

2025
ANNUAL
Report

This version of the Annual report is a translation from the original, which was prepared in the Croatian language.

All possible care has been taken to ensure that the translation is an accurate representation of the original.

However, in all matters of interpretation of information, views or opinions, the original language version of the Annual report takes precedence over translation.

m



CONTENTS

4	OVERVIEW OF KEY INDICATORS IN 2025
6	A COMMENT BY CHAIRPERSON OF THE MANAGEMENT BOARD
8	ABOUT US
18	CORPORATE GOVERNANCE
26	OPERATING BUSINESS
32	FINANCIAL OPERATIONS OF THE GROUP
44	OPERATING RISKS
50	PLANS AND EXPECTATIONS FOR 2026
52	AUDITOR'S REPORT AND FINANCIAL STATEMENTS
149	SUSTAINABILITY REPORT

OVERVIEW OF KEY INDICATORS IN 2025

GROUP IN 2025

BUSINESS REVENUE*
(IN EURO)

443.8 million

CHANGE
(COMPARED TO 2024)

(11.6%)

EBITDA*
(IN EURO)

9.6 million

CHANGE
(COMPARED TO 2024)

(16.9%)

EBIT*
(IN EURO)

5.9 million

CHANGE
(COMPARED TO 2024)

(31.0%)

NET PROFIT*
(IN EURO)

2.8 million

CHANGE
(COMPARED TO 2024)

(28.7%)

* 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 2025

COMPANY IN 2025

BUSINESS REVENUE*
(IN EURO)

303.4 million

CHANGE
(COMPARED TO 2024)

(11.5%)

EBITDA*
(IN EURO)

6.6 million

CHANGE
(COMPARED TO 2024)

36.7%

EBIT*
(IN EURO)

5.7 million

CHANGE
(COMPARED TO 2024)

47.8%

NET PROFIT*
(IN EURO)

3.8 million

CHANGE
(COMPARED TO 2024)

195.9%

*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

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



Dear Stakeholders,

For M SAN Group, 2025 — also the year in which we marked 30 years of existence — was a year in which we made clear and determined strategic decisions and laid the foundations for a new phase of development. In an environment marked by fluctuating demand, rising costs, and intensified competition, we consciously chose to actively transform our own business model rather than passively adapt to market conditions.

The results we achieved reflect precisely this approach. The decline in revenue and profitability in 2025 was not the result of a loss of market position, but rather the outcome of planned, strategic, and long-term decisions made by the Management Board. During the year, we exited programmes and business activities that were not creating adequate value and redirected resources into segments with greater growth and profitability potential. This discipline in portfolio management was implemented across the entire Group, including other members such as MR Servis.

At the same time, we implemented significant operational changes with a long-term impact. In the area of logistics, a new distribution model was introduced in the Republic of Croatia, including the opening of four regional logistics hubs. This improved the speed and reliability of deliveries, increased the level of service provided to customers, and further strengthened operational efficiency. Today, logistics represents one of the key elements of our competitiveness and a platform for further growth.

We also continued implementing the Group's digital transformation, with a clear focus on increasing operational efficiency and the long-term scalability of the business. During the year, projects aimed at developing our own digital solutions were further intensified. We launched the development of the VIVAX digital platform as the foundation of a future digital ecosystem, while at the same time beginning the implementation of the SAP ERP system for VIVAX with the goal of standardizing, automating, and integrating key business processes. These initiatives enable a higher level of business control, faster and better decision-making, and create the preconditions for further optimization of operating costs and sustainable growth.

In the area of sustainability, we made a concrete step forward. Through M SAN EKO, we successfully obtained the status of collector and processor of waste electrical and electronic equipment, with a clearly defined target of collecting 13 thousand tonnes of waste from various

categories of electrical and electronic equipment. In doing so, we are actively contributing to the achievement of national targets for the separate collection and recovery of WEEE, while further confirming our expertise, operational capacities, and commitment to the development of a circular economy. At the same time, we are integrating ESG principles even more firmly into the foundation of our business model.

In financial terms, the Group generated revenue of EUR 443.8 million, EBITDA of EUR 9.6 million, and net profit of EUR 2.8 million. At the same time, operating costs were reduced by 11.5%, confirming that rationalization and optimization measures were implemented decisively and systematically. Emphasis was placed on capital and balance sheet management, with further strengthening of the capital structure, preservation of stable liquidity, and reduction of financial indebtedness.

A key strategic step forward is the launch of the “MSAN 3.0” project — a comprehensive transformation of the business model across all distribution companies within the Group. In the second half of 2025, we began considering various options for spinning off certain divisions into separate companies, and this is planned to be carried out during 2026, depending on the completion of the necessary legal, tax, and organizational prerequisites. This is a far-reaching reorganization involving the separation of operations, with the possible establishment of new legal entities and the clear positioning of the key segments — M SAN, Zelena, and VIVAX.

The current model, in which different divisions operated within a single legal entity, had reached its operational limits. With the new organizational structure, we are removing that complexity and introducing clear accountability, independent management, and full responsibility for the results of each segment. In this way, we are building an organization that is more agile, more focused, and better able to use its own resources efficiently.

Within this framework, we have defined an initial direction of development that includes the following potential steps:

IT and Enterprise operations across all countries in the region are planned to be spun off into separate M SAN entities, with a focus on distribution and value-added solutions supported by high operational efficiency.

The Zelena division, together with the companies Data Link and the Centar kompetencije za zelenu energiju, is being considered as a platform for integrated turnkey solutions in the field of energy efficiency, renewable energy sources, and smart energy management, with the aim of potential full integration within Pametna energija d.o.o. (a company under common ultimate ownership) during 2026.

VIVAX and MS Energy will continue to be developed as separately organized brands, with a focus on further expansion into European markets through a possible adjustment of the organizational structure via VIVAX companies.

These changes represent a clearly directed strategic shift. We are building an organization that is simpler, more efficient, and ready for the next phase of growth, with a clear focus on the segments in which we can achieve a long-term competitive advantage.

We view 2025 as a turning-point year — a year in which we consciously optimized our existing operations in order to create room for stronger and higher-quality growth in the future.

We are entering 2026 with a clearly defined direction, stable foundations, and a focus on profitability, development, and market expansion.

We would like to thank all employees and partners for their trust and support in implementing these strategic changes.

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, among others, the following companies operate in the region: Kim Tec Bosnia and Herzegovina, Kim Tec Serbia, Kim Tec Montenegro and Pakom Kompani North Macedonia, Alterna distribucija Slovenia and Ask Tec Kosovo. During 2025, the Company founded three new companies: VIVAX ESPANA (Spain), VIVAX HELLADA (Greece) and VIVAX ALBANIA (Albania).

In addition to the above, the Group distributes IT equipment and consumer electronics of its own brands, which include TV sets, air conditioners, lighting fixtures (LED lamps), white goods, desktop computers and electric mobility products (electric scooters, electric bicycles and electric motorcycles), 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). In addition to already mentioned companies, inside the Group there also operate: Data Link d.o.o. and Centar kompetencije za zelenu energiju d.o.o. The Group has one branch.

Since its establishment, the Group has implemented a strategy for 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 centers 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 the 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.

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


VIVAX brand as a domestic product has been present on the Croatian market since 2004 and has been placed on a total of 42 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 accessories). 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.


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

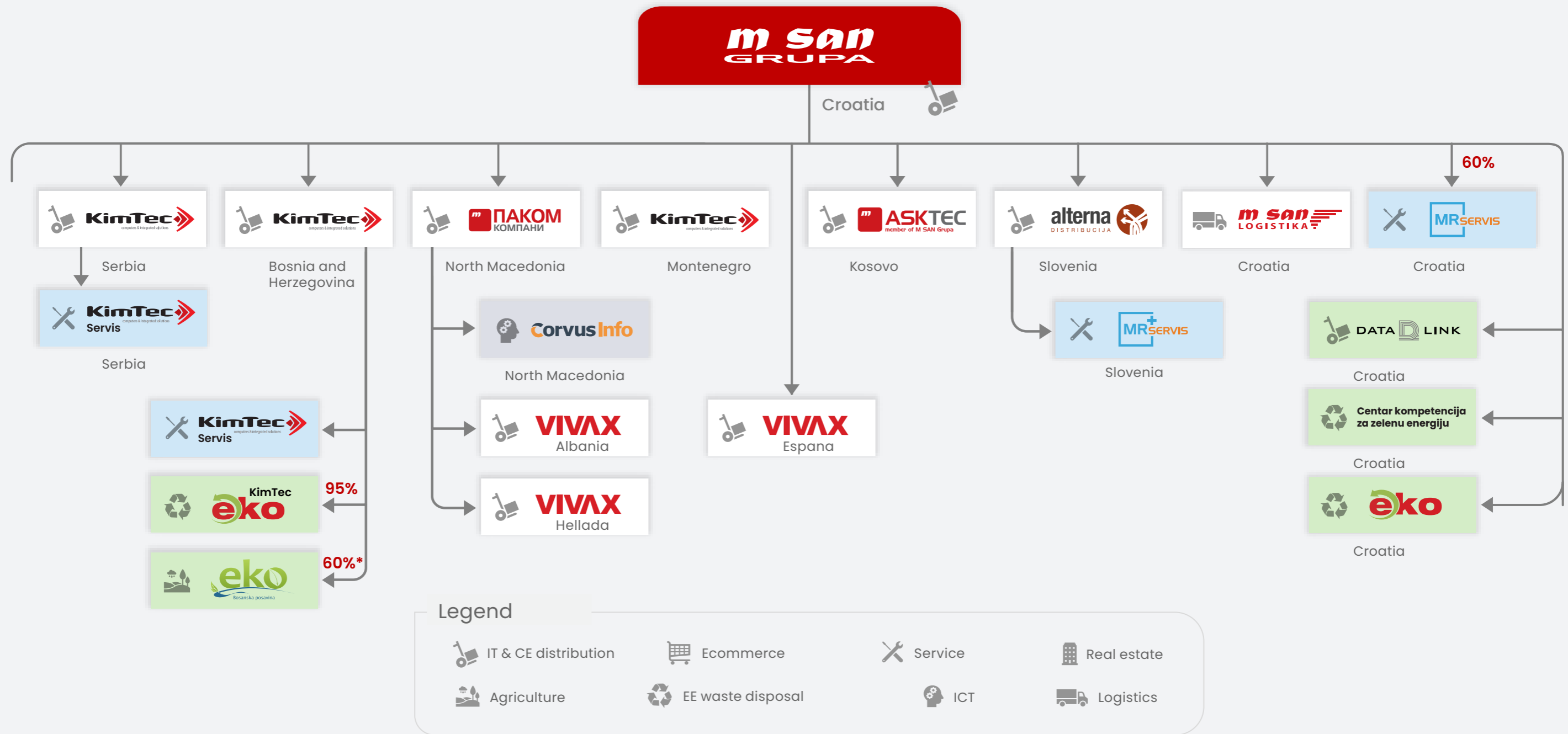
 **MS LUX** is one of the leading European manufacturers of professional lighting. Utilizing state-of-the-art LED technology, it replicates sunlight, adapting and optimizing it for all needs with the smallest ecological footprint. The development of the production of MS Lux lighting began in 2015 under 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 tests of correctness. MSGW computers meet 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, 2025, 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.

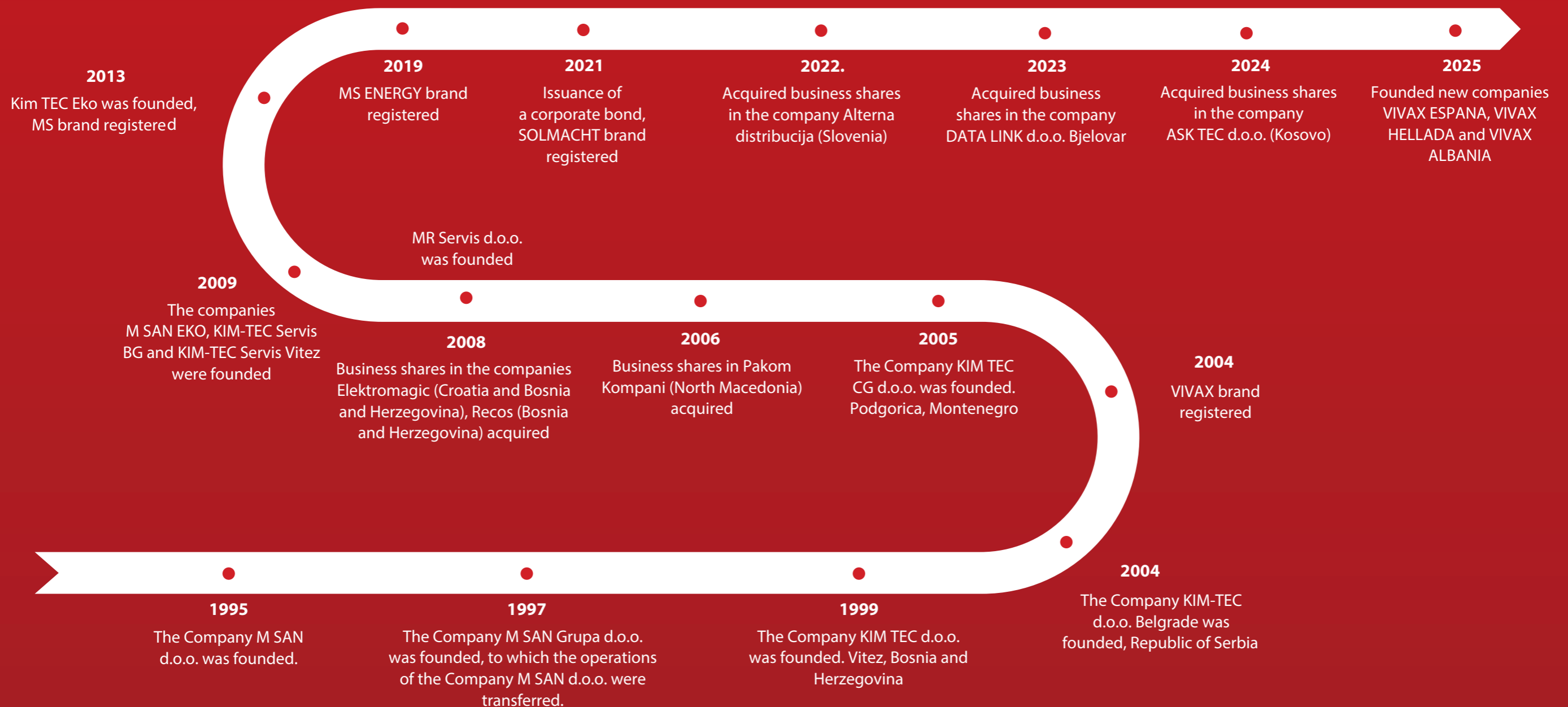
THE M SAN GRUPA'S LOGISTICS IS AMONG THE MOST DEVELOPED IN THE REGION, WHICH ENSURES FAST AND ACCURATE DELIVERY.

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 many partners, the Group has significantly diversified its operations. 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 11.0% in 2025.



HISTORICAL DEVELOPMENT OF The Group



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 until May 1, 2025,

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,

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 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 2025, a total of 476 employees contributed to the core business of the parent Company M SAN Grupa and related companies in Croatia, as well as 384 employees in the region (Serbia, Bosnia and Herzegovina, Montenegro, North Macedonia, Slovenia, Kosovo, Spain and Albania). A total of 860 employees contributed to the growth and development of our companies during the year as of 31 December 2025.

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 to reach end consumers
- lean operations



7.400+

PARTNERS



200.000

PRODUCTS DELIVERED
PER MONTH



850+

EMPLOYEES



6

OWN
BRANDS

CORPORATE GOVERNANCE

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

The M SAN Grupa is not obliged to apply the Corporate Governance Code of the Croatian Financial Services Supervision Agency and the Zagreb Stock Exchange d.d. (https://zse.hr/UserDocsImages/docs/issuers/corp_governance/2025%20-%20ZSE%20Corporate%20Governance%20Code.pdf?vel=470807), 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 guidelines for the ethical behavior 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.

DESCRIPTION OF DIVERSITY POLICY

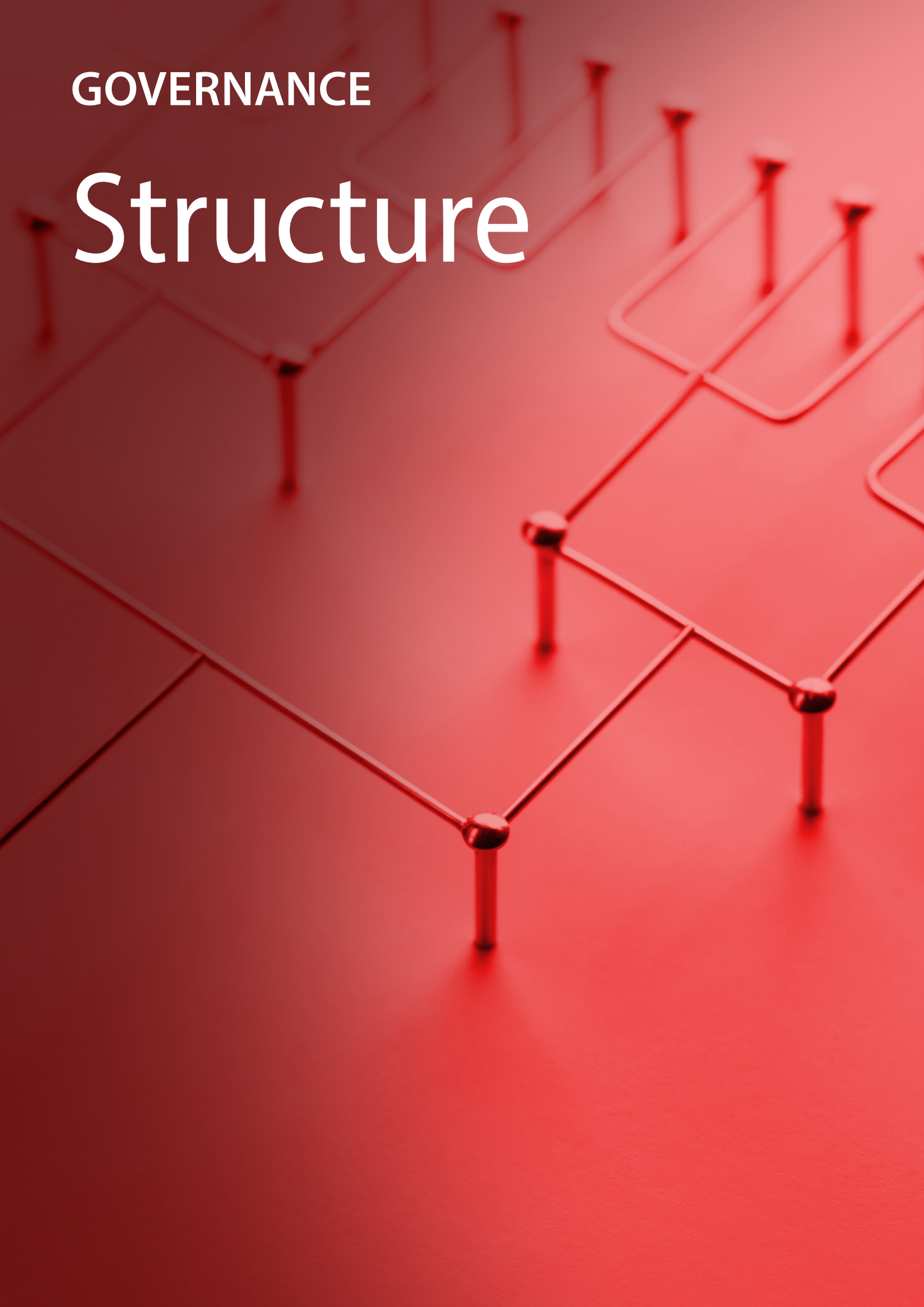
The employment policy within the Group respects the personal integrity of each individual by respecting the principles of diversity and equal opportunities. Diversity is one of the characteristics of our organizational culture, which has been present since the founding of the Company, and is manifested 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 2025, the Supervisory Board consisted of five members, while the number of Management Board members decreased from seven at the beginning of the year to 5 from March and then to 4 starting from May.

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 behavior, 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, considering 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 a 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 several management positions in the M SAN Grupa for 20 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. From 2011 to 2023, Mrs. Langer Breznik lead 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 19 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. From 2009 up until 1 May, 2025 Mr. Kruljac was a member of the Company's Management Board.

SLAVEN STIPANČIĆ

MEMBER OF THE MANAGEMENT BOARD

During his 21 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 a member of the Management Board from 2009 until 1 March 2025.

ALEN PANIĆ

MEMBER OF THE MANAGEMENT BOARD

During almost 21 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 21 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 to produce 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 26 years, Miroslav Huzjak has been working in leading positions in the M SAN Grupa, leading teams of professionals who have positioned the Company as the most important ICT and CE distributor in the Adria region. He worked in various jobs in the Company, and held a managerial position in the commercial department, which in addition to the responsibility for the organization of the commercial department, and its successful operation and the positioning of M SAN as a market leader, included numerous other responsibilities. Mr. Huzjak was responsible for conducting key negotiations for concluding a distribution contract with the largest globally significant principals, thanks to which M SAN became an authorized distributor of numerous world-famous brands, both in the territory of the Republic of Croatia and regionally. As of 1 January 2023, Mr. Huzjak holds the position of Deputy Chairman of the Supervisory Board of the M SAN Grupa.

MARKO RAŠIĆ

MEMBER OF THE SUPERVISORY BOARD

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

STIPO MATIĆ

MEMBER OF THE SUPERVISORY BOARD

Stipo Matić founded M SAN in 1995 and is its sole founder and member. In the period until 2009, Stipo Matić held the position of director of M SAN Grupa, and then took over the position of Chairman of the Supervisory Board of the Company. Moreover, Stipo Matić is the director of M SAN Logistika d.o.o. and M SAN EKO d.o.o., member of the Management Board of eKupi d.o.o., as well as the Chairman of the Supervisory Board of KING ICT d.o.o. Today, the portfolio of companies owned by him includes KING ICT d.o.o., eKupi d.o.o., Ured za podršku d.o.o., CORVUS PAY d.o.o., Agro Invest Grupa d.o.o., and others. He was a 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 and KING ICT 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 division includes the categories of 20 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 a brand of desktop computers called MSGW, which is manufactured in an automated plant to produce 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.

During 2025, the ITCE division conducted an in-depth analysis of all distribution channels and product groups with the aim of clearly defining its strategic focus. Based on the results of the analysis, it was decided to discontinue distribution lines that require significant capital engagement without generating an adequate return, and to redirect that capital toward segments with greater growth and profitability potential. This laid the foundations for more flexible development of the division and a sustainable return on invested capital.

The exit from unprofitable distribution lines, together with the postponement of major projects, particularly in Serbia and Montenegro, resulted in a short-term decline in revenue of EUR 57.4 million compared to the previous year (29.2%). However, this was the consequence of deliberate and planned decisions which, alongside a reduction in operating costs, led to a 45% decrease in capital employed.

During 2025, particular emphasis was placed on developing new distribution partnerships in the advanced technologies segment and strengthening our own brand portfolio. In this context, a significant step forward was achieved through the conclusion of a regional distribution agreement for the Insta360 brand, while intensive negotiations were simultaneously conducted with several high-tech manufacturers, with new partnerships expected to be finalized in the near term.

At the same time, the focus shifted to the development of new value-added categories such as robotics, drones, smart gadgets, and advanced components. Already in the first year, certain product groups recorded revenue growth, specifically: processors 25.7%, graphics cards 75.1%, motherboards 14.0%, cameras and photographic equipment 50.2%, and drones 6.0%.

In parallel with the development of the distribution portfolio, intensive efforts were made to strengthen and develop our own brands. The MS brand was enhanced in the office peripherals and accessories segment, while at the same time key steps were taken toward the launch of a new premium gaming brand under the name Grey Wolf, aimed at more demanding users and higher value-added markets.

By the end of the first quarter of 2026, the reorganization is expected to be completed and the transition to the new business model to be completed in full. The new model will enable faster distribution processes, reduce operating costs by approximately 40%, and allow the released capital to be redirected into investments in new categories, brands, and markets. Based on these foundations, the ITCE division expects more flexible and profitable operations in 2026 as well as in the years ahead.

VIVAX DIVISION

The Vivax division in 2025 was marked by a strong first half of the year and more challenging market conditions in the second half, alongside the implementation of important strategic decisions aimed at long-term profitability and business stability. At the full-year level, VIVAX recorded a 4.3% decline in revenue compared to the previous year.

The result was affected by weaker demand in certain categories, increased competitive pressure in EU markets, and seasonal factors. In the air-conditioning segment, the unusually unfavorable weather during July, at the peak of the sales season, had a particularly significant impact, amplifying the effect on full-year sales performance.

One of the reasons for the decline in revenue was a deliberate strategic decision, made during the third quarter, to exit the TV category. The aim of this decision was to reallocate capital to projects with higher returns and greater long-term sustainability. The released capital was directed toward international expansion through the Group's own companies, the development of commercial air-conditioning units, and the further strengthening of the white goods and small household appliances portfolio.

In the small household appliances segment, the process of restructuring the product range continued, including the exit from seasonal and less profitable categories, with the aim of reducing seasonality and increasing the average margin. At the same time, the white goods segment recorded strong growth, confirming the resilience and competitiveness of the portfolio.

The second half of the year was marked by the start of operations of VIVAX España and VIVAX Hellada, the Group's own companies, which marked the beginning of a new phase of international expansion and a more direct market approach in strategic EU markets.

In the fourth quarter, the implementation of a new commercial policy was launched with the aim of improving commercial efficiency, standardizing the market approach, and strengthening business profitability. With the launch of the "Works best with life" campaign, the transition to a brand-led business model and the long-term strengthening of brand value continued.

Although 2025 ended with a slight decline in revenue, it represents a period of strategic transformation and capital reallocation toward more profitable and sustainable segments. The business remains operationally stable, with a clear focus on revenue quality, international growth, and long-term competitiveness.

GREEN DIVISION

The consolidated total revenue of the Green Division for 2025 amounts to EUR 13.7 million, which corresponds to decrease in revenue of 46.4% compared to 2024. Both strategic groups recorded decrease in revenue with LED decreasing by 44.6% and solar power plants by 47.3%. The decline was almost evenly distributed in whole region where Group operates and was within 43.5% to 54.6%, excluding the Bosnia and Herzegovina where the decline was 34.1%.

During 2025, the Green division, like ITCE, went through a business model transformation process. The goal of this change is to move beyond traditional distribution toward the provision of “turnkey” solutions that include development, design, implementation, and maintenance. In this way, the aim is to create long-term value for partners and users, while at the same time reducing the business’s sensitivity to the volatility of individual projects.

In the reporting period, a significant part of activities was focused on the reorganization and integration of LED and solar solutions. Although the focus on internal adjustment temporarily slowed down sales results, we are proud of the progress made in the development of new products and technologies. We especially highlight the progress in the development of Human Centric Lighting (HCL), a technology that adjusts lighting to natural human biological rhythms. HCL lamps enable the optimization of light intensity and temperature throughout the day, which positively affects users’ concentration, productivity, and general wellbeing. This technology represents the future of public and business lighting, and M SAN, with its development and own prototypes, is creating the prerequisites to be one of the pioneers in its implementation in regional markets.

In addition to HCL, the Agora line of ambient lamps was completed, and development steps for new products such as tunnel lighting and public lighting poles were initiated. Operational optimization measures are being carried out in parallel – reducing component costs and systematically reducing inventory with the aim of relieving the balance sheet.

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, to provide competitive goods and services to business ICT partners. Its offer includes several dozen global brands, including:



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.

During 2025, revenue growth of 12.8% was achieved compared to the previous year. Despite very complex market conditions, both local and global, this represents the best result in the division's history. The Cloud sector grew by 1.4%, the Infrastructure sector by 8.9%, and the Software sector recorded growth of 29.7%. From a territorial perspective, the Croatian market grew by 2.6%, Serbia by 26.0%, Montenegro by 9.6%, while the Slovenian market achieved an exceptional sales increase of 37.8%. The markets that recorded a decline in sales were Bosnia and Herzegovina by 14.9%, Kosovo by 33.8%, and North Macedonia by 10.8%. Total division revenue amounted to EUR 125.4 million.

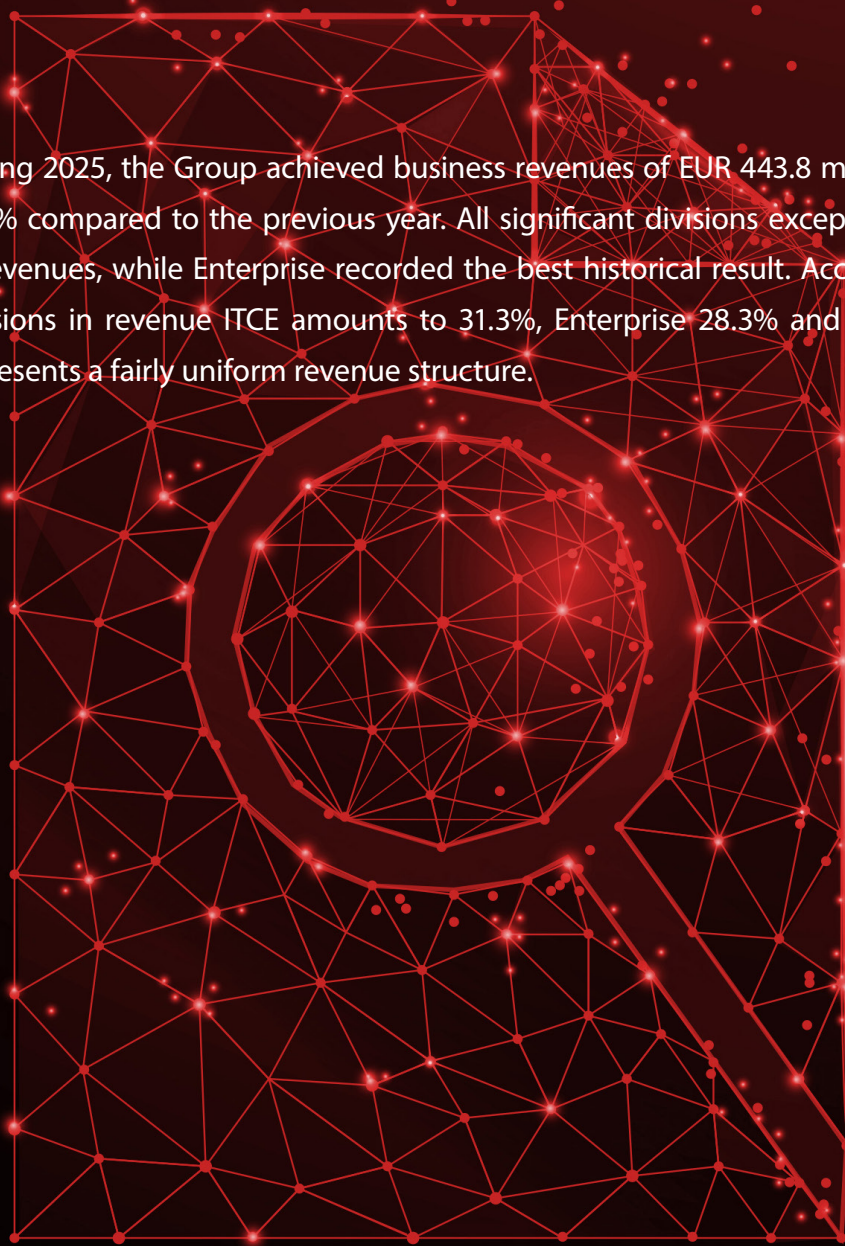
Fluctuations in realized revenue are more the norm than the exception in the project-based technology sector. They primarily depend on the implementation of major corporate or public-sector investment cycles, so the decline in revenue was caused either by the absence of such cycles in certain countries or by economic stagnation. Regardless of this, market positions, capacities, and further investments continue to be developed in line with a multi-year strategic framework.

With the continuation of accelerated technological and business changes, the Enterprise division carried out, prepared, and is implementing a range of organizational, educational, and professional investments to keep pace with upcoming trends and market changes. This includes the introduction and strong positioning of new distribution partnerships with two major technological players, Red Hat and Check Point Software, in line with market developments and needs around AI-ready critical infrastructure. These are leading global tools for the development, virtualization, and integration of heterogeneous systems, as well as an essential response to the growing need for digital security as an integral part of the digitalization process.

FINANCIAL

Operations of the Group

During 2025, the Group achieved business revenues of EUR 443.8 million, representing a decrease of 11.6% compared to the previous year. All significant divisions except Enterprise recorded a decrease in revenues, while Enterprise recorded the best historical result. According to the share of individual divisions in revenue ITCE amounts to 31.3%, Enterprise 28.3% and Vivax 26.3% respectively, which represents a fairly uniform revenue structure.



REVENUE BY DIVISION IN 2024 AND 2025

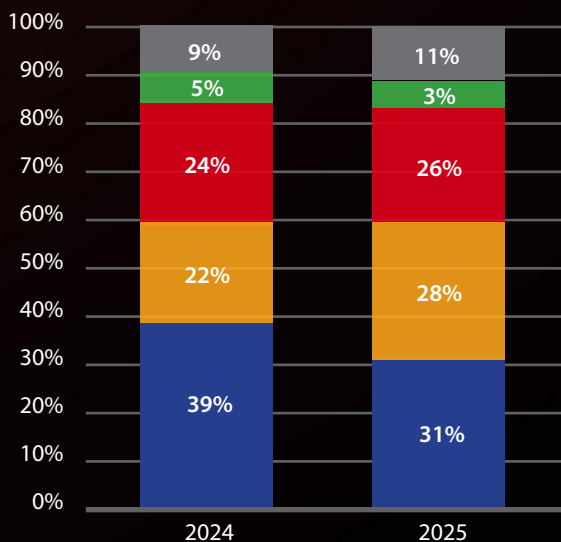
Table 1: Revenue by division

(in thousand EUR)

Division (Name)	2024	2025	Difference	% Change
ITCE	196,321	138,913	(57,409)	(29.2%)
Enterprise	111,130	125,374	14,244	12.8%
VIVAX	122,132	116,886	(5,246)	(4.3%)
Green	25,660	13,743	(11,917)	(46.4%)
Other	46,807	48,870	2,063	4.4%
Total	502,049	443,785	(58,264)	(11.6%)



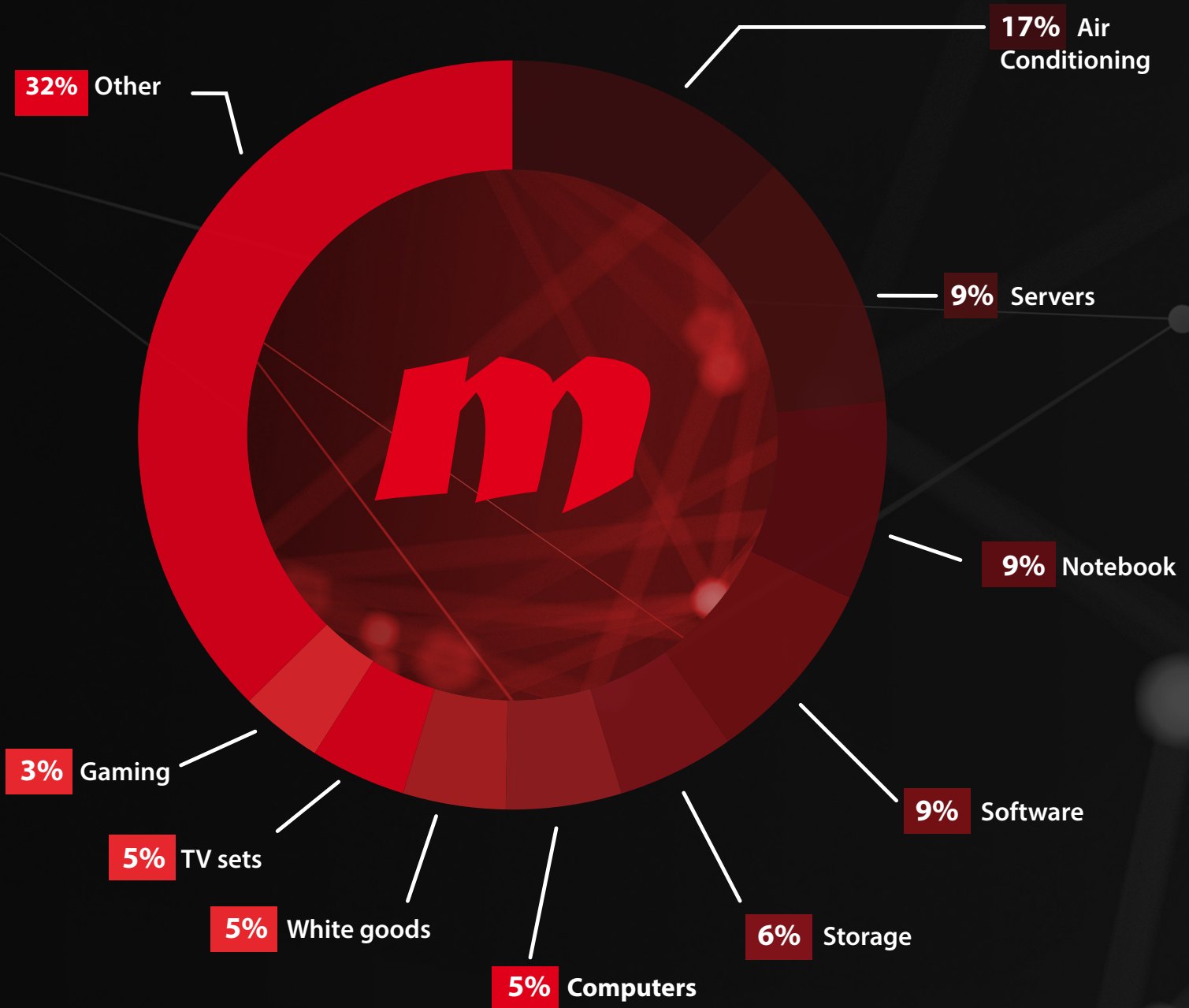
Graph 1: Share of sales of own and partner brands in 2025



Graph 2: Revenue structure by Divisions

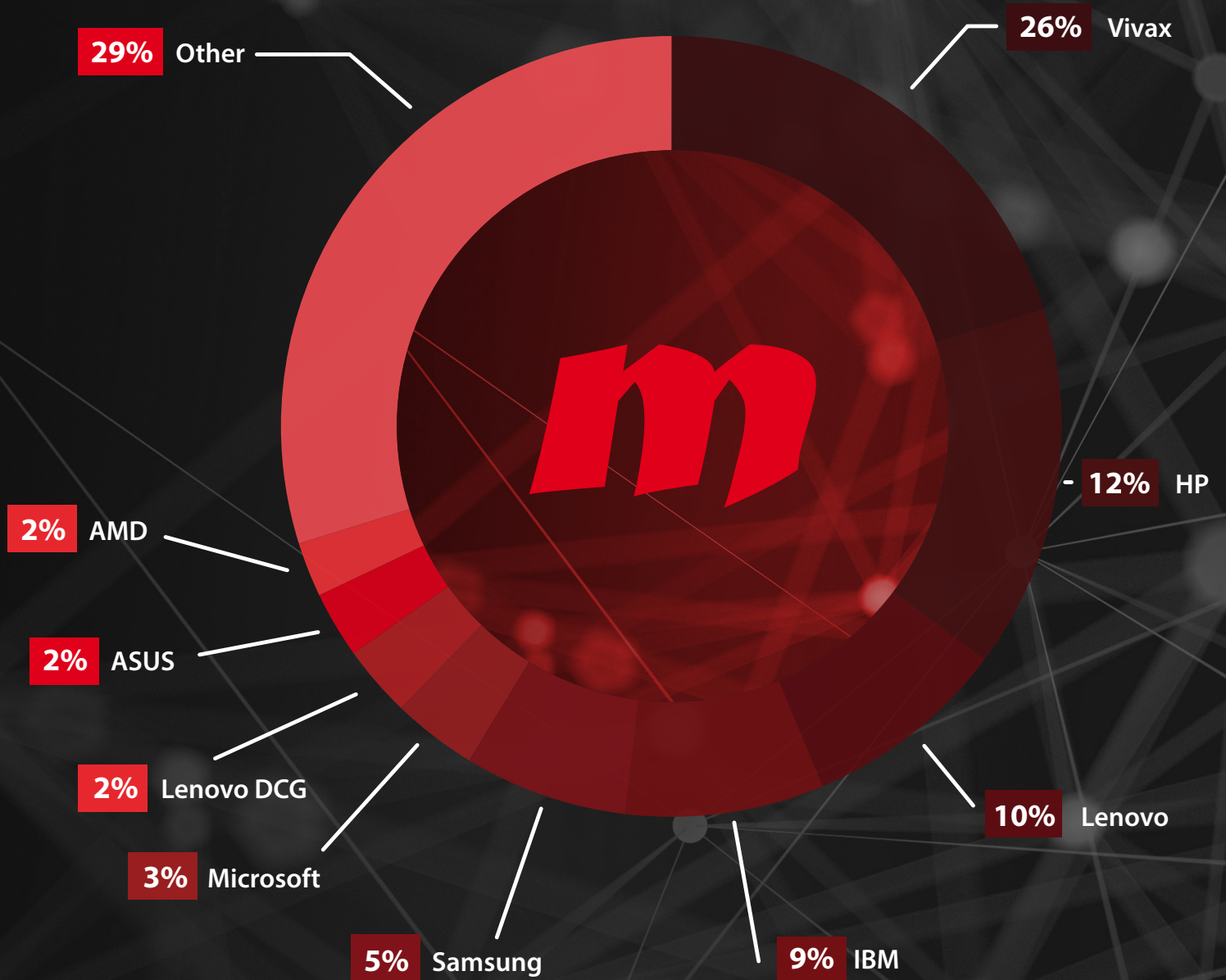
■ ITCE ■ Enterprise ■ Vivax ■ Green ■ Other

SALES REVENUE BY STRATEGIC GROUPS IN 2025



Graph 3: Sales Revenue by Strategic Groups in 2025

SALES REVENUE BY BRANDS IN 2025

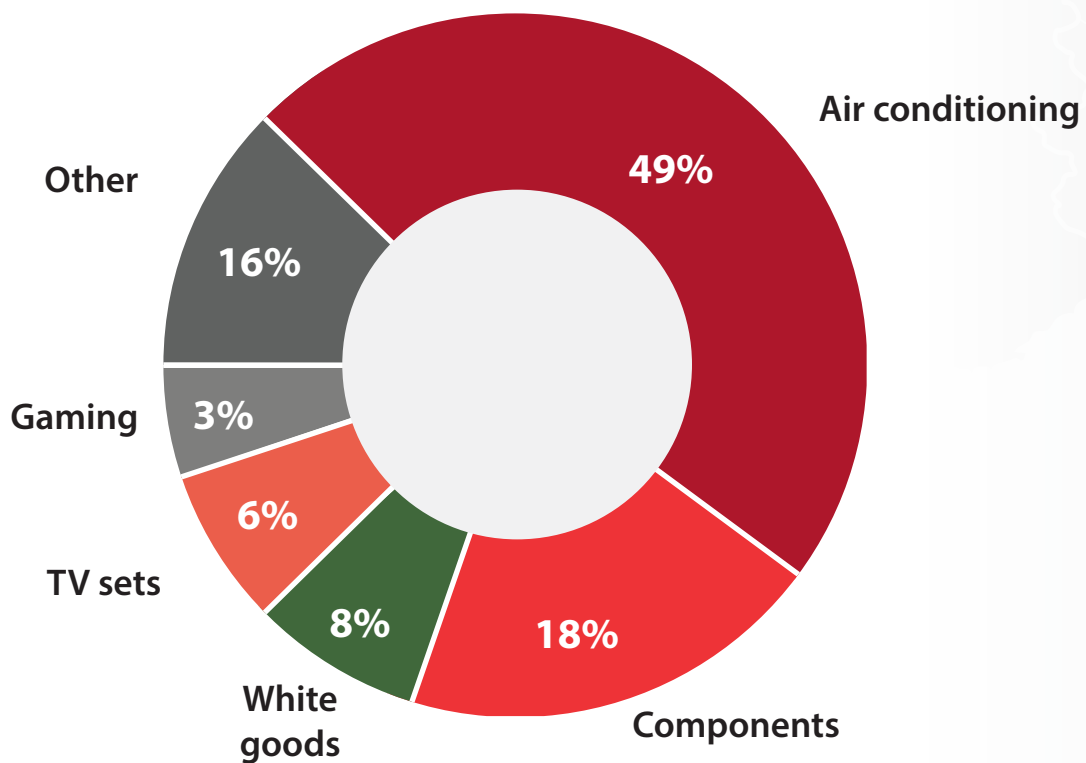


Graph 4: Market Share in Sales Revenue by Brands in 2025

MARKET SHARE IN SALES REVENUE BY COUNTRIES IN 2025

Geographically, 41.1% of the Group's revenue comes from sales in Croatia, 14.1% from Serbia, 13.6% from Slovenia, 8.4% from Bosnia and Herzegovina, 4.7% from North Macedonia, 4.4% from Montenegro, and 2.7% from Kosovo. The remaining 11.0% comes from exports, that is, from countries in which the Group had no affiliated companies during 2025.*

**Since November 2022, the Slovenian market has been considered a 'domestic market,' as of the end of May 2024, this designation also applies to the Kosovo market, from March 2025 on the Spain market, June 2025 on the Greece market and from the July 2025 on the Albania market.*



Graph 5: Sales Share by Segments in Countries without Subsidiaries in 2025



Graph 6. Share in sales revenue by countries

FINANCIAL INDICATORS

Table 2: Profit and Loss Statement for the Year 2025

(in thousand EUR)	2024	2025	% Change
Business revenue*	502,049	443,785	(11.6%)
EBITDA*	11,544	9,593	(16.9%)
EBIT*	8,542	5,898	(31.0%)
Net income*	3,878	2,766	(28.7%)

Table 3: Financial Indicators for the Year 2025

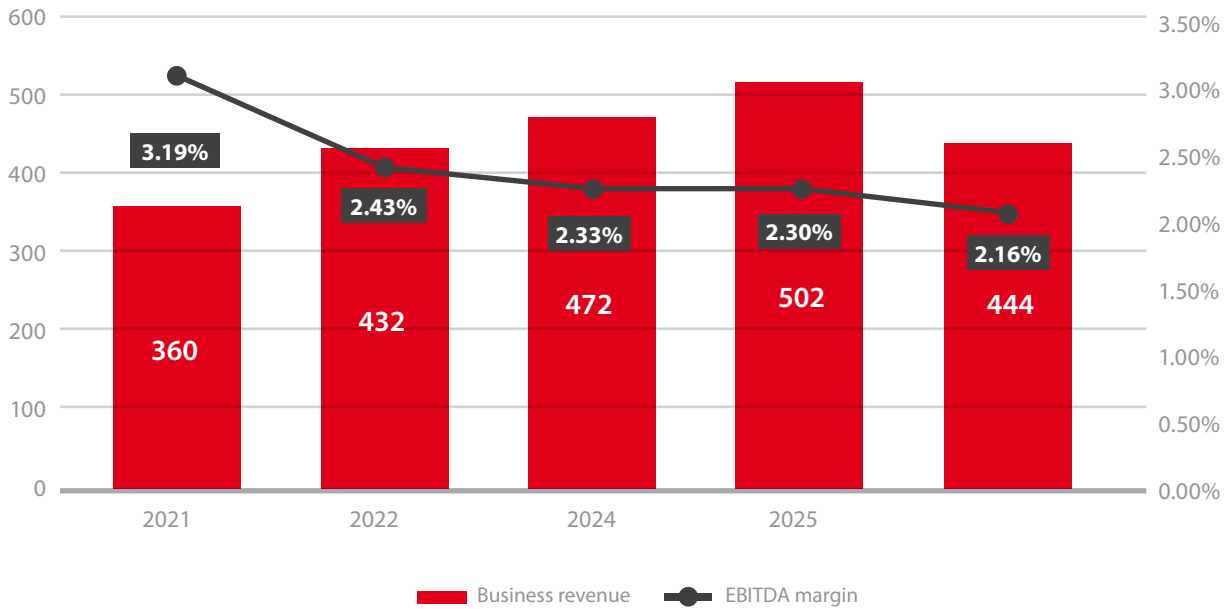
(in thousand EUR)	December 31, 2024	December 31, 2025
Net financial debt*	21,269	25,309
Total assets*	206,447	190,216
Total equity*	49,179	51,845
Current ratio*	1.2	1.2
Net working capital (days)*	30.2	45.9
Equity ratio*	23.8%	27.3%
NFD / EBITDA*	1.8	2.6

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 revenue and EBITDA margin trend over 5 year period

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



The Group's operating revenues declined by 11.6% compared with the previous year, amounting to EUR 443.8 million. The decrease in operating revenues was primarily the result of management decisions, implemented as planned, aimed at optimizing the product portfolio, whereby the Group exited programs and business activities that were assessed as not generating adequate value.

Operating expenses (without depreciation) in 2025 decreased by 11.5% and amounted to EUR 434.1 million. The largest share of operating expenses (84.7%) consisted of the cost of goods sold, which declined by 13.8% in 2025. In addition to the cost of goods sold, raw materials and supplies expenses also decreased. Personnel expenses, service costs, and other expenses recorded an increase.

Table 4: Operating costs in 2025

(in thousand EUR)	2024	2025	% Change
Costs of goods sold	426,834	367,800	(13.8%)
Cost of raw materials and supplies	7,504	5,026	(33.0%)
Staff costs	23,248	25,043	7.7%
Cost of services	26,839	30,145	12.3%
Other expenses	6,072	6,129	0.9%
TOTAL	490,497	434,143	(11.5%)

Table 4: Operating costs in 2025

The Group's net financial expense amounted to EUR 2.2 million. The Group ended the year with a net result after tax of EUR 2.8 million, representing a decrease of 28.7%.

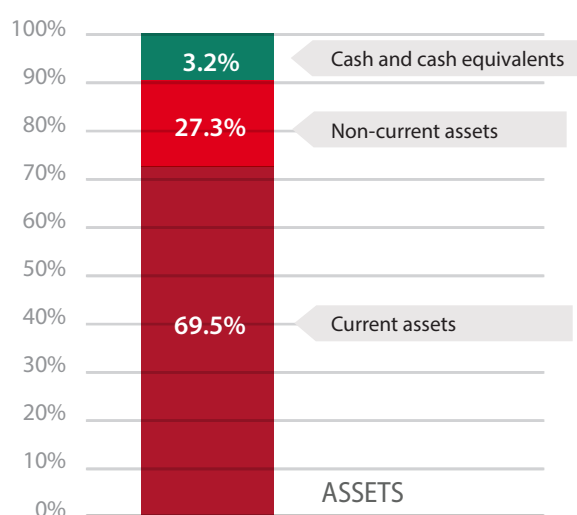
In 2025, the Group's EBITDA amounts to EUR 9.6 million (2024 EUR 11.5 million), which is a decrease of 16.9% compared to the previous year. The operating profit amounted to EUR 5.9 million, representing a decrease of 31.0% compared to the year 2024.

ASSETS AND LIABILITIES

As of 31 December 2025, the Group's total assets decreased by 7.9% compared with the previous year, amounting to EUR 190.2 million, with current assets declining by 8.5% and non-current assets by 5.0%. The Group's current assets accounted for 80.6% of total assets. Inventories decreased by 18.3%, while trade receivables fell by 2.2%.

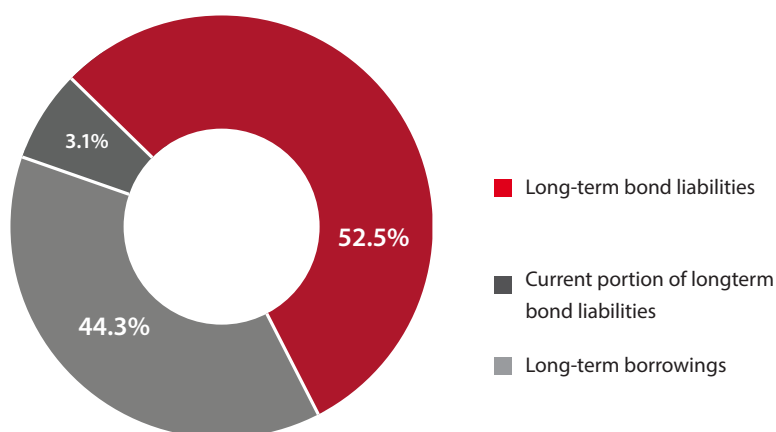
As of 31 December 2025, 69.5% of the Group's sources of assets consisted of current liabilities, representing a decrease of 2.2% compared with the previous year. Of the total current liabilities, liabilities to suppliers accounted for 49.4% and declined by 27.9% compared with the previous year. The Group's equity accounted for 27.3% of total sources of assets and increased by 6.1% compared with the previous year. Total non-current liabilities decreased by 72.2% compared with the previous year, in line with amortization plans.

Structure of Assets and Sources of Assets of the Group on 31 December 2025



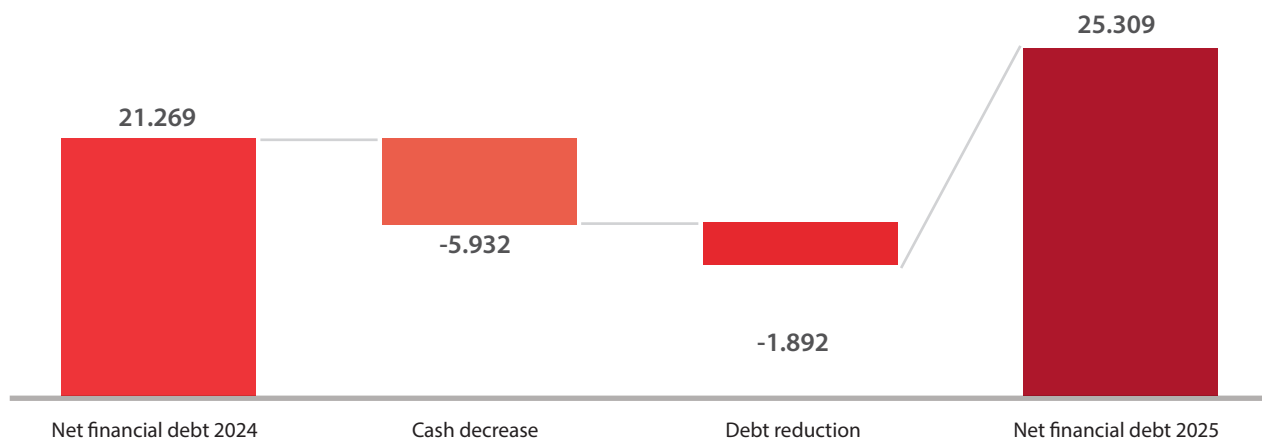
Graph 8: Structure of Assets and Sources of Assets of the Group in 2025

Structure of Financial Liabilities at 31 December 2025



Graph 9: Structure of Financial Liabilities at 31 December 2025

The Group's financial debt increased by 19.0% in 2025, with a simultaneous decrease in debt of 5.0% and a decrease in cash of 35.9%. The structure of total liabilities is shown in charts 8 and 9.



Graph 10: Movement of Financial Debt during 2025

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
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	Net debt divided by EBITDA
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 above-mentioned standards.

The above-mentioned measures have been presented 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 management 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 most 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 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 is ready to respond to all logistical and financial requirements exist.

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 if 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 principles, 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

Competition in product distribution is present in all markets in which the Group operates, given the policies of principals and the absence of exclusivity in the distribution of IT equipment and consumer electronics. In most product categories distributed by the Group, at least two distributors have the right to sell the same or similar products, and in some cases as many as three or four. With Croatia's accession to the EU, the market of the Republic of Croatia was opened to the free import of goods from EU Member States, thereby enabling other distributors to place goods on the Croatian market as well. This opening of the market led to the entry of several pan-European distributors into the market of the Republic of Croatia, either through the acquisition of a local distributor or by opening local offices.

The market in which the Group operates is fragmented, with many partners engaged in the sale of IT equipment and consumer electronics or in systems integration. As the retail market becomes more concentrated, the share of larger partners increases at the expense of smaller ones, and the likelihood of principals cooperating directly with large partners rises, which could potentially reduce the Group's market and lead to a decline in revenue. Although, in past cases, the presence of a new distributor in the market did not have a significant impact on the Group's operations, if the Group is unable to compete adequately with its competitors over the long term, this could result in a weakening of the Group's competitive position and adversely affect its business.

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 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 increase 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 42 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 Group'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 Group'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 many 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 enough 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 lead to a significant increase in variable interest rates and considers 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 pursues an active sales policy under which it monitors business relationships with all customers within the framework of predefined credit limits and established policies, with the level of approved credit limits granted by insurance companies insuring receivables playing an important role. In addition, the Group sets a maximum credit limit and payment terms for customers with an appropriate credit history. Accordingly, strict controls are implemented over collections and the delivery of goods, as well as the obtaining of security instruments from debtors (bank guarantees, promissory notes and bills of exchange, the registration of security interests, and occasional rights to return goods).

LIQUIDITY RISK

Liquidity implies maintaining enough 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 borrow from financial institutions.

Liquidity risk occurs because 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 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 because 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 2026

Although we expect 2026 to remain characterized by geopolitical uncertainty, volatile demand, cost pressures, and intensified competition, we are entering this new business period with a significantly clearer strategic focus, a streamlined portfolio, and the operational foundations established during 2025. Therefore, we view 2026 as a year for executing transformation, organizational strengthening, and creating the conditions for higher quality, more profitable, and internationally stronger growth.

At the core of our expectations is the implementation of the “MSAN 3.0” project, specifically the continuation of the Group’s organizational and, where applicable, legal reorganization. During 2026, the focus will be on a clearer separation of business segments, strengthening accountability for results, simplifying the management structure, and increasing agility and efficiency across the Group. In doing so, we aim to provide each key segment with clearer strategic positioning, faster decision-making, and more efficient resource utilization.

Simultaneously, we see 2026 as a year of significant expansion into foreign markets. In the IT and Enterprise business, our goal is to further strengthen our regional presence and develop a specialized distribution model and value-added solutions. VIVAX and MS Energy will continue to develop with a focus on expanding their presence in European markets, developing the partner network, and strengthening export potential.

Following the optimization measures implemented in 2025, we expect a further strengthening of operational efficiency and the gradual stabilization of profitability in 2026. The new logistics model and network of regional hubs are expected to further improve customer service quality, increase business scalability, and create a robust platform for growth in both domestic and export markets.

A significant part of our expectations for 2026 involves the further integration of sustainability into the Group’s business model. The development of M SAN EKO, activities related to the circular economy, and projects in the fields of energy efficiency and renewable energy remain vital elements of our long-term development and responsible business practices.

Responsibility for Unconsolidated and Consolidated Financial Statements

Pursuant to the Croatian Accounting Act, the Management Board is responsible for ensuring that Unconsolidated 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 Unconsolidated 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



Vladimir Brkljača

Member of the Management Board




Alen Panić

Member of the Management Board



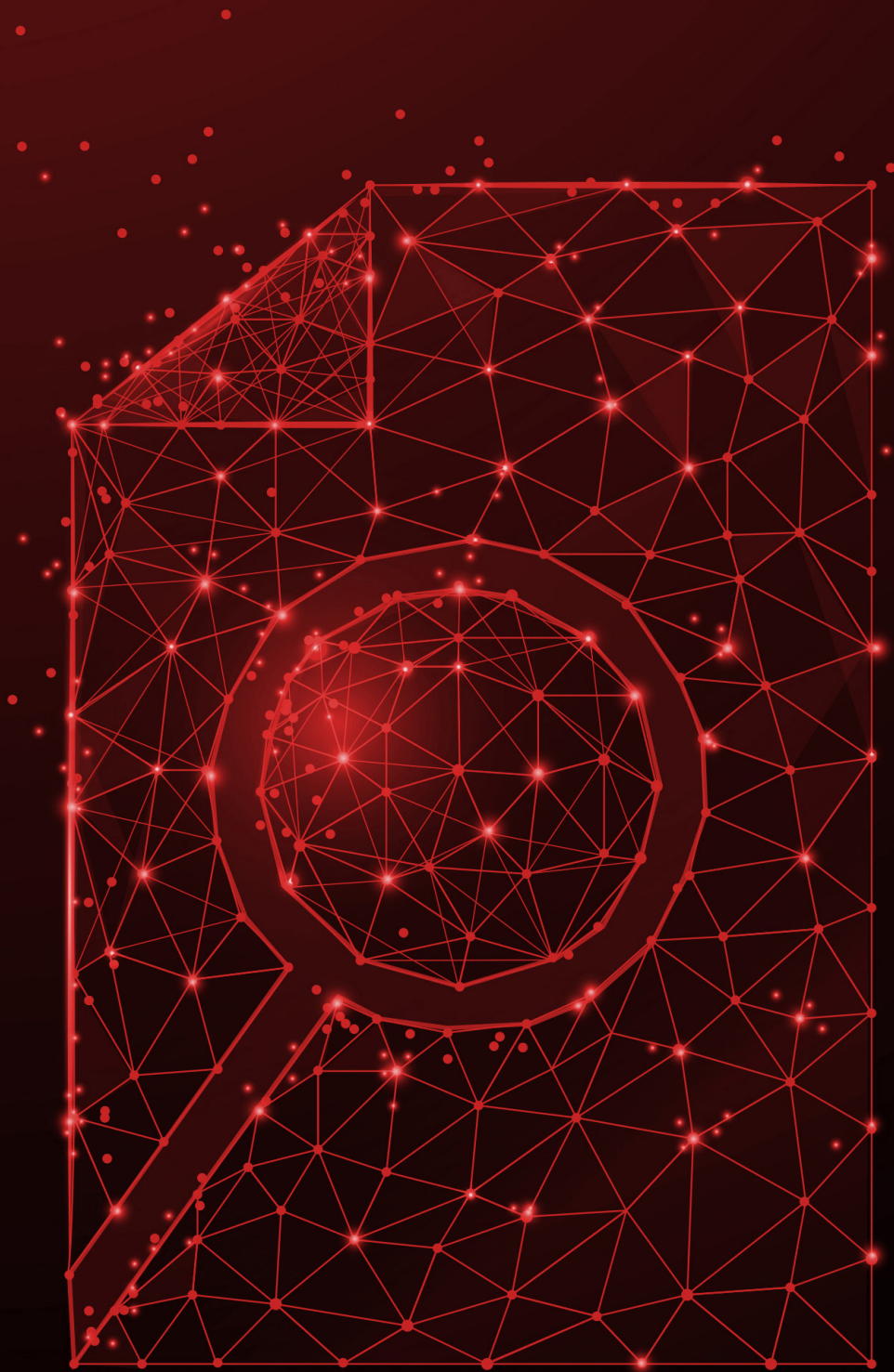
Bruno Jozić

Member of the Management Board



AUDITOR'S REPORT AND

**Financial
Statements**



INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of unconsolidated and consolidated annual financial statements

Opinion

We have audited the unconsolidated and consolidated financial statements of M SAN GRUPA d.o.o., (the Company) and its subsidiaries (the Group), which include unconsolidated and consolidated Statement of Financial Position as at 31 December 2025, unconsolidated and consolidated Statement of Comprehensive Income, unconsolidated and consolidated Statement of Cash Flows and unconsolidated and consolidated Statement of Changes in Equity for the year then ended, as well as the accompanying Notes to the unconsolidated and consolidated annual Financial Statements, including information on significant accounting policies.

In our opinion, the accompanying unconsolidated 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 2025, their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the European Union (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these standards are described in detail in our Independent Auditor's Report in the section on the *Auditor's responsibilities for the audit of unconsolidated and consolidated 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 applicable to audits of financial statements of public interest entities, together with ethical requirements relevant to our audit of the financial statements of public interest entities 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 unconsolidated and consolidated annual financial statements of the current period. We dealt with these matters in the context of our audit of the unconsolidated and consolidated annual financial statements as a whole and in forming our opinion about them, and we do not give a unconsolidated opinion on these matters.

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

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of unconsolidated and consolidated 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
<p>Revenue recognition</p> <p>In the Statement of Comprehensive Income, the Company and the Group reported sales income in the amount of EUR 295,641 thousand and EUR 435,607 thousand, respectively.</p> <p>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.</p> <p>In accordance with International Financial Reporting Standard 15 - <i>Revenue from contracts with customers</i>, 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.</p> <p>Considering the significance of the sales revenue presented in the unconsolidated 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.</p> <p>See notes 3. "Revenue recognition" and 5. "Sales" in the accompanying unconsolidated and consolidated annual financial statements.</p>	<p>Our audit procedures related to this matter included, but were not limited to:</p> <ul style="list-style-type: none"> - 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 substantive testing on a sample to verify the consistency, accuracy, completeness and timeliness of the recognition of operating income; - 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 unconsolidated 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
<p>Valuation of investments in subsidiaries and affiliates</p> <p>In its unconsolidated Statement of financial position as of 31 December 2025, the Company recognized investments in subsidiaries and affiliates in the amount of EUR 26,738 thousand.</p> <p>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.</p> <p>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.</p> <p>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 unconsolidated and consolidated annual financial statements.</p>	<p>Our audit procedures in addressing this area included, among other:</p> <ul style="list-style-type: none"> - 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 unconsolidated 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
<p>Allocation of purchase price for acquired company and goodwill impairment assessment</p> <p>In the consolidated annual Statement of financial position as of 31 December 2025, the Group reported goodwill in the amount of EUR 9,804 thousand.</p> <p>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.</p> <p>The assessment of goodwill impairment is defined as a key audit matter due to the wide range of used assumptions, projections and forecasts in the models and impairment assessment.</p> <p>See notes 3. "Business combinations", "Goodwill", 6. "Other operating income" and 18. "Goodwill" in the corresponding unconsolidated and consolidated annual financial statements.</p>	<p>Our audit procedures in addressing this area included, among other:</p> <ul style="list-style-type: none"> - Gaining an understanding of the Group's accounting policies and processes regarding goodwill impairment testing - Critical evaluation of the selected model used in the calculations of 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 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 goodwill impairment valuations to changes in key assumptions; - 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 unconsolidated and consolidated annual financial statements (continued)

Other information

Management is responsible for other information. Other information includes information included in the Annual Report, but not including the unconsolidated and consolidated annual financial statements and our Independent Auditor's Report thereon.

Our opinion on the unconsolidated and consolidated annual financial statements does not include other information.

In connection with our audit of the unconsolidated 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 unconsolidated 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 Articles 22 and 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 unconsolidated and consolidated annual financial statements;
2. The attached Management Report is compiled in accordance with Articles 22 and 24 of the Accounting Act, not including sustainability reporting requirements. In relation to the Sustainability Report, which is included as part of the other information and forms a unconsolidated part of the Management Report, we have performed limited procedures to issue a limited assurance report, the results of which are presented as a unconsolidated limited assurance report with a unmodified conclusion.
3. The attached Statement on the Application of the Corporate Governance Code includes the information defined in Articles 22 and 25 of the Accounting Act;

Based on the knowledge and understanding of the operations of the Company and the Group and their environment acquired within the audit of unconsolidated and consolidated annual financial statements, we are obliged to report if we have established that there are significant misrepresentations in the attached Other information. In this sense, we have nothing to report.

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

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

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

Our goals are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated and consolidated annual consolidated annual financial statements, including disclosures, as well as whether the unconsolidated 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 unconsolidated and consolidated annual financial statements (continued)****Auditor's Responsibility for the audit of unconsolidated 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 unconsolidated 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 10 July 2025, we were appointed by the General Assembly of the Company to audit the unconsolidated and consolidated annual financial statements for 2025 and 2026.

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

In the audit of the unconsolidated financial statements of the Company for 2025, we determined the materiality for the unconsolidated financial statements as a whole in the amount of EUR 5,055 thousand, which represents approximately 1.7% of sales income for 2025. In the audit of the consolidated annual financial statements of the Group for 2025, we determined the materiality for the consolidated annual financial statements as a whole in the amount of EUR 7,250 thousand, which represents approximately 1.7 % of sales income for 2025.

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 unconsolidated and consolidated annual financial for 2025 and the date of this Independent Auditor's Report, we did not provide prohibited non-audit services to the Company and its subsidiaries and did not provide services for the design and implementation of internal control procedures or risk management related to preparation and/or control of financial information or the design and implementation of technological systems for financial information, and we have maintained independence in relation to the Company and the Group.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of unconsolidated and consolidated 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 unconsolidated 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 2025 EN*, in all material aspects prepared in accordance with the requirements of the ESEF Regulation

Responsibilities of Management and those charged with governance

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

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

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

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

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

Auditor's responsibilities

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

Procedures performed

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)**Report on the audit of unconsolidated and consolidated 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 unconsolidated and consolidated annual report, are prepared in the valid XHTML format,
- the information contained in the unconsolidated 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 2025.


In addition, as well as the opinion contained in this Independent Auditor's Report for the accompanying unconsolidated and consolidated annual financial statements and the report for the year ended 31 December 2025, we do not express any opinion on the information contained in these statements or other information contained in the file stated above.


The engaged partner involved in the audit of the Company's and Group's unconsolidated and consolidated annual financial statements for 2025 which results in this Independent Auditor's Report, is the certified auditor Vedrana Stipić.

Zagreb, 20 April 2026

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


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


Hrvoje Stipić, President of the
Management Board

6 
Vedrana Stipić, Certified Auditor

Consolidated statement of comprehensive income
for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

	Notes	2025	2024
OPERATING INCOME			
Sales	5	435,607	500,178
Cost of goods sold	8	(367,800)	(426,834)
Gross profit		67,807	73,344
Other operating income	6	8,178	1,871
Decrease in the value of inventories of work-in-progress and finished goods		(49)	(8)
OPERATING EXPENSES			
Cost of raw material and supplies	7	(5,026)	(7,504)
Cost of services	9	(30,145)	(26,839)
Staff costs	10	(25,043)	(23,248)
Depreciation and amortization	11	(3,695)	(3,002)
Other expenses	12	(5,822)	(5,447)
Impairment allowance	13	(216)	(201)
Provisions	13.1.	(91)	(424)
Total operating expenses		(70,038)	(66,665)
Operating profit		5,898	8,542
FINANCIAL INCOME AND EXPENSES			
Financial income	14.1.	5,506	2,098
Financial expenses	14.2.	(7,681)	(6,107)
Net financial expense		(2,175)	(4,009)
Share of net result of associates	15	147	198
Profit before tax		3,870	4,731
Income tax	16	(1,104)	(853)
Profit for the year		2,766	3,878
OTHER COMPREHENSIVE INCOME			
Items that may subsequently be reclassified to the income statement.			
Translation exchange differences and other		(49)	45
Total comprehensive income for the year		2,717	3,923
Profit attributable to:			
Equity holders of the Company		3,109	3,914
Non-controlling interests		(343)	(36)
		2,766	3,878
Total comprehensive income attributable to:			
Equity holders of the Company		3,060	3,959
Non-controlling interests		(343)	(36)
		2,717	3,923

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

Consolidated statement of financial position
at 31 December 2025
(all amounts are expressed in thousands of euro)

ASSETS	Notes	31 December 2025	31 December 2024
NON-CURRENT ASSETS			
Intangible assets	17	6,151	5,892
Goodwill	18	9,804	9,804
Property, plant and equipment	19	3,322	3,079
Right of use assets	19	4,533	1,665
Investment in associates and other financial asset	20	9,904	15,384
Deposits and loans given	25	3,257	3,084
Long-term receivables		13	20
Deferred tax assets	16	10	8
TOTAL NON-CURRENT ASSETS		36,994	38,936
CURRENT ASSETS			
Inventories	21	50,600	61,962
Trade receivables	23	73,523	75,211
Prepayments	22	2,083	5,198
Deposits and loans given	25	1,075	1,441
Prepaid expenses and accrued income	26	5,147	3,086
Other receivables	24	10,184	4,071
Cash and cash equivalents	27	10,610	16,542
TOTAL CURRENT ASSETS		153,222	167,511
TOTAL ASSETS		190,216	206,447

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

Consolidated statement of financial position (continued)
at 31 December 2025
(all amounts are expressed in thousands of euro)

EQUITY AND LIABILITIES	Notes	31 December 2025	31 December 2024
EQUITY			
Share capital	28	14,493	14,493
Legal reserves		2,220	2,220
Reserves from exchange of foreign currencies		(627)	(578)
Retained earnings	29	36,072	33,014
EQUITY HOLDERS OF THE PARENT		52,158	49,149
Non-controlling interest	30	(313)	30
TOTAL EQUITY		51,845	49,179
NON-CURRENT LIABILITIES			
Provisions	31	991	956
Long-term borrowings	32	1,125	2,215
Long-term bond liabilities	35	-	15,927
Other long-term liabilities	36	223	1,063
Long-term lease liabilities	33	3,315	1,190
Deferred tax liability	16	458	641
TOTAL NON-CURRENT LIABILITIES		6,112	21,992
CURRENT LIABILITIES			
Short-term bank borrowings and loans	34	18,867	17,015
Current portion of long-term bond liabilities	35	15,927	2,654
Trade payables	38	65,297	90,585
Current portion of long-term lease liabilities	33	1,366	561
Payables towards employees		1,357	1,426
Income tax liability		693	424
Other current liabilities	37	26,146	20,233
Accrued expenses and deferred income	39	2,606	2,378
TOTAL CURRENT LIABILITIES		132,259	135,276
TOTAL EQUITY AND LIABILITIES		190,216	206,447

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 2025
(all amounts are expressed in thousands of euro)

	Share capital	Legal reserves	Reserves from exchange of foreign currencies	Retained earnings	Equity holders of the parent	Non-controlling interest	Total
Balance at 1 January 2024	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
<i>Total comprehensive income for the year</i>	-	-	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
Merger of subsidiary company WSP	-	-	-	(51)	(51)	-	(51)
Profit for the year	-	-	-	3,109	3,109	(343)	2,766
Other comprehensive income	-	-	(49)	-	(49)	-	(49)
<i>Total comprehensive income for the year</i>	-	-	(49)	3,109	3,060	(343)	2,717
Balance at 31 December 2025	14,493	2,220	(627)	36,072	52,158	(313)	51,845

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

Consolidated statement of cash flows
for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

	Notes	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		2,766	3,878
Adjusted by:			
Income tax	16	1,104	853
Depreciation and amortization	11	3,695	3,002
Impairment allowance	13	(391)	201
Net movement of provisions	31, 37	91	395
Loss on disposal of non-current assets		(18)	(18)
Profit from bargain purchase		-	(71)
Net interest expense	14.1., 14.2.	2,426	2,950
Net other non-cash adjustments		168	(7)
		9,841	11,183
CHANGES IN WORKING CAPITAL			
Decrease / (Increase) in inventory		11,362	(12,776)
Decrease / (Increase) in trade receivables		2,079	(4,570)
Decrease / (Increase) in advances given		3,115	(2,297)
Increase in other receivables		(3,172)	(949)
(Decrease)/increase in received advances		1,827	(542)
Decrease / (Increase) in trade payables		(25,575)	16,600
Expected payment for the acquisition of subsidiaries	37	(565)	601
Increase / (Decrease) in other current and long-term liabilities		5,414	(1,459)
		4,326	5,791
CASH GENERATED FROM OPERATIONS			
Interests paid		(1,267)	(1,790)
Income taxes paid		(998)	(516)
Net cash generated from/(used in) operating activities		2,061	3,485
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangible assets	17, 19	(3,793)	(1,235)
Interests collected		177	312
Cash disbursements for acquisition of subsidiaries	43	(1,401)	(788)
Cash receipts from acquisition of subsidiaries	43	431	349
Cash receipts from the sale of fixed assets		144	44
(Decrease) / increase in other financial assets		-	(200)
Cash disbursements from loans given		(193)	(235)
Net cash used in from investing activities		(4,635)	(1,753)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from financial institutions		86,109	97,587
Payments made to financial institutions		(85,347)	(103,568)
Liability repayments for right-of-use-assets	33	(1,466)	(570)
Cash disbursements for issued bonds	35	(2,654)	(2,654)
Net cash used in financing activities		(3,358)	(9,205)
Net increase in cash and cash equivalents		(5,932)	(7,473)
Cash and cash equivalents at the beginning of the year	27	16,542	24,015
Cash and cash equivalents at the end of the year	27	10,610	16,542

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

Unconsolidated statement of comprehensive income
for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

	Notes	2025	2024
OPERATING INCOME			
Sales	5	295,641	341,540
Cost of goods sold	8	(262,459)	(306,123)
Gross profit		33,182	35,417
Other operating income	6	7,781	1,210
Decrease in the value of inventories of work-in-progress and finished goods		(51)	(3)
OPERATING EXPENSES			
Cost of raw material and supplies	7	(1,200)	(2,209)
Cost of services	9	(21,281)	(18,425)
Staff costs	10	(9,573)	(8,698)
Depreciation and amortization	11	(899)	(973)
Other expenses	12	(2,179)	(2,266)
Impairment allowance	13	(65)	(96)
Provisions	13.1	(20)	(105)
Total operating expenses		(35,217)	(32,772)
OPERATING PROFIT		5,695	3,852
FINANCIAL INCOME AND EXPENSES			
Financial income	14.1.	4,955	2,965
Financial expenses	14.2.	(6,314)	(5,472)
Net financial expense		(1,359)	(2,507)
Profit before tax		4,336	1,345
Income tax	16	(569)	(72)
PROFIT FOR THE YEAR		3,767	1,273
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,767	1,273

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

Unconsolidated statement of financial position
at 31 December 2025

(all amounts are expressed in thousands of euro)

ASSETS	Notes	31 December 2025	31 December 2024
NON-CURRENT ASSETS			
Intangible assets	17	3,156	2,296
Property, plant and equipment	19	427	579
Right of use assets	19	-	21
Investments in subsidiaries and associates	20	26,738	31,864
Deposits and loans given	25	1,700	1,930
Long-term receivables		-	17
TOTAL NON-CURRENT ASSETS		32,021	36,707
CURRENT ASSETS			
Inventories	21	21,424	35,874
Trade receivables	23	39,178	53,016
Prepayments	22	1,316	4,145
Receivables from employees		14	11
Other financial assets		-	43
Loans and deposits given	25	3,827	2,358
Prepaid expenses and accrued income	26	3,866	1,093
Other receivables	24	7,530	468
Cash and cash equivalents	27	5,083	9,001
TOTAL CURRENT ASSETS		82,238	106,009
TOTAL ASSETS		114,259	142,716

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

Unconsolidated statement of financial position (continued)

at 31 December 2025

(all amounts are expressed in thousands of euro)

EQUITY AND LIABILITIES	Notes	31 December 2025	31 December 2024
EQUITY			
Share capital	28	14,493	14,493
Legal reserves		2,143	2,143
Retained earnings	29	7,787	4,071
TOTAL EQUITY		24,423	20,707
NON-CURRENT LIABILITIES			
Provisions	31	759	734
Long-term bond liabilities	35	-	15,927
Long-term borrowings	32	1,097	1,914
Other long-term liabilities	36	203	1,053
TOTAL NON-CURRENT LIABILITIES		2,059	19,628
CURRENT LIABILITIES			
Short-term bank borrowings	32	12,816	12,906
Current portion of long-term bond liabilities	35	15,927	2,654
Trade payables	38	40,257	71,701
Other current liabilities	37	16,985	13,479
Current portion of long-term lease liabilities	33	-	3
Income tax liability		355	-
Payables towards employees		475	475
Accrued expenses and deferred income	39	962	1,163
TOTAL CURRENT LIABILITIES		87,777	102,381
TOTAL EQUITY AND LIABILITIES		114,259	142,716

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

Unconsolidated statement of changes in shareholder's equity
for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

	Share capital	Legal reserves	Retained earnings	Total
Balance at 1 January 2024	14,493	2,143	2,798	19,434
Profit for the year	-	-	1,273	1,273
<i>Total comprehensive income</i>	-	-	1,273	1,273
Balance at 31 December 2024	14,493	2,143	4,071	20,707
Merger of subsidiary company WSP	-	-	(51)	(51)
Profit for the year	-	-	3,767	3,767
<i>Total comprehensive income</i>	-	-	3,767	3,767
Balance at 31 December 2025	14,493	2,143	7,787	24,423

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

Unconsolidated statement of cash flows
for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	2025	2024
Profit for the year		3,767	1,273
Adjusted by:			
Income tax	16	569	72
Depreciation and amortization	11	899	973
Impairment allowance of trade receivables (ECL)	13	(84)	11
Loss on disposal of non-current assets		29	9
Net movement in long-term provisions		(90)	105
Net interest expense	14.1., 14.2.	1,782	2,491
Net other non-cash adjustments		21	-
		6,893	4,934
CHANGES IN WORKING CAPITAL			
Decrease / (Increase) in inventory		14,450	(5,591)
Decrease / (Increase) in trade receivables		13,922	(6,477)
Decrease / (Increase) in advances given		2,829	(1,654)
Increase in other receivables		(5,772)	(1,810)
(Decrease)/increase in received advances		2,881	641
(Decrease) / increase in trade payables		(31,731)	14,287
Expected payment for the acquisition of subsidiaries	37	(565)	601
(Decrease)/Increase in other current liabilities		698	(1,357)
CASH GENERATED FROM OPERATIONS		3,605	3,574
Interests paid		(1,242)	(1,593)
Income taxes paid		(225)	(72)
Net cash generated from operating activities		2,138	1,909
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangible assets	17, 19	(1,301)	(429)
Interests collected		136	248
Cash disbursements for acquisition of subsidiaries		(1,401)	(788)
Cash receipts from acquisition of subsidiaries		431	-
Dividends received		850	632
Cash receipts/ (disbursements) for loans given		(1,239)	(1,519)
Cash receipts from the sale of fixed assets		31	-
Net cash used in from investing activities		(2,493)	(1,856)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from financial institutions		44,195	61,470
Payments made to financial institutions		(45,104)	(66,151)
Liability repayments for right-of-use-assets		-	(19)
Cash disbursements for issued bonds	35	(2,654)	(2,654)
Net cash used in financing activities		(3,563)	(7,354)
Net increase in cash and cash equivalents		(3,918)	(7,301)
Cash and cash equivalents at the beginning of the year	27	9,001	16,302
Cash and cash equivalents at the end of the year	27	5,083	9,001

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

Notes to the consolidated and unconsolidated annual financial statements
for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

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 2025 and 2024:

Irena Langer-Breznik, President of Management Board

Žarko Kruljac, Vice President of Management Board until May 1, 2025

Slaven Stipančić, Member of Management Board until March 1, 2025

Goran Kotlarević, Member of Management Board until March 1, 2025

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 2025 and 2024:

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 2025 and 2024:

Branislav Vrtačnik

Kristina Alebić

Branka Gerić

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(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 subsidiary	Country	Ownership in %		Main Activity
		2025	2024	
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
KORVUS MK D.O.O.E.L	North Macedonia	100%	100%	ICT
- VIVAX HELLADA	Greece	100%	0%	Distribution of IT equipment
- VIVAX ALBANIA	Albania	100%	0%	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
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	Croatia	100%	100%	Manufacturing
VIVAX ESPANA	Spain	100%	0%	Distribution of IT equipment
ASK TEC D.O.O.	Kosovo	100%	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. During 2025, the Company opened three new companies: VIVAX ESPANA (Spain), VIVAX HELLADA (Greece) and VIVAX ALBANIA (Albania).

2. APPLICATION OF NEW STANDARDS, INTERPRETATIONS AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (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 2025:

- Effects of changes in foreign exchange rates: inability to convert (Amendment to IAS 21 "The Effects of Changes in Foreign Exchange Rates")

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

The following illustrative examples were issued during 2025 without an effective date:

- Illustrative Examples on Reporting Uncertainties in Financial Statements

On 28 November 2025, the International Accounting Standards Board (IASB) issued the Disclosures on Uncertainties in Financial Statements – Illustrative Examples, which amended several IFRS accounting standards to include illustrative examples that demonstrate how entities can apply IFRS accounting standards when reporting the effects of uncertainties in their financial statements. The illustrative examples are supporting materials to IFRS accounting standards and do not have an effective date. The IASB issued a near-final version of the illustrative examples in July 2025.

The Company and the Group have taken these illustrative examples into account in preparing their unconsolidated/consolidated financial statements and no additional disclosures or changes in presentation were required.

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

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 Company and the Group are 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)

New standards and amendments to existing standards issued by the IASB not yet adopted in the European Union

The IFRS currently adopted in the European Union do not differ significantly from the regulations issued by the International Accounting Standards Board (IASB), with the exception of the following new standards and amendments to existing standards, the adoption of which by the European Union has not yet been decided on the date of adoption (the effective dates set out below refer to IFRSs issued by the IASB).

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 are currently assessing the effect of these new accounting standards.

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 unconsolidated 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 do not expect to be eligible to apply IFRS 19.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of preparation and functional currency

The consolidated and unconsolidated 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;
- 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 unconsolidated 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 unconsolidated 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. The Group recognizes revenue when (or as) it satisfies performance obligations by transferring promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled.

Revenue is recognized by applying the following steps:

- identification of the contract with the customer
- identification of unconsolidated performance obligations
- determination of the transaction price
- allocation of the transaction price to the performance obligations
- recognition of revenue when (or as) the performance obligation is satisfied

Contracts with customers may include the sale of goods, the provision of services, or a combination of both elements. In such cases, the Group identifies separate performance obligations and allocates the transaction price based on the relative stand-alone selling prices.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

i) Revenue from the sale of goods

Revenue from the sale of goods is recognized at the point in time when control over the goods is transferred to the customer. Control is usually transferred:

- upon delivery of the goods to the customer in accordance with the agreed contractual terms, or
- when the customer takes possession of the goods and has the ability to direct their use and obtain substantially all of the benefits from them.

Revenue is recognized in an amount that reflects the expected consideration, net of:

- rebates and volume discounts
- allowances and returns
- other forms of variable consideration

The Group estimates variable consideration using either the expected value method or the most likely amount method, depending on which method better predicts the amount of consideration, and recognizes revenue only to the extent that it is highly probable that a significant subsequent reversal of revenue will not occur.

ii) Revenue from the provision of services

Revenue from services is recognized over time when one of the following conditions is met:

- the customer simultaneously receives and consumes the benefits of the services provided by the Group
- the Group creates or enhances an asset that the customer controls
- the service has no alternative use to the Group, and the Group has an enforceable right to payment for services performed to date

Progress toward complete satisfaction of the performance obligation is measured using a progress measurement method (input method), namely:

- based on hours worked, or
- based on costs incurred relative to total estimated costs

depending on which method more reliably reflects the transfer of control over the services to the customer.

When selecting the method for measuring progress, the Group excludes the effects of costs that do not reflect the transfer of control over goods or services to the customer. If the conditions for recognizing revenue over time are not met, revenue is recognized at the point in time when the service is performed. The Group assesses whether it acts as a principal or an agent for each performance obligation. The Group acts as a principal when it controls the good or service before it is transferred to the customer, in which case it recognizes revenue on a gross basis. If the Group acts as an agent, it recognizes revenue in the amount of the net fee or commission.

Variable consideration includes rebates, discounts, bonuses, returns, and other forms of price reductions. It is estimated at the inception of the contract and updated throughout the term of the contract, with revenue recognized only to the extent that it is highly probable that a significant subsequent reversal will not occur.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 unconsolidated 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.

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(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 2025 and 2024 as well as the average rates applied in the translation of income and expense items are as follows:

Currency	31.12.2025	Average exchange rate in 2025	31.12.2024	Average exchange rate in 2024
RSD	117.36330	117.19549	116.97070	117.08658
KM	1.95583	1.95583	1.95583	1.95583
MKD	61.61560	61.59018	61.58300	61.58077

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 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 unconsolidated 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.

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,
- 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 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).

4. SEGMENT INFORMATION

As of 31 December 2025, the reporting segments of the Group consisted of several business segments by geographic area: Croatia, Bosnia and Herzegovina, Serbia, Montenegro, North Macedonia, Slovenia and Other. 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.

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

4. SEGMENT INFORMATION (CONTINUED)

Revenues and operating results by segment

2025	Croatia	Bosnia and Herzegovina	Serbia	Montenegro	North Macedonia	Slovenia	Other	Eliminations / Corrections	Total
Sales	310,646	39,996	62,554	18,912	27,084	57,393	11,972	(92,950)	435,607
Cost of goods sold	(265,072)	(32,754)	(54,507)	(15,581)	(22,864)	(51,587)	(10,578)	85,143	(367,800)
Changes in inventory	(77)	-	-	-	-	-	-	28	(49)
Other operating income	7,995	363	333	66	386	33	5	(657)	8,524
Other operating expenses	(48,887)	(7,031)	(9,448)	(1,654)	(4,392)	(4,783)	(1,755)	7,566	(70,384)
Profit from operations	4,605	574	(1,068)	1,743	214	1,056	(356)	(870)	5,898
Net finance expenses	(1,581)	136	(24)	(131)	428	(131)	408	(1,133)	(2,028)
Profit before tax	3,024	710	(1,092)	1,612	642	925	52	(2,003)	3,870
2024	Croatia	Bosnia and Herzegovina	Serbia	Montenegro	North Macedonia	Slovenia	Kosovo	Eliminations / Corrections	Total
Sales	363,063	49,957	89,584	27,377	33,482	45,112	10,844	(119,241)	500,178
Cost of goods sold	(313,261)	(42,119)	(79,473)	(23,648)	(28,725)	(39,976)	(9,506)	109,875	(426,834)
Changes in inventory	(69)	-	-	-	-	-	-	62	(8)
Other operating income	1,348	87	328	12	99	20	2	(24)	1,871
Other operating expenses	(48,373)	(6,597)	(9,038)	(2,018)	(3,892)	(4,253)	(803)	8,309	(66,665)
Profit from operations	2,707	1,328	1,401	1,722	963	903	536	(1,018)	8,541
Net finance expenses	(2,624)	(121)	(269)	(87)	(50)	(155)	(103)	(401)	(3,810)
Profit before tax	83	1,207	1,132	1,635	912	748	433	(1,419)	4,731

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

4. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

2025	Croatia	Bosnia and Herzegovina	Serbia	Montenegro	North Macedonia	Slovenia	Other	Total	Eliminations / Corrections	Total
Tangible and intangible assets	5,383	748	259	973	1,744	1,044	145	10,296	13,514	23,810
Other non-current assets	28,453	10,111	1,727	2	710	52	-	41,055	(27,871)	13,184
Current assets	84,694	11,711	22,633	8,302	14,532	25,528	7,997	175,397	(22,175)	153,222
Total assets	118,530	22,570	24,619	9,277	16,986	26,624	8,142	226,748	(36,532)	190,216
Long-term liabilities	3,136	375	95	611	1,122	655	-	5,994	633	6,627
Short-term liabilities	94,801	6,515	13,490	3,091	7,553	23,077	5,397	153,924	(22,180)	131,744
Total liabilities	97,937	6,890	13,585	3,702	8,675	23,732	5,397	159,918	(21,547)	138,371

2024	Croatia	Bosnia and Herzegovina	Serbia	Montenegro	North Macedonia	Slovenia	Other	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	-	21,244	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	11,935	4,699	182,063	(24,794)	157,269

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025

(all amounts are expressed in thousands of euro)

5. SALES INCOME

	GROUP		COMPANY	
	2025	2024	2025	2024
Domestic sales of goods	371,943	411,389	179,321	194,188
Foreign sales of goods	51,727	68,280	80,440	98,818
Income from sale of service	13,659	16,039	4,068	5,762
Income from sale of licences	6,275	5,948	3,258	3,447
Income from sales of spare parts	2,978	8,812	226	427
Re-export sales	502	1,840	38,753	52,022
Other	513	629	-	-
Allowances and discounts provided to customers	(11,990)	(12,759)	(10,425)	(13,124)
Total	435,607	500,178	295,641	341,540

The foreign market for the Company includes all markets except Croatia, while for the Group the foreign market includes all markets except Croatia, Serbia, Bosnia and Herzegovina, Montenegro, Slovenia, Northern Macedonia, Kosovo, and from 2025 Spain, Greece and Albania. 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	
	2025	2024	2025	2024
Croatia	184,139	205,757	180,238	196,097
Serbia	63,244	90,557	25,303	41,263
Slovenia	60,762	51,144	6,290	5,871
Bosnia and Herzegovina	37,704	42,175	18,524	24,236
North Macedonia	20,820	24,535	15,400	20,993
Montenegro	19,597	28,276	10,228	12,066
Kosovo	11,941	11,314	7,558	8,402
Finland	6,349	4,444	6,349	4,442
Poland	5,444	5,989	5,435	5,975
Slovakia	3,833	3,417	3,830	3,414
Romania	3,489	5,352	3,489	5,351
Singapore	2,668	4,923	1,404	683
Germany	2,581	5,232	2,561	5,218
Czech Republic	1,649	3,418	1,522	3,252
Austria	1,432	2,226	626	540
Other	21,945	24,178	17,309	16,861
Total	447,597	512,937	306,066	354,664

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

6. OTHER OPERATING INCOME

	GROUP		COMPANY	
	2025	2024	2025	2024
Income from the sales of shares	5,725	-	5,725	-
Income from the Environmental Protection Fund	1,100	-	1,100	-
Income from free receipts	583	617	436	520
Income from re invoicing	-	311	16	218
Income from reversal of provisions	-	189	110	160
Income from in-kind contributions	200	186	111	102
Income from elimination of expected credit loss	155	157	96	84
Income from incentives and subsidies	87	56	-	-
Compensation Income	84	57	71	33
Profit from sale of fixed assets	63	39	31	31
Inventory surpluses	26	18	17	14
Income from bargain purchase	-	71	-	-
Other	155	170	68	48
Total	8,178	1,871	7,781	1,210

7. COST OF RAW MATERIAL AND SUPPLIES

	GROUP		COMPANY	
	2025	2024	2025	2024
Energy and fuels for freight and personal vehicles	1,317	1,146	217	209
Servicing, replacement and repair costs under warranty	1,146	1,263	324	373
Basic and auxiliary materials, and office supplies	1,088	2,059	585	1,506
Cost of spare parts	965	2,463	-	-
Small inventory, packaging and tires	487	546	74	121
Other	23	27	-	-
Total	5,026	7,504	1,200	2,209

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

8. COST OF GOODS SOLD

	GROUP		COMPANY	
	2025	2024	2025	2024
Cost of goods sold	385,989	447,623	276,422	322,968
Intellectual property use fee (license)	7,973	8,053	3,334	3,608
Other expenses	738	1,183	421	856
Allowances and discounts provided by suppliers	(26,900)	(30,025)	(17,718)	(21,309)
Total	367,800	426,834	262,459	306,123

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	
	2025	2024	2025	2024
Business premise and equipment rental costs	5,765	4,922	1,328	1,335
Costs of Ured za podršku d.o.o. and bookkeeping services	4,401	3,840	3,224	2,801
Marketing, sponsorships and fairs	4,193	3,304	2,269	1,807
Telephone, shipping and transportation costs	3,255	3,764	5,893	5,849
Utilities	2,783	1,889	2,210	1,314
Maintenance and repairs	2,030	2,529	756	936
Representation	1,303	1,372	452	614
Software upgrade costs	978	334	978	334
Intellectual services	786	692	306	297
Mediation costs for the purchase and sale of goods	746	466	746	466
Income from quality control and attestation of goods	598	518	593	577
Outsourced repair of faulty goods under warranty period	367	496	658	794
Students and youth employees service costs	193	169	54	49
Costs of storage and palletizing of goods	-	-	1,432	1,067
Other	2,747	2,544	382	185
Total	30,145	26,839	21,281	18,425

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.

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

10. STAFF COSTS

	GROUP		COMPANY	
	2025	2024	2025	2024
Net salaries	15,648	14,419	5,667	5,146
Taxes, surtaxes and contributions from salaries	6,293	5,908	2,704	2,490
Contributions on salaries	3,102	2,921	1,202	1,062
Total	25,043	23,248	9,573	8,698

The Group had an average of 952 employees in 2025 (2024: 982 employees). The Company had an average of 239 employees in 2025 (2024: 259 employees).

11. DEPRECIATION AND AMORTIZATION

	GROUP		COMPANY	
	2025	2024	2025	2024
Amortization	1,597	1,645	592	637
Depreciation of the right of use asset	1,195	534	28	21
Depreciation	903	823	279	315
Total	3,695	3,002	899	973

12. OTHER EXPENSES

	GROUP		COMPANY	
	2025	2024	2025	2024
Insurance premiums for equipment, vehicles and inventories	1,246	1,161	585	557
Other employee expenses	876	721	338	194
Severance costs, christmas allowance, children's gifts, awards	668	601	200	211
Per diems and other business travel costs	614	550	251	228
Bank and payment operation charges	449	364	166	94
Travel expenses	437	479	125	152
Professional training and literature	245	518	156	453
Forest levies, other contributions and membership fees	210	217	69	89
License costs	123	119	-	-
Write-offs of receivables	107	28	33	11
Donations	47	70	39	63
Claims and damage costs	8	3	3	1
Other	792	616	214	213
Total	5,822	5,447	2,179	2,266

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

13. IMPAIRMENT ALLOWANCE

	GROUP		COMPANY	
	2025	2024	2025	2024
Impairment allowance of trade receivables (ECL)	120	167	65	96
Value adjustment of inventories	93	-	-	-
Impairment allowance of non-current assets	3	34	-	-
Total	216	201	65	96

13.1 PROVISIONS

	GROUP		COMPANY	
	2025	2024	2025	2024
Provisions for warranty risks and refunds	10	(50)	25	(56)
Provisions for termination benefits	26	7	-	-
Total long-term risks provisions	36	(43)	25	(56)
Provisions for unused vacation days	(22)	47	(5)	1
Short-term provisions for bonuses	77	420	-	160
Total short-term risks provisions	55	467	(5)	161
Total provisions	91	424	20	105

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

14.1 FINANCIAL INCOME

	GROUP		COMPANY	
	2025	2024	2025	2024
Foreign exchange gains	5,239	1,834	3,744	2,122
Interest income	249	264	297	209
Dividend income	-	-	895	632
Other	18	-	19	2
Total	5,506	2,098	4,955	2,965

14.2 FINANCIAL EXPENSES

	GROUP		COMPANY	
	2025	2024	2025	2024
Foreign exchange losses	4,022	2,088	3,579	2,206
Interest expense	2,675	3,213	2,079	2,700
Bank guarantees fees	318	342	262	285
Factoring fees	255	320	134	164
Other financial expenses	411	144	260	117
Total	7,681	6,107	6,314	5,472

15. SHARES IN THE RESULT OF THE ASSOCIATES

	GROUP		COMPANY	
	2025	2024	2025	2024
Income from profit attribution from associates	147	198	-	-
Total	147	198	-	-

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

	GROUP	
	2025	2024
E Kupi	-	9
EKO Bosanska Posavina	147	189
Total	147	198

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(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	
	2025	2024	2025	2024
Current tax	1,287	1,036	569	72
Deferred tax	(183)	(183)	-	-
Income tax	1,104	853	569	72

Current tax

	GROUP		COMPANY	
	2025	2024	2025	2024
Accounting profit before tax	3,870	4,731	4,336	1,345
Income tax 18%	697	852	780	242
Tax effect of lower tax rates	365	61	-	-
Tax effect of permanent deductible expenses	712	507	151	163
Tax effect of premanent deductible income	(342)	(241)	(227)	(190)
Income tax expense	1,431	1,179	705	215
Withholding tax paid that could not be used	-	72	-	72
Utilisation of tax loss	(143)	(215)	(136)	(215)
Net tax expense	1,287	1,036	569	72

Deferred tax assets

	GROUP		COMPANY	
	2025	2024	2025	2024
Balance at 1 January	8	7	-	-
Recognized in profit or loss account	2	1	-	-
Balance at 31 December	10	8	-	-

Deferred tax liabilities

	GROUP		COMPANY	
	2025	2024	2025	2024
Balance at 1 January	641	824	-	-
Recognized in profit or loss account	(183)	(183)	-	-
Balance at 31 December	458	641	-	-

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(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 2025, the Group derecognised deferred tax liabilities in the amount of EUR 183 thousand.

Effective tax rate in 2025 was 18.03% (2024: 15.9%).

Gross tax losses in the amount of EUR 2,512 thousand for the Group are available to reduce future taxable profits at the end of 2025. 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	
	2025	2024	2025	2024
Up to 1 year	387	1,389	-	-
Up to 2 year	157	1,868	-	755
Up to 3 year	450	824	-	-
Up to 4 year	1,065	665	-	-
Up to 5 year	453	783	-	-
Total tax loss available for transfer	2,512	5,529	-	755

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 2025, 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.

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

17. INTANGIBLE ASSETS

GROUP	Software	Development expenses	Trademark	Customer relationships	Intangible assets under construction	Total
COST						
At January 1, 2024	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
Additions	2	-	-	-	1,951	1,953
Transfer from assets under construction	1,535	-	6	-	(1,638)	(97)
At 31 December 2025	9,012	322	98	5,084	1,951	16,467
ACCUMULATED AMORTIZATION						
At January 1, 2024	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
Charge for the year	554	13	13	1,017	-	1,597
At 31 December 2025	7,396	297	81	2,542	-	10,316
NET BOOK VALUE						
At 31 December 2025	1,616	25	17	2,542	1,951	6,151
At 31 December 2024	633	38	24	3,559	1,638	5,892

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

17. INTANGIBLE ASSETS (CONTINUED)

COMPANY	Software	Development expenses	Trademark	Intangible assets under construction	Total
COST					
At January 1, 2024	7,200	264	82	1,625	9,171
Additions	-	-	-	129	129
Transfer from assets under construction	119	-	10	(129)	-
At 31 December 2024	7,319	264	92	1,625	9,300
Additions	-	-	-	1,458	1,458
Transfer from assets under construction	1,137	-	6	(1,149)	(6)
At 31 December 2025	8,456	264	98	1,934	10,752
ACCUMULATED AMORTIZATION					
At January 1, 2024	6,044	264	58	-	6,366
Charge for the year	626	-	12	-	638
At 31 December 2024	6,670	264	70	-	7,004
Charge for the year	580	-	12	-	592
At 31 December 2025	7,250	264	82	-	7,596
NET BOOK VALUE					
At 31 December 2025	1,206	-	16	1,934	3,156
At 31 December 2024	649	-	22	1,625	2,296

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025

(all amounts are expressed in thousands of euro)

18. GOODWILL

	GROUP	
	31.12.2025	31.12.2024
Goodwill	9,804	9,804
	<u>9,804</u>	<u>9,804</u>
	2025	2024
Balance at 1 January 2025		
Opening balance	9,804	5,377
Sale of subsidiary	-	4,427
Balance at 31 December 2025	<u>9,804</u>	<u>9,804</u>

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:

	31.12.2025	31.12.2024
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	4,427
Total	<u>9,804</u>	<u>9,804</u>

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.

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

18. GOODWILL (CONTINUED)

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

Cash generating units	2025	2024
KIM TEC BG	15.1%	10.9%
MR SERVIS	11.7%	9.2%
Pakom Kompani d.o.o.	15.2%	13.7%
Data Link	11.7%	9.2%
ASK TEC	14.6%	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% (2024 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 4,8% to 13,4% (2024: 4.5% to 12.5%). 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.

Notes to the consolidated and unconsolidated annual financial statements (continued)
for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

19. PROPERTY, PLANT AND EQUIPMENT

As of 31 December 2025, the current value of the real estate on which the bank's mortgage was registered as loan insurance is EUR 233 thousand (2024: EUR 249 thousand). The mortgage on the said property amounts to EUR 350 thousand (2024: EUR 1,062 thousand), while the amount owed on the said mortgages amounts to EUR 275 thousand (EUR 293 thousand).

GROUP	Land and buildings	Plants and equipment	Vehicles	Office and other equipment	Other assets	Right of use assets	Assets under construction	Total
COST								
At January 1, 2024	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 constructions	-	-	-	-	-	-	(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
Additions	-	7	-	30	19	3,066	2,071	5,193
Transfer from assets under construction	-	474	290	233	164	1,007	(2,071)	97
Disposals	-	(144)	(250)	(49)	-	(421)	-	(864)
At 31 December 2025	1,164	9,797	2,146	2,573	415	6,492	58	22,645

Notes to the consolidated and unconsolidated annual financial statements (continued)
for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP	Land and buildings	Plants and equipment	Vehicles	Office and other equipment	Other assets	Right of use assets	Assets under construction	Total
ACCUMULATED AMORTIZATION								
At January 1, 2024	244	7,735	1,476	1,882	207	962	-	12,506
Charge 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
Charge for the year	41	529	184	140	9	1,195	-	2,098
Disposals	-	(139)	(185)	(48)	-	(411)	-	(783)
At 31 December 2025	348	8,561	1,609	2,098	215	1,959	-	14,790
NET BOOK VALUE								
At 31 December 2025	816	1,236	537	475	200	4,533	58	7,855
At 31 December 2024	857	1,289	496	353	26	1,665	58	4,744

Notes to the consolidated and unconsolidated annual financial statements (continued)
for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Land and buildings	Plants and equipment	Vehicles	Right of use assets	Office and other equipment	Leasehold improvements	Assets under construction	Total
COST								
At January 1, 2024	-	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
Additions	-	-	-	-	-	-	130	130
Transfer from assets under construction	-	119	8	9	-	-	(130)	6
Disposals	-	(10)	(119)	(55)	-	-	-	(184)
At 31 December 2025	-	5,753	420	96	1,034	68	-	7,371

As of 31 December 2025, the Company has no tangible assets on which a bank mortgage was registered as loan security (31 December 2024, EUR 0 thousand).

Notes to the consolidated and unconsolidated annual financial statements (continued)
for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Land and buildings	Plants and equipment	Vehicles	Right of use assets	Office and other equipment	Leasehold improvements	Assets under construction	Total
ACCUMULATED AMORTIZATION								
At January 1, 2024	-	5,001	565	100	890	63	-	6,619
Charge 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
Charge for the year	-	244	18	28	16	1	-	307
Disposals	-	(10)	(119)	(53)	-	-	-	(182)
At 31 December 2025	-	5,433	412	96	937	65	-	6,943
NET BOOK VALUE								
At 31 December 2025	-	320	8	0	97	3	-	427
At 31 December 2024	-	445	18	21	113	4	-	600

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

20. INVESTMENT IN ASSOCIATES AND OTHER FINANCIAL ASSET

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Investments in associates	9,899	15,379	-	5,508
Investments in subsidiaries	-	-	26,738	26,356
Other financial assets	5	5	-	-
	9,904	15,384	26,738	31,864

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	
			31.12.2025	31.12.2024	31.12.2025	31.12.2024
			%	%		
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	ICT	North Macedonia	-	-	-	-
Alterna distribucija d.o.o.	DISTRIBUTION	Slovenia	100	100	3,752	3,620
Data Link d.o.o.	PRODUCTION	Croatia	100	100	2,278	2,278
Vivax Espana	DISTRIBUTION	Spain	-	-	250	-
Ask Tec d.o.o.	DISTRIBUTION	Kosovo	100	100	5,900	5,900
					26,738	26,356

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

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

20.1.1. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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 31 December 2025 and 31 December 2024:

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Shares in the company EKO Bosanska Posavina	9,898	9,751	-	-
Shares in the company E Kupa d.o.o.	-	5,628	-	5,508
	9,898	15,379	-	5,508

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

Name of subsidiary	Principal activity	Country of incorporation and business	Ownership share and share in the voting power	
			2025	2024
E Kupa d.o.o.	E-commerce	Croatia	-	24%
EKO Bosanska Posavina	Agriculture	BIH	60%	60%

Company E kupa d.o.o. was founded in 2010. In 2016, the company acquired a 24% stake in this associated company. In December 2025, the Company sold a 24% ownership interest in eKupa d.o.o., Zagreb, to the joint ultimate owner of both companies. The value of the transaction amounted to EUR 11,233 thousand. As a result of this sale, the Company realized a gain on disposal of the interest in the amount of EUR 5,725 thousand.

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.

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025

(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 2025:

	EKO Bosanska Posavina
Property, plant and equipment	21,553
Intangible assets	70
Other non-current assets	-
Inventories	1,587
Trade receivables	3,463
Cash and cash equivalents	25
Other current assets	399
Long-term liabilities	1,064
Short-term liabilities	5,231
Net assets of associates	20,802
Group's share in the net assets of the associates	12,481
Total income	6,647
Total profit for the current year	246
Group's share of profits of associates (Note 16)	147

21. INVENTORIES

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Merchandise	34,707	34,807	8,501	10,852
Goods in the customs warehouse	12,606	12,091	11,246	11,498
Goods in transit	2,121	12,694	1,569	12,457
Other	1,166	2,370	108	1,067
Total	50,600	61,962	21,424	35,874

22. PREPAYMENTS

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Prepayments for services	1,627	4,413	1,316	4,145
Prepayments for goods	456	785	-	-
Total	2,083	5,198	1,316	4,145

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

23. TRADE RECEIVABLES

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Domestic trade receivables	71,252	72,308	24,699	30,476
Foreign trade receivables	2,976	4,116	14,551	22,813
Impairment allowance on trade receivables	(705)	(1,213)	(72)	(273)
Total	73,523	75,211	39,178	53,016

Movement in impairment allowance for doubtful accounts:

	GROUP		COMPANY	
	2025	2024	2025	2024
Balance at 1 January	1,213	1,261	273	261
Impairment allowance (Note 13)	120	167	65	96
Reversed on collection	(356)	(44)	(53)	-
Write-off receivables (Note 6)	(155)	(157)	(96)	(84)
Exchange differences	(117)	(14)	(117)	-
Balance at 31 December	705	1,213	72	273

Aging structure of trade receivables (net)

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Undue	67,896	62,771	27,358	33,202
Up to 60 days	2,783	9,420	4,462	16,337
61-90 days	674	874	1,098	1,648
91-120 days	274	351	1,197	567
121-365 days	1,272	713	4,765	797
More than 365 days	624	1,082	298	465
Total	73,523	75,211	39,178	53,016

The average receivables collection period in the Group in 2025 was 55 days (2024: 48 days), while in the Company it was 55 days (2024: 44 days).

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025

(all amounts are expressed in thousands of euro)

24. OTHER RECEIVABLES

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Receivables for the sale of shares	5,882	-	5,882	-
Receivables acquired through debt assumption	1,467	1,106	-	-
VAT prepayments	1,086	1,137	403	133
Receivables from acquired assignments	515	914	500	-
Receivables for corporate income tax prepayments	278	117	-	-
Receivables from factoring	217	-	217	-
Receivables from suppliers due to claims	179	131	159	102
Receivables from the CHIF	141	163	53	40
Interest receivables	124	145	309	190
Receivables for spare parts used during the warranty period	-	190	-	-
Receivables for other taxes, contributions, and membership Fees	-	13	-	1
Other	295	155	7	2
Total	10,184	4,071	7,530	468

*Croatian Health Insurance Fund

In 2025, receivables from factoring were reclassified from the Trade Receivables line item to Other Receivables. The reclassification is appropriate given the nature of the item in the financial statements. No reclassification was made in the comparative period due to its immaterial impact on the financial position of the Company and the Group as at 31 December 2024.

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Interest receivables	80	115	268	159
Contractual interest receivables	44	30	41	31
Total	124	145	309	190

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

25. GIVEN LOANS AND DEPOSITS

Long-term loans and deposits:

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Loans to corporate entities	3,225	3,020	1,700	1,930
Given deposits to unrelated parties	32	64	-	-
Total	3,257	3,084	1,700	1,930

Long-term loans and deposits

	Original currency	Amount	Due date	31.12.2025	31.12.2024
<i>Loans to corporate entities</i>					
Company					
Baks grupa d.o.o.	EUR	18,309	31.12.2027.	1,700	1,930
Total				1,700	1,930
Group					
Ekupi d.o.o. Beograd	RSD	169,000	6.11.2032	1,525	1,090
Total				3,225	3,020

Short-term loans and deposits:

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Loans to corporate entities	968	1,035	4,396	2,625
Loans to individuals	103	102	4	2
Given deposits to unrelated parties	4	304	-	304
Impairment of given domestic loans	-	-	(573)	(573)
Total	1,075	1,441	3,827	2,358

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025

(all amounts are expressed in thousands of euro)

25. GIVEN LOANS AND DEPOSITS (CONTINUED)

Short-term loans and deposits:

	Original currency	Amount	Due date	31.12.2025	31.12.2024
Loans to entities within group					
Company					
M SAN EKO d.o.o.	EUR	265	31.12.2026	622	575
M SAN Logistika d.o.o.	EUR	2,050	31.12.2026	2,758	2,050
Vivax Espana	EUR	130	26.8.2026	100	-
Data link d.o.o.	EUR	100	31.12.2026	45	-
MR SERVIS d.o.o.	EUR	800	31.12.2026	871	-
Total short term loans to corporate entities - Company				4,396	2,625
Group					
Ekupi BG d.o.o.	RSD	100,000	6.11.2026	404	284
Kim tec BG Nekretnine	RSD	50,000	26.12.2026	426	342
Kim tec BiH Nekretnine	KM	240	31.12.2025	-	409
Poljoprivrednik Derventa d.o.o.				61	-
MP Energija Grahovo d.o.o.				77	-
Total				968	1,035
Given deposits to unrelated parties				4	304
Loans to individuals				103	102
				1,075	1,441

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

26. PREPAID EXPENSES AND ACCRUED INCOME

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Accrued income for subsequently approved discounts	4,308	1,686	3,351	-
Prepaid expenses	839	1,393	515	1,093
Accrued overdue revenues	-	7	-	-
Total	5,147	3,086	3,866	1,093

In 2025, accrued income relating to subsequently approved discounts was reclassified from the Trade Payables line item to Prepaid Expenses and Accrued Income. The reclassification is appropriate given the nature of the item in the financial statements. No reclassification was made in the comparative period due to its immaterial impact on the financial position of the Company and the Group as at 31 December 2024.

27. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Cash in banks	10,610	16,541	5,083	9,001
Petty cash	-	1	-	-
Total	10,610	16,542	5,083	9,001

28. SHARE CAPITAL

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
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	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Retained earnings	36,072	33,014	7,787	4,071
Total	36,072	33,014	7,787	4,071

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

29. RETAINED EARNINGS (CONTINUED)

Changes in retained earnings can be shown:

	GROUP	COMPANY
Balance at 31 December 2024	33,014	4,071
Profit for the year	-	-
Balance at 31 December 2025	33,014	4,071

30. MINORITY INTEREST

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Minority interest	(313)	30	-	-
Total	(313)	30	-	-

	MR SERVIS	KIM TEC BIH EKO	TOTAL
Status as of January 1, 2025.	(2)	32	30
Profit for the year	(344)	1	(343)
Balance at 31 December 2025	(346)	33	(313)

31. PROVISIONS

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Long-term provisions for risks within the warranty period	823	813	678	650
Long-term provisions for bonuses, annual leave and severance pay	71	42	-	-
Provisions for returns	97	101	81	84
Total	991	956	759	734

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

32. LONG-TERM LOANS LIABILITIES

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Total loans from financial institutions	2,214	3,352	1,914	2,731
Less: current portion of loans from financial institutions	(1,089)	(1,137)	(817)	(817)
Total long-term loans from financial institutions	1,125	2,215	1,097	1,914

COMPANY

Financial institution	Original currency	Amount	Due date	31.12.2025	31.12.2024
ERSTE & STEIERMARKISCHE BANK d.d.	EUR	2,175	20.12.2027	1,914	2,731
Total				1,914	2,731
More: the current part of the loan obligation from financial institutions - Company				(817)	(817)
Total				1,097	1,914

GROUP

Financial institution	Original currency	Amount	Due date	31.12.2025	31.12.2024
ProCredit Bank AD.	EUR	4,000	12.10.2026	235	504
ERSTE & STEIERMARKISCHE BANK d.d.	EUR	105	31.3.2029	65	54
Zagrebačka banka d.d.	EUR	70	31.12.2026	-	26
Hamag Bicro	EUR	100	30.6.2026	-	37
Intesa Sanpaolo Banka d.d.	EUR	2,500	28.8.2024	-	-
Total				2,214	3,352
Less: short-term part of long-term loans - Group				(1,089)	(1,137)
Total - Group:				1,125	2,215

The range of interest rates on borrowings for the Group in 2025 was from 0.25% to 7.03% (2024: 0.25% to 6.26%), while for the Company it ranged from 3.03% to 4.98% (2024: 3.91% to 5.06%).

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

33. LEASE LIABILITIES

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Current portion of long-term lease liabilities	1,366	561	-	3
Long-term lease liabilities	3,315	1,190	-	-
Total lease liabilities	4,681	1,751	-	3

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 31 December 2025 and 31 December 2024, the Group did not pay rents with variable installments.

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

34. SHORT-TERM LOANS AND BORROWINGS

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Short-term bank loans	17,678	15,778	12,000	12,090
Obligations for loans	100	100	-	-
Total	17,778	15,878	12,000	12,090
Current part of long-term loan	1,089	1,137	816	816
Total	18,867	17,015	12,816	12,906

Short term loans liabilities

COMPANY					
Financial institution	Original currency	Amount	Due date	31 December 2025	31 December 2024
Zagrebačka banka d.d.	EUR	6,000	20.7.2026	-	4,225
Privredna banka Zagreb d.d.	EUR	4,000	15.4.2026	2,000	-
Hrvatska poštanska banka d.d.	EUR	7,000	30.9.2026	5,000	4,165
Erste banka d.d.	EUR	7,000	29.9.2026	5,000	3,700
Total				12,000	12,090
GROUP					
UniCredit Bank Mostar d.d.	BAM	2,000	13.5.2026	1,023	1,022
Intesa Sanpaolo Banka d.d.	BAM	2,000	11.12.2026	1,022	1,023
NLB Tuzlanska banka	BAM	500	14.7.2026	256	256
Bosna Bank International d.d.	BAM	1,800	13.6.2026	920	920
Erste banka d.d.	EUR	33	25.3.2026	162	168
Zagrebačka banka d.d.	EUR	49	30.6.2026	100	100
Gorenjska banka d.d.	EUR	1,000	4.6.2025	500	200
Halk Bank Skopje	MKD	30,747	1.9.2026	1,695	-
Total				17,678	15,778
Obligations for loans				100	100
Plus: Current portion of loans from financial institutions				1,089	1,137
Total current portion of long-term borrowings and short-term loans				18,867	17,015

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

35. BOND LIABILITIES

	GROUP		COMPANY	
	2025	2024	2025	2024
Long-term bond liabilities	15,927	18,581	15,927	18,581
Current portion of long-term bond liabilities	(15,927)	(2,654)	(15,927)	(2,654)
Total	-	15,927	-	15,927

36. OTHER LONG-TERM LIABILITIES

	GROUP		COMPANY	
	2025	2024	2025	2024
Long-term liabilities to insurance companies	201	372	203	373
Long-term liabilities for the purchase of a business share	-	680	-	680
Other long-term liabilities	22	11	-	-
Total	223	1,063	203	1,053

37. OTHER SHORT-TERM LIABILITIES

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Factoring liabilities	10,615	4,093	7,017	1,825
VAT payables	7,902	5,158	4,248	3,483
Liabilities for advances received	3,983	2,156	4,331	1,450
Liabilities for payroll taxes and contributions	837	774	299	315
Liabilities for memberships, contributions and other taxes	833	515	-	3
Business share purchase liabilities	680	5,847	680	5,847
Interest payable on borrowings and loans	247	243	226	241
Liabilities for reservations for unused vacation bonuses	573	66	169	284
Other	476	1,381	15	31
Total	26,146	20,233	16,985	13,479

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.

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

38. TRADE PAYABLES

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Foreign trade payables	41,916	74,424	25,632	59,669
Domestic trade payables	23,381	16,161	14,625	12,032
Total	65,297	90,585	40,257	71,701

39. ACCRUED EXPENSES AND DEFERRED INCOME

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Unbilled invoices	-	2,185	-	1,163
Accrued income	-	98	-	-
Other	-	95	-	-
Total	-	2,378	-	1,163

40. RELATED-PARTY TRANSACTIONS

The table below shows Company's receivables and payables from transactions with its subsidiaries in purchase transactions at 31 December 2025 and 31 December 2024:

	Receivables		Liabilities	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Kim Tec d.o.o., Beograd	4,085	8,578	-	(6)
Kim Tec d.o.o., Vitez	320	2,257	(447)	-
Alterna distribucija d.o.o., Ljubljana	1,141	403	(9)	(12)
Kim Tec CG, Podgorica	(2)	278	(345)	(16)
MR Servis d.o.o.	212	-	(123)	(108)
Pakom Kompani d.o.o.e.l., Skopje	3,912	5,151	-	-
Centar kompetencija za zelenu energiju d.o.o.	68	79	(16)	(3)
M San Eko d.o.o.	9	7	-	-
Data link d.o.o.	5	19	-	(61)
M San Logistika d.o.o.	268	-	(126)	(4)
Vivax Espana	1,006	-	(1)	-
Ask Tec d.o.o., Priština	2,393	3,296	(6)	-
	13,417	20,068	(1,073)	(210)

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025

(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 31 December 2025 and 2024:

	Receivables		Liabilities	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Ekupi d.o.o.	8,167	8,949	(403)	(67)
Pametna energija d.o.o.	938	153	-	-
MS Industrial Kina	-	842	(169)	-
King ICT d.o.o.	685	608	(2,485)	-
K2-18b d.o.o.	4	-	(358)	-
Scoop Technologies d.o.o.	-	-	(74)	-
Planet IX.d.o.o.	1	531	-	-
Omega Software d.o.o.	-	8	(1)	-
Abysalto d.o.o.,	31	-	-	(2)
PP Orahovica d.o.o.	59	1,057	(47)	(67)
PPK Valpovo d.o.o.	-	793	(48)	(59)
Corvus pay d.o.o.	2	3	-	-
M San Nekrenine d.o.o.	83	69	(11)	(8)
Ured za podršku d.o.o.	20	-	(1,177)	(714)
Stipo Matić	5,883	-	(654)	-
Agro Invest Grupa d.o.o.	7	6	-	-
	15,880	13,019	(5,427)	(917)

The table below shows the income and expenses that the Company had in sales transactions with subsidiaries in 2025 and 2024:

	Income /sale		Expenses	
	2025	2024	2025	2024
Kim Tec d.o.o., Beograd	24,017	38,638	40	274
Kim Tec d.o.o., Vitez	17,870	24,199	336	231
Pakom Kompani d.o.o.e.l., Skopje	15,048	21,830	30	97
Kim Tec CG, Podgorica	9,688	11,533	7	16
MR Servis d.o.o.	371	885	967	906
Alterna distribucija d.o.o., Ljubljana	3,516	879	17	37
M San Logistika d.o.o.	215	97	5,497	5,859
Data link d.o.o.	29	36	4	70
M San Eko d.o.o.	2	-	-	-
Centar kompetencija za zelenu energiju d.o.o.	-	14	168	56
Vivax Espana	1,016	-	1	27
Ask Tec d.o.o., Priština	7,384	8,362	6	-
	79,156	106,473	7,073	7,573

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(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 2025 and 2024 were as follows:

	Income /sale		Expenses	
	2025	2024	2025	2024
Ekupi d.o.o.	41,947	38,753	958	835
King ICT d.o.o.	15,633	9,237	333	74
Pametna energija d.o.o.	1,135	553	3	-
Grey Wolf d.o.o.	-	531	-	-
K2-18b d.o.o.	24	-	612	-
Scoop Technologies d.o.o.	1	-	872	-
PP Orahovica d.o.o.	149	100	55	86
Omega Software d.o.o.	22	52	24	49
PPK Valpovo d.o.o.	8	7	-	47
MS Industrial Kina	-	-	4,667	9,814
M San Nekrenine d.o.o.	67	57	1,087	1,074
Planet IX .d.o.o.	78	354	-	-
Ured za podršku d.o.o.	43	51	3,743	3,295
Corvus pay d.o.o.	12	23	1	1
Abysalto d.o.o.	107	5	232	6
Baks grupa d.o.o.	3	-	-	-
Agro Invest Grupa d.o.o.	7	10	-	-
	<u>59,236</u>	<u>49,733</u>	<u>12,587</u>	<u>15,281</u>

The table below presents receivables and revenue of the Company from loan transactions with its subsidiaries at 31 December 2025 and 2024:

	Receivables		Income	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
M San Eko d.o.o.	105	34	25	19
MR Servis d.o.o.	888	-	19	-
Vivax Espana	102	-	2	-
Data link d.o.o.	45	-	2	-
M San Logistika d.o.o.	2,872	2,063	103	41
	<u>4,012</u>	<u>2,097</u>	<u>151</u>	<u>60</u>

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(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 2025 and 2024:

	Receivables		Income	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Baks Grupa d.o.o.	1,706	1,942	81	78
M San Nekrenine d.o.o.	12	-	12	32
	<u>1,718</u>	<u>1,942</u>	<u>93</u>	<u>110</u>

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 2025 and 2024:

	Liabilities		Expenses	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
PP Orahovica d.o.o.	(7)	(7)	-	1
King ICT d.o.o.	-	-	20	83
	<u>(7)</u>	<u>(7)</u>	<u>20</u>	<u>84</u>

Management remuneration through the year were as it follows:

	GROUP		COMPANY	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Short-term income - gross	1,359	1,463	546	858
Total	<u>1,359</u>	<u>1,463</u>	<u>546</u>	<u>858</u>

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(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	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Debt	35,919	37,811	29,840	33,401
Less: cash in banks and petty cash	(10,610)	(16,542)	(5,083)	(9,001)
	<u>25,309</u>	<u>21,269</u>	<u>24,757</u>	<u>24,400</u>
Equity	<u>51,845</u>	<u>49,179</u>	<u>24,423</u>	<u>20,707</u>
Gearing ratio	<u>48.82%</u>	<u>43.25%</u>	<u>101.37%</u>	<u>117.83%</u>

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

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(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	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Financial assets				
Cash and cash equivalents	10,610	16,542	5,083	9,001
Loans and receivables	90,135	89,025	53,565	61,988
Total financial assets	100,745	105,567	58,648	70,989
Financial liabilities				
Bank loans	19,992	19,230	13,913	14,820
Corporate bonds	15,927	18,581	15,927	18,581
Lease liabilities	4,681	1,751	-	3
Trade payables and other liabilities	83,451	106,859	53,373	82,907
Total financial liabilities	124,051	146,421	83,213	116,311

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(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	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024	31.12.2025	31.12.2024
USD	2,506	4,454	(6,647)	(22,541)	(4,141)	(18,087)

COMPANY	Assets		Liabilities		Difference	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024	31.12.2025	31.12.2024
USD	11,214	15,935	(8,536)	(25,445)	2,678	(9,510)

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.

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(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	
	2025	2024
Profit/loss	(414)	(1,809)

COMPANY	USD impact	
	2025	2024
Profit/loss	268	(951)

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 24.9% of sales revenue. If customers with a common ultimate owner are excluded, the top 10 customers account for 14.0% 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 2025 would have changed by EUR 139 thousand (31 December 2024: EUR 148 thousand), and the Group as of 31 December 2025 would have changed by EUR 142 thousand (31 December 2024: EUR 153 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.

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(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	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	After 5 year	Total
31 December 2025						
Assets						
Non-interest bearing	96,400	-	-	13	-	96,413
Interest bearing instruments	-	-	1,075	3,257	-	4,332
Total	96,400	-	1,075	3,270	-	100,745
Liabilities						
Non-interest bearing	83,451	-	-	-	-	83,451
Lease liabilities	114	228	1,025	3,314	-	4,681
Interest bearing instruments	17,499	3,145	14,150	1,125	-	35,919
Total	101,064	3,373	15,175	4,439	-	124,051
Net assets / (liabilities)	(4,664)	(3,373)	(14,100)	(1,169)	-	(23,306)

GROUP	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	After 5 year	Total
31 December 2024						
Assets						
Non-interest bearing	101,022	-	-	20	-	101,042
Interest bearing instruments	-	-	1,441	3,084	-	4,525
Total	101,022	-	1,441	3,104	-	105,567
Liabilities						
Non-interest bearing	106,859	-	-	-	-	106,859
Lease liabilities	47	94	421	1,190	-	1,752
Interest bearing instruments	2,745	2,836	14,089	18,142	-	37,812
Total	109,651	2,930	14,510	19,332	-	146,423
Net assets / (liabilities)	(8,629)	(2,930)	(13,069)	(16,228)	-	(40,856)

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(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	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	After 5 year	Total
31 December 2025						
Assets						
Non-interest bearing	53,121	-	-	-	-	53,121
Interest bearing instruments	-	-	3,827	1,700	-	5,527
Total	53,121	-	3,827	1,700	-	58,648
Liabilities						
Non-interest bearing	53,373	-	-	-	-	53,373
Lease liabilities	-	-	-	-	-	-
Interest bearing instruments	16,995	2,136	9,612	1,097	-	29,840
Total	70,368	2,136	9,612	1,097	-	83,213
Net assets / (liabilities)	(17,247)	(2,136)	(5,785)	603	-	(24,565)

COMPANY	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	After 5 year	Total
31 December 2024						
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	82,907	-	-	-	-	82,907
Lease liabilities	-	1	2	-	-	3
Interest bearing instruments	2,403	2,151	11,007	17,840	-	33,401
Total	85,310	2,152	11,009	17,840	-	116,311
Net assets / (liabilities)	(18,626)	(2,152)	(8,651)	(15,893)	-	(45,322)

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 2025, 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.

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(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	
	2025	2024	2025	2024
Within one year	4,678	3,819	1,084	962
1-5 years	-	22	-	-
Total	4,678	3,841	1,084	962

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

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

43. BUSINESS COMBINATIONS AND DEACQUISITIONS

43.1. 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).

	May 2024
Property, plant and equipment	92
Intangible assets	-
Other non-current assets	-
Inventories	1,338
Trade receivables	3,123
Cash and cash equivalents	349
Other current 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

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

43. BUSINESS COMBINATIONS AND DEACQUISITIONS (CONTINUED)

43.2. BUSINESS COMBINATIONS AND DEACQUISITIONS IN 2025 (CONTINUED)

A. ACQUISITION OF SUBSIDIARY WSP D.O.O.

In November 2025, the Company acquired a 100% ownership stake in WSP d.o.o., Zagreb. Purchase price for the full stake amounts to EUR 520 thousand. As a result, the Company obtained control of the subsidiary as of 15 November 2025. In December 2025 it merged with the parent company.

	November 2025
Inventories	15
Trade receivables	13
Cash and cash equivalents	431
Other current assets	8
Total assets	467
Short-term liabilities	6
Total liabilities	6
Fair value of net assets	461

B. SELLING THE SHARE IN JOINED COMPANY EKUPI D.O.O.

In December 2025 the Company sold 24% of ownership stake in eKupi d.o.o., Zagreb to the common ultimate owner. Sell price was EUR 11,233 thousand. With this sale, the Company made profit from the sale of share in the amount of EUR 5,725 thousand.

44. SUBSEQUENT EVENTS

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

45. AUDIT FEES

Fees for the statutory audit of the Group's financial statements amounted to EUR 167 thousand (2024: EUR 167 thousand), while fees for other services amounted to EUR 0 thousand (2024: 0 thousand).

Notes to the consolidated and unconsolidated annual financial statements
(continued) for the year ended 31 December 2025
(all amounts are expressed in thousands of euro)

46. APPROVAL OF UNCONSOLIDATED AND CONSOLIDATED FINANCIAL STATEMENTS

Unconsolidated and consolidated financial statements for the year ended on December 31, were approved by the Management Board and authorised for issue on April 20, 2026

Irena Langer-Breznik
Chairman Of Management
Board



Alen Panić
Member of Management
Board



Vladimir Brkljača
Member of Management
Board



Bruno Jozić
Member of Management
Board



2025

Sustainability Report

Management Board's statement of responsibility

In accordance with the Accounting Act (OG 85/2024, 145/2024, 151/2025), Articles 32 and 36, the Management Board is responsible for the preparation of the consolidated Sustainability Report in accordance with the European Sustainability Reporting Standards (ESRS), and for:

- preparing the disclosures in the section "Disclosures in accordance with 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),
- designing, implementing and maintaining the internal control system that the Management Board determines is necessary to enable the preparation of the consolidated Sustainability Report, free from material misstatement due to fraud or error and selecting and applying appropriate sustainability reporting methods, and
- making appropriate estimates and judgments about individual sustainability disclosures that are reasonable in the circumstances.

The Management Board is also 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 "ESRS 2 IRO-1 – Description of the process for identifying and assessing significant 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 and understanding the affected stakeholders
- identifying actual and potential impacts (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 results/financial performance, cash flows, access to financing or cost of capital in the short, medium or long term,
- assessing the materiality of the identified impacts, risks and opportunities related to sustainability issues by selecting and applying appropriate materiality thresholds and
- making assumptions that are reasonable in the circumstances.

The Management Board of M SAN Grupa approved the consolidated sustainability report for issue on 20 April 2026.

Irena Langer-Breznik

Chairperson of the Management Board



Alen Panić

Member of the Management Board



Vladimir Brkljača

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 of preparation			
BP-1	General basis of preparation of the sustainability statement	1 General disclosures - Basis of preparation	152
BP-2	Disclosures in relation to specific circumstances	1 General disclosures - Basis of preparation	153
Governance			
GOV-1	The role of the administrative, management and supervisory bodies	1 General disclosures - Managing sustainability matters	156
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	1 General disclosures - Managing sustainability matters	160
GOV-3	Integration of sustainability-related performance in incentive schemes	1 General disclosures - Managing sustainability matters	161
GOV-4	Statement on due diligence	1 General disclosures - Managing sustainability matters	161
GOV-5	Risk management and internal controls over sustainability reporting	1 General disclosures - Managing sustainability matters	163
Strategy			
SBM-1	Strategy, business model and value chain	1 General disclosures - Strategy and business model	163
SBM-2	Interests and views of stakeholders	1 General disclosures - Double materiality	168, 208, 220, 227
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	1 General disclosures - Double materiality	172, 177, 196, 204, 220
Impact, risk and opportunity management			
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	1 General disclosures - Double materiality	169, 176, 179, 199, 223, 228, 238
IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statement	1 General disclosures - Double materiality	173

Basis of preparation

ESRS 2, BP-1, BP-2

M SAN Grupa publishes its Sustainability Report under the Accounting Act (Official Gazette of the Republic of Croatia, Nos. 85/2024, 145/2024, 151/2025) and the Capital Markets Act (Official Gazette of the Republic of Croatia, Nos. 65/2018, 17/2020, 83/2021, 151/2022, 85/2024,126/2025). The Sustainability Report has been published as part of the Management Report and has been prepared in accordance with Commission Delegated Regulation (EU) 2023/2772 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards (European sustainability reporting standards (ESRS)). The Sustainability Report incorporates information pursuant to Article 8 of Regulation (EU) 2020/852 on establishing a framework to facilitate sustainable investment (the Taxonomy Regulation).

The Sustainability 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 2025. 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 countries. Several affiliated companies operate in the region as part of M SAN Grupa's distribution branch: 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 the activity of logistics that primarily relates to storage, handling and transport of goods (M SAN Logistika d.o.o.), the activity of 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, MR plus servis d.o.o. Ljubljana) and the activity of 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. and Korvus MK d.o.o.e.l. Skopje are also part of the Group. The Group has one branch office in Zagreb. During 2025, the affiliated companies Vivax Espana, Vivax Albania and Vivax Helada were incorporated. As at 31 December 2025, Vivax Helada had not commenced operating.

As at 31 December 2025, M SAN Grupa comprised a total of 20 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, it was not possible to fully consolidate and collect data supporting the Sustainability Report.

During 2025, M SAN Grupa conducted value chain due diligence for eight key divisions (VIVAX Air Conditioning, VIVAX Major Domestic Appliances, VIVAX Small Domestic Appliances, VIVAX TV/AV/SD, Enterprise, ICTE, MS Energy and M SAN Zelena), as well as for its own in-house operations. For the first time, this enabled a consistent and comprehensive coverage of the majority of the Group's business model across all parts of the value chain – upstream, own operations and downstream.

Based on this review, the Group-level double materiality assessment was further refined. Instead of the previously applied mapping approach, the updated assessment resulted in a clearly structured identification of thirty-two material impacts, risks and opportunities across environmental, social and governance areas, as well as in a more precise delineation between topics requiring active management and those subject to monitoring. The findings of these processes were incorporated in the alignment of the draft Sustainability Strategy and related targets concerning key topics. Also they were incorporated in the expansion of the scope of greenhouse gas emissions assessment (including relevant Scope 3 categories) and a clearer identification of value chain hotspots requiring priority intervention. In 2026, M SAN Grupa intends to further operationalise these results through a more detailed development and implementation of the Sustainability Strategy, boosting data collection, recording and monitoring systems (in particular in relation to value chains, emissions and working conditions). It also plans to extend screening to affiliated companies in foreign markets and to integrate environmental, social and governance matters into business processes and decision-making. The aim is to develop a business model in line with the regulatory framework and stakeholder expectations.

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 (IFRS), for this Sustainability Report we have used the definitions for short-, mid- and long-term periods defined by ESRS.

Changes in reporting and errors from previous reporting periods

M SAN Grupa has reported in line with the European Sustainability Reporting Standards (ESRS) for the second consecutive year. The 2025 Report includes certain amendments compared to the previous reporting period, in areas where it was possible to expand quantitative information and to provide additional material details relating to qualitative information.

Changes in compilation and presentation

ESRS 2, BP-2

Indicator	Previously determined values	Redetermined values
Consumption of purchased or acquired electricity, heating, steam and cooling energy from renewable sources	2023 (reference year) 245.63 MWh	2023 (reference year) 0 MWh
Consumption of energy from renewable sources from own production other than fuel	2023 (reference year) 0 MWh	2023 (reference year) 245.63 MWh
ESRS E1-5 Energy intensity based on Group revenue Energy intensity per net revenue	2023 (reference year) 0.2028 MWh	2023 (reference year) 0.0203 MWh

Sources of estimation and outcome uncertainty

ESRS 2, BP-2

In some disclosures included in this Report, integral data was not available or was not available for all markets. In the assessment of the value chains, approximations and estimates were used, as well as sectoral conclusions for the peripheral segments of the value chains. In parts of the Report where complete or reliable data from M SAN Grupa were not available, assumptions, approximations or estimates were not used. Instead, it is clearly stated that the data is not available, not collected or not complete. 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 2025 reporting period, M SAN Grupa significantly improved its data collection methodologies and processes, particularly in the area of greenhouse gas emissions and data resulting from value chain due diligence. As a result of these improvements, some of the information published in 2025 was not collected in 2024 in a comparable manner (with the same scope, level of detail and reporting boundaries). In accordance with ESRS 1, paragraph 85, for certain indicators it was not practical to retroactively reconstruct comparative data for 2024 in a manner that would ensure comparability with 2025 without relying on extensive estimates and assumptions that could reduce the reliability of the presentation. Therefore, comparative information for these indicators has not been published, and the corresponding tables clearly indicate when data is not available or incomplete. The Group will continue to strengthen its data collection and consolidation system in the following reporting periods to ensure greater availability and comparability of information over time.

In the chapter ESRS E5-4 Resource use and circular economy, it was not possible to disclose the required material information regarding resource inflows, as, due to the complexity of the value chains, the relevant data on materials were not available. Similarly, concerning ESRS E5-5 Resource outflows, the majority of the required data are still not available due to shortcomings in the data collection process. M SAN Grupa will, in the forthcoming reporting periods, take measures to establish a structured and comprehensive data collection process for this chapter.

In the chapter ESRS S2 Workers in the value chain, available data collected from significant suppliers through regular supplier quality assessments were used, which partially included reviews of working conditions in suppliers' manufacturing operations. In addition, as part of the value chain due diligence process, publicly available information relating to working conditions in the regions and operational facilities in which suppliers operate was also taken into account.

Use of phase-in provision in accordance with Appendix C of ESRS 1

ESRS 2, BP-2

In accordance with the European Commission Delegated Regulation 2025/1416 (of 11 July 2025) allowing for the extension of the deadline for the deferrals provided for in Appendix C of ESRS 1, M SAN Grupa has decided to omit information for which a deferral of application is possible. Consequently, certain information on issues relating to ESRS SBM-3 t.48c, ESRS E1-9, ESRS E5-6, and ESRS S1-7 to ESRS 1-15 has been omitted.

Incorporation by reference

ESRS 2, BP-2

Disclosure requirements (datapoint)	Reference, chapter
G1 ESRS 2 GOV-1 5 (a) Detailed information on the composition and activities of the Management Board and Supervisory Board	ESRS 2 GOV-1 – The role of the administrative, management and supervisory bodies
ESRS 2 GOV-1 21 (c)/G1 ESRS 2 GOV-1 5 (b) Curricula vitae of members of the Management Board and Supervisory Board	ESRS 2 GOV-1 – The role of the administrative, management and supervisory bodies
ESRS 2 SBM-1 40 (f) 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 42 (c) 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 the administrative, management and 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. Administrative bodies set the legal framework and standards that define the expected business conduct. Supervisory bodies ensure that undertakings comply with regulations and standards. Management bodies may require regular reports on business conduct and related activities, which additionally ensures responsibility in processes and business operations

Governance structure

M SAN Grupa 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. The 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 on pg. 21 of the Management Report.

Key managers' role

The Management Board also reviews and discusses 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 matters 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 permanent and temporary members. Permanent Committee members are: Management Board member for Sustainability, expert for Sustainable Development and Business, Human Resources Director, Finance 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 may be 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 once a year 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 and it confirms the Committee's decisions, which are implemented by the line managers of the respective organisational units. The Sustainability Committee is a key structure of M SAN Grupa that ensures compliance with ESG standards and promotes sustainable business practices. The annual meeting of the Sustainability Committee was held in May 2025 and it discussed all current sustainability matters: sustainability reporting, process improvement, plans and calculation of GHG emissions.

Information on the members of the Supervisory Board and the Management Board of M SAN Grupa is stated on page 16 of the Management Report. As at 31 December 2025, the Management Board of M SAN Grupa was composed of four members, three men and one woman. As at 31 December 2025, the Supervisory Board of M SAN Grupa was composed of five members, all of whom men. The representation of women on the Management Board of M SAN Grupa stands at 25%, which is more than in 2024 (14.3%). The Supervisory Board's Audit Committee of M SAN Grupa has one independent member.

Percentage of women on the Management Board and Supervisory Board of M SAN Grupa

	31.12.2024	31.12.2025
Percentage of women on the Management Board	14.3%	25.0%
Percentage of women on the Supervisory Board	0.0%	0.0%
Total on the Management Board and Supervisory Board	8.3%	11.1%

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 Management Board members:

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 work 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 (until 1 May 2025)

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), Supervisory Board member (as of 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 (since 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 that 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. In 2025, the Management Board member responsible for sustainability and a Supervisory Board member also received updates on sustainability matters on a regular quarterly basis.

The Management Board participates in dialogue with employees. During 2025, two comprehensive surveys were conducted: an employee engagement and workplace atmosphere survey, and a dedicated employee survey carried out as part of stakeholder engagement within the double materiality assessment process, with a view to further enhancing work practices. In 2025, the Sustainability Committee and a working group were active, whose members participated in an in-depth analysis of value chains and double materiality assessment as well as setting sustainability objectives. They regularly receive training on sustainability topics. M SAN Group has an appointed Sustainability and Business Expert, whose tasks include, among other things, raising awareness of sustainability within the organisation and implementing sustainable practices. From December 2024 and throughout 2025, 11 workshops were held in the sustainability education program. The topics included: sustainability reporting in accordance with the ESRS standards, ESG strategy, sustainability fundamentals, the EU Taxonomy, GHG emissions calculations, value chain analyses and double materiality. The workshops involved members of the Management Board, members of the Sustainability Committee, working groups and other experts from M SAN Grupa.

In 2025, external consultants were engaged to calculate Scope 1, Scope 2 and Scope 3 greenhouse gas emissions and to further improve plans in the area of emissions management. In addition, external consultants were engaged in 2025 to upgrade the Sustainability Strategy and to improve related processes, including the enhancement of the double materiality assessment, more in-depth sustainability risk assessments across all business segments and the implementation of a comprehensive value chain in-depth analysis.

In 2026, the value chain due diligence will be further expanded, including the refinement of data required for material categories of Scope 3 greenhouse gas emissions calculations. In addition, further enhancements to sustainability policies and processes are planned in alignment with the defined objectives, building on activities partially initiated in 2025.

At the time of drafting the Sustainability Report, no workers' representative was 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 integrated into the Management Board's considerations in the process of confirming outcomes of the in-depth analysis of the value chain and double materiality. In doing so, publicly available disclosures from relevant international organisations, 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, M SAN Grupa will expand its due diligence process as an integral part of expanding its in-depth value chain analysis and checking double materiality assessment in 2026.

During 2025, M SAN Grupa implemented the following due diligence steps:

1. A deep dive analysis of the value chain – a comprehensive deep dive analysis of the value chain was carried out for the key divisions of M SAN Grupa. The analysis included the identification of stakeholders, activities and critical points (hotspots) in the upstream and downstream segments of the value chains, as well as within the Group's own operations. The analysis identified more than 40 stakeholder categories and four main critical points: component manufacturing and sourcing, international transport, inventory management and the coordination of procurement and sales, and service infrastructure and warranty obligations.
2. Identification and assessment of negative impacts – as part of the double materiality assessment process, a total of 56 identified impacts, risks and opportunities were evaluated across ESRS areas (E1, E5, S1, S2, S4, G1). A methodology was applied that assesses actual negative impacts based on scale, scope and irremediability, while potential negative impacts were additionally assessed based on the likelihood of occurrence. The result was the identification of 26 material impacts (both positive and negative), five risks and one opportunity requiring active management. The remaining impacts, risks and opportunities did not exceed the materiality thresholds but are actively monitored for reassessment.
3. Prioritisation of negative impacts was carried out based on defined significance thresholds, whereby priority negative impacts were identified. Stakeholder engagement – online surveys were conducted among employees of M SAN Grupa (ESRS S1 and G1 topics), online surveys were conducted among retailers, distributors and suppliers (ESRS S2 and S4 topics), and individual interviews were held with representatives of the financial sector (focused on risks) and with sustainability experts (focused on impacts and governance processes).
4. Taking action to address adverse impacts. For the identified material negative impacts, M SAN Grupa initiated measures described in the topical sections of the ESRS report (E1, E5, S1, S2, S4, G1). These include governance policies, codes of conduct, training programmes, the measuring and reporting of GHG emissions, and systems for monitoring product quality and safety.
5. Monitoring the effectiveness of actions. Performance indicators linked to material topics were established to monitor progress in achieving objectives. The monitoring includes regular reviews by the Sustainability Committee and reporting to the Management Board.

6. Grievance and legal protection mechanisms – M SAN Grupa has established an internal whistleblowing mechanism available to employees. For external stakeholders, communication channels are provided through customer service and service centres. The Group plans to formalise and expand grievance and legal protection mechanisms in 2026 to ensure accessibility for all affected stakeholders in the value chain. In this process, publicly available disclosures from relevant international organisations (the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises), rating agencies and industry-specific material topics under the SASB reporting standard were used. In order to fully achieve compliance with the requirements of the ESRS and other international instruments, particularly regarding the precision of objectives and the completeness of data, M SAN Grupa will continue to expand its due diligence process in 2026, including:

- Deepening the analysis of value chains in markets outside the EU
- Expanding the mapping of impacts and risks to suppliers
- Developing specific policies and procedures for managing identified priority risks
- Formalising grievance and legal protection mechanisms covering external stakeholders
- Establishing systems for regular monitoring and reporting on the effectiveness of actions taken.

Due diligence elements included in this Sustainability Report are described below.

ESRS 2, GOV-4

Key due diligence elements	Sections in the Sustainability Report
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 matters Double materiality Policies related to material topics within topical standards (E1, E5, S1, S2, S4, G1)
Identifying and assessing adverse impacts	Managing sustainability issues Double materiality Material impacts, risks and opportunities related to material topics within topical standards (E1, E5, S1, S2, S4, G1)
Taking action to address those adverse 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, S2, S4, G1)

Risk management and internal controls over sustainability reporting

ESRS 2, GOV-5

As of 2024, M SAN Grupa has adopted a Risk Management Strategy of M SAN Grupa and 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 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. This 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 Directors of organisational units. M SAN Grupa has also adopted Risk Management Regulations of M SAN Grupa and Affiliated Companies, which set out the risk management system in more detail.

In 2025, within the double materiality assessment, an assessment of the financial risks for the recognised material topics was carried out. The risk assessment methodology is described in the chapter on double materiality assessment, and individual risks are also described in separate topical chapters.

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 other markets in which it operates. 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, lighting fixtures, 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 14 of the Management Report.

The business model of M SAN Grupa is based on building and maintaining trust and reliability of cooperation with its 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.

Value chains of M SAN Grupa

ESRS 2, SBM-1

M SAN Grupa operates as an international group with integrated activities encompassing distribution, manufacturing, assembly of electronic and electrical appliances, logistics, servicing, waste management and the development of green energy solutions. Its operations encompass a broad range of products and services, from VIVAX-branded consumer electronics and home appliances, to ICT equipment and Enterprise solutions, as well as e-mobility solutions within the MS Energy division and renewable energy and energy efficiency systems through the M SAN Zelena division. Such a business model entails very extensive and geographically diverse value chains, with a significant share of upstream activities linked to suppliers in Asia, while downstream operations extend across multiple EU markets and the wider South-East European region.

During 2025, M SAN Grupa conducted value chain due diligence for eight key divisions that account for the largest share of the Group's revenue. The analysis covered the VIVAX Air Conditioning, VIVAX Small Domestic Appliances, VIVAX Major Domestic Appliances and VIVAX TV/AV/SD divisions, as well as Enterprise, ITCE, MS Energy and M SAN Zelena, together with the Group's own operations serving as support activities. The process was carried out in the period from July to December 2025 and involved close cooperation between the Sustainability Committee and the M SAN Grupa's working group, through more than twenty individual interactions with representatives of various divisions and organisational units. The due diligence process covered all segments of the value chains, i.e. upstream, downstream and own operations, in order to establish a comprehensive overview of the sources of sustainability-related impacts, risks and opportunities.

The process was carried out in several interrelated phases. In the first phase, a detailed analysis of the Group's business model and its key activities was carried out, including the identification of all relevant input materials, energy, services and human resources, as well as the processes, infrastructure, technologies and geographical locations of all business units. In doing so, consideration was given to applicable regulatory requirements, industry standards and international frameworks governing operations in the sectors in which M SAN Grupa operates. Particular attention was paid to the geographical dimension of the value chains, with a focus on areas exposed to elevated risks related to working conditions, environmental protection, climate-related matters, the regulatory framework and geopolitical factors. The geographical analysis enabled the identification of critical points within the value chains where impacts and risks are most significant.

In the second phase, a systematic identification of all stakeholder categories within the value chains was carried out. Stakeholders were classified according to their position within the value chains, distinguishing between upstream stakeholders providing input materials and services, the Group's own employees and operations, and downstream stakeholders that distribute, use or receive finished products or services. For each stakeholder category, specific examples of partners, suppliers, distributors and end users were identified, with particular emphasis on those with whom the Group has significant relationships or elevated risk exposure. In the third phase, an assessment of the significance of activities and stakeholders within the value chains was carried out, with a key distinction drawn between those activities and stakeholders associated with material impacts, risks or opportunities and those that are not. The analysis took into account the scope, scale and time horizon of potential or actual impacts, and activities and stakeholders were prioritised based on the likelihood of the materialisation of risks or impacts and their severity. In the fourth phase, a detailed analysis was conducted of the Group's dependencies on stakeholders and resources within the value chains, including dependencies on critical materials, energy, human resources and technologies, as well as the Group's ability to influence or exercise leverage over stakeholders within the value chain. The outcome of the value chain mapping is a detailed matrix of business activities, critical points and key stakeholders, presented in textual, tabular and graphical formats, which served as the basis for the double materiality assessment.

The value chains of M SAN Grupa are characterised by significant complexity, both vertically and horizontally, given the diversity of business activities carried out by the individual divisions and affiliated companies within the Group. The individual value chains differ significantly from one another as a result of the diversification of business activities. Certain value chains are particularly extensive and sensitive in the upstream segment, while others are more extensive and sensitive in the downstream segment. They also differ in scope within the Group's own operations. The value chains encompass diverse upstream markets, varying transport and logistics characteristics, as well as a wide range of stakeholders. For the majority of VIVAX-branded divisions, the upstream segment of the value chains is considerably longer and more complex than the downstream segment, which is characteristic of manufacturing-oriented businesses that place finished or semi-finished products on the market. This segment of the value chains begins with the extraction of raw materials such as copper, steel, aluminium, silicon and plastic polymers, carried out by mining companies and raw material suppliers active on global commodity markets. These raw materials are used in the production of key components, primarily by Chinese and Turkish companies with which M SAN Grupa maintains long-term business relationships.

Inbound logistics is an essential part of upstream activities and is carried out predominantly through maritime transport via five key European ports, using the services of leading international carriers. Transportation from the ports to the central warehouse in Rugvica is carried out by road or rail. M SAN Grupa's own operations comprise a wide range of activities, including warehousing and quality control, manufacturing or assembly for certain product lines, as well as sales, technology development, waste management, infrastructure management and human resources management. For certain divisions, such as VIVAX Air Conditioning, own operations also include the assembly or integration of components in facilities located partly in Croatia and partly abroad. By contrast, for other divisions, such as VIVAX Small Domestic Appliances, own operations are limited exclusively to distribution activities without any manufacturing transformation. The downstream segment of the value chains extends from the distribution of finished products to distributors and retail partner outlets, through product use by end users, including warranties and service support, and ultimately to end-of-life management and waste treatment. The distribution network covers the markets of Croatia, Bosnia and Herzegovina, North Macedonia, Slovenia, Serbia, Montenegro and Kosovo, as well as a significant part of the European Union.

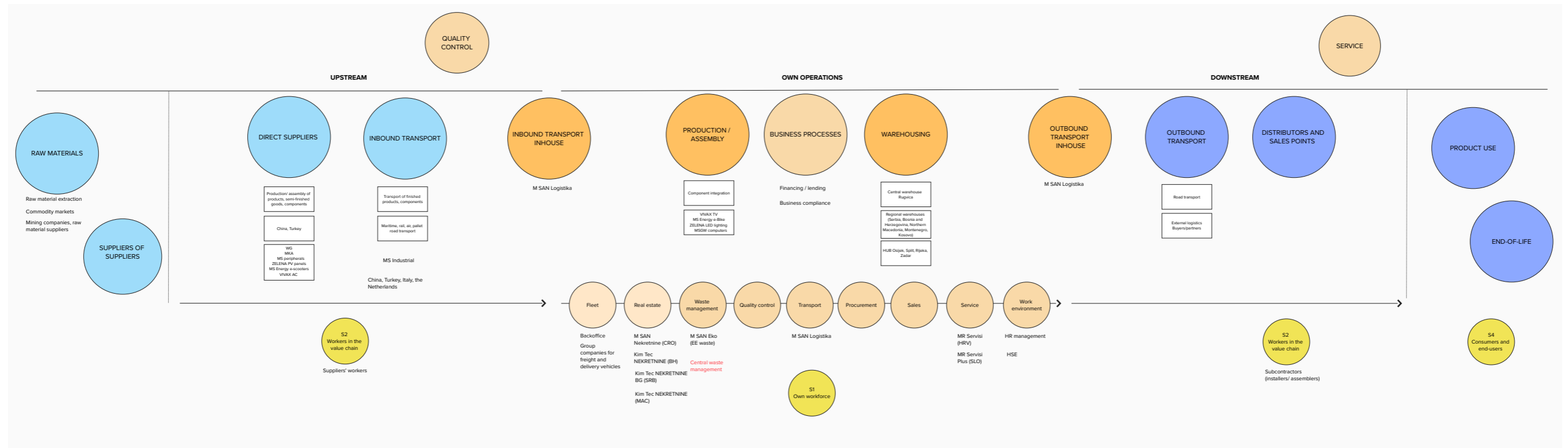
The value chain due diligence process identified several key critical points at which the most significant risks may materialise and where serious business disruptions may occur. The first hotspot relates to the high dependency on a limited number of Chinese and Turkish suppliers for the majority of products, which renders M SAN Grupa exposed to geopolitical risks, technological incompatibilities, large-scale quality issues and volatility in production costs. The second hotspot concerns the fragmentation of international logistics and maritime transport, as the majority of products are shipped by sea through five European ports. This dependency exposes the Group to risks arising from geopolitical incidents, natural disasters and extreme weather events, port congestion and extended berthing times, as well as volatility in maritime freight rates. The third hotspot concerns the management of inventories of bulky products and the coordination between procurement and sales, which requires a balance between maintaining adequate safety stock levels and ensuring efficient inventory turnover through distribution channels. This creates risks of excess inventory that constrains liquidity, or insufficient stock levels that result in lost sales opportunities. The fourth hotspot relates to limited visibility in the upstream segment of the value chains due to the lack of information on sub-suppliers. This constrains the ability to accurately trace the origin of raw materials and materials across all tiers of the procurement chain and creates risks associated with labour ethics, human rights protection and environmental protection.

The value chain due diligence enabled M SAN Grupa to gain a clearer understanding of where material impacts, risks and opportunities arise within its business operations, as well as to identify the key stakeholders with whom it maintains business relationships.

Through a detailed analysis of its value chains, the Group is able to identify critical points with the highest potential for risks and negative impacts and, accordingly, to focus its efforts on emissions reduction and the improvement of sustainable practices where the opportunities for intervention and leverage are greatest. This analysis provides the basis for the systematic evaluation of Scope 3 emissions, i.e. indirect value chain emissions, which account for the majority of the undertaking's overall carbon footprint. Specifically, the value chain due diligence enables M SAN Grupa to meet, going forward, the requirements of ESRS E1-6 relating to the disclosure of greenhouse gas emissions from material categories in accordance with the GHG Protocol Corporate Value Chain Standard. Value chain mapping provides M SAN Grupa with the opportunity to engage in structured collaboration with its suppliers, logistics partners, customers and other key stakeholders, with the objective of jointly reducing emissions and enhancing sustainable practices across its business ecosystem. The value chain due diligence and analysis have multiple strategic implications for M SAN Grupa. Value chain mapping is essential for the double materiality assessment, as it enables the localisation of impacts, risks and opportunities through the systematic identification of where – geographically and in terms of activities – actual or potential negative impacts on people and the environment arise, and where financial risks and opportunities materialise, affecting or potentially affecting the undertaking's financial position. Furthermore, the value chain analysis enabled the contextualisation of risks and opportunities relevant to M SAN Grupa's operations, which are significantly shaped by the characteristics of operating within extensive value chains. The mapping identifies the points within the value chains that require the greatest management and reporting focus and enables M SAN Grupa to design appropriate policies, processes and performance indicators targeting material risks where it can exercise control or leverage. This is particularly important when formulating objectives and performance indicators within the Sustainability Strategy.

The value chain due diligence carried out represents the initial phase of an ongoing process of mapping and managing M SAN Grupa's value chains. The process highlighted certain gaps in information availability, data monitoring and processes, and gaps in the integration of environmental, social and governance matters into management practices. A particular challenge relates to mapping peripheral segments of the value chains where precise characteristics, data and information cannot be fully determined. In such cases, approximations and sector-based conclusions were applied on the basis of various publicly available data sources. In addition, the value chains currently lack horizontal integration, as at this stage of the analysis they have been mapped predominantly in a linear manner. There is still insufficient process-level data to adequately capture feedback loops and circular economy aspects, as certain processes that should be strategically interconnected are currently conducted in a fully separate manner. Given the complexity of M SAN Grupa's value chains and the fact that such an extensive in-depth analysis is being undertaken for the first time, it was not possible at this stage to include affiliated companies operating in markets outside the Republic of Croatia.

M SAN Grupa has identified the need for periodic supplementary analyses, alignment with new business processes and the development of dedicated tools for monitoring material topics within its value chains. The Group has decided to continue the value chain due diligence process by implementing additional verification measures and stakeholder interactions, to extend the scope of the assessment to affiliated companies owned by M SAN Grupa operating in other markets, and to strengthen process governance in those segments of the value chains where certain deficiencies in the availability or accessibility of information and data have been identified. Following the value chain analysis, it was possible to significantly enhance and further elaborate the double materiality assessment, which resulted in identifying thirty-two material impacts, risks and opportunities across environmental, social and governance areas. The value chain analysis also has implications for the review of existing sustainability objectives and performance indicators included in the M SAN Grupa's Sustainability Strategy. Value chain mapping is an instrument that enables the assessment to be systematic, documented and transparent, which constitutes a prerequisite for compliance with ESRS requirements.



Sustainability-related goals

ESRS SBM-1

M SAN Grupa adapted its sustainability objectives following the value chain due diligence and the double materiality assessment conducted in 2025. The objectives are disclosed in the respective sections, linked to specific impacts, risks and opportunities and the related policies, actions and progress indicators.

Identified stakeholders and their interests and views

ESRS SBM-2

Stakeholders	Interests and views	Communication and engagement
Employees (managers and heads / workers / foreign workers)	Secure 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 Inclusion in double materiality assessment 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 Inclusion in double materiality assessment
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 Human rights and labour rights in the supply chain	Meetings Direct and written communication Audits and quality checks Participation in events Tenders Inclusion in double materiality assessment
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	Delivery of regulatory reports, statistical data and forms Participation in public consultation on legislation Operational cooperation through supervisory inspections and controls Cooperation on projects and public calls issued by funds and agencies
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 Inclusion in double materiality assessment
Civil society associations, NGOs	Sponsorships and donations Cooperation on joint projects	Direct and written communication Events, fairs, sports events
Civil society associations, NGOs	Traineeships and employment Collaboration in scientific projects Knowledge transfer Sponsorships and donations	Meetings Direct and written communication Events and presentations

Double materiality assessment process

ESRS 2, IRO-1

M SAN Grupa conducted a comprehensive, enhanced double materiality assessment during 2025 in accordance with the provisions of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), in particular in line with the requirements of ESRS 1 and ESRS 2 IRO-1 and IRO-2. The process represented a qualitative enhancement of the initial assessment conducted during 2023 and 2024, with the objective of more precisely identifying and assessing material impacts, risks and opportunities associated with the Group's operations. Also, the goal was to ensure that the selection of topics for reporting genuinely reflects the specific business model, sectoral context and value chain structure of M SAN Grupa.

The double materiality assessment process was based on several interrelated and sequential steps. The starting point for the enhanced assessment was the mapping of value chains for the key divisions and business models of M SAN Grupa, conducted during 2025. In this process, the main stages of the value chain, i.e. raw material extraction, suppliers, inbound transport, own operations, distribution and sales, product use and end-of-life, were identified, together with the key activities, stakeholders, locations and existing challenges at each stage. The in-depth analysis of the value chains enabled the understanding of where material impacts, risks and opportunities arise within the Group's operations, as well as the identification of critical points or hotspots with the highest potential for risk and negative impacts. Based on the newly acquired understanding of activities in the upstream and downstream segments of the value chain, the assessment covered not only the topics that have already been previously identified in the earlier assessment, but also an expanded list of potentially material topics across all relevant ESRS areas, in order to ensure that no significant topic remained unidentified.

The process and methodology for determining double materiality were developed in full compliance with the provisions of the ESRS and the application guidance on double materiality issued by EFRAG. The contextual analysis drew on European Union's and the Republic of Croatia's regulatory frameworks, instruments and guidelines issued by international organisations such as the United Nations, the Organisation for Economic Co-operation and Development (OECD) and the International Labour Organisation (ILO), regulations and guidance issued by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange. Also, it considered publicly available analyses and documentation addressing the specific environmental, social and economic conditions of doing business in the Republic of Croatia, requirements of financial stakeholders in the Republic of Croatia, including the Croatian Credit Obligations Registry, as well as existing sustainability instruments such as ESG ratings and the Croatian Sustainability Index. Publicly available and internal documents of M SAN Grupa were also taken into consideration as well as the in-depth value chain analysis, previous materiality assessments, and the opinions and assessments of members of the Sustainability Committee and the working group, together with stakeholder input collected through surveys and direct engagement with expert stakeholders.

In the first phase of the assessment, a sectoral materiality benchmark was mapped. Relevant business groups were identified for benchmarking purposes, comprising international companies engaged in the distribution, manufacturing, assembly and servicing of consumer and business electronics, household appliances and ICT equipment, operating geographically diversified value chains with a significant role of Asian suppliers, conducting business in a regulated environment with increasing reporting requirements related to climate risks, the circular economy and social topics and regularly publishing sustainability reports in accordance with the ESRS or the closest international standards. The benchmarking exercise was not used for selection purposes, but rather as a contextual validation to ensure the comprehensiveness of the approach in reviewing and assessing material topics.

The initial identification of relevant topics was carried out on the basis of an analysis of regulatory and legislative documentation, benchmarking or comparative analysis of topics disclosed by other comparable business systems, as well as prior assessments of the topics material to M SAN Grupa. Through the harmonisation of individual topics and an in-depth analysis of a broader list of impacts, risks and opportunities, the enhanced assessment reviewed 33 impacts, 14 risks and nine opportunities across environmental, social and governance areas.

Given its business activities and the sectors in which it operates, M SAN Grupa evaluated impacts only in those areas where it has direct impacts up to the first tier of the value chain and over which it has the ability to exercise direct management control. Following this analysis, the areas considered included ESRS E1 Climate change, ESRS E5 Resource use and circular economy, ESRS S1 Own workforce, ESRS S2 Workers in the value chain, ESRS S4 Consumers and end-users, and ESRS G1 Business conduct. No material impacts, risks or opportunities were identified in the areas covered by ESRS E2 Pollution, ESRS E3 Water and marine resources, ESRS E4 Biodiversity and ecosystems, and ESRS S3 Affected communities, as it was assessed that M SAN Grupa does not have material environmental impacts in these areas, nor risks or opportunities that could have a significant effect on the Group's operations.

The impact assessment was conducted in three interrelated phases. In accordance with the ESRS, the materiality assessment of a negative impact is based on the due diligence process defined in international instruments, namely the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. In the first phase, based on the contextual analysis of M SAN Grupa's operations, the in-depth value chain analysis, previous stakeholder engagement and industry benchmark analyses, a broad list of impacts was compiled. In the second phase, the identified potential impacts were reviewed and described in consultation with the relevant sectors and activities, i.e. divisions of M SAN Grupa. In the third phase, a quantitative analysis was carried out, involving an assessment of each impact in accordance with the developed methodology of categories and scales. Impacts were classified as positive or negative, and as actual or potential.

The assessment of impacts was conducted across several materiality categories, applying a specifically developed methodology defining each rating within all categories. The scale, scope and irremediable character of the impacts were assessed. Once each individual impact had been assessed, specific formulas were applied to combine scale and scope in order to derive a more precise assessment of materiality. For potential impacts, except for the scope and scale, the formula also included the likelihood of occurrence. Impacts were deemed material where the product of weights exceeded the predefined threshold. For actual negative impacts, the thresholds were defined as the average of scale and scope multiplied by the irremediable character of such impacts, with additional conditions incorporating extreme values within individual categories. For potential negative impacts, the thresholds were defined as the average of scale and scope multiplied by the irremediable character of such impacts and their likelihood of occurrence, with various thresholds, depending of the combination of their likelihood of occurrence and intensity. For actual positive impacts, the thresholds were defined as the average of scale and scope, whereas for potential positive impacts the thresholds also incorporated the likelihood of occurrence.

In addition to the impact assessments themselves, each impact was described and accompanied by specific justifications for the assigned assessments. In addition, the location within the value chain where each individual impact arises was specified, i.e. whether in the upstream segment, in own operations, in the downstream segment, or across multiple segments where the impact occurs in several parts of the value chain. For potential impacts, the time horizon was also assessed, i.e. short term (up to one year), mid term (one to five years) and long term (more than five years).

The assessment of risks and opportunities was also conducted in accordance with the same ESRS disclosure requirements as applied to impacts. The term "risks and opportunities" refers to sustainability-related financial risks and opportunities for the undertaking. This includes risks and opportunities arising from the undertaking's dependencies on natural, human and social resources. A sustainability matter is considered material from a financial perspective if it gives rise to, or could reasonably be expected to give rise to, significant financial effects for the undertaking. This is the case where a sustainability matter creates risks or opportunities that significantly impact, or could reasonably be expected to significantly impact, the undertaking's development, financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium and long term. For the assessment of financial materiality, M SAN Grupa established criteria and thresholds based on financial indicators for 2024, which it intends to apply in future business risk assessments in order to ensure the harmonisation of ESG risks with other risk categories.

The assessment of financial materiality was carried out in cooperation with internal experts responsible for the finance function. Thresholds were defined with reference to EBITDA, as it was assessed to be a qualitatively more precise and relevant indicator than revenue. The criteria for assessing the materiality of the financial effects of risks and opportunities are set out below.

- 1 – Insignificant (up to 1% of EBITDA)
- 2 – Low (from 1% up to 5% of EBITDA)
- 3 – Moderate (from 5% up to 10% of EBITDA)
- 4 – Significant (from 10% up to 20% of EBITDA)
- 5 – Critical (over 20% of EBITDA)

The following scale was applied to assess the likelihood of occurrence of a risk or opportunity:

- 1 – Very low likelihood (up to 5% and/or once per decade or less frequently)
- 2 – Low likelihood (5-25% and/or several times per decade / every few years)
- 3 – Moderate likelihood (26-50% and/or several times in a few years / once a year)
- 4 – High likelihood (51-75% and/or several times per year / every quarter)
- 5 – Very high likelihood (above 75% and/or several times per quarter / every month)

Four thresholds of financial materiality for risks or opportunities were defined based on the product of impact and likelihood (≥ 9): insignificant (1-5), low (5), moderate (6-8) and significant (9-25).

The double materiality determination process was based on a combination of internal expert insights and structured stakeholder engagement, ensuring that the results reflect both the Group's perspective and the perspective of those affected by its operations or capable of affecting its operations. The assessment of impacts and the assessment of risks and opportunities were carried out through separate working phases with members of the M SAN Grupa's Sustainability Committee and representatives of key functions, aligned with the relevant business activities and ESRS disclosure requirements. This ensured that the specific characteristics of individual divisions and companies within the Group were taken into account for each topic. Stakeholder engagement included the following:

- An online survey for employees of M SAN Grupa, aimed at validating impacts and the relevance of topics under ESRS S1 Own workforce and ESRS G1 Business conduct. A total of 200 employees from various organisational tiers and different affiliated companies participated in the survey,
- Online surveys for retailers and distributors, as well as suppliers (ESRS S4), with a total of 29 participants,
- Individual interviews with representatives of the financial industry, with a focus on risks and the financial perspective of the topics,
- As well as interviews with sustainability experts, focusing on impacts, governance processes and alignment with best practices.

In addition to stakeholder perceptions, the process also took into account sector-specific frameworks, regulatory requirements arising from the Corporate Sustainability Reporting Directive, the Taxonomy Regulation and related legislation, as well as the broader business context in which M SAN Grupa operates, including market dynamics, technological trends, climate risks and investor expectations. The results of the Croatian Sustainability Index and the ESG rating of the Croatian Chamber of Economy, in which M SAN Grupa participated in 2025, were also taken into account.

The outcome of the assessment is a detailed list of impacts, risks and opportunities, including the assigned values, criteria and thresholds applied in the assessment, as well as descriptions and explanations of the individual categories. In addition to the impacts, risks and opportunities assessed as material, the analysis indicated that certain impacts, risks and opportunities are not material in terms of the need for immediate management and reporting. However, they will be monitored and reassessed in subsequent periods in order to determine whether their level of materiality has increased.

The final evaluation comprised a total of 26 material impacts, 5 risks and one opportunity, which are described in detail under the relevant ESRS areas, including the environmental standards ESRS E1 Climate change and ESRS E5 Resource use and circular economy, the social standards ESRS S1 Own workforce, ESRS S2 Workers in the value chain and ESRS S4 Consumers and end-users, and the governance standard ESRS G1 Business conduct. The renewed in-depth double materiality assessment process undertaken by M SAN Grupa resulted in a qualitatively enhanced level of detail over two reporting periods, reflecting a more rigorous approach to compliance with the ESRS standards. The revised 2025 version established an explicit and systematic link between the identified impacts and the corresponding risks and opportunities, as well as their mapping to specific ESRS areas and sub-areas. The new analysis demonstrates an evolution from a high-level identification of material topics towards an in-depth assessment of the links between impacts (inside-out perspective) and financial risks and opportunities (outside-in perspective), which constitutes a core requirement of double materiality determination.

The revised analysis for 2025 established an explicit and systematic link between the identified impacts and the related risks and opportunities, including their mapping to specific ESRS areas and sub-areas, with double materiality assessed through the interconnection between impacts and financial risks and opportunities. The analysis retains all initially identified topics, while enriching them with a more detailed substantiation of the causal links between actual and potential impacts and their financial effects, particularly in the area of GHG emissions and the mapping of Scope 3 emissions within a complex value chain. The approach to assessing risks and opportunities was more detailed compared to previous assessments. For this purpose, a dedicated methodology was applied and financial criteria and thresholds were established to determine financial materiality, ensuring that these criteria and thresholds can also be applied in future business risk assessments.

A micro-topical approach was introduced, further breaking down the topics of climate change, energy and waste, and linking resource use and the circular economy to ESRS S4 through customer information and sustainable design. Within the social dimension, working conditions were analysed in greater detail, including employee turnover as an operational risk, diversity, inclusion and equal opportunities in line with ESRS S1, as well as impacts, risks and opportunities relating to workers in the value chain in accordance with ESRS S2. The key distinction between the versions lies in the enhanced methodological depth, the explicit articulation of the relationship between risks and financial effects, and the stronger strategic integration of sustainability, rendering the revised version a robust and credible basis for CSRD-compliant reporting.

Interaction of impacts, risks and opportunities with strategy and business model

ESRS 2 SBM-3

The material impacts, risks and opportunities identified for M SAN Grupa served as the basis for updating its sustainability objectives, i.e. the Sustainability Strategy. The objectives, actions and key performance indicators related to the implementation of these objectives are described in the chapter addressing each material topic. In the double materiality assessment process, M SAN Grupa identified several key impacts, risks and opportunities that directly shape its strategic objectives and business model. This particularly relates to greenhouse gas emissions from the value chain (E1 – Scope 3), resource use and the circular economy (E5), as well as working conditions and employee engagement (S1). Scope 3 emissions and the energy efficiency of products are key drivers of the strategic focus on developing and expanding the product portfolio, thereby increasingly orienting the business model towards low-carbon and Taxonomy-eligible activities. Impacts, risks and opportunities related to resource use and product lifetimes (reverse logistics, MR Servis, M SAN EKO and the reuse of packaging) are embedded in the strategy through objectives to reduce waste, increase the share of recyclable packaging and extend product lifetimes, thereby influencing product design, service and logistics across the Group. At the same time, impacts, risks and opportunities related to working conditions, employee turnover and corporate culture (S1, G1) support strategic initiatives in the areas of permanent employment, employee retention programmes, engagement surveys and the corporate values programme, ensuring that the business model remains sustainable and scalable while maintaining a high level of engagement among key personnel.

Material impacts, risks and opportunities for M SAN Grupa

ESRS 2, IRO-2

Topic - Environment	Sustainability sub-topics	Impact/risk opportunity	Value chain			Period		
			Upstream	Within the organisation	Downstream	Short-term	Mid-term	Long-term
E1 Climate change	E1 Climate change							
	Scope 1 and 2 GHG emissions	Negative impact, actual		•				•
	Scope 3 emissions	Negative impact, actual	•		•			•
	Emissions of fluorinated gases from products (refrigeration equipment)	Negative impact, actual		•	•		•	
	Energy consumption from non-renewable sources	Negative impact, actual	•	•				•
	Climate change adaptation							
	Increase in demand for refrigeration equipment and heat pumps	Opportunity			•		•	
	Energy							
	Improvement of energy efficiency through products such as heat pumps, air conditioning units, and ESS and BMS systems	Positive			•		•	
Increase in transportation costs	impact, actual	•		•		•		
E5 Circular economy	Resource inflows, including resource use							
	Inflows of resources from primary raw materials through the procurement of materials, semi-finished products and products that are neither recycled nor recyclable	Negative impact, actual	•					•
	Depletion of resources used for packaging materials	Negative impact, actual	•	•				•
	Depletion of raw materials and resources used for product components	Negative impact, actual	•					•
	Digital Product Passport (DPP) requirements	Risk	•	•			•	
	Resource outflows related to products and services							
	Resource outflows related to products and services	Negative impact, actual			•			•
	Contribution of servicing and product reparability to preventing waste generation	Positive impact, actual		•	•			•
	Waste							
Waste generation from operations and products	Negative impact, actual		•	•			•	

Topic – Society	Sustainability sub-topics	Impact/risk opportunity	Value chain			Period		
			Upstream	Within the organisation	Downstream	Short-term	Mid-term	Long-term
S1 Own workforce	Working conditions							
	Permanent employment contracts covering all permanent employees	Positive impact, actual		•				•
	Workforce fluctuation	Risk		•			•	
	Inflexible working conditions	Risk		•			•	
	Equal treatment and opportunities for all							
	Openness of the organisation to diversity	Positive impact, actual		•				•
A discrimination-free working environment	Positive impact, actual		•				•	
S2 Workforce in the value chain	Working conditions							
	Health and safety of workers in the value chain	Negative impact, actual	•					•
	Inadequate wages	Negative impact, potential	•					•
	Overtime work	Negative impact, potential	•					•
	Equal treatment and opportunities for all							
	Gender inequality and unequal pay for equal work	Negative impact, potential	•					•
	Child labour	Negative impact, potential	•					•
Forced labour	Negative impact, potential	•					•	
S4 Consumers and end-users	Personal safety of consumers and/or end-users							
	Systematic testing and quality control	Positive impact, actual		•	•			•
	Safety risks associated with the use of products such as electric bicycles, e-scooters, air conditioning units and household appliances	Negative impact, potential			•		•	
	Social inclusion of consumers and/or end-users							
Equal access to products based on responsible marketing practices and transparent, accurate and truthful advertising	Positive impact, actual			•		•		

Topic - Governance	Sustainability sub-topics	Impact/risk opportunity	Value chain			Period		
			Impact/risk	Unutar organizacije	Within the organisation	Downstream	Short-term	Long-term
G1 Business conduct	Management of relationships with suppliers, including payment							
	Fair market relationships with suppliers, including transparent negotiations, fair contracting and timely payments	Positive impact, actual	•				•	•
	Failure to conduct systematic supplier due diligence in relation to environmental protection, working conditions and respect for human rights	Negative impact, potential	•	•				•
	Corporate culture							
	An open and inclusive corporate culture	Positive impact, actual		•				•
	Corruption and bribery							
Reputational and regulatory risk of corruption and bribery	Risk	•	•	•		•		

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

ESRS 2, IRO-2

Material topics, sub-topics and the related impacts, risks and opportunities are described in the chapters corresponding to the relevant topical standards.

Following the materiality assessment, ESRS E2 Pollution, ESRS E3 Water and marine resources, ESRS E4 Biodiversity and ecosystems, and ESRS S3 Affected communities were assessed as not material. Disclosures assessed as material are presented in the respective topical chapters.

DISCLOSURE	Page
General information	
ESRS 2 – General disclosures	151
Environmental information	
ESRS E1 – Climate change	176
Information in line with Article 8 of Regulation (EU) 2020/852 (the Taxonomy Regulation)	186
ESRS E5 – Circular economy	198
Social information	
ESRS S1 – Own workforce	203
ESRS S2 – Workforce in the value chain	219
ESRS S4 – Consumers and end-users	227
Governance information	
ESRS G1 – Business conduct	237

Disclosures stemming from other legislation or generally accepted sustainability reporting pronouncements

ESRS 2, IRO-1

Disclosed in Appendix 2

ESRS E1: CLIMATE CHANGE

Disclosure requirement		Information
ESRS 2 GOV-3 E1	Integration of sustainability-related performance in incentive schemes	161
ESRS E1-1	Transition plan for climate change mitigation	179
ESRS 2 SBM-3 E1	Material impacts, risks and opportunities and their interaction with strategy and business model	177
ESRS 2 IRO-1 E1	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	179
ESRS E1-2	Policies related to climate change mitigation and adaptation	179
ESRS E1-3	Actions and resources in relation to climate change policies	180
ESRS E1-4	Targets related to climate change mitigation and adaptation	180
ESRS E1-5	Energy consumption and mix	81
ESRS E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	183
ESRS E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	The undertaking uses the option to postpone disclosures

The production of electrical and electronic devices and equipment is an activity that may have material impact on climate change, as emissions are generated throughout the entire value chain. M SAN Grupa's activities belong to sectors that significantly impact the climate according to ESRS standards 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.

Identified impacts, risks and opportunities

ESRS 2 SMB-3

E1

IMPACTS CONNECTED WITH CLIMATE AND ENERGY

CLIMATE CHANGE MITIGATION

Negative impact – actual; in the entire value chain			
GHG emissions from value chain (Scope 3)	Emissions arising during the extraction of raw materials, the production of semi-finished products and finished products, inbound and outbound transport, as well as during the use phase and at the end of the product life cycle. They represent a significant source of indirect emissions associated with the activities of suppliers and users of products.	Business model and business relationships	Long-term (more than 5 years)
Negative impact – actual; in own operations			
GHG emissions from own operations (Scope 1 and 2)	Direct emissions arising from fuel consumption and the release of refrigerant gases, as well as indirect emissions associated with electricity consumption at business sites. They comprise emissions under the company's direct control.	Caused directly by operations	Long-term (more than 5 years)
Negative impact – potential; within the organisation and downstream			
Emissions of fluorinated gases from products (cooling appliances)	The release of refrigerants from products, including air-conditioning units and other cooling systems, contributes to the greenhouse effect.	Products and/or services	Mid-term (1-5 years)
Negative impact – actual; upstream and within the organisation			
Energy consumption from non-renewable sources	Reliance on electricity and energy sources derived from fossil fuels leads to increased greenhouse gas emissions and thereby contributes to climate change.	Caused directly by operations and business relationships	Long-term (more than 5 years)

ENERGY

Positive impact – actual; downstream			
Improvement of energy efficiency through products such as heat pumps, air conditioning units, and ESS and BMS systems	Energy-efficient technologies, such as heat pumps, high-efficiency air-conditioning units, energy storage systems (ESS) and building management systems (BMS), contribute to reducing energy consumption and optimising energy use for users.	Business model and products and/or services	Long-term (more than 5 years)

RISKS AND OPPORTUNITIES CONNECTED WITH CLIMATE AND ENERGY

CLIMATE CHANGE ADAPTATION

Opportunity; downstream			
Increase in demand for cooling appliances and heat pumps	Changes in climate conditions and the energy transition drive increase the demand for cooling appliances and heat pumps, which may have a positive impact on sales and revenues.	Originating from the business model	Mid-term (1-5 years)

ENERGY

Risk; upstream and downstream			
Increase in transport costs	Increase in transport costs due to rising fuel, energy and freight charges, which may increase the overall operating costs.	Originating from the business context	Mid-term (1-5 years)

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

ESRS 2 SBM-3

E1

Climate-related risks may have significant impacts on the various business activities of M SAN Grupa, while at the same time the business model and operations of M SAN Grupa generate actual and potential impacts on the climate. The extraction and processing of raw materials for electronics, such as metals and minerals, require large amounts of energy and contribute to greenhouse gas emissions. These activities, together with the production of semi-finished products and finished products, inbound and outbound transport, and the use phase and end-of-life phase of products, represent a significant source of indirect greenhouse gas emissions from the value chain (Scope 3).

Manufacturing and business operations also require substantial amounts of energy, with reliance on electricity and energy carriers derived from fossil (non-renewable) sources. This directly results in increased greenhouse gas emissions from the Group's own operations (Scope 1 and Scope 2). In addition, a potential negative impact has been identified relating to the downstream release of fluorinated gases from various products (such as air-conditioning units and other cooling systems), which contributes to the greenhouse effect.

On the other hand, the business strategy and product portfolio of M SAN Grupa also generate material positive impacts on climate change mitigation. By introducing and selling energy-efficient technologies, such as heat pumps, high-efficiency air-conditioning units, energy storage systems (ESS) and building management systems (BMS), M SAN Grupa directly contributes to reducing energy consumption and optimising energy use for users. At the same time, changes in climate conditions and the global energy transition also represent a significant business opportunity, as they drive increased demand for cooling appliances and heat pumps, which may have a positive impact on the future sales and revenues of M SAN Grupa.

Climate change may disrupt supply chains and affect the availability of raw materials, semi-finished products and finished products. The concentration of critical production hubs in vulnerable regions may amplify climate-related risks. In 2025, experts from various business verticals of M SAN Grupa assessed the physical climate risks associated with individual business sites. Given that most risks were assessed as low in the short term from the perspective of expected costs, it was determined that these risks should be monitored over the long term, that an assessment of asset exposure should be carried out using climate scenarios, and that the potential exposure of business activities to these hazards should be examined.

Among the transition risks relevant to the business is the increase in transport costs due to rising fuel, energy and freight charges, which may directly increase the overall operating costs.

Impact, risk and opportunity management

ESRS 2 IRO-1

E1

In 2025, M SAN Grupa deepened its assessment of climate change-related impacts, risks and opportunities through detailed mapping of impacts, risks and opportunities. In the analysis of the business divisions, priority was given to identifying the most significant physical and transition risks related to climate change for the core activities of M SAN Grupa, as well as for potential business opportunities.

The process of assessing physical and transition risks and opportunities involved managers and experts within the organisation who reviewed the magnitude of risks for individual product lines in the short and medium term. In future reporting periods, detailed long-term assessments of physical and transition climate risks based on climate scenarios will be undertaken. Upon completing a thorough analysis of these risks for the business model, a resilience analysis of the business model relating to climate change risks will also be conducted.

E1-1 Transition plan for climate change mitigation

E1-1

M SAN Grupa has not yet adopted a formal climate change mitigation transition plan.

In 2025, preparatory steps were undertaken for the potential development of the transition plan in order to establish a sound basis for its adoption:

Mapping of the value chain and risks: A detailed mapping of the value chain and analyses of business processes were carried out in order to identify key stakeholders and risks across all business divisions, business opportunities and the key impacts on climate change.

Calculation of Scope 1, Scope 2 and Scope 3 greenhouse gas emissions. The calculation of greenhouse gas emissions was carried out based on information collected through value chain mapping, thereby establishing the conditions for determining the base year for all scopes of greenhouse gas emissions.

Since, based on amendments introduced by Directive (EU) 2024/1760 on corporate sustainability due diligence, M SAN Grupa is not expected to be subject to an obligation to adopt a climate change mitigation transition plan, a decision on the development of a voluntary transition plan will be taken in future reporting periods.

E1-2 Policies related to climate change mitigation and adaptation

ESRS 2 MDR-P

E1

Although M SAN Grupa currently does not have a separately defined policy that relates exclusively to climate change mitigation and adaptation, certain aspects of the management of climate-related impacts are integrated into existing internal policies.

The Code of Ethics of M SAN Grupa incorporates the principle of environmental protection and the protection of human health, as well as business conduct aimed at preserving natural resources and ensuring responsible waste management. The Code of Ethics provides a general framework for the management of the environmental impacts of business operations, including activities related to the management of electrical and electronic waste.

M SAN Grupa applies practices related to product management and service support, whereby the design of products under its own brands takes into account service support and reparability in order to extend product lifetime and avoid greenhouse gas emissions.

M SAN Grupa plans to further develop formal policies related to climate change mitigation in the coming period following the completion of a more detailed assessment of climate-related risks and the development of a transition plan.

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

ESRS 2 MDR-A

E1

M SAN Grupa carries out a range of activities that contribute to more efficient energy use and the reduction of greenhouse gas emissions in its operations. One of the key measures relates to the Group's own generation of electricity from renewable sources through photovoltaic systems installed at the Buzin and Rugvica sites. With respect to energy efficiency, activities are carried out to optimise energy consumption, including the optimisation of heating and cooling system operations, the reduction of heat losses and the optimisation of fuel consumption.

M SAN Grupa carries out activities aimed at extending product lifetimes through service support and the availability of spare parts.

E1-4 Targets related to climate change mitigation and adaptation

ESRS 2 MDR-T

E1

Given that a detailed reassessment of climate-related impacts on the business is currently in preparation, M SAN Grupa has defined climate-related metrics and targets at a general level. The following targets and metrics for tracking progress have been established:

- Complete the calculation of Scope 3 emissions for at least 80% of the categories during 2026 and 2027 (add three new categories, e.g. capital goods, employee travel and investments)
- Reduce GHG emissions in the category "fuel and energy-related activities"
- Reduce GHG emissions in the category "business travel"
- Reduce energy intensity per net revenue
- Increase the share of renewable energy sources in total energy consumption
- Increase energy efficiency in buildings
- Introduce a system for monitoring energy, fuel and F-gas consumption in line with the relevant standard (e.g. ISO 15001) and train 1 person by 2028.
- Increase the number of electric vehicles in the fleet
- Introduce a system for monitoring and optimizing transport routes using GPS systems and telematics, with 1 person trained by the end of 2028.
- Reduce fuel consumption and emissions for more economical driving – train 100% of drivers for economical driving (eco-driving)
- Reduce energy intensity per net income
- Increase the use of energy and fuel from renewable sources
- Increase energy efficiency in buildings
- Introduce a system for monitoring the consumption of energy, fuel and F-gases in accordance with the appropriate standard (e.g. ISO 15001) and train 1 person by 2028.
- Gradual replacement of working substances in refrigerating devices with high GWP F-gases to more climate-friendly alternatives (requirement of regulation)
- Increase the share of income from energy efficient products (VIVAX, MS Energy and others)

E1-5 Energy consumption and mix

E1-5

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	Section N - Administrative and support services
26.20 Manufacture of computers and peripheral equipment	82.92 Packaging activities
26.40 Manufacture of consumer electronics	Section S - Other service activities
27.40 Manufacture of electric lighting equipment	95.1 Repair of computers and communication equipment
30.92 Manufacture of bicycles and invalid carriages	95.11 Repair of computers and peripheral equipment
Section E - Water supply, sewerage, waste management	95.12 Repair of communication equipment
38.11 Collection of non-hazardous waste	95.2 Repair of personal and household goods
Section H - Transportation and storage	95.21 Repair of consumer electronics
49.41 Freight transport by road	95.22 Repair of household appliances and home and garden equipment
52.10 Warehousing and storage	95.29 Repair of other personal and household goods
52.24 Cargo handling	

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

At the sites of 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 located, 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. Within the Group, the facilities of M SAN Grupa, M SAN Logistika and MR Servis at the sites of Buzin and Rugvica also use renewable energy source generated by integrated photovoltaic (PV) panels. These panels generate electricity on-site as renewable energy sources.

The data in the table below are presented for 2023 as the reference year and for 2025 as the reporting year.

¹ Sectors with high climate impact are referred to in sections A through H and section L of NACE (as defined in 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 consumption per source in 2025

Energy consumption per source		Reference year 2023	Reporting year 2025	Unit
1.	Fuel consumption from coal and coal products	0	MWh	MWh
2.	Fuel consumption from crude oil and petroleum products	6,750.04	4,738.48	MWh
3.	Fuel consumption from natural gas	670.05	1,007.68	MWh
4.	Fuel consumption from other fossil sources	0	0	MWh
5.	Consumption of purchased or acquired electricity, heat, steam and cooling from fossil sources	1,899.49	2,053.83	MWh
6.	TOTAL FOSSIL ENERGY CONSUMPTION (CALCULATED AS THE SUM OF LINES 1 TO 5)	9,319.58	7,799.99	MWh
	Share of fossil sources in total energy consumption	97.4	95.4	%
7.	Consumption from nuclear sources	0	%	MWh
	Share of nuclear sources in total energy consumption	0	0	%
8.	Fuel consumption from renewable sources, including biomass (also comprising industrial and municipal waste of biologic origin, biogas, renewable hydrogen, etc.)	0	0	MWh
9.	Consumption of purchased or acquired electricity, heat, steam and cooling from renewable sources	245.63	377.66	MWh
10.	Consumption of self-generated non-fuel renewable energy	0	0	MWh
11.	TOTAL RENEWABLE ENERGY CONSUMPTION (CALCULATED AS THE SUM OF LINES 8-10)	245.63	377.66	MWh
	Share of renewable sources in total energy consumption	2.6	4.6	%
TOTAL ENERGY CONSUMPTION (SUM OF LINES 6 AND 11)		9,565.21	8,177.65	MWh

Energy intensity based on the net revenue of the Group for 2025, calculated as the ratio of total energy consumption from activities in sectors with material climate impact to the net revenue generated from these activities.

Compared with 2023, net revenues in 2025 decreased by 5.6%, while energy consumption in MWh decreased by 13.8%. As a result, energy intensity per net revenue decreased by 8.7%.

Energy intensity based on net revenue of the Group

Indicator	2023	2025	Unit
Energy intensity per net revenue ³	0.0203	0.0185	MWh/EUR 1,000
Total energy consumption from activities in high climate impact sectors	9,565.21	8,240.85	(MWh)
Net revenue from activities in high climate impact sectors used to calculate energy intensity	471,672.00	445,121.00	EUR 1,000
Net revenues (other)	0.00	0.00	

3. Total energy consumption from activities in high climate impact sectors per net revenue from activities in high climate impact sectors (MWh).

E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions

E1-6

The challenges related to the calculation of Scope 1 and Scope 2 greenhouse gas emissions that were present in the previous reporting period were eliminated through improvements to the system of data collection and analysis undertaken in 2025. More detailed mapping of the value chain enabled the preparation of refined calculations of Scope 1 and Scope 2 emissions for 2024 and 2025, as well as the estimation of Scope 3 emissions in selected material categories.

The data that follow in Table 6 pertain to the gross emissions of seven greenhouse gases: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃), but are not limited to these gases.

The greenhouse gas emissions inventory covers all greenhouse gases emitted in the value chain of M SAN Grupa within the organisational and operational boundaries, as shown 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 heavy goods 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 heavy goods vehicles.	1
	Indirect emissions from electricity supply.	2
Nitrous oxide	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 heavy goods 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

Emissions reported under Scope 1 include all direct greenhouse gas emissions within the reporting boundaries in the 2025 reporting year, with input data derived from the consumption of fossil fuels and the use of HFC gases. Emissions reported under Scope 2 include indirect GHG emissions arising from the purchase or acquisition of electricity within the reporting boundaries of M SAN Grupa in the 2025 reporting year.

GHG emissions, consolidated, M SAN Grupa

Indicator	Reference year	2023	2024	2025
Emisije stakleničkih plinova iz opsega 1				
Gross Scope 1 GHG emissions (t CO ₂ eq)		2,356.36	Data not available	1,660.63
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)		0	0	0
GHG emissions Scope 2				
Location-based gross Scope 2 GHG emissions (t CO ₂ eq)		1,223.22	Data not available	1,660.63
Market-based gross Scope 2 GHG emissions (t CO ₂ eq)		1,714.24	Data not available	1,426.36
GHG emissions Scope 3				
Total gross indirect Scope 3 GHG emissions (t CO ₂ eq)		Data not available	Data not available	6,173,554
GHG emissions Scope 2				
Total Scope 1 + 2 (location-based) gross GHG emissions (t CO ₂ eq)		3,579.57	Data not available	2,829.60
Total Scope 1 + 2 (market-based) gross GHG emissions (t CO ₂ eq)		4,070.60	Data not available	3,086.99

Scope 3 covers all greenhouse gas (GHG) emissions occurring in the value chain of M SAN Grupa during the reporting period. More specifically, these are GHG emissions occurring in the upstream and downstream flows of the value chain, excluding indirect emissions from the purchase or acquisition of electricity and heat energy, which are accounted for under Scope 2.

Gross Scope 3 GHG emissions

GHG gross emissions t CO ₂ eq	2025.
Indirect input emissions	
- of which: Purchased goods and services	1,043,755
- of which: Fuel- and energy-related activities	326.77
- of which: Upstream value chain transport and distribution	1,589
- of which: Waste generated in operations	20
- of which: Business travel	411
Indirect output emissions	
- of which: Downstream value chain transport and distribution	495
- of which: Processing of sold products	84,789
- of which: Use of sold products	4,925,827
- of which: End-of-life treatment of products	116,339

GHG intensity based on net revenue

The emissions intensity has been calculated as the ratio of total GHG emissions in Scope 1, Scope 2 and Scope 3 to the Group's net revenues in 2025, using both the location-based and market-based methods. A comparison with the reference year 2023 is not presented because Scope 3 was not included in 2023. Therefore, such a comparison would not be relevant.

GHG intensity per net revenue

GHG intensity per net revenue (2025)	
Total net revenue of M SAN Grupa (EUR 1,000)	445,121
Total (location-based) gross GHG emissions (t CO2 eq)	6,176,384.49
GHG (location-based) intensity (t CO2 eq/EUR 1,000)	13.88
Total (market-based) gross GHG emissions (t CO2 eq)	6,176,641.88
GHG intensity per market-based method (t CO2 eq/EUR 1,000)	13.88

INFORMATION IN LINE 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, 145/2024, 151/2025) 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 2025:

- 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 2025 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.

Key performance indicators (KPIs) relating to turnover in 2025

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	Turnover share / Absolute turnover			
	Taxonomy-aligned activities per objective (%)		Taxonomy-eligible objectives per objective (%)	
	2024	2025	2024	2025
Climate change mitigation (CCM)	0 %	0 %	0.16 %	0.34 %
Climate change adaptation (CCA)	0 %	0 %	0 %	0 %
The sustainable use and protection of water and marine resources (WTR)	0 %	0 %	0 %	0 %
The transition to a circular economy (CE)	0 %	0 %	1.73 %	0.75 %
Pollution prevention and control (PPC)	0 %	0 %	0 %	0 %
The protection and restoration of biodiversity and ecosystems (BIO)	0 %	0 %	0 %	0 %

Turnover 2025													
Economic activities (1)	Code (2)	Proportion of Taxonomy-eligible Turnover (3)	Taxonomy-aligned Turnover (4)	Proportion of Taxonomy-aligned Turnover (5)	Climate change mitigation (6)	Climate change adaptation (7)	Water (8)	Circular Economy (9)	Pollution (10)	Biodiversity (11)	Enabling activity (12)	Transitional activity (13)	Proportion of Taxonomy aligned in Taxonomy eligible (14)
		%	(EUR)	%	%	%	%	%	%	%	O	P	%
Collection and transport of non-hazardous and hazardous waste (CE)	CE 2.3.	0,02%	0,00	0%	0%	0%	0%	0%	0%	0%	/	/	0%
Manufacture of energy efficiency equipment for buildings (CCM)	CCM 3.5.	0,13%	0,00	0%	0%	0%	0%	0%	0%	0%	/	/	0%
Repair, refurbishment and remanufacturing (CE)	CE 5.1.	0,40%	0,00	0%	0%	0%	0%	0%	0%	0%	/	/	0%
Sale of spare parts (CE)	CE 5.2.	0,33%	0,00	0%	0%	0%	0%	0%	0%	0%	/	/	0%
Freight transport services by road (CCM)	CCM 6.6.	0,21%	0,00	0%	0%	0%	0%	0%	0%	0%	/	/	0%
Sum of alignment per objective					0%	0%	0%	0%	0%	0%			0%
Total Turnover		1,08%	0,00	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Key performance indicators relating to capital expenditures (CapEx KPI) in 2025

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 (2025)	Capital expenditure share / Absolute capital expenditure			
	Taxonomy-aligned activities per objective (%)		Taxonomy-eligible objectives per objective (%)	
	2024	2025	2024	2025
Climate change mitigation (CCM)	0 %	0 %	47.41 %	39.63 %
Climate change adaptation (CCA)	0 %	0 %	0 %	0 %
The sustainable use and protection of water and marine resources (WTR)	0 %	0 %	0 %	0 %
The transition to a circular economy (CE)	0 %	0 %	0 %	0 %
Pollution prevention and control (PPC)	0 %	0 %	0 %	0 %
The protection and restoration of biodiversity and ecosystems (BIO)	0 %	0 %	0 %	0 %

CapEx 2025													
Economic activities (1)	Code (2)	Proportion of Taxonomy-eligible CapEx (3)	Taxonomy-aligned CapEx (4)	Proportion of Taxonomy-aligned CapEx (5)	Climate change mitigation (6)	Climate change adaptation (7)	Water (8)	Circular Economy (9)	Pollution (10)	Biodiversity (11)	Enabling activity (12)	Transitional activity (13)	Proportion of Taxonomy aligned in Taxonomy eligible (14)
		%	(EUR)	%	%	%	%	%	%	%	O	P	%
Freight transport services by road (CCM)	CCM 6.6.	10,33%	0,00	0%	0%	0%	0%	0%	0%	0%	/	/	0%
Acquisition and ownership of buildings (CCM)	CCM 7.7.	29,30%	0,00	0%	0%	0%	0%	0%	0%	0%	/	/	0%
Sum of alignment per objective					0%	0%	0%	0%	0%	0%			0%
Total CapEx		39,63%	0,00	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Key performance indicators relating to operational expenditures (OpEx KPI) in 2025

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	Operational expenditure share / Absolute operational expenditure			
	Taxonomy-aligned activities per objective (%)		Taxonomy-eligible objectives per objective (%)	
	2024	2025	2024	2025
Climate change mitigation (CCM)	0 %	0 %	14.90 %	15.92 %
Climate change adaptation (CCA)	0 %	0 %	0 %	0 %
The sustainable use and protection of water and marine resources (WTR)	0 %	0 %	0 %	0 %
The transition to a circular economy (CE)	0 %	0 %	0 %	0 %
Pollution prevention and control (PPC)	0 %	0 %	0 %	0 %
The protection and restoration of biodiversity and ecosystems (BIO)	0 %	0 %	0 %	0 %

OpEx 2025													
Economic activities (1)	Code (2)	Proportion of Taxonomy-eligible OpEx (3)	Taxonomy-aligned OpEx (4)	Proportion of Taxonomy-aligned OpEx (5)	Climate change mitigation (6)	Climate change adaptation (7)	Water (8)	Circular Economy (9)	Pollution (10)	Biodiversity (11)	Enabling activity (12)	Transitional activity (13)	Proportion of Taxonomy aligned in Taxonomy eligible (14)
		%	(EUR)	%	%	%	%	%	%	%	O	P	%
Manufacture of energy efficiency equipment for buildings (CCM)	CCM 3.5	0,92%	0,00	0%	0%	0%	0%	0%	0%	0%	/	/	0%
"Transport by motorbikes, passenger cars and light commercial vehicles (CCM)"	CCM 6.5.	2,55%	0,00	0%	0%	0%	0%	0%	0%	0%	/	/	0%
Freight transport services by road (CCM)	CCM 6.6.	0,63%	0,00	0%	0%	0%	0%	0%	0%	0%	/	/	0%
Acquisition and ownership of buildings (CCM)	CCM 7.7.	11,81%	0,00	0%	0%	0%	0%	0%	0%	0%	/	/	0%
Sum of alignment per objective					0%	0%	0%	0%	0%	0%			0%
Total OpEx		15,92%	0,00	0%	0%	0%	0%	0%	0%	0%	0%	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.

ESRS E5: USE OF RESOURCES AND CIRCULAR ECONOMY

Disclosure requirement		Information
ESRS 2 SBM-3 E5	Material impacts, risks and opportunities and their interaction with strategy and business model	197
ESRS 2 IRO-1 E5	Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities	199
ESRS E5-1	Policies related to resource use and circular economy	199
ESRS E5-2	Actions and resources related to resource use and circular economy	200
ESRS E5-3	Targets related to resource use and circular economy	201
ESRS E5-4	Resource inflows	201
ESRS E5-5	Resource outflows	201
ESRS E5-6	Anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities	Use of phase-in option

Given the nature of its business activities, M SAN Grupa recognises the materiality of topics related to resource use and the circular economy. Resource inflows and outflows in the production of electrical and electronic equipment (WEEE) are significant, and M SAN Grupa aims to present its practices in a transparent manner. M SAN Grupa includes M SAN Eko, a company responsible for the collection of WEEE. Apart from this segment, M SAN Grupa has not yet established processes for a systematic management and monitoring of data on resource inflows and outflows, or on waste quantities. To align with the requirements of the ESRS standards, the Group will focus on developing systems for data management and monitoring. The objective is also to develop actions to reduce waste and improve resource use efficiency. Efforts to improve practices will include cooperation with suppliers and partners to optimise resource use across the entire value chain. The objective of M SAN Grupa is to become part of a sustainable business environment and to contribute to the development of the circular economy in the region.

Identified impacts, risks and opportunities

ESRS 2 SBM-3

E5

IMPACTS RELATED TO RESOURCE USE AND CIRCULAR ECONOMY			
RESOURCE INFLOWS, INCLUDING RESOURCE USE			
Actual negative impact; upstream			
Inflows of resources from primary raw materials through the procurement of materials, semi-finished products and products that are neither recycled nor recyclable	The procurement of materials, semi-finished products and products that are neither recycled nor recyclable increases the consumption of primary raw materials and places additional pressure on natural resources.	Originating from the business model and business relationships	Long-term (longer than 5 years)
Actual negative impact; upstream and within the organisation			
Depletion of resources used for packaging materials	The use of cardboard, paper, plastics and foam materials for component packaging and product packing creates environmental pressure through resource consumption and the generation of packaging waste.	Caused by operations directly	Long-term (longer than 5 years)
Actual negative impact; upstream			
Depletion of raw materials and resources used for product components	Electronic components, metals, plastics, glass and refrigerants used in products include critical raw materials, the sourcing of which may have significant environmental impacts, including the depletion of natural resources within the supply chain.	Originating from the business model and business relationships	Long-term (longer than 5 years)
RESOURCE OUTFLOWS RELATED TO PRODUCTS AND SERVICES			
Actual negative impact; downstream			
Resource outflows related to products and services	During and after the use of products, packaging and electronic waste are generated, which may have a negative impact on the environment.	Originating from products and/or services	Long-term (longer than 5 years)
Actual positive impact; within the organisation and downstream			
Contribution of servicing and product reparability to waste prevention	Extending product lifespans through organised servicing, product design for reparability and the availability of spare parts has a positive environmental impact by reducing waste generation and the use of primary resources.	Originating from the business model	Long-term (longer than 5 years)

IMPACTS RELATED TO RESOURCE USE AND CIRCULAR ECONOMY

WASTE

Actual negative impact; within the organisation and downstream			
Waste generation from operations and products	The generation of packaging waste, components and spare parts, as well as waste electrical and electronic equipment (WEEE), in operations and production, and following product use, increases pressure on waste management systems and the environment.	Caused by operations directly	Long-term (longer than 5 years)

RISK AND OPPORTUNITIES RELATED TO RESOURCE USE AND CIRCULAR ECONOMY

Risk; upstream and within the organisation

Risk; upstream and within the organisation			
Digital Product Passport (DPP) requirements	The implementation of the Digital Product Passport (DPP) requires investment in systems for the collection, management and disclosure of product data. Incomplete information, a lack of transparency, or insufficient preparedness of suppliers and their business partners within the supply chain may pose a risk of losing access to the EU market.	Originating from the business context	Medium-term (1-5 years)

Explanation of impacts, risks and opportunities

ESRS 2 SBM-3

E5

The production of electrical and electronic equipment and appliances is highly resource-intensive in terms of resource use and waste management. In its production processes, M SAN Grupa uses a wide range of materials as key resources for finished products, particularly in the case of electronic equipment, electrical appliances and electric mobility devices. In the resource inflow phase, actual negative impacts have been identified at an upstream level (in the supply chain), relating to the depletion of raw materials and resources used in product components. Electronic components, metals, plastics, glass and refrigerants contain critical raw materials, whose sourcing generates significant environmental impacts and depletes natural resources within the supply chain. An additional actual negative impact arises from the procurement of materials, semi-finished products and products that are neither recycled nor recyclable, thereby increasing the consumption of primary raw materials and environmental pressure. Furthermore, resource depletion related to packaging materials has been identified both within the organisation and upstream, where the use of cardboard, paper, plastics and foam materials for product packaging creates additional pressure on resource use and generates packaging waste.

On the other hand, in the resource outflow phase, M SAN Grupa achieves an actual positive impact (within the organisation and downstream) through the contribution of servicing and product reparability to waste prevention. Extending product lifespans through organised servicing, product design for reparability and the availability of spare parts has a direct positive environmental impact by reducing waste generation and decreasing the need for new primary resources.

Impacts are also identified in the generation of waste arising from operations and products. Given that packaging and electronic waste are generated both during operations and after product use, an actual negative impact related to resource outflows and waste generation has been identified, increasing pressure on waste management systems and the environment.

In the context of the identified risks, alongside regulatory measures affecting the supply chain and the capacity of suppliers to manage waste, the requirements of the Digital Product Passport (DPP) have been identified as a key medium-term transition risk. The implementation of the DPP requires investment in systems for the collection, management and disclosure of product data, while incomplete information, a lack of transparency or insufficient preparedness of suppliers and partners within the value chain may pose a significant risk of losing access to the European Union market.

Impact, risk and opportunity management

ESRS 2 IRO-1

E5

In 2025, M SAN Grupa deepened its assessment of impacts, risks and opportunities related to resource use and circular economy through detailed mapping of the value chain. Through an analysis of its business divisions, M SAN Grupa reviewed its assets to identify actual and potential impacts, risks and opportunities within its operations and across upstream and downstream value chain.

Through qualitative and quantitative analysis, actual and potential environmental impacts (impact materiality) were assessed, as well as the effects of identified sustainability factors on the organisation's operations in the short, medium and long term. A value chain due diligence analysis mapped resource inflows (procurement of components and products) and resource outflows (generation of EE waste and packaging waste within the organisation and downstream).

Given the extreme complexity and global fragmentation of the supply chain, as well as the limited availability of standardised data from smaller suppliers, it is assumed that comprehensive data on the share of recycled materials will be collected progressively, with the aim of establishing an effective system for monitoring resource inflows and outflows by the end of 2026.

An important assumption also relates to developments in the regulatory framework, whereby it is expected that upcoming requirements, such as the Digital Product Passport (DPP), will represent a transition risk in the upstream value chain, requiring rapid adaptation of systems for collecting information from suppliers.

E5-1 Policies related to resource use and circular economy

ESRS 2 MDR-P

E5

M SAN Grupa does not have a single, standalone policy governing circular economy and waste management. In managing this area, the Group relies on legal requirements and compliance with statutory obligations related to waste management, while also continuously implementing measures aimed at more efficient resource use.

The M SAN Grupa Code of Ethics defines the principle of environmental protection. Although general in nature, the Code prescribes business conduct aimed at preserving natural resources, including the reuse of packaging (cardboard, pallets), which is not discarded after unpacking goods but reused for packaging other products. This principle is intended to reduce the need for the procurement of new (primary) packaging, thereby mitigating pressure on resources.

MR Servis, a company within M SAN Grupa, holds an ISO 14001:2015 certification.

The Supplier Code of Conduct sets out expectations for suppliers that indirectly relate to environmental protection and sustainability within the value chain. However, this policy does not directly address resource use and the circular economy.

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

E5

At the level of the SM Group (i.e. all companies with a common ultimate owner), a 'reuse' approach 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 for repacking boxes, thereby replacing the need to procure new (primary) filling materials such as plastic bubble wrap or polystyrene. In addition to cardboard, wooden pallets are also reused in logistics processes, instead of procuring new ones for each shipment.

Product packaging of the Group's own brands includes labels for proper waste separation and disposal. Although this measure primarily affects the outflow phase (waste), it is key to closing the loop, as it enables materials to be properly recycled after use and returned to the system as secondary raw materials, thereby reducing the need for primary resources in the future.

Proper sorting and separation directly contributes to increasing the collection rates of different types of waste that would otherwise end up in municipal waste streams. In line with the above, continuous efforts are made to reduce the volume of municipal waste. A designated 'green island' is located within the company premises, where containers for different types of waste are placed and into which significant quantities of waste are disposed of daily, in line with operational needs of the day.

An active action through which M SAN Grupa reduces the need for the extraction of new raw materials is the extension of the lifespan of existing devices. M SAN Grupa offers extended warranties for its products, as well as additional warranty options. This encourages customers to use devices over a longer period and ensures their right to repair in the event of a malfunction during an extended timeframe, rather than discarding devices after the expiry of the standard warranty. The action is implemented through a reverse logistics model, whereby products are returned from partners/customers. Where products can be repaired, they are refurbished in service centres and returned to the market. The company MR Servis is responsible for extending product lifecycles, thereby directly contributing to waste prevention. By ensuring the availability of spare parts and repair services, the need for the manufacture and procurement of new devices is reduced, as is the need for the extraction of new primary raw materials (metals, plastics, rare earth elements) required for their manufacture. Only where repair is not possible are products directed to recycling.

M SAN Grupa relies on applicable legislation and permits issued by the Ministry for the performance of activities related to the management of non-hazardous and hazardous waste. The conduct of business operations and waste management activities is subject to amendments to laws and secondary legislation, as well as compliance with the relevant provisions. If an assessment determines that repair is not viable and/or economically justified, the equipment is classified as WEEE and transferred to M SAN Eko. M SAN Eko holds the necessary permits to carry out waste management activities. Permits for hazardous waste are issued by the competent Ministry, while permits for non-hazardous waste are issued by the relevant county authority. The permits include the accompanying documentation detailing the technological processes in accordance with the relevant waste classification codes for which the permit has been granted. Permits are issued for a period of five years and are subject to review within the same timeframe. Each shipment of WEEE is accompanied by a consignment note (a legally prescribed document) containing the relevant waste code, date, description, consignment note number, and details of the consignor and the recipient; following weighing upon receipt, the recorded weight is entered. After the weight has been recorded, the consignment note is certified by M SAN Eko, and one copy is provided to the sender as proof of handover. All other types of waste generated, such as cardboard and paper, are also transferred using consignment notes and records on the generation and movement of waste are maintained in accordance with applicable regulations.

M SAN Eko receives WEEE in accordance with the waste codes specified in the permits obtained for carrying out waste management activities (hazardous and non-hazardous). The reverse logistics business model directly contributes to the reduction of CO2 emissions, fuel consumption and the optimisation of resource utilisation. In addition, through its sister company eKupi, M SAN Grupa offers a home delivery service (B2C). Upon delivery of a new device, customers are offered the option to return their old device, thereby ensuring proper waste management and preventing improper disposal in the environment.

E5-3 Targets related to resource use and circular economy

ESRS 2 MDR-T

E5

M SAN Grupa has defined the following targets and metrics for monitoring progress related to resource use and the circular economy:

- Establish a system for monitoring resource outflows – full tracking of the mass of output resources by category by the end of 2027.
- Reduce the total amount of waste generated in the Group's operations.
- Reduce the total amount of packaging used for the Group's products.
- Increase the share of recyclable materials used in product packaging by 2030.
- Increase the amount of WEEE collected (waste electrical and electronic equipment), measured as the share of collected waste relative to equipment placed on the market.
- Increase the share of recycled waste.
- Increase the product repairability rate.
- Establish and implement a product management approach based on circular economy principles, covering the entire product lifecycle from design and production to use and end-of-life, by the end of 2028.

E5-4 Resource inflows

E5-4

Although the topic of resource inflows has been identified 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 system for monitoring data by the end of 2026 and to report on the required data. The Group does not currently have data on the description of inflows of material resources, or on the mass of unprocessed reused or recycled parts, semi-finished products and materials used in production (including packaging).

E5-5 Resource outflows

E5-5

Although the topic of resource outflows has been identified 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 system for monitoring data by the end of 2026 and to report on the required data. Product packaging of the Group's own brands includes labels for proper waste separation and disposal.

Waste

M SAN Eko holds permits for carrying out waste management activities for hazardous and non-hazardous categories of WEEE. Each permit includes an accompanying technical report as an integral part. The Environmental Protection and Energy Efficiency Fund is responsible for achieving national objectives and is the competent authority for specific waste categories. M SAN Eko is registered in the Register of Carriers (PRV-1060) and the Register of Brokers (POS-354), while the carrier M SAN Logistika is also registered in the Register of Carriers (PRV-1364), with annual updates of its status.

All offices are equipped with waste separation bins, and employees are provided with dedicated collection boxes for used batteries.

The table presents data on waste generated in 2024 and 2025 for the following companies: M SAN Grupa d.o.o. and M SAN Logistika d.o.o. Data are not available for the remainder of M SAN Grupa. The table includes data only for those categories for which information could be collected. In the next reporting period, efforts will be made to establish systematic monitoring of the required data.

WASTE	QUANTITY (kg) (2024)	QUANTITY (kg) (2025)
Total amount of generated waste	463,719.00	561,302.58
Hazardous waste diverted from disposal	138,791.00	323,852.00
Hazardous waste diverted from disposal - preparation for reuse	0	00
Hazardous waste diverted from disposal - recycling	138,791.00	323,852.00
Hazardous waste diverted from disposal - other recovery operations*	0	0
Non-hazardous waste diverted from disposal	324,928.00	82,479.00
Non-hazardous waste diverted from disposal - preparation for reuse	0	0
Non-hazardous waste diverted from disposal - recycling	324,928.00	82,479.00
Non-hazardous waste diverted from disposal - other recovery operations	0	0
Hazardous waste that is disposed of	8.00	0.57
Hazardous waste that is disposed of - incineration	0	0
Hazardous waste that is disposed of - landfill	0	0
Hazardous waste that is disposed of - other disposal operations	8.00	0.57
Non-hazardous waste that is disposed of	46,739.00	154,971.01
Non-hazardous waste that is disposed of - incineration	0	0
Hazardous waste that is disposed of - landfill	0	0
Hazardous waste that is disposed of - other disposal operations	46,739.00	154,971.01
Non-recycled waste	46,747.00	154,971.58
Share of non-recycled waste	10.08 %	27.61 %
Total amount of hazardous waste	138,799.00	323,852.57
Total amount of radioactive waste	0	0

ESRS S1: OWN WORKFORCE

TOPIC	DESCRIPTION	Information
S1 – Own workforce		
ESRS 2 SBM-2	Interests and views of stakeholders	208
ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	204
ESRS S1-1	Policies related to own workforce	207
ESRS S1-2	Processes for engaging with own workers and workers' representatives about impacts	209
ESRS S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	210
ESRS 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	210
ESRS S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	212
ESRS S1-6	Characteristics of the undertaking's employees	214
ESRS S1-9	Diversity metrics	216
ESRS S1-10	Adequate wages	217
ESRS S1-11	Social protection	217
ESRS S1-13	Training and skills development metrics	The undertaking uses the option to postpone disclosures
ESRS S1-16	Compensation metrics (pay gap and total compensation)	217
ESRS S1-17	Incidents, complaints and severe human rights impacts	218

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

ESRS 2, SBM-3

S1

M SAN Grupa, as a large and complex business system, directly impacts employee well-being through job quality, the organisation of working time, wage levels, health and safety protection and support for work–life balance. In such an environment, managing the Group’s own workforce is one of the key strategic challenges for undertakings operating in the electronics and electrical appliances industry, as well as in advanced solutions related to energy efficiency, e-mobility, and other sustainable technologies. High employee turnover, limited availability of qualified labour and intense competition in the labour market in Croatia and the wider region require a systematic, data-driven and long-term sustainable approach to recruitment, development and retention.

The long-term stability and growth of the Group depend on its ability to attract, develop and retain motivated employees, while maintaining high standards of responsible human capital management. Transparent recruitment practices, continuous investment in training and the alignment of employees’ knowledge and skills with the development of advanced technologies, together with the promotion of diversity and inclusion, are key prerequisites for building a resilient and productive working environment. At the same time, responsible management of wages and benefits helps reduce inequalities, increase employee loyalty and strengthen the Group’s attractiveness as an employer.

Business sustainability is increasingly linked to employee engagement and satisfaction. The integration of ESG criteria into human resource management further strengthens the Group’s reputation and enhances its competitiveness in the labour market. By embedding sustainability principles into its workforce management strategy, M SAN Grupa is building the foundations for long-term resilience, innovation and sustainable growth.

The table below shows material impacts on stakeholders arising from the business activities of M SAN Grupa, as well as business risks and opportunities in its own workforce segment.

IMPACTS REALTED TO OWN WORKFORCE

WORKING CONDITIONS

Positive impact – actual; in own operations

Permanent employment contracts covering all permanent employees	Secure employment (permanent contracts), ensuring stable employee income and contributing to decent living conditions. Permanent contracts provide financial security, reduce stress and enhance employee satisfaction. Permanent employment contracts at M SAN Grupa have a real, moderately positive social impact, as they ensure employment stability and income predictability for permanent employees.	Originating from the business model	Long-term
---	--	-------------------------------------	-----------

EQUAL TREATMENT AND OPPORTUNITIES FOR ALL

Positive impact – actual, in own operations

Openness of the organisation to diversity	A culture of diversity, inclusion and equal opportunities has a positive impact on the working environment and employees' capacity for innovation. Employees in inclusive environments demonstrate higher levels of engagement, trust and creativity, which, over the long term, translates into improved business performance and enhanced corporate reputation. The impact is measurable through employee satisfaction and team performance. The positive effects of a diversity-driven culture extend to all employees, regardless of function, age or gender. Such a culture creates a systemic positive impact by shaping decision-making processes, leadership styles and interpersonal relationships. The positive impact of diversity is widespread, encompassing all employees and, over the long term, strengthening engagement, innovation and a culture of trust.	Originating from the business model	Long-term
---	---	-------------------------------------	-----------

Positive impact – actual; in own operations

A discrimination-free working environment	A safe, inclusive and supportive working environment grounded in anti-discrimination, non-violence and the prevention of workplace harassment. Maintaining a safe, inclusive and respectful working environment has both social and organisational significance. The impact fosters a sense of belonging, trust and security, reduces stress and directly contributes to mental well-being, employee satisfaction and retention. The impact applies to all employees, regardless of gender, age, function or department. Creating a safe and non-discriminatory working environment has a broad and long-term positive impact on all employees, enhancing their well-being, psychological safety and job satisfaction.	Originating from the business model	Long-term
---	--	-------------------------------------	-----------

RISK AND OPPORTUNITIES RELATED TO OWN WORKFORCE

High employee turnover rates	High employee turnover increases recruitment and training costs and reduces the continuity and efficiency of business processes. It results in operational inefficiencies, increased OPEX, and impacts the quality of logistics and sales processes. The impact on EBITDA is moderate due to recurring recruitment and training costs and reduced efficiency during peak seasonal periods. The likelihood is high, driven by labour market mobility, structurally higher turnover in logistics and operational functions and historically elevated turnover rates.	Originating from the business model	Medium-term
Inflexible working conditions	The absence of flexible working hours and hybrid work can reduce the attractiveness of the employer and make it difficult to attract and retain qualified employees.	Originating from the business model	Medium-term

Impact, risk and opportunity management

ESRS 2, SBM-3

S1

The management of impacts, risks and opportunities related to M SAN Grupa's own workforce is based on the results of value chain due diligence and the double materiality assessment conducted during 2025. Within this process, in addition to upstream and downstream value chain segments and their critical points, internal (in-house) processes were also assessed, as well as stakeholder groups whose perspectives and dependencies on the Group are particularly relevant in the context of working conditions, human rights and the availability of a qualified workforce. Based on these insights, the material impacts, risks and opportunities related to the own workforce were further assessed and validated through the double materiality verification process, which served as a basis for refining, updating and defining objectives, priorities and actions.

The assessment process involved members of the Sustainability Committee, representatives of key divisions, the HR function, and employees to ensure that identified impacts and risks – such as working conditions, an inclusive organisation, or workforce turnover – are addressed through concrete management measures and targets.

Risks are managed through a combination of strategic objectives and operational measures, including reducing turnover, strengthening talent development and retention systems, reorganising HR functions, and digitalising HR processes. At the same time, the Group uses the results of the double materiality assessment to guide investments and priorities – for example in training, benefits, organisational restructuring and the improvement of working conditions – in order to keep key risks within acceptable thresholds and to maximise identified opportunities (such as the development of new competences, employer branding, and recruitment in the context of the green transition).

Secure employment

Business stability and growth, combined with a low rate of employer-initiated turnover (dismissals), are indicators of job security for employees, as also evidenced by the results of engagement surveys and the employee inclusion survey conducted as part of the double materiality assessment, in which job security is perceived as a positive aspect of working at the Group.

This impact is linked to a business model in which the organisational culture is characterised by providing a sense of job security regardless of the current market conditions and economic or global crises. The impact applies to all permanently employed workers across the regions in which the Group operates, with a particular focus on those with a potential for career advancement. There are no strategic guidelines or strategies indicating changes that could, in the long term, negatively affect this positive impact.

The Management Board ensures that business pressures, such as cost constraints, do not result in adverse consequences for employees. All changes in the work organisation are carried out in consultation with the HR Department, managers and employees to timely identify and minimise risks.

Workforce turnover

Workforce turnover represents a challenge to business stability, reduces productivity and increases recruitment and training costs. Frequent employee departures hinder knowledge transfer, disrupt organisational culture and extend the time required to complete key tasks. A shortage of qualified workers further slows down the filling of vacancies and the achievement of business objectives.

The risk also includes challenges related to labour market competitiveness, particularly compared with industries such as the IT sector, which offer more attractive working conditions and where highly educated and skilled employees can be readily hired. With globalisation and digitalisation, the increasing availability of remote work further amplifies the risk of losing qualified employees, as it enables them to work for international employers. This significantly increases the risk of high levels of unwanted voluntary turnover, further exacerbated by the lack of flexible working arrangements in the organisation.

Since 2024, a reorganisation of business structures has been underway, alongside the development of systems for assessing employee performance and competences. A centralised QMS portal containing consolidated work instructions and documentation has been implemented, and the benefits package has been expanded – including supplementary health insurance and co-financing of childcare – in order to reduce turnover and attract a qualified workforce.

Inflexible working conditions

The Group does not currently have a hybrid work or flexible working model in place. The Group recognises that such an approach, depending on the specific job and employee expectations, may be a factor in employee retention and turnover. This is monitored through turnover indicators and employee feedback. New employees also need to undergo an induction process and familiarisation with work processes and procedures, which places additional burden on existing employees. The impact is partly linked to the business model, but also to market conditions. Within the Group, there are different operational needs across teams, resulting in variations in working hours. Organisational dynamics sometimes require additional flexibility to support specific business needs. We understand the importance of aligning practices with applicable legislation and believe that open dialogue and collaboration can help align these needs with regulatory requirements.

Organisational openness to diversity and a non-discriminatory working environment

The diversity of professional backgrounds across the organisation, as well as the interconnectedness of employees across all Group entities, has a significant impact on knowledge sharing, while the wide range of competences enhances the organisation's overall capacity and its ability to adapt to changing market conditions and requirements. The impact applies to all employees within the Group and stems from the Group's strategy, which identifies respect for diversity as one of its core organisational values. The impact is expected to be long-term, as there are no planned changes in the strategy or business model that could negatively affect it.

The impact arises from a wide range of activities involving the participation of employees from different M SAN Grupa entities across all countries in which it operates in joint business activities, regular regional coordination meetings involving employees from specific business units across all entities, as well as occasional regional gatherings and activities aimed at strengthening team cohesion. These activities have a positive impact on all employees within the Group.

This impact is also linked to a non-discriminatory working environment, which fosters a sense of belonging, trust and security, reduces stress, and directly contributes to mental well-being, employee satisfaction and retention. The management of this impact may be further enhanced in the forthcoming period, as the employee engagement process has identified a need to improve employee awareness of non-discrimination, existing protection mechanisms, and the available channels for submitting complaints.

S1-1 Policies related to own workforce

ESRS 2, MDR-P

S1

M SAN Grupa manages working conditions and workplace processes in accordance with applicable legislation and its internal instruments governing employment-related matters.

The principal document that guarantees employees' rights and defines their obligations is the Labour Regulations, which have been in force since 1 July 2023. They include provisions on the establishment and termination of employment, work organisation, wages, remuneration and other material rights of employees, working hours and their work schedule, rest periods and leave, non-compete obligations, protection of life and health, occupational health and safety measures, protection of employee dignity, anti-discrimination measures and other related matters.

Working conditions are also regulated by the Regulations on Organisation, the Regulations on Job Systematisation, the Catalogue of Job Positions, the Personal Data Protection Regulations, the Regulations on the Procedure for Internal Reporting of Irregularities and the Appointment of a Confidential Person, and other relevant documents. 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 working conditions for employees, complies with labour legislation and provides 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, the Anti-Discrimination Act and the Collective Bargaining Agreement. This includes the prohibition of discrimination based on race and ethnic origin, sex, sexual orientation, gender identity, disability, age, religion, political opinion and social origin. The Management Board of M SAN Grupa is responsible for implementing the Code of Ethics.

M SAN Grupa has a zero-tolerance policy towards forced and child labour, as clearly defined in its internal policies. Forced labour does not occur within the Group and the allocation and organisation of work are carried out in full compliance with all applicable legal provisions. There have been no reported cases or identified risks of child labour. In the process of employing foreign workers from third countries, particular attention is given to ethical recruitment practices and the protection of their rights.

Human rights protection policies are indirectly implemented through other policies governing employment relations, equality and protection against discrimination and harassment, while their full implementation remains an ongoing process. The plan is to further enhance human rights protection and human rights training via the LMS platform.

M SAN Grupa also plans to adopt a Diversity, Inclusion and Equal Opportunities Policy, with preparatory activities initiated in 2025.

M SAN Grupa expressly prohibits child labour, which has been clearly outlined in internal documents. The Group operates in accordance with national and international laws, and all divisions are organised for adult employees only. M SAN Grupa regularly conducts internal controls to ensure that child labour is not present in its own operations or in business relationships with third parties. The Group has not had any reported incidents or risks of child labour. Through the implementation of green initiatives and planned changes, the Group will enhance its work processes, increase environmental awareness and create a more sustainable environment, while reducing its carbon footprint and demonstrating responsibility towards the community and future generations.

Stakeholder interests and perspectives

ESRS 2, SBM-2

S1

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 identifying the required competences and development measures.

The primary means of collecting employee views is the regular annual WTW survey. In addition, employees' views are collected in group meetings and individual discussions. In 2025, as part of the double materiality assessment process, a dedicated employee survey was conducted to gather employee views on working conditions, diversity, inclusion and equal opportunities, as well as business conduct within M SAN Grupa. A total of 200 employees participated in the survey, representing different companies within the Group and a diverse range of functions, positions and job types. The survey identified areas for potential improvement in the management of the Group's own workforce and was taken into account in updating objectives for the forthcoming period.

Through engagement and communication with employees at all organisational levels, the Group gains better insight into employee needs. It thus influences their motivation, engagement and productivity and identifies and develops their competences, particularly in career advancement and development. Additionally, this enables a better understanding of the reasons behind employee turnover and allows for effective management of turnover-related risks.

Business operations are enhanced by applying employees' ideas to automate and optimise tasks, enabling more informed and effective decision-making. The timely and effective identification, resolution and prevention of potential issues, based on collected data and employee input, contribute to improved employee relations and reduce the risk of stressful situations.

Timely communication with governance bodies enables the adoption of effective decisions to address ongoing issues and prevent negative impacts on business operations. The governance bodies are informed of employees' views and interests both orally and in writing via email communication, and these are also presented at meetings of the Management Board and the Supervisory Board, following structured organisational surveys (WTW Engage employee engagement survey and periodic pulse-check surveys). There is no predefined annual reporting schedule, enabling the timely adoption of effective decisions to address current issues and prevent further adverse impacts on business operations.

S1-2 Processes for engaging with own workers and workers' representatives about impacts

ESRS 2 MDR-P

S1

M SAN Grupa takes into account the perspectives of its own employees in the decision-making process, especially regarding 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 on results are prepared, including direct suggestions for improvement, which the Management Board considers when making operational and strategic decisions. Engaging with employees occurs directly, through written (email) communication, meetings, individual conversations, and occasional surveys. The Management Board reviews the proposals received during meetings and assesses their impact on business operations and their financial and operational feasibility.

Feedback is collected through annual surveys (WTW), verbal conversations with superiors and line managers and email suggestions. Engagement is carried out at the Group level. Strategic decisions are made centrally, while operational aspects are adapted to the specificities of individual divisions. Information about decisions is delivered to employees through the corporate intranet, via email and in meetings. Formal decisions, that is, procedures, work instructions and other documentation, are available to all employees through the QMS. Responsibility for ensuring engagement with employees and its impact on decision-making lies with:

- The HR team, which is responsible for implementing strategies and collecting employee data.
- The Management Board, which makes key strategic decisions.
- Line management, which implements operational changes.

All employees are regularly informed about changes via emails and meetings with their managers.

Training for individuals in managerial positions is provided on an ongoing basis and is being extended to employees through the LMS platform. Currently, there are no formal, measurable instruments to assess the effectiveness of cooperation with the own workforce.

M SAN Grupa provides direct and indirect support to particularly vulnerable groups, especially in situations that pose a danger to individuals' health or life. 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

S1-3

Employee complaints are primarily resolved through individual conversations with the HR team, superiors, 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 it allows them to present the issue thoroughly and participate in its resolution. In the case of a written report by an employee, the Group is also obliged to communicate the formal resolution of the complaint/report to the employee in writing.

In order to provide employees with the easiest possible access to 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 question or express a concern completely anonymously; and in case of doubts regarding anonymity, a dedicated email address, anonimna.pitanja@msan.hr, is also provided, to which such inquiries can be privately sent 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, and proposes measures to be taken in cooperation with HR, the Legal Department, and, where possible, the immediate supervisor of the employee who submitted the report. The Management Board decides on the proposal and written feedback is provided to the reporting employee. In 2025, no cases of discrimination or other serious violations of labour rights were identified. A court proceeding in Montenegro is ongoing following a lawsuit for mobbing, which has not yet been concluded by a final judgment.

Although M SAN Grupa does not have explicitly defined and prescribed mechanisms to protect against retaliation, it implements a zero-tolerance policy against 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

S1-4

In 2025, M SAN Grupa launched a series of strategic initiatives to improve working conditions and increase workforce engagement and satisfaction.

Working conditions

M SAN Grupa implements a strategic recruitment approach that prioritises permanent employment contracts. This practice reflects job security, which is recognised as a key positive aspect of working within the Group. Fixed-term contracts are used primarily for seasonal needs or replacements, with a tendency to transition into permanent employment. Permanent contracts ensure financial security, reduce stress, enhance employee satisfaction and contribute to decent living conditions.

In 2025, 98% (845 out of 860) of employees held permanent contracts (2024: 88% / 873 out of 993).

M SAN Grupa operates in an industry characterised by periodic increases in labour demand, particularly during seasonal peaks or when temporary agency work is not feasible due to a shortage of qualified workers in the labour market. In such cases, certain tasks must be completed within a short timeframe, which may require redistributing working hours. As a result, permanently employed workers may temporarily work additional hours in order to ensure the timely execution of key operations. This redistribution is carried out in accordance with labour legislation; however, it may be perceived as a form of mandatory work.

In 2025, salary increases were implemented to keep pace with inflation.

M SAN Grupa continuously invests in the professional and personal development of its employees through training delivered in various formats, including via the LMS platform. The average number of training hours per employee in 2025 was 156 hours for men and 78 hours for women (2024: 171/84).

A reorganisation of the HR Department was carried out in 2025 in order to enhance human resource management processes. Digitalisation and the improved organisation of business processes through the KPM platform continued, optimising HRM process management and enhancing efficiency.

At the end of 2024, a dynamic compensation model was introduced and further developed during 2025.

M SAN Grupa provides employees with a range of benefits focused on personal and family well-being, within a flexible model that allows employees to select the benefits that best suit their needs. Core benefits include insurance against accidents, death and disability, access to the PassSport card, paid leave for a child's first day of kindergarten and first day of primary school, paid leave for a child's birthday up to the 4th grade of primary school, a childbirth grant, Christmas gifts for children, financial support in the event of a family member's death and various other benefits. Flexible benefits, which employees may choose themselves, include supplementary health insurance, voluntary pension funds, co-financing of childcare, scholarships for children and other options. Core and flexible benefits vary to some extent across countries, depending on local preferences and conditions. In 2025, M SAN Grupa carried out a comprehensive project to refresh and implement its corporate values, with the aim of further strengthening organisational culture and aligning the value system with its strategic development. It is described in chapter ESRS G1 Business conduct, on p. 240.

Equal treatment and opportunities for all

When hiring and promoting employees, M SAN Grupa considers only the results of the selection process, competences, skills and work experience. Ultimate responsibility for equal treatment lies with the Management Board, the HR Department and line management, who oversee recruitment and employee development and ensure equal access to professional opportunities.

Employee progress is regularly monitored, and from 2025 onwards, all training and development data will be digitalised through the LMS platform and the internal HRIS application.

Employees have access to a secure grievance reporting system and each report is thoroughly investigated with appropriate measures taken. The formal procedure for submitting complaints has been defined in the Labour Regulations, which are available 24/7 via the QMS portal.

M SAN Grupa continuously invests in employee development, with training programmes further expanded and personalised development plans introduced.

Improvement processes

M SAN Grupa continues to develop its processes to further ensure that none of its business practices cause negative impacts on employees.

M SAN Grupa employs a multi-phase approach to identify and determine the necessary measures in response to actual or potential negative impacts on the workforce. This process includes:

Analysing employee feedback – via WTW annual surveys, individual interviews, quarterly/annual evaluations introduced as of 2025 and meetings with line management – we collect employee opinions on existing challenges and potential improvements.

Monitoring key performance indicators (KPIs) – this includes turnover rates, employee engagement, productivity and the number of reported issues related to working conditions and organisational culture.

Management Board and HR meetings – the HR team, the Management Board, and the Heads of Divisions analyse the collected data and define specific actions to mitigate adverse impacts.

Benchmarking and alignment with market practices – by monitoring sector trends and benchmarking against other companies, we ensure that the undertaken activities are aligned with best practices.

Piloting and testing of new actions – prior to the full implementation of new initiatives (e.g. The LMS platform, variable pay component), they will be tested on selected teams to assess their effectiveness.

Performance monitoring and iterative improvement – following their implementation, actions will be evaluated through internal analyses, employee feedback and financial indicators to ensure their effectiveness and timely adjustment. By combining these steps, we ensure that the undertaken actions are based on concrete data and employees' actual needs, thereby reducing negative impacts and increasing workforce satisfaction.

Allocated resources

For 2025, M SAN Grupa has allocated significant resources to managing material impacts, particularly in the areas of employee retention, talent development, improvements to working conditions and process digitalisation.

Allocated resources include:

- Financial resources (adjustment of salaries and expansion of the additional benefits model)
- Employee education and development (investments in training and upskilling, implementation of the LMS platform, development of educational materials; launch of the internal academy)
- 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)
- 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

S1

Objectives for improvements in the working environment have been updated compared to previous periods, based on monitoring HR records and reports, results of the WTW survey, individual employee interviews and meetings between the Human Resources Department and line management. The results of the employee survey conducted as part of the double materiality assessment, the findings of the value chain due diligence, as well as the outcomes of M SAN Grupa's participation in the Croatian Sustainability Index (HRIO), subsequent consultations with experts from the Croatian Business Council for Sustainable Development and the results of participation in the ESG rating of the Croatian Chamber of Economy were also taken into account. The objectives support the most significant impacts, risks and opportunities and are set out in the Management Board's decision on the adoption of overarching sustainability objectives and the related key performance indicators (KPIs) for the period 2026–2027, with an outlook to 2030.

The M SAN Grupa's general objectives related to improving the working environment are stated below and the aim is to meet these objectives by the end of 2026.

Objectives for ensuring safe workplaces, equal treatment and opportunities for all, and addressing employee turnover issues:

- Maintain a high share of permanent employees (baseline year 2024: 88% of employees on permanent contracts).
- Maintain a high proportion of permanent employment contracts.
- Reduce employee turnover – adopt actions to decrease turnover by the end of 2027.
- Increase employee engagement – Sustainable Engagement Score (baseline year 2024: 73; objective 2027: 78).
- Adopt a Diversity Policy in 2026 (preparatory activities and required training initiated in 2025).
- Increase Employee NPS by 5% over 3 years (baseline KPI: 26%).

Related performance indicators for achieving these objectives:

- Share of employees on permanent contracts in the total workforce (%)
- Sustainable Engagement Score (points)
- Employee turnover rate (%)
- Number of reported cases of discrimination or human rights violations (number)
- Gender representation in management positions (%)
- Age structure of employees (%)
- Employee turnover rate (%)
- Employee NPS – share of promoters within the NPS

Financial effects and resilience of the strategy

The most material financial impact in 2025 relates to higher costs driven by broad-based increase in operating expenses, particularly employee costs, as well as intensified expansion of business activities and the headcount 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, further contributing 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 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 employee professional development, regardless of location. These actions have increased productivity, modernised operations and facilitated talent attraction. The HR team is now able to present the benefits of working within the Group more clearly, thereby improving recruitment and reducing turnover. The adaptable and proactive strategy has proven resilient in the face of global challenges, particularly amid market changes and digitalisation.

M SAN Group has conducted a qualitative analysis of the resilience of its strategy and business model, taking into account key factors such as employee turnover, labour market competitiveness and the impact of digitalisation on the 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.

S1-6 Characteristics of the undertaking's employees

S1-6

M SAN Group includes 20 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, Kosovo, Spain, Greece and Albania.

Table 1

Gender	Headcount 2024	Headcount 2025
Men	739	648
Women	254	212
Other*	0	0
Not reported	0	0
Total headcount (ESRS 2 SBM 1, para 40a iii)	993	860

Table 2

Country	Headcount 2024	Headcount 2025
Republic of Croatia	540	476
Bosnia and Herzegovina	129	103
Republic of Serbia	160	125
Republic of Slovenia	24	28
Republic of North Macedonia	76	63
Republic of Montenegro	33	33
Republic of Kosovo	31	26
Kingdom of Spain	0	4
Republic of Albania	0	2

The headcount numbers shown in Tables 1 and 2 correspond to the official headcount figures used in the financial statements of M SAN Grupa for 2025. These data include all permanently employed persons. The data refers to the status as at 31 December 2025.

Employees per contract type, broken down per gender, for the entire M SAN Grupa

Table 3

Reporting period 2024 and 2025								
	WOMEN		MEN		OTHER	NOT REPORTED	TOTAL	
	2024	2025	2024	2025				2025
Headcount (number/FTE)								
	254	212	739	648	0	0	993	860
Permanent employees (number/FTE)								
	228	208	645	637	0	0	873	845
Temporary employees (number/FTE)								
	28	4	92	11	0	0	120	15
Employees with non-guaranteed hours (headcount/FTE)								
	0	4	0	0	0	0	0	4
Employees with full-time hours (headcount/FTE)								
	251	207	727	638	0	0	978	845
Employees with part-time hours (headcount/FTE)								
	3	1	12	10	0	0	15	11

Table 4

Reporting period 2024							
CROATIA	BOSNIA AND HERZEGOVINA	SERBIA	NORTH MACEDONIA	MONTENEGRO	SLOVENIA	KOSOVO	TOTAL
Headcount (number/FTE)							
540	129	160	76	33	24	31	993
Permanent employees (number/FTE)							
498	113	143	51	23	24	21	873
Temporary employees (number/FTE)							
42	16	17	25	10	0	10	120
Employees with non-guaranteed hours (headcount/FTE)							
0	0	0	0	0	0	0	0
Employees with full-time hours (headcount/FTE)							
530	129	160	75	33	24	26	977
Employees with part-time hours (headcount/FTE)							
10	0	0	1	0	0	5	16

Reporting period 2025									
CROATIA	BOSNIA AND HERZEGOVINA	SERBIA	NORTH MACEDONIA	MONTENEGRO	SLOVENIA	KOSOVO	SPAIN	ALBANIA	TOTAL
Headcount (number/FTE)									
476	103	125	63	33	28	26	4	2	860
Permanent employees (number/FTE)									
461	103	125	63	33	28	26	4	2	845
Temporary employees (number/FTE)									
15	0	0	0	0	0	0	0	0	15
Employees with non-guaranteed hours (headcount/FTE)									
4	0	0	0	0	0	0	0	0	4
Employees with full-time hours (headcount/FTE)									
464	103	124	62	32	28	26	4	2	845
Employees with part-time hours (headcount/FTE)									
8	0	1	1	1	0	0	0	0	11

In 2025, the employee turnover rate at M SAN Grupa in Croatia was 39.34%. The increase in turnover resulted from a planned reduction in the number of employees for business reasons. A portion of employees who left the Group in 2025 were not replaced, in line with decisions to discontinue certain business activities.

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) relative to the average number of employees (the average in January and December 2025).

S1-9 Diversity metrics

S1-9

The highest executive positions refer to individuals responsible for the legal entities within the Group (excluding undertakings founded by subsidiary companies), specifically members of the Management Board or Directors of affiliated undertakings.

Gender distribution per number and percentage of managers in leading positions, without the Management Board				
	2024		2025	
	Number of individuals	share %	Number of individuals	share %
Men	169	18.34	150	26.67
Women	85	8.24	75	10.67
Total	254	14.96	225	21.33

This is the breakdown of employees per age, according to headcount and percentage:

	2024		2025	
	Number of individuals	share %	Number of individuals	share %
Younger than 30 years of age	222	22	155	18
30-50 years of age	625	63	545	63
Older than 50 years of age	146	15	160	19

The distribution includes individuals employed as at 31 December 2025.

S1-10 Adequate wages

S1-10

M SAN Grupa pays employees wages and remuneration per applicable laws. All employees receive an adequate wage, which in all cases is higher than the minimum wage (separately for each country where the Group operates). Additionally, all employees in the Group are entitled to the same benefits (hot meals, transportation to and from work), regardless of seniority, position, gender, age or any other characteristic. Furthermore, all employees who hold similar positions or job groups (at the level of the country where the Group operates) have base salaries within similar pay grades, with no significant deviations (from the lowest to the highest within the job group).

S1-11 Social protection

S1-11

M SAN Grupa provides a range of measures supporting access to healthcare and income through a set of core employee benefits. Upon returning from maternity leave, or following the completion of one or more absences that are taken consecutively after maternity leave (annual leave, sick leave and/or paid leave), employees may exercise the right to work half of full working hours, during which the employer pays full salary compensation. This benefit is granted for a period of two weeks. Other benefits are described in the section on actions. In 2025, three fathers took parental leave. M SAN Grupa also enables its employees to contribute to a voluntary pension fund (third pillar).

S1-16 Remuneration metrics

S1-16

The calculation of wages by gender includes all employees who worked throughout the entire year 2025 in M SAN Grupa entities for which a sufficient sample size was available and relevant data were available. The ratio of the difference in average wages between female and male employees is 15.76% at the Group level.

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 2025 is 4.17:1. The calculation includes employees across all Group entities for which data are available and for which a sufficient sample size exists, and who received a salary in all months of 2025.

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 through individual discussions between employees and the HR Department or line managers. In 2025, no formal complaints of discrimination were submitted through the available channels. In 2025, no grave 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

TOPIC	DESCRIPTION	INFORMATION
S2 – Workers in the value chain		
ESRS 2 SBM-2	Interests and views of stakeholders	220
ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	220
ESRS S2-1	Policies related to value chain workers	223
ESRS S2-2	Processes for engaging with value chain workers about impacts	224
ESRS S2-3	Processes to remediate negative impacts and channels for value chain workers to raise concerns	224
ESRS S2-4	Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of that action	225
ESRS S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	226

M SAN Grupa operates in complex and globally connected extended value chains, sourcing materials, components and services from various countries, including China, Turkey and other international markets. In this context, working conditions and human rights in supply chains require particular attention. Despite a growth in real wages of 2.7% in the first half of 2024 (the highest increase in the past 15 years), low-paid workers continue to bear the greatest burden of the cost-of-living crisis, with nearly 22% of workers globally earning less than half of the median hourly wage in their respective countries⁴. Research on occupational health and safety in global value chains has found that workers in selected global value chains continue to regularly work under conditions characterised by long working hours, inadequate occupational health and safety management, limited training and low risk awareness, resulting in a high incidence of injuries, illnesses and occupational hazards.

The European Union is further strengthening its regulatory framework – through the Corporate Sustainability Due Diligence Directive (CSDDD) and related legislation – thereby requiring undertakings to systematically identify and prevent human rights violations across the entire value chain.

The Group recognises the importance of ensuring decent working conditions across the entire supply chain and has clearly defined, within its policies, compliance programmes and the Code of Ethics, the obligation to respect human and labour rights. In earlier periods, formal policies and a systematic approach to due diligence of working conditions were limited; however, during 2025, M SAN Grupa conducted value chain mapping for key divisions, together with an updated double materiality assessment, thereby establishing a foundation for a more structured identification and management of impacts on workers in the value chain. As a group required to report in accordance with ESRS, M SAN Grupa is committed to the gradual improvement of its practices, strengthening its due diligence processes and expanding supplier checks, with the aim of timely identifying material risks and ensuring compliance with relevant regulations and international standards.

4) ILO: Global Wage Report 2024-2025

Interests and views of stakeholders

ESRS 2 SBM-2

S2

M SAN Grupa operates within complex, extended and geographically diverse value chains, in which key upstream activities – raw material extraction, component manufacturing and product assembly – are predominantly carried out in China and Turkey, with additional suppliers in other regions with lower levels of protection of workers' rights. Value chain mapping conducted in 2025 showed that workers in these upstream operations, as well as workers in logistics, distribution and service segments, are exposed to elevated risks related to working conditions, wage levels, overtime, health and safety, and respect for fundamental rights, including the risk of child labour in the early stages of critical mineral extraction.

During 2025, M SAN Grupa further structured its dialogue with value chain stakeholders by conducting surveys and targeted discussions with suppliers, distributors and service partners, particularly within the segments of its own brands VIVAX, ITCE, MS Energy and M SAN Zelena. Suppliers emphasised expectations regarding more clearly defined compliance assessment criteria and predictable communication of the Group's requirements, while distributors and service partners highlighted the importance of training, protective equipment and standardised safety procedures for their workers, particularly when installing or servicing technically more complex products.

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

ESRS 2 SBM-3

S2

The production of electronic equipment, ICT solutions, e-mobility and energy systems in global value chains is associated with potential and actual human rights violations, particularly in the upstream value chain (raw material extraction, component manufacturing and assembly). The double materiality assessment completed in 2025 identified, as material negative impacts and risks for workers in the value chain, the following: inadequate wages, excessive working hours, health and safety risks, gender inequality and unequal pay for equal work, as well as the risk of child labour in the early stages of value chains.

These impacts are predominantly classified as potential in the upstream value chain; however, with respect to workers' health and safety, particularly in suppliers' production facilities and among service partners performing installations and assembly, an actual negative impact has also been identified due to the increased risk of injuries and occupational diseases. Vulnerable groups include women, migrant workers, young workers and workers in countries with lower standards of protection of workers' rights, who are particularly exposed to unequal pay, discrimination and unsafe working conditions in manufacturing and assembly facilities.

The value chain analysis also highlighted M SAN Grupa's structural dependence on a limited number of suppliers in China and Turkey, as well as on high-risk raw materials, such as cobalt, nickel and other critical metals used in batteries and electronic components, which increases reputational and operational risks associated with potential human rights violations in mining and processing. At the same time, opportunities were identified to improve impacts on workers in the value chain through the integration of human rights criteria into supplier selection decisions, the expansion of supplier checks to include working conditions and health and safety, and the development of joint programmes with key partners aimed at improving labour standards.

4) ILO: Global Wage Report 2024-2025

WORKING CONDITIONS				
Negative impact – actual; in the upstream value chain				
Health and safety of workers in the value chain	Injuries, occupational diseases and the deterioration of working conditions may have a negative impact on the health and safety of workers in production facilities within the value chain. Injuries and occupational diseases directly affect the fundamental rights to life, health and safety. The consequences may be severe, including permanent disabilities and loss of life. Serious injuries and occupational diseases have lasting effects on workers' health and quality of life and, in the most severe cases, may result in fatalities. Although M SAN Grupa does not have direct causation, a clear business relationship exists.	Linked to business relationships	Long-term	
Negative impact – potential; in the upstream value chain				
Inadequate pay	The production of electronic equipment and devices may be associated with low wages in certain parts of the value chain, causing workers' inability to maintain a decent standard of living and increasing the risk of social inequality. Given the structure of global value chains in sectors related to consumer electronics, and the fact that part of M SAN Grupa's production originates from China and Turkey, there is a high likelihood that certain parts of the value chain are associated with low wages and weak social protection. Low wages in the supply chain have a direct impact on fundamental human rights (decent work, social security and health). The impact may lead to persistent poverty and social inequality. The industry has globally dispersed supply chains, and a large number of workers in Asian manufacturing facilities are at risk of low hourly wages. The impact potentially affects thousands of workers in independent undertakings.	Linked to business relationships	Long-term	
Negative impact – potential; in the upstream value chain				
Overtime	In factories and facilities in the upstream value chain, workers may be exposed to excessive working hours and insufficient adherence to labour standards, which may negatively affect their health, safety and well-being. Overtime in the upstream supply chain is considered likely due to globally well-documented patterns in sectors associated with consumer electronics. Manufacturing facilities in the upstream value chains in Asia and other regions often operate under conditions of high seasonal peaks, short delivery timelines and limited regulatory oversight, which increases the risk of excessive working hours. Prolonged overtime leads to fatigue, exhaustion, injuries and psychological stress and increases the risk of accidents. It directly jeopardises the fundamental rights to health and safety. The electronics industry encompasses a large number of workers in manufacturing facilities in Asia and other regions where overtime is frequent and weakly regulated. The impact may affect a large number of workers. Prolonged excessive exposure to physical and psychological strain may result in chronic illnesses and lasting health consequences.	Linked to business relationships	Long-term	

EQUAL TREATMENT AND OPPORTUNITIES FOR ALL

Negative impact – potential; in the upstream value chain

<p>Gender inequality and unequal pay for equal work</p>	<p>Migrant workers, women, young workers and workers in countries with lower standards of protection of workers’ rights belong to vulnerable groups that are at an increased risk of discrimination and unequal pay. Discrimination and pay inequality are common in manufacturing and assembly facilities in countries with low standards of worker protection. The likelihood of occurrence is high for some parts of the supply chain. Discrimination and gender inequality have a profound and long-lasting negative impact on dignity, economic position and exposure to social injustice. Unequal pay and treatment constitute violations of fundamental human rights. It affects a large number of workers, particularly women, migrant workers and young workers in factories in Asia and Eastern Europe. Although inequalities can be addressed through policies and training, long-term effects on the economic and social position of affected groups remain evident.</p>	<p>Linked to business relationships</p>	<p>Long-term</p>
---	--	---	------------------

OTHER RIGHTS ARISING FROM THE EMPLOYMENT RELATIONSHIP

Negative impact – potential; in the upstream value chain

<p>Child labour</p>	<p>In the upstream value chain (raw material extraction), there is a risk of the involvement of children in labour processes, which constitutes a serious violation of human rights. The impact may arise from business relationships. The risk is high in the early stages of the value chains in industries that use minerals and metals. Child labour is one of the most severe human rights violations – it endangers children’s health, safety and development and breaches the Convention on the Rights of the Child. The involvement of children in labour has lasting effects on their physical, psychological and educational well-being, often with intergenerational impacts on poverty.</p>	<p>Originating from the business model and linked to business relationships</p>	<p>Long-term</p>
<p>Negative impact – potential; in the upstream value chain</p>			
<p>Forced labour</p>	<p>In some countries and sectors, forms of forced labour are present, particularly in raw material mining and the manufacturing of electronic components. Research regularly documents cases of forced labour in value chains in the sectors associated with consumer electronics and in mining, making this risk real, particularly in countries with low levels of worker protection. Forced labour constitutes a serious violation of fundamental human rights and human dignity. It often involves restrictions on the freedom of movement, withholding of wages, and physical and psychological abuse. The risk of forced labour is present in mining (e.g. cobalt, gold) and in the manufacturing of electronic components (e.g. in China, Malaysia and Thailand). This is a globally widespread issue affecting thousands of workers. Forced labour has severe and long-lasting psychological, physical and social consequences. It represents a human rights violation that leaves lasting impacts on the dignity and safety of victims.</p>	<p>Originating from the business model and linked to business relationships</p>	<p>Long-term</p>

Impact, risk and opportunity management

ESRS 2 IRO-1

S2

The complexity of M SAN Grupa's value chains makes it difficult to precisely identify, assess and address human rights issues that affect workers across all stages of the value chain. Value chain mapping conducted in 2025 enabled a more systematic identification of 'critical points' in both upstream and downstream segments, with priority given to the most severe potential and actual negative impacts on workers in third countries, as well as those impacts assessed as having a reasonable likelihood of risk materialisation.

All identified significant negative impacts on workers in the value chain have been classified as short-, medium- or long-term depending on their nature and time horizon, with health and safety, as well as child labour and forced labour, recognised as high-priority impacts due to the scale, scope and irreversibility of their potential consequences. The findings of the value chain mapping and the double materiality assessment have been incorporated into the adjustment of the sustainability strategy, objectives for the 2026–2027 period, and the development of supplier due diligence processes, with a particular focus on labour rights and the protection of workers in the value chain.

M SAN Grupa has identified several key types of workers in the value chain who may be significantly impacted:

- Third-party workers at M SAN Grupa locations (maintenance, security, logistics, students, etc.) engaged through external agencies or the Group's own Human Resources Department
- Workers of manufacturers and suppliers of raw materials, parts and components that M SAN Grupa uses in its products, especially in its facilities in China and Turkey
- Workers in distribution, logistics and retail who enable the sale and placement of M SAN Grupa's products on the EU and regional markets, as well as workers of service partners who perform installation and repair services at customer sites.

Migrant workers, women, young workers, workers in third countries and regions with lower standards of workers' rights, as well as workers in mining and the production of critical minerals, as in line with globally documented risks in these sectors, have been identified as vulnerable workers' groups.

With regard to working conditions in the supply chain, M SAN Grupa cannot directly influence the occurrence or prevention of forced or child labour, gender-based inequalities, inadequate wages or occupational health and safety standards; however, it can enhance oversight of supplier practices, strengthen its policies, request certificates of origin in the case of mining activities or require data from suppliers concerning occupational health and safety and respect for human rights.

S2-1 Policies related to value chain workers

ESRS 2 MDR-P

S2

As detailed in section S1-1 under 'Policies related to own workforce', the area of human rights respect and the values upheld by the Company are governed by the Corporate Compliance and Ethics Programme and the Code of Ethics of M SAN Grupa and its affiliated companies. These documents also apply to business relationships within the value chain, including suppliers, distributors and other partners, and establish general principles prohibiting discrimination, harassment, corruption and violations of human rights.

M SAN Grupa addresses worker-related issues in the value chain through the Supplier Management Procedure Rules. In 2025, a process of enhancement of these Rules was initiated in line with the findings of the value chain mapping and the double materiality assessment.

The Rules include procedures for verifying the quality of factories and suppliers to ensure high standards of products and working practices and define the norms and standards that suppliers must comply with, including respect for human and labour rights, the prohibition of child and forced labour, and compliance with minimum standards on wages, working hours and occupational health and safety.

2025 saw the initiation of integrating due diligence elements into supplier management processes, particularly for divisions with more pronounced risks (VIVAX, ITCE, MS Energy, M SAN Zelena). At this stage, the focus was placed on formalising requirements for factories and suppliers to document compliance with national legislation and relevant international labour standards (e.g. conventions of the International Labour Organisation), ensure transparency regarding sub-suppliers, and provide access to information and sites for verification purposes.

S2-2 Processes for engaging with value chain workers about impacts

ESRS 2 MDR-A

S2

Prior to commencing cooperation with key suppliers, M SAN Grupa conducts factory assessments that include verification of certificates (e.g. ISO) and a basic evaluation of working conditions, including microclimate conditions (humidity, temperature), availability of personal protective equipment, workplace ergonomics and the separation and labelling of work areas (offices, warehouses, production). In 2025, these procedures were complemented by a more structured analysis of risks related to workers' health and safety, overtime and wage levels in relation to local standards, using publicly available information on labour practices in the regions where suppliers operate.

In the service and assembly works' segment, particularly within the MS Energy and M SAN Zelena divisions, cooperation with partners has been strengthened with regard to ensuring training and protective equipment for workers performing installations and field work. The Group expects these partners to apply standardised safety procedures, maintain records of working hours and comply with relevant occupational health and safety standards, and includes them in regular quality and service safety assessments.

In 2025, M SAN Grupa initiated the collection of more structured data from significant suppliers as part of regular quality reviews, including a limited set of data on working conditions (e.g. the existence of internal policies on the prohibition of child labour and discrimination, and basic occupational health and safety programmes). In subsequent periods, a gradual expansion of the scope of this data is planned, together with the inclusion of workers in the value chain through surveys conducted with the support of partners, in order to better understand their priorities, expectations and risk perceptions.

S2-3 Processes to remediate negative impacts and channels for value chain workers to raise concerns

S2-3

In light of the identified impacts and risks in value chains, particularly in third countries, M SAN Grupa, through value chain mapping and the double materiality assessment conducted in 2025, confirmed the need to expand the scope of the Corporate Compliance and Ethics Programme and the Code of Ethics to more formalised management of suppliers and partners. This includes the gradual expansion of grievance and reporting mechanisms, which are currently primarily focused on the Group's own employees, so that they become accessible to workers in the value chain through M SAN Grupa's suppliers and business partners.

In cases where M SAN Grupa becomes aware of a possible actual negative impact on workers in the value chain (e.g. a serious injury during equipment installation or significant breaches of occupational health and safety rules at a supplier's facility), a process of clarifying the situation is initiated and cooperation with the business partner is undertaken to establish the facts, with the expectation that the partner will take corrective actions and remedy the consequences. In the next reporting period, the formalisation of internal procedures for such situations is planned, including the definition of roles, timelines and methods for monitoring the effectiveness of remedial actions, as well as consideration of the possibility of terminating cooperation in cases of severe or repeated violations. In the next reporting period, internal procedures for such situations are planned to be formalised, including the definition of roles, timelines and methods for monitoring the effectiveness of remedial actions, as well as consideration of the possibility of terminating cooperation in cases of severe or repeated violations.

M SAN Grupa intends, during 2026 and in line with its sustainability objectives, to further develop and test models for expanding existing grievance channels so that they are known and accessible to workers at suppliers and partners operating in high-risk segments of the value chain, while taking into account the opportunities and limitations of the Group's leverage in specific business relationships.

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

ESRS 2 MDR-A

S2

M SAN Grupa is actively working to improve working conditions and strengthen the protection of human rights in the value chain through the establishment of supplier standards, cooperation with responsible partners and the gradual strengthening of due diligence processes, with a focus on identified significant impacts and risks. The results of the value chain mapping and the double materiality assessment are used to focus attention on 'critical points' where negative impacts may be most severe – supplier manufacturing facilities in countries with lower levels of protection of workers' rights, mines and early-stage raw material extraction segments, and high-risk installation and field service activities.

In 2025, the Group initiated the operationalisation of these findings through:

- Enhancing supplier management rules by integrating due diligence elements, particularly with regard to the prohibition of child and forced labour, taking care about health and safety, and mitigating pay inequality
- Including human rights criteria in supplier assessments and selection decisions in its divisions with heightened risks
- Training internal teams (procurement, product development, logistics) on significant impacts and risks for workers in the value chain
- Collecting more structured data from suppliers on working conditions and basic occupational health and safety measures.

Positive impacts and opportunities, as well as a more detailed quantification of actual negative impacts across the entire value chain, will be considered in subsequent reporting periods once data collection processes are further developed and the scope of supplier and service partner assessments is expanded. The action plan, including potential targets related to working conditions and human rights of workers in the value chain, will be developed and disclosed following the completion of the next phase of the operationalisation of the Sustainability Strategy and due diligence processes.

S2-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

ESRS 2 MDR-P

S2

M SAN Grupa recognises the need to regulate the area of supplier management. Following the findings of the value chain mapping, the double materiality assessment and the stakeholder engagement process, the following objectives and performance indicators have been established for each topic:

Inadequate wages in the value chain (S2 – working conditions)

Objective: Establish a supplier sustainability assessment system (ESG due diligence process) that includes working conditions, wages and social rights.

Target year: System design and pilot project in 2026, full implementation in 2027.

KPI:

- Share of key suppliers subject to ESG assessment (including working conditions and fundamental rights)
- Status 'System established by 2027' (yes/no).

Overtime (S2 – working conditions)

Objective: Integrate the assessment of overtime into the same ESG due diligence system and supplier assessments.

KPI: Share of key suppliers for whom working hours and overtime have been documented and verified (e.g. through an audit or questionnaire).

Health and safety of workers in the value chain (S2 – working conditions)

Objective: Expand existing supplier audits to systematically cover occupational health and safety (OHS) standards and physical working conditions.

KPI: Share of verified key suppliers for whom occupational health and safety and working conditions criteria are covered in audits.

Gender inequality and equal pay (S2 – equal treatment)

Objective: Integrate the prohibition of discrimination, gender inequality and unequal pay for work of equal value into supplier evaluation through the Supplier Code of Conduct and supplier assessments.

KPI: Share of key suppliers for whom the existence of non-discrimination and equal treatment policies has been explicitly verified in the assessment.

Child labour (S2 – other rights)

Objective: Ensure that all key suppliers adopt a zero-tolerance approach to child labour through the Code of Ethics, the Supplier Code of Conduct and supplier management rules.

KPI: Share of key suppliers who have signed/accepted the Supplier Code of Conduct and rules on the prohibition of child labour.

Forced labour (S2 – other rights)

Objective: Ensure that suppliers in relevant high-risk sectors and geographical areas operate in accordance with a zero-tolerance approach to forced labour.

KPI: Share of key suppliers for whom compliance with provisions on the prohibition of forced labour has been verified and documented (contracts, codes, declarations).

ESRS S4: CONSUMERS AND END-USERS

Disclosure requirement		Information
ESRS 2 SBM-2	Interests and views of stakeholders	227
ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	228
ESRS S4-1	Policies related to consumers and end-users	230
ESRS S4-2	Processes for engaging with consumers and end-users about impacts	231
ESRS S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	232
ESRS 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	233
ESRS S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	234

M SAN Grupa has a highly diversified product portfolio, which is consolidated into four divisions, detailed in the Management Report on page 26, and which includes the business operations of regional Group members as well. M SAN Grupa's operations encompass a wide network of business partners, with continuous product distribution through various sales formats and channels across the region. The production, distribution and servicing of many diverse products have material impacts on consumers and end-users in different market segments. M SAN Grupa places safety, product and services quality and availability, delivery stability, and serviceability during the entire product lifecycle at the core of its operations. In order to achieve these standards, thorough quality control of components and finished products is carried out, with consumer-related policies integrated into quality control processes and product portfolio management.

During 2025, M SAN Grupa conducted value chain due diligence across eight key divisions and its own operations, thereby, for the first time, consistently and comprehensively covering a major part of its business model across upstream, own operations and downstream segments of the value chain. This analysis provided a detailed insight into activities, stakeholders and critical points within the value chains, including distribution, sales, product use and service infrastructure stages, which are directly linked to consumer and end-user experience. The findings of the value chain due diligence have been incorporated into the updated double materiality assessment and into the refinement of the Sustainability Strategy and objectives related to ESRS S4 – Consumers and end-users. In the future, M SAN Grupa plans to gradually, yet systematically, integrate the management of impacts, risks and opportunities relating to consumers and end-users into all key processes – production, distribution, marketing and sales – building on the results of value chain due diligence and enhanced double materiality assessments.

Interests and views of stakeholders

ESRS 2 SBM-2

S4

Given that M SAN Group's business activities cover a wide range of products, customers and end-users for whom these products are intended, it is crucial to responsibly manage impacts and consider the interests and perspectives of the affected stakeholders. At the forefront of their interest is the quality of delivered products and services, as well as of service and support.

Furthermore, detailed and clear labelling of product characteristics and instructions for use provide stakeholders with an in-depth understanding of the correct product handling methods, 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 regarding products and access to complaint mechanisms. During 2025, M SAN Grupa conducted several market research studies, which are described below in the section on implemented actions.

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

ESRS 2 SBM-3

S4

IMPACTS ON CONSUMERS AND END-USERS			
Positive impact – actual; within the organisation and in the downstream value chain			
Systematic testing and quality control	A high level of product safety, reliability and durability increases user satisfaction and reduces the risk of complaints and returns. The impact is directly caused by the Group’s operations and its products and/or services. The impact is material, as quality testing affects all products that require high levels of safety and durability. The impact covers a wide range of products that are subject to high quality standards. Systematic testing and quality control of products enable increased product safety, reliability and longevity, thereby reducing complaints and returns.	Originating from the business model and linked to business relationships	Long-term
Positive impact – actual; within the organisation and in the downstream value chain			
Equal access to products based on responsible marketing practices and transparent, accurate and truthful advertising	Equal access to products for all customer groups. Equal access and transparent advertising may have a broad impact on the market. Equal access to products, based on responsible marketing practices and transparent advertising, contributes to social inclusion and increased user trust, although it is not fully transformative due to external socio-economic factors.	Originating from the business model and linked to business relationships	Medium-term

IMPACTS ON CONSUMERS AND END-USERS

Negative impact – potential; in the downstream value chain

Systematic testing and quality control	Safety risks such as overheating, battery self-ignition, or gas and oil leakage may lead to user injuries and undermine trust in product safety. The impact may arise from products and/or services. The potential for negative impact exists in every production batch. The impact is significant, as safety risks associated with products such as electric bicycles, scooters, air conditioning units and household appliances may cause serious injuries and loss of user trust. The impact covers a wide range of products. Safety risks associated with M SAN products may result in user injuries and undermine confidence in product safety, with long-term business and reputational consequences.	Originating from the business model and linked to business relationships	Medium-term
--	---	--	-------------

Impact, risk and opportunity management

ESRS 2, SBM-3

S4

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 customers, contribute to the potential occurrence of both negative and positive impacts, as well as risks.

M SAN Grupa focuses on impacts, risks and opportunities related to consumers and end-users of its products and services. Given that the Group operates primarily in the segments of consumer electronics, household appliances, ICT equipment and e-mobility, key issues include user safety, product compliance and quality, transparency of information and equal access to products. As part of the updated double materiality assessment for 2025, these aspects were analysed as a distinct area with clearly defined impacts, risks and opportunities.

The materiality assessment in the S4 area was conducted based on the structure of value chains and the ways in which consumers and end-users interact with M SAN Grupa's products. Particular attention was given to segments in which safety risks may materialise during product use (e.g. electric bicycles, scooters, air conditioning units and household appliances), as well as to risks associated with insufficient or unclear information on product use and maintenance. A set of material impacts was identified in which M SAN Grupa is already achieving positive results – such as systematic product testing and quality control, and equal access to products supported by responsible marketing practices – as well as potential negative impacts requiring further management, particularly in the area of end-user safety.

The involvement of consumers and business partners in direct contact with end-users (retailers, distributors, specialised retail chains and the online store) formed an important part of the assessment. Online questionnaires were conducted with retailers, distributors and suppliers, aimed at collecting feedback on product safety and quality, the availability of information and user experience, and the results were used to validate the identified impacts, risks and opportunities. In addition to quantitative insights, operational findings from service activities, warranty procedures, and systems for handling complaints and claims were also taken into account, indicating areas where further improvements are required in terms of product design, labelling, communication and after-sales support.

The management of impacts, risks and opportunities in the area of consumers and end-users is integrated into the broader management of product quality, user safety and customer relations. Positive impacts, such as systematic quality control, clearly structured instructions for use and service provisions that extend product lifecycles, also represent opportunities to strengthen customer loyalty and the Group's reputation. Potential negative impacts, particularly safety risks associated with the use of certain product categories, are treated as priority risks, for which enhanced testing, additional safety checks and improved communication practices towards users are being introduced. The results of the assessment are linked to the Group's sustainability objectives through targets related to product safety, the reduction of complaints and claims, the enhancement of customer satisfaction, and the improvement of information transparency, with progress monitored through relevant performance indicators.

In the consumer and end-user segment, the following stakeholders are particularly recognised: wholesalers, retailers, web shops, specialised retail chains, companies within M SAN Grupa, designers, air conditioning installers, kitchen furniture manufacturers and end customers.

S4-1 Policies related to consumers and end-users

ESRS 2 MDR-P

S4

M SAN Grupa recognises its responsibility towards consumers and end-users of its products and services. Equal access to products for all customer groups, ensured through transparent and truthful marketing practices, forms the basis of social inclusion for consumers and end-users. Through value chain due diligence and the double materiality assessment, the Group has confirmed areas of materiality within the consumer segment, with a particular focus on information transparency, product safety and service quality.

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, which are monitored through market analyses and direct interaction with business partners, installers, service technicians and end customers.

M SAN Grupa applies the principles of responsible marketing and sales, ensuring that all product information is accurate, complete and understandable to all customer groups. The Group's marketing activities are based on the principles of fairness, transparency and compliance with regulatory requirements. The Group is committed to eliminating any inaccurate or misleading information in marketing materials and to ensuring full alignment between marketing messages and the actual product specifications.

In 2025, M SAN Grupa identified the need to formalise policies related to the transparency of product information. The Group has initiated a process of mapping the existing product labelling practices and identifying areas where transparency needs to be strengthened. Particular emphasis has been placed on products under its own brands, with plans to provide comprehensive information for the VIVAX product range, including the origin of components, composition (with particular attention to substances that may have environmental or social impacts), instructions for safe use, and information on end-of-life disposal.

M SAN Grupa applies a quality management system that ensures the delivery of devices in accordance with defined quality control standards. All own-brand products are subject to strict quality and safety controls in line with European directives.

The Group maintains 100% compliance of its products with EU safety directives, including certifications such as LVD (Low Voltage Directive), EMC (Electromagnetic Compatibility), RoHS (Restriction of Hazardous Substances), as well as energy efficiency classifications.

Particular attention is given to the safety of products containing batteries, in light of potential risks related to overheating, fire or explosion of lithium-ion batteries. M SAN Grupa continuously monitors battery-related safety incidents and implements preventive measures to minimise risks for end-users. In 2026, the Group plans to formalise a battery safety management policy and to set specific targets for reducing the number of returned devices due to battery-related safety issues.

M SAN Grupa places strong emphasis on customer feedback and regularly monitors complaints and product returns as key indicators of quality and user satisfaction. Through its service network and customer support function, the Group ensures that support is available to all customers both during and beyond the warranty period. In 2026, the Group plans to establish a systematic framework for monitoring complaints and product returns and to define goals for their reduction.

In order to ensure that products and services meet user needs and expectations, M SAN Grupa conducts regular surveys of end-user satisfaction and needs. M SAN Grupa recognises that information asymmetry between producers and consumers may lead to an unequal position for users in their purchasing decisions. The Group therefore seeks to ensure maximum transparency of information across all products, particularly those that may have a significant impact on health, safety or the environment. In 2026, the Group plans to implement a systemic way for monitoring the completeness of product information and to establish a register of reported cases of inaccurate marketing information, with the objective of achieving a zero rate of such cases by 2027.

M SAN Grupa's Export Compliance Programme is available on the website. It sets out, among other things, provisions on the controls of business partners and customers. It is described in chapter G1 – Business conduct on p. 239.

S4-2 Processes for engaging with consumers and end-users about impacts

ESRS 2 MDR-A

S4

M SAN Grupa, for its own brands and on the Croatian market, includes consumers and end-users on matters that may have impacts through multiple communication channels and feedback mechanisms. The main engagement channels include:

Customer satisfaction and needs surveys – M SAN Grupa regularly conducts customer satisfaction surveys in order to understand user needs, expectations and levels of satisfaction with products and services. These surveys cover different customer segments, from individual consumers to business users, and address aspects such as product quality, pricing, the availability of information, service and customer support. The results are used to improve products, services and business processes.

Customer service – The Group maintains an active customer service that receives inquiries, complaints and feedback from customers. Through this channel, customers can report product issues, request technical support or provide suggestions for improvement. All complaints are recorded and processed in accordance with established procedures, with the aim of ensuring prompt and efficient resolution.

Service network – M SAN Grupa maintains a network of service centres that provide repair and maintenance services both during and beyond the warranty period. Service centres represent an important communication channel with users, as they enable direct feedback on the most common product issues, component quality and user needs related to maintenance and repairs.

Sales and distribution channels – Through its network of retail outlets, distributors and online sales channels, M SAN Grupa collects feedback on customer satisfaction, preferences, frequently asked questions and common issues encountered by customers when selecting and using products. Sales staff and distribution partners play a key role in conveying customer feedback to the Group.

Grievance mechanism – Communication channels are provided for external stakeholders, including consumers and end-users, through the customer service function and service centres. M SAN Grupa recognises the need to further enhance consumer engagement mechanisms.

Through the value chain due diligence conducted in 2025, M SAN Grupa identified the need for clearer structuring of feedback from end-users, particularly in areas related to product quality, safety and satisfaction with information provided. The Group plans to develop digital tools for collecting and analysing feedback, enabling a faster response to issues and the improvement of products and services in line with user needs.

S4-3 Processes to remediate negative impacts and channels for consumers and end-users to raise concerns

S4-3

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.

M SAN Grupa has established a system for addressing negative impacts on consumers and end-users through several interconnected mechanisms.

Complaints and product returns – Customers have the right to lodge complaints in accordance with applicable legal provisions and warranty conditions. M SAN Grupa processes complaints through a network of authorised service centres, which assess the validity of claims, carry out repairs or product replacements, and ensure documentation of the entire process.

Handling of safety incidents – In the event of product-related safety incidents, particularly those involving batteries, M SAN Grupa applies emergency procedures that include root cause analysis, communication with suppliers, product recalls where necessary, and compensation for affected customers. The Group monitors the number of returned devices due to battery-related safety issues and continuously works to reduce the occurrence of such incidents. 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, safety-related matters are also addressed through promotional activities and test drives aimed at protecting the safety and health of users.

Customer complaint channels – M SAN Grupa provides multiple channels through which customers can submit complaints or express dissatisfaction with products and services. These include customer service available via telephone, email and online forms, service centres and partner retail outlets. All complaints are recorded, assessed and resolved in accordance with internal procedures, with the aim of ensuring a prompt and efficient response. On M SAN Grupa's website, a form and email address are available for complaints, claims, enquiries and positive feedback, 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 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.

Inaccurate marketing information – In the event of reported inaccurate or misleading marketing information, M SAN Grupa conducts an internal review, corrects materials where necessary, and communicates with affected customers to ensure transparency and fairness.

Employee training – M SAN Grupa provides training for employees on the security of business and personal customer data, in order to ensure privacy protection and compliance with data protection regulations.

The Group recognises the need to expand grievance and remedy mechanisms in order to ensure that all affected stakeholders in the value chain, including end-users, have access to fair, transparent and effective procedures for the resolution of disputes and complaints. This includes the development of formal procedures for the escalation of complex cases and ensuring independence and impartiality in complaint handling.

M SAN Grupa monitors the effectiveness of complaint handling mechanisms through indicators such as complaint resolution time, the percentage of complaints resolved at first contact, customer satisfaction with the complaint handling process and the number of repeated complaints relating to the same issue. These indicators are used for the continuous improvement of processes and to ensure a high level of customer satisfaction. In its relations with customers, M SAN Grupa is also guided by the principles of conduct set out in the Code of Ethics and the Anti-Corruption Policy, which are described in section G1 – Business conduct on p. 239.

S4-4 Taking action on material impacts, and approaches to mitigating material risks and pursuing material opportunities related to value consumers/end-users, and effectiveness of those actions and approaches

ESRS 2 MDR-A

S4

M SAN Grupa actively works to enhance customer and end-user satisfaction through the establishment of standards, collaboration with responsible partners and regular monitoring of compliance with 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, related to own brands of M SAN Group. The collected proposals are used to improve collaboration, and a new sales plan is developed based on the findings of the research. Taking into account customer views on the product and based on market research and customer preferences, new products are developed or improvements are introduced to existing ones. M SAN Grupa implements a set of interconnected actions to manage material impacts, risks and opportunities related to the personal safety of consumers and end-users, as well as their social inclusion through equal access to products. These actions are aligned with policies on quality control, compliance with EU safety standards and responsible marketing, and are operationalised through specific objectives and performance indicators.

Consumer rights are stated and enclosed with each product through the warranty statement, and user enquiries submitted via the online form on the website 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 work.

For MS Energy branded products (electric bicycles and scooters), smart battery management technology (Smart BMS) has been introduced, together with the centralisation of battery production in a single facility using unified software. This enables improved monitoring of battery condition via a mobile application, reduces the risk of overheating, self-ignition and other safety incidents and decreases the number of devices returned for repair or write-off.

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 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.

M SAN Grupa adapts technical documentation and product instructions to clearly define who may use a given product and under what conditions, including prominently highlighted warnings relating to children and other vulnerable groups, as well as instructions for the safe charging and maintenance of battery-containing products. This reduces the risk of injuries caused by improper handling or use by individuals for whom the product is not intended.

One of the measures implemented is Smart BMS, carried out by MS Energy. It is a smarter way of managing the battery, providing insight into battery health via a mobile application. 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 within the region, as well as the number of written-off devices and electronic waste.

S4-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

ESRS 2 MDR-M

S4

In 2025, following a comprehensive mapping of its value chain and the implementation of a double materiality assessment, M SAN Grupa set targets related to the transparency of product information, product safety and quality, and the involvement of users in the development and improvement of products and services.

Transparent product information

As part of the value chain mapping process and the double materiality assessment, material topics related to the transparency of product information were confirmed. M SAN Grupa recognises that complete and accurate information enables customers to make informed decisions and contributes to trust and customer satisfaction.

The Group has set the objective that by 2027, 100% of products under its own brands will include complete information, covering the origin of product and service components, composition – with particular emphasis on substances that may have an impact on the environment or society – instructions for the safe use of products or services, and information on product disposal and related environmental or social impacts. In 2025, a mapping of the current state was carried out to determine the extent to which products currently include complete information and to identify areas for improvement. This objective is monitored through the indicator of the share of products with complete information within the total assortment of own-brand products.

M SAN Grupa has also set an objective to eliminate inconsistencies between marketing information and the actual product specifications. The aim is to achieve a zero annual rate of reported cases of inaccurate marketing information by 2027. In 2025, a register of reported cases was established to enable the monitoring of this indicator. The baseline value will be determined following the establishment of the register, and the Group will implement preventive measures such as internal controls of marketing materials prior to their publication, training of marketing staff, and regular reviews of the alignment of marketing communications with product technical specifications.

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 by quality control;
- Preparation of a verified manufacturer's specification for publication on the product and in the technical instructions;
- Marketing communication with 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;
- Manufacturing quality control in accordance with defined standards (AQL, full check and quality control procedures).

The performance indicators used in this segment are as follows:

- Share of products with complete information – This indicator measures the percentage of own-brand products that include complete information, either on the product itself or in accompanying documentation, including the origin of components, composition (with particular emphasis on substances impacting the environment), instructions for safe use and information on disposal. The target is to achieve 100% by 2027. The baseline value will be determined in 2025 following the mapping of the current state.
- Number of reported cases of inaccurate marketing information – This indicator measures the annual number of reported cases in which customers or regulatory authorities identify inconsistencies between marketing information and the actual specifications of products. The target is to achieve a zero rate by 2027. A register will be established in 2025.
- Share of products with valid certificates – This indicator measures the percentage of own-brand products that hold valid certificates in accordance with EU safety directives (LVD, EMC, RoHS, energy labelling). A share of 100% was achieved in the baseline year 2024, which is to be maintained on an ongoing basis.

Product safety and compliance

M SAN Grupa has set a target to maintain 100% compliance of its products with EU safety directives. This means that all own-brand products must be certified in accordance with applicable directives such as LVD (Low Voltage Directive), EMC (Electromagnetic Compatibility), RoHS (Restriction of Hazardous Substances), as well as applicable energy labelling requirements. In the baseline year 2024, a share of 100% certified products was achieved, which the Group intends to maintain on an ongoing basis. This target is monitored through the indicator of the share of products with valid certificates within the total assortment of own-brand products.

The Group has identified a specific risk related to the safety of products containing lithium-ion batteries and has therefore set a target of continuously reducing the number of battery-related safety incidents. The target is to reduce the number of returned devices due to battery safety issues to 0.5% of total devices sold by 2027, and to 0.3% by 2030. The baseline year is 2024, and this indicator is monitored through a system for recording returned devices and analysing the causes of returns. The Group plans to implement measures such as enhanced quality controls of batteries at the supplier level, user education on the safe use and charging of devices, and proactive product recalls for batches where potential safety issues are identified.

M SAN Grupa plans to establish a system for measuring complaints and product returns in 2026 and to define objectives for their reduction. The aim is to reduce the number of complaints per 1,000 products sold, thereby indirectly increasing product quality and customer satisfaction. The baseline value of this indicator will be determined following the establishment of the measurement system in 2026.

The performance indicators used in this segment are as follows:

- Number of returned devices due to battery safety issues – This indicator measures the number of returned devices due to battery-related safety incidents (overheating, fire, explosion) as a percentage of the total number of devices sold that contain batteries. The baseline year is 2024, with a target value of 0.5% for 2027 and 0.3% for 2030.
- Number of complaints per 1,000 products sold – This indicator measures the total number of complaints normalised per 1,000 products sold, enabling the monitoring of quality trends independently of sales volumes. The measurement system will be established in 2026, after which specific reduction targets will be defined.

Customer inclusion

M SAN Grupa has set the objective to conduct regular surveys of customer satisfaction and needs related to its own brands. The aim is to maintain or increase the coverage of surveys and to ensure that the results systematically inform product development, marketing and customer support processes. This target is monitored through indicators relating to the number of surveys conducted annually and the number of users involved.

Through these targets, M SAN Grupa aims to ensure that its products and services not only meet regulatory requirements but also exceed customer expectations in terms of safety, quality, transparency and responsiveness to market needs. These objectives are integrated into the operational plans of relevant organisational units, and their achievement is monitored through a system of performance indicators that is regularly reported to the Sustainability Committee and the Management Board.

The performance indicators used in this segment are as follows:

- Number of surveys conducted annually – This indicator measures how many times per year M SAN Grupa conducts surveys of customer satisfaction and needs. The objective is a minimum of two surveys per year.
- Number of users participating in surveys – This indicator measures the number of users who participated in satisfaction surveys during the year.

All of the above indicators are monitored on a regular basis and reported to the Sustainability Committee and the Management Board. The data are used to identify trends, assess the effectiveness of implemented actions, and support decision-making on necessary interventions or improvements. M SAN Grupa plans to further formalise the system for collecting and analysing these indicators in 2026 in order to ensure the reliability, consistency and comparability of data over time.

ESRS G1: BUSINESS CONDUCT

Disclosure requirement		Information
ESRS 2 GOV-1	The role of the administrative, management and supervisory bodies	156
ESRS 2 IRO-1 G1	Description of the processes to identify and assess material impacts, risks and opportunities	238
ESRS G1-1	Business conduct policies and corporate culture	239
ESRS G1-2	Management of relationships with suppliers	242
ESRS G1-3	Prevention and detection of corruption and bribery	243
ESRS G1-4	Incidents of corruption or bribery	244
ESRS G1-5	Political influence and lobbying activities	244
ESRS G1-6	Payment practices	244

As a large business system with a highly complex and extended value chains, M SAN Grupa maintains business relationships with numerous business partners, suppliers and customers across multiple markets. During 2025, the Group conducted a value chain due diligence assessment for eight key divisions and its own operations, thereby comprehensively covering the majority of its business model across all segments of the value chain – upstream, own operations and downstream. The analysis confirmed a significantly diversified nature of business relationships, spanning from suppliers of raw materials and components in Asia and Europe, through the Group’s own manufacturing and distribution capacities in Croatia and the region, to end users in the markets of the European Union and South-Eastern Europe.

Given the multitude and complexity of these relationships, business ethics and ethical conduct is an area that requires particular attention. Potential negative impacts and risks related to business conduct and corruption may occur along the value chain. Their systematic management is key for business sustainability. Taking into account M SAN Grupa’s business activities and its traditionally strong and responsible relationships with its numerous 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, disruptions in the supply chain and reputational damage as well as regulatory penalties.

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 of conduct, regulations and programmes, while corporate culture is based on the defined corporate values, vision and mission of M SAN Grupa. M SAN Grupa has established a Sustainability Committee that coordinates activities related to the governance, environmental and social aspects of sustainability, as described in the section ESRS 2 – General disclosures. Given its international business relationships, a culture of sustainability is the basis for establishing responsible relationships with customers, suppliers and other stakeholders.

Identified impacts, risks and opportunities

ESRS 2 IRO-1

G1

CORPORATE CULTURE			
Positive impact – actual; in own operations			
An open and inclusive corporate culture	Employees have a straightforward access to top management, are encouraged to engage in communication and have a transparent insight into business processes, which contributes to trust, collaboration and employee engagement. An open and inclusive culture enhances employee trust, reduces stress and fosters innovation and a sense of belonging. An open and inclusive corporate culture at M SAN Grupa represents a tangible positive social impact that strengthens employee trust, collaboration and engagement.	Originating from the business model	Long-term
MANAGEMENT OF RELATIONSHIPS WITH SUPPLIERS			
Positive impact – actual; in business relationships, in the upstream value chain			
Fair market relationships with suppliers, including transparent negotiations, fair contracting and timely payments	Timely and fair payments, together with transparent relationships with suppliers, strengthen trust, ensure the liquidity of smaller business partners and enhance their financial stability. M SAN collaborates with a large number of suppliers in the region and beyond. Such practices have a positive impact on the stability of direct suppliers, particularly small and medium-sized enterprises. This impact also has a broader socio-economic significance, as it reduces the risk of illiquidity in the economy and strengthens ethical standards of business conduct.	Linked to business relationships	Mid-term
Negative impact – potential; in business relationships, in the upstream value chain			
Failure to conduct systematic supplier due diligence in relation to environmental protection, working conditions and respect for human rights	The absence of systematic checks may result in M SAN Grupa, unknowingly or passively, being involved in value chains that include human rights violations, child labour, forced labour, non-compliance with safety standards or environmental pollution. M SAN operates with a large number of international and regional suppliers (electronic components, IT equipment, logistics).	Originating from own operations and linked to business relationships	Long-term
GOVERNANCE-RELATED RISKS			
RISK; in the entire value chain			
Reputational and regulatory risk of corruption and bribery	Insufficient employee training on recognising and reporting corruptive practices increases the likelihood of breaches of ethical and legal requirements and may lead to internal irregularities, loss of business partners, regulatory penalties and damage to the company's reputation. The likelihood of corrupt practices at M SAN Grupa is low due to standardised internal processes and low exposure to high-risk sectors (business with government institutions, healthcare, energy, construction, etc.).	Linked to business relationships	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 conducted in 2024, when the Management Board undertook an initial review of the likelihood and significance of financial impacts. In 2025, a comprehensive double materiality assessment process was carried out, which included a detailed value chain due diligence analysis, an assessment of impacts based on the criteria of scale, scope and irremediability, as well as an assessment of risks and opportunities based on financial criteria and thresholds.

Since 2024, M SAN Grupa has had a Risk Management Strategy for M SAN Grupa and its affiliated companies in place. This Strategy defines the approach to risks to which the Group is exposed or may be exposed in the course of its operations. It specifically recognises sustainability-related risks as one of the fundamental categories of risk. Value chain due diligence analyses conducted during 2025 identified several key critical points where the most significant risks related to business conduct materialise: a high dependence on a limited number of suppliers in Asia, fragmentation of international logistics, inventory management and procurement coordination, as well as limited visibility in the upstream part of the value chains due to the unavailability of information on sub-suppliers.

In 2026, M SAN Grupa intends to further operationalise these results through a more detailed development and implementation of its Sustainability Strategy, as well as by boosting data collection, recording and monitoring systems (in particular in relation to value chains), by expanding due diligence procedures to related companies in foreign markets, and the integration of environmental, social and governance factors into business processes and decision-making.

More information on the due diligence process is provided in the section ESRS 2 – General disclosures – Managing sustainability matters, Statement on due diligence.

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 and abiding by laws and international standards. Regular discussions, training, formal policies and informal communication channels ensure that key functions understand the importance of the 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, the Anti-Corruption Policy, the Corporate Compliance and Ethics Programme, the Export Compliance Programme, and the Rules on the Internal Reporting of Irregularities.

The Code of Ethics and the Anti-Corruption Policy, include, among others, the following principles: compliance with laws and regulations, respect for integrity and dignity, zero tolerance for discrimination, mobbing and harassment, zero tolerance for bribery and corruption, prevention and management of conflicts of interest, fair competition, responsible management of assets, business finances and procurement, protection of the environment and human health, respect for human rights and zero tolerance for forced labour and child labour, and transparency in business operations and reporting.

The Code of Ethics also establishes a zero-tolerance principle for money laundering and the financing of terrorism as well as the principle of compliance with import-export controls, restrictions and sanctions, which is particularly relevant for the Group's international operations.

The Code of Ethics remained unchanged during 2024 and 2025, ensuring continuity of the principles and conduct to which employees are already accustomed.

Business partners, suppliers and other stakeholders may submit complaints regarding employee conduct that they consider to be contrary to the provisions of the Code of Ethics, while employees may report the conduct of their superiors or other colleagues. Complaints may be submitted in writing to the email address compliance@msan.hr or by telephone, with the information relating to the reporting person treated as confidential. The submission of a complaint by an employee in good faith cannot be a reason for disciplinary action against such employee. The Group does not tolerate any retaliation against stakeholders, especially employees, who report potential violations or express concerns in good faith.

The Corporate Compliance and Ethics Programme of Tables of 2023. It sets out the corporate values, mission and vision. It clearly sets out compliance objectives, the management of compliance processes and their improvement. Furthermore, it specifies the responsibilities of the Management Board, management, the Compliance Officer and Internal Audit Department, and emphasises the importance of open communication, integrity and a learning organisation. The Programme also highlights the obligation to provide employees with accessible and timely information, thereby contributing to transparency and trust within the organisation.

The Export Compliance Programme, adopted in 2023, ensures the compliance of M SAN Grupa with export control laws and economic sanctions of the United States of America, the EU and other applicable jurisdictions. It includes the screening of sanctions lists, the prohibition on doing business with entities listed on SDN and similar lists, as well as a prohibition on participating in transactions involving prohibited end uses of products or services. The Export Compliance Programme is also linked to the prevention of corruption and money laundering. M SAN Grupa complies with all anti-corruption laws applicable in the Republic of Croatia, the European Union, including the U.S. Foreign Corrupt Practices Act and the UK 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 provides training for its employees in accordance with this Programme. M SAN Grupa has adopted **Rules on the Internal Reporting of Irregularities** and has appointed a Confidential Person to receive and process such reports. Each report may be submitted to the relevant line manager or the Legal Department, with the involvement of the Internal Audit Department where appropriate, in accordance with clear provisions on the protection of reporting persons.

All relevant documents (the Code of Ethics, the Anti-Corruption Policy, the Export Compliance Programme, the Corporate Compliance and Ethics Programme, and the Rules on the Internal Reporting of Irregularities) are available on the intranet. Key documents are also available on the internet page of the Group, at <https://www.msan.hr/en/the-company/#corporate-compliance-and-ethics>.

Actions for boosting corporate culture

Although not formalised as a separate document, the open-door policy forms an integral part of the vision and of the Corporate Compliance Programme. The Management Board and management are available to employees for questions, suggestions and discussion of topics relevant to their work, with the aim of addressing issues and concerns promptly and at the level at which they arise, with the support of the responsible managers.

Feedback and anonymous questions channel (a 'Red Box' ('Crvena kutija')) include: the digital 'Red Box' tool on the intranet for anonymous questions and comments, including a dedicated email address anonimna.pitanja@msan.hr and open access to the HR Department for individual discussion and employee support.

These channels contribute to creating a safe environment in which employees can freely express themselves and raise potential issues or give suggestions for improvement.

M SAN Grupa uses structured engagement surveys (e.g. WTW Engage) to gather feedback on communication, leadership, workload and overall employee satisfaction. The results of these surveys are presented to the Management Board and serve as the input for planning organisational changes and HR initiatives, including targets

for the Sustainable Engagement Score and the Employee Net Promoter Score (eNPS). In addition, 2025 saw targeted engagement of internal stakeholders (employees and managers) in sustainability matters, namely in specific topics within the ESRS S1 and G1 standards.

At the end of 2024, a new corporate intranet portal was introduced as a central platform for publishing news, decisions, internal campaigns and training. Besides that, the QMS (Quality Management System) portal provides employees with the access to applicable policies, procedures, work instructions and standards, thereby ensuring a consistent and transparent framework for their work.

The new employee onboarding programme 'Good Start' ('Dobar početak') consolidates information on the organisational structure, processes, values and expected behaviours, thereby facilitating the integration of new employees into the culture of M SAN Grupa and their understanding of the Group's ethical standards.

In 2025, M SAN Grupa carried out a comprehensive project to refresh and implement its corporate values, with the aim of further strengthening the organisational culture and aligning the corporate value system with its strategic development direction. The project was designed as a participatory process involving representatives from different levels and functions – from nominated employees to members of the Management Board – to ensure that the new or refreshed values authentically reflect both the existing culture as well as future ambitions.

During the year, a structured cycle of workshops was held for the Management Board, department heads, managers and nominated employees from various parts of the organisation, with the participation of approximately 40 employees and managers. The workshops were designed as a facilitated process of jointly identifying existing values, defining conduct principles and shaping the desired future culture. Prior to the workshops, an internal employee survey was conducted, collecting more than 250 responses on the values that employees recognise in their daily work. This feedback served as the basis for workshop activities and the subsequent definition of the refreshed set of values. As part of this project, a one-year values activation plan was developed, with each quarter dedicated to a specific phase: the first quarter focuses on establishing the foundations, the second on initiating change, the third on embedding values into habits, and the fourth on standardising and reinforcing them through various activities and recognition.

The development of a Valuebook – a document that systematises values, principles of conduct and concrete examples of desired behaviours – has commenced, along with the creation of a dedicated intranet section focused on values, through which examples of good practice will be continuously shared. The project also includes the development of promotional materials for employer branding purposes to integrate values into communication with potential employees.

As a result of the activities carried out in 2025, a set of refreshed corporate values has been defined and aligned, the foundations have been established for their systematic communication and implementation, and a high level of engagement of key stakeholders within the organisation has been achieved.

In 2026, the focus will be on operational implementation and further integration of values into key human resources management and organisational development processes. The plan is to finalise and distribute the Valuebook along with the launch and active maintenance of the intranet section dedicated to values. Also, an internal communication campaign and training for managers on the application of values in team leadership will be implemented. The values will be systematically embedded into annual performance discussions, management assessments and remuneration models, with continuous monitoring of their application through internal surveys, feedback mechanisms and development tools. The long-term goal is for corporate values to become a genuine foundation of the organisational conduct and a recognisable element of the identity of M SAN Grupa.

Targets related to corporate culture:

Based on the double materiality assessment, the following targets have been defined:

- Increase employee engagement
 - KPI: Sustainable Engagement Score
 - Baseline value (target for 2024): 73%
 - Target value: 78% by 2027
- Increase Employee Net Promoter Score (eNPS)
 - KPI: percentage of promoters among employees.

G1-2 Management of relationships with suppliers

G1-2

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 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 and human rights; health and safety protection; environment and sustainability; security and privacy protection. In the procurement of products, inquiries are, where possible, initially directed to local suppliers that meet the requirements for a given type of goods or services, thereby supporting the local community and reducing the environmental impact of transport. Uncertainties and risks related to unstable supply chains are addressed by expanding the base of reliable suppliers, ensuring alternatives and continuously monitoring the terms and conditions of cooperation, taking into account the nature of the products and the length of supply chains.

According to M SAN Grupa's Regulations, the approach to suppliers is based on a careful risk assessment to minimise potential issues such as financial penalties, loss of revenue, reputational damage and supply chain disruptions. When selecting and verifying suppliers, particular attention is given to checks such as VAT number verification, registration in national registers, analysis 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. Supplier assessment is described in the chapters ESRS S2 Workers in the value chain and ESRS S4 Consumers and end-users.

This action provides a legal framework for the expected conduct of suppliers, although in 2024 it was not yet accompanied by systematic ESG due diligence checks. 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. During 2025, a detailed mapping of the value chain was carried out for key divisions and business models, including upstream stages (suppliers, transport) and downstream stages (distribution, product use, end-of-life). This process enabled an improved identification of high-risk segments and key suppliers within the value chain and served as a basis for planning ESG due diligence of suppliers.

In addition, as part of the double materiality assessment process, stakeholder engagement was conducted involving 20 suppliers. The survey included 19 questions on cooperation with M SAN Grupa, as well as experiences in business relationships and collaboration. The assessment covered climate and environmental aspects (ESRS E1 Climate change, energy; ESRS E5 Resource use and waste), social aspects (ESRS S2 Workers in the value chain: working environment, labour rights and working conditions, diversity; ESRS S3 Affected communities), and governance aspects (ESRS G1 Business conduct: payments, anti-corruption, accountability).

The goal for 2026 is to further develop the supplier due diligence process.

As part of stakeholder engagement, consultation was also held with expert stakeholders – representatives of the Croatian Business Council for Sustainable Development – during which M SAN Grupa's business conduct practices were analysed. In the Croatian Sustainability Index (HRIO) questionnaire, M SAN Grupa achieved above-average scores in the governance area compared to the average of its peer group.

G1-3 Prevention and detection of corruption and bribery

G1-3

The Anti-Corruption Policy of M SAN Grupa is available to all employees through internal channels and is publicly disclosed. All employees are required to read, understand and comply with its provisions, while managers have an additional responsibility to ensure that the persons for whom they are responsible are familiar with the Policy and adhere to it.

Anti-corruption measures in M SAN Grupa include the following:

Corporate risk and process analysis

M SAN Grupa carries out the identification of corporate risks in order to determine parts of the system and business functions most exposed to the risk of corruption and bribery. Particularly high-risk functions include those involving financial transactions, business decision-making, contract management, and relationships with external partners and public institutions.

Financial documentation and control system

The Group is required to maintain books and records that accurately reflect transactions and the allocation of funds, and to use complete and accurate documentation, supporting documents and authorisations for each payment or disbursement. The establishment of undisclosed or undocumented funds and transactions of any kind is prohibited.

Channels for reporting irregularities and suspicious activities

Reports of breaches or suspicious activities may be submitted to the relevant manager, the Legal Department, a designated Confidential Person, or through anonymous channels (the Red Box, anonimna.pitanja@msan.hr). If an investigation is conducted, the Confidential Person, the Legal Department and the Internal Audit Department submit a report to the Management Board.

Anti-corruption training

The Anti-Corruption Policy is available to all employees through internal communication channels. The introduction of a new LMS system as of 2025 has also enabled the delivery of structured online anti-corruption training programmes. These training programmes should cover the identification of situations with corruption potential, the appropriate actions in case of suspicion of corruption, the use of communications channels to report irregularities, and specific risks related to individual employee functions.

Anti-corruption related targets

Based on existing policies and the planned introduction of LMS training programmes, the following targets have been defined:

- To deliver comprehensive anti-corruption training to employees; KPI: percentage of employees who have completed anti-corruption training via the LMS system
- To ensure an effective and timely system for reporting and investigating corruption cases; 100% of reports processed within 30 days of receipt; KPI: share of reports processed within the defined time frame.

G1-4 Incidents of corruption or bribery

G1-4

During the reporting period, no reports or confirmed cases of corruption or bribery were recorded at M SAN Grupa, either in its own operations or in known parts of the value chain.

G1-5 Political influence and lobbying activities

G1-5

Political influence and lobbying have not been assessed as a material topic for M SAN Grupa. However, in order to ensure transparency, the following statement is hereby provided in relation to this area as well: 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 a member of the Croatian Chamber of Economy (HGK) and the Croatian Business Council for Sustainable Development (HR PSOR) and participates in the work of professional bodies primarily for the purpose of exchanging best practices and monitoring regulatory developments, without engaging in paid lobbying.

G1-6 Payment practices

G1-6

The weighted average payment period for liabilities to EU suppliers in 2025 amounted to 47.2 days (2024: 47.0 days), while the average for suppliers outside the EU was 66.8 days (2024: 70.5 days). The calculation includes all distribution entities within the Group, with weighting applied based on invoice amounts.

Of the analysed payments, 56% (2024: 47%) relate to payments to suppliers within the EU, for which contractual payment terms range from 30 to 60 days. The remaining 44% (2024: 53%) relate to suppliers outside the EU, with agreed payment terms ranging from 30 to 120 days, depending on the supplier and the terms of cooperation.

Some suppliers offer modular payment terms, whereby M SAN Grupa occasionally uses factoring when the cost of factoring is lower than the amount of cash discount, thereby optimising financial costs and maintaining a regular payment cycle. In the reporting period, M SAN Grupa did not have any ongoing legal proceedings related to delayed payments.

In such options, the Group occasionally uses factoring payments, where the factoring costs represent a lower expense than the amount of the cash discount, thus generating additional savings. M SAN Grupa has no ongoing legal proceedings related to delayed payments.

APPENDIX 1: INDEX OF ESRS DISCLOSURES

Disclosure requirements in ESRS included in the sustainability report

ESRS 2 IRO-2

ESRS 2 - GENERAL DISCLOSURES		
BP-1	General basis of preparation of the sustainability statement	152
BP-2	Disclosures in relation to specific circumstances	153
GOV-1	The role of the administrative, management and supervisory bodies	156
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	160
GOV-3	Integration of sustainability-related performance in incentive schemes	161
GOV-4	Statement on due diligence	161
GOV-5	Risk management and internal controls over sustainability reporting	163
SBM-1	Strategy and business model	164
SBM-2	Interests and views of stakeholders	168 208 220 227
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	172 177 196 204 220
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	169 176 179 199 223 228 238
IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statement	220

E1 – CLIMATE CHANGE		
GOV-3	Integration of sustainability-related performance in incentive schemes	161
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	177
IRO-1	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	179 169
E1-1	Transition plan for climate change mitigation	179
E1-2	Policies related to climate change mitigation and adaptation	179
E1-3	Actions and resources in relation to climate change policies	180
E1-4	Targets related to climate change mitigation and adaptation	180
E1-5	Energy consumption and mix	181
E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	183
E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	Use of phase-in-option

E5 – RESOURCE USE AND CIRCULAR ECONOMY		
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	197
IRO-1	Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities	169
E5-1	Policies related to resource use and circular economy	199
E5-2	Actions and resources related to resource use and circular economy	200
E5-3	Targets related to resource use and circular economy	201
E5-4	Resource inflows	201
E5-5	Resource outflows	201
E5-6	Anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities	Use of phase-in-option

S1 – OWN WORKFORCE		
SBM-2	Interests and views of stakeholders	208 168
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	204
S1-1	Policies related to own workforce	207
S1-2	Processes for engaging with own workers and workers' representatives about impacts	209
S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	210
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	210
S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	212
S1-6	Characteristics of the undertaking's employees	214
S1-7	Characteristics of non-employee workers in the undertaking's own workforce	Use of phase-in-option
S1-9	Diversity metrics	216
S1-11	Social protection	217
S1-13	Training and skills development metrics	Use of phase-in-option
S1-15	Work-life balance metrics	Use of phase-in-option
S1-16	Compensation metrics (pay gap and total compensation)	217
S1-17	Incidents, complaints and severe human rights impacts	218

S2 – WORKERS IN THE VALUE CHAIN		
SBM-2	Interests and views of stakeholders	220
		168
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	220
S2-1	Policies related to value chain workers	223
S2-2	Processes for engaging with value chain workers about impacts	224
S2-3	Processes to remediate negative impacts and channels for value chain workers to raise concerns	224
S2-4	Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those action	225
S2-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	226

S4 – CONSUMERS AND END USERS		
SBM-2	Interests and views of stakeholders	227
		168
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	228
S4-1	Policies related to consumers and end-users	230
S4-2	Processes for engaging with consumers and end-users about impacts	231
S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	232
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	233
S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	234

G1 – BUSINESS CONDUCT		
GOV-1	The role of the administrative, management and supervisory bodies	156
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	238
		169
G1-1	Business conduct policies and corporate culture	239
G1-2	Management of relationships with suppliers	242
		224
G1-3	Prevention and detection of corruption and bribery	243
G1-4	Confirmed incidents of corruption or bribery	244
G1-5	Political influence and lobbying activities	244
G1-6	Payment practices	244

Appendix 2: List of data points in cross-cutting and topical standards that derive from other EU legislation

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	Section / chapter	Chapter / page
ESRS 2 GOV-1	21d	Management Board’s gender diversity	x		x			157
ESRS 2 GOV-1	21e	Percentage of Management Board members who are independent			x			157
ESRS 2 GOV-4	30	Statement on due diligence	x					161
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	Not applicable	
ESRS E1-1	16g	Undertakings excluded from Paris-aligned benchmarks		x	x			179
ESRS E1-4	34	GHG emissions reduction goals	x	x	x			180
ESRS E1-5	38	Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors)	x					181
ESRS E1-5	37	Energy consumption and mix	x					182

Requirement	Data point	Designation	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference	Section / chapter	Chapter / page
ESRS E1-5	40-43	Energy intensity associated with activities in high climate impact sectors	x					182
ESRS E1-6	44	Gross Scopes 1, 2, 3 and Total GHG emissions	x	x	x			184
ESRS E1-6	53-55	Gross GHG emissions intensity	x	x	x			185
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	Location of significant assets at material physical risk		x			Use of phase-in option	
ESRS E1-9	66c	Breakdown of the carrying value of its real estate assets by energy-efficiency classes			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	Section / chapter	Chapter / 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					202
ESRS E5-5	39	Hazardous waste and radioactive waste	x					202
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			207
ESRS S1-1	21	Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8	x					207
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					207

Requirement	Data point	Designation	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference	Section / chapter	Chapter / page
ESRS S1-3	32c	Grievance/complaints handling mechanisms	x		x			210
ESRS S1-14	88b, 88c	Number of fatalities and number and rate of work-related accidents	x				Not material	
ESRS S1-14	88e	Number of days lost to injuries, accidents, fatalities or illness	x		x		Not material	
ESRS S1-16	97a	Unadjusted gender pay gap	x					217
ESRS S1-16	97b	Excessive CEO pay ratio	x					217
ESRS S1-17	103a	Incidents of discrimination	x		x			218
ESRS S1-17	104a	Non-respect of UNGPs on Business and Human Rights and OECD	x					218
ESRS 2 SBM3 S2	11b	Significant risk of child labour or forced labour in the value chain	x					220
ESRS S2-1	17	Human rights policy commitments	x					223
ESRS S2-1	18	Policies related to value chain workers	x		x			223
ESRS S2-1	19	Non-respect of UNGPs on Business and Human Rights and OECD	x					223
ESRS S2-1	19	Due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8	x					223
ESRS S2-4	36	Human rights issues and incidents connected to its upstream and downstream value chain	x					225
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	Section / chapter	Chapter / page
ESRS S3-1	17	Non-respect of UNGPs on Business and Human Rights, ILO principles 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			230
ESRS S4-1	17	Non-respect of UNGPs on Business and Human Rights and OECD	x					230
ESRS S4-4	35	Human rights issues and incidents	x					233
ESRS G1-1	10b	United Nations Convention against Corruption	x					240
ESRS G1-1	10d	Protection of whistle-blowers	x		x			240
ESRS G1-4	24a	Fines for violation of anti-corruption and anti-bribery laws	x					244
ESRS G1-4	24b	Standards for preventing corruption or bribery	x					244

INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT ON THE CONSOLIDATED SUSTAINABILITY REPORT FOR 2025

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 2025, 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 30 July 2025. 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.

Description of Procedures Performed (continued)

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;
- assessment of compliance processes, methods and data for covered activities, assessing compliance with minimum safeguards by conducting staff inquiries and evidentiary and analytical procedures in relation to disclosures compliant with the EU taxonomy
- 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.

Limited assurance conclusion


Based on the we have performed and the evidence we have obtained, 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).


Zagreb, 20 April 2026

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


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


Hrvoje Stipić, President of the
Management Board

6


Vedrana Stipić, Certified Auditor

Zagreb, April 20, 2026

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

DECISION

I. The Annual Report of the Company for 2025 is determined according to the text attached to this Decision.

II. The unconsolidated and consolidated Annual Financial Report for 2025 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 unconsolidated 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 2025 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 2025, 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

Chairman Of Management Board



Alen Panić

Member of Management Board



Vladimir Brkljača

Member of Management Board



Bruno Jozić

Member of Management Board



Zagreb, April 20, 2026

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 20, 2026 adopted the following

DECISION

I. Consent is given to the Annual Report of the Company for 2025 according to the text attached to this Decision.

II. Consent is given to:

- unconsolidated and consolidated Annual Financial Report for 2025, 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 unconsolidated and consolidated financial statements,
- Audit Report for 2025,
- Annual Report on the state of the Company and its affiliates for 2025 (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 2025 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, April 20, 2026

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

DECISION

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 2025 amounts to EUR 3,766,951.59.

II. The total realized profit for 2025, after taxation, in the amount of EUR 3,766,951.59, 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
Chairman Of Management Board



Alen Panić
Member of Management Board



Vladimir Brkljača
Member of Management Board



Bruno Jozić
Member of Management Board



Zagreb, April 20, 2026

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 20, 2026, adopted the following

DECISION

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 2025 amounts to EUR 3,766,951.59.

II. The total realized profit for 2025, after taxation, in the amount of EUR 3,766,951.59, 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

M SAN GRUPA d.o.o.

Dugoselska ulica 5,
10372 Rugvica,
Republika Hrvatska

www.msan.hr