature and timing from, and are less extensive than, those performed in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is significantly lower than that which would have been obtained had a reasonable assurance engagement been performed. Our procedures are designed to obtain a limited level of assurance on which we can base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of internal controls established by Management in determining the nature and extent of our procedures, our assurance engagement was not designed to provide a conclusion on internal controls. Our procedures did not include testing controls or performing procedures relating to checking the aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making inquiries, primarily to persons responsible for preparing the consolidated Sustainability Report and related information, and applying analytical and other appropriate procedures.

A limited assurance engagement includes performing procedures to obtain evidence about the consolidated Sustainability Report.

The nature, timing, and extent of selected procedures depend on professional judgment, including identifying disclosures where significant misstatements are likely to occur, whether due to fraud or error, in the consolidated Sustainability Report.

In conducting our limited assurance engagement, we performed the following procedures regarding the Process:

- Gaining an understanding of the Process:
  - Making inquiries to understand the sources of information used by Management (e.g., stakeholder engagement, business plans, and strategic documents);
  - Reviewing the Group's internal documentation on the Process; and
  - Assessing the compliance of evidence obtained from our procedures on the Process conducted by the Group with the description of the Process stated in the section The process of assessing double materiality.

In conducting our limited assurance engagement on the consolidated Sustainability Report, we performed the following procedures:

- Gaining an understanding of the Group's reporting process relevant to the preparation of the consolidated Sustainability Report, including the consolidation process by gaining an understanding of the Group's control environment, processes, and information systems relevant to the preparation of the consolidated Sustainability Report, but not assessing the design of specific control activities, obtaining evidence of their implementation, or testing their operational effectiveness;
- Assessing whether significant information identified by the Process for identifying information for disclosure in the consolidated Sustainability Report is included in the consolidated Sustainability Report;
- Assessing the compliance of the structure and presentation of the consolidated Sustainability Report in accordance with ESRS;
- Making inquiries of relevant employees and performing analytical procedures on selected information from the consolidated Sustainability Report;
- Assessment of methods, assumptions, and data for developing significant estimates and future information, and how these methods were applied.

Description of Procedures Performed (continued)

- Understanding the process for identifying eligible and aligned economic activities under the EU taxonomy regulation for transport, CAPEX, and OPEX, as well as the corresponding disclosures in the consolidated Sustainability Report;
- Evaluation of the presentation and use of EU Taxonomy templates in accordance with the relevant requirements; and
- Alignment and verification of consistency, to the extent applicable, between the listed economic activities under the EU Taxonomy and the items stated in the consolidated financial statements, including the disclosures mentioned in the related notes.

Qualified limited assurance conclusion

Based on the we have performed and the evidence we have obtained, except for the effects and the possible effects of the matters described in the Basis for qualified conclusion section, nothing has come to our attention that causes us to believe that the consolidated Sustainability Report of the Group is not prepared, in all material respects, in accordance with the provisions of Articles 32 and 36 of the Accounting Act, including:

- Compliance with the European Sustainability Reporting Standards (ESRS), including the compliance of the process conducted by the Group for identifying information disclosed in the consolidated Sustainability Report ("Process") with the description provided in the section The process of assessing double materiality; and
- Compliance of disclosures in the section Information in accordance with Article 8 of Regulation (EU) 2020/852 in the consolidated Sustainability Report with the reporting requirements of Article 8 of Regulation (EU) 2020/85 (EU Taxonomy Regulation).

Basis for qualified conclusion

The double materiality assessment process was not fully conducted in accordance with the methodological requirements of the European Sustainability Reporting Standards, which may affect the reliability of the identification of material topics. Furthermore, in relation to the environmental topical standards (ESRS E1 to E5), disclosures were found not to be fully aligned with the requirements of the standards, particularly regarding quantitative indicators and targets. Consequently, the sustainability information is not fully presented in accordance with the requirements of the European Sustainability Reporting Standards.

Other Matters

Comparative information included in the consolidated Sustainability Report of the Group for the financial year from 1 January to 31 December 2023, was not subject to the assurance engagement. Our conclusion is not modified with respect to this matter.

Zagreb, 30 April 2025

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

Hrvoje Stipić, President of the Management Board

Vedrana Stipić, Certified Auditor

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

Zagreb, 30 April 2025

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

D E C I S I O N

I. The Annual Report of the Company for 2024 is determined according to the text attached to this Decision.

II. The consolidated and separate Annual Financial Report for 2024 are determined, which consists of:
- statement of financial position (balance sheet),
- profit and loss account,
- report on other comprehensive income,
- cash flow statement,
- report on changes in equity,
- notes to the separate and consolidated annual financial statements,

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

III. The Audit Report for 2024 is an integral part of the report referred to in item I of this Decision.

IV. Management Report is determined, together with the Statement on the Application of the Code of Corporate Governance and Sustainability Report together with independent Auditor's Report which forms an integral part of the report referred to in item I of this Decision.

V. Annual report of the Company for 2024, i.e. reports from item II. to IV. these decisions are submitted to the Supervisory Board for examination.

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

Irena Langer-Breznik	Žarko Kruljac	Vladimir Brkljača
President of Management Board	Member of Management Board	Member of Management Board
	Alen Panić	Bruno Jozić
	Member of Management Board	Member of Management Board

Zagreb, 30 April 2025

Pursuant to the provisions of Article 300.d, and in accordance with the provisions of Article 300.c of the Companies Act, after the examination of the submitted relevant reports of the Management Board, the Supervisory Board of the Company at its meeting held on April 30, 2025 adopted the following

D E C I S I O N

I. Consent is given to the Annual Report of the Company for 2024 according to the text attached to this Decision.

II. Consent is given to:

- consolidated and separate Annual Financial Report for 2024, consisting of:
- statement of financial position (balance sheet), income statement, statement of other comprehensive income, cash flow statement, statement of changes capital, notes to the financial statements,
- Audit Report for 2024,
- Annual Report on the state of the Company and its affiliates for 2024 (management report), together with a statement on the application of the corporate governance code, according to the text attached to this Decision,

which reports are an integral part of the report referred to in point I. of this Decision.

III. Pursuant to the provisions of Article 300d of the Companies Act by giving consent from point II. Of this Decision, unconsolidated and consolidated Annual Financial Statements of the Company for 2024 was determined by the Management Board and the Supervisory Board of the Company.

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

Željko Menalo

President of the Supervisory Board

Zagreb, 30 April 2025

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

D E C I S I O N

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

I. It is determined that the total realized profit after tax for 2024 amounts to EUR 1,272,163.94.

II. The total realized profit for 2024, after taxation, in the amount of EUR 1,272,163.94, is allocated to the retained earnings of the Company.

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

Irena Langer-Breznik
President of Management Board

Žarko Kruljac
Member of Management Board

Vladimir Brkljača
Member of Management Board

Alen Panić
Member of Management Board

Bruno Jozić
Member of Management Board

Zagreb, 30 April 2025

Pursuant to the provisions of Article 300.c of the Companies Act, after an examination submitted the proposal of the Decision in the use of profit, the Supervisory Board of the Company at its meeting on April 30, 2024, adopted the following

D E C I S I O N

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

I. It is determined that the total realized profit after tax for 2024 amounts to EUR 1,272,163.94.

II. The total realized profit for 2024, after taxation, in the amount of EUR 1,272,163.94, is allocated to the retained earnings of the Company.

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

Željko Menalo
President of the Supervisory Board

M SAN GRUPA d.o.o.
Dugoselska ulica 5,
10372 Rugvica,
Republika Hrvatska

www.msan.hr