TOKIĆ | GRUPA

TOKIĆ d.o.o. and subsidiaries

Annual Report of the Company and Consolidated
Annual Report of the Group for the year ended 31 December 2022

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

CONTENT

1.1. GENERAL INFORMATION

Company name:	TOKIĆ d.o.o.
Registered office:	Sesvete, Ulica 144. Brigade Hrvatske vojske 1a
Registered in the Commercial Court:	Zagreb,17 October 1990, MBS: 080313914
Activity:	Wholesale and retail in parts and accessories for motor vehicles, export - import, representation
NKD code:	4690, Non-specialized wholesale
Share capital:	HRK 234,700,000
Company representation:	Board members: Ivan Šantorić, President of the Management Board, represents the Company individually and independently Dražen Jurković, member of the Management Board, represents the Company individually and independently
Management Board:	Ilija Tokić, Chairman of the Supervisory Board Ivan Beljan, Deputy Chairman of the Supervisory Board Ruža Tokić, member of the Supervisory Board Roland Udo Dilmetz, member of the Supervisory Board Željko Jurić, employee representative
Audit Committee:	Ivan Beljan, Chairman of the Audit Committee
Company size:	Large
Tax identification number:	74867487620
Bank accounts:	HR8524020061100079669, Erste&Steiermärkische bank d.d., Rijeka HR7023400091100194212, Privredna banka, Zagreb HR2824070001100201873, OTP banka d.d., Split HR2623600001102446321, Zagrebačka banka d.d., Zagreb HR0424840081135133659, Raiffeisenbank Austria d.d., Zagreb

	Tokić d.o.o.	Bartog d.o.o.	GROUP
Number of employees 1 January 2022	746	243	989
Number of employees 31 December 2022	833	268	1101

1.2. MESSAGE FROM THE MANAGEMENT

The growth and development of Tokić Group's business in 2022 was the result of challenging circumstances whose consequences are still ongoing, the consolidation of our organization and the experience gained in previous years, which were marked by the pandemic - one of the most challenging periods in history. It was precisely these business conditions—characterized by non-linearity, change, and unpredictability, that represented the greatest test for the company's development. However, we emerged from this stronger and more successful, and are now confidently continuing on our path of growth, with affirmation that our company rests on the right fundamental values. Education and development, along with competence and readiness for change, are the only tools for maintaining stability in constantly changing conditions, often described as the "new normal."

The situation in the global, European, and regional automotive markets has never been so stochastic and random, yet at the same time predictable. Factors such as the electrification and hybridization of vehicle fleets, new driver habits formed during the COVID pandemic, the entry into the eurozone, and the shortage of cars have all played a role. Inflationary pressures and rising costs of goods and services have significantly impacted the financial system, economy, and business operations. Despite this, the Tokić Group has remained competitive and accessible to customers while continuing to develop. These circumstances have contributed to a trend in Croatia where, for over a decade, more used cars than new cars are registered. Compared to 2021, the vehicle fleet has further aged; however, similar situations are observed in Greece, Romania, Hungary, the Czech Republic, Poland, Spain, and Portugal. Similar patterns appear in fleet electrification and the growing share of automatic transmissions on the road. The global used car market was valued at approximately $1.4 trillion in 2021, projected to grow to $2.6 trillion by 2031, at a 6.5% annual growth rate. Therefore, beyond competencies and personnel, it is essential to build an organization capable of reacting quickly and accurately, and anticipating future developments.

Throughout 2022, Tokić Group maintained its position among the regional leaders in the distribution of parts, tools, and service equipment for commercial, industrial, and agricultural sectors, including the sale of tires for all types of vehicles, marine programs, and even chargers for electric vehicles. However, we went a step further by enhancing the offering of our Tokić Education Center (TEC) with specialized training for electric vehicle service technicians, developed according to EU standards and certified by the Ministry of Science and Education. In doing so, we, as a distributor, took on the responsibility and role of supporting mechanics in the face of a broad range of new technologies and regulations. This deepening of relationships with all our partners, along with our close cooperation with ATR International—the world's largest umbrella organization of distributors—continues to define Tokić Group as a key partner in vehicle maintenance in the "new normal" period ahead.

Tokić Group expanded its programs and product range over the past period. Through digitalization, state-of-the-art technologies, and advanced assortment management, we are able to meet the needs of mechanics and drivers according to the highest standards. Additionally, we offer the widest availability of items in the shortest time frame, the densest network of branches, and the best personnel at all levels. Following the strengthening of our branch network on the Adriatic in 2021, in 2022 we successfully reinforced our branch presence in Slavonia. At the same pace, the highest level of service was introduced in most Bartog branches in Slovenia, which successfully completed the first stage of integration into the Tokić Group. Thanks to recent efforts, Tokić has also launched an online store intended for all drivers and customers, integrated with the operations of our extensive branch network—thus completing our range of services for all stakeholders. On the following pages, you will find numerous activities carried out during 2022 that best describe our initiatives and achievements. We are entering the upcoming period fully aware of all the challenges and ready for rapid changes, continuing to invest in technology, employees, and our branch network.

Ivan Šantorić
President of the Management Board

1.3. ABOUT TOKIĆ GROUP

From Small Auto Parts Stores to a Regional Leader and Logistics Powerhouse

As a parts distributor, Tokić has built its continuous growth—since its founding in 1990—on developing relationships with mechanics and partners. A key milestone in its development came in 2008 with membership in the global trading organization ATR International. Through ongoing investments in service quality, education, product range, network expansion, export growth, and acquisitions, Tokić Group is today the leading regional distributor of auto parts. With educated technical support, it offers more than 300,000 items from over 300 of the world's most renowned brands.

In 2015, the company transitioned from family management to a professionally-led structure. Following significant developments in logistics and inventory, and a fivefold increase in the number of employees, the 2020 acquisition of the Slovenian company Bartog—then the leading regional tire distributor—formed the Tokić Group and marked the company's biggest leap into the Western European market.

Thanks to frequent deliveries and a network of over 130 branches in Croatia and Slovenia, Tokić Group today operates as a logistics leader. With dynamic in-branch inventory, two main logistics centers covering more than 36,000 m², and ten strategically positioned logistics hubs, Tokić and Bartog ensure the uninterrupted mobility of society. In addition, record availability and accessibility of parts and tires meet the needs of all passenger cars, light commercial vehicles, and heavy-duty trucks, alongside specialized spare parts programs for industrial vehicles and machinery, as well as motorcycle and agricultural segments.

Tokić Group also operates its own education center (TEC), a partner service network with 60 garages in Croatia (ACC) and Slovenia (BHS), and its own private label brands—TQ, Hector, and Atom.

Tokić Group is far more than a parts retailer. Through its organizational and technological development, it has gained recognition on a global scale. In addition to being named by the London Stock Exchange as one of the 50 most innovative companies in Europe, it was recently recognized—according to research by Wolk After Sales Experts—as one of the 35 most important distributors in the automotive aftermarket.

1.3.1. TOKIĆ IN NUMBERS

Modern logistics distribution center in Sesvete **24.000m²**

38 branches in our own retail network

59 branches in the sales network of franchise partners

Export to **17** countries

A network of **37** Auto Check Center (ACC) services

833 employees as of 31 December 2022

Total revenue in 2022
HRK 863,7 milion
(13.78% growth compared to 2021)

1.3.2. BARTOG IN FIGURES

Modern logistics and distribution center in Mirna Peča **12.800m²**

39 branches in Slovenia

15 BHS services

268 employees as of 31.12.2022

Total revenue in 2022
75,4 milijuna eura
(12.1% increase compared to 2021)

1.4. ORGANIZATIONAL STRUCTURE OF TOKIĆ GROUP MANAGEMENT

The Group's organizational structure is divided into two main areas:

I. OPERATIONS

Sales
- Retail
- Wholesale
- Export Sales
- Special Sales Channels: Commercial Program and Sales Services
- Auto Check Center Service Network

Procurement
- Central Procurement
- Pricing Management
- Category Management

Supply Chain
- Transport and Distribution
- WMS Department
- Inventory Management

II. ODJELI PODRŠKE

Technology
- IT
- Digital Transformation and Innovation
- Business Intelligence

Business Development
- Business Development
- Call Center
- Online Sales Channels

Human Resources

Finance
- Finance, Accounting, and Controlling

Marketing
- Marketing and Communications

Maintenance and Investments

1.5. HISTORICAL DEVELOPMENT OF THE COMPANY

Tokić was founded in 1990 and began operations in a 35 m² store on Kranjčevićeva Street in Zagreb. Continuous business development and retail expansion over the next decade created a network of 10 branches across Zagreb. The rapidly growing product range and assortment diversity directly impacted the quality of vehicle servicing in Croatia. By that point, Tokić was already independently importing 50% of its assortment, 30% of which was original equipment (OE) quality.

Improved service quality proportionally increased road safety for drivers in Croatia, leading to the birth of the slogan "Safety in Motion" in 2002, clearly reflecting the company's mission and vision. In line with this slogan, Tokić continued to strengthen relationships with partners and customers, ensuring stability, transparency, and a new level of business security. Moreover, the expansion of the retail network was accelerated in 2005 with the introduction of the franchise model, sparking exponential growth and development.

A major international breakthrough came in 2008 when Tokić became a member and shareholder in ATR International AG—the largest and most successful global trade cooperative of automotive parts distributors. This opened a new global perspective, significantly expanding the supplier and product portfolio. Tokić is now also a member of ATR's steering committee for private labels, tools, service equipment, and diagnostics.

While expanding internationally, the company also strengthened its national and regional presence. That same year, Tokić launched its first private label, TQ (Tokić Quality), which remains the most successful brand on the market. It was followed by Hector, a private label for tools and service equipment, and Atom, a recognized battery brand. The vision of "Safety in Motion" was further reinforced in 2013 with the establishment of the Auto Check Center (ACC) service network, which continues to grow and expand.

With long-term planning and service development in mind, Tokić launched the Tokić Education Center (TEC) in 2014 in Zagreb, Croatia, and for the wider region. This modern educational platform for car mechanics and auto electricians offers seminars licensed by the Dortmund Chamber of Crafts and was modeled on the world's leading education centers. TEC offers the highest quality education in the automotive industry, with growing seminar offerings that enhance theoretical knowledge and practical skills for mechanics.

After 25 years of successful growth under the family leadership of brothers Ilija and Stojan Tokić, the company underwent a major governance change in 2015, separating ownership from executive management. A new professional leadership team was introduced, headed by Ivan Gadžo, with a clear business vision based on strong values rooted in cooperation between employees and management. A clear mission was shaped—to contribute to vehicle integrity and road safety while building a company that makes its employees, partners, and community happier. From then on, every business decision has been guided by the goal of creating a company that is innovative in technology and traditional in its respect for people.

The next year saw a major step forward with the opening of a large logistics and distribution center in Sesvete, spanning more than 24,000 m² and offering over 12,000 pallet positions. It remains the main central warehouse for the entire assortment. Over time, smaller HUB centers were integrated into the logistics network, located in Zadar, Šibenik, Slavonski Brod, Đakovo, Rijeka, and Split. Alongside the ever-expanding car parts program, specialized product lines for commercial, motorcycle, agricultural, and later industrial vehicles were introduced and developed.

To maximize customer satisfaction, Tokić launched a new franchise model in 2017. All business processes began to be refined using the KAIZEN methodology, and by the following year, the company had received multiple global accolades and recognition for its outstanding business development and consistent revenue growth. In fact, Tokić was the only company in Croatia visited by German Economy Minister Peter Altmaier during his 2019 tour. That same year, the London Stock Exchange's ELITE community awarded Tokić the title of "The Future Shapers," recognizing it as one of the 50 most innovative companies in Europe. This reputation was further confirmed when Tokić became the first company in Croatia to test an autonomous industrial robot from Gideon Brothers in its logistics operations.

Tokić's position as a market leader is further strengthened thanks to its first acquisitions. Thus, in the Primorje-Gorski Kotar and Istria counties, Tokić takes over its long-standing partner, the company Autocentar Marinići, thereby opening yet another new chapter, while in 2020 the acquisition process of the Slovenian company Bartog was successfully completed. By acquiring the regional leader in tire sales and internalizing it into the Tokić Group, a new regional player was created.

Slovenia's Bartog—with a large logistics center in Mirna Peč and an extensive branch network—gained significant support in its auto parts and specialized product offerings. Meanwhile, Tokić acquired the widest tire offering in the region. With this step onto the international stage, Tokić laid the foundation for long-term goals: becoming the regional market leader and delivering added value in Croatia, Slovenia, Austria, Italy, and neighboring countries.

Acquisition-led growth continued in 2021 with the takeover of Prpić Commerce d.o.o. in Slavonski Brod early in the year, and later Donit-Split from Solin. Additionally, a new major branch was opened in Split, also serving as a logistics hub. Alongside acquisitions, new branches were opened, and the company launched its first greenfield investment in Bjelovar.

By the end of 2021, with growing departments for digital transformation and sales, Tokić Group had nearly 1,000 employees. The company had implemented over 200 robotic process automation (RPA) solutions, executing more than six million tasks annually. Notably, no employees lost their jobs due to digitalization. On the contrary, new departments were created, and logistics operations were modernized, allowing Tokić Group to create tangible added value across sales of parts, tires, tools, industrial and commercial goods, and even a new nautical program.

Following the consolidation of the Adriatic region, Tokić focused on continental Croatia in 2022 With the opening of a new branch in Zabok, the auto parts buying experience was raised to the level of new vehicle sales. Business growth across the region included new branches in Đakovo, Valpovo, Vinkovci, Vukovar, and Županja. Meanwhile, the Slovenian branch network underwent redesign to enhance operational efficiency and customer experience. In addition to relocating and upgrading six branches, new locations were opened in Kamnik and Litija.

In the last quarter of 2022, Ivan Šantorić was appointed as the new CEO of Tokić Group. New headquarters premises were opened adjacent to the existing administrative building in Sesvete. That same year, Tokić Group was recognized as one of the 35 most significant automotive aftermarket distributors in Europe and was listed on the "Who is Who" map by the Wolk After Sales Experts association.

1.6. TOKIĆ - HISTORY

1990.
- The Tokić company was established and the first branch office was opened

1996.
- First great expansion of retail networkbranch office was opened

2002.
- New slogan **Safety in motion**

2005.
- Implementation of a new model of franchising business

2008.
- ATR International AG
- TQ
- Navisionopened

2010.
- Tokić Racing Team

2013.
- Auto Check Center

2014.
- TEC
- 100 branch officesbranch office was opened

2015.
- Loyalty programme
- Kaizen and Lean management
- Call Centre
- Heavy duty programbranch office was opened

2016.
- New LDC
- New concept of branch offices
- New Management's premises

2017.
- New model of franchising business
- Private brand

2018.
- LSEG Elite Certificate
- T1 conference

2019.
- Tokić 4.0
- First acquisition
- The Future Shapers
- T1 WALK
- TKLUB for TOPbuyers

2020.
- Acquisition of Bartog Ltd.
- www.tokic-alati.hr
- Celebrating 30 years of business
- Acquisition of Prpić Commerce Ltd.
- WMS

2021.
- Industrial program
- First greenfield investment
- T1 Meetup
- Artificial intelligence
- Donit GP - Split
- Junior Tokić Racing Team
- A record number of new stores

2022.
- Seven new branches in continental Croatia
- Further business development of Bartog
- International T1 Meetup
- Visit of the German Ministry of Economy and Transport
- New headquarters building
- Chargers for electrified vehicles
- EU-certified education for EV
- Category management improvements

2.1. LOGISTICS AND SERVICE

At a time when service quality, inventory management, and speed are key factors in market development, Tokić Group operates with 192 delivery vehicles that cover around six million kilometers annually. They serve approximately 140 stores within the networks of Tokić, Bartog, and franchise partners, and also perform last-mile deliveries to about ten thousand smaller and larger customers.

The breadth of the Tokić Group's assortment is reflected in a range of over 300,000 items, as well as cooperation with more than 300 suppliers of the most well-known brands of spare parts, equipment, and tires. The flow of goods starts from two large central logistics-distribution centers: the LDC in Sesvete, covering 24,000 m², and the LDC in Mirna Peč, Slovenia, covering 12,000 m², and then expands to each store and customer not only through direct delivery but also through ten strategically regionally distributed distribution centers, up to five times a day, including night deliveries.

Tokić Group uses intelligent and advanced procurement and inventory management, supported by advanced technologies and artificial intelligence.

TOKIĆ | G R U P A

GEOGRAPHICAL PRESENCE OF THE TOKIĆ GROUP THROUGH A NETWORK OF 180 BRANCHES AND SERVICE CENTERS

Network of Tokić Group stores and franchise partners has been strategically developed from the very beginning to evenly cover the territories of the Republic of Croatia and Slovenia. In Croatia, 38 company-owned stores cover the area of Zagreb city (11 stores), the Zagreb metropolitan ring (one store each in Dugo Selo, Velika Gorica, Zaprešić, Sveti Ivan Zelina, Samobor, and Zabok), Rijeka (three stores), Pula (one store), Split (two stores), and other cities where Tokić is present with one store each (Slavonski Brod, Županja, Osijek, Vukovar, Valpovo, Đakovo, Vinkovci, Varaždin, Vrbovec, Bjelovar, Čakovec, Zlatar Bistrica, Koprivnica, Kutina, and Križevci).

The rest of Croatia is covered by a network of 51 franchise partner and distributor stores, while the Tokić Group is present in Slovenia with eight franchise stores and 39 stores managed by Bartog.

Besides sales outlets, Tokić Group operates 37 Auto Check Center (ACC) service workshops in the Croatian market and 15 BHS service centers in Slovenia.

The central warehouse for the entire assortment is located in the logistics and distribution center (LDC) in Sesvete, near the intersection of highways and fast bypass roads. It covers more than 24,000 m² and offers more than 12,000 pallet positions. Another logistics and distribution center, covering 12,000 m², is located in Mirna Peč, Slovenia. The administrative buildings of Tokić and Bartog are integrated within the logistics and distribution centers in Croatia and Slovenia.

2.3. SALES AND SERVICE SUPPORT

Tokić Educational Center (TEC)

Besides investing significant resources in educating its employees, since 2014 Tokić has operated its own educational center – the Tokić Educational Center (hereinafter: TEC) – aimed at training and developing all partners, service technicians, and mechanics. TEC includes a program of about twenty active seminars, verified by the Chamber of Crafts in Dortmund, Germany, through which participants become aligned with international professional standards and are enabled to follow trends in the automotive industry segment. The latest seminar in the TEC program concerns the maintenance of hybrid and electric vehicles, as a new chapter in the automotive industry, and through this seminar the company made a significant step forward by offering the possibility of preparing and educating service centers even before the state adopted such education as a regulated process. This seminar is unique in Croatia and is verified according to strict EU standards and confirmed by the Ministry of Education and the Agency for Vocational Adult Education. Thus, all seminar participants are prepared for the inevitable upcoming legal regulations, but more importantly, they are trained for safe work with high-voltage systems in vehicles.

Through its seminars and special programs, TEC simultaneously provides education to all employees of the Tokić Group, thereby creating an exceptionally high level of information and business coherence with a broader perspective. Furthermore, besides selling and distributing parts and following the latest technologies and industries, the Tokić Group completes its sustainable business program through TEC, because besides selling a rich assortment, it also educates all its customers and partners about it. With its experience and equipment, TEC supports various schools and trade fairs, with its most significant presence at the World Skills vocational school competition, where its trainers and leaders participate in organization and act as judges.

Sales Advisor

Trained sales advisors work in Tokić Group branches in Croatia and Slovenia, educated to assist the average driver as well as professional mechanic customers with their advice. In specialized branches for commercial vehicle programs, customers can also expect sales advisors specialized in commercial vehicles.

Auto Check Center (ACC) Service Network

ServisnThe ACC (Auto Check Center) service network was founded in 2013 according to the standards of ATR International AG, the largest and most successful association of auto parts distributors, of which Tokić is a shareholder. At that time, a partnership model was developed that enables service centers further business development while retaining their recognizable name and image, but also relying on a large global network that in Germany alone counts several hundred service centers. By integrating its own brand into the recognizable blue-yellow corporate standards, every service with the ACC prefix becomes more competitive in the market. With such better visibility and support from Tokić, and certainly greater opportunities for equipping service centers and education, including visits to major suppliers, ACC service centers have a better chance of market breakthrough and success. The developed network of Auto Check Center service centers is growing daily, reaching 37 service centers during 2022 With new connected and renovated existing service centers, it also strategically covers the entire territory of the Republic of Croatia. Above all, Tokić as a company supports the ACC service network by providing necessary education for mechanics and improving business operations and other business processes.

Online Store kupivozi.hr

The online store kupivozi.hr offers customers an exceptionally rich assortment of auto parts, tires, equipment, tools, and consumables from the Tokić Group assortment. It is also prepared for customers who have not previously had experience with online shopping. Supported by a call center, the website intuitively combines traditional and innovative online shopping services, as each customer has access to operator support. On March 28, 2023, the web store webshop. tokic.hr started operating, which with the recognizable Tokić visual identity will replace the existing online store kupivozi.hr.

kupivozi.HR BY TOKIĆ

The delivery concept satisfies all customer profiles because, alongside the "click & collect" service, every customer—benefiting from free delivery for orders over 300 kuna—can also choose one of the offered locations to pick up their ordered goods.

Call Center and Communication

To build and maintain relationships based on full trust and constant availability via various communication channels, we established a call center in 2015. Today, the entire Tokić Group call center team operates across several locations with nearly 30 employees. Besides answering calls on a toll-free phone line, they also respond to inquiries via email, as well as those received through social networks and the WhatsApp application.

BHS Service Network (Bartog)

The BHS (Bartog fast service) network began developing during the rapid growth of the Slovenian automotive market 20 years ago. Today, its network counts 15 service centers operating under the highest standards, which include trained service technicians, modern tools and equipment, availability of the widest and best selection of auto parts, and a high level of knowledge and experience exchange.

Bartog webshop

The well-known Slovenian online center and webshop for the entire assortment of auto parts, tires, tools, additional equipment, oils, and car cosmetics facilitates vehicle repair and maintenance for business customers, large buyers, and all drivers alike.

BARTOG

With an intelligent product search available in five languages and precise technical descriptions of items, purchase safety is guaranteed. Additionally, users have access to call center support and communication via chat. Deliveries can be made to Bartog branch addresses or to private addresses of all customers.

At www.bartog.si, visitors and customers can find useful company information, necessary contacts, as well as links to the BHS service network, tire outlet center, and can download the current Bartog INFO magazine.

2.4. ASORTIMAN

PERSONAL VEHICLE PROGRAM

MOTORCYCLE PROGRAM

COMMERCIAL VEHICLE PROGRAM

AGRO PROGRAM

NAUTICAL PROGRAM

INDUSTRIAL PROGRAM

TOOLS AND SERVICE EQUIPMENT

TIRES FOR ALL TYPES OF VEHICLES

CHARGERS FOR ELECTRIC VEHICLES

2.5. BRANDS

TQ

The best-selling Croatian private label brand, increasingly successful also in exports, is fully available in Bartog branches in Slovenia. The TQ brand was launched in 2008 and, through brand development and following market needs, it has gradually been repositioned towards the mid-range and premium segments of replacement parts. As such, it has become one of the few global brands among private labels that distances itself from low-budget alternatives and becomes the first choice of mechanics and private customers. The greatest confirmation of the TQ brand's value came in 2018 through cooperation and co-branding with the renowned German brand Zimmermann, known for first-fit references. This cooperation and partnership continue today, raising the quality standards for all other products in the assortment. Today, the TQ brand comprises more than 5,000 items divided into 18 divisions, satisfying over 90% of the needs of the average Croatian vehicle fleet.

HECTOR

Hector is a brand of high-quality tools and service equipment intended for those who do not compromise when it comes to vehicle maintenance. With trusted suppliers, the Hector brand has been established and widely chosen by all types of service professionals for many years. It is also well known for various types of jacks and offers a broad range of tire service tools. The brand includes a very interesting and extensive range of air conditioning service stations, developed in cooperation with reputable European suppliers. There are also numerous testers, portable chargers, containers, and pumps. Since 2021, the range has expanded to include fast chargers and AC chargers for electric and hybrid vehicles, developed in collaboration with the Croatian company Končar.

ATOM

For nearly ten years, Tokić has offered the private battery brand Atom, recognized for products with an exceptional price-quality ratio.

BXTREME
Bartog's private label brand, which includes chemical products, car cosmetics, and fuel hoses. Available for eight years in Bartog's branches and Slovenian gas stations. Created in partnership with European manufacturers and suppliers, it guarantees high product quality and competitive prices. Under the BXtreme brand, customers have access to glass cleaners, coolants, chemical products for exterior and interior vehicle maintenance, water and fuel hoses, condensers (OE quality), and snow chains.

AKU LINE
A private battery brand for passenger and commercial vehicles, born from direct cooperation between Bartog and European manufacturers. Defined under strict quality control and inspection, it is offered in Slovenia and abroad. The product range is updated annually in line with new technologies and market needs.

2.6. TOKIĆ AND SOCIETY

Along with regular communication with all business stakeholders, the visibility of the Tokić Group is also reflected in its presence at public events such as fairs, sports events, conferences, and exhibitions.

In the context of the company's narrative, the public activities of the Tokić Group can be divided into those of educational, sporting, and sales character, both in Croatia and Slovenia. The Tokić Group is regularly present at the World Skills Croatia competition, which brings together more than 400 of the best students from 40 vocational schools. At the same competition, it acts as a mentor, a gold sponsor, and also as a member of the judging panel.

Similarly, with its special programs, it participates in Slovenia in Komenda at the agricultural crafts fair, as well as in Novo Mesto at the Gregor traditional agricultural fair. Additionally, in Croatia, it regularly appears at the spring and autumn international Bjelovar fair in Gudovac, and among others, at the Kamion&Bus Roll Show near Zagreb.

The change of seasons in the Tokić Group only brings a change in the active assortment, while the pace of activities remains consistently high. Spring, however, opens up greater opportunities for outdoor gatherings, so during this period, the company organizes numerous regional barbecues linked to sales locations, aimed at uniting employees as well as partners.

The company Tokić is present in almost all octane competitive disciplines, and besides sponsoring drivers in most disciplines, it also organizes special events for socializing during races for its employees and partners, which are aptly called "corners." Such traditional events are best known at the European championships as part of the hill climb races in Buzet and Skradin.

3. PEOPLE ARE OUR TECHNOLOGY

3.1. CORPORATE SOCIAL RESPONSIBILITY

Tokić, as a company, continuously commits to and cares for the community not only at the local level but also at a much broader scale. By independently creating new opportunities and recognizing existing ones, Tokić continues to contribute to the development of society, education, and sports, affirming itself through involvement in various activities and initiatives. One of the pillars of Tokić as a company are donations and sponsorships.

DONATIONS
Through its donation program at the opening of new branches, via social associations and school systems, Tokić helps the local community by providing not only donations but also other forms of support needed by institutions. The connection between employees and the community is strengthened through the donation program itself, while the quality of life of employees and their families is raised to a higher level.

During 2022, Tokić directed 78 donations with a total value exceeding 561,000 kuna. Vocational schools, sports and humanitarian associations, various initiatives from employees and the local community, as well as sports clubs, are just some of the institutions included in the list of Tokić's donations. Tokić's focus is on supporting educational, sports, humanitarian, healthcare, and cultural programs and associations, while its scholarship program emphasizes the development of young people. Supporting students and pupils through scholarships is another way Tokić participates in the community by investing in youth and thus building an even better vision of the community for all involved.

SPONSORSHIPS
Sponsorships in the fields of education, auto-moto sports, culture, and sports events are an important area of activity for the company Tokić. The projects that Tokić chooses as its partners gravitate towards the overall betterment of society and contribute to the community. In addition to its long-term partnerships with various associations and events, Tokić does not miss the opportunity to engage in new initiatives and commendable projects, thereby showing its support. In 2022, Tokić sponsored projects worth more than 1.4 million kuna.

Tokić's involvement in auto-moto sport is most visible thanks to the long-term project of the Tokić Racing Team, where, through continuous partnerships and sponsorships of young people, it contributes not only to the development of auto-moto sport in Croatia but also to the development of young and safe drivers. The Tokić Racing Team includes young promising individuals who achieve impressive results in their categories, and it supports the development of their clubs to produce great talents in the future. Of course, besides auto-moto sport, Tokić is involved in almost all sports, through sponsorships of young talents, events, or tournaments organized by the community.

SAFETY IN MOTION
For the fourth consecutive year, Tokić is conducting an action for schoolchildren under the same name as the company slogan, "Safety in Motion." Besides implying business quality with excellent service and a proven assortment, it also means safe mobility. The action is carried out at the start of the school year. It relates to all traffic participants, but with special emphasis on drivers and first graders. Last year, Tokić organized and conducted a traffic workshop with first graders of the "Retfala" Elementary School in Osijek. The first graders learned how and when to cross the pedestrian crossing ('zebra'), respect the traffic light colors, understand traffic signs, and behave in accordance with their meaning.**

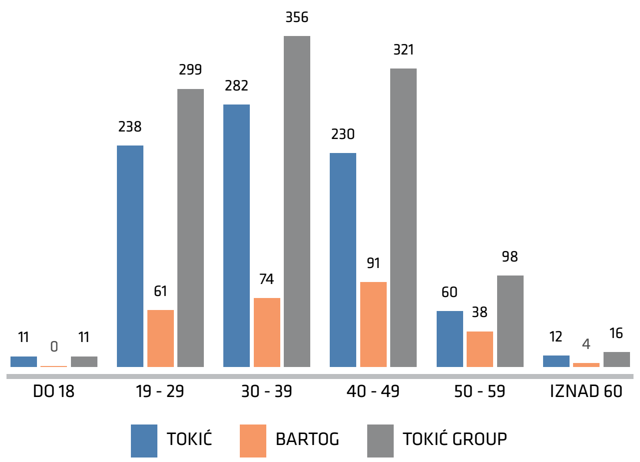
VOLUNTEERING
Tokić employees regularly participate in volunteer actions across Croatia. An example of such activities is participation in the international volunteer project "72 Hours Without Compromise," which encourages young people and promotes solidarity, togetherness, creativity, and volunteering. The project is carried out in nine European countries, and Croatia is the tenth European country to recognize the project's values.

The volunteer program "Heart in Motion" was spontaneously initiated by Tokić employees after the earthquake in the Petrinja and Sisak areas. They quickly organized and established supply channels for necessary goods, both for citizens and their business partners in the Banovina region. Since Tokić lives solidarity and volunteering through its core values, employees never miss the opportunity to contribute to the community by participating in actions and projects such as "We Are Not Alone" – the Association of Women Affected and Treated for Cancer, or the "Terry Fox" run. Traditionally, employees also do not miss attending and supporting the "Wings for Life" activities, whose noble goal is to raise funds through entry fees as donations for finding a cure for spinal cord injury.

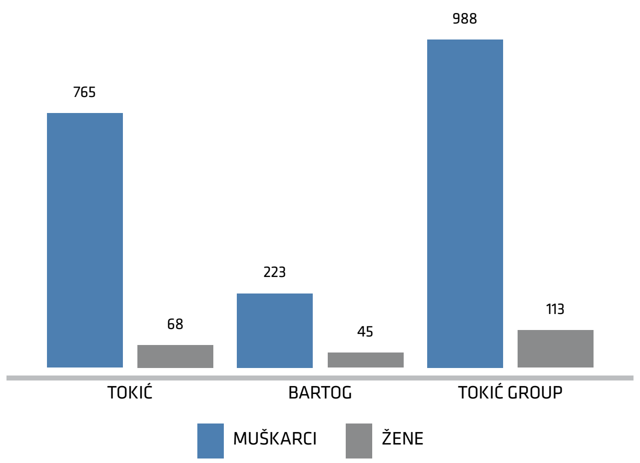
3.2 HUMAN RESOURCES

The human resources management strategy within the Tokić Group is based on providing support to projects that enable the execution of business strategy, strengthening leadership, as well as creating and retaining engaged and satisfied employees. Today's organization of the Human Resources Department ensures a quality and efficient approach to managing human potentials and lays a solid foundation for the organization's defined strategy. More than 1,100 employees and 140 business locations in Croatia and Slovenia require complex support for all departments within the organization. The youth and energy of the new workforce are a strong base of the organization, just as much as the wisdom brought by the most experienced employees. Almost 70 percent of employees are under 40 years old, and about 30 percent are under 30. All of them contribute to the work of teams with their skills, motivation, and dedication.

Broj zaposlenih prema starosnoj strukturi:



Broj zaposlenih prema spolu:



CORE VALUES

• WISDOM

We place great importance on reflecting on decisions in order to provide customers with the highest quality service. We organize our time according to goals and priorities to ensure at every moment that we are on the right path to realizing our vision for the future.

• HONESTY

We justify the loyalty of our customers, suppliers, and employees every day through our honesty. Therefore, we prioritize the accuracy and completeness of the information we provide.

• RESPONSIBILITY

We are proud of our employees because they readily fulfill agreements on time. Due to a sense of responsibility towards customers and suppliers, we work together to improve business processes, precisely to enable smooth operations and a balance between employees' private and professional lives.

• CREATIVITY

Every day we encounter situations that require creativity to find the best solutions for our customers and suppliers. We approach each task individually and encourage employees to actively participate in generating ideas for the further development of the Tokić company.

• HUMILITY AND SERVICE ORIENTATION

Service orientation is the key to our success, where the customer and their needs come first. We also provide employees with working conditions and all the support needed so they can always be at their best when dealing with customers. We are extremely proud that our employees can and want to approach every customer with helpful advice. Ultimately, to ensure they joyfully approach their daily tasks and long-term projects, we invest in the professional development of our employees.

INVESTMENT IN EMPLOYEE DEVELOPMENT AND EDUCATION

The foundation of development and the greatest value of the organization are its employees; they connect shared values, trust, and focus on goals and results. Knowing that the most important resource in modern business is knowledge, and that managing it is one of the main components of management, investing in knowledge is essentially investing in the business. The Tokić Group strives to raise the level of knowledge and the importance of every individual employee within the organization. Following the expansion of technology and the needs for parallel training and acquiring new skills, the concept of lifelong learning at all levels of business has become a business norm.

As part of the always active educational programs aligned with the philosophy of continuous improvement, notable ones include Manager & Business Skills, MBTI Foundation, foreign language learning, and professional trainings in accounting and finance, digital transformation, as well as procurement and sales.

Tokić's internal academy, T1 Walk, provides all employees with training and development of existing and new knowledge and skills. It also enables a high level of upgrading professional expertise, encourages new ways of thinking, and fosters greater engagement and proactivity.

The main goal of the academy is quality education that employees can use in their daily work as well as for personal development. Employees are encouraged toward new ways of thinking, initiative, and proactivity to increase motivation levels. Creating additional opportunities and possibilities, as well as readiness to take on new positions with greater business demands and responsibilities, are results of this approach. The activities of the T1 Walk academy are continuously focused on developing the educational and training platform and employee career management processes.

Many employees of the Tokić Group attend prominent and respected colleges and universities in Croatia and worldwide, and engage in various forms of lifelong learning and postgraduate education (doctoral studies, DBA, MBA, specialist studies, etc.) as well as various training modules aimed at personal development. During 2021, in cooperation with the German-Croatian Chamber of Industry and Commerce (AHK), Tokić joined an initiative developed based on the German dual vocational education model—called "Dual Education"—which is conducting a pilot project Skills Expert with three schools. Emphasizing "learning through work," the school and employer, as key partners in youth development, organize both theoretical and practical parts of education, enabling students to acquire education tailored to the labor market needs.

In 2022, Tokić strengthened its cooperation with AHK by launching the "Teachers in the Company" initiative—that is, internships for teachers. This project offers vocational teachers, pedagogues working in professional student guidance, and other interested teachers the opportunity to undertake professional internships in the company lasting three to five days. This contributes jointly to the development of mutual understanding and better cooperation between schools and companies.

Traditional cooperation with the American Chamber of Commerce AmCham on the Croatian and Slovenian markets is reflected in global networking as well as in trainings within the "Young Talents" program and the annual conference.

ECOLOGY

The importance of ecology and adaptation to climate change in the Tokić Group is reflected in membership in the "Young Energy Europe" project, where young professionals from various industries undergo training as Energy Scouts, enabling them to monitor and reduce energy consumption in companies. The "Young Energy Europe" project was launched by the European Climate Initiative (EUKI). The organization's values, culture, and development vision form the foundation on which the Group builds programs and development plans for each individual employee.

By introducing digital signatures and digital archiving, better document visibility and improved user experience have been enabled, while paper consumption has decreased. Similarly, the development of artificial intelligence and robotic process automation, which perform millions of tasks, saves about 24 tons of paper annually at the Group level and preserves many trees.

With the same goal and increased efficiency, Tokić Group has integrated special durable reusable plastic boxes as returnable packaging in daily parts delivery processes. Their use not only contributes to safety but also directly saves large quantities of cardboard, which is not as easily recyclable or incorporated into a sustainable production cycle.

3.3 COMMUNICATION

Transparent, two-way, and rapid communication, as one of the foundations of successful business at Tokić Group, is manifested on multiple levels: between employees and management, with customers and partners, and with the wider public. Besides direct relationships with all partners, through expert teams and sales advisors, Tokić Group nurtures its internal and external communication through all relevant communication channels.

Social Networks and Community

With dedicated communication assistants such as TKAT, used by all service technicians and Tokić customers, the company boasts a noticeable digital presence on social media, with around 70,000 regular followers. Importantly, Tokić primarily uses its communication channels not for sales but for information, education, and support of the broader social community. It is active on Facebook, YouTube, and Instagram, while gathering a large business community of nearly 5,000 members on the professional network LinkedIn. Combined with Bartog's social media presence in Slovenia, the communication reach is even more impressive.

Tokić INFO and Bartog INFO Magazines

A specialized magazine regularly published quarterly since 2011, with a circulation of 8,000 to 10,000 copies, reaches all service centers in Croatia and Slovenia. Besides distribution through a network of over 140 business locations, each issue is sent to all business partners of the Tokić Group, customers, and stakeholders in the automotive aftermarket market.

The magazines for the Croatian and Slovenian markets, spanning 52 to 64 pages, cover topics related to domestic and foreign aftermarket markets, provide advisory education for drivers, and inform mechanics about the latest technological, legislative, and market trends. They are edited by a specialized editorial team in cooperation with leading automotive journalists. Both magazines promote the values of the Tokić Group through their narratives, which are based on wisdom, humility, knowledge, creativity, and responsibility.

3.4 TECHNOLOGY DEVELOPMENT AND DIGITALIZATION

Digital transformation at Tokić is part of the Group's operational business and the foundation for strategic development. Employees in the growing technology departments increase the company's efficiency as a whole and make each individual more effective, focusing on added value. The capacities and potential of Tokić in technological development are confirmed by its employees' success in numerous competitions and memberships in artificial intelligence associations.

Tokić Group has significantly strengthened the infrastructure on which it builds its products and simultaneously trains models for artificial intelligence. Companies that drive market change transform the industry through innovation, achieving impressive business results and financial growth. Thus, Tokić, as the first company from Croatia, is internationally recognized as an organization shaping the future thanks to its transformational innovations and international expansion.

During 2021, within the framework of the Tokić 4.0 digital transformation, thanks to the internal development of digital products by departments of around 40 people, many benefits have been created that make business visibly more efficient. With the experience and expertise of colleagues and a clear goal of improvement according to the KAIZEN methodology, more than 200 robotic process automation (RPA) processes have been developed, which perform nearly one million tasks monthly on average. As a result, Tokić Group has reached the level of a technology company where automation performs over 10 million tasks annually, and despite this, no employee has lost their job due to digitalization. On the contrary, Tokić Group is becoming an attractive employer for professions related to digital transformation, databases, artificial intelligence, machine learning, and more.

In 2022, Tokić Group carried out significant activities in technological strengthening and team consolidation. All departments dealing with technology and digital transformation were unified into a single organizational unit, thus creating the prerequisites for further growth, development, and knowledge exchange.

The modernization of the entire infrastructure began with a long-term plan that addresses the future needs of the company. Additionally, projects to improve the technological platform are underway, whose results will enable further business expansion, better connectivity with partners, and continued innovation.

The process of consolidating infrastructure and information systems at the Group level (Tokić and Bartog) is currently underway, with the goal of maximizing the efficiency of information technology usage across the Group, standardizing business processes, and increasing the company's flexibility and agility.

Ongoing investments in digital technologies include:

- Introduction of digital signatures and digital archiving in all branches.
- More than 200 robots automate over 10 million tasks annually.
- Development of the SimplyDoc application, which uses artificial intelligence to digitize and process incoming documents, accelerating processes, reducing errors, and saving work hours.
- Improvement of digital vehicle fleet monitoring with over 6 million annual delivery kilometers and route optimization.
- Upgrades in the warehouse management system (WMS), leading to logistical efficiency and cost reduction.
- Management of a vehicle fleet of nearly 200 vehicles focused on efficient and responsible use.
- Application of algorithms and machine learning for precise stock prediction and assortment ordering.

4.1. KEY EVENTS IN 2022

NEW INVESTMENTS AND ACQUISITIONS

02/2022
A business space of 1,540 m² was purchased in Zabok, and in April of the same year, a new branch with associated warehouse space was opened.

OTHER SIGNIFICANT EVENTS IN 2022

02/2022
The 2nd T1 Meetup was held – a two-day international conference titled "Mobility: Where Innovation Meets Tradition," which brought together leading European experts in the automotive industry, logistics, technology, and mobility.

02/2022
The Tokić Group's assortment was expanded with alternating and direct current fast chargers for electric and hybrid vehicles, developed in collaboration with the company Končar.

04/2022
Tokić d.o.o. was granted a long-term loan of 30,000,000 HRK with a seven-year repayment period, to refinance part of the short-term loans used in 2021 as bridge financing for capital investments.

04/2022
The ACC D-D automobili service, located near Ozalj, joined the Auto Check Center service network.

04/2022
A brand new branch started operating in Županja. With six employees and two delivery vehicles, it was set up according to the latest standards, covering 300 m² and offering more than 15,000 items.

04/2022
Zabok and northern Croatia received the most modern branch with ten employees and a unique shopping experience.

05/2022
The 3rd T1 Meetup, a technological international conference organized by the Tokić Group, was held in Zagreb at the Faculty of Philosophy and Religious Sciences under the title "Category Management – a place where buyer and supplier meet."

05/2022
The Bartog branch in Nova Gorica, Slovenia, was relocated to a new address.

06/2022
New branches opened in Osijek, Đakovo, and Vinkovci. More than 30 employees in branches meeting the highest standards, with large stock and up to five daily deliveries, started servicing the region. A regional logistics HUB with more than 30,000 items in stock was positioned in Đakovo.

06/2022
Tokić introduced its first training for servicing and maintenance of electric and hybrid vehicles, certified by the Ministry of Education according to the highest EU standards.

06/2022
The Bartog branch in Jesenice, Slovenia, was relocated to a new address.

06/2022
The Bartog branch in Ljubno ob Savinji, Slovenia, was relocated to a new address.

07/2022
A new branch opened in Vukovar with two employees and one delivery vehicle.

07/2022
The ACC Toše autocenter service, located in Dugo Selo, joined the Auto Check Center service network.

07/2022
A brand new Bartog branch was opened in Kamnik, Slovenia.

08/2022
Following the dual pricing display, in all branches and in accordance with the decision of the Council of the European Union, the company Tokić joined the "Code of Ethics."

09/2022
A new branch opened in Valpovo with four employees and one delivery vehicle.

10/2022
A brand new Bartog branch was opened in Litija, Slovenia.

11/2022
The 4th T1 Meetup, a technological international conference organized by the Tokić Group, was held in Mirna Peč, Slovenia, at the Renault Group premises, featuring guests and panelists on sales and trends.

11/2022
Ivan Šantorić was appointed as the new CEO of the Tokić Group.

11/2022
The Bartog branch at its existing address in Ajdovščina, Slovenia, was renovated.

12/2022
New premises of the second administrative building were opened near the existing LDC and Headquarters.

12/2022
Bartog branches in Maribor and Murska Sobota, Slovenia, were relocated to new addresses.

4.2 EVENTS AFTER THE BUSINESS YEAR 2022

01/2023
Matjaž Aljančič was appointed as the new director of Bartog.

02/2023
Business premises were purchased in Osijek, with a branch opening planned for May 2023.

03/2023
The webshop webshop.tokic.hr started operations.

04/2023
Business premises were purchased in Varaždin, with branch opening planned for the second half of the year.

4.3. MARKET CONDITIONS AND ENVIRONMENTAL IMPACT ON BUSINESS

From the perspective of regional and global circumstances, at the threshold of the first quarter of 2023, the upcoming year is easier to assess as more promising than the previous one. Difficult long-term planning became a business norm during the past crisis years, first due to the pandemic and then the war and all the resulting adverse circumstances.

Although the Tokić Group is not directly involved in the sale of new vehicles, the supplier network via raw materials, energy, and supply chains connects all stakeholders in the automotive industry, including the aftermarket segment, exposing them to challenges and trends.

For this reason, slowed production of new vehicles as a consequence of raw material and semiconductor shortages will likely continue into the second half of the year. This market development aspect points to the continuation of the aging vehicle fleet and dynamic circulation of used vehicles, as well as the need for their maintenance.

However, the semiconductor shortage also affects the availability of all other products with electronic components, further exacerbated by stockpiling by some manufacturers and the development of devices for remote work, the gaming industry, and 5G technology.

Geopolitical circumstances at key transport or agricultural points do not create sufficiently solid foundations for predicting stability, so although prices of recently critical raw materials have stabilized, an uncertain period still lies ahead.

The prolongation of the conflict in Ukraine may significantly impact the production of wheat, corn, and other crops, thereby directly affecting the purchasing power of customers across Europe.

Lower transportation costs, primarily container shipping, have created opportunities to revive business with certain suppliers from distant countries. However, these same circumstances put pressure on other suppliers who, after the pandemic, are now once again facing competition from faraway markets.

Given the exceptionally wide range of products offered, as well as strong partnership relations with key suppliers, and furthermore the strong partnership connection with the ATR International cooperation, Tokić enters the upcoming period with maximum confidence. Finally, the accession of the Republic of Croatia to the Schengen Area and the transition to the euro currency are circumstances that will positively influence the consolidated business of the Tokić Group and its export activities.

FINANCIAL RESULT

OPERATING REVENUE DYNAMICS

TOKIĆ			
In HRK 000	2022	2021	2022/2021
Retail	274,372	231,675	18.4%
Wholesale	374,974	356,042	5.3%
Export	192,209	145,634	30.0%
Services	6,821	11,090	-38.5%
Other income	15,295	14,616	4.6%
Total	**863,660**	**759,057**	**13.8%**

TOKIĆ GROUP			
In HRK 000	2022	2021	2022/2021
Retail	274,372	231,661	18.4%
Wholesale	819,928	748,649	9.5%
Export	212,794	183,994	15.7%
Services	8,489	15,179	-44.1%
Other income	16,188	14,705	10.1%
Total	**1,331,771**	**1,194,188**	**11.5%**

In 2022, the Company achieved a business revenue growth of 13.8%. This result was driven by the expansion of the sales network and the opening of new branches, organic growth within the existing sales network, increased sales revenue to the related company Bartog, as well as growth in revenue from other foreign customers.

The related company Bartog d.o.o. achieved a 12% increase in sales revenue at the individual level in 2022 compared to the entire year of 2021 This growth was mainly realized within the existing sales network.

PROFITABILITY INDICATORS

TOKIĆ			
In HRK 000	2022	2021	2022/2021
Sales revenue	848,365	744,441	14.0%
Gross margin on sales revenue	271,381	240,970	12.6%
EBITDA	68,243	64,338	6.1%
Normalized EBITDA**	68,243	63,005	8.3%
Net profit	**28,628**	**31,436**	**-8.9%**

TOKIĆ GROUP			
In HRK 000	2022	2021	2022/2021
Sales revenue	1,315,583	1,179,484	11.5%
Gross margin on sales revenue	395,500	342,264	15.6%
EBITDA	80,128	69,916	14.6%
Normalized EBITDA**	81,001	71,860	12.7%
Net profit	**21,417**	**20,989**	**2.0%**

*In 2021, the normalized EBITDA at the Company level excludes a partial compensation recovery related to an internet fraud case from the previous year, as well as a loss from investments in shares resulting from the liquidation of Tokić Slovenia in 2021 There were no normalization items in 2022

At the Group level, in 2021, the normalized EBITDA further excludes the increased cost of goods sold shown in the consolidated income statement, which relates to the difference between the fair value and the acquisition cost of inventories held in Bartog's balance sheet at the acquisition date and sold during 2021, amounting to HRK 3,227 thousand. The equivalent effect for 2022 excluded from normalized EBITDA amounts to HRK 873 thousand.

PROFITABILITY MARGINS

TOKIĆ			
In HRK 000	2022	2021	2022/2021
Gross margin on sales revenue	32.0%	32.4%	-0.4%
EBITDA margin	7.9%	8.5%	-0.6%
Normalized EBITDA margin	7.9%	8.3%	-0.4%
Net profit margin	**3.3%**	**4.1%**	**-0.8%**

TOKIĆ GROUP			
In HRK 000	2022	2021	2022/2021
Gross margin on sales revenue	30.1%	29.0%	1.0%
EBITDA margin	6.0%	5.9%	0.2%
Normalized EBITDA margin	6.1%	6.0%	0.1%
Net profit margin	**1.6%**	**1.8%**	**-0.1%**

Maintaining a stable level of gross margin at the Company level is the result of continuous work on pricing and discount policies while preserving competitiveness in the market. At the Group level, positive improvements compared to the previous year were achieved primarily due to significant progress made by Bartog in the gross margin realized.

The normalized EBITDA margin is lower compared to the previous year, mostly due to the increase in employee costs. At both the Company and Group levels, 2022 was marked by investments in new business premises and the reorganization of operations within Bartog d.o.o. All of the above impacted the rise in employee costs, while the effects of these investments are expected in the upcoming period. Details regarding employee costs are explained in Note 10 of this report.

CURRENT RATIO

TOKIĆ		
In HRK 000	2022	2021
Current assets	464,045	376,309
Current liabilities	328,439	267,262
Current ratio	**1.41**	**1.41**

TOKIĆ GROUP		
In HRK 000	2022	2021
Current assets	634,506	544,118
Current liabilities	496,761	432,922
Current ratio	**1.28**	**1.26**

The current assets to current liabilities ratio compares all current assets of the Company and the Group with current liabilities. The current assets to current liabilities ratio is a liquidity indicator that measures the ability of the Company and the Group to meet its short-term debt from current assets.

SOURCES OF FINANCING

TOKIĆ				
In HRK 000	2021	Udio	2020	Udio
Capital and reserves	376,919	46.1%	348,629	48.2%
Non-current loan liabilities	112,439	13.7%	106,130	14.7%
Current loan liabilities	123,544	15.1%	113,333	15.7%
Accounts payable	159,724	19.5%	92,916	12.9%
Other liabilities	45,805	5.6%	61,996	8.6%

TOKIĆ GROUP				
In HRK 000	2021	Udio	2020	Udio
Capital and reserves	347,862	33.9%	325,442	35,2%
Non-current loan liabilities	177,805	17.3%	162,050	17.5%
Current loan liabilities	172,648	16.8%	179,574	19.4%
Accounts payable	262,557	25.6%	165,629	17.9%
Other liabilities	64,165	6.3%	91,070	9.9%

DEBT INDICATORS

TOKIĆ		
In HRK 000	2022	2021
Total liabilities	441,512	3274,375
Total assets	818,431	723,004
Debt ratio	**0.54**	**0.52**

TOKIĆ GROUP		
In HRK 000	2022	2021
Total liabilities	677,175	598,323
Total assets	1,025,037	923,765
Debt ratio	**0.66**	**0.65**

TOKIĆ		
In HRK 000	2022	2021
Total liabilities	441,512	374,375
Capital and reserves	376,919	348,629
Debt-to-Equity ratio	**1.2**	**1.1**

TOKIĆ GROUP		
In HRK 000	2022	2021
Total liabilities	677,175	598,323
Capital and reserves	347,862	325,442
Debt-to-Equity ratio	**1.9**	**1.8**

The increase in liabilities from loans and leases is a result of opening new leased business locations and other investments, the effects of which will be seen in the upcoming period. During 2021, part of the short-term loans was used as a form of bridge financing for CAPEX and was restructured into a long-term loan in April 2022

The growth in liabilities to suppliers is a result of increased inventory due to the opening of new business locations and higher procurement volumes to ensure adequate stock availability and reduce risks related to supply chain disruptions.

NET DEBT/EBITDA

TOKIĆ	2022	2021
Non-current financial liabilities	112,439	106,130
Current financial liabilities	123,544	113,333
Cash and cash equivalents	38,467	17,390
Net debt	197,516	202,073
Normalized EBITDA	68,243	63,005
Net debt/Normalized EBITDA	**2.9**	**3.2**

TOKIĆ GROUP	2022	2021
Non-current financial liabilities	177,805	162,050
Current financial liabilities	172,648	179,574
Cash and cash equivalents	45,189	20,470
Net debt	305,264	321,155
Normalized EBITDA	81,001	71,860
Net debt/Normalized EBITDA	**3.8**	**4.5**

A significant positive improvement in the Net Debt/EBITDA ratio for both the Company and the Group was achieved as a result of a better net debt position as well as improved absolute profitability compared to the previous year.

RESPONSIBILITY OF MANAGEMENT FOR FINANCIAL STATEMENTS

Pursuant to the Accounting Act of the Republic of Croatia, the Management is obliged to ensure that the individual and consolidated financial statements for each financial year are prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, so that they present a true and fair view of the financial position and operating results of TOKIĆ d.o.o. (the "Company") and its subsidiaries (the "Group") for that period.

After conducting assessments, Management reasonably expects that the Company and the Group have adequate resources to continue operations in the foreseeable future. For this reason, Management continues to adopt the going concern principle in the preparation of individual and consolidated financial statements.

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

- selecting and consistently applying appropriate accounting policies;
- making reasonable and prudent judgments and estimates;
- applying applicable accounting standards, disclosing and explaining any material departures in the individual and consolidated financial statements; and
- preparing the individual and consolidated financial statements on a going concern basis, unless it is inappropriate to assume that the Company and the Group will continue their business activities.

Management is responsible for maintaining proper accounting records, which at any time, with reasonable accuracy, reflect the financial position of the Company, as well as its compliance with the Croatian Accounting Act. This responsibility also includes the management report as an integral part of the annual individual and consolidated financial statements. Management is also responsible for safeguarding the assets of the Company and the Group and therefore for taking reasonable measures to prevent and detect fraud and other irregularities.

For TOKIĆ d.o.o.

President of the Management Board:
Ivan Šantorić

Member of the Management Board:
Dražen Jurković

TOKIĆ d.o.o.
Ulica 144. Brigade Hrvatske vojske 1a
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27 April 2023

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Tokić d.o.o.

Opinion

We have audited the separate and the consolidated financial statements of Tokić d.o.o. (the Company) and its subsidiaries (the Group) which comprise the separate and the consolidated statement of financial position as at 31 December 2022, separate and the consolidated statement of comprehensive income, separate and the consolidated statement of changes in equity and separate and the consolidated statement of cash flows for the year then ended, and notes to the separate and the consolidated financial statements, including a summary of significant accounting policies (the financial statements).

In our opinion, the accompanying separate and the consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for Opinion

We conducted our audit in accordance with the Audit Act and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate and the Consolidated Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the separate and the consolidated financial statements and our auditor's report.

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

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

This version of our Independent Auditor's 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 Independent Auditor's Report takes precedence over this translation.

Deloitte.

Other information (continued)

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

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

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

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

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

In preparing the separate and the consolidated financial statements, Management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the separate and the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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Auditor's Responsibilities for the Audit of the Separate and the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and the consolidated financial statements, including the disclosures, and whether the separate and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Katarina Kadunc
Director and Certified Auditor

Deloitte d.o.o.

27 April 2023
Radnička cesta 80,
10 000 Zagreb,
Croatia

(All amounts are expressed in HRK)

		COMPANY		GROUP	
	Note	2022	2021	2022	2021
Revenue from sales	5	848.364.997	744.441.193	1.315.583.063	1.179.483.729
Other income	6	15.294.995	14.615.649	16.187.735	14.704.649
Total revenue		**863.659.992**	**759.056.842**	**1.331.770.798**	**1.194.188.378**
Cost of raw materials and supplies	7	(16.710.649)	(10.941.648)	(22.166.319)	(15.381.864)
Cost of goods sold	8	(576.983.949)	(503.471.049)	(920.082.955)	(837.219.244)
Cost of services	9	(40.321.127)	(40.701.967)	(74.213.193)	(73.602.781)
Employee benefits expense	10	(140.787.840)	(117.696.100)	(205.671.208)	(169.042.027)
Depreciation	11	(29.831.235)	(23.450.366)	(46.430.635)	(38.254.270)
Other operating expenses	12	(20.325.276)	(21.861.166)	(28.841.298)	(28.696.468)
Provisions for risks and charges (net)	13	(288.249)	(47.071)	(667.759)	(329.805)
Total operating expenses		**(825.248.325)**	**(718.169.367)**	**(1.298.073.367)**	**(1.162.526.459)**
Operating profit		**38.411.667**	**40.887.475**	**33.697.431**	**31.661.919**
Finance income	14	2.643.026	1.946.878	2.739.770	2.062.253
Finance costs	15	(5.729.707)	(4.276.859)	(8.968.758)	(6.445.226)
Loss from financing activities		**(3.086.681)**	**(2.329.981)**	**(6.228.988)**	**(4.382.973)**
Profit before tax		**35.324.986**	**38.557.494**	**27.468.443**	**27.278.946**
Income tax	16	(6.696.515)	(7.121.651)	(6.051.728)	(6.289.564)
Profit for the year		**28.628.470**	**31.435.843**	**21.416.715**	**20.989.381**
Items that may be reclassified subsequently to profit or loss		-	-	-	-
Items that will not be reclassified to profit or loss		-	-	-	-
Total comprehensive income for the year		**28.628.470**	**31.435.843**	**21.416.715**	**20.989.381**

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

		COMPANY		GROUP	
	Note	31.12.2022	31.12.2021	31.12.2022	31.12.2021
ASSETS					
Non-current assets					
Intangible assets	17	1.096.248	3.428.164	11.010.507	14.506.355
Goodwill	18	1.276.399	1.276.399	45.148.130	45.047.349
Property, plant and equipment	19	206.340.038	202.852.397	223.467.266	218.461.037
Investment property	19	24.973.892	18.349.648	89.970.233	82.245.890
Other financial assets	20	16.823.607	17.359.353	16.823.607	17.359.353
Non-current receivables	21	103.194.417	102.957.330	72.319	72.319
Deferred tax assets	22	289.259	62.085	3.410.264	1.299.465
Total non-current assets	32	392.609	409.367	628.955	654.606
Ukupna dugotrajna imovina		**354.386.468**	**346.694.744**	**390.531.280**	**379.646.375**
Current assets					
Inventories	23	259.232.435	215.992.632	382.447.253	323.703.895
Trade receivables	24	121.965.822	104.983.734	148.302.373	149.235.449
Other receivables	25	273.167	220.053	1.238.435	934.471
Current financial assets	26	324.862	205.852	701.228	288.183
Cash and cash equivalents	27	38.466.662	17.389.878	45.189.347	20.469.861
Accrued income and prepaid expenses	28	43.781.600	37.516.877	56.627.532	49.486.467
Total current assets		**464.044.548**	**376.309.026**	**634.506.168**	**544.118.324**
TOTAL ASSETS		**818.431.016**	**723.003.770**	**1.025.037.448**	**923.764.701**

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

(All amounts are expressed in HRK)
(All amounts are expressed in HRK)

		COMPANY		GROUP	
	Note	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Equity					
Share capital	29	234.700.000	234.700.000	234.700.000	234.700.000
Retained earnings		114.207.095	83.109.253	92.170.776	70.305.760
Accumulated loss		-717.737	-717.737	-717.737	-717.737
Capital reserves		101.145	101.145	101.145	101.145
Other reserves		-	-	191.286	63.048
Profit for the year		28.628.470	31.435.842	21.416.715	20.989.381
Total equity		**376.918.973**	**348.628.503**	**347.862.186**	**325.441.597**
Non-current provisions	30	550.970	787.469	550.970	787.469
Non-current borrowings	31	112.438.596	106.129.723	177.804.904	162.050.320
Deferred tax liabilities	32	83.187	195.615	2.058.173	2.562.903
Total non-current liabilities		**113.072.753**	**107.112.807**	**180.414.047**	**165.400.692**
Trade payables	33	159.724.306	92.916.070	262.557.083	165.628.893
Current borrowings	34	123.543.682	113.333.339	172.648.368	179.574.252
Other current liabilities	35	31.717.097	43.751.237	47.443.661	66.055.271
Current provisions	30	864.125	96.696	2.053.242	1.268.384
Accrued expenses and deferred income	36	12.590.080	17.165.119	12.058.862	20.395.612
Total current liabilities		**328.439.290**	**267.262.461**	**496.761.216**	**432.922.412**
Total liabilities		**441.512.043**	**374.375.268**	**677.175.262**	**598.323.104**
TOTAL EQUITY AND LIABILITIES		**818.431.016**	**723.003.770**	**1.025.037.448**	**923.764.701**

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

COMPANY	Share capital	Capital reserves	Accumulated loss	Retained earnings	Total
Balance as at 31 December 2020	**234.700.000**	**101.145**	**-**	**86.196.651**	**320.997.796**
Profit for the year	-	-	-	31.435.843	31.435.843
Other changes in equity	-	-	(717.737)	(114.318)	(832.055)
Total comprehensive income for the year	**-**	**-**	**(717.737)**	**31.321.525**	**30.603.788**
Transfer from retained earnings	-	-	-	(2.973.081)	(2.973.081)
Balance as at 31 December 2021	**234.700.000**	**101.145**	**(717.737)**	**114.545.095**	**348.628.503**

	Share capital	Capital reserves	Accumulated loss	Retained earnings	Total
Balance as at 31 December 2021	**234.700.000**	**101.145**	**(717.737)**	**114.545.095**	**348.628.503**
Profit for the year	-	-	-	28.628.470	28.628.470
Other changes in equity	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**28.628.470**	**28.628.470**
Transfer from retained earnings	-	-	-	(338.000)	(338.000)
Balance as at 31 December 2022	**234.700.000**	**101.145**	**(717.737)**	**142.835.565**	**376.918.973**

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

(All amounts are expressed in HRK)

GROUP	Share capital	Capital reserves	Accumulated loss	Retained earnings	Total	Share capital
Balance as at 31 December 2020	**234.700.000**	**101.145**	**(15.740)**	**-**	**83.325.872**	**318.111.277**
Profit for the year	-	-	-	-	20.989.381	20.989.381
Other changes in equity	-	-	78.789	(717.737)	(114.318)	(753.266)
Consolidation adjustment (Note 29)	-	-	-	-	(9.932.713)	(9.932.713)
Total comprehensive income for the year	**-**	**-**	**78.789**	**(717.737)**	**10.942.350**	**10.303.402**
Transfer from retained earnings					(2.973.081)	(2.973.081)
Balance as at 31 December 2021	**234.700.000**	**101.145**	**63.048**	**(717.737)**	**91.295.141**	**325.441.597**

	Share capital	Capital reserves	Accumulated loss	Retained earnings	Total	Share capital
Balance as at 31 December 2021	**234.700.000**	**101.145**	**63.048**	**(717.737)**	**91.295.141**	**325.441.597**
Profit for the year	-	-	-	-	21.416.715	21.416.715
Other changes in equity	-	-	128.235	-	1.213.635	1.341.871
Total comprehensive income for the year	**.**	**.**	**128.235**	**-**	**22.630.350**	**22.758.586**
Transfer from retained earnings					(338.000)	(338.000)
Balance as at 31 December 2022	**234.700.000**	**101.145**	**191.284**	**(717.737)**	**113.587.491**	**347.862.183**

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

		COMPANY		GROUP	
Cash Flow from Operating Activities	Note	2022	2021	2022	2021
Profit for the year		**28.628.470**	**31.435.843**	**21.416.715**	**20.989.381**
Adjusted for:					
Income tax expense	16	6.696.515	7.121.651	6.051.728	6.289.564
Depreciation of property, plant and equipment and intangible assets	11	29.831.235	23.450.366	46.430.635	38.254.270
Interest expense and foreign exchange differences recognized in profit or loss	14, 15	3.137.181	2.479.886	6.294.393	4.533.698
Gains on disposal of property, plant and equipment and intangible assets	6	(178.430)	(410.802)	(178.430)	(410.802)
Interest income	14	(50.500)	(149.905)	(68.236)	(150.725)
Provisions	12	1.364.787	713.007	2.180.854	1.243.302
Operating profit before changes in working capital		**69.429.259**	**64.640.046**	**82.127.659**	**70.748.688**
(Increase) / Decrease in inventories	23	(43.239.803)	(34.557.611)	(58.743.358)	(36.781.969)
(Increase) / Decrease in trade receivables	24	(16.982.088)	(8.826.021)	933.076	(13.122.429)
(Increase) / Decrease in other receivables	25, 26	(172.124)	660.309	(717.009)	2.668.326
Increase / (Decrease) in trade payables	33	66.808.236	16.045.052	96.928.190	(2.468.061)
Increase / (Decrease) in other current liabilities	35	(12.034.140)	(12.554.100)	(18.611.610)	(14.401.181)
Income tax paid	16	(6.508.591)	(7.121.651)	(6.508.591)	(6.289.564)
Other increase / (decrease) in cash flow		(12.100.123)	(7.064.361)	(19.315.970)	(15.065.044)
Interest paid	15	(3.043.013)	(2.472.675)	(5.624.778)	(4.301.782)
Net cash from operating activities		**42.157.614**	**8.748.988**	**70.467.608**	**(19.013.017)**
Cash Flows from Investing Activities					
Interest received	14	50.500	149.905	68.236	150.725
Acquisition of property, plant and equipment and intangible assets	17-20	(37.075.456)	(43.768.262)	(55.230.393)	(70.403.396)
Acquisition of shares (investments in equity)	21	-	(20.000)	-	-
Foreign exchange adjustments and shareholding corrections	21	(237.089)	1.941.354	-	43.482
Net cash used in investing activities		**(37.262.045)**	**(41.697.003)**	**(55.162.157)**	**(70.209.189)**

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

(All amounts are expressed in HRK)

		COMPANY		GROUP	
Cash Flows from Financing Activities	Note	2022	2021	2022	2021
Dividends paid		(338.000)	(2.973.081)	(338.000)	(2.973.081)
Proceeds from borrowings	31, 34	132.022.648	91.494.326	166.111.207	145.558.036
Repayment of borrowings	34	(115.503.432)	(51.317.385)	(157.701.043)	(51.317.385)
Other changes in equity – acquisition/ merger		-	(832.055)	1.341.871	(753.266)
Other cash inflows/(outflows) from financing activities		-	-	-	(9.940.817)
Net cash from financing activities		**16.181.216**	**36.371.805**	**9.414.035**	**80.573.486**
Net Increase / (Decrease) in Cash and Cash Equivalents	**27**	**21.076.784**	**3.423.789**	**24.719.486**	**(8.648.719)**
Cash and cash equivalents at the beginning of the year		**17.389.878**	**13.966.089**	**20.469.861**	**29.118.580**
Cash and cash equivalents at the end of the year	**27**	**38.466.663**	**17.389.878**	**45.189.347**	**20.469.861**

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

1. GENERAL INFORMATION

Tokić d.o.o. from Sesvete (the "Company") was established in 1990. The Group consists of the parent company Tokić d.o.o. together with its subsidiaries: Bartog Adria d.o.o. Croatia and Bartog d.o.o. Slovenia. The Group's core business activities include retail and wholesale of auto parts, tires, and other related products for all types of passenger and light commercial vehicles. During 2020, the Group also included the company Tokić d.o.o. Slovenia, which underwent a simplified liquidation procedure and was removed from the court register on 11 March 2021. The Group's headquarters is located in Sesvete, at Ulica 144. Brigade Hrvatske vojske 1a. The share capital of both the Company and the Group amounts to HRK 234,700,000.00.

1.1. Business activity

The Company's principal activity is the purchase and sale of goods (automotive parts).
The statistical activity code is 4690.
The Company's personal identification number (OIB) is 74867487620.
According to the Accounting Act, both the Company and the Group are classified as large entrepreneurs.

1.2. Number of employees

The number of employees in the Group as of December 31, 2022, was 1,101, and in the Company 833 (as of December 31, 2021, the number of employees in the Group was 989, and in the Company 746).

Supervisory Board and Management Board

Members of the Supervisory Board:

		Term of office:
Ilija Tokić	Chairman of the Supervisory Board	since 16.03.2015
Ivan Beljan	Deputy Chairman of the Supervisory Board	since 16.03.2015
Željko Jurić	Member of the Supervisory Board, employee representative	since 26.04.2019
Ruža Tokić	Member of the Supervisory Board	since 28.06.2021
Roland Udo Dilmetz	Member of the Supervisory Board	since 31.01.2020

Members of the Management Board:

Ivan Šantorić	President of the Management Board (CEO), represents the Company individually and independently	since 12.10.2022
	Member of the Management Board, represents the Company individually and independently	01.04.2019 - 11.10.2022
Dražen Jurković	Member of the Management Board (CFO), represents the Company individually and independently	since 12.10.2022
	Member of the Management Board (CFO), represents the Company jointly with another Management Board member	01.09.2020 - 11.10.2022
Ivan Gadže	President of the Management Board (CEO), represents the Company individually and independently	16.03.2015 - 11.10.2022

(All amounts are expressed in HRK)

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and interpretations effective in the current period

During the current year, the Company and the Group applied a number of amendments to International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU), which are mandatory for the reporting period beginning on or after January 1, 2022.

Standard	Title
Amendments to IFRS 3	Reference to the Conceptual Framework with amendments to IFRS 3
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to various standards (IFRS 1, IFRS 9, IFRS 16, and IAS 41)	Annual Improvements to IFRS Standards 2018–2020 Cycle

The adoption of these amendments had no significant impact on the disclosures or amounts reported in these financial statements.

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

As of the date of approval of these financial statements, the Company has not applied the following new and revised international financial reporting standards issued and adopted by the EU but not yet effective:

Standard	Title	EU Effective Date
IFRS 17	New standard IFRS 17 "Insurance Contracts", including amendments from June 2020 and December 2021	01.01.2023
Amendments to IAS 1	Disclosure of Accounting Policies	01.01.2023
Amendments to IAS 8	Definition of Accounting Estimates	01.01.2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01.01.2023

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

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

New standards and amendments issued by the IASB but not yet adopted by the European Union

Currently, the standards adopted by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to existing standards that have not yet been adopted by the EU as of the date of issuance of these financial statements:

Standard	Title	EU Adoption Status
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (Effective IASB date: January 1, 2023)	Not yet adopted
Amendments to IAS 1	Non-current Liabilities with Covenants (Effective IASB date: January 1, 2024)	Not yet adopted
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback (Effective IASB date: January 1, 2024)	Not yet adopted
IFRS 14	Regulatory Deferral Accounts (Effective IASB date: January 1, 2016)	The European Commission decided not to initiate the endorsement process for this interim standard and to await the final standard
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and subsequent amendments (Effective date postponed indefinitely by IASB, early application permitted)	Endorsement process postponed indefinitely until the research project on the equity method is completed

The Company and the Group do not expect that the adoption of the above standards would have a significant impact on the financial statements of the Company and the Group in future periods.
Portfolio hedge accounting for financial assets and liabilities, the principles of which have not been adopted by the EU, remains unregulated. According to the Company's and the Group's assessment, the application of hedge accounting to a portfolio of financial assets or liabilities in accordance with IAS 39: Financial Instruments: Recognition and Measurement would not have a significant impact on the financial statements if applied as of the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies, consistently applied in the current and prior year, is presented below.

3.1.Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Accounting Act of the Republic of Croatia and the International Financial Reporting Standards (IFRS) adopted by the European Union. The financial statements are presented as separate financial statements for the Company and as consolidated financial statements for the Group. The Group's financial statements include the consolidated financial statements of the Company and its subsidiaries.

3.2.Basis of Preparation

The Company and the Group maintain their accounting records in the Croatian language, in Croatian kuna, and in accordance with Croatian legal regulations and accounting principles applicable to companies in Croatia.

Preparation of the financial statements in accordance with the Accounting Act of the Republic of Croatia and the International Financial Reporting Standards (IFRS) effective in the European Union requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and contingent liabilities as of the financial statements date, and the reported income and expenses during the reporting period. These estimates are based on information available at the date the financial statements are prepared, and actual amounts may differ from these estimates. The financial statements of the Company and the Group present the aggregated amounts of assets, liabilities, equity, and reserves of the Company and the Group as of December 31, 2022, as well as the results of operations for the year then ended.

3.3.Basis of Consolidation

The consolidated financial statements of the Group include the financial statements of Tokić d.o.o. ("the Company") and its subsidiaries controlled by Tokić d.o.o. as of and for the year ended December 31, 2022. Control exists when the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

(I) Subsidiaries

Subsidiaries are all entities over which the Company has control over financial and operating policies, which generally includes ownership of more than half of the voting rights. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and deconsolidated from the date control ceases..

(II) Business Combination

The Group applies the acquisition method to account for business combinations. The consideration transferred to acquire a subsidiary is measured at the fair value of the assets transferred, liabilities incurred, and equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition-related costs are recognized in the statement of comprehensive income as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values as of the acquisition date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3. Basis of Consolidation (continued)

(II) Business Combination (continued)

The Group recognizes non-controlling interests in acquired subsidiaries either at fair value or at the proportionate share of the non-controlling interests in the net assets of the acquired subsidiary.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired subsidiary, and the fair value on the acquisition date of any previously held equity interest in the acquired entity over the fair value of the Group's share of the identifiable net assets acquired is recognized as goodwill. If the fair value of the net assets acquired exceeds the consideration transferred, the difference is recognized directly in the statement of comprehensive income.

(III) Non-controlling Interests

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

(IV) Loss of Control over Subsidiaries

When the Group loses control over a subsidiary, the assets and liabilities of the subsidiary, all associated non-controlling interests, and other equity components are derecognized. Gains or losses arising are recognized in the profit or loss. Any retained interest in the former subsidiary is measured at fair value when control is lost.

(V) Transactions Eliminated on Consolidation

Balances and transactions between Group companies, as well as unrealized gains from transactions within the Group, are eliminated on consolidation. Unrealized gains from transactions with associates and joint ventures where the Group shares control with other owners are eliminated to the extent of the Group's interest in those entities. Unrealized gains from transactions with entities in which the Group has investments are eliminated by reducing the investment in that entity. Unrealized losses are eliminated in the same way as unrealized gains but only to the extent that they do not represent an impairment of the asset.

Companies included in consolidation:

- Bartog d.o.o., Slovenia, for the period from 1 January 2021 to 31 December 2021, and for the period from 1 January 2022 to 31 December 2022.
- Bartog Adria d.o.o., Croatia, for the period from 30 April 2021 to 31 December 2021 and for the period from 1 January 2022 to 31 December 2022.

Donit - gospodarski program d.o.o., which operated within the Tokić group during the period from 15 November 2021 to 23 December 2021, is not included in the consolidation due to its immaterial impact on the Group's overall report.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4. Goodwill

Goodwill represents the difference between the acquisition cost and the fair value of the Group's interest in the identifiable net assets of the acquired subsidiary, the recognised amount of non-controlling interest, and the fair value of any previously held equity interest at the acquisition date. Goodwill arising on the acquisition of a subsidiary is recognised within intangible assets.

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate a potential impairment. It is carried at cost less any accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of a business entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units expected to benefit from the synergies of the business combination in which the goodwill arose.

3.5. Foreign Currency Transactions

(a) Functional and Presentation Currency

Items included in the financial statements of each individual Group member are presented in the currency of the primary economic environment in which that entity operates ('functional currency'). The consolidated financial statements are presented in Croatian kunas, which is the functional currency of the Company and the presentation currency of the Group.

The prevailing exchange rate of the Croatian currency on 31 December 2022 was HRK 7.53450 to EUR 1 (on 31 December 2021 it was HRK 7.517174 kuna to EUR 1).

(b) Transactions and balances in foreign currency

Transactions in foreign currencies are translated into the functional currency by applying the exchange rate prevailing at the date of the transaction or at the revaluation date if the items are remeasured. Gains or losses arising from exchange rate differences on settlement of such transactions and on translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Gains or losses on exchange differences relating to borrowings and lease liabilities are presented within finance income or finance costs in the income statement. All other exchange gains or losses are presented within the item "Other gains/(losses) – net" in the income statement.

(c) Group members

The results of operations and financial position of all Group members whose functional currency differs from the reporting currency are translated into the reporting currency as follows:

(I) assets and liabilities for each statement of the financial position are translated at the closing exchange rate at the date of that statement of the financial position;

(II) income and expenses for each profit and loss account are translated at average exchange rates; and

(III) all resulting exchange differences are recognised in a separate item within other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5. Foreign Currency Transactions (continued)

In consolidation, exchange differences arising from the translation of the net investment in foreign subsidiaries are recognised in other comprehensive income. Upon the disposal of a foreign subsidiary, all exchange differences previously recognised in equity are reclassified from other comprehensive income to profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate at the date of the statement of the financial position. Exchange differences arising on translation are recognised in other comprehensive income.

3.6. Revenue Recognition

Revenue is recognised upon the transfer of control, either over time or at a specific point in time.

Control over an asset is defined as the ability to direct the use of the asset and obtain substantially all of the remaining benefits from it, including the ability to prevent others from directing the use of the asset and obtaining benefits from it. Benefits related to the asset are potential cash inflows that can be realised directly or indirectly. An entity recognises revenue over time if one of the following criteria is met: the customer simultaneously receives and consumes the benefits provided by the entity's performance; the entity's performance creates or enhances an asset that is under the customer's control as the asset is created; or the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. If the entity does not satisfy its performance obligation over time, it satisfies it at a specific point in time, and revenue is therefore recognised upon transfer of control at that point. Indicators that may signify the transfer of control at a point in time include, but are not limited to: the entity has a present right to payment for the asset; the customer has legal title to the asset; the entity has transferred physical possession of the asset; the customer bears significant risks and rewards of ownership of the asset; and the customer has accepted the asset.

Revenue is measured at the fair value of the consideration received or receivable for goods or services sold in the ordinary course of the Group's business. The Group recognises revenue when it transfers risk related to the product or service to the customer. Revenue is presented net of value-added tax, rebates, and discounts. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group, and when specific criteria for the Group's various activities described below are satisfied.

<u>Revenue from wholesale trading of goods</u>

Revenue from wholesale trading of goods is recognised when the Company and the Group have delivered the goods to the wholesaler, have no further control over the goods, and there are no unsettled obligations that could affect the wholesaler's acceptance of the products. Delivery is considered completed when the goods are shipped to a specified location, risks of loss are transferred to the wholesaler, and one of the following conditions is met: the wholesaler accepts the goods in accordance with the contract; the acceptance period has expired; or the Company has objective evidence that all acceptance criteria have been satisfied. Goods are sold with quantity discounts, and customers have the right to return defective goods. Revenue from sales is recognised based on the contract price, reduced by quantity discounts, sales discounts, and returns. Quantity discounts are estimated based on expected sales over the annual period. Sales do not include financing elements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6. Revenue Recognition (continued)

Revenue from Retail Sale of Goods

Revenue from retail sale of goods is recognised at the point of sale to the customer. Retail revenue is primarily received in cash or via credit cards. The reported revenue includes credit card fees, which are presented within other expenses.

Revenue from Services

Revenue from services is recognised over the period in which the services are performed, based on the proportion of services actually rendered relative to the total services to be performed.

Rental Income

Rental income is recognised over the period in which rental services are provided, using a straight-line method over the term of the lease agreements with tenants, and is presented in the profit or loss statement under other operating income.

Interest Income

Interest income arising from funds deposited with banks, loans granted, and interest from customers is recognised on a time-proportion basis using the effective interest rate method.

3.7. Government Grants

Government grants are not recognised until there is reasonable assurance that the conditions for obtaining the grant will be met and the grant will be received. Government grants are recognised in profit or loss systematically over the periods in which the Group recognises as expenses the related costs that the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group acquires, constructs, or otherwise obtains long-term assets are recognised in the statement of financial position as deferred income and are released to profit or loss on a systematic and rational basis over the useful life of the related asset. Receivables from government grants related to compensation for expenses or losses already incurred, or for providing immediate financial support without future related costs, are recognised in profit or loss in the period in which the receivable arises.

3.8. Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset—being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale—are capitalised as part of the cost of that asset until the asset is substantially ready for its 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9. 3.9. Corporate Income Tax

Current and Deferred Tax

The income tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In such cases, the tax is also recognised in other comprehensive income or directly in equity. The current income tax charge is calculated based on tax laws enacted or substantively enacted at the date of the statement of the financial position in the countries where the Company and its subsidiaries operate and generate taxable income. Current tax represents the expected tax payable on the taxable profit for the year, using tax rates enacted at the reporting date, and includes adjustments to tax liabilities in respect of prior periods.

Deferred tax is calculated using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not recognised if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss. Deferred tax is recognised on temporary differences arising from investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted by the date of the statement of the financial position. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3.10. Property, Plant and Equipment and Intangible Assets

Property, plant and equipment and intangible assets are initially measured at cost and subsequently reduced by accumulated depreciation or amortisation and any impairment losses. The cost of acquisition includes the purchase price, import duties and non-refundable purchase taxes (for tangible assets), or any expenditure directly attributable to bringing the asset to its intended use, such as staff costs, professional fees arising directly from bringing the asset to working condition, testing costs (for intangible assets), and other directly attributable expenses. Costs of ongoing maintenance and repairs, replacements, and minor capital improvements are recognised in profit or loss as incurred. Where it is evident that the incurred costs result in an increase in the expected future economic benefits beyond those initially estimated, such costs are capitalised, i.e. added to the carrying amount of the respective asset. Gains and losses on disposals or retirements of property, plant and equipment and intangible assets are recognised in the statement of comprehensive income in the period in which they occur.

Depreciation and amortisation commence when the asset is available for use. Depreciation is calculated to allocate the cost or revalued amount of an asset, excluding land and assets under construction, over its estimated useful life on a straight-line basis, as detailed below.

(All amounts are expressed in HRK)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10. Property, Plant and Equipment and Intangible Assets (continued)

	COMPANY		GROUP	
	Depreciation rates 31.12.2022	Depreciation rates 31.12.2021	Depreciation rates 31.12.2022	Depreciation rates 31.12.2021
Property, Plant and Equipment, and Intangible Assets				
Buildings	5 - 10%	5 - 10%	5 - 10%	5 - 10%
Machinery	25%	25%	25%	25%
Tools, Furniture, Office and Laboratory Equipment, Measuring and Control Instruments	25 - 50%	25 - 50%	25 - 50%	25 - 50%
Transport Vehicles	20 - 25%	20 - 25%	20 - 25%	20 - 25%
IT Equipment	50%	50%	50%	50%
Projects	50%	50%	50%	50%
Software	50%	50%	50%	50%
IFRS 16	najam prostora – stopa amortizacije povezana je s ugovorenim trajanjem najma			

In 2021 and 2022, the depreciation rates at Group level were aligned with the Company's depreciation rates in accordance with IFRS standards.

3.11. Investment property

Investment property is property held to earn rental income or for capital appreciation. Investment properties are measured at cost, which includes transaction costs. After initial recognition, investment properties are carried at cost less accumulated depreciation and impairment losses.

Any share of the Company in property that is leased out under an operating lease to earn rental income is accounted for as investment property.

An investment property is derecognised upon disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising from derecognition of the property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss in the period in which the property is derecognised.

3.12. Impairment of Property, Plant and Equipment and Intangible Assets

At each reporting date, the Company and the Group assess the carrying amounts of their property, plant and equipment and intangible assets to determine whether there is any indication that those assets may be impaired. If such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company and the Group 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, the assets of the Company and the Group are also allocated to individual cash-generating units, or if this is not possible, to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be determined.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13. Inventories

Inventories of merchandise are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The Group applies the FIFO (first-in, first-out) method for determining the cost of inventories. Merchandise inventories are carried at selling price less applicable taxes and profit margin.

Where necessary, the Group performs write-downs of inventories that are damaged or have passed their expiry date. Any write-down of inventories to net realisable value and all inventory shortages are recognised as an expense in the period the write-down or shortage occurs. Any reversal of a previous write-down resulting from an increase in net realisable value is recognised as a reduction of the inventory expense in the period in which the reversal occurs.

3.14. Trade Receivables and Prepayments

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Expected credit losses are assessed depending on the customer's sector or the borrower's activity, based on historical data, current and expected liquidity conditions, as well as specific assessments for individual customers depending on current market conditions and the customer's inability to pay. There were no changes in the estimation techniques or significant assumptions during the current reporting period. Impairment losses on receivables are recognised in the income statement under 'other operating expenses. Loans and receivables with maturities greater than 12 months after the reporting date are classified as non-current assets.

3.15. Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, current account balances held with banks, and deposits and marketable securities redeemable on demand or with an original maturity of three months or less.

3. 16. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the best current estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, discounted using a risk-free interest rate. When discounting is used, the unwinding of the discount is recognised as a finance cost in the income statement, and the carrying amount of the provision is increased annually to reflect the passage of time. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the estimated cash flows required to settle the present obligation, the carrying amount of the provision is the present value of those cash flows..

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17. Termination Benefits, Jubilee Awards, and Other Employee Benefits

(a) Pension Liabilities and Other Post-Employment Obligations
During the course of its ordinary business activities, the Company makes regular contributions on behalf of its employees, who are members of mandatory pension funds, in accordance with statutory requirements. Mandatory pension contributions to the funds are recognised as part of employee benefit expense when incurred. The Company does not operate any additional (voluntary or defined benefit) pension schemes and therefore has no further obligations in respect of employee pensions. Furthermore, the Company has no obligation to provide any other post-employment benefits to employees upon retirement.

(b) Termination Benefits
Termination benefits are recognised when the Company is demonstrably committed to terminating the employment of an employee before the normal retirement date.

(c) Statutory retirement benefits
Severance payments due upon retirement that are payable more than 12 months after the reporting date are discounted to their present value.

(d) Long-term Employee Benefits
For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, based on actuarial valuations performed at each reporting date. Actuarial gains and losses are recognised in the period in which they arise.

3.18. Financial assets

As of 1 January 2018, the Company classifies its financial assets in the category measured at amortised cost using the effective interest method, under a business model whose objective is to hold financial assets in order to collect contractual cash flows, where those cash flows consist solely of payments of principal and interest on the principal amount outstanding, in accordance with IFRS 9. Financial assets classified under this model represent non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are presented as current assets, unless they mature more than 12 months after the reporting date, in which case they are classified as non-current assets. The Company derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when substantially all the risks and rewards of ownership of the financial asset have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to retain control of the transferred asset, it recognises its retained interest in the asset and an associated liability for any consideration received. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18. Financial assets (continued)

Upon derecognition, i.e. removal of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received (including any receivable for such consideration) and the cumulative gain or loss previously recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

(I) Amortised cost and the effective interest rate method
The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For a financial asset other than a purchased or originated credit-impaired financial asset (i.e. an asset that is credit-impaired at initial recognition), the effective interest rate is the rate that exactly discounts the estimated future cash receipts (including all fees and points paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the debt instrument or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, the credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the amount at maturity, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance. Interest income is recognised using the effective interest rate method for debt instruments subsequently measured at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

If, in subsequent reporting periods, the credit risk on a credit-impaired financial instrument improves so that the financial instrument is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. This calculation is not reverted to a gross basis, even if the credit risk of the financial asset subsequently improves such that it is no longer considered credit-impaired. Interest income is recognised in profit or loss and included in the line item "Finance income – interest income".

Impairment of Financial Assets
The Group recognises loss allowances for expected credit losses (ECLs) on trade receivables and debt instruments measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime ECLs for trade receivables using the simplified approach.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18. Financial assets (continued)

Impairment of financial assets (continued)

The Group currently does not adjust the loss rate for forward-looking macroeconomic conditions, as it has not yet conducted an analysis of the impact of macroeconomic variables on historical loss rates, including the time value of money where appropriate.

For loans granted, the Group recognises lifetime ECLs when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to the 12-month ECL.

Lifetime ECLs are the expected credit losses that result from all possible default events over the expected life of the financial instrument. 12-month ECLs are the portion of lifetime ECLs that represent the expected credit losses that result from default events that are possible within 12 months after the reporting date.

(I) Significant Increase in Credit Risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Specifically, the Group uses past due information in assessing a significant increase in credit risk. If a counterparty is more than 30 days past due, the Group presumes that a significant increase in credit risk has occurred.

Despite the foregoing, it is presumed that the credit risk on a financial instrument has not increased significantly since initial recognition if it is determined that the financial instrument has low credit risk at the reporting date. A financial instrument is considered to have low credit risk if:
- The financial instrument has a low risk of default,
- The borrower 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

However, the Company currently does not apply the low credit risk simplification when assessing significant increases in credit risk.

The Company regularly monitors the effectiveness of the criteria used to determine whether there has been a significant increase in credit risk and revises them to ensure that the criteria can identify a significant increase in credit risk before payments become overdue.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18. Financial assets (continued)

Impairment of financial assets (continued)

(II) Definition of Default
The following facts represent default for the purposes of internal credit risk management. The Company considers these as historical evidence indicating that financial assets meeting any of the following criteria are generally non-recoverable. These are internally developed data or external sources indicating that it is unlikely that the debtor will repay its creditors, including the Company, in full (without considering any collateral held by the Company).

(III) Credit-Impaired Financial Assets
A financial asset is credit-impaired when one or more events have occurred that have a detrimental impact on the estimated future cash flows of that financial asset. Evidence that a financial asset is credit-impaired includes observable data such as:
- Significant financial difficulty of the issuer or borrower;
- Occurrence of default status (as defined above);
- Concession granted to the borrower due to the borrower's financial difficulties that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- Disappearance of an active market for that financial asset due to financial difficulties.

(IV) Write-off Policy
The Company writes off financial assets when there is evidence that the debtor is in severe financial distress and there is no realistic prospect of recovery, for example, when the debtor has been placed into liquidation or bankruptcy proceedings. Written-off financial assets may still be subject to enforcement activities within the Company's recovery procedures, taking into account legal advice where appropriate. Recoveries are recognized in profit or loss.

(V) Measurement and Recognition of Expected Credit Losses (ECL)
The measurement of expected credit losses is a function of the loss rate calculated in accordance with the applicable model. Regarding exposure at the time of default, for financial assets, this represents the gross carrying amount of the asset at the reporting date. For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows due under the contract and all expected cash flows, discounted at the original effective interest rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18. Financial assets (continued)

Impairment of financial assets (continued)

If the Company has previously measured the allowance for expected credit losses (ECL) for a financial instrument at the lifetime ECL amount in the prior reporting period, but at the current reporting date determines that the criteria for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to the 12-month ECL at the current reporting date, except for assets for which the simplified approach is applied (trade receivables).

The Company recognizes impairment gains or losses in profit or loss for all financial instruments by adjusting the carrying amount through the allowance for losses account.

3.19.Leases (IFRS 16)

(I) Group's Lease Activities and Accounting Policy
The Group leases various offices, equipment, and vehicles. Lease agreements are usually entered into for fixed terms ranging from 12 months to 5 years but may include extension options. Lease contracts may contain lease components and non-lease components. The Group has elected not to separate these components but to account for the contract as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms.

Lease contracts do not impose any covenants other than security deposits on the leased assets. The leased assets cannot be used as collateral for borrowings.

Assets and liabilities arising from leases are initially measured at present value. Lease liabilities include the net present value of the following lease payments:
- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- Amounts expected to be payable under residual value guarantees
- The exercise price of a purchase option if it is reasonably certain that the Group will exercise the option
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease early

Lease payments under reasonably certain extension options are also included in the measurement of the lease liability. Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, the Group uses its incremental borrowing rate – the rate that the lessee would have to pay to borrow funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and security.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19. Leases (IFRS 16) (continued)

(I) Group's Lease Activities and Accounting Policy (continued)
Lease Payments are allocated between principal and interest. The interest expense is charged to profit or loss over the lease term so as to produce a constant periodic interest rate on the remaining balance of the lease liability for each period.

The right-of-use asset is measured at cost, which comprises:
- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs incurred
- Restoration costs

The right-of-use asset is generally amortized on a straight-line basis over the shorter of the useful life of the asset or the lease term. If it is reasonably certain that the Group will exercise a purchase option, the asset is amortized over the useful life of the asset.

Payments associated with short-term leases of equipment and vehicles, and all leases of low-value assets and software licenses, are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a term of 12 months or less. Low-value assets relate to IT equipment and minor office furniture items.

(II) Variable Lease Payments
The Group may be exposed to variable lease payments linked to an index or rate, which are not included in the lease liability until they take effect. When adjustments based on an index or rate take effect, the lease liabilities are remeasured and the carrying amount of the right-of-use asset is adjusted accordingly. Variable lease payments that depend on sales performance, if agreed upon, are recognized in profit or loss under 'Other operating expenses.

(III) Extension and Termination Options
Extension and termination options are included in many of the Group's property and equipment leases. These options are used to maximize operational flexibility in managing assets used in the Group's operations.

Lease income where the Group is the lessor is recognized on a straight-line basis over the lease term in profit or loss. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as lease income. The leased assets are included in the Group's statement of the financial position according to their nature.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20. Contingent Assets and Liabilities
Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognized in the financial statements. They are disclosed only if the outflow of resources embodying economic benefits is possible.

3.21.Events after the Reporting Date
Events after the reporting date that provide additional evidence of conditions existing at the reporting date (adjusting events) are reflected in the financial statements. Events that do not result in adjustments are disclosed in the notes to the financial statements if material.

3.22. Financial Liabilities
Financial liabilities recognized by the Group include payables to suppliers and borrowings.
The Group measures all financial liabilities at amortized cost.

(a) Trade Payables
Trade payables are obligations to pay suppliers for goods or services received in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or within the normal operating cycle if longer. Otherwise, they are classified as non-current liabilities. Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

(b) Borrowings
Borrowings are initially recognized at fair value, net of transaction costs. In subsequent periods, borrowings are carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the term of the borrowings using the effective interest rate method.
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.
The Group derecognizes financial liabilities only when the obligations are discharged, cancelled, or expire. The difference between the carrying amount of the derecognized financial liability and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Group's accounting policies described in Note 3, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Estimates and related assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates. Estimates and underlying assumptions are continuously reviewed. Changes in accounting estimates are recognized in the period of the review if the change affects only that period or in the period of the review and future periods if the change affects both current and future periods. Estimates have been used, but are not limited to, the useful lives and residual values of property, plant and equipment and intangible assets, impairment of receivables, and actuarial assumptions. The following is a description of the key judgments made by management in the application of the Group's accounting policies that have the most significant effect on the amounts recognized in the financial statements.

Useful Lives of Property, Plant and Equipment and Intangible Assets
As described in Note 3.9, the Group reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period. Property, plant and equipment and intangible assets are stated at cost less accumulated impairment.

Availability of Taxable Profit against which Deferred Tax Assets can be Recognized
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant judgment is required in determining the amount of deferred tax assets that can be recognized, based on the probable timing and level of future taxable profits together with future tax planning strategies.

Impairment of Trade Receivables
Management determines the impairment of trade receivables based on an assessment of the aging of receivables and analysis of individually significant balances. Impairment losses on receivables are recognized in the statement of comprehensive income for the current year.

Impairment of Inventories
Management assesses impairment of inventories based on an analysis of the overall aging of inventory and predefined write-down criteria, which depend on the last purchase date, last sales date, and type of inventory (tires or auto parts). Inventory write-downs are recognized as expenses in the period based on estimates of obsolescence, damage, or slow-moving inventory, when the net realizable value is lower than the cost.

Provisions for Legal Claims - The Group and the Company
Management uses estimates of the probable outcomes of legal proceedings and consistently recognizes provisions for obligations arising from such proceedings. Provisions are recognized at the best estimate of the expected outflow of economic benefits as a result of the legal case, generally comprising the claim amount increased by estimated related legal costs and interest (if applicable), where management, based on consultations with legal advisors, assesses that the probability of an unfavourable outcome exceeds the probability of a favourable outcome. Provisions are not recognized for legal claims, related expected legal costs, or interest (if applicable) where management estimates the probability of an unfavourable outcome as less likely than a favourable outcome.

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

Provisions for Legal Claims (continued)

Where there are indications of a possible settlement in relation to a particular legal case, a provision is recognized for the expected settlement amount, net of any existing provisions related to that case, based on the best estimate of management made in consultation with its legal advisors.

Impairment Testing of Goodwill

The Company performs an annual impairment test to assess whether the recoverable amount of goodwill indicates a potential impairment of its carrying amount. For the purposes of testing, the income approach—specifically the discounted cash flow (DCF) method—is used. The calculation of the recoverable amount of goodwill is based on ten-year business plans of the acquired entity, developed with consideration of the corporate sales and marketing strategy, trends in the relevant market (such as expected movements in gross domestic product, market share of relevant products and categories), and competitor analysis. The methodology consists of estimating future cash flows for a ten-year period and calculating the terminal value of the company. These are then discounted using a discount rate that reflects the weighted average cost of capital (WACC), which includes both equity and debt financing.

Separate and Consolidated Statement of
Comprehensive Income for the Year Ended 31 December 2022
(All amounts are expressed in HRK)
TOKIĆ GRUPA

5. REVENUE FROM SALES

	COMPANY		GROUP	
	2022	**2021**	**2022**	**2021**
Revenue from Domestic Sales	656.166.665	598.806.942	1.102.789.414	995.489.431
Revenue from Foreign Sales	192.198.332	145.634.251	212.793.649	183.994.297
	848.364.997	**744.441.193**	**1.315.583.063**	**1.179.483.729**

Revenue Segmentation by Sales:

	COMPANY		GROUP	
	2022	**2021**	**2022**	**2021**
Wholesale	374.973.724	356.042.493	819.927.883	748.649.330
Retail	274.372.299	231.674.631	274.372.299	231.660.933
Export	192.198.332	145.634.251	212.793.649	183.994.297
Services	6.820.642	11.089.818	8.489.232	15.179.169
	848.364.997	**744.441.193**	**1.315.583.063**	**1.179.483.729**

Revenues from services mostly relate to revenues from ACC service operations, which amounted to HRK 3,519,493 in 2022 and HRK 7,686,265 in 2021, as well as to revenue from royalty fees, which amounted to HRK 918,745 in 2022 and HRK 1,235,592 in 2021.

6. OTHER INCOME

	COMPANY		GROUP	
	2022	**2021**	**2022**	**2021**
Revenue from re-invoiced costs	7.554.641	6.250.301	7.193.030	6.001.668
Rental income	2.042.118	1.545.545	2.039.718	1.547.258
Income from rental of company vehicles	651.023	569.435	651.023	569.435
Gain on disposal of property, plant and equipment	178.430	410.802	178.430	410.802
Compensation and insurance proceeds	956.812	152.323	956.812	152.323
Subsequently recognised income	323.411	-	323.411	-
Other operating income	3.588.560	5.687.243	4.845.311	6.023.164
	15.294.995	**14.615.649**	**16.187.735**	**14.704.649**

Subsequently recognized income pertains to the 2022 financial period and relates to an agreement with the lessee, which established an adjustment of lease expenses and a charge for work performed on the leased premises.

(All amounts are expressed in HRK)

6. OTHER INCOME (CONTINUED)

Revenue from re-invoiced costs of the Company mostly relate to marketing services provided to business partners, which amounted to HRK 6,255,437 in 2022, compared to HRK 5,728,316 in 2021.

Other operating income of the Company in 2022 relates to: government grants for electricity costs in the amount of HRK 1,181,057 (HRK 0 in 2021); income from recovered receivables previously impaired in earlier periods amounting to HRK 1,086,001 (HRK 421,565 in 2021); inventory surpluses of HRK 553,539 (HRK 522,866 in 2021); income from the reversal of deferred income of HRK 301,189 (HRK 881,405 in 2021); and other items.

7. COST OF RAW MATERIALS AND SUPPLIES

	COMPANY		GROUP	
	2022	**2021**	**2022**	**2021**
Cost of fuel	7.912.317	5.128.217	10.258.269	6.463.677
Cost of materials	4.470.949	3.965.470	6.378.417	6.437.436
Cost of electricity	3.438.511	1.434.757	4.640.761	2.067.547
Other costs of raw materials and supplies	888.873	413.204	888.873	413.204
	16.710.649	**10.941.648**	**22.166.319**	**15.381.864**

8. COST OF GOODS SOLD

	COMPANY		GROUP	
	2022	**2021**	**2022**	**2021**
Cost of purchased merchandise	630.667.886	552.356.642	990.326.414	898.290.591
Supplier allowances received	(53.683.937)	(48.885.593)	(70.243.459)	(61.071.347)
	576.983.949	**503.471.049**	**920.082.955**	**837.219.244**

9. COST OF SERVICES

	COMPANY		GROUP	
	2022	**2021**	**2022**	**2021**
Distribution costs	10.949.878	9.390.852	23.043.891	19.841.815
Maintenance service costs	8.420.958	6.165.220	9.762.730	7.192.179
Advertising and promotion expenses	3.804.521	3.945.117	3.105.377	4.039.192
Consulting and legal service costs	2.632.513	3.856.292	3.190.090	4.511.284
Rental expenses	3.536.381	3.087.069	4.058.309	3.458.789
Utility expenses	2.183.666	1.932.296	2.486.654	2.167.482
Telecommunication expenses	1.271.162	1.058.959	2.146.135	2.015.541
Entertainment expenses	1.540.192	872.257	1.970.358	1.347.737
Freight forwarding services for export	57.945	66.870	57.945	92.833
Transportation costs	146.740	58.045	148.322	58.141
Other service costs	5.777.170	10.268.991	24.243.383	28.877.788
	40.321.127	**40.701.967**	**74.213.193**	**73.602.781**

The increase in distribution costs is a result of higher fuel prices as well as an increase in the volume of goods transported compared to the previous period (due to intensified distribution of goods to Bartog in line with the continued growth of central procurement, as well as to other export markets).

The increase in maintenance service costs primarily relates to IT services for system upgrades, implementation of new software to improve business operations, enhance security, etc., and to routine maintenance services, which largely included the costs of repairing earthquake damage to the LDC.

Other service costs relate to subcontractor services – ACC service expenses in the amount of HRK 3,149,638 (HRK 6,843,664 in 2021), student service expenses in the amount of HRK 1,223,082 (HRK 2,149,974 in 2021), and other external services amounting to HRK 1,404,450 (HRK 1,275,353 in 2021).

At the consolidated level, other service costs have been increased by the costs of subsidiaries, specifically: management partner services in Bartog in the amount of HRK 13,955,174 (HRK 13,313,435 in 2021), re-invoiced service costs in the amount of HRK 1,257,047 (HRK 1,198,049 in 2021), student service costs of HRK 828,816 (HRK 868,469 in 2021), external associates' costs in the amount of HRK 502,787 (HRK 1,167,051 in 2021), and other service costs in the amount of HRK 2,291,463 (HRK 2,030,999 in 2021).

(All amounts are expressed in HRK)

10. EMPLOYEE BENEFITS EXPENSE

	COMPANY		GROUP	
	2022	2021	2022	2021
Net salaries and wages	80.575.023	68.772.482	113.247.537	93.368.528
Contributions on salaries	24.748.626	20.599.632	32.677.629	26.605.794
Payroll taxes and contributions	22.318.183	19.061.889	39.579.526	32.249.027
Other employee-related expenses	13.146.008	9.262.097	20.166.515	16.818.677
	140.787.840	**117.696.100**	**205.671.208**	**169.042.026**

The increase in the Company's employee expenses in 2022 is a result of the growth in the number of employees, with the headcount rising by 87—from 746 in 2021 to 833 in 2022. As at 31 December 2022, the Group had a total of 1,101 employees, which represents an increase of 112 compared to the same date in the previous year.

The increase in the number of employees resulted from the recruitment of new staff to support the expansion and development of operations in line with the Company's business strategy.

On an annual basis, personnel costs at Bartog increased due to salary adjustments for existing employees and the hiring of new staff.

11. DEPRECIATION

	COMPANY		GROUP	
	2022	2021	2022	2021
Depreciation of property, plant and equipment (note 19)	19.553.174	15.963.617	24.185.866	20.205.582
Amortization of intangible assets (note 17)	9.390.298	6.608.244	21.357.006	17.170.183
Depreciation of investment property (note 20)	887.763	878.505	887.763	878.505
	29.831.235	**23.450.366**	**46.430.635**	**38.254.270**

11. DEPRECIATION (CONTINUED)

The Group's depreciation expense is calculated in accordance with the accounting policies of Tokić d.o.o. and complies with International Financial Reporting Standards. The effect of harmonizing the rates is presented below:

	Depreciation expense of Bartog prior to rate harmonization	Effect of changes according to the accounting policies of Tokić d.o.o.	Depreciation expense of Bartog after rate harmonization
Depreciation of property, plant and equipment	4.011.780	671.121	4.682.900
Amortization of intangible assets	10.825.705	153.494	10.979.199
	14.837.485	**824.614**	**15.662.099**

12. OTHER OPERATING EXPENSES

	COMPANY		GROUP	
	2022	2021	2022	2021
Costs of damages, shortages, and losses	3.360.481	3.956.189	3.637.962	4.346.164
Software license expenses	3.739.061	3.444.459	4.811.625	4.293.900
Promotion and advertising expenses	2.395.983	3.175.473	2.395.983	3.175.473
Bank charges and payment transaction costs	2.627.394	2.486.030	3.989.916	3.627.400
Waste management fees	1.573.696	1.460.129	4.613.728	4.273.001
Insurance premium expenses	1.120.620	1.000.191	1.778.332	1.235.351
Professional training expenses	779.569	971.883	883.606	1.037.475
Sponsorship expenses for sports and culture	561.740	815.122	590.301	924.728
Impairment of receivables and inventories	1.364.787	713.007	2.180.854	1.243.302
Non-deductible contributions, membership fees, and taxes	530.489	537.031	846.357	728.980
Contributions for forest maintenance	207.913	182.641	207.913	182.641
Costs related to non-employment of persons with disabilities	79.688	104.400	79.688	104.400
Other intangible expenses	45.130	43.131	45.130	43.131
Compensation claims	-	21.227	-	21.227
Other expenses	1.938.725	2.950.253	2.779.903	3.459.296
	20.325.276	**21.861.166**	**28.841.298**	**28.696.468**

(All amounts are expressed in HRK)

12. OTHER OPERATING EXPENSES (CONTINUED)

Other expenses of the Company in 2022 relate to re-invoiced costs in the amount of HRK 963,936 and other operating expenses totaling HRK 974,789.

Impairment losses on receivables at the level of the Company and the Group relate to trade receivables for which an increased credit risk was assessed, as well as to inventory impairment.

Impairment of receivables in 2022 amounted to HRK 1,065,011 at the Company level (HRK 713,007 in 2021), and HRK 1,614,136 at the Group level (HRK 1,137,693 in 2021).

Inventory impairment in 2022 amounted to HRK 299,776 at the Company level (HRK 0 in 2021), and HRK 566,719 at the Group level (HRK 105,609 in 2021).

13. PROVISIONS FOR RISKS AND CHARGES

	COMPANY		GROUP	
	2022	**2021**	**2022**	**2021**
Provisions for unused annual leave, net (note 30)	11.933	40.214	166.372	186.818
Provisions for jubilee awards and severance payments, net	-	-	225.071	136.129
Provisions for legal disputes, net	276.316	6.858	276.316	6.858
	288.249	**47.071**	**667.759**	**329.805**

Provisions for legal disputes in which the Company is the defendant relate to cases where the likelihood of losing the lawsuit is assessed to be above 50%.

14. FINANCE INCOME

	COMPANY		GROUP	
	2022	**2021**	**2022**	**2021**
Positive foreign exchange differences	2.592.526	1.796.973	2.671.534	1.911.528
Interest income	50.500	149.905	68.236	150.725
	2.643.026	**1.946.878**	**2.739.770**	**2.062.253**

15. FINANCE COSTS

	COMPANY		GROUP	
	2022	**2021**	**2022**	**2021**
Negative foreign exchange differences	2.686.695	1.804.184	3.343.980	2.143.444
Interest expenses	3.043.013	2.472.675	5.624.778	4.301.782
	5.729.707	**4.276.859**	**8.968.758**	**6.445.226**

Interest expenses at the Group level relate to interest on loans, lease agreements, and leases, as well as default interest arising from court rulings.

(All amounts are expressed in HRK)

16. INCOME TAX EXPENSE

	COMPANY		GROUP	
	2022	2021	2022	2021
Current tax	6.696.515	7.121.651	6.051.728	6.289.563
Deferred tax	95.669	228.881	285.787	368.032
	6.792.184	**7.350.532**	**6.337.515**	**6.657.595**

The reconciliation between accounting profit and taxable income is presented as follows:

	COMPANY		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Accounting profit before tax	**35.324.985**	**38.557.493**	**31.680.953**	**27.278.946**
Expense at 18% tax rate	5.811.965	6.811.156	5.119.335	6.041.214
Effect of non-deductible expenses	706.953	710.377	933.317	870.324
Effect of non-taxable income	273.266	(171.001)	284.863	(253.943)
Tax liability	**6.792.184**	**7.350.532**	**6.337.515**	**6.657.595**

	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Accounting profit before tax	35.324.985	38.557.493	31.680.953	27.278.946
Effect of taxable increases	2.225.837	1.555.472	2.416.603	1.664.930
Effect of taxable decreases	(347.961)	(548.237)	(286.924)	(984.774)
Tax base	**37.202.861**	**39.564.728**	**33.810.632**	**27.959.102**
Tax liability at 18% rate	6.696.515	7.121.651	6.051.728	6.289.564
Deferred taxes	95.669	228.881	285.787	368.031
Income tax expense	**6.792.184**	**7.350.532**	**6.337.515**	**6.657.595**

The applicable corporate income tax rate in the Republic of Croatia for 2022 and 2021 was 18%, while in Slovenia it was 19%. The effective interest rate for the Company in 2022 was 18.96% (2021: 18.47%), while for the Group it was 19.10% (2021: 18.23%).

The Group's income tax expense is lower than that of the Company due to the fact that the subsidiary Bartog d.o.o. recorded a tax loss in 2022.

Deferred taxes arise from the recognition of deferred tax assets based on temporary differences for tax non-deductible expenses, including inventory write-downs, impairment of receivables, and interest-related provisions for legal disputes. Additionally, deferred tax liabilities were derecognized in the reporting period due to the reversal of temporary differences related to revalued asset and inventory balances originating from mergers in prior tax periods.

The Company and the Group are subject to tax audits. As of the date of preparation of these financial statements, management is not aware of any facts or circumstances that could result in additional tax liabilities.

17. INTANGIBLE ASSETS

COMPANY	Software	Customer Base	Nematerijalna imovina u pripremi	Ukupno
Nabavna vrijednost				
Balance as of 31 December 2020	**7.926.516**	**1.888.404**	**345.400**	**10.160.320**
Additions	877.014	146.473	477.408	1.500.895
Transfers from assets under development	400.800	-	(603.715)	(202.915)
Disposals	-	-	-	-
Balance as of 31 December 2021	**9.204.330**	**2.034.877**	**219.093**	**11.458.300**
Additions	368.467	-	1.107.530	1.475.997
Transfers from assets under development	-	-	(1.232.827)	(1.232.827)
Disposals	-	-	-	-
Balance as of 31 December 2022	**9.572.796**	**2.034.877**	**93.796**	**11.701.470**
Accumulated Impairment				
Balance as of 31 December 2020	**(5.051.864)**	**(708.152)**	**-**	**(5.760.016)**
Depreciation for the year (note 11)	(1.792.908)	(477.212)	-	(2.270.120)
Disposals	-	-	-	-
Balance as of 31 December 2021	**(6.844.772)**	**(1.185.363)**	**-**	**(8.030.136)**
Depreciation for the year (note 11)	(2.088.338)	(486.748)	-	(2.575.086)
Disposals	-	-	-	-
Balance as of 31 December 2022	**(8.933.110)**	**(1.672.112)**	**-**	**(10.605.222)**
Net Carrying Amount				
As of 31 December 2021	**2.359.558**	**849.513**	**219.093**	**3.428.164**
As of 31 December 2022	**639.687**	**362.765**	**93.796**	**1.096.248**

17. INTANGIBLE ASSETS (CONTINUED)

GROUP	Software	Customer Base	Intangible assets under development	Total
Cost				
Balance as of 31 December 2020	**11.874.200**	**12.825.996**	**345.400**	**25.045.595**
Additions	923.620	200.032	477.408	1.601.060
Transfers from assets under development	400.800	-	(603.715)	(202.915)
Transfers of balances / Derecognition	(10.078)	(28.624)	-	(38.701)
Disposals	(297.860)	-	-	(297.860)
Balance as of 31 December 2021	**12.890.683**	**12.997.404**	**219.093**	**26.107.180**
Additions	781.910	-	1.107.530	1.889.440
Transfers from assets under development	-	-	(1.232.827)	(1.232.827)
Transfers of balances / Derecognition	8.273	25.144	-	33.417
Disposals	-	-	-	-
Balance as of 31 December 2022	**13.680.865**	**13.022.548**	**93.795**	**26.797.210**
Accumulated Impairment				
Balance as of 31 December 2020	**(6.798.474)**	**(1.163.886)**	**-**	**(7.962.360)**
Amortization for the year (note 11)	(2.370.693)	(1.568.109)	-	(3.938.801)
Acquisition of subsidiary	6.048	(3.571)	-	2.477
Impairment adjustment on transfers	297.860	-	-	297.860
Balance as of 31 December 2021	**(8.865.259)**	**(2.735.565)**	**-**	**(11.600.825)**
Amortization for the year (note 11)	(2.594.966)	(1.586.196)	-	(4.181.162)
Disposals	(4.716)	-	-	(4.716)
Impairment adjustment on transfers	-	-	-	-
Balance as of 31 December 2022	**(11.464.941)**	**(4.321.762)**	**-**	**(15.786.703)**
Net Carrying Amount				
As of 31 December 2021	**4.025.423**	**10.261.840**	**219.093**	**14.506.355**
As of 31 December 2022	**2.215.924**	**8.700.786**	**93.796**	**11.010.507**

18. GOODWILL

	COMPANY	GROUP
Balance as of 31 December 2021	**1.276.399**	**45.047.341**
Additions	-	-
Foreign exchange differences	-	100.789
Write-offs	-	-
Balance as of 31 December 2022	**1.276.399**	**45.148.130**
Impairment		
Balance as of 31 December 2021	-	-
Amortization for the year (note 11)	-	-
Disposals	-	-
Balance as of 31 December 2022	-	-
Net Carrying Amount		
As of 31 December 2021	**1.276.399**	**45.047.341**
As of 31 December 2022	**1.276.399**	**45.148.130**

Goodwill as of 31 December 2022 amounting to HRK 1,276,399 relates to the acquisitions of AC Marinići d.o.o. in 2019 (HRK 232,297), Prpić commerce d.o.o. (HRK 5,855), and Donit-gospodarski program d.o.o. (HRK 1,038,247) during 2021. At the Group level, goodwill as of 31 December 2022 relates to the acquisition of Bartog d.o.o. Slovenia in 2020 (HRK 43,829,761) and 100% ownership in Bartog Adria d.o.o. (HRK 41,970) during 2021.

The goodwill value is stated in euros as a fixed amount of EUR 5,817,209 for Bartog and HRK 41,970 for Bartog Adria; therefore, the report only presents the effect of exchange rate differences in the goodwill reporting for Bartog across the two different years. The higher acquisition amount compared to the Company during 2021 relates to goodwill arising from the acquisition of 100% ownership in Bartog Adria d.o.o. (HRK 41,970). Details of goodwill are provided in Note 3.4.

(All amounts are expressed in HRK)

18. GOODWILL (CONTINUED)

The Group conducted an impairment test for goodwill arising from the acquisition of ownership in Bartog d.o.o. The impairment test was performed at the level of the company (Bartog d.o.o.) as the cash-generating unit. For testing purposes, the income approach was used, specifically the discounted cash flow method.

The calculation methodology includes the estimation of future cash flows over a five-year period and the calculation of the terminal value of the company, assuming that free cash flows after the fifth year grow at a rate of 2% per annum, corresponding to the average GDP growth rate in Slovenia over the past 10 years. The cash flow estimates consider current market conditions, expected market trends, the corporate and marketing activity plans, and the anticipated synergy effects of the Group. Cash flows were discounted using a discount rate representing the weighted average cost of capital (WACC) of 9,62%.

No impairment of goodwill was identified.

19. PROPERTY, PLANT AND EQUIPMENT

COMPANY	Land	Buildings	Plant and Equipment	Investment in leased property	Rights-of-use assets	Assets under construction	Total
Cost							
Balance as of 31 December 2020	**69.952.107**	**149.243.258**	**61.216.759**	**219.639**	**15.623.925**	**7.516.028**	**303.771.716**
Additions	705.225	-	8.502.725	-	16.021.603	22.182.480	**47.412.033**
Transfers from assets under construction	664.900	9.870.836	6.421.719	202.915	-	(16.957.455)	**202.915**
Sales or disposals	-	-	(4.416.021)	-	(6.394.729)	-	**(10.810.750)**
Balance as of 31 December 2021	**71.322.231**	**159.114.093**	**71.725.182**	**422.554**	**25.250.799**	**12.741.053**	**340.575.914**
Additions	-	306.153	8.189.490	-	16.692.123	13.740.129	**38.927.895**
Transfers from assets under construction	1.453.300	3.868.964	9.023.147	1.232.827		-	**15.578.238**
Sales or disposals	(65.055)	-	(4.561.548)	-	(4.808.025)	(14.475.229)	**(23.909.857)**
Balance as of 31 December 2022	**72.710.476**	**163.289.210**	**84.376.271**	**1.655.381**	**37.134.897**	**12.005.953**	**371.172.190**
Impairment							
Balance as of 31 December 2020	**-**	**(51.508.847)**	**(48.005.596)**	**(59.486)**	**(4.120.179)**	**-**	**(103.694.108)**
Depreciation for the year (note 11)	-	(6.938.168)	(9.781.268)	(63.365)	(4.275.852)	-	**(21.058.653)**
Sales	-	-	3.884.013	-	1.494.880	-	**5.378.893**
Balance as of 31 December 2021	**-**	**(58.447.015)**	**(53.902.851)**	**(122.851)**	**(6.901.152)**	**-**	**(119.373.869)**
Depreciation for the year (note 11)	-	(7.446.191)	(12.106.983)	(196.765)	(6.618.447)	-	**(26.368.386)**
Sales or disposals	-	-	4.525.401		-	-	**4.525.401**
Foreign exchange differences	-	-	-		1.358.593		**1.358.593**
Balance as of 31 December 2022	**-**	**(65.893.206)**	**(61.484.433)**	**(319.616)**	**(12.161.005)**	**-**	**(139.858.260)**
Net Carrying Amount							
As of 31 December 2021	**71.322.232**	**100.667.079**	**17.822.331**	**299.703**	**18.349.648**	**12.741.053**	**221.202.046**
As of 31 December 2022	**72.710.476**	**97.396.005**	**22.891.838**	**1.335.765**	**24.973.892**	**12.005.953**	**231.313.930**

(All amounts are expressed in HRK)

19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP	Land	Buildings	Plant and Equipment	Investment in leased property	Rights-of-use assets	Assets under construction	Total
Cost							
Balance as of 31 December 2020	**69.952.107**	**149.243.258**	**72.106.734**	**3.520.516**	**97.782.195**	**10.367.716**	**402.972.526**
Additions	705.225	-	11.106.460	175.482	16.021.603	22.274.190	**50.282.959**
Transfers from assets under construction	664.900	9.870.836	6.421.719	202.915	-	(16.957.455)	**202.915**
Foreign exchange differences	-	-	(28.499)	(8.638)	(215.008)	(7.463)	**(259.608)**
Sales or disposals	-	-	(7.393.232)	(130.260)	(6.394.729)	-	**(13.918.221)**
Balance as of 31 December 2021	**71.322.232**	**159.114.093**	**82.213.182**	**3.760.014**	**107.194.062**	**15.676.988**	**439.280.572**
Additions	247.810	3.253.419	15.142.676	1.867.717	27.863.760	14.067.848	**62.443.239**
Transfers from assets under construction	1.453.300	3.868.964	12.218.223	1.232.827	-	(3.195.076)	**15.578.238**
Foreign exchange differences	-	-	24.198	7.724	188.867	6.767	**227.556**
Sales or disposals	(65.055)	-	(13.496.615)	(945.111)	(4.882.353)	(14.475.229)	**(33.864.362)**
Balance as of 31 December 2022	**72.958.287**	**166.236.476**	**96.101.672**	**5.923.171**	**130.364.337**	**12.081.298**	**483.665.242**
Impairment							
Balance as of 31 December 2020	**-**	**(51.508.847)**	**(47.849.610)**	**(211.784)**	**(21.371.785)**	**-**	**(120.942.025)**
Depreciation for the year (note 11)	-	(6.938.168)	(10.837.086)	(164.269)	(5.116.414)	-	**(23.055.937)**
Foreign exchange differences	-	-	-	278	45.147	-	**45.425**
Sales	-	-	3.884.013	-	1.494.880	-	**5.378.893**
Balance as of 31 December 2021	**-**	**(58.447.015)**	**(54.802.682)**	**(375.776)**	**(24.948.172)**	**-**	**(138.573.644)**
Depreciation for the year (note 11)	-	(7.569.620)	(12.717.705)	(445.958)	(16.971.060)	-	**(37.704.343)**
Sales or disposals	-	-			1.317.093	-	**1.317.093**
Foreign exchange differences	-	-	4.525.409	(284)	208.035	-	**4.733.152**
Balance as of 31 December 2022	**-**	**(66.016.635)**	**(62.994.986)**	**(822.018)**	**(40.394.104)**	**-**	**(170.227.743)**
Net Carrying Amount							
As of 31 December 2021	**71.322.232**	**100.667.079**	**27.410.500**	**3.384.239**	**82.245.890**	**15.676.988**	**300.706.928**
As of 31 December 2022	**72.958.287**	**100.219.842**	**33.106.686**	**5.101.153**	**89.970.233**	**12.081.298**	**313.437.499**

The most significant changes in intangible assets relate to new lease agreements and extensions of existing leases, which, in accordance with IFRS 16, are classified as right-of-use assets within property, plant and equipment. During 2022, the Company entered into new lease agreements for the following locations: Sesvete (offices and warehouse), Šibenik, Županja, Đakovo, Vinkovci, Vukovar, and Valpovo. At the Group level, there was also an increase due to the related company Bartog d.o.o. entering into a new lease agreement for the Kamnik location.

As at 31 December 2022, the Company's land and buildings with a carrying amount of HRK 38,500,972 were pledged as collateral for loans with commercial banks (HRK 26,366,462 as at 31 December 2021).

At the Group level, the value is the same, as the related company Bartog d.o.o. does not own any real estate pledged in favor of banks.

20. INVESTMENT PROPERTY

COMPANY AND GROUP	Land	Buildings	Total
Cost			
As of 31 December 2020	**5.456.105**	**17.570.097**	**23.026.202**
Transfer from investment property (Note 17)	-	2.220.120	2.220.120
Disposals or write-offs	-	(2.220.120)	(2.220.120)
Transfer from property, plant and equipment	-	-	-
As of 31 December 2021	**5.456.105**	**17.570.097**	**23.026.202**
Additions	-	222.200	222.200
Disposals or write-offs	-	-	-
Transfer from property, plant and equipment	-	129.817	129.817
As of 31 December 2022	**5.456.105**	**17.922.114**	**23.378.219**
Accumulated impairment and depreciation			
As of 31 December 2020	**-**	**(4.788.344)**	**(4.788.344)**
Depreciation for the year (Note 11)	-	(878.505)	(878.505)
As of 31 December 2021	**-**	**(5.666.849)**	**(5.666.849)**
Depreciation for the year (Note 11)	-	(887.763)	(887.763)
As of 31 December 2022	**-**	**(6.554.612)**	**(6.554.612)**
Net Carrying Amount			
As of 31 December 2021	**5.456.105**	**11.903.249**	**17.359.353**
As of 31 December 2022	**5.456.105**	**11.367.502**	**16.823.607**

Investment property is a non-current asset item presented only in the Company's financial statements, with identical figures for Company and the Group.

As of 31 December 2022, investment properties of the Company with a carrying amount of HRK 6,589,521 were pledged as collateral for loans with commercial banks (HRK 6,634,079 as of 31 December 2021). At the Group level, the carrying amount remains the same, as the related Company Bartog d.o.o. does not hold any investment properties pledged to banks.

(All amounts are expressed in HRK)

21. OTHER FINANCIAL ASSETS

	COMPANY		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Other financial assets	103.194.417	102.957.330	72.319	72.319
	103.194.417	**102.957.330**	**72.319**	**72.319**

Other financial assets of the Company in 2022 relate to equity investments in Bartog (HRK 103,102,098), Bartog Adria (HRK 20,000), and a share in the share capital of ATR (HRK 72,319). Compared to the previous year, the value of the investment in Bartog increased due to foreign exchange differences in the amount of HRK 237,089.

22. NON-CURRENT RECEIVABLES

	COMPANY		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Non-current receivables	289.259	62.085	3.410.264	1.299.465
	289.259	**62.085**	**3.410.264**	**1.299.465**

The Company's long-term receivables relate to deposits paid for leased premises.

The increase in the Group's long-term receivables is due to a rise in receivables for delivered equipment, resulting from an increased number of business cooperation agreements concluded with customers by the related company Bartog d.o.o.

23. INVENTORIES

	COMPANY		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Merchandise	260.269.625	212.805.308	384.351.634	321.117.050
Advances paid	233.226	4.157.964	233.226	4.157.964
Raw materials and supplies	-	-	1.718	-
Allowance for impairment	(1.270.415)	(970.639)	(2.139.325)	(1.571.118)
	259.232.435	**215.992.632**	**382.447.253**	**323.703.895**

24. TRADE RECEIVABLES

	COMPANY		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Trade receivables from foreign customers	55.896.321	27.385.758	32.983.438	33.543.952
Trade receivables from domestic customers	67.808.699	79.920.387	117.918.067	118.573.896
Allowance for impairment of receivables	(1.739.199)	(2.322.411)	(2.599.132)	(2.882.400)
	121.965.822	**104.983.734**	**148.302.373**	**149.235.449**

The allowance for impairment of receivables is presented below:

	COMPANY		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Opening balance at the beginning of the year	(2.322.411)	(4.191.133)	(2.882.400)	(4.822.017)
Collected/written off	1.648.223	2.742.873	1.964.277	3.238.057
Fully impaired during the year	(1.065.011)	(874.151)	(1.681.009)	(1.298.440)
Total allowance for impairment – domestic customers	**(1.739.199)**	**(2.322.411)**	**(2.599.132)**	**(2.882.400)**

(All amounts are expressed in HRK)

24. TRADE RECEIVABLES (CONTINUED)

The ageing analysis of impaired trade receivables is presented below:

	COMPANY		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
0 - 60 days	692.121	1.086.001	693.736	1.065.332
61 - 365 days	278.152	551.456	394.404	825.789
Over 365 days	768.927	684.954	1.510.991	991.279
	1.739.199	**2.322.411**	**2.599.132**	**2.882.400**

The ageing analysis of all trade receivables is presented below:

	COMPANY		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Not yet due	76.663.724	80.534.824	108.166.964	111.653.877
0 - 60 days	34.226.052	23.345.715	39.293.547	35.875.725
60 - 120 days	5.557.874	1.781.473	1.152.364	2.084.785
120 - 180 days	5.945.071	478.079	326.056	564.159
180 - 365 days	545.752	469.356	565.330	686.412
Over 365 days	766.548	696.697	1.397.246	1.252.891
	123.705.021	**107.306.145**	**150.901.506**	**152.117.849**

25. OTHER RECEIVABLES

	COMPANY		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Receivables from employees	76.308	130.229	344.720	431.504
Receivables from the government and government institutions	196.860	89.824	893.715	502.966
	273.167	**220.053**	**1.238.435**	**934.471**

Receivables from the government and government institutions relate to amounts due from the state budget based on value-added tax refunds, corporate income tax prepayments, Health Insurance Fund, sickness benefits, and similar items.

26. CURRENT FINANCIAL ASSETS

	COMPANY		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Loans granted	-	70.000	364.368	140.361
Bank deposits	24.298	47.648	24.298	47.648
Interest receivables	689	9.265	12.686	4.431
Other deposits	299.875	78.939	299.875	95.743
	324.862	**205.852**	**701.228**	**288.183**

Other deposits refer to guarantees provided for tenders in the amount of HRK 287,650 and to receivables from damage claims in the amount of HRK 12,226.

27. CASH AND CASH EQUIVALENTS

	COMPANY		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Balance on giro accounts	34.483.084	14.882.199	39.057.615	16.404.129
Balance on foreign currency accounts	993.044	1.862.434	1.018.059	2.189.160
Cash on hand	2.990.534	645.245	5.113.672	1.876.571
	38.466.662	**17.389.878**	**45.189.347**	**20.469.861**

(All amounts are expressed in HRK)

28. ACCRUED INCOME AND PREPAID EXPENSES

	COMPANY		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Accrued income	41.504.266	35.563.197	53.612.930	46.527.866
Prepaid operating expenses	2.244.298	1.911.113	2.981.566	2.916.033
Other accrued income	33.036	42.567	33.036	42.567
	43.781.600	**37.516.877**	**56.627.532**	**49.486.467**

Accrued income relates to supplier bonuses for the current year, calculated based on predefined contractual arrangements.

29. SHARE CAPITAL

The registered share capital of the Company in 2022 amounts to HRK 234,700,000 and remained unchanged compared to 2021. The share capital consists of a total of 4 shares, comprising 2 individual shares of HRK 116,176,500 each and 2 individual shares of HRK 1,173,500 each.

In 2021, at the Group level, an adjustment was made primarily relating to consolidation corrections of inventories of the subsidiary Bartog d.o.o. for the period from 1 August 2020 to 31 December 2020. Inventories that were recognised in the statement of the financial position on the acquisition date of the subsidiary Bartog d.o.o. were increased to fair value during the purchase price allocation. Upon the sale of these inventories, part of the purchase price allocation was realised at the consolidated level.

30. NON-CURRENT AND CURRENT PROVISIONS

	COMPANY			
	Current		Non-current	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Legal cases	-	-	550.970	787.469
Unused annual leave	108.629	96.696	-	-
Bonuses	755.497			
	864.125	**96.696**	**550.970**	**787.469**

30. NON-CURRENT AND CURRENT PROVISIONS (CONTINUED)

	GROUP			
	Current		Non-current	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Legal cases	-	-	550.970	787.469
Severance payments, Jubilee awards	1.189.117	1.171.689	-	-
Unused annual leave	108.629	96.696	-	-
Bonuses	755.497			
	2.053.242	**1.268.384**	**550.970**	**787.469**

The movement of provisions was as follows:

COMPANY	Legal cases	Severance payments, Jubilee awards	Unused annual leave	Total
As of 1 January 2021	**780,611**	**-**	**56.482**	**837.093**
Increase / (Decrease)	6,858	-	40.214	**47.071**
As of 31 December 2021	**787,469**	**-**	**96.696**	**884.165**
As of 1 January 2022	**787.469**	**-**	**96.696**	**884.165**
Increase / (Decrease)	(236.499)	-	11.933	**(224.565)**
As of 31 December 2022	**550.970**	**-**	**108.629**	**659.599**

(All amounts are expressed in HRK)

30. NON-CURRENT AND CURRENT PROVISIONS (CONTINUED)

GROUP	Legal cases	Severance payments, Jubilee awards	Unused annual leave	Total
As of 1 January 2021	**780.611**	**1.164.774**	**56.482**	**2.001.868**
Increase / (Decrease)	6.858	6.914	40.214	**53.986**
As of 31 December 2021	**787.469**	**1.171.689**	**96.696**	**2.055.853**
As of 1 January 2022	**787.469**	**1.171.689**	**96.696**	**2.055.853**
Increase / (Decrease)	(236.499)	17.428	11.933	**(207.137)**
As of 31 December 2022	**550.970**	**1.189.117**	**108.629**	**1.848.716**

31. NON-CURRENT BORROWINGS

	COMPANY		GROUP	
	31.12.2022	**31.12.2021**	**31.12.2022**	**31.12.2021**
Liabilities for non-current loans	120.733.017	116.404.606	129.774.417	116.404.606
Lease liabilities (in accordance with IFRS 16)	25.965.435	18.862.379	92.215.629	83.575.039
	146.698.452	**135.266.985**	**221.990.046**	**199.979.645**
Current portion of non-current loans (Note 34)	(28.016.535)	(23.703.594)	(28.016.535)	(23.703.594)
Current portion of non-current leases (Note 34)	(6.243.322)	(5.433.668)	(16.168.608)	(14.225.732)
Total non-current borrowings	**112.438.596**	**106.129.723**	**177.804.904**	**162.050.320**

31. NON-CURRENT BORROWINGS (CONTINUED)

Long-term loans were used to finance capital investments and development projects. The collateral provided for these long-term loans includes promissory notes, debentures, mortgages on real estate, and other security instruments.
As at 31 December 2022, the Company had three long-term loan agreements in place:

- A loan granted by Erste & Steiermärkische Bank d.d., with a balance of HRK 21,799,969 as at 31 December 2022. The loan is being repaid in equal monthly instalments, with final maturity on 30 September 2024.
- A loan granted by Privredna banka Zagreb, with a balance of HRK 71,039,572 as at 31 December 2022. The loan is being repaid in equal monthly instalments, with final maturity on 31 December 2028.
- A loan granted by Erste & Steiermärkische Bank d.d., with a balance of HRK 27,857,143 as at 31 December 2022. The loan is being repaid in equal monthly instalments, with final maturity on 31 May 2029.

Movements in non-current loans during the year are presented below:

	COMPANY		GROUP	
	31.12.2022	**31.12.2021**	**31.12.2022**	**31.12.2021**
Balance as of 1 January	**106.129.724**	**125.506.732**	**162.050.321**	**177.592.131**
New loans	49.134.874	19.300.430	68.505.871	24.959.567
Exchange rate differences	162.022	(216.964)	162.022	(216.964)
Repayments of loan principal	(8.728.167)	(9.323.212)	(8.728.167)	(9.323.212)
Reclassification to current loans (note 34)	(28.016.535)	(23.703.594)	(28.016.535)	(23.703.594)
Reclassification to current lease liabilities (note 34)	(6.243.322)	(5.433.668)	(16.168.608)	(7.257.608)
Total non-current loans	**112.438.596**	**106.129.723**	**177.804.904**	**162.050.320**

(All amounts are expressed in HRK)

32. DEFERRED TAX ASSETS AND LIABILITIES

	COMPANY	GROUP
NET DEFERRED TAX as of 31 December 2020	**59.319**	**(2.937.125)**
Reversal of deferred tax liability upon realization	310.926	310.926
Deferred tax liability (arising from merger)	(89.720)	(89.720)
Deferred tax asset (recognized) in 2021	15.272	15.272
Reversal of deferred tax asset upon realization	(82.045)	(82.045)
Reversal of deferred tax asset upon realization (Bartog)	-	(692)
PPA fair value adjustment – realization of deferred tax liability (Bartog)	-	862.186
PPA fair value adjustment – realization of deferred tax asset (Bartog)	-	8.890
PPA fair value of deferred tax liability (Bartog Adria)	-	(9.641)
PPA fair value adjustment – realization of deferred tax liability (Bartog Adria)	-	678
NET DEFERRED TAX as of 31 December 2021	**213.753**	**(1.921.270)**
Reversal of deferred tax liability upon realization	112.428	112.428
Deferred tax liability (arising from merger)	-	-
Deferred tax asset (recognized) in 2021	-	-
Reversal of deferred tax asset upon realization	(16.759)	(16.759)
Reversal of deferred tax asset upon realization (Bartog)	-	50.647
PPA fair value adjustment – realization of deferred tax liability (Bartog)	-	403.539
PPA fair value adjustment – realization of deferred tax asset (Bartog)	-	(60.395)
PPA fair value of deferred tax liability (Bartog Adria)	-	-
PPA fair value adjustment – realization of deferred tax liability (Bartog Adria)	-	1.018
NET DEFERRED TAX as of 31 December 2022	**309.422**	**(1.430.791)**

33. TRADE PAYABLES

	COMPANY		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Trade payables to foreign suppliers	129.539.083	70.606.252	169.812.715	106.549.402
Trade payables to domestic suppliers	30.185.223	22.309.818	92.744.368	59.079.491
	159.724.306	**92.916.070**	**262.557.083**	**165.628.893**

34. CURRENT LOANS

	COMPANY		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Current loans – principal	89.283.825	84.196.077	128.463.225	141.644.927
Current portion of non-current loans (note 31)	28.016.535	23.703.594	28.016.535	23.703.594
Current lease liabilities (according to IFRS 16)	6.243.322	5.433.668	16.168.608	14.225.732
Current loans – interest	-	-	-	-
	123.543.682	**113.333.339**	**172.648.368**	**179.574.252**

Current loans were used to finance working capital. During 2022, part of the current loans was used as bridge financing for capital investments.

Movements in current loans during the year are presented below:

	COMPANY		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Opening balance as of 1 January	**113.333.338**	**53.779.390**	**179.574.251**	**69.791.791**
New loans	82.623.052	72.250.048	97.759.149	120.654.621
Foreign exchange differences	102.701	160.812	102.701	160.812
Repayments of loan principal	(106.775.265)	(41.994.174)	(148.972.876)	(41.994.174)
Reclassification from non-current loans (note 31)	28.016.535	23.703.594	28.016.535	23.703.594
Reclassification from non-current leases	6.243.322	5.433.668	16.168.608	7.257.608
Closing balance as of 31 December	**123.543.682**	**113.333.339**	**172.648.368**	**179.574.252**

(All amounts are expressed in HRK)

35. OTHER CURRENT LIABILITIES

	COMPANY		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Liabilities to the government and government institutions	13.305.161	15.953.516	20.954.690	34.162.855
Liabilities to employees	6.937.985	6.376.961	11.837.657	10.471.656
Other current liabilities	11.473.951	21.420.760	14.651.314	21.420.760
	31.717.097	**43.751.237**	**47.443.661**	**66.055.271**

Liabilities to the government and government institutions at the level of the Company and the Group mainly relate to the value-added tax liability.

Other current liabilities in 2022 relate to liabilities to owners based on profit shares amounting to HRK 11,351,678 (HRK 20,083,973 in 2021), liabilities for payment of the remaining purchase price for the acquisition of interests in related companies amounting to HRK 0 (HRK 1,219,147 in 2021), and other liabilities amounting to HRK 122,273 (HRK 117,640 in 2021).

36. ACCRUED EXPENSES AND DEFERRED INCOME

	COMPANY		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Accrued expenses	12.590.080	17.165.119	12.058.862	20.395.612
	12.590.080	**17.165.119**	**12.058.862**	**20.395.612**

Deferred payment of expenses relates to accrued liabilities used to record expenses incurred for which invoices were not received in the relevant reporting period (accrued expenses from 2022 for which invoices were received in 2023), as well as to the recognition of deferred income in the case of reverse sales of goods.

37. RELATED PARTY TRANSACTIONS

Transactions with related companies within the Company were as follows:

Receivables and liabilities for goods, services, and interest	Receivables		Payables	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Bartog d.o.o.	4.692.568	7.973.558	1.798.762	6.692.343
Gorski park Kupjak d.o.o.	1.124.522	1.314.687	-	-
Kaizen Partneri d.o.o.	-	-	-	-
Kaizen Institut d.o.o.	-	-	-	-
	5.817.090	**9.288.246**	**1.798.762**	**6.692.343**

Receivables and Loan liabilities	Receivables		Payables	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Ilija Tokić	-	-	23.495	24.832
	-	**-**	**23.495**	**24.832**

Purchase and sale transactions	Income		Expenses	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Operating income and expenses				
Kaizen Partneri d.o.o.	2.400	2.400	-	-
Bartog d.o.o.	66.463.491	45.757.502	7.765.052	7.002.229
Bartog Adria d.o.o.	7.200	4.113	-	-
Gorski park Kupjak d.o.o.	51.485	308.137	150.351	-
Donit gospodarski program d.o.o.	-	26.058	-	73.015
Kaizen Institut d.o.o.	540	-	283.514	348.656
Tokić rast i razvoj d.o.o.	2.400	2.400	-	-
	66.527.516	**46.100.610**	**8.198.917**	**7.423.900**

Financial transactions	Income		Expenses	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Tokić rast i razvoj d.o.o.	-	473	-	-
	-	**473**	**-**	**-**

(All amounts are expressed in HRK)

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

38.1. Financing ratio

The Company's financing ratio, determined as the ratio of net debt to equity, can be presented as follows:

	COMPANY		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Current loan liabilities (note 34)	123.543.682	113.333.339	172.648.368	179.574.252
Non-current loan liabilities (note 31)	112.438.596	106.129.723	177.804.904	162.050.320
Cash and cash equivalents (note 27)	38.466.662	17.389.878	45.189.347	20.469.861
Net debt	**197.515.615**	**202.073.184**	**305.263.924**	**321.154.712**
Equity	376.918.973	348.628.503	347.862.186	325.441.597
Debt-to-Equity ratio	**52,4%**	**58,0%**	**87,8%**	**98,7%**

Equity comprises share capital, reserves, treasury shares, retained earnings, and current year profit.

Non-current loan liabilities include borrowings from financial institutions (banks and leases), as well as obligations for long-term leases classified as financial liabilities under IFRS 16.

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

38.2. Categories of Financial instruments

	COMPANY		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Financial assets				
Non-current receivables from customers (note 22)	289.259	62.085	3.410.264	1.299.465
Current and other financial assets (notes 21, 26)	103.519.279	103.163.180	773.546	360.501
Trade receivables (note 24)	121.965.822	104.983.734	148.302.373	149.235.449
Other receivables (note 25)	273.167	220.053	1.238.435	934.470
Cash, cash equivalents and deposits (note 27)	38.466.662	17.389.878	45.189.347	20.469.861
Financial liabilities				
Borrowings (notes 31, 33)	(235.982.277)	(219.463.062)	(350.453.271)	(341.624.572)
Trade payables and other liabilities	(179.967.453)	(115.246.547)	(295.349.430)	(210.263.405)

38.3. Objectives of Financial Risk Management

The Group continuously monitors and manages financial risks, which are divided into credit risk, liquidity risk, and market risks (interest rate, price, and currency risk). Exposure to currency, interest rate, and credit risks arises during the course of ordinary business operations.

The Group's risk management program focuses on the uncertainties of the financial markets and aims to minimise the potential adverse impact of these risks on the Group's operations.

(All amounts are expressed in HRK)

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

38.4. Price risk management

The largest market from which the Company procures goods for resale is the EU market, while the majority of sales revenue is generated in the domestic market. In its operations, the Company and the Group face fluctuations in purchase prices, primarily for iron, tires, and oil. To mitigate these impacts, the Group's central procurement continuously monitors price movements and market trends, collaborates collectively with suppliers for certain strategic product categories, and negotiates improved procurement terms (prices and payment deadlines). Timely contracting, partial risk allocation to suppliers, and inventory optimisation are some of the measures the Company and Group implement to better anticipate price trends and reduce the risk of market price fluctuations.

38.5. Interest rate risk

Interest rate risk is the risk of changes in the value of a financial instrument due to fluctuations in market interest rates. Interest rate risk relates to changes in the returns on assets and liabilities as well as in values arising from movements in interest rates. The Group's interest rate risk arises from borrowings. The Company and the Group are not exposed to interest rate risk as all borrowings are contracted at fixed interest rates. The Company and the Group continuously monitor interest rate changes and forecasts, simulate various scenarios, taking into account refinancing, renewal of current positions, and alternative financing options.

38.6. Credit risk

KredCredit risk represents the risk of non-payment or non-fulfilment of contractual obligations by customers, which may result in a potential financial loss. Within their credit policies, the Company and the Group have established procedures for setting credit limits for customers, granting payment deferrals, mandatory collateral instruments, and collection procedures.

The objective of the Group's credit policies is to better protect against possible financial risks and losses arising from non-fulfilment of contractual payment obligations, improve monitoring of receivables collection, and enable faster response to adverse changes in customers' business operations. The Company has credit insurance agreements for all foreign customers with agreed payment deferrals. During 2021, the receivables insurance policy was extended to cover foreign customers of the subsidiary Bartog, as well as a portion of the Group's smaller customers.

38.7. Currency risk management

The Company conducts certain transactions in foreign currencies and is therefore exposed to exchange rate risk. The following table presents the carrying amounts of monetary assets and monetary liabilities of the Company and the Group in foreign currencies as of the reporting date. The amounts have been converted to Croatian kunas using the Croatian National Bank's (HNB) average exchange rate.

COMPANY	Assets		Liabilities		Net foreign currency position	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	2022	2021
EUR	159.980.872	132.101.805	321.185.064	224.490.904	(161.204.191)	(92.389.099)
USD	370.127	11.396	-	652.660	370.127	(641.264)
	160.350.999	**132.113.201**	**321.185.064**	**225.143.564**	**(160.834.064)**	**(93.030.363)**

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

38.7. Currency risk management (continued)

GROUP	Assets		Liabilities		Net foreign currency position	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	2022	2021
EUR	239.827.246	189.203.539	589.829.002	432.118.018	(350.001.756)	(242.914.479)
USD	370.127	11.396	-	652.660	370.127	(641.264)
	240.197.373	**189.214.935**	**589.829.002**	**432.770.678**	**(349.631.629)**	**(243.555.743)**

Foreign Currency Risk Sensitivity Analysis

Company is predominantly exposed to the risk of changes in the EUR exchange rate. The table below analyses the sensitivity of the Company and the Group to a 2% change in the kuna exchange rate against the euro. The sensitivity analysis includes only open monetary items denominated in foreign currency and their translation at the period-end exchange rate. A negative figure indicates a decrease in profit, while a positive figure indicates an increase in profit if the Croatian kuna changes by the specified percentage against the relevant currencies.

	Impact of the EUR currency	
COMPANY	31.12.2022	31.12.2021
Change in foreign exchange differences (2%)	*+/- 3.224.084	*+/- 1.847.782

GROUP	31.12.2022	31.12.2021
Change in foreign exchange differences (2%)	*+/- 7.000.035	*+/- 4.858.290

(All amounts are expressed in HRK)

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

38.8. Liquidity risk management

The Group manages liquidity risk by establishing appropriate frameworks aimed at more efficient management of short-term and long-term financing and liquidity requirements, thereby maintaining adequate liquidity reserves and available credit lines. The Group's liquidity management policy involves a continuous cash flow management process on an annual, monthly, and daily basis through regular analyses and monitoring of receivables from customers, payables to suppliers, banks, and other financial institutions, as well as monitoring planned and actual cash flows, all with the objective of timely securing an acceptable level of liquidity for the companies within the Group.

The following table analyses the remaining period to contractual maturities of the Group's non-derivative financial assets and liabilities. The table is prepared based on undiscounted cash inflows and outflows of financial assets and liabilities according to the earliest date on which Company can request payment or be required to make payment.

COMPANY							
2022	Weighted average interest rate	Until 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	Over 5 years	Total
Assets							
Interest-free	-	135.537.403	25.825.960	-	311.947	-	161.675.310
Interest-bearing	-	-	-	-	-		-
		135.537.403	**25.825.960**	**-**	**311.947**	**-**	**161.675.310**
Liabilities							
Interest-free	-	79.747.013	100.220.439	-	-	-	179.967.452
Interest-bearing	1,00%	2.856.737	5.713.472	114.994.459	81.167.749	31.249.861	235.982.278
		82.603.750	**105.933.911**	**114.994.459**	**81.167.749**	**31.249.861**	**415.949.730**

2021	Weighted average interest rate	Until 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	Over 5 years	Total
Assets							
Interest-free	-	97.881.108	22.328.453	789.887	-	-	120.999.448
Interest-bearing	3,85%	210.000	-	1.137.992	283.391	-	1.631.383
		98.091.108	**22.328.453**	**1.927.879**	**283.391**	**-**	**122.630.831**
Liabilities							
Interest-free	-	74.014.112	40.013.289	1.219.147	–	–	115.246.548
Interest-bearing	1,28%	2.428.105	4.856.209	106.049.025	81.290.247	24.839.476	219.463.062
		76.442.217	**44.869.498**	**107.268.172**	**81.290.247**	**24.839.476**	**334.709.609**

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

38.8. Liquidity risk management (continued)

GROUP							
2022	Weighted average interest rate	Until 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	Over 5 years	Total
Assets							
Interest-free	-	207.499.381	36.442.023	53.850	311.947	-	244.307.201
Interest-bearing	-	-	-	-	-	-	-
		207.499.381	**36.442.023**	**53.850**	**311.947**	**-**	**244.307.201**
Liabilities							
Interest-free	-	135.294.449	156.582.590	880.368	-	-	292.757.407
Interest-bearing	1,18%	5.003.307	11.974.121	171.185.863	122.901.138	41.980.865	353.045.294
		140.297.756	**168.556.711**	**172.066.231**	**122.901.138**	**41.980.865**	**645.802.701**

2021	Weighted average interest rate	Until 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	Over 5 years	Total
Assets							
Interest-free	-	148.275.917	30.838.214	833.021	-	-	179.947.152
Interest-bearing	3,85%	210.000	-	1.137.992	283.391	-	1.631.383
		148.485.917	**30.838.214**	**1.971.013**	**283.391**	**-**	**181.578.535**
Liabilities							
Interest-free	-	122.567.522	75.090.369	2.716.845	**–**	**–**	200.374.736
Interest-bearing	1,44%	3.889.555	7.779.111	176.698.115	111.025.318	42.247.080	341.639.179
		126.457.077	**82.869.479**	**179.414.960**	**111.025.318**	**42.247.080**	**542.013.915**

(All amounts are expressed in HRK)

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

38.9. Fair value of financial instruments

Financial instruments held to maturity in the normal course of business are recorded at acquisition cost or the net amount reduced by repayments, whichever is lower.

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether it is directly observable or estimated using another valuation technique.

As of 31 December 2022, the carrying amounts of cash, receivables, short-term liabilities, accrued expenses, short-term loans, and other financial instruments approximately correspond to their fair values.

39. OFF-BALANCE SHEET LIABILITIES

As of 31 December 2022, Tokić d.o.o. had recorded contingent liabilities related to guarantees issued in favour of banks and suppliers for the debt of Bartog. The contingent liabilities pertain to issued guarantees and corporate guarantees, serving as instruments to secure payment in case the debtor is unable to fulfil their obligations at maturity. A summary of contingent liabilities is presented below:

Bank	Description	Type of collateral	Amount in EUR	Amount in HRK	Due date
Intesa Sanpaolo d.d., SLO	Non-current loan	Corporate guarantee	1,200,000	9,041,400	15.2.2023
Intesa Sanpaolo d.d., SLO	Overdraft on current account	Corporate guarantee	1,000,000	7,534,500	16.2.2023
Intesa Sanpaolo d.d., SLO	Guarantee framework	Corporate guarantee	1,200,000	9,041,400	16.2.2023
Gorenjska banka d.d., SLO	Non-current loan	Payment guarantee	1,200,000	9,041,400	26.5.2023
Nova kreditna banka Maribor d.d., SLO	Loans on demand	Payment guarantee	2,000,000	15,069,000	30.9.2023
Nova kreditna banka Maribor d.d., SLO	Overdraft on current account	Payment guarantee	2,500,000	18,836,250	30.9.2023
Ukupno			**9.100.000**	**68.563.950**	

Loans with Intesa Sanpaolo d.d. maturing in February 2022 were extended for a further 12 months.

40. SUBSEQUENT EVENTS

Opening of New Locations and Expansion of Retail Network

- On 2 February 2023, a commercial property was acquired in Osijek, with the opening of a branch office including a 650 m² warehouse planned for May 2023.
- On 5 April 2023, a commercial property was acquired in Varaždin, with the opening of a branch office including an 800 m² warehouse planned for the second half of the year.

Other Events

- In January 2023, Matjaž Aljančič was appointed as the new director of Bartog d.o.o.
- In March 2023, the webshop webshop.tokic.hr started operations, replacing the previous online store kupivozi.hr, and featuring the recognizable Tokić visual identity.

Impact of the Ukraine Crisis and Supply Chain Disruptions on the Company's and Group's Operations

Following the outbreak of war between Russia and Ukraine on 24 February 2022, and the imposition of sanctions by the European Union against Russia, an assessment was made of potential risks that could affect the operations of the Company and the Group.

The Company and the Group are not significantly or directly exposed to Ukraine, Russia, or Belarus.

The sales of Tokić d.o.o. and Bartog d.o.o. are predominantly focused on the domestic market. In 2022, Tokić generated 77% of its total revenue from the domestic market, while Bartog generated 75%. At the Group level, revenue from foreign markets represented 16.2% of consolidated revenue, mainly generated in Western European countries.

In procurement, the majority of suppliers are European companies and European manufacturers of auto parts and tires, with a smaller portion located in Asia.

However, the impact on the overall economic situation may require adjustments to certain assumptions and estimates. The management of Tokić is not aware of any military operations in Ukraine that would lead to significant adjustments to the carrying amounts of assets and liabilities in the next financial year. At this time, management is unable to reliably estimate the impact as the situation evolves daily.

The long-term impact could affect trade volumes, cash flows, and profitability. Despite this, as of the date of issuance of these financial statements, the Company continues to meet its due obligations and, accordingly, prepares the financial statements on the going concern basis.

Challenges in the supply chain, including raw material shortages, transportation issues, inflationary pressures, and longer delivery times, are expected to continue in the forthcoming period. The Company and the Group are undertaking numerous measures to mitigate operational risks, ensure adequate stock levels, reduce the impact of price increases, and ultimately absorb the mentioned obstacles in operations, aiming to maintain service quality for the end customer.

41. CONTINGENT LIABILITIES

According to the Management's assessment, as of 31 December 2022, the Company does not have any significant contingent liabilities requiring disclosure in the notes to the financial statements.

As of 31 December 2022, there were no significant ongoing legal proceedings against the Company that are expected to result in an adverse outcome, and which have not been recognised in the financial statements.

42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The individual and consolidated financial statements were adopted and approved by the Management Board of the Company and the Group on 27 April 2023.

President of the Management Board:
Ivan Šantorić

Member of the Management Board:
Dražen Jurković

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