



ANNUAL  
REPORT



# POMGRAD GROUP **ANNUAL REPORT**

for financial year **2023**



# QUALITY

*Commitment to perfection in every aspect.*

Our work achieves the highest standards of quality because we believe that perfection is attainable only through attention to detail and diligence.

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## 1

## INTRODUCTION

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1.1**MANAGEMENT BOARD REPORT**

Dear shareholders and business partners,

2023 was marked by natural disasters.

While scientists have long warned that society and the economy are facing environmental challenges, which will prove fatal for many sectors, this year, those fears came to fruition. Slovenia was struck by a natural disaster which, according to government estimates, caused billions of euros worth of damages. Many businesses will never recover. The disaster also revealed a number of shortcomings with regard to water management as well as a historically low budget. The resources available are insufficient for basic maintenance, let alone to cope with the challenges society is faced with. We can only hope that we will all learn from this and draw some positive conclusions, which is essential after such a horrific event.

The aforementioned disaster had no significant impact on the business of Pomgrad Group. The maintenance area that we cover did not suffer any significant damage, which is an enormous credit to our employees, whose dedication and determination in critical moments managed to prevent a much worse outcome. This year, we faced many challenges, however, by tackling them in a timely manner we have achieved results that we can all be proud of.

Iztok Polanič,  
Chairman of the Board



Boris Sapač,  
Board member



Kristian Ravnič,  
Board member



Three-member  
management board  
of Pomgrad d. d.

► From the left:  
Board member, Boris Sapač;  
Chairman of the Board, Iztok  
Polanič;  
Board member, Kristian  
Ravnič



## 1.2

### SUPERVISORY BOARD REPORT

#### WRITTEN REPORT BY THE SUPERVISORY BOARD OF POMGRAD d. d.

on the verification of the Annual report and the Consolidated annual report of Pomgrad d. d. for the 2023 financial year (Article 282 of ZGD-1)

##### 1. The composition of the supervisory board in 2023

The supervisory board of POMGRAD d. d. consists of 6 (six) members, of which 4 (four) members represent the interests of the shareholders and 2 (two) represent the interests of employees.

At the beginning of 2023 the composition of the supervisory board of the company was as follows:

► members of the supervisory board representing the interests of the shareholders:

- Mr. Stane Polanič (Chairman of the supervisory board),
- Mr. Jožef Horvat (Deputy Chairman of the supervisory board),
- Mr. Peter Polanič,
- Mr. Simon Ravnič;

► members of the supervisory board representing the interests of the employees:

- Mr. Damjan Ivanek,
- Mr. Sebastijan Kumin.

The duration of the term of the supervisory board members is 4 years.

Stane Polanič's term as member of the supervisory board ended on 7 June 2023 due to his death, and he was replaced as Chairman of the supervisory board by Peter Polanič on 16 June 2023.

Since the recent change, the composition of the supervisory board of POMGRAD d. d. has been as follows:

► members of the supervisory board representing the interests of the shareholders:

- Mr. Peter Polanič (Chairman of the supervisory board),
- Mr. Jožef Horvat (Deputy Chairman of the supervisory board),
- Mr. Simon Ravnič;

► members of the supervisory board representing the interests of the employees:

- Mr. Damjan Ivanek,
- Mr. Sebastijan Kumin.

The term of the supervisory board members representing the interests of the shareholders expires on 1 September 2025, while the term of the supervisory board members representing the interests of the employees expires on 15 August 2025.

#### 2. Manner and scope of monitoring and verifying the operations of the company during the financial year

In 2023, the supervisory board of the company held four regular meetings. It performed its duties based on comprehensive expert materials as well as written and oral information from the management board, which enabled the supervisory board to take responsible and professional decisions. In 2022, the supervisory board among others:

- a) adopted the 2023 business plan for Pomgrad d. d. and the Group in the context of the wider rolling business plan for 2023-2025;
- b) examined and approved the revised 2022 annual report with the proposal for the use of distributable profit, and the revised 2022 consolidated annual report, reviewed the auditor's reports on the review of the 2022 annual report and the consolidated annual report, and adopted and submitted to the general meeting reports by the supervisory board on the review of the annual report and the consolidated annual report and of the work of the supervisory board in 2022;
- c) reviewed and approved, together with the revised annual report and the consolidated annual report for the 2022 financial year, the report by the management board on the relations with associates in 2022 and the accompanying statement by the management. In addition, the supervisory board was briefed on and accepted the position of the certified auditor regarding the outcome of the revision of the report with associates;
- d) examined and approved the material for the 30th general meeting of Pomgrad d. d.;
- e) was briefed on the 30th general meeting of Pomgrad d. d., which took place on 25 August 2023, and on the conclusions adopted at the meeting;
- f) examined and endorsed the Guidelines for the business plan for Pomgrad d. d. and Pomgrad Group for the 2024-2026 period, which were prepared by the management board of the company as guidelines for the rolling three-year business plan with a focus on 2024;
- g) as part of the supervision of operations focused also on other current issues regarding the company's operations.

The supervisory board constantly monitored the operations of Pomgrad d. d. and its subsidiaries, gathered information on the results of operations by companies with a focus on commercial and financing activities, gathered information on the execution of investments, and regularly approved the activities of the management board. The supervisory board also focused on ongoing construction projects.

Deloitte Revizija d. o. o. from Ljubljana was designated at the 2022 general meeting as the independent auditor for the years 2022, 2023 and 2024, therefore, the supervisory board did not adopt an additional decision on the appointment of an independent auditor for 2023.

In 2024, the supervisory board did not set up any dedicated working bodies to examine specific issues or otherwise review the work of the management board.

### 3. Position regarding the 2023 annual report of Pomgrad d. d. and the 2023 consolidated annual report of Pomgrad Group, and the auditor's reports

The supervisory board examined the auditor's report on the review of operations of Pomgrad d. d. in 2023 and the auditor's report on the review of the 2023 consolidated annual report, which were prepared by the auditing firm Deloitte Revizija d. o. o. from Ljubljana. The supervisory board has no comments on these reports.

Following the final verification of the revised 2023 annual report and the revised 2023 consolidated annual report of Pomgrad d. d., and the auditor's recommendations, the supervisory report has no comments and approves those reports. Thus, the revised 2023 annual report of Pomgrad d. d. and the 2023 consolidated annual report are to be considered adopted.

The supervisory board reviewed, together with the revised annual report and the consolidated annual report for the 2023 financial year, the report by the management board on the relations with associates in 2023 and the accompanying statement by the management. The supervisory board has no comments and approves said documents. In addition, the supervisory board was briefed on the position of the certified auditor regarding the outcome of the revision of the report with associates. The supervisory board accepts and refers to those positions.

The supervisory board agrees with the proposal by the management board on the use of distributable profit, and proposes that the general meeting adopt the following conclusion:

*"The reported distributable profit of the company as at 31 December 2023 amounts to EUR 7,878,349.19, of which the profit for the 2023 financial year amounts to EUR 4,142,823.17, and the distributable profits from the previous years amount to EUR 3,735,526.02. The distributable profit shall remain undistributed, and the decision on its use shall be made in the following financial year."*

The supervisory board also proposes that the general meeting give a discharge to the management board and supervisory board for the 2023 financial year.

Murska Sobota, 21 June 2024

Chairman of the supervisory board:

Peter POLANIČ 

## 1.3

### EXPECTED DEVELOPMENT OF THE COMPANY AND POMGRAD GROUP

Pomgrad Group must retain its current position in the Slovenian construction sector and improve the current EBITDA margin.

Our subsidiaries in Croatia allow us to maintain a constant presence on that market, thereby consolidating our position in the region. The Group's aim is for each company within the group to achieve the planned results and independent viability.

The long-term objective of the Group is to ensure a steady growth of revenue corresponding to the growth of the construction sector, however, significant fluctuations are expected due to the launch/conclusion of higher-value projects.

## 1.4

### THE COMPANY'S ACTIVITIES IN RESEARCH & DEVELOPMENT

Pomgrad Group's Quality Assurance service, which answers directly to the Board, includes a development department tasked with identifying development opportunities that could be implemented in the construction business.

By using its own raw materials effectively and ensuring their optimal distribution Pomgrad Group seeks to maintain its role as the leading construction holding in Slovenia while expanding operations to become a recognisable player in two markets of commercial interest – the Adriatic region and Central Europe.



## 1.5

### FINANCIAL RISKS

The biggest financial risks are as follows:

- a prolonged rise of inflation will most likely trigger calls by European central banks to increase the Euribor interest rate;
- currency risks;
- contracts which include longer payment deadlines will continue to be subject to timely sales of claims, as required;
- all our supply contracts now include a cash discount option, which ensures adequate liquidity and allows us to make additional savings;
- drawn out processes of selecting the most favourable contractor affect financial risks and, in particular, our production capacity utilisation;
- without adequate support from our financial partners it will be impossible to achieve our stated objectives.

IN THE YEAR

2023

► drawn out processes of selecting the most favourable contractor affect financial risks and, in particular, our production capacity utilisation

## 1.6

### BRANCHES AND THEIR ACTIVITIES ABROAD

Pomgrad d.d. includes the following companies and branches abroad:

- H-Grad d. o. o. (a wholly-owned subsidiary) in Zagreb, Croatia, which focuses on engineering works in construction;
- TEGRA d. o. o. (a wholly-owned subsidiary) in Čakovec, Croatia, which focuses on infrastructure projects;
- Interling Filial (branch/business unit of the parent company), which carries out projects in Sweden.

In October 2023, the company Inštitut Bam d. o. o. bought a 100% share of Ramtech d. o. o., which has its registered office in Zagreb.

The remaining companies within Pomgrad Group have no subsidiaries or branches abroad.

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► In October 2023, the company Inštitut Bam d. o. o. bought a 100% share of Ramtech d. o. o., which has its registered office in Zagreb



# TRUST

*We build upon trust and integrity.*

We deliver on our commitments through responsibility and Integrity because trust is the cornerstone of every successful partnership.

## 2

2.1	PARENT COMPANY PRESENTATION
2.2	POMGRAD GROUP PRESENTATION
2.3	POMGRAD GROUP BUSINESS POLICY
2.4	MANAGEMENT SYSTEM POLICY OF POMGRAD GROUP
2.5	MARKET POSITION
2.6	PERFORMANCE ANALYSIS
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## 2.1

# PARENT COMPANY PRESENTATION

### 2.1.1 Identity card

Pomgrad d. d. (hereinafter: the Company) is a joint stock company, which was registered in the court register at the District court Murska Sobota on 20 February 1991. The Company's basic act is the Articles of association of the joint stock company Pomgrad d.d. (notarial certificate SV 773/21 of the consolidated text of the Articles of association of the joint stock company Pomgrad d. d. issued by Romana Gajšek from Murska Sobota on 31 August 2021), the consolidated text of which was adopted at the 28th general meeting on 27 August 2021.

The Company is a private company.

Company full name:	POMGRAD, Construction company, d. d.
Short name:	POMGRAD d. d.
Registered office:	Murska Sobota
Business address:	Bakovska ulica 31, 9000 Murska Sobota
Registration number:	5459001000
Tax number:	48027944
Activity code:	42.200 Construction of residential and non-residential buildings
Transaction accounts:	<p>SI56 0234 0001 1994 045 opened at NLB d. d.</p> <p>SI56 0312 5100 7981 553 opened at SKB d. d.</p> <p>SI56 0488 1000 2177 102 opened at NKBM d. d.</p> <p>SI56 3300 0000 5944 151 opened at ADDIKO BANK d. d.</p> <p>SI56 2900 0005 0305 415 opened at Unicredit Bank d. d.</p> <p>SI56 0700 0000 3321 661 opened at Gorenjska Bank d. d.</p> <p>SI56 1010 0005 9339 260 opened at Intesa Sanpaolo Bank d. d.</p> <p>HR93 2407 0001 1006 84830 opened at OTP Bank Croatia d. d.</p>
Financial year:	Financial year corresponds to the calendar year.

### Company contact details:

Telephone number:	+386 (02) 534 18 00
Fax number:	+386 (02) 534 18 25
E-mail:	info@pomgrad.si
Website:	<a href="http://www.pomgrad.si">http://www.pomgrad.si</a>

## 2.1.2 Parent company ownership structure

Subscribed share capital at last registration in the court register amounts to EUR 3,500,000.00 and is divided into 817,679 ordinary registered freely transferable, no-par value shares.

On 31 December 2023 the Company had 45 shareholders with the following ownership structure:

Shareholders	No. of shares 31 December 2023	No. of shares 31 December 2022	Structure 31 December 2023
IMO-REAL d. o. o.	522,851	522,851	63.94%
IMO-RENT d. o. o.	150,238	150,238	18.37%
Jožef Horvat	47,709	47,709	5.83%
3R d. o. o.	47,065	47,065	5.76%
ILIRIKA MODRA ZVEZDA d. d.	19,148	19,148	2.34%
LIPA – INVEST, M. Sobotič, d. o. o.	6,591	6,591	0.81%
Other natural and legal persons	24,077	24,077	2.95%
<b>TOTAL</b>	<b>817,679</b>	<b>817,679</b>	<b>100.00%</b>

Table 1: Ownership structure as at 31 December 2023

The Company has no own shares.

The book value of a single share on 31 December 2023 was EUR 25.81 (in 2022 it was EUR 20.74).

IN THE YEAR

2023

► The book value of a single share on 31 December 2023 was EUR 25.81 (in 2022 it was EUR 20.74).

## 2.1.3 Activity of the parent company and the Group

According to the 2008 Standard Classification of Activities (hereinafter: SKD 2008) the main activity of the Company falls with the category 42.200 Construction of residential and non-residential buildings. The Company also performs the following activities:

### The main activities of the Company are:

- 41.100 Development of building projects
- 42.110 Construction of roads and motorways
- 42.120 Construction of railways and underground railways
- 42.130 Construction of bridges and tunnels
- 42.210 Construction of utility projects for fluids
- 42.220 Construction of utility projects for electricity and telecommunications
- 42.910 Construction of water projects
- 42.990 Construction of other civil engineering projects
- 43.110 Demolition
- 43.120 Site preparation
- 43.130 Test drilling and boring
- 43.990 Other specialized construction activities
- 64.200 Activities of holding companies

### The main activities of Pomgrad Group are:

- B 08 Other mining and quarrying
- C 23 Manufacture of other non-metallic mineral products
- C 25 Manufacture of fabricated metal products, except machinery and equipment
- F 41 Construction of buildings
- F 42 Civil engineering
- F 43 Specialised construction activities
- K 64 Financial service activities (activities of holding companies)
- L 68 Real estate activities
- N 77 Rental and leasing activities

#### 2.1.4 Parent company governance

The Company is governed in accordance with the law in force in the Republic of Slovenia, the Articles of association of the Company and other internal acts as well as domestic and foreign practices considered to be good practices by the Company.

##### CORPORATE GOVERNANCE CODE FOR UNLISTED COMPANIES

In accordance with Article 70, paragraph 5, of the Companies Act the Company has acceded to the e Corporate Governance Code for Unlisted Companies published in 2016 by the Chamber of Commerce and Industry of Slovenia (GZS), the Ministry of Economic Development and Technology and the Slovenian Directors' Association. The Company applies the basic level of the Code in its entirety. The Code is published on the GZS website ([www.gzs.si/skupne\\_naloge/pravni\\_portal/vsebine/Kodeks](http://www.gzs.si/skupne_naloge/pravni_portal/vsebine/Kodeks)).

##### CORPORATE GOVERNANCE STATEMENT OF POMGRAD D.D. AND COMPLIANCE WITH THE CODE

The Company applies a two-tier system of governance, meaning that the Company's bodies are the general meeting of the shareholders, the supervisory board and the management board. The Company is managed and represented by the management board and the supervisory function is performed by the supervisory board. The general meeting of the shareholders makes the core decisions with a view to achieving the Company's goals. The powers and duties of the Company's bodies comply with the regulations in force, particularly the Companies Act.

##### THE GENERAL MEETING OF SHAREHOLDERS

In accordance with the provisions of the Companies Act the general meeting is the Company's highest ranked body and it directly exercises the will of the shareholders. Each share confers one vote on the shareholder at the general meeting.

Generally, the Board convenes the general meeting once a year.

In the 2023 calendar year the general meeting of the shareholders was convened once. It was the 30<sup>th</sup> general meeting and took place on 25 August 2023. At the general meeting the shareholders:

- familiarised themselves with the 2022 annual report of Pomgrad d.d. and the 2022 consolidated annual report of Pomgrad Group, the auditor's opinion and the report by the supervisory board with regard to the verification of the annual report of Pomgrad d.d., the consolidated annual report of Pomgrad Group and the auditor's reports for the 2022 financial year;
- decided on the use of distributable profit for the 2022 financial year and on the discharge of the management and supervisory boards for the 2022 financial year, and familiarised themselves with the remuneration of the members of the management and supervisory board in the 2022 financial year;
- approved the awards to the supervisory board for the work performed in 2022.

##### SUPERVISORY BOARD

The duties and composition of the supervisory board are determined by the Company's Articles of association.

The supervisory board can have up to 6 members. The exact number of members in a particular term of the supervisory board is determined upon appointment by the general meeting of the shareholders, whereby the supervisory board can consist of up to 4 members representing the interests of the shareholders and up to 2 members representing the interests of the employees.

At the beginning of 2023 the composition of the supervisory board of the Company was as follows:

► members of the supervisory board representing the interests of the shareholders:

- Mr. Stane Polanič (Chairman of the supervisory board),
- Mr. Jožef Horvat (Deputy Chairman of the supervisory board),
- Mr. Peter Polanič,
- Mr. Simon Ravnič,

► members of the supervisory board representing the interests of the employees:

- Mr. Damjan Ivanek,
- Mr. Sebastijan Kumin.

On 7 June 2023 the Chairman of the supervisory board Stane POLANIČ's term ended due to his death, and he was replaced on 16 June 2023 by Peter POLANIČ.

In 2023 we bid farewell to our longtime chairman of the supervisory board, Mr. Stane Polanič.

His term ended with his passing, but his invaluable contribution and vision remain part of our enterprise.



At the end of 2023 the composition of the supervisory board of the Company was as follows:

- ▶ members of the supervisory board representing the interests of the shareholders:
  - Mr. Peter Polanič (Chairman of the supervisory board),
  - Mr. Jožef Horvat (Deputy Chairman of the supervisory board),
  - Mr. Simon Ravnič,
- ▶ members of the supervisory board representing the interests of the employees:
  - Mr. Damjan Ivaneč,
  - Mr. Sebastijan Kumin.

The duration of the term of the supervisory board members is 4 years.

The term of the supervisory board members representing the interests of the shareholders expires on 1 September 2025, while term of the supervisory board members representing the interests of the employees expires on 15 August 2025.

#### MANAGEMENT BOARD

The management board of Pomgrad d. d. consists of three members. The composition of the Board, its duties and powers are defined in the Articles of association of the Company. The operation of the Board is governed by the Rules of Procedure of the Management Board of Pomgrad d. d. The management board manages the Company independently and on its own account. Members of the Board represent the Company vis-a-vis third parties independently, regardless of the internal division of responsibilities. In accordance with the Articles of association of the Company in force, the duration of the term of the Board members is up to 5 years with the possibility of reappointment without limitations.

In 2023 the composition of the management board was as follows:

- Mr. Iztok POLANIČ, Chairman of the Board: responsible for the corporate supervision of the operation of subsidiaries and other companies in which the Company holds shares, the supervision of the financial operation of the joint stock company and the subsidiaries, management of controls, management of IT operations, supervision of the financial-economic aspects of the joint stock company, supervision of the operation of the human resources and legal departments, operational control of the divisions steelwork, woodwork and asphalt work and the management of real estate projects;
- Mr. Boris SAPAČ, Board member: responsible for managing commercial operations and operational control of the division ABI;
- Mr. Kristian RAVNIČ, Board member: responsible for managing the technical (performance) operations, operational control of the project management office and of the division for mechanisation and for managing the Company's marketing strategy.

The duration of the term of the Board members is 4 years, i.e. from 17 January 2022 to 17 January 2026.

#### DIVERSITY POLICY

The Company has not adopted a diversity policy.

#### ISO STANDARDS

The Company has put in place a management system which complies with the requirements of particular ISO standards, and holds a ISO 9001:2015 Certificate for Quality Management Systems, a ISO 14001:2015 Certificate for Environmental Management Systems and a ISO 45001:2018 Certificate for Occupational Health and Safety Management Systems, which include adopted process descriptions and working instructions that pertain also to internal controls and risk management.

Chairman of the Board:  
Iztok Polanič, MBA



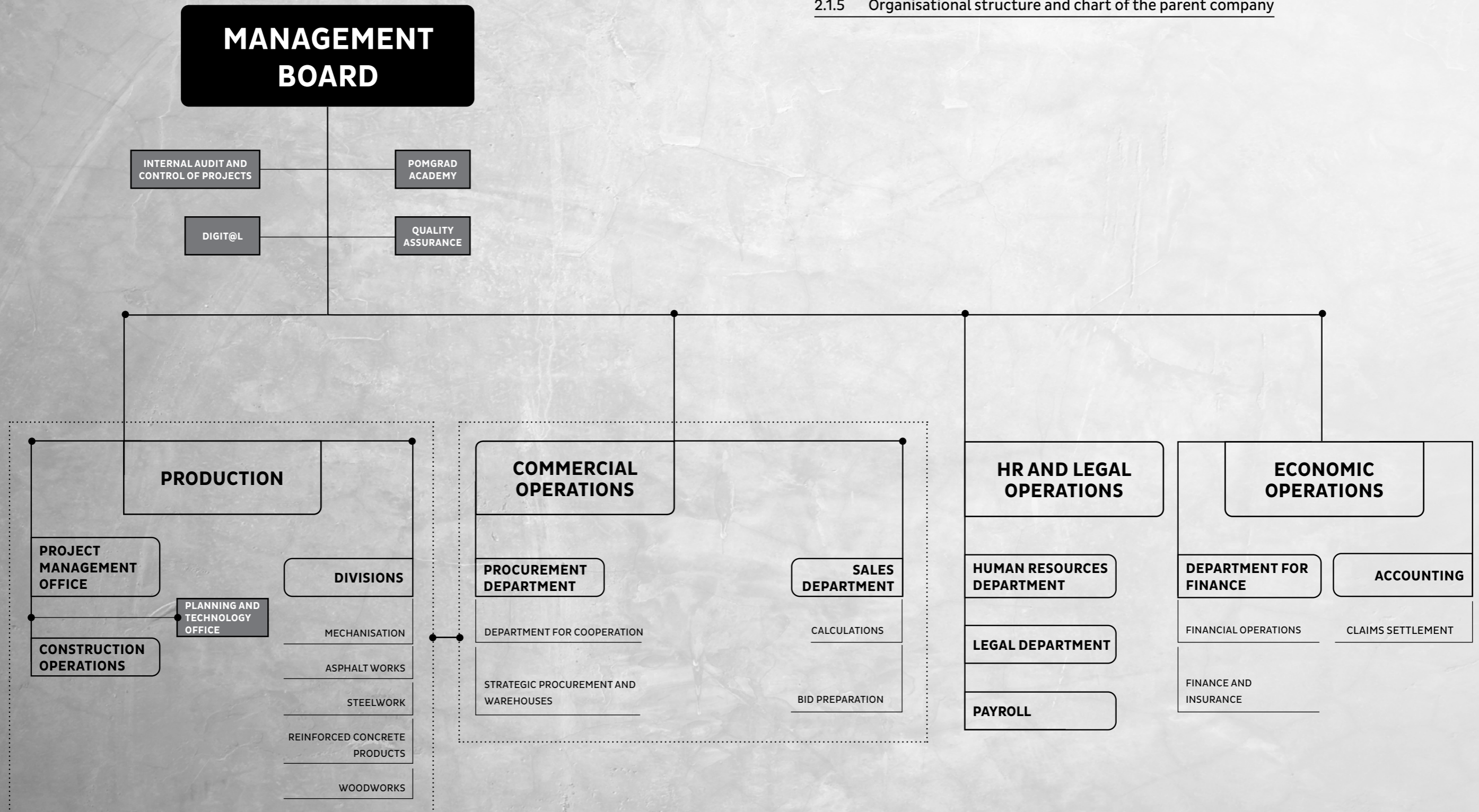
Board member:  
Boris Sapač, u. d. i. g.



Board member:  
Kristian Ravnič, u. d. i. g.



2.1.5 Organisational structure and chart of the parent company



## 2.2

# POMGRAD GROUP PRESENTATION

### 2.2.1 Companies within Pomgrad Group

Subsidiaries within Pomgrad Group, fully consolidated:

• POMGRAD – TAP D. O. O.	(100.00% ownership interest)
• POMGRAD – GM D. O. O.	(100.00% ownership interest)
• POMGRAD – CP D. D.	(88.71% ownership interest)
• POMGRAD – VGP D. D.	(59.20% ownership interest)
• POMGRAD – GNG D. O. O. – in liquidation	(100.00% ownership interest)
• H – GRAD D. O. O.	(100.00% ownership interest)
• TEGRA D. O. O., ČAKOVEC	(100.00% ownership interest)
• INŠTITUT BAM D. O. O.	(75.00% ownership interest)

Associates within Pomgrad Group consolidated in accordance with the equity method:

• NOGRAD GM D. O. O.	(50.00% ownership interest)
• TOVARNA ASFALTA KIDRIČEVO D. O. O.	(48.80% ownership interest)
• P.G.M. INŽENIRING D. O. O.	(50.00% ownership interest)

Jointly controlled companies, not consolidated:

• POMGRAD – HOLDING D. O. O.	(100.00% ownership interest)
• URBANI CENTER D. O. O.	(83.33% ownership interest)
• RAMTECH D. O. O.	(75.00% ownership interest)

### 2.2.2 Pomgrad Group governance

Pomgrad Group is managed by the management board of Pomgrad d. d., which ensures coordination of the main activities and exploitation of synergy effects among companies with the Group. The parent company performs commercial activities (procurement, sale and marketing), financing activities, accounting activities and legal-human resources activities for the entire Group. Pomgrad Group is faced with new challenges with regard to the optimisation, streamlining and reorganisation of the Group in light of the requirements and conditions of the construction market in Slovenia and the wider region (Croatia, Austria, Hungary, etc.).

The governance activities of the Group are performed with a view to ensure greater consolidation of all companies within the Group with regard to recognisability and business activities. The cost optimisation has resulted in greater control by the parent company over individual investments of companies within the Group in order to optimise investment procedures.

The subsidiaries within Pomgrad Group are managed by individual managing directors. The joint stock companies Pomgrad – CP d. d. and Pomgrad – VGP d. d. also have a three-member supervisory board tasked with supervising the companies' business activities.

Pomgrad Group employees exercise their rights through unions, works councils and their representatives on the supervisory board. Regular cooperation with unions and works councils is a well-established practice which ensures the balance of different interests and social cohesion.

Pomgrad Group does not implement a diversity policy.

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► The governance activities of the Group are performed with a view to ensure greater consolidation of all companies within the Group with regard to recognisability and business activities.



## 2.3

### POMGRAD GROUP BUSINESS POLICY

#### 2.3.1 Mission and vision

Pomgrad Group is one of the leading holdings in the construction sector in the Republic of Slovenia. With its organic growth and development strategy, the Group ensures high-quality execution of construction works of all kinds with a view toward excellent economic performance and coherent sustainable development of the environment and market where it performs its activities.

By using its own raw materials effectively and ensuring their optimal distribution Pomgrad Group seeks to maintain its role as the leading construction holding in Slovenia while expanding operations to become a recognisable player in two markets of commercial interest – the Adriatic region and Central Europe.

#### 2.3.2 Strategic goals of the Group

##### Strategic goals of Pomgrad Group

The strategic goals of Pomgrad Group are:

- a long-term target share of the Slovenian market: 10% (organic growth + possible acquisitions);
- to perform construction activities in the Adriatic region;
- to ensure that the growth of turnover outpaces the growth of the construction market in Slovenia;
- an own consolidated turnover of EUR 190 million (without SE partners);
- to ensure that the added value per employee reaches above EUR 55,000;
- to ensure at least a 9% return on invested capital;
- to ensure efficient organisation of business by the companies within Pomgrad Group.

##### The preconditions for a successful implementation of the strategy are:

- a strategic dialogue implemented with all competent persons within the Group and the owners;
- a technological and process consolidation of companies within the Group;
- HR solutions (instating competent leaders for individual fields of operation, new professional workers for open domains);
- a focus on the basic business activity;
- ensuring IT support in all segments of business.

## 2.4

### MANAGEMENT SYSTEM POLICY OF POMGRAD GROUP

#### 2.4.1 Quality system

Pomgrad seeks to meet the needs of the buyers of our services and materials, our employees and owners. Among the basic means for achieving these objectives are efforts focused on the steady improvement of quality and responsible environmental management as well as occupational safety and health.

The guiding principle of the Group's management is the adherence to legal requirements, the requirements and guidelines arising from international standards ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 as well as the policies concerning the operation of companies.

Due to increasing competition we are constantly looking for new solutions and focusing on the continued improvement of our quality management system and the processes within the Group, thereby ensuring our long-term viability and development. We understand the increasing demands of customers, which require us to be as flexible as possible while steadily improving service quality and streamlining operating costs. This is how we remain competitive.

##### The values underpinning our work are:

**QUALITY** – we believe in a job well done and strive to ensure that our quality exceeds standards.

**EXPERTISE** – we ensure the highest degree of competence and professionalism when implementing a project.

**SAFETY** – our goal is to ensure a healthy and safe working environment.

**PARTNERSHIP** – we seek to establish partnerships because we believe cooperation to be the only path to success.

**OPENNESS** – we listen to our customers and adjust to their needs.

**CONSISTENCY** – we honour our agreements and believe in mutual trust.

**AMBITION** – we face challenges head on and strive for perfection.

## 2.4.2 Occupational safety and health and fire safety

We pay special attention to occupational safety and health as well as to fire safety. Companies within Pomgrad Group manage occupational safety and health by updating risk assessments and health assessments, ensuring preventive and regular medical checks of employees, performing mandatory checks of working equipment and the working environments, and carrying out trainings and awareness-raising activities for employees to ensure a healthy and safe working environment. Among the fundamental tasks of the Department for occupational safety are to ensure strict adherence to the legislation and legislative documents in force and to establish control over the implementation of the prescribed measures in all companies within Pomgrad Group. Our commitment to the objectives and values of occupational safety and health is also reflected in the operation of the Company in accordance with the occupational safety and health management system – ISO 45001. All our employees are familiar with our occupational safety and health policy. The policy is also available to the wider public.

IN THE YEAR

2023

► Our commitment to the objectives and values of occupational safety and health is also reflected in the operation of the Company in accordance with the occupational safety and health management system – ISO 45001.

## 2.5

### MARKET POSITION

#### 2.5.1 Economic climate in 2023

2023 was marked by a near-total freeze of calls for infrastructure projects in Slovenia, a development we observed and forecast already at the end of 2022. The situation was further exacerbated by the catastrophic floods Slovenia suffered in August, as the government blocked what few calls remained and instead proposed to earmark funds for future flood-prevention and recovery efforts. Unfortunately, these efforts have so far not materialised. Our 2022 annual report also noted the delays that had occurred in major projects regarding the third development axis and the ring road bypassing Ormož, which include DARS as investor and which we are relying on heavily. No progress was made in 2023 regarding these projects. This was due to lengthy administrative procedures, which – in addition to the decision-making crisis at the public administration level – are increasingly hampering the management of major infrastructure projects of national importance.

Even regular demand from private companies declined due to the modest economic growth in Slovenia and its economic partner countries (a few calls did take place in the construction sector, however, they served merely to survey prices and were not an expression of genuine interest on the part of investors to make investments).

As a result of these conditions, the total value of contracts concluded in 2023 was only EUR 46 million. If we consider only our share within consortia, that figure drops to EUR 36 million. This is significantly less than in 2022. It should be noted, however, that the accrued profitability of these projects is higher than what we have seen in previous years.

Fortunately, the relatively low volume of new contracts did not affect business in 2023, as the turnover and profits from projects reached record levels. This was due to the fact that we entered 2023 with a large number of contracts and managed to realise claims related to price adjustments due to cost increases.

We are fairly certain that this will not lead to a drop in workload in 2024 (we have EUR 46 million worth of contracts concluded at the start of the year), as we have submitted a number of bids at the end of 2023 which were considered most favourable and we expect to conclude the related contracts in 2024. Some of those projects are: construction of a dumping site for low- and intermediate-level radioactive waste in Urbina near Krško (we are the nominated subcontractor), renovation of the highway section Fram-Slovenska Bistrica, construction of the residential building Zeleni Dvor in Murska Sobota, construction of a new pharmaceutical production facility for Lek in Lendava, construction of secure dwellings in Ptuj in construction of the ring road Nedelišče in Croatia. With regard to Croatia it should be noted that the country is witnessing an expansion of investments, particularly with regard to roads. Together with our subsidiary Tegro we have established a consortium and have utilised our reputation in Slovenia to win projects which are geographically oriented towards us.

## 2.6

# PERFORMANCE ANALYSIS

### 2.6.1 Pomgrad Group indicators

	2023	2022
<b>Profitability indicators</b>		
EBITDA	10,893,371	7,848,609
EBITDA margin	6.8%	5.6%
Operating margin (EBIT/net sales revenue)	3.8%	1.9%
Net margin	3.7%	2.0%
Return on equity	13.8%	5.4%
Return on total assets	6.7%	2.9%
Return on invested capital	12.4%	3.8%
<b>Activity indicators</b>		
Revenue per employee (in EUR thousands)	209	177
Labour costs per employee (in EUR thousands)	33	29
Added value per employee (in EUR thousands)	47	39
Average number of employees	762	790
<b>Financial situation indicators</b>		
Quick ratio	1.25	1.07
Turnover ratio	1.45	1.31
Equity to total assets ratio	0.49	0.45
Debt to equity ratio	0.11	0.17
Net debt to equity ratio	0.00	0.00
Debt/EBITDA	0.49	0.92
Long-term debt/EBITDA	0.24	0.50
Equity to liabilities ratio	0.49	0.45
Short-term debt/average monthly revenue	0.18	0.25
Equity to long-term assets ratio	1.30	1.16
Interest coverage	19.66	9.93

## 2.7

# RISK MANAGEMENT

Pomgrad Group ensures constant monitoring of certain risks that may arise in the business environment. Business risks that the Group is exposed to are promptly identified and assessed.

The risks may be divided into the following categories:

- market risks
- financial risks
- IT system risks
- HR risks

Risk management consists of identifying, monitoring, assessing and managing risks which each company is or could be exposed to. The aim is to identify threats and related risks and take appropriate action in a timely manner. We estimate that the risks involved in the operation of the Company and Pomgrad Group were appropriately identified and managed, in spite of the instability in the sector.

### Market risks

Market risks arise primarily from increased competition and falling sales prices for construction services in the markets where the Company and Pomgrad Group operate which lead to conducting business at unfavourable prices.

### Financial risks

Throughout 2023 Pomgrad Group sought to maintain short- and long-term solvency. As concerns financial risks, much of our attention was focused on managing liquidity risks relating to the funding of necessary investments and current operations. In spite of the unfavourable conditions on financial markets, the Group thereby successfully managed the financial risks and maintained a stable financial position.

Pomgrad Group faces certain difficulties in its current operations, mainly concerning payments by budget users for the works performed and, in certain cases, a lack of financial discipline by private contracting entities. We seek to mitigate these potential difficulties by requiring payment guarantees or carrying out ex-ante checks of the general condition of contracting entities, particularly new ones, and by rigorously pursuing the legal means for debt recovery.

### IT system risks

IT system risks can threaten the performance of business and technical-technological processes as well as data availability and security. These risks include fires, various hardware and software errors and faults, malicious hacking of the IT system, unauthorised access to data, power outages and the like.

These events can damage hardware, programs and data.

To protect ourselves from these risks we employ a fire protection system, backup of data and programs at a separate location, a repository for documents, etc.

Our local network is protected from the outside network via a firewall and safety mechanisms as well as policies to allow access to the information system only to authorised users.

Power outages can lead to the unavailability of the system and hardware failure. We use diesel generators to ensure power supply in case of lengthy outages.

We pay close attention to the timely renewal and optimisation of maintenance and licensing contracts, which ensure the reliable and professional execution of services by outside partners, thereby reducing the risk of downtime concerning the IT assets of Pomgrad Group. Investments in system equipment hardware and software are made by taking account of their useful life.

IT-related risks are estimated to be relatively low, and we believe that we have managed them well in 2023.

### HR risks

Effective human resources management is essential for ensuring stable long-term operation. HR risks include the risk related to retirement and an unfavourable age structure of employees at Group level, and the risk of excessive turnaround of key personnel, untapped employee potential, employee unavailability due to sick leave and other medical limitations. The inflexibility of regulations concerning human resources management also presents a risk as they hinder necessary changes in this area.

HR risks are managed by promoting the continued training of employees, acquiring new skills, promoting teamwork and project work, optimising the number of employees in each organisational unit and using various tools to motivate employees and improve their level of satisfaction.

We seek to limit employee turnover with good management and communication between employees, by promoting continuous professional development and motivation, and by establishing conducive working conditions and environment.

We seek to manage the risk of increased sick leave due to illness and workplace injuries with continuous training regarding occupational safety, by regularly renewing protective equipment and enforcing its mandatory use. We also offer our employees preventive vaccination against various diseases (the flu, meningitis, etc.).

We estimate that HR risks were managed appropriately.

## 2.8

### COMMUNICATION AND PUBLIC RELATIONS

Pomgrad Group's wide range of activities and close connection to the environment we operate in requires us to pay close attention to communication and public relations.

Therefore, the following activities were carried out in 2023:

- for the purposes of corporate advertising, we selected those media that reach the widest possible share of stakeholders and decision-makers with an indirect and direct impact on the operation and business of Pomgrad Group. Advertising was used to actively support Pomgrad Group's position and visibility as one of the largest construction groups in Slovenia and one of the five leading construction groups in the Adriatic region;
- regular, planned and proactive public relations management, whereby we sought to communicate content transparently and regularly, and focused on supporting successful projects and the values which guide the execution of all of Pomgrad Group's projects as well as on addressing public topics which affect the operation and performance of the Company;
- regular and proactive information of the internal public (our employees) through posts intended solely for employees (TV, the magazine *Naš krog*) and posts distributed externally. Relevant information was regularly posted on social media and our website (press releases, public statements, important clarifications regarding individual projects, photos of opening ceremonies at facilities) in order to boost employee motivation and engagement and to foster a sense of belonging to Pomgrad Group;
- sponsorships and donations in support of social, cultural and sporting projects locally and in the wider area that we operate in, which reflect the social responsibility of Pomgrad Group;
- active monitoring of posts concerning Pomgrad Group in the media and, where necessary, rapidly responding to posts in a transparent manner.

## 2.9

### IMPORTANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

After the end of the financial year, there were no significant events affecting the true view of the operation of Pomgrad Group in 2023.



# COOPERATION

*Stronger together, better together.*

We believe in teamwork and mutual support. By cooperating, we can achieve our common goals and overcome any challenge.

# 3

WE REGARD SOCIAL RESPONSIBILITY AS ONE OF THE KEY ENABLING FACTORS FOR THE SUCCESS AND REPUTATION OF OUR COMPANY. IT IS THEREFORE INTEGRATED IN OUR OPERATIONS. POMGRAD CONTINUES TO BUILD SUSTAINABLE AND OPEN RELATIONSHIPS, PARTICULARLY WITH ITS EMPLOYEES, BUSINESS PARTNERS AND CLIENTS. WE PAY PARTICULAR ATTENTION TO THE SATISFACTION OF OUR EMPLOYEES AND CLIENTS AND STRIVE TO MAINTAIN A WORKING ENVIRONMENT BASED ON RESPECT, TRUST, OPEN COMMUNICATION AND EQUALITY. WE ALSO TAKE INTO ACCOUNT THE NEEDS OF THE ENVIRONMENT, SUPPORTING THE REGIONAL AND LOCAL COMMUNITIES, VARIOUS EVENTS AND EDUCATIONAL INSTITUTIONS THROUGH AWARENESS RAISING, MORAL SUPPORT, DONATIONS AND SPONSORSHIPS. EACH YEAR WE PROVIDE SUPPORT TO NUMEROUS CULTURAL, SPORTING AND HUMANITARIAN PROJECTS.

WE ALSO PAY SPECIAL ATTENTION TO ENVIRONMENTAL PROTECTION AND ECOLOGICAL ISSUES AS WELL AS TO HEALTH AND SAFETY AT WORK. THESE EFFORTS HAVE ENABLED US TO OBTAIN AN ENVIRONMENTAL CERTIFICATE AND AN OCCUPATIONAL HEALTH AND SAFETY CERTIFICATE.

## 3.1

### RESPONSIBILITY TOWARDS EMPLOYEES

Special attention is devoted to promoting the development and motivating employees. We value skills and competence. Through targeted and systematic development and continuous employee training we enable the acquisition of relevant knowledge and experiences in various fields as well as the professional and personal growth of employees. Our human resources policy affirms the principles of respect, trust and cooperation.

This year, we approved a new organisational chart as well as the basis for a new job classification act with job and task descriptions which emphasise the desired (modern) skills. Accordingly, several activities were carried out to formulate new job and task descriptions, which will be complemented with a performance model and the possibility of vertical/horizontal promotion.

By reducing the risks of work-related health issues and accidents we seek to ensure a safe and healthy working environment and the well-being of all employees.

We promote occupational health and a healthy lifestyle. By raising awareness of occupational health and safety among all employees we seek to affect instances of sick leave in the long-term.

We champion and promote diversity and intergenerational cooperation at the workplace. Each new employee, student and scholarship recipient is assigned a mentor. Employees of different ages ensure a variety of values, views and perspectives.

We recognize the importance of internal communication, therefore we publish the magazine *Naš krog* four times per year, communicate through e-mail and work with representatives of workers organisations.

We also organise presentations of presents as well as winter and summer activities for our employees' children.

#### 3.1.1 Human resources policy

Hiring dynamics at Pomgrad is based on annual plans, which cover estimated needs for human resources at specific jobs, while the Pomgrad Academy addresses the current HR needs of the company as they arise throughout the year. In spite of a shortage of personnel on the market the objective of our human resources policy has remained the same, i.e. to ensure the required workforce and select the best candidates.

In addition to hiring new employees, the policy also aims to retain existing ones, enable employees to develop their competences as much as possible, ensure continuous training and growth of all workers, en-

sure safe working conditions and provide employees with all the information required for good cooperation and to reach mutual agreements at work. We seek to offset the lack of personnel by training our own workforce (scholarship recipients, trainees) and providing internal trainings for shortage occupations.

We have launched a shift in the organisational culture of the Company and the design of a new competency model. We seek to raise awareness among employees of the importance of the reputation of their employer and pursue activities to bolster our brand.

#### Information on Pomgrad Group's employees in 2023

As at 31 December 2023, the number of employees stood at 762, down by 28 from 31 December 2022.

#### 3.1.2 Education

Pomgrad is committed to the continuous improvement of the know-how of its employees. To that end, we systematically organise trainings and education throughout the year.

We have also developed and implemented a strategic educational plan, which sets the objectives, plans and expected results for each year. This plan defines the direction and ensures the coordination of activities carried out by Pomgrad Academy. By focusing on the professional and personal development of workers and management it benefits all employees. All activities are carried out in recognition of the fact that investing in our workforce is crucial for us to remain competitive and ensure sustained success in the sector.

Activities are targeted at fulfilling the actual needs of the Company and the employees. Each year, we carry out a comprehensive analysis of the education needs, based on which we design and implement relevant programmes. The remaining trainings we provide are required by law.

In 2023, we continued to develop our own training programmes for essential construction jobs, which comprised more than 7,000 hours of practical training and classes. More than 500 employees participated in them. Our employees attended professional education and trainings in the fields of new technologies in construction, public procurement, legislation regarding construction and spatial planning as well as related practices, controlling, human resources, employment relationships, accounting and other areas, which were organised by organisations such as the Slovenian Chamber of Engineers and the Slovenian Asphalt Pavement Association.

In 2023, we expanded our programme portfolio to include, in addition to traditional professional trainings,

areas such as the development of management skills, creativity and innovation, agile leadership and digital skills. Our management team remained actively engaged in training and professional development, with a particular focus on managing employees in the virtual environment and on change management.

### 3.1.3 Scholarships

Scholarships are a form of long-term planning for future employees, particularly in occupations in construction which will become shortage occupations in the next few years.

At the beginning of 2023, we were providing scholarships to 6 persons – 1 secondary level student and 5 students attending faculties for civil engineering. During the year, we hired 2 recipients, who had successfully completed their studies. Upon completing the secondary level, the aforementioned student continued to receive a scholarship to attend a faculty for civil engineering.

We maintain good relations with scholarship recipients, who also receive our internal newsletter to keep track of events at Pomgrad. We offer them work placements where they can learn the working processes at construction sites, while the Pomgrad Academy annually offers them an opportunity to meet the management team.

In 2023, we signed a contract with an employee to attend an education programme for the occupation of mason.

## 3.2

### ENVIRONMENTAL PROTECTION REPORT

As the leading player in the construction sector in the region and beyond, Pomgrad recognises its responsibility towards the environment and society. Recognising the impact of construction on the environment, we were among the first in the region to adapt to changes in thinking and environmental management, thus becoming a role model for other companies in the industry and beyond. By modernizing our production and machinery, installing compliant oil catchers wherever necessary, and implementing modern working methods, we have introduced the highest ecological standards in the field of material sourcing and production, as well as the execution of construction works. By continuously investing in machines and facilities (we acquire something new each year), we ensure that emissions are kept to a minimum and that our production and activities are energy efficient. We ensure the regular monitoring of noise, water and emissions into the environment as well as other on-the-spot measurements.

The results and guidelines for the coming years indicate the set goals, with which we will further save energy and reduce emissions into the environment. In 2024, we will install an additional 700 kW of solar power plants to complement existing ones.

Pomgrad already introduced separate waste collection and modern methods of construction waste management and recovery years ago in accordance with the National programme for environmental protection and the Environmental Protection Act. If processed appropriately, some of this waste can be re-used in construction. We carry out systematic awareness raising among employees of the environmental aspects and impacts of our operations. This includes the significance of the correct separation of non-hazardous waste and appropriate management of hazardous waste. This awareness raising extends to our subcontractors who perform services at our sites.

## 3.3

### RESPONSIBILITY TOWARDS THE WIDER COMMUNITY

Pomgrad implements a set of measures to strengthen its socially responsible management vis-a-vis the environment, its employees, the community, buyers, suppliers and end-users. Its corporate culture is based on responsibility, respect and trust. We value competency and cooperation and support the professional and personal development of our employees. We are aware that socially responsible conduct ensures better personnel and sustainable growth.

As part of our activities, we monitor and adhere to legal and other binding guidelines related to environmental and energy aspects, and we comply with international standard ISO 14001 – Environmental Management System.

We act responsibly towards our employees, seek to maintain good relations and employee satisfaction, support the development of employees, encourage lifelong learning, support workforce diversity and equal employment opportunities, and respect human rights.

Pomgrad demonstrates its social responsibility by sponsoring a variety of events. We also strongly support humanitarian causes, particularly with donations.

We exercise responsibility towards our buyers, suppliers and end-users, building partnerships and acting as a reliable and trust worthy business partner.





# ADAPTABILITY

*Adaptability to every situation.*

In a rapidly changing world, we remain open and adaptable in order to deliver solutions that meet both current and future needs.

## 4.1

AUDIT REPORT CONCERNING  
POMGRAD GROUP

## 4

FINANCIAL  
REPORT

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- 4.7 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT
- 4.8 RELATIONS BETWEEN RELATED PARTIES



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#### INDEPENDENT AUDITOR'S REPORT to the owners of POMGRAD d.d.

##### Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

##### Basis for opinion

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

##### Other information

Management is responsible for the other information. The other information comprises the information included in Annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we express no assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with



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the consolidated financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances. In relation to this and based on our procedures performed, we report that:

- Other information is, in all material respects, consistent with the audited consolidated financial statements;
- Other information is prepared in compliance with applicable law or regulation; and
- Based on our knowledge and understanding of the Group and its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

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

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

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

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

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

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going

## Deloitte.

concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

DELOITTE REVIZIJA d.o.o.  
Dunajska cesta 165  
1000 Ljubljana

Tina Kolenc Praznik  
Certified auditor

*For signature please refer to the  
original Slovenian version.*

**Deloitte.**  
DELOITTE REVIZIJA D.O.O.  
Ljubljana, Slovenija 3

Ljubljana, 17. May 2024

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

## 4.2 MANAGEMENT RESPONSIBILITY STATEMENT

The management confirms the 2023 annual report of Pomgrad Group, which includes a business and financial report for the period from 1 January to 31 December 2023.

The management board is responsible for the drafting of the annual report of Pomgrad Group and its true and fair view of the Group's assets and operating results in 2023.

The management confirms that relevant accounting policies were used consistently and that accounting estimates were made in compliance with the principles of prudence and sound management. It also confirms that the financial statements and related notes were made based on the presumption of the continued operation and existence of the Group and in compliance with the Slovenian legislation in force and the International Financial Reporting Standards (IFRS), as adopted by the EU.

The management is also responsible for appropriate accounting, the adoption of appropriate measures to secure assets as well as for the prevention and detection of fraud and other irregularities and unlawful acts.

As part of its activities, the management strictly adheres to the laws and tax regulations, therefore it is presumed that no significant liability will arise in this regard.

Murska Sobota, 17 May 2024

Chairman of the Board:  
Iztok Polanič, MBA



Board member:  
Boris Sapač, u. d. i. g.



Board member:  
Kristian Ravnič, u. d. i. g.



## 4.3 NOTES TO THE GROUP FINANCIAL STATEMENTS

### 4.3.1 Reporting company and Pomgrad Group

The reporting (parent) company is Pomgrad d. d. with a registered office in Slovenia. The address of the registered office is Bakovska ulica 31, Murska Sobota. Pomgrad Group is consolidated under the parent company Imo-Real d. o. o. The consolidated annual report will be available at the registered office of the parent company, presumably by the end of August 2024.

The financial year of the Group corresponds to the calendar year.

#### PRESENTATION OF POMGRAD GROUP

Pomgrad Group comprises the parent company **Pomgrad d. d.** and its subsidiaries, as shown below. Pomgrad d. d. has a controlling interest in these subsidiaries and exercises (joint) control over them. The financial year of all companies within the group corresponds to the calendar year.

#### A) Full consolidation of financial statements concerns the following companies:

##### POMGRAD – GM d. o. o.

##### Basic information:

Company director:	Jožef KEREČ
Company name:	POMGRAD – GRADBENI MATERIALI, d. o. o.
Short name:	POMGRAD – GM d. o. o.
Registered office:	Murska Sobota
Business address:	Bakovska ulica 31, 9000 Murska Sobota
Registration number:	1563211000
Tax number:	60823828
Activity code according to SKD 2008:	08.120 Operation of gravel and sand pits; mining of clays and kaolin
Transaction accounts:	SI56 0312 5100 0004 370 opened at SKB d. d. SI56 0488 1000 0927 742 opened at NOVA KBM d. d. SI56 3300 0000 5748 405 opened at ADDIKO BANK d. d.
Financial year:	Financial year corresponds to the calendar year.

**Company contact details:**

Telephone number:	+386 (02) 53 41 880
Fax number:	+386 (02) 53 41 882
E-mail:	info@pomgrad.si
Website:	http://www.pomgrad.si

Ownership interest of the parent company: 100.00%.

**POMGRAD – GNG d. o. o.****Basic information:**

Company director:	Goran TOMAŠ
Company name:	POMGRAD – GEOTEHNIKA IN NIZKE GRADNJE, d. o. o.
Short name:	POMGRAD – GNG d. o. o.
Registered office:	Slovenska Bistrica
Business address:	Industrijska ulica 9, 2310 Slovenska Bistrica
Registration number:	2136295000
Tax number:	SI92480403
Activity code according to SKD 2008:	42.130 Construction of bridges and tunnels
Transaction accounts:	SI56 0234 0025 6478 180 opened at NLB d. d.
Financial year:	Financial year corresponds to the calendar year.

**Company contact details:**

Telephone number:	+386 (02) 61 30 390
Fax number:	+386 (02) 80 50 879
E-mail:	info@pomgrad.si
Website:	http://www.pomgrad.si

Ownership interest of the parent company: 100.00%.

**POMGRAD – TAP d. o. o.****Basic information:**

Company director:	Dean DONKO
Company name:	POMGRAD – TOVARNA ASFALTA POMURJE, d. o. o.
Short name:	POMGRAD – TAP d. o. o.
Registered office:	Murska Sobota
Business address:	Bakovska ulica 31, 9000 Murska Sobota
Registration number:	5924910000
Tax number:	90108698
Activity code according to SKD 2008:	23.990 Manufacture of other non-metallic mineral products
Transaction accounts:	SI56 0488 1000 0895 926 opened at NKBM d. d. SI56 0294 0025 8279 946 opened at NLB d. d.
Financial year:	Financial year corresponds to the calendar year.

**Company contact details:**

Telephone number:	+386 (02) 53 41 900
Fax number:	+386 (02) 53 41 908
E-mail:	info@pomgrad.si
Website:	http://www.pomgrad.si

Ownership interest of the parent company: 100.00%.

**POMGRAD – CP d. d.****Basic information:**

Company director:	Jožef DOMINKO
Company name:	POMGRAD – CESTNO PODJETJE, road construction and maintenance company, d. d.
Short name:	POMGRAD – CP d. d.
Registered office:	Beltinci
Business address:	Lipovci 256b, 9231 Beltinci
Registration number:	5143250000
Tax number:	SI 97861049
Activity code according to SKD 2008:	42.110 Construction of roads and motorways

Transaction accounts:	SI56 0234 0001 8033 653 opened at NLB d. d. SI56 0312 5100 0611 978 opened at SKB d. d. SI56 3300 0000 5735 892 opened at ADDIKO bank d. d.
Financial year:	Financial year corresponds to the calendar year.

**Company contact details:**

Telephone number:	+386 (02) 530 45 10
Fax number:	+386 (02) 521 13 37
E-mail:	cpms@pomgrad.si
Website:	http://www.cp-ms.si

Ownership interest of the parent company: 82.36%.

Share of company within the Group: 6.35% – POMGRAD – VGP d. d.

**POMGRAD – VGP d. d.****Basic information:**

Company director:	Andrej BIRO
Company name:	POMGRAD – Water management company, d. d.
Short name:	POMGRAD – VGP d. d.
Registered office:	Beltinci
Business address:	Lipovci 256b, 9231 Beltinci
Registration number:	5150507000
Tax number:	34455787
Activity code according to SKD 2008:	42.910 Construction of water projects
Transaction account:	SI56 0234 0001 1289 437 opened at NLB d. d. SI56 3300 0000 5748 890 opened at ADDIKO BANK d. d.
Financial year:	Financial year corresponds to the calendar year.

**Company contact details:**

Telephone number:	+386 (02) 530 45 10
Fax number:	+386 (02) 521 13 37
E-mail:	vgp@pomgrad.si
Website:	http://www.pomgrad.si

Ownership interest of the parent company: 59.20%.

**TEGRA d. o. o., ČAKOVEC****Basic information:**

Company director:	Ivan KOLARIĆ
Company name:	TEGRA Hydrotechnical Construction and Civil engineering Construction
Short name:	TEGRA d. o. o.
Registered office:	Čakovec
Business address:	Mihovljanska 70, Čakovec (HR)
Registration number:	1119834
Activity code according to SKD 2008:	
Tax number:	HR52347609859
Transaction accounts:	HR3724070001100638308 opened at OTP Bank Croatia d. d. HR7424840081103318727 opened at Raiffeisenbank Austria d. d. HR2624020061100075202 opened at Erste&Steiermärkische Bank d. d.
Financial year:	Financial year corresponds to the calendar year.

**Company contact details:**

Telephone number:	00385 (040) 396 290
Fax number:	00385 (040) 396 123
E-mail:	/
Website:	http://www.tegra.hr

Ownership interest of the parent company: 100.00%.

**H-GRAD d. o. o.****Basic information:**

Company director:	Iztok POLANIČ, Kristian RAVNIČ
Company name:	H-GRAD d. o. o., Construction, production and services
Short name:	H-GRAD d. o. o.
Registered office:	Zagreb (HR)
Business address:	Gorjanska ulica 29, 10000 Zagreb
Registration number:	4556976
Activity code according to SKD 2008:	41.20 Construction of residential and non-residential buildings
Tax number:	HR62010245677
Transaction accounts:	HR23 23600001102547449 opened at Zagrebačka Bank d. d.
Financial year:	Financial year corresponds to the calendar year.

## Company contact details:

Telephone number:	+385 (01) 48 50 175
Fax number:	/
E-mail:	info@pomgrad.si
Website:	http://www.pomgrad.si

Ownership interest of the parent company: 100.00%.

**INŠTITUT BAM d. o. o.**

## Basic information:

Company director:	Miran BRENCI
Company name:	INŠTITUT BAM, Institute for concrete, asphalt and other materials, d. o. o.
Short name:	INŠTITUT BAM d. o. o.
Registered office:	Maribor
Business address:	Tomšičeva ulica 36, 2000 Maribor
Registration number:	5678803000
Activity code according to SKD 2008:	71.200 Technical testing and analysis
Tax number:	SI53796292
Transaction accounts:	SI56 0400 0027 6670 422 opened at NOVA KBM d. d.

Ownership interest of the parent company: 75.00%.

**B) The consolidation in accordance with the equity method includes the financial statements of the following associates:****TOVARNA ASFALTA KIDRIČEVO d. o. o.**

## Basic information:

Company director:	Vladan RADEVIĆ
Company name:	TOVARNA ASFALTA KIDRIČEVO, production, d. o. o.
Short name:	TOVARNA ASFALTA KIDRIČEVO d. o. o.
Registered office:	Kidričevo
Business address:	Tovarniška cesta 10, 2325 Kidričevo
Registration number:	1673289000
Activity code according to SKD 2008:	23.990 Manufacture of other non-metallic mineral products
Tax number:	SI11836270
Transaction accounts:	SI56 0318 2100 0422 557 opened at SKB d. d. SI56 0215 0009 1294 259 opened at NLB d. d.

Share of company within the Group: 48.80% – POMGRAD – TAP d. o. o.

**P.G.M. INŽENIRING d. o. o.**

## Basic information:

Company director:	Gregor Mihael JOŠT
Company name:	P.G.M. INŽENIRING, production of construction and other materials, d. o. o.
Short name:	P.G.M. INŽENIRING d. o. o.
Registered office:	Sežana
Business address:	Kolodvorska ulica 1, 6210 Sežana
Registration number:	1937413000
Activity code according to SKD 2008:	08.120 Operation of gravel and sand pits; mining of clays and kaolin
Tax number:	SI47018682
Transaction accounts:	SI56 1010 0003 8049 991 opened at Intesa Sanpaolo Bank d. d. SI56 0317 9100 0227 346 opened at SKB d. d.

Ownership interest of the parent company: 50.00%.

**NOGRAD – GM d. o. o.****Basic information:**

Company director:	Marko NOVAK
Company name:	NOGRAD – Construction materials, production of construction and other materials, d. o. o.
Short name:	NOGRAD – GM d. o. o.
Registered office:	Dobrovnik
Business address:	Dobrovnik 297, 9223 Dobrovnik
Registration number:	2043459000
Activity code according to SKD 2008:	08.120 Operation of gravel and sand pits; mining of clays and kaolin
Tax number:	SI42444845
Transaction accounts:	SI56 3300 0000 3257 348 opened at ADDIKO BANK d. d.

Share of company within the Group: 50.00% – POMGRAD – GM d. o. o.

**4.3.2 Basis for drawing-up**

The financial statements as at 31 December 2023 were drawn up in accordance with:

- the International Financial Reporting Standards, as adopted by the European Union,
- The Companies Act.

As at the balance sheet date, the accounting policies of Pomgrad Group reflect no difference between the IFRS applied and the IFRS, as adopted by the EU.

**New and amended IFRS accounting standards in force in the current year**

In the current year, Pomgrad d. d. applied several amendments to the IFRS accounting standards issued by the International Accounting Standards Board (IASB) and adopted by the EU, which are mandatory for the reporting period beginning on or after 1 January 2023. Their adoption had no material impact on the disclosures or the amounts reported in these financial statements.

Standard	Name
IFRS 17	New IFRS 17 – Insurance contracts, including the amendments to IFRS 17 of June 2020 and December 2021
Amendments to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules*

\* The exception introduced by the amendments to IAS 12 (whereby a company does not recognise and does not disclose information about deferred tax assets and liabilities related to IASB Pillar Two income taxes) applies immediately upon issuance of the amendments and retrospectively in accordance with IAS 8. The remaining disclosure requirements are required for annual reporting periods beginning on or after 1 January 2023.

**New and amended IFRS accounting standards adopted by the EU but not yet effective**

On the date of approval of these financial statements, Pomgrad d. d. did not apply the following amended IFRS accounting standards that have been issued by IASB and adopted by the EU but are not yet effective:

Standard	Name	Effective date
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024

Pomgrad d. d. decided not to apply this new standard, the amendment to the existing standard and the new clarification before their effective dates. Pomgrad d. d. assumes that the introduction of these standards and amendments to existing standards will have no significant impact on its financial statements during the period of their initial application.



### New and amended IFRS accounting standards that have been issued but have not been adopted by the EU

At present, IFRS as adopted by the EU do not differ significantly from IFRS adopted by the IASB except for the following new standards and amendments to existing standards, which were not endorsed by the EU as of 31 March 2024:

Standard	Name	Status of adoption by the EU
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (effective date determined by IASB: 1 January 2024)	Not yet adopted by the EU
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements (effective date determined by IASB: 1 January 2024)	Not yet adopted by the EU
Amendments to IAS 21	Lack of Exchangeability (effective date determined by IASB: 1 January 2025)	Not yet adopted by the EU
IFRS 14	Regulatory Deferral Accounts (effective date determined by IASB: 1 January 2016)	The European Commission decided not to launch the adoption process of this interim standard and to wait for the final standard.
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture as well as further amendments (IASB deferred indefinitely the effective date, however, earlier application is permitted).	The endorsement process is postponed indefinitely until the research project on the equity method has been concluded.

Pomgrad d. d. does not expect the adoption of the above mentioned standards to have a significant impact on the financial statements in future periods.

Accounting for exposure of the portfolio of financial assets and liabilities to risks, the principles of which have not been adopted by the EU, remains unregulated. Pomgrad d. d. estimates that accounting for exposure of the portfolio of financial assets and liabilities to risks in accordance with **IAS 39 – Financial Instruments: Recognition and Measurement**, had it been carried out on the balance sheet date, would not have had a significant impact on the financial statements.

### B) BASIS FOR MEASUREMENT

The Group's financial statements have been drawn up based on historical cost, with the exception of the following assets and liabilities, which are reported at their fair value:

- financial assets at fair value through equity (investments in shares of companies listed on a regulated market).

### C) FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements in this report are presented in euros (EUR) without cents. The EUR is also the company's functional currency. Rounding of values may result in insignificant discrepancies in totals set out in the tables.

### D) USE OF ESTIMATES AND JUDGEMENTS

When drawing up financial statements, the management must give estimates and make judgements based on applied and reviewed assumptions which affect the reported amounts of assets, liabilities, revenue and expenses. The estimates made and related assumptions and uncertainties are disclosed in the notes to individual items.

Estimates, judgements and assumptions are subject to regular review. Estimates are subjective and entail a degree of uncertainty, therefore, subsequent actual results may differ from them. Changes in estimates, judgements and assumptions are recognised in the period in which they occur if the change affects that period only, or in the period of the change and in subsequent periods if the change affects subsequent periods.

Estimates and assumptions are used mainly in the following judgements:

#### Estimate of the useful life of depreciable assets

When estimating the useful life of assets, the Group takes into account their expected physical wear and tear, technical or commercial obsolescence, and statutory and other restrictions on their use.

#### Asset impairment test

Information on significant estimates of uncertainty and critical judgements which the management prepared while implementing accounting policies and which have the largest impact on the amounts in the financial statements were used to estimate the amounts of:

- investments in jointly controlled companies and associates (note 4),
- financial assets (investments) measured at cost (note 4),
- impairment of receivables,
- impairment of loans.

#### Estimating the fair value of assets

Fair value is used for financial assets measured at fair value through equity. The remaining items in the financial statements reflect cost or amortised cost. When measuring the fair value of non-financial assets, the Group considers the ability of the market participant to generate economic benefits through the optimal use of the asset or by selling the asset to another market participant who will make the best use of the asset. The Group applies valuation methods which are appropriate for the given context and for which there is sufficient data available, particularly by using relevant market input data and by keeping the use of non-market data to a minimum.

All assets and liabilities measured or disclosed in the financial statements at fair value are classified according to the following fair value hierarchy based on the lowest level of input data relevant for measuring the total fair value:

level 1 - (unadjusted) market prices on an active market for similar assets and liabilities;

level 2 - valuation model based directly or indirectly on market data;

level 3 - valuation model based on market data.

With regard to assets and liabilities recognised in financial statements in previous periods, the Group determines at the end of each period whether any transfers between levels have occurred. To that effect it reviews the allocation of assets taking into account the lowest level of input data relevant for measuring the total fair value.

The fair value hierarchy of assets and liabilities is presented in chapter 4.7.4.

#### **Assessing the influence in jointly controlled companies and associates**

With regard to jointly controlled companies and associates, the Group regularly verifies whether there has been a change in influence, thereby ensuring that investments are appropriately considered in the statements. The following facts indicate that an investor has significant influence:

- ownership interest;
- representation on the management board or relevant decision-making body of the company that the Group/company has invested in;
- participation in policy-making processes, including decisions regarding dividends.

#### **Estimate of provisions for post-employment benefits and other long-term employee benefits (note 13)**

These provisions are used to record the present values of retirement allowances and jubilee awards. They are recognised based on actuarial calculations approved by the management. Actuarial calculations are based on assumptions and estimates valid at the time of the calculation, however, due to future changes these may differ from actual assumptions valid in the future. This concerns primarily the established discount rate, estimated employee turnover and estimated wage growth.

#### **Assessment of ability to use deferred tax assets**

The group establishes deferred tax assets based on impairments of financial investments and tax losses.

On the date of completion of the statements, the Group verifies the amount of reported deferred tax assets and liabilities. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised.

#### **E) CHANGES IN ACCOUNTING POLICIES**

Unless required by IFRS, the Group did not change its accounting policies.

#### **4.3.3 Financial risk management**

The financial risks the Group is exposed to comprise credit risks, liquidity risks and interest rate risks. All types of risk are detailed in the Financial Report (chapter Financial Instruments and Risk Management).

#### **4.3.4 Changes within the Group in 2023**

There were no changes within the Group in 2023.

## 4.4

### RELEVANT INFORMATION ABOUT THE ACCOUNTING POLICIES

The reporting (parent) company is Pomgrad d. d. with a registered office in Slovenia. The address of the registered office is Bakovska ulica 31, Murska Sobota. The Company performs all kinds of construction works, including construction of all kinds of facilities, roads, utility infrastructures, and other construction services. Companies belonging to the group operate in areas such as the production of construction materials and asphalt mixtures (Pomgrad – GM, Pomgrad – TAP and Tegra d. o. o.), geotechnical engineering (Pomgrad – GNG), road and waterway management based on concession contracts (Pomgrad – CP, Pomgrad – VGP and Tegra d. o. o.), and materials measurements and analysis (Inštitut BAM).

Pomgrad d. d. draws up financial statements and notes in accordance with the IFRS as adopted by the European Union (hereinafter: IFRS).

The group financial statements and related notes were audited by the audit firm Deloitte Revizija d. o. o., which drew up an independent auditor report included in the beginning of the chapter.

In the balance sheet as at 31 December 2023 the Group implements the same accounting policies in accordance with IFRS as in the comparable statements for the previous period presented in the accompanying financial statements, unless changes were made to the accounting policies as explained below.

When drawing up the financial statements of Pomgrad Group for the years ending on 31 December 2023 and 2022, the following accounting policies were applied:

#### A) INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND DEPRECIATION/AMORTISATION

Property, plant and equipment, and intangible assets are reported at cost. New acquisitions are included at purchase prices increased by all associated costs related to bringing the asset to its working condition.

Disposed or destroyed assets are no longer subject to bookkeeping. Profits and losses arising therefrom are recorded as revaluation operating revenues or expenses.

Intangible assets have finite useful lives.

Subsequent payments relating to intangible assets, property, plant and equipment, and investment property increase their cost if they are made for the purposes of replacement and/or if it is likely that the future economic benefits of the asset will be greater than originally estimated. In addition, the remaining useful life is reassessed at this point. In case of subsequent payments for a fully amortised/depreciated asset the asset in question is recognised as a new asset with a new useful life.

Amortisation/depreciation is accounted for in accordance with the provisions of the international accounting standards, specifically, on the basis of the estimated useful life of individual types of property, plant and equipment, intangible assets and investment property.

The straight-line method is used. Amortisation/depreciation is accounted on a straight-line basis over the useful life of assets.

Approximations of annual depreciation rates used are:

Property rights	20.00%–50.00%
Other intangible assets	5.00%–25.00%
Buildings	3.00%–6.00%
Dwellings	1.67%
Other equipment	6.6%–20.00%
Computer equipment	33.33%–50.00%
Motorised vehicles	12.5%–20.00%
Other inventory above 1 year	10.00%–20.00%

In 2023 and 2022 the depreciation rates used remained unchanged from the previous year.

Property, plant and equipment, and investment property are impaired when their recoverable amount is lower than their carrying amount. Loss due to impairment is recognised in the income statement.

The Company defines investment property as property held in order to earn rentals and/or capital appreciation. Investment property includes:

- land held for the purpose of capital appreciation (not for sale in the near future);
- a building owned or held under a finance lease and leased out under one or more operating leases;
- a building that is vacant but is held to be leased out under one or more operating leases.

The Group measures investment property using the cost model and applies the straight-line method for depreciation.

With regard to useful life and depreciation rate, investment property is subject to the same accounting policies as property, plant and equipment.

The Group estimates that the carrying amount of property, plant and equipment, and investment property does not differ significantly from the fair value. The revenues generated by the Group with investment property exceeds the cost of their depreciation and maintenance.

**B) LEASES**

A lease is defined as a finance or operating lease if it arises from the contract that it contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time, usually longer than one year, in exchange for consideration. The Group determines the lease term based on the non-cancellable period of a lease, taking account of the period covered by an option to extend the lease and the period covered by an option to terminate the lease as well as the likelihood of exercising those options.

The Group recognises the right of use on the day of commencement of the lease. The right of use of leased assets is measured at cost less any allowance and impairment loss and adjusted for any remeasurement of the lease liability. The cost of the right of use of leased assets includes the amount of the initial measurement of the lease liability, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The group applies a uniform approach to recognition and measurement for all leases, except for short-term leases and leases of lower value (not exceeding EUR 5,000 for new assets), which are recognised as cost in the period of the lease.

If, at the end of the lease, the ownership of the leased asset is transferred to a company within the Group or a company within the Group exercises the option to buy, depreciation is determined based on the estimated useful life of the asset or the lease term.

Lease liabilities are recognised at present value of the remaining lease payments during the entire lease contract term, which is calculated as the discounted value of lease payments that the Group will make during the lease term in accordance with the lease contract. Lease payments also include the exercise price of a purchase option if the Group is likely to exercise that option, and payments of penalties for terminating the lease if the Group is likely to exercise the option to terminate the lease.

To calculate the present value of lease payments the Group applies its incremental borrowing rate at the commencement date as the interest rate implicit in the lease contract cannot be determined. After the commencement date, the amount of lease liabilities is increased by the accrued interest and reduced by all lease payments made. The carrying amount of lease liabilities is reassessed in case of adjustment or change of the lease term, a change in the amount of the lease payments resulting from a change in an index or rate used to determine that amount, or a change in the assessment of the option to purchase the leased asset.

At commencement of the lease, the lease liabilities correspond to the amount of the right-of-use assets and are reduced by payments made, while the amount of the right-of-use assets is reduced by the depreciation expense during the lease term. Charged interest costs are categorised under finance expenses over the period.

**C) FINANCIAL INVESTMENTS**

According to IFRS 9, financial investments in companies whose shares are listed on a regulated securities market are classified as financial assets measured at fair value through other comprehensive income. All changes in fair value and the effect of the disposal of such investments are recognised in equity, with the exception of dividends received, which are recognised in profit or loss.

Financial investments in loans are measured at amortised cost. In order to calculate the impairment of financial instruments, the Group applies the expected credit loss model in accordance with IFRS 9, meaning that the impairment can be recognised before the loss is incurred.

Financial assets are derecognised when the reasons for their existence cease to exist, namely upon:

- the sale of a financial asset;
- the repayment of a loan;
- the liquidation or deregistration of a company to which the financial investment was recognised.

**D) CASH**

Cash includes cash in transaction accounts and cash in hand.

**E) RECEIVABLES**

All types of receivables are presented when they arise in amounts which arise from relevant documents and assuming that they will be paid.

Revaluation of receivables means a change in their carrying amount. Revaluation is performed before the financial statements are drawn up, it is presented as revaluation of receivables due to their impairment (if the Group estimates that the recoverable amount of the receivable is lower than its carrying amount) or revaluation of receivables due to a reversal of their impairment. Estimated impairments are based on expected credit losses related to the likelihood of default on receivables in the following 12 months, unless the credit risk has increased significantly since initial recognition.

In addition, the Group assesses the quality of receivables at the end of the financial year and adjusts the amount, whereby it assesses the quality of receivables for each buyer.

**F) IMPAIRMENT OF ASSETS****Financial assets**

A financial asset is considered impaired when there are objective evidence indicating a reduction in the expected future cash flows from the relevant asset, provided these can be measured reliably. Objective evidence includes non-compliance or violation by the debtor, signs of impending insolvency proceedings against the debtor and other objective evidence.

## Impairment of receivables and loans

The Group assesses evidence of the impairment of receivables separately and calculates expected future losses in accordance with IFRS 9. All significant receivables are measured individually for a potential impairment. If it is estimated that the carrying amount of a receivable exceeds its fair (collectible) value, the receivable is considered impaired. The Group/Company considers the formation of valuation allowances, the reversal of allowances and recovered written-off receivables as operating expenses.

The Group assesses evidence of impairment of loans for each significant loan individually. A loss due to impairment of a financial asset recorded at amortised cost is recognised in profit or loss.

## Non-financial assets

At each reporting date the Group assesses the carrying amount of significant non-financial assets in order to determine whether there are any signs of potential impairment. If it is established that such signs exist, the recoverable amount of the asset is estimated. The recoverable amount of an asset is the higher of an asset's fair value less costs of disposal and its value in use. An impairment of an asset is recognised if its carrying amount exceeds its recoverable amount.

At the end of each reporting period, the Group determines whether there are any reasons for a potential impairment of property, plant and equipment, and of investment property. An impairment occurs when the recoverable amount of property, plant and equipment, or of investment property is lower than its carrying amount. The incurred loss due to impairment is recognised in the income statement.

At the end of each reporting period, the Group assesses the cost of inventories and determines whether there are any reasons for the inventories' lack of marketability and thus a potential valuation allowance. A valuation allowance is made if the net realisable value of inventories is lower than their carrying amount. The net realisable value is the estimated sales value attained in the ordinary course of business.

## G) INVENTORIES

Inventories of commercial goods and materials are measured at cost or net realisable value, whichever is higher. The net realisable value is the estimated sales value attained in the ordinary course of business less the estimated costs of completion and estimated costs of the sale.

The cost of purchase comprises the purchase price, import and other non-refundable duties and costs directly attributable to the purchase. Depletion of inventories is valued on the basis of average prices.

At initial recognition, inventories of finished products and work in progress are valued on the basis of production costs, which comprise direct costs of materials and production services, depreciation costs and general production costs. General production costs comprise the costs of materials, services, labour and depreciation which cannot be directly linked to emerging products and services.

## H) INCOME TAX IN DEFERRED TAX

The tax liability is established in accordance with the Corporate Income Tax Act applying a rate of 19%. The tax liability is determined on the basis of the taxable income statement of each company. In 2024, the tax rate will increase to 22%.

Taxable profit differs from net profit reported in profit or loss as it excludes items of income or expenses which are taxable or deductible as well as items which are never taxable or deductible. The current tax liability is calculated using tax rates applicable on the reporting date.

Deferred tax is shown in total by applying the financial position statement liability method to temporary differences arising between tax bases of assets and liabilities and their carrying amounts in financial statements. Deferred income tax is calculated by using tax rates (and laws) applicable on the date of the statement of financial position, which are expected to be used when the deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. It is the levied corporate income tax with regard to deductible temporary differences, unused tax losses and tax credits.

A deferred tax liability is the tax levied with regard to taxable temporary differences, which the Group will have to pay in the future.

## I) TRANSACTIONS IN FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies have been translated into the EUR according to the reference ECB exchange rate applicable at the balance sheet date. Income and expenses arising from the translations are included in the statement of profit and loss.

## J) BASIS FOR THE CONSOLIDATION OF FINANCIAL STATEMENTS

The consolidated financial statements of Pomgrad Group comprise the financial statements of going concern subsidiaries.

### Subsidiaries

Subsidiaries are companies controlled by the parent company. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which such control begins to the date on which it ceases.

The accounting policies of subsidiaries are aligned with those of the Group. The losses linked to a non-controlling interests in a subsidiary are classified under the item non-controlling interests, even if the item thereby shows a negative balance.

Pomgrad d. d. controls a company if it:

- holds a majority of voting rights in the company;
- is entitled to nominate or discharge the majority of members of the management or supervisory board of the other company while also being a member of the company;
- has a controlling influence over the other company based on an intercompany agreement or other legal basis;
- is a member of the other company and controls the majority of rights in the company based on an agreement with the other members of said company;
- has and exercises a controlling influence over the other company or controls the governance of the other company.

When the Group loses control of a subsidiary:

- it derecognises the assets and liabilities of the former subsidiary, the non-controlling interests and other components of equity related to the subsidiary;
- recognises the profit or loss relating to the loss of control which can be attributed to the former controlling interest;
- if the Group retains an interest in the former subsidiary, that interest is reported under other financial investments.

#### Investments in associates (equity method)

Associates are companies wherein the Group has a significant influence but does not control their financial and business policies. A significant influence exists where the Group holds 20–50% of voting rights.

Investments in associates are accounted for by use of the equity method. The consolidated financial statements include the Group's share of the profit and loss of associates calculated using the equity method. If the Group's share of the losses of an associate exceeds its share in the equity of the associate, the carrying amount of the Group's share shall be reduced to zero and the share of further losses ceases to be recognised.

Impairment of an investment in an associate is recognised when its carrying amount exceeds its recoverable amount.

The consolidated financial statements include the Group's share of the profit and loss from the date on which the significant influence begins to the date on which it ceases.

#### Transactions not included in the consolidation

The consolidated financial statements do not include balances and turnover, unrealised profits and losses arising from transactions within the Group.

Full consolidation of financial statements includes the following companies:

- Pomgrad – GM d. o. o.,
- Pomgrad – CP d. d. to the extent of the ownership interest,
- Pomgrad – VGP d. d. to the extent of the ownership interest,
- Pomgrad – GNG d. o. o.,
- Pomgrad – TAP d. o. o.,
- H-grad d. o. o., Zagreb (Croatia),
- Tegra d. o. o., Čakovec (Croatia),
- Inštitut BAM d. o. o. to the extent of the ownership interest.

The consolidation includes also the following associates valued using the equity method:

- P.G.M. Inženiring d. o. o.,
- Asphalt factory Kidričevo d. o. o.,
- Nograd GM d. o. o.

Pomgrad Holding d. o. o. is not included in the consolidation as it was established in order to execute certain projects, which have yet to be launched. The company Urbani center d. o. o. is also not included in the consolidation as it has no assets. Also not included is Ramtech d. o. o. (HR), wherein Inštitut BAM acquired an ownership interest at the end of 2023. The aforementioned companies were immaterial to the Group's consolidated financial statements in 2023.

The consolidated statements are drawn up at Pomgrad d. d. The consolidated annual report is available at the registered office of Pomgrad d. d. at Bakovska ulica 31, Murska Sobota. The consolidated annual report for the wider group of companies within the Group is drawn up by the parent company Imo-Real d. o. o. and available at its registered office.

#### K) EQUITY

Equity comprises share capital, capital surplus, legal reserves, other profit reserves, fair value reserves, retained net profit from previous periods and the net profit or loss for the financial year.

#### L) PROVISIONS

Provisions are recognised when the conditions under the relevant IFRS are fulfilled, and are charged to the relevant costs or expenses.

As the Group sells products and services with a warranty under which any faults must be remedied within the warranty period, it makes provisions for those warranties. The duration of the warranty period ranges from two to ten years and more. The related long-term provisions equal 5–10% of the contractual value or are made based on the contract.

The Group also makes provisions for jubilee awards and retirement allowances. Initial recognition of those provisions was made in 2007 based on actuarial calculations. Further provisions are made or reversed on the basis of annual actuarial calculations and charged to costs or credited to income.

#### M) GOVERNMENT GRANTS

The government grants received are recognised as long-term operating liabilities. They are used to cover the depreciation expenses for assets for the purchase of which the government grants were obtained. For that purpose, the liability for the amount of the depreciation expense is reduced and charged to income as a reversal of long-term liabilities.

#### N) OPERATING AND FINANCIAL LIABILITIES

Current operating liabilities refer to trade payables for fixed and current assets, liabilities towards the state and the employees as well as other liabilities.

Operating and financial liabilities are initially recognised at historical cost based on relevant documents. Operating and financial liabilities are reported at amortised cost.

The interests born by long-term and current financial liabilities are reported as financial cost or expense.

#### O) OTHER ASSETS AND LIABILITIES

Other assets and liabilities include long-term and current accrued and deferred asset items (deferred costs and accrued revenues). Deferred costs or expenses are amounts which are not charged to profit or loss at their inception. Accrued revenues are revenues which are recorded in profit or loss even though no payment has been received yet.

Other liabilities include long-term and current accrued and deferred liability items (accrued costs and deferred revenue). Accrued costs are amounts that have not occurred yet but will and already have an impact on profit or loss. Deferred revenue is revenue which will cover expected expenses in the next period. They include government grants received and asset-related grants.

Accrued amounts arising from construction contracts include accrued revenue as accrued and deferred asset items. Accrued revenues are revenues which are recorded in profit or loss even though no payment has been received yet.

Accrued amounts arising from construction contracts include deferred revenue as accrued and deferred liability items. Deferred revenue is revenue which will cover expected expenses in the next period.

#### P) REVENUES

Sales revenues are sales values of products and services sold as stated in invoices and other documents, reduced by any discounts given upon or after the sale.

In the case of contracts concerning construction works, revenues (and expenses) are recognised based on the stage of completion of contractual activities on the balance sheet date if the outcome of the contract can be reliably estimated. The outcome of the contract can be reliably estimated when:

- total contract revenue can be measured reliably;
- costs to complete the contract on the balance sheet date can be measured reliably;
- the stage of contract completion on the balance sheet date can be measured reliably;
- the contract costs can be clearly identified so that actual contract costs incurred can be compared with prior estimates;
- it is probable that the economic benefits associated with the contract will flow to the company.

In the case of a cost plus contract, the outcome of a construction contract can be estimated reliably if the contract costs can be determined unequivocally and it is probable that the economic benefits will flow to the company.

The costs included in the contractual amount must include costs associated directly with the contract and the costs associated indirectly to the contract which can be allocated to several contracts. The contractor must allocate such costs to individual contracts concluded based on identical criteria and using the same allocation method. Contract costs include also other costs that may be charged to the customer under the contract terms. If the outcome of the construction contract cannot be estimated reliably, the company estimates the outcome at the level of the specific construction stage which is part of the long-term contract.

The excess of revenues over the amount already charged to the customer as determined using the method based on the stage of completion shall be reported under the company's assets. The excess of the charged amount over the established revenues shall be reported on the balance sheet under liabilities (accrued and deferred liability items).

Other operating revenues comprise subsidies, subventions, recourse, compensations, premiums and similar revenues. Other revenues arise also from the disposal of property, plant and equipment, and intangible assets.

Revenues from commission transactions refer only to the attained difference in price.

Finance income are investment income.

Other revenues comprise unusual items which increase the profit or loss in the ordinary course of business during the financial year considered.

#### R) EXPENSES

Expenses are decreases of economic benefits in the accounting period in the form of decreases of assets or increases of debt, which affect equity through profit or loss.

Expenses are allocated to operating expenses, finance expenses and other expenses.

Revaluation operating expenses arise from the impairment of property, plant and equipment, intangible assets and current assets.

Finance expenses are financial expenses and investment expenses. The former comprise mainly interest costs while the latter occur mainly as revaluation finance expenses.

Revaluation finance expenses arise from the impairment of financial investments where the reduction of their value is not covered by a surplus from the revaluation of equity.

Other expenses comprise unusual items and other expenses that affect profit or loss.

Expenses are recognised when the reduction of economic benefits in the accounting period is related to the reduction of assets or the increase in debt, and this reduction can be reliably measured. Expenses are thus recognised at the same time as the reduction of assets or the increase in debt.

## S) COSTS OF MATERIAL OR SERVICES AND LABOUR COSTS

Costs of material are quantities, expressed in prices, of consumed direct materials and parts of materials to which indirect production costs and indirect costs of purchase as well as sales relate. Costs of services are costs not considered as costs of materials, depreciation or works.

Labour costs are gross salaries owed to employees, salary substitutes owed to employees for the period of absence from work in accordance with the law, a collective agreement or employment contract, which are charged to the company, payments in kind, gifts and awards for employees, severance payments owed to employees and associated tributes charged to the company. Labour costs are recognised based on documents demonstrating the work performed and other bases for accounting gross amounts of salaries or entitlements to salary substitutes and salary-related items, as well as to severance payments and relevant tributes.

## 4.5

# GROUP FINANCIAL STATEMENTS

### 4.5.1 Group statement of financial position

ITEM	Note	2023	2022
<b>ASSETS</b>		<b>95,350,636</b>	<b>92,924,501</b>
<b>A. FIXED ASSETS</b>		<b>36,333,985</b>	<b>35,835,028</b>
<b>I. Intangible non-current assets</b>	<b>1</b>	<b>1,133,115</b>	<b>1,220,606</b>
1. Long-term property rights		472,869	506,863
2. Goodwill		538,422	565,231
4. Other intangible non-current assets		121,824	148,512
<b>II. Property, plant and equipment</b>	<b>2</b>	<b>27,601,559</b>	<b>27,402,963</b>
1. Land and buildings		12,413,287	12,031,534
a) Land		6,823,727	6,336,169
b) Buildings		5,589,560	5,695,365
2. Production plant and machinery		10,192,564	10,710,873
3. Other plant and equipment		2,726,691	2,747,589
4. Property, plant and equipment being acquired		2,269,017	1,912,967
a) Property, plant and equipment under construction		2,050,424	1,818,926
b) Advances for the acquisition of PP&E		218,593	94,041
<b>III. Investment property</b>	<b>3</b>	<b>820,331</b>	<b>1,283,350</b>
<b>IV. Long-term financial investments</b>	<b>4</b>	<b>5,800,027</b>	<b>4,943,062</b>
1. Investments in subsidiaries and associates		5,792,027	4,935,062
2. Investments in other companies		8,000	8,000
<b>V. Long-term loans</b>	<b>5</b>	<b>0</b>	<b>6,000</b>
2. Long-term loans to other entities		0	6,000
<b>VI. Long-term operating receivables</b>	<b>6</b>	<b>16,708</b>	<b>16,545</b>
3. Long-term operating receivables owed to other entities		16,708	16,545
<b>VII. Other long-term assets</b>	<b>7</b>	<b>20,766</b>	<b>20,766</b>
<b>VIII. Deferred tax assets</b>	<b>8</b>	<b>941,479</b>	<b>941,736</b>



ITEM	Note	2023	2022
<b>B. CURRENT ASSETS</b>		<b>59,016,651</b>	<b>57,089,473</b>
<b>II. Inventories</b>	<b>9</b>	<b>3,921,306</b>	<b>5,041,675</b>
1. Materials		2,363,014	3,424,606
2. Work in progress		1,458,643	1,566,002
3. Products and merchandise		64,724	51,067
4. Advances for inventories		34,925	0
<b>IV. Short-term loans</b>	<b>10</b>	<b>6,957,084</b>	<b>3,097,037</b>
1. Short-term loans to subsidiaries and associates		525,463	3,000,689
2. Short-term loans to other entities		6,431,621	96,348
<b>V. Current operating receivables</b>	<b>11</b>	<b>23,432,762</b>	<b>34,367,682</b>
1. Current operating receivables owed to subsidiaries and associates		11,701	79,602
2. Current trade receivables		22,256,020	32,045,213
3. Other current operating receivables		1,165,041	2,242,867
<b>VI. Contracts with customers</b>	<b>12</b>	<b>3,076,647</b>	<b>4,383,439</b>
<b>VII. Income tax assets</b>		<b>38,712</b>	<b>270,180</b>
<b>VIII. Other assets</b>	<b>13</b>	<b>752,619</b>	<b>766,592</b>
<b>IX. Cash and cash equivalents</b>	<b>14</b>	<b>20,837,521</b>	<b>9,162,868</b>

LIABILITIES	Note	95,350,636	92,924,501
<b>A. EQUITY</b>	<b>15</b>	<b>47,154,379</b>	<b>41,415,847</b>
<b>I. Called-up capital</b>		<b>3,500,000</b>	<b>3,500,000</b>
1. Share capital		3,500,000	3,500,000
<b>II. Capital surplus</b>		<b>4,922,115</b>	<b>4,922,115</b>
<b>III. Profit reserves</b>		<b>3,250,691</b>	<b>3,250,691</b>
1. Legal reserves		2,981,523	2,981,523
5. Other profit reserves		269,168	269,168
<b>IV. Fair value reserves</b>		<b>139,329</b>	<b>139,329</b>
<b>V. Retained profit and loss</b>		<b>31,900,670</b>	<b>26,262,983</b>
<b>VI. Equity of minority owners</b>		<b>3,441,574</b>	<b>3,340,729</b>
<b>B. PROVISIONS</b>	<b>16</b>	<b>4,250,977</b>	<b>3,570,962</b>
1. Provisions for pensions and similar liabilities		1,580,661	1,389,585
2. Other provisions		2,670,316	2,181,377
<b>C. LONG-TERM LIABILITIES</b>	<b>17</b>	<b>3,112,575</b>	<b>4,368,528</b>
<b>I. Long-term financial liabilities</b>		<b>2,660,474</b>	<b>3,929,210</b>
2. Long-term financial liabilities towards banks		1,235,932	2,347,275
4. Other long-term financial liabilities		1,424,542	1,581,935
<b>II. Long-term operating liabilities</b>		<b>452,101</b>	<b>439,318</b>
4. Long-term operating liabilities based on advances		1,235	1,235
5. Other long-term operating liabilities		450,866	438,083
<b>Č. CURRENT LIABILITIES</b>	<b>18</b>	<b>40,832,705</b>	<b>43,569,164</b>
<b>II. Current financial liabilities</b>		<b>2,471,420</b>	<b>2,994,772</b>
1. Current financial liabilities towards subsidiaries and associates		453,795	469,042
2. Current financial liabilities towards banks		1,262,704	1,577,088
4. Other current financial liabilities		754,921	948,642
<b>III. Current operating liabilities</b>		<b>25,068,955</b>	<b>30,648,453</b>
1. Current operating liabilities towards subsidiaries and associates		132,491	363,906
2. Current trade payables		19,604,341	24,899,291
4. Other current operating liabilities		5,332,123	5,385,256
<b>IV. Liabilities from contracts</b>		<b>11,274,127</b>	<b>7,870,087</b>
<b>V. Income tax liabilities</b>		<b>367,190</b>	<b>147,254</b>
<b>VI. Other liabilities</b>		<b>1,651,013</b>	<b>1,908,598</b>

Notes are part of financial statements and should be read in conjunction with them.

Chairman of the Board:  
Iztok Polanič, MBA



Board member:  
Boris Sapač, u. d. i. g.



Board member:  
Kristian Ravnič, u. d. i. g.



## 4.5.2 Group income statement

ITEM	Note	2023	2022
<b>1. Net sales revenues</b>	<b>19</b>	<b>159,301,583</b>	<b>140,151,832</b>
a) Net sales revenues from domestic market		142,379,906	116,635,600
b) Net sales revenues from EU market		16,921,677	23,516,232
<b>2. Change in value of inventory of products and work-in-progress</b>	<b>20</b>	<b>-93,704</b>	<b>132,971</b>
<b>3. Capitalised own products</b>	<b>21</b>	<b>431,217</b>	<b>161,200</b>
<b>4. Other operating revenues</b>	<b>21</b>	<b>3,641,819</b>	<b>2,958,686</b>
<b>OPERATING REVENUE (1+2+3+4)</b>		<b>163,280,915</b>	<b>143,404,689</b>
<b>5. Costs of goods, materials and services</b>	<b>22</b>	<b>125,244,969</b>	<b>111,081,971</b>
a) Costs of materials		35,706,792	36,304,472
b) Costs of services		89,538,177	74,777,499
<b>6. Labour costs</b>	<b>23</b>	<b>25,168,492</b>	<b>23,208,134</b>
a) Costs of salaries		17,719,708	16,341,245
b) Social security costs (of which costs of voluntary supplementary pension insurance)		4,135,338	3,722,281
c) Other labour costs		521,961	479,449
c) Other labour costs		3,313,446	3,144,608
<b>7. Write-offs</b>	<b>24</b>	<b>4,816,655</b>	<b>5,203,371</b>
a) Depreciation/amortisation		4,464,134	4,860,655
b) Revaluation operating expenses relating to IA and PP&E		117,093	28,094
c) Revaluation operating expenses relating to current assets		235,428	314,622
<b>8. Other operating expenses</b>	<b>25</b>	<b>1,974,083</b>	<b>1,265,975</b>
<b>OPERATING EXPENSES (5+6+7+8)</b>		<b>157,204,199</b>	<b>140,759,451</b>
<b>OPERATING PROFIT OR LOSS</b>		<b>6,076,716</b>	<b>2,645,238</b>
<b>9. Finance revenues from participating interests</b>	<b>26</b>	<b>639,057</b>	<b>795,444</b>
a) Finance revenues from participating interests in subsidiaries and associates		639,057	678,941
b) Finance revenues from participating interests in other companies		0	107,917
b) Finance revenues from other investments		0	8,586
<b>10. Finance revenues from loans given</b>	<b>26</b>	<b>80,200</b>	<b>51,961</b>
a) Finance revenues from loans to subsidiaries and associates		5,737	2,182
b) Finance revenues from loans to other entities		74,463	49,779
<b>11. Finance revenues from operating receivables</b>	<b>26</b>	<b>157,026</b>	<b>68,474</b>
a) Finance revenues from operating receivables from subsidiaries		0	0
b) Finance revenues from operating receivables from other entities		157,026	68,474

ITEM	Note	2023	2022
<b>12. Finance expenses from impairment and write-offs of financial investments</b>	<b>27</b>	<b>115,415</b>	<b>4,812</b>
<b>13. Finance expenses from financial liabilities</b>	<b>27</b>	<b>309,154</b>	<b>266,299</b>
a) Finance expenses from borrowings from subsidiaries and associates		14,210	4,270
b) Finance expenses from borrowings from banks		185,496	185,365
d) Finance expenses from other financial liabilities		109,448	76,664
<b>14. Finance expenses from operating liabilities</b>	<b>27</b>	<b>48,704</b>	<b>76,472</b>
b) Finance expenses from liabilities towards suppliers and bills payable		22,213	15,842
c) Finance expenses from other operating liabilities		26,491	60,630
<b>PROFIT OR LOSS OF ACCOUNTING PERIOD BEFORE TAX</b>		<b>6,479,726</b>	<b>3,213,534</b>
<b>TAXES</b>	<b>28</b>	<b>635,633</b>	<b>427,836</b>
15. Income tax		637,752	437,047
16. Deferred taxes		-2,119	-9,211
<b>NET PROFIT OR LOSS OF ACCOUNTING PERIOD</b>		<b>5,844,093</b>	<b>2,785,698</b>
<b>17. Net profit or loss of owners of non-controlling interest</b>		<b>201,246</b>	<b>178,344</b>
<b>NET PROFIT OR LOSS OF ACCOUNTING PERIOD FOR CONTROLLING INTEREST</b>		<b>5,642,847</b>	<b>2,607,354</b>

Notes are part of financial statements and should be read in conjunction with them.

Chairman of the Board:  
Iztok Polanič, MBA



Board member:  
Boris Sapač, u. d. i. g.



Board member:  
Kristian Ravnič, u. d. i. g.



### 4.5.3 Group statement of other comprehensive income

EUR	2023	2022
Net profit or loss of financial year	5,844,093	2,785,698
Change in surplus from revaluation of financial assets at fair value	-	-
Other comprehensive income which will be unrecognised in the income statement in the future	-	-
Other comprehensive income which will be recognised in the income statement in the future	-	-
<b>Total comprehensive income</b>	<b>5,844,093</b>	<b>2,785,698</b>
Total comprehensive income of owners of non-controlling interest	201,246	178,344
Total comprehensive income of owners of controlling interest	5,642,847	2,607,354

Notes are part of financial statements and should be read in conjunction with them.

Chairman of the Board:  
Iztok Polanič, MBA



Board member:  
Boris Sapač, u. d. i. g.



Board member:  
Kristian Ravnič, u. d. i. g.



#### 4.5.4 Group statement of changes in equity

	Share capital	Capital surplus	Legal reserves	Other profit reserves	Fair value reserves	Retained net profit	Net profit of financial year	Total equity of owners of controlling interest	Equity of owners of non-controlling interest	Total equity
2023	I/1	II	III/1	III/5	IV	V/1	VI/1			
<b>A.1. Balance as at 31 December 2022</b>	3,500,000	4,922,115	2,981,523	269,168	139,329	23,655,629	2,607,354	38,075,118	3,340,729	41,415,847
<b>B.1. Changes in equity – transactions with owners</b>	-	-	-	-	-	-5,161	-	-5,161	-100,401	-105,561
b) increases/decreases of minority interest	-	-	-	-	-	-	-	-	-	-
g) disbursement of dividends for 2022	-	-	-	-	-	-	-	-	-100,401	-100,401
h) changes in equity due to spin-off	-	-	-	-	-	-	-	-	-	-
j) other changes	-	-	-	-	-	-5,160	-	-5,160	-	-5,160
<b>B.2. Total comprehensive income of reporting period</b>	-	-	-	-	-	-	5,642,847	5,642,847	201,246	5,844,093
a) net profit or loss of financial year	-	-	-	-	-	-	5,642,847	5,642,847	201,246	5,844,093
f) change in surplus from revaluation of long-term financial investments	-	-	-	-	-	-	-	-	-	-
g) other changes	-	-	-	-	-	-	-	-	-	-
<b>B.3. Changes in equity</b>	-	-	-	-	-	2,607,354	-2,607,354	-	-	-
a) allocation of the remaining portion of net profit of the previous financial year	-	-	-	-	-	2,607,354	-2,607,354	-	-	-
b) allocation of the portion of net profit of the reporting period	-	-	-	-	-	-	-	-	-	-
<b>C. Balance as at 31 December 2023</b>	3,500,000	4,922,115	2,981,523	269,168	139,329	26,257,823	5,642,847	43,712,805	3,441,574	47,154,379

Notes are part of financial statements and should be read in conjunction with them.

	Share capital	Capital surplus	Legal reserves	Other profit reserves	Fair value reserves	Retained net profit	Net profit of financial year	Total equity of owners of controlling interest	Equity of owners of non-controlling interest	Total equity
2022	I/1	II	III/1	III/5	IV	V/1	VI/1			
A.1. Balance as at 31 December 2021	3,500,000	4,922,115	2,981,523	269,168	202,939	41,622,042	4,956,640	58,454,427	5,591,943	64,046,370
B.1. Changes in equity – transactions with owners	-	-	-	-	-63,610	-22,923,053	-	-22,986,663	-2,429,558	-25,416,221
b) increases/decreases of minority interest	-	-	-	-	-	-	-	-	-	-
g) disbursement of dividends for 2021	-	-	-	-	-	-	-	-	-61,824	-61,824
h) changes in equity due to spin-off	-	-	-	-	-63,610	-22,868,269	-	-22,931,879	-2,367,734	-25,299,613
j) other changes	-	-	-	-	-	-54,784	-	-54,784	-	-54,784
B.2. Total comprehensive income of reporting period	-	-	-	-	-	-	2,607,354	2,607,354	178,344	2,785,698
a) net profit or loss of financial year	-	-	-	-	-	-	2,607,354	2,607,354	178,344	2,785,698
f) change in surplus from revaluation of long-term financial investments	-	-	-	-	-	-	-	-	-	-
g) other changes	-	-	-	-	-	-	-	-	-	-
B.3. Changes in equity	-	-	-	-	-	4,956,640	-4,956,640	-	-	-
a) allocation of the remaining portion of net profit of the previous financial year	-	-	-	-	-	4,956,640	-4,956,640	-	-	-
b) allocation of the portion of net profit of the reporting period	-	-	-	-	-	-	-	-	-	-
C. Balance as at 31 December 2022	3,500,000	4,922,115	2,981,523	269,168	139,329	23,655,629	2,607,354	38,075,118	3,340,729	41,415,847

Notes are part of financial statements and should be read in conjunction with them.

Chairman of the Board:  
Iztok Polanič, MBA



Board member:  
Boris Sapač, u. d. i. g.



Board member:  
Kristian Ravnič, u. d. i. g.



#### 4.5.5 Group cash flow statement (indirect method)

EUR	2023	2022
Profit or loss after taxes	5,844,093	2,785,698
Income tax	635,633	427,836
Depreciation/amortisation and write-offs	4,464,134	4,860,655
Change in long-term provisions and liabilities for pensions	680,015	330,314
Change in other assets and liabilities	12,783	-102,520
Profit from investments accounted for using the equity method	-80,985	-81,953
Dividend revenue	-558,072	-704,905
Interest revenue	-80,200	-51,961
Interest expenses	309,154	266,299
<b>Operating profit or loss before change in working capital</b>	<b>11,226,555</b>	<b>7,729,463</b>
Change in working capital	11,394,672	-1,149,102
Inventories	1,120,369	-16,502
Trade receivables and other receivables	10,934,920	-1,417,814
Other current assets	1,320,765	-2,641,131
Trade payables and other liabilities	-5,579,498	2,505,942
Other current liabilities	3,598,116	420,403
<b>Cash from operations</b>	<b>22,621,227</b>	<b>6,580,361</b>
Interests paid	-309,154	-266,299
Income tax paid	-635,633	-427,836
<b>TOTAL CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>21,676,440</b>	<b>5,886,226</b>
Purchase of property, plant and equipment	-4,494,207	0
Sale/write-off of property, plant and equipment	0	3,521,596
Purchase of intangible assets	-16,172	0
Sale/write-off of intangible assets	0	577,771
Purchase of long-term financial investments and other assets	-371,984	0
Sale/write-off of long-term financial investments and other assets	0	24,604,330
Change in current financial investments	-3,860,047	388,466
Interests received	80,200	51,961
Dividends received	558,072	704,905

EUR	2023	2022
<b>TOTAL CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-8,104,138</b>	<b>29,849,029</b>
Change in equity	-5,160	-25,354,397
Change in long-term loans	-1,268,736	-10,364,065
Change in short-term loans	-523,352	-1,688,781
Dividends for minority interests	-100,401	-61,824
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-1,897,649</b>	<b>-37,469,067</b>
<b>Closing balance of cash</b>	<b>20,837,521</b>	<b>9,162,868</b>
Net cash flow from period	11,674,653	-1,733,812
<b>Opening balance of cash</b>	<b>9,162,868</b>	<b>10,896,680</b>

Notes are part of financial statements and should be read in conjunction with them.

Chairman of the Board:  
Iztok Polanič, MBA



Board member:  
Boris Sapač, u. d. i. g.



Board member:  
Kristian Ravnič, u. d. i. g.



## 4.6

# NOTES TO THE GROUP FINANCIAL STATEMENTS

### 4.6.1 Disclosures to the group statement of financial position

#### INTANGIBLE ASSETS (1)

##### Table on movement of intangible assets in 2023

2023 (EUR)	Long-term property rights	Other intangible assets	Goodwill	Total
<b>COST</b>				
Balance as at 31 December 2022	1,971,685	409,457	670,235	3,051,377
Acquisitions	16,172	-	-	16,172
Disposals	-1,024	-	-	-1,024
Transfer from PP&E	-	-	-	-
<b>Balance as at 31 December 2023</b>	<b>1,986,833</b>	<b>409,457</b>	<b>670,235</b>	<b>3,066,525</b>
<b>ALLOWANCE</b>				
Balance as at 31 December 2022	1,464,822	260,945	105,004	1,830,771
Disposals	-1,024	-	-	-1,024
Amortisation	50,166	26,688	26,809	103,663
<b>Balance as at 31 December 2023</b>	<b>1,513,964</b>	<b>287,633</b>	<b>131,813</b>	<b>1,933,410</b>
<b>Carrying amount as at 31 December 2022</b>	<b>506,863</b>	<b>148,512</b>	<b>565,231</b>	<b>1,220,606</b>
<b>Carrying amount as at 31 December 2023</b>	<b>472,869</b>	<b>121,824</b>	<b>538,422</b>	<b>1,133,115</b>

In 2023, acquisitions of intangible assets by Pomgrad Group amounted to EUR 16,172 (EUR 29,453 in 2022). The acquisitions consisted primarily of user licences for software. Intangible assets are not subject to pledging.

##### Table on movement of intangible assets in 2022

2022 (EUR)	Long-term property rights	Other intangible assets	Goodwill	Total
<b>COST</b>				
Balance as at 31 December 2021	1,997,427	511,222	1,245,662	3,754,311
Spin-off	-151,756	-98,083	-575,427	-825,266
Acquisitions	29,453	-	-	29,453
Disposals	-3,358	-3,682	-	-7,040
Transfer from PP&E	99,919	-	-	99,919
<b>Balance as at 31 December 2022</b>	<b>1,971,685</b>	<b>409,457</b>	<b>670,235</b>	<b>3,051,377</b>
<b>ALLOWANCE</b>				
Balance as at 31 December 2021	1,508,305	256,932	78,194	1,843,431
Spin-off	-99,757	-23,170	-	-122,927
Disposals	-2,236	-	-	-2,236
Amortisation	58,510	27,183	26,810	112,503
<b>Balance as at 31 December 2022</b>	<b>1,464,822</b>	<b>260,945</b>	<b>105,004</b>	<b>1,830,771</b>
<b>Carrying amount as at 31 December 2021</b>	<b>489,122</b>	<b>254,290</b>	<b>1,167,468</b>	<b>1,910,880</b>
<b>Carrying amount as at 31 December 2022</b>	<b>506,863</b>	<b>148,512</b>	<b>565,231</b>	<b>1,220,606</b>

## PROPERTY, PLANT AND EQUIPMENT (2)

Table on movement of property, plant and equipment in 2023

For 2023	Land	Buildings	Equipment and spare parts	Small tools	Right of use	Other PP&E	PP&E being acquired	Total:
<b>COST</b>								
Balance as at 31 December 2022	6,965,889	20,558,290	49,322,838	7,888,609	6,454,498	8,889	1,912,967	93,111,980
Acquisitions	462,385	450,067	2,439,868	188,359	615,439	-	485,028	4,641,146
Disposals	-22,564	-53,530	-1,343,840	-272,944	-439,355	-	-935	-2,133,168
Transfer	47,737	-	1,944,916	-	-1,864,610	-	-128,043	-
Balance as at 31 December 2023	7,453,447	20,954,827	52,363,782	7,804,024	4,765,972	8,889	2,269,017	95,619,958
<b>ALLOWANCE</b>								
Balance as at 31 December 2022	629,720	14,862,925	41,561,968	6,063,753	2,590,651	-	-	65,709,017
Disposals	-	-36,356	-1,264,018	-264,639	-421,216	-	-	-1,986,229
Depreciation	-	538,698	2,733,911	454,024	568,978	-	-	4,295,611
Transfer	-	-	1,228,302	-	-1,228,302	-	-	-
Balance as at 31 December 2023	629,720	15,365,267	44,260,163	6,253,138	1,510,111	-	-	68,018,399
Carrying amount as at 31 December 2022	6,336,169	5,695,365	7,760,870	1,824,856	3,863,847	8,889	1,912,967	27,402,963
Carrying amount as at 31 December 2023	6,823,727	5,589,560	8,103,619	1,550,886	3,255,861	8,889	2,269,017	27,601,559

In 2023, the acquisitions of property, plant and equipment by Pomgrad Group amounted to EUR 4,641,146.

The major acquisitions in 2023 were:

- land for the gravel pit on Bakovska for a total of EUR 510,122 – Pomgrad-GM
- enlargement of facility for the production of concrete accessories for a total of EUR 390,171 – Pomgrad d. d.
- goods vehicles for a total of EUR 296,998 – Pomgrad d. d.

- vans for a total of EUR 347,430 – Pomgrad d. d., Pomgrad-CP, Tegra, Pomgrad-VGP, Pomgrad-GNG
- solar power plant on Bakovska for a total of EUR 210,246 – Pomgrad d. d.
- road marking machine for a total of EUR 201,000 – Pomgrad-CP.

Property, plant and equipment are pledged as collateral for borrowings and bank guarantees. The book value of pledged property, plant and equipment as at 31 December 2023 is EUR 11,274,978.



Table on movement of property, plant and equipment in 2022

For 2022	Land	Buildings	Equipment and spare parts	Small tools	Right of use	Other PP&E	PP&E being acquired	Total:
<b>COST</b>								
Balance as at 31 December 2021	14,679,676	20,697,341	46,625,842	10,273,657	6,640,446	12,440	1,590,192	100,519,594
Spin-off	-7,875,809	-377,792	-281,498	-1,056,198	-	-3,551	-73,439	-9,668,287
Acquisitions	162,022	250,930	2,782,287	246,899	1,484,126	-	756,182	5,682,446
Disposals	-	-12,189	-1,925,712	-698,176	-329,492	-	-44,938	-3,010,507
Transfer	-	-	2,121,919	-877,573	-1,340,582	-	-315,030	-411,266
Balance as at 31 December 2022	6,965,889	20,558,290	49,322,838	7,888,609	6,454,498	8,889	1,912,967	93,111,980
<b>ALLOWANCE</b>								
Balance as at 31 December 2021	629,720	14,305,155	39,379,708	7,478,745	3,125,296	399	-	64,919,023
Spin-off	-	-	-92,909	-1,275,408	-	-399	-	-1,368,716
Disposals	-	-10,578	-1,503,003	-688,594	-315,127	-	-	-2,517,302
Depreciation	-	568,348	2,759,127	549,010	799,527	-	-	4,676,012
Transfer	-	-	1,019,045	-	-1,019,045	-	-	-
Balance as at 31 December 2022	629,720	14,862,925	41,561,968	6,063,753	2,590,651	-	-	65,709,017
Carrying amount as at 31 December 2021	14,049,956	6,392,186	7,246,134	2,794,912	3,515,150	12,041	1,590,192	35,600,571
Carrying amount as at 31 December 2022	6,336,169	5,695,365	7,760,870	1,824,856	3,863,847	8,889	1,912,967	27,402,963

**INVESTMENT PROPERTY (3)**

The Group reports investment property in the amount of EUR 820,331. Investment property is property which is being leased out or is intended to be leased out. It is disclosed using the cost model.

The Group included among investment property properties which it leases out, properties for which it is attempting to find a potential lessee (or buyer) and associated parts of land.

Investment property owned by Pomgrad d. d. is pledged as collateral for credits and leasing received, and for bank guarantees. The book value of pledged investment property as at 31 December 2023 is EUR 820,331. The Group generated revenues of approximately EUR 40,000 from investment property and incurred costs of approximately EUR 100,000 (including depreciation costs).

Pomgrad applies straight line depreciation to investment property. The equipment included in investment property is depreciated based on its useful life.

**Table on movement of investment property in 2023**

<b>For 2023</b>	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<b>COST</b>			
Balance as at 31 December 2022	-	2,254,032	2,254,032
Acquisitions	-	-	-
Disposals	-	-579,947	-579,947
Transfer	-	-	-
Balance as at 31 December 2023	-	1,674,085	1,674,085
<b>ALLOWANCE</b>			
Balance as at 31 December 2022	-	970,682	970,682
Disposals	-	-181,788	-181,788
Depreciation	-	64,860	64,860
Balance as at 31 December 2023	-	853,754	853,754
Carrying amount as at 31 December 2022	-	1,283,350	1,283,350
Carrying amount as at 31 December 2023	-	820,331	820,331

## Table on movement of investment property in 2022

For 2022	Land	Buildings	Total
<b>COST</b>			
Balance as at 31 December 2021	3,944,958	33,274,222	37,219,180
Spin-off	-3,944,958	-31,342,443	-35,287,401
Acquisitions	-	10,906	10,906
Disposals	-	-	-
Transfer	-	311,347	311,347
Balance as at 31 December 2022	-	2,254,032	2,254,032
<b>ALLOWANCE</b>			
Balance as at 31 December 2021	-	13,921,878	13,921,878
Spin-off	-	-13,023,336	-13,023,336
Disposals	-	-	-
Depreciation	-	72,140	72,140
Balance as at 31 December 2022	-	970,682	970,682
Carrying amount as at 31 December 2021	3,944,958	19,352,344	23,297,302
Carrying amount as at 31 December 2022	-	1,283,350	1,283,350

## LONG-TERM FINANCIAL INVESTMENTS (4)

## Long-term financial investments

Long-term financial investments	2023	2022
Shares and interests in subsidiaries and associates	5,792,027	4,935,062
Other shares and interests	8,000	8,000
<b>Total long-term financial investments</b>	<b>5,800,027</b>	<b>4,943,062</b>

Pomgrad Group reports long-term financial investments in the amount of EUR 5,800,027. The long-term financial investments have increased from the previous year as a result of the attribution of profits of associates (EUR 80,985) and the acquisition of a controlling interest in Ramtech d. o. o. (EUR 775,980).

Ownership interests are not subject to pledging when obtaining bank loans.

## Shares and interests in jointly controlled companies and associates

Company	2023	Ownership interest	2022
Pomgrad Holding d. o. o.	549,572	100.00%	549,572
Ramtech d. o. o.	775,980	75.00%	0
<b>Total companies within Group</b>	<b>1,325,552</b>		<b>549,572</b>
Nograd GM d. o. o.	865,696	50.00%	893,525
P.G.M. Inženiring d. o. o.	2,377,702	50.00%	2,251,388
TAK Kidričevo d. o. o.	1,223,077	48.80%	1,240,577
<b>Total associates</b>	<b>4,466,475</b>		<b>4,385,490</b>
<b>Total</b>	<b>5,792,027</b>		<b>4,935,062</b>

The full consolidation includes investments by the parent company in the companies within the Group in which Pomgrad d. d. directly or indirectly holds more than a 50% interest, i.e. Pomgrad GM d. o. o., Pomgrad – TAP d. o. o., Pomgrad – GNG d. o. o., Pomgrad – CP d. d., Pomgrad – VGP d. d., H-GRAD d. o. o., Zagreb, TEGRA d. o. o., Čakovec and Inštitut BAM d. o. o.

The consolidation in accordance with the equity method includes investments in associates in which the parent company directly or indirectly holds more than a 20% interest or a significant influence, i.e. Nograd – GM d. o. o., P.G.M. Inženiring d. o. o., TAK Kidričevo d. o. o.

Associates and subsidiaries subject to insolvency or liquidation proceedings are not included in the consolidation. Also not included are Pomgrad Holding d. o. o., Urbani center d. o. o. and Ramtech d. o. o. (HR) due to their insignificance.

## Table on movement of financial investments in jointly controlled companies and associates

EUR	2023	2022
Cost as at 1 January	4,935,062	6,753,835
Acquisitions and recapitalisation	775,980	-
Disposals of financial investments	-	-29,197
Spin-offs	-	-1,871,528
Attributions of effects of associates	80,985	81,952
Cost as at 31 December	5,792,027	4,935,062

## Other shares and interests

Investment	2023	2022
MAROF Foundation	8,000	8,000
Total	8,000	8,000

In 2023 the amount of investments in other shares and interests remained unchanged from the previous year.

## Table on movement of financial investments in other shares and interests

EUR	2023	2022
Cost as at 1 January	3,373,432	4,075,759
Acquisitions	-	-
Disposals/spin-offs	-	-702,327
Cost as at 31 December	3,373,432	3,373,432
Written-off value as at 1 January	3,365,432	3,452,101
Change in written-off value	-	-
Disposals/spin-offs	-	-86,669
Written-off value as at 31 December	3,365,432	3,365,432
Book value as at 1 January	8,000	623,658
Book value as at 31 December	8,000	8,000

## LONG-TERM LOANS (5)

## Table on movement of long-term loans

	2023	2022
Balance as at 1 January	6,000	136,000
New loans	-	-
Repayments	-	-
Spin-off	-	-130,000
Transfer to short-term portion	-6,000	-
Balance as at 31 December	-	6,000

## LONG-TERM OPERATING RECEIVABLES (6)

Long-term operating receivables	2023	2022
Long-term receivables from others	16,708	16,545
Total long-term operating receivables	16,708	16,545

Long-term operating receivables include securities given for guarantees received in the amount of EUR 16,708 (Eco Fund and Hotel Mond Šentilj).

## OTHER LONG-TERM ASSETS (7)

Other long-term assets	2023	2022
Other long-term assets	20,766	20,766
Total other long-term assets	20,766	20,766

Other long-term assets include:

- long-term deposits given in the amount of EUR 7,783;
- contributions of home owners to the reserve fund in the amount of EUR 12,983.

**DEFERRED TAX ASSETS (8)**

In 2023 the Group reports deferred tax assets in the amount of EUR 941,479 (EUR 941,736 in 2022). Deferred tax assets refer to impairments of long-term financial investments (EUR 621,647), tax losses (EUR 318,767) and provisions made for jubilee awards and severance payments (EUR 1,065). Deferred tax assets are calculated using a rate of 19% and have not been restated with a new 22% rate as we estimate that the restatement would have an insignificant effect and that the deferred tax assets will not be used in their entirety in the next 5 years.

**Table on movement of deferred tax assets**

EUR	2023	2022
Opening on 1 January of current year	941,736	1,531,310
Deferred tax assets formed in the current year	4,444	3,150
Reversal of deferred tax assets	-4,701	-341
Decrease from spin-off	-	-592,383
Balance as at 31 December of current year	941,479	941,736

**INVENTORIES (9)****Balance of inventories as at 31 December 2023 refers to:**

Inventories	2023	2022
Materials	2,363,014	3,424,606
Work in progress	1,458,643	1,566,002
Products	64,724	51,067
Advances for inventories	34,925	-
Total inventories	3,921,306	5,041,675

Inventories of materials refer to inventories of construction materials and spare parts for construction machinery in storage.

Inventories of products and merchandise comprise mainly inventories of finished construction works, and products and structures made of reinforced concrete. The latter amount to EUR 7,773 and the remaining products and merchandise amount to EUR 56,951.

Inventories of work in progress comprise inventories of gravel (EUR 48,362) and unfinished concrete items (EUR 1,410,281).

There were no major write-offs of inventories in 2023. An inventory listing was carried out on 31 October 2023. Surpluses or shortfalls are insignificant. Inventories are not subject to pledging.

**SHORT-TERM LOANS (10)****Short-term loans**

Short-term loans given	2023	2022
Short-term loans to subsidiaries	525,463	3,000,689
Short-term loans to other entities	6,431,621	96,348
Total short-term loans	6.957.084	3.097.037

Short-term loans to subsidiaries comprise short-term deposits given to Pomgrad Holding d. o. o.

Short-term loans to other entities comprise:

- short-term deposits given to banks in the amount of EUR 5,500,000 (EUR 0 in 2022);
- short-term loan to Dobel d. o. o. in the amount of EUR 450,448 (EUR 96,000 in 2022);
- short-term loan to Imo-Real d. o. o. in the amount of EUR 360,000 (EUR 0 in 2022);
- short-term loan to Stratkom d. o. o. in the amount of EUR 100,000 (EUR 0 in 2022);
- interest from said loans in the amount of EUR 21,173 (EUR 348 in 2022).

The interest rate used for loans to subsidiaries and associates and to the companies within the Interim Group and Panvita is the rate set for loans to related parties. The loans are collateralised with bills of exchange.

**Table on movement of short-term loans**

EUR	2023	2022
Opening on 1 January of current year	3,097,037	3,485,503
New loans/deposits	12,650,000	-
Repayments	-8,795,953	-484,814
Transfer to short-term portion of loans	6,000	96,348
Balance as at 31 December of current year	6,957,084	3,097,037

**CURRENT OPERATING RECEIVABLES (11)****Current operating receivables include**

<b>Current operating receivables</b>	<b>2023</b>	<b>2022</b>
Current trade receivables	22,256,020	32,045,213
Current operating receivables from subsidiaries and associates	11,701	79,602
Other current operating receivables	1,165,041	2,242,867
<b>Total current operating receivables</b>	<b>23,432,762</b>	<b>34,367,682</b>

In 2023, the Group made further allowances in the amount of EUR 563,117 for trade receivables and reversed allowances in the amount of EUR 2,598,054. The balance of allowances for receivables as at 31 December 2023 was EUR 2,570,773.

**Receivables by maturity**

<b>Maturity</b>	<b>Up to 30 days</b>	<b>30-60 days</b>	<b>60-90 days</b>	<b>Over 90 days</b>	<b>Not past due</b>	<b>Disputable receivables</b>	<b>Total receivables</b>
Trade receivables from domestic customers	2,143,636	1,180,051	437,264	4,584,119	11,813,511	30,012	20,188,593
Trade receivables from EU customers	322,139	31,257	15,147	311,900	1,375,846	11,138	2,067,427

Overdue receivables with a maturity date over 90 days include retained amounts, which make up 77% (EUR 3,731,251) of those receivables. Retained amounts make up a certain share of other overdue receivables as well.

Receivables are not collateralised nor subject to pledging when obtaining loans.

**CONTRACTS WITH CUSTOMERS (12)**

<b>Contracts with customers - accrued revenues</b>	<b>2023</b>	<b>2022</b>
Accrued revenues	3,076,647	4,383,439
<b>Total accrued amounts from construction contracts</b>	<b>3,076,647</b>	<b>4,383,439</b>

The Group reports finished works for which invoices have not yet been issued and which are based on construction contracts as accrued items (accrued revenues).

**OTHER ASSETS (13)**

<b>Other assets</b>	<b>2023</b>	<b>2022</b>
Short-term advances and securities given	474,947	436,892
Other accrued and deferred asset items	277,672	329,700
<b>Total advances and other assets</b>	<b>752,619</b>	<b>766,592</b>

**CASH AND CASH EQUIVALENTS (14)****Bank balance, cheques and cash**

	<b>2023</b>	<b>2022</b>
Cash in accounts, cash and cash equivalents	20,837,521	9,162,868
<b>Total</b>	<b>20,837,521</b>	<b>9,162,868</b>

Cash in the amount of EUR 20,837,521 comprises:

- cash in accounts in the amount of EUR 20,836,633;
- cash in hand in the amount of EUR 888.

**EQUITY (15)****Equity comprises the following:**

<b>Equity</b>	<b>2023</b>	<b>2022</b>
<b>I. CALLED-UP CAPITAL</b>	<b>3,500,000</b>	<b>3,500,000</b>
Share capital	3,500,000	3,500,000
<b>II. CAPITAL SURPLUS</b>	<b>4,922,115</b>	<b>4,922,115</b>
<b>III. PROFIT RESERVES</b>	<b>3,250,691</b>	<b>3,250,691</b>
Legal reserves	2,981,523	2,981,523
Other profit reserves	269,168	269,168
<b>IV. RESERVES FROM VALUATION AT FAIR VALUE</b>	<b>139,329</b>	<b>139,329</b>
<b>V. RETAINED NET PROFIT OR LOSS</b>	<b>26,257,823</b>	<b>23,655,629</b>
<b>VI. NET PROFIT OR LOSS OF YEAR</b>	<b>5,642,847</b>	<b>2,607,354</b>
<b>Total controlling equity</b>	<b>43,712,805</b>	<b>38,075,118</b>
Equity of minority owners	3,441,574	3,340,729
<b>Total equity of Group</b>	<b>47,154,379</b>	<b>41,415,847</b>
Equity of Pomgrad d. d.	21,100,586	16,957,763

The share capital of the Group amounts to EUR 3,500,000 and remained unchanged in 2023.

Capital surplus as at 31 December 2023 stands at EUR 4,922,115 and remained unchanged in 2023. Capital surplus comprises the transferred assets of the subsidiary GZL Geoprojekt d. d. (deregistered in 2020) and the general equity revaluation adjustment.

Profit reserves have remained unchanged from the previous period. Profit reserves were set up from undistributed profits from financial years 1993-1996 and associated equity revaluation adjustments.

Reserves from valuation at fair value have remained unchanged from the previous year.

In 2023, the Group posted a net profit or loss in the amount of EUR 5,642,847 (EUR 2,607,354 in 2022).

The consolidation does not include participations in the profit, which amounted to EUR 709,576 and were paid out to owners within Pomgrad Group.

## LONG-TERM PROVISIONS (16)

### Provisions include:

Provisions	2023	2022
Provisions for warranties given and other provisions	2,670,316	2,181,377
Provisions for pensions and jubilee awards	1,580,661	1,389,585
<b>Total long-term provisions</b>	<b>4,250,977</b>	<b>3,570,962</b>

### Table on movement of provisions

EUR	Provisions for retirement allowances	Provisions for jubilee awards	Provisions for warranties given and other provisions	Total
<b>Balance as at 1 January 2022</b>	<b>1,082,382</b>	<b>337,587</b>	<b>1,957,173</b>	<b>3,377,142</b>
Formation - increase	128,044	43,258	402,199	573,501
Utilisation - decrease	-12,127	-15,779		-27,906
Reversal - decrease	-4,417	-	-177,995	-182,412
Transfer to short-term portion	-137,636	-31,727	-	-169,363
<b>Balance as at 31 December 2022</b>	<b>1,056,246</b>	<b>333,339</b>	<b>2,181,377</b>	<b>3,570,962</b>
<b>Balance as at 1 January 2023</b>	<b>1,193,882</b>	<b>365,066</b>	<b>2,181,377</b>	<b>3,740,325</b>
Formation - increase	209,838	86,881	761,653	1,058,372
Utilisation - decrease	-148,069	-38,029	-5,939	-192,037
Reversal - decrease	-	-873	-266,775	-267,648
Transfer to short-term portion	-74,884	-13,151	-	-88,035
<b>Balance as at 31 December 2023</b>	<b>1,180,767</b>	<b>399,894</b>	<b>2,670,316</b>	<b>4,250,977</b>

In 2023, Pomgrad Group reports provisions for pensions and jubilee awards in the amount of EUR 1,580,661.

Long-term provisions for warranties are made to cover the costs arising from warranties given to investors for remedying faults within the warranty period. After the expiry of the warranty the unused part of the warranty is transferred to the company's revenues.

Provisions for jubilee awards and severance payments are calculated in accordance with the collective agreement, and the Decree on the reimbursement of work-related expenses and other income. An annual discount rate of 2.90% (determined on the basis of the average yield of Slovenian government bonds with a maturity period of 10 years or more), an average employee turnover of 5.00% and a wage growth rate of 1.50% were applied. Provisions were calculated by a certified actuary - A.P.A. d. o. o.

## LONG-TERM LIABILITIES (17)

### Long-term financial liabilities

Long-term financial liabilities	2023	2022
Long-term bank loans	1,235,932	2,347,275
Other long-term financial liabilities	1,424,542	1,581,935
<b>Total long-term financial liabilities</b>	<b>2,660,474</b>	<b>3,929,210</b>

Long-term financial liabilities refer to long-term bank loans received for investments in equipment, office premises and purchases of land, and to borrowings, mainly for financing construction machinery.

The interest rate for long-term bank loans obtained by companies within the Group ranges between +1.50% and 1.85% (Euribor). The longest maturity period of long-term financial liabilities is 5 years (2028). Most long-term loans are collateralised with a mortgage or pledged equipment. The total book value of pledged assets as at 31 December 2023 is EUR 14,274,772. Collateralised long-term financial liabilities amount to EUR 2,660,474.

The company has no long-term financial liabilities from loans received with a maturity period longer than 5 years.

Debts from leases refer to construction machinery. In 2023, new debts from leases (lease contracts) amounted to EUR 634,200 while EUR 993,161 of debts from leases were paid off.

### Long-term operating liabilities

Long-term operating liabilities	2023	2022
Long-term bills payable and advances	1,235	1,235
Other long-term operating liabilities	450,866	438,083
<b>Total long-term operating liabilities</b>	<b>452,101</b>	<b>439,318</b>

- Long-term bills payable and advances in the amount of EUR 1,235 comprise long-term securities received;
- other long-term operating liabilities in the amount of EUR 450,866 refer to long-term deferred assigned contributions for employees with disabilities above the statutory quota in the amount of EUR 62,116, deferred government grants in the amount of EUR 303,405, long-term advances and securities received in the amount of EUR 59,621 and the remaining long-term operating liabilities in the amount of EUR 25,724.

## CURRENT LIABILITIES (18)

### Current financial liabilities

Current financial liabilities	2023	2022
Current financial liabilities to subsidiaries	453,795	469,042
Current financial liabilities to banks	1,262,704	1,577,088
Other current financial liabilities	754,921	948,642
<b>Total current financial liabilities</b>	<b>2,471,420</b>	<b>2,994,772</b>

Current financial liabilities to banks have decreased from previous years, mainly due to current repayments of financial liabilities.

Other current financial liabilities represent mainly the short-term portion of long-term liabilities from leases.

The interest rate for overdrafts and short-term bank loans obtained by companies within the Group ranges between +1.50% and 1.85% (Euribor). Most long- and short-term loans are collateralised with mortgages or pledged equipment. The total book value of pledged assets as at 31 December 2023 is EUR 14,274,772. Collateralised current financial liabilities amount to EUR 2,017,625.

### Current operating liabilities

Current operating liabilities	2023	2022
Current operating liabilities to subsidiaries	132,491	363,906
Current trade payables	19,604,341	24,899,291
Other current operating liabilities	5,332,123	5,385,256
<b>Total current operating liabilities</b>	<b>25,068,955</b>	<b>30,648,453</b>

Other current operating liabilities comprise:

- liabilities to employees in the amount of EUR 2,017,576;
- liabilities to the government from taxes and contributions in the amount of EUR 817,162;
- liabilities from reverse factoring in the amount of EUR 1,996,208;
- short-term portion of long-term liabilities for severance payments and jubilee awards in the amount of EUR 88,035;
- remaining current operating liabilities in the amount of EUR 413,142.

### Liabilities by maturity

Maturity	Up to 30 days	30-60 days	60-90 days	Over 90 days	Not past due	Disputable liabilities	Total liabilities
Trade payables	2,028,962	743,204	397,383	3,210,581	11,010,373	17	17,390,520
Liabilities to entities abroad	188,126	1,715	4,447	209,889	1,809,644	-	2,213,821

## LIABILITIES FROM CONTRACTS WITH CUSTOMERS

Liabilities from contracts with customers	2023	2022
Short-term deferred revenues	11,260,627	7,855,431
Advances received	13,500	14,656
<b>Total contract liabilities</b>	<b>11,274,127</b>	<b>7,870,087</b>

The Group reports unfinished works for which invoices have been issued and which are based on construction contracts as deferred items (deferred revenues).

## OTHER LIABILITIES

Other liabilities	2023	2022
Other accrued and deferred items	1,476,649	1,656,161
Securities received	174,364	252,437
<b>Total long-term provisions</b>	<b>1,651,013</b>	<b>1,908,598</b>



**POTENTIAL LIABILITIES AND ASSETS PLEDGED AS COLLATERAL**

The balance of liabilities and assets pledged as collateral as at 31 December 2023 is as follows:

- mortgages amounting to EUR 16,066,892 (all for own loans and warranties);
- guarantees given for loans, warranties, leasing amounting to EUR 5,252,031 (of which guarantees given to companies within the Group amounting to EUR 3,976,273, and to the owner and other related parties amounting to EUR 1,275,758);
- bills of exchange, enforcement drafts and warranties given amounting to EUR 2,921,002.

**4.6.2 Disclosures to the group income statement****NET SALES REVENUES (19)**

Net sales revenues	2023	2022
Sales revenues from domestic market	142,379,906	116,635,600
Sales revenues from EU market	16,921,677	23,516,232
<b>Total net sales revenues</b>	<b>159,301,583</b>	<b>140,151,832</b>

Consolidated net sales revenues have increased from the previous year, mainly due to larger projects carried out by the parent company in 2023.

Net sales revenues in the amount of EUR 159,301,583 comprise:

- revenues from construction services in the amount of EUR 120,557,330 (EUR 109,027,090 in 2022);
- revenues from the sale of raw materials (gravel aggregates, concrete, asphalt, etc.) in the amount of EUR 15,421,110 (EUR 10,212,103 in 2022);
- revenues from maintenance services (roads, waterways) in the amount of EUR 19,745,500 (EUR 18,535,293 in 2022);
- revenues from geotechnical services in the amount of EUR 2,027,368 (EUR 1,044,194 in 2022);
- revenues from other activities in the amount of EUR 1,550,275 (EUR 1,333,152 in 2022).

**CHANGE IN VALUE OF INVENTORIES OF PRODUCTS AND WORK IN PROGRESS (20)**

In 2023, the change in value of inventories amounted to EUR -97,704 (EUR 132,971 in 2022). The change is the result of a change in the inventories of work in progress and finished products (structures of reinforced concrete, concrete accessories, gravel).

**OTHER OPERATING REVENUES (21)**

Other operating revenues	2023	2022
Revenues from the reversal of provisions	538,448	232,400
Revenues from damages received	815,405	303,916
Revenues from expense recharges	-	738,094
Revenues from excise duties	188,665	190,109
Revaluation operating revenues	55,453	188,091
Other operating revenues	2,043,848	1,306,076
<b>Total other operating revenues</b>	<b>3,641,819</b>	<b>2,958,686</b>

In 2023, Pomgrad Group generated other operating revenues in the amount of EUR 2,043,848, which comprise:

- profits from the sale of property, plant and equipment in the amount of EUR 328,822;
- revenues from reverse factoring in the amount of EUR 222,165;
- revenues from state subsidies in the amount of EUR 774,997;
- other revenues in the amount of EUR 717,864.

**COSTS OF GOODS, MATERIALS AND SERVICES (22)****Costs of goods and materials include:**

Costs of materials and service	2023	2022
Costs of goods and materials	35,706,792	36,304,472
Costs of services	89,538,177	74,777,499
<b>Total costs of goods, materials and services</b>	<b>125,244,969</b>	<b>111,081,971</b>

Costs of goods, materials and services have increased from the previous year, mainly due to an increase in sales. Costs of services, goods and materials comprise costs of construction services and machinery, and costs of production of gravel, concrete, concrete accessories, asphalt and concrete constructions sold.

**LABOUR COSTS (23)****Labour costs include:**

<b>Labour costs</b>	<b>2023</b>	<b>2022</b>
Costs of salaries	17,719,708	16,341,245
Costs of social security	3,613,377	3,242,832
Supplementary pension insurance	521,961	479,449
Other labour costs	3,313,446	3,144,608
<b>Total labour costs</b>	<b>25,168,492</b>	<b>23,208,134</b>

At Pomgrad Group, salaries are paid in accordance with a collective agreement for the construction sector and a corporate agreement of the road construction company. The growth of salaries is regulated by law. Annual leave allowances and other personal remuneration at companies within the Group are accounted for and paid in accordance with the provisions of the Decree on the reimbursement of work-related expenses and other remuneration recognised as expenses when determining the tax base, and with the collective agreement for the construction sector and the corporate agreement of the road construction company.

Pomgrad Group also pays for employees' voluntary supplementary pension insurance at a rate of 4% of the gross salary.

Remuneration of management board members, parties to collective agreements and parent company supervisory board members are reported among other disclosures and notes (chapter 7).

**WRITE-OFFS (24)****Write-offs**

<b>Write-offs</b>	<b>2023</b>	<b>2022</b>
Depreciation/amortisation	4,464,134	4,860,655
Revaluation operating expenses relating to intangible non-current assets and PP&E	117,093	28,094
Revaluation operating expenses relating to current assets	235,428	314,622
<b>Total write-offs</b>	<b>4,816,655</b>	<b>5,203,371</b>

Depreciation/amortisation was accounted for using the prescribed depreciation/amortisation rates and the straight-line method. Depreciation/amortisation rates remained largely unchanged from the previous year.

Revaluation operating expenses refer to expenses from sales and write-offs of fixed assets and to the revaluation of current operating assets (allowances for receivables). In 2023, Pomgrad Group made allowances for trade receivables in the amount of EUR 235,428 and incurred expenses in the amount of EUR 117,093 from sales and write-offs of intangible assets, and property, plant and equipment.

**OTHER OPERATING EXPENSES (25)****Other operating expenses**

<b>Other operating expenses</b>	<b>2023</b>	<b>2022</b>
Costs of compensations for development land	222,972	227,810
Formation of long-term provisions for warranties given and other provisions	1,603,718	732,463
Damages and fines	51,545	76,527
Other costs	95,848	229,175
<b>Total other operating expenses</b>	<b>1,974,083</b>	<b>1,265,975</b>

**FINANCE REVENUES (26)****Finance revenues from participating interests**

<b>Finance revenues from participating interests</b>	<b>2023</b>	<b>2022</b>
Finance revenue from participating interests in associates	639,057	678,941
Finance revenue from participating interests in other entities	0	107,917
Finance revenue from other investments	0	8,586
<b>Total finance revenues from participating interests</b>	<b>639,057</b>	<b>795,444</b>

Finance revenues from participating interests in associates include the attribution of profits of the associates Asphalt Factory Kidričevo d. o. o. (EUR 78,072), P.G.M. Inženiring d. o. o. (EUR 375,000), Nograd GM d. o. o. (EUR 105,000), and the impact of the change in equity of associates in 2023 in the amount of EUR 80,985.

**Finance revenues from loans given**

<b>Finance revenues from loans given</b>	<b>2023</b>	<b>2022</b>
Finance revenues from loans given to subsidiaries	5,737	2,182
Finance revenues from loans given to other entities	74,463	49,779
<b>Total finance revenues from loans given</b>	<b>80,200</b>	<b>51,961</b>

Finance revenues from loans given to other entities are revenues from loans given to companies outside Pomgrad Group and interests earned due to positive balances in transaction accounts.

**Finance revenues from operating receivables**

<b>Finance revenues from operating receivables</b>	<b>2023</b>	<b>2022</b>
Finance revenues from operating receivables from other entities	157,026	68,474
<b>Total finance revenues from operating receivables</b>	<b>157,026</b>	<b>68,474</b>

Finance revenues from operating receivables are revenues from default interests paid by customers and revenues from positive foreign exchange differences.

**FINANCE EXPENSES (27)****Finance expenses from impairment and write-offs of financial investments**

In the 2023 financial year, Pomgrad Group incurred finance expenses in the amount of EUR 115,415 EUR from impairments and write-offs of financial investments. These are expenses from the derecognition of Aktim d. o. o.

**Finance expenses from financial liabilities**

<b>Finance expenses from financial liabilities</b>	<b>2023</b>	<b>2022</b>
Finance expenses from borrowings from associates	14,210	4,270
Finance expenses from borrowings from banks	185,496	185,365
Finance expenses from other financial liabilities	109,448	76,664
<b>Total finance expenses</b>	<b>309,154</b>	<b>266,299</b>

Finance expenses slightly increased from the previous year. The increase is mainly due to the interest rate hike on the banking market.

**Finance expenses from operating liabilities**

<b>Finance expenses from operating liabilities</b>	<b>2023</b>	<b>2022</b>
Finance expenses from trade payables	22,213	15,842
Finance expenses from other operating liabilities	26,491	60,630
<b>Total finance expenses</b>	<b>48,704</b>	<b>76,472</b>

Finance expenses from operating liabilities comprise mainly default interests paid to suppliers (EUR 22,213) and negative foreign exchange differences (EUR 26,491).

**TAXES (28)**

	<b>2023</b>	<b>2022</b>
Gross profit	6,479,726	3,213,534
Income tax	637,752	437,047
Deferred taxes	-2,119	-9,211
<b>Net profit</b>	<b>5,844,093</b>	<b>2,785,698</b>

	<b>2023</b>	<b>2022</b>
Corporate income tax assets	38,712	270,180
Corporate income tax liabilities	367,190	147,254

Pomgrad Group does not prepare a group corporate income tax return.

The Group does not offset income tax assets and liabilities. In Slovenia, the applicable rate of corporate income tax in 2023 stood at 19% (19% in 2022).

**4.6.3 Disclosures to the group statement of other comprehensive income**

Other comprehensive income changed by EUR 5,844,093, i.e. by the achieved net profit or loss in the same amount.

**4.6.4 Disclosures to the group statement of changes in equity**

The statement of changes in equity presents changes in the components of equity for the financial year.

Total comprehensive income of the reporting period changed by EUR 5,844,093, whereby it:

- increased by the net profit for the current year in the amount of EUR 5,844,093.

Equity decreased by EUR 105,561 from transactions with owners, whereby it:

- decreased due to payouts of profits from the non-controlling interests in the amount of EUR 100,401;
- decreased due to other movements in the amount of EUR 5,161.

#### 4.6.5 Other disclosures

##### RELATED PARTIES

Remuneration	Salary	Other remuneration	Bonuses	Total
Management board members	365,360	4,050	373	369,783
Supervisory board members	-	17,400	-	17,400
Individual contracts	-	-	-	-
<b>Total in 2023</b>	<b>365,360</b>	<b>21,450</b>	<b>373</b>	<b>387,183</b>

##### REMUNERATION OF MANAGEMENT BOARD MEMBERS AND EMPLOYEES WITH INDIVIDUAL CONTRACTS

Remuneration of management board members and employees not subject to the tariff part of the collective agreement include:

- gross remuneration not included in the income tax return;
- premiums for voluntary supplementary pension insurance.

Chairman of the board Iztok Polanič received in 2023 remunerations in the amount of EUR 126,089 (of which salaries in the amount of EUR 124,615, allowances in the amount of EUR 1,350 and bonuses in the amount of EUR 124). Board member Boris Sapač received in 2023 remunerations in the amount of EUR 124,806 (of which salaries in the amount of EUR 123,332, allowances in the amount of EUR 1,350 and bonuses in the amount of EUR 124). Board member Kristian Ravnič received in 2023 remunerations in the amount of EUR 118,888 (of which salaries in the amount of EUR 117,414 EUR, allowances in the amount of EUR 1,350 and bonuses in the amount of EUR 124).

As at 31 December 2023, the Group has no receivables or liabilities to management board members, with the exception of liabilities for salaries in December, which were paid in January 2024.

##### REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD OF POMGRAD D. D.

Remuneration of members of the supervisory board include gross attendance fees for performing functions on the supervisory board and awards.

Supervisory board chairman Stanko Polanič received in 2023 gross remunerations in the amount of EUR 2,000. Supervisory board member Simon Ravnič received gross remunerations in the amount of EUR 3,100. Supervisory board member Jožef Horvat received gross remunerations in the amount of EUR 3,100. Supervisory board member Peter Polanič received gross remunerations in the amount of EUR 3,000. Supervisory board member Sebastjan Kumin received gross remunerations in the amount of EUR 3,100. Supervisory board member Damjan Ivanek received gross remunerations in the amount of EUR 3,100.

As at 31 December 2023, the Group has no receivables or liabilities to supervisory board members.

In 2023, the Group did not approve any advances, loans or guarantees to these groups of individuals.

## 4.7

### FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

This chapter presents disclosures regarding financial instruments and risks, and risk management is presented in the business section of the annual report.

#### 4.7.1 Credit risk

In 2023, the Group actively monitored the balance of trade receivables as well as the financial state of existing and potential customers based on internal credit ratings.

The largest exposure to credit risk is represented by the carrying amount of financial assets, which is as follows as at 31 December 2023:

EUR	2023	2022
Long-term loans	0	6,000
Long-term operating receivables	16,708	16,545
Short-term loans	6,957,084	3,097,037
Current operating receivables	23,432,762	34,367,682
Cash and cash equivalents	20,837,521	9,162,868
<b>Total assets</b>	<b>51,244,075</b>	<b>46,650,132</b>

Current operating receivables, which have decreased by 31% from the previous year, face the largest credit risk exposure.

#### Current trade receivables by maturity

Maturity period in 2023	Up to 30 days	30-60 days	60-90 days	Over 90 days	Not past due	Disputable receivables	Total receivables
Trade receivables from domestic customers	2,143,636	1,180,051	437,264	4,584,119	11,813,511	30,012	20,188,593
Trade receivables from EU customers	322,139	31,257	15,147	311,900	1,375,846	11,138	2,067,427

Maturity period in 2022	Up to 30 days	30-60 days	60-90 days	Over 90 days	Not past due	Disputable receivables	Total receivables
Trade receivables from domestic customers	2,209,457	719,874	437,631	3,360,757	21,003,161	-17,537	27,713,343
Trade receivables from EU customers	116,902	81,948	9,090	723,781	3,380,505	19,644	4,331,870

#### Table of past due and unadjusted receivables and loans

EUR	2023			2022		
	Past due	Adjusted	Unadjusted	Past due	Adjusted	Unadjusted
Trade receivables	11,637,436	2,570,773	9,066,663	13,171,657	5,510,110	7,661,547

The Group estimates that the past due and unadjusted receivables and loans will be repaid. Based on its analysis, the Group estimated the likelihood of repayment of adjusted financial assets to be very low, therefore, it made allowances.

#### Movement of allowances made for current operating receivables of Pomgrad Group

	Allowance for current operating receivables	
	2023	2022
Balance as at 1 January	4,605,710	3,699,010
Allowances affecting profit or loss	235,428	314,622
Allowances not affecting profit or loss	327,689	2,269,629
Write-offs	-2,596,030	-428,529
Repayments	-2,024	-201,064
Spin-off	-	-1,047,958
Balance as at 31 December	2,570,773	4,605,710

Allowances not affecting profit or loss refer mainly to claims for differences in prices of key materials. The claims (not yet confirmed by investors) are recorded as both trade receivables and allowances. Once confirmed, they will be recorded as revenues.

#### Table of financial instruments by category

EUR	2023	2022
Operating receivables	23,449,470	34,384,227
Loans given	6,957,084	3,103,037
Financial assets at fair value	-	-
<b>TOTAL financial assets</b>	<b>30,406,554</b>	<b>37,487,264</b>
Financial liabilities at amortised cost	5,131,894	6,873,982
<b>TOTAL financial liabilities</b>	<b>5,131,894</b>	<b>6,873,982</b>

#### Table of interest revenues and expenses

EUR	2023	2022
Interests on loans given	80,200	51,961
Default interests from operating receivables	157,026	68,474
<b>TOTAL interest revenues</b>	<b>237,226</b>	<b>120,435</b>
Interests on borrowings	199,706	189,635
Interests from leases	109,448	76,664
Default interests from operating liabilities	22,213	15,842
<b>TOTAL interest expenses</b>	<b>331,367</b>	<b>282,141</b>
<b>Expenses from allowances for operating receivables</b>	<b>235,428</b>	<b>314,622</b>
<b>Expenses from allowances for financial investments</b>	<b>115,415</b>	<b>4,812</b>

The Group estimates the quality of loans given and not past due to be satisfactory and expects that they will be repaid. Loans given are collateralised with bills of exchange.

#### 4.7.2 Liquidity risk

The Group manages liquidity risk by:

- implementing an annual plan for the cash flow required by Pomgrad Group and daily plans for payments;
- a uniform approach to dealings with banks;
- centralised execution of payment transfers at Group level;
- uniform and centralised management of receivables at Group level.

The group also has revolving credits and overdraft facilities with banks, which ensure that the Group is able to settle most of its due liabilities at all times. During periods of poor liquidity, the Group also resorts to sales of trade receivables.

##### Liabilities of Pomgrad Group by maturity

2023	Carrying amount	Contractual cash flows		
		Up to 1 year	1-5 years	Over 5 years
Long-term financial liabilities	2,660,474	-	2,660,474	-
Long-term operating liabilities (trade payables only)	1,235	-	1,235	-
Current financial liabilities	2,471,420	2,471,420	-	-
Current operating liabilities (trade payables only)	19,604,341	19,604,341	-	-
<b>Balance as at 31 December 2023</b>	<b>24,737,470</b>	<b>22,075,761</b>	<b>2,661,709</b>	<b>-</b>

2022	Carrying amount	Contractual cash flows		
		Up to 1 year	1-5 years	Over 5 years
Long-term financial liabilities	3,929,210	-	3,929,210	-
Long-term operating liabilities (trade payables only)	1,235	-	1,235	-
Current financial liabilities	2,994,772	2,994,772	-	-
Current operating liabilities (trade payables only)	24,899,291	24,899,291	-	-
<b>Balance as at 31 December 2022</b>	<b>31,824,508</b>	<b>27,894,063</b>	<b>3,930,445</b>	<b>-</b>

#### 4.7.3 Interest rate risk

Pomgrad Group is exposed to interest rate risk arising from loans obtained with a variable interest rate (Euribor rates with various maturities).

A change of interest rate by 100 or 200 basis points on the reporting date would result in an increase (decrease) of net profit or loss by the corresponding values indicated in the table. The cash flow sensitivity analysis is based on the assumption that all other variables remain unchanged. The calculation applied an average interest rate determined as a share of actual interests for the entire financial debt. All financial liabilities are subject to a fixed or variable interest rate linked to the Euribor rate.

##### Balance of financial liabilities (entire financial debt) of Pomgrad Group

	2023	2022
Financial liabilities	5,131,894	6,873,982

##### Change in profit or loss in the event of an increase of the average interest rate by 100 or 200 bps

	2023	Effect on 2023 profit or loss	2022	Effect on 2022 profit or loss
Average interest rate	6.03	-	3.90	-
Actual interests	309,154	-	266,299	-
Variab. CF-100 bps (7.03%), (4.90%)	360,772	- 51,618	336,825	- 70,526
Variab. CF-200 bps (8.03%), (5.90%)	412,091	- 102,937	405,565	- 139,266

##### Change in profit or loss in the event of a decrease of the average interest rate by 100 or 200 bps

	2023	Effect on 2023 profit or loss	2022	Effect on 2022 profit or loss
Average interest rate	6.03	-	3.90	-
Actual interests	309,154	-	266,299	-
Variab. CF-100 bps (5.03%), (2.90%)	258,134	51,020	199,345	66,954
Variab. CF-200 bps (4.03%), (1.90%)	206,815	102,339	130,606	135,693

#### 4.7.4 Varying amount and fair values of assets and liabilities

EUR	31. December 2023		31. December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment property	820,331	820,331	1,283,350	1,283,350
Investments in other companies	8,000	8,000	8,000	8,000
Long-term loans	0	0	6,000	6,000
Long-term operating receivables	16,708	16,708	16,545	16,545
Short-term loans	6,957,084	6,957,084	3,097,037	3,097,037
Current operating receivables	23,432,762	23,432,762	34,367,682	34,367,682
Cash and cash equivalents	20,837,521	20,837,521	9,162,868	9,162,868
<b>Total assets - disclosed fair value</b>	<b>52,072,406</b>	<b>52,072,406</b>	<b>47,941,482</b>	<b>47,941,482</b>
Long-term financial liabilities	2,660,474	2,660,474	3,929,210	3,929,210
Long-term operating liabilities	452,101	452,101	439,318	439,318
Current financial liabilities	2,471,420	2,471,420	2,994,772	2,994,772
Current operating liabilities	25,068,955	25,068,955	30,648,453	30,648,453
<b>Total liabilities - disclosed fair value</b>	<b>30,652,950</b>	<b>30,651,929</b>	<b>38,011,753</b>	<b>38,011,753</b>

#### Assets and liabilities disclosed at fair value and classified according to the fair value hierarchy

EUR	31 December 2023				31 December 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment property	-	-	820,331	820,331	-	-	1,283,350	1,283,350
Investments in other companies	-	-	8,000	8,000	-	-	8,000	8,000
Long-term loans	-	-	0	0	-	-	6,000	6,000
Long-term operating receivables	-	-	16,708	16,708	-	-	16,545	16,545
Short-term loans	-	6,957,084	-	6,957,084	-	3,097,037	-	3,097,037
Current operating receivables	-	23,432,762	-	23,432,762	-	34,367,682	-	34,367,682
Cash and cash equivalents	20,837,521	-	-	20,837,521	9,162,868	-	-	9,162,868
<b>Total assets - disclosed fair value</b>	<b>20,837,521</b>	<b>30,389,846</b>	<b>845,039</b>	<b>52,072,406</b>	<b>9,162,868</b>	<b>37,464,719</b>	<b>1,313,895</b>	<b>47,941,482</b>
Long-term financial liabilities	-	-	2,660,474	2,660,474	-	-	3,929,210	3,929,210
Long-term operating liabilities	-	-	451,080	451,080	-	-	439,318	439,318
Current financial liabilities	-	2,471,420	-	2,471,420	-	2,994,772	-	2,994,772
Current operating liabilities	-	25,068,955	-	25,068,955	-	30,648,453	-	30,648,453
<b>Total liabilities - disclosed fair value</b>	<b>-</b>	<b>27,540,375</b>	<b>3,111,554</b>	<b>30,651,929</b>	<b>-</b>	<b>33,643,225</b>	<b>4,368,528</b>	<b>38,011,753</b>

## 4.8

### RELATIONS BETWEEN RELATED PARTIES

Pomgrad d. d. is an unlisted joint stock company (parent company). Its ownership structure as at 31 December 2023 is presented in the chapter **Ownership structure of the Company** in the business section of the report by Pomgrad d. d.

All transactions of the Group/Company with related parties are conducted based on market terms applicable to transactions with unrelated parties.

#### RELATIONS BETWEEN SUBSIDIARIES OF POMGRAD GROUP

Item in EUR	POMGRAD D. D.	GM	TAP	CP	VGP	GNG	BAM	H-GRAD	TEGRA	TOTAL
Long-term financial investments	-	-	-	198,790	-	-	-	-	-	198,790
Long-term operating receivables	-	-	-	-	-	-	-	-	-	-
Short-term financial investments	1,298,136	-	-	5,523,101	1,957,863	-	-	-	-	8,779,100
Current operating receivables	3,833,961	1,414,394	5,472,111	151,352	509	347,236	66,077	-	1,171	11,286,811
Share capital	-	-	-	-	-	-	-	-	-	-
Long-term financial liabilities	23,226	175,564	-	-	-	-	-	-	-	198,790
Current financial liabilities	5,879,878	456,390	-	-	-	1,144,696	758,570	539,566	-	8,779,100
Long-term operating liabilities	-	-	-	-	-	-	-	-	-	-
Current operating liabilities	6,915,764	603,183	383,532	1,905,517	706,238	49,322	825	9,463	712,967	11,286,811
Operating revenues	9,690,239	3,567,929	5,990,772	768,512	10,072	1,649,767	479,419	2,386	210,377	22,369,473
Revenues from financing activities	25,740	-	-	201,302	70,630	-	-	-	-	297,672
Operating expenses	11,366,511	2,305,779	1,719,758	4,469,343	1,786,366	240,577	18,196	3,600	459,343	22,369,473
Expenses from financing activities	206,659	25,315	-	-	-	39,958	8,383	17,357	-	297,672

In 2023, Pomgrad d. d.'s company Itok d. o. o. (Owned by Iztok Polanič) generated operating revenues in the amount of EUR 123 and incurred operating expenses in the amount of 17,376. As at 31 December 2023, there were no outstanding receivables from the company or liabilities to it. To our knowledge, there were no other transactions with companies owned by the management.



#### RELATIONS BETWEEN COMPANIES WITHIN POMGRAD GROUP ON THE ONE HAND AND ASSOCIATES AND JOINTLY CONTROLLED COMPANIES ON THE OTHER

Item in EUR	P.G.M.	TAK	NOGRAD GM	POM. HOLDING	UC	RAMTECH	TOTAL
Long-term financial investments	1,055,273	693,997	228,676	549,571	-	961,195	3,488,712
Long-term operating receivables	-	-	-	-	-	-	-
Short-term financial investments	-	-	-	1,000,000	5,463	-	1,005,463
Current operating receivables	-	19,372	65,806	-	-	-	85,178
Share capital	-	-	-	-	-	-	-
Long-term financial liabilities	-	-	-	-	-	-	-
Current financial liabilities	-	-	-	472,026	-	-	472,026
Long-term operating liabilities	-	-	-	-	-	-	-
Current operating liabilities	-	-	133,104	-	-	-	133,104
Operating revenues	-	206,603	166,884	-	-	-	373,487
Finance revenues from participating interests	375,000	78,072	105,000	-	-	-	558,072
Revenues from financing activities	-	-	-	-	5,737	-	5,737
Operating expenses	-	-	700,399	-	-	-	700,399
Expenses from financing activities	-	-	-	14,210	-	-	14,210

The majority owner of the parent company is Imo-Real d. o. o., with registered offices at Ulica Štefana Kovača 10, 9000 Murska Sobota.

The owners of the majority owner of the company are: Peter Polanič, Iztok Polanič, Jožef Horvat and Anton Ravnič.

#### TRANSACTIONS WITH THE PARENT COMPANY AND ITS ASSOCIATES

EUR	Parent company Imo-Real	Associates of parent company
Sales revenues	23,316	117,212
Finance revenues	9,029	15,831
Other revenues	-	-
Costs of materials and service	-	543,793
Finance expenses	-	-
Operating receivables	1,792	75,241
Operating liabilities	-	186,746
Loans given	362,431	463,183
Borrowings	-	-

In 2023, there were no transactions with the owners of the Group's parent company.

#### EVENTS AFTER THE BALANCE SHEET DATE

After the end of the financial year, there were no significant events affecting the true view of the operation of the Group in 2023.

Chairman of the Board:  
Iztok Polanič, MBA



Board member:  
Boris Sapač, u. d. i. g.



Board member:  
Kristian Ravnič, u. d. i. g.





