



# **ANNUAL REPORT 2023**

## MESI LTD

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# 1 CEO LETTER

Established readers of the MESI Annual Report!

Welcome to our company report. We wanted to prepare it in a way that is easy to understand and presents our company in its true context. I kindly invite you to contact us if you would like some other or more detailed information, or if you have any questions. This is our first Annual Report, so we ask for consideration; we still have a lot to learn to become the best.

The purpose of our company, our very existence, is to simplify diagnostics to help healthcare professionals diagnose their patients better, earlier, faster and more effectively. This is the only way we as patients can expect a clearer answer about any conditions, starting treatment earlier and making it more successful. Moreover, the benefits of simplified diagnostics do not just end with treatment. Both us patients and our families can expect a better quality of life; the health system can expect savings in secondary care and higher efficiency of the system; and health professionals can expect a reduced workload, easier work organisation as well as a higher income.

In its first decade, MESI became a European leader in primary diagnostics of Peripheral Arterial Disease. Our ambition is to become Europe's leading company in the field of comprehensive diagnostics in primary care within the next five years, and to bring our principles and improvements to hospitals.

2023 was a turning point for our company, with the entry of the SHS Capital fund, a private equity fund from Germany. It injected fresh capital to accelerate the company's growth, and contributed to an investment return for the then angel investor by buying out their share. In this way, our company met the expectations of part of our shareholders, i.e. to increase capital value.

Let me take this opportunity to thank the entire team for courageously pursuing our mission. I would also like to thank our investors for their trust and, of course, our customers around the world, who strive to contribute to better healthcare through better diagnostics. With determination and commitment, our company strives to create added value for all our stakeholders.

Thank you for your attention and interest!

Jakob Šušterič, MESI CEO

## 2 CORPORATE GOVERNANCE STATEMENT

### 2.1 Statement

MESI Ltd, with its registered office at Leskoškova ulica 11A in Ljubljana, in accordance with the provisions of Article 70, paragraph 5 of the Slovenian Companies Act (ZGD-1), hereby submits the following Corporate Governance Statement for the financial year 2023.

#### 2.1.1 Compliance with legislation and standards

The Annual Report of MESI Ltd for 2023 has been prepared and published in full compliance with the provisions of the Slovenian Companies Act (ZGD-1), the Slovenian Accounting Standards and all relevant sub-legislative acts regulating the field of financial reporting and auditing. The principles of proper accounting valuation, prudence, and integrity have been consistently applied in the preparation of the Annual Report.

#### 2.1.2. Corporate governance

MESI Ltd, with its registered office at Leskoškova ulica 11A in Ljubljana, in accordance with the provisions of Article 70, paragraph 5 of the Slovenian Companies Act (ZGD-1), hereby submits the following Corporate Governance Statement for the financial year 2023.

#### 2.1.3. Internal control systems

The Company has put in place a system of internal controls to ensure the integrity and reliability of its financial statements. The system of internal controls includes:

- **Clear responsibilities:** Each employee involved in the accounting process has clearly defined roles and responsibilities.
- **Division of duties:** Key functions such as authorisation, implementation and control are separated to reduce the risk of error or abuse.
- **Regular reviews and audits:** We systematically carry out internal reviews and external audits to check the effectiveness of our system of internal controls.
- **Use of information technology:** We use modern IT systems to support our accounting processes, ensuring data security and integrity.

#### 2.1.4. Accounting estimates

All accounting estimates required for the preparation of the Annual Report have been made with care and prudence, and in accordance with the principles of good housekeeping. In doing so, we took into account all relevant information, including expectations for future business performance.

MESI Ltd is confident that the 2023 Annual Report is a reliable representation of the financial position and performance of the Company.

### 3 PRESENTATION OF THE COMPANY

More than a decade ago, we launched our first innovation – the automated Ankle-Brachial Index measurement device (MESI ABPI MD), which is now an integral part of almost every GP office in Slovenia and many more in Europe. In recent years, we have expanded our portfolio and intensely focused on the development of digital solutions that are transforming medical assessment at primary and other levels.

Our main product portfolio is the MESI mTABLET diagnostic system, designed to help medical staff diagnose diseases and conditions better, i.e. in shorter time, with higher precision and with less unnecessary additional work. It consists of a certified medical tablet, diverse wireless diagnostic modules, a number of medical applications, and electronic patient records. Within the MESI mTABLET system, we also develop clinical recommendations by means of machine learning. Our goal is to become a leader in diagnostics at the doctor's office and thus enable medical professionals throughout Europe to perform a faster and more effective diagnostic process, gain immediate access to key information for decision-making, and have more time for their patients.

#### 3.1 Basic information about the company

Company:	MESI Ltd
Registered office:	Leskoškova cesta 11A, 1000 Ljubljana, Slovenia
Management	
CEO:	Jakob Šušterič
Telephone:	+386 1 620 34 87
Email:	info@mesimedical.com
SKD Code of main activity:	26.600 Manufacture of irradiation, electromedical and electrotherapeutic equipment
Registration number:	3844501000
Tax number:	SI 67221998
Transaction account:	IBAN SI56 0310 0100 2931 988 (T) SKB d.d. IBAN SI56 3500 1000 0924 031 (T) BKS BANK AG
Auditor:	AD - AUDIT, podjetje za revizijo in svetovanje d.o.o.
Nominal capital:	EUR 56.502,00
Shareholders:	Jakob Šušterič Matjaž Špan Tomo Krivc HEINE ORANGE GMBH & CO. KG SHS VI HEALTHCARE INVESTMENTS GMBH & CO. KG

### 3.2 Ownership structure

With the entry of SHS Capital and Heine Orange from Germany, we acquired new investors and obtained fresh capital for growth acceleration. At the same time, we successfully fulfilled our commitment to our initial investors, who exited the company with a return on their investment.

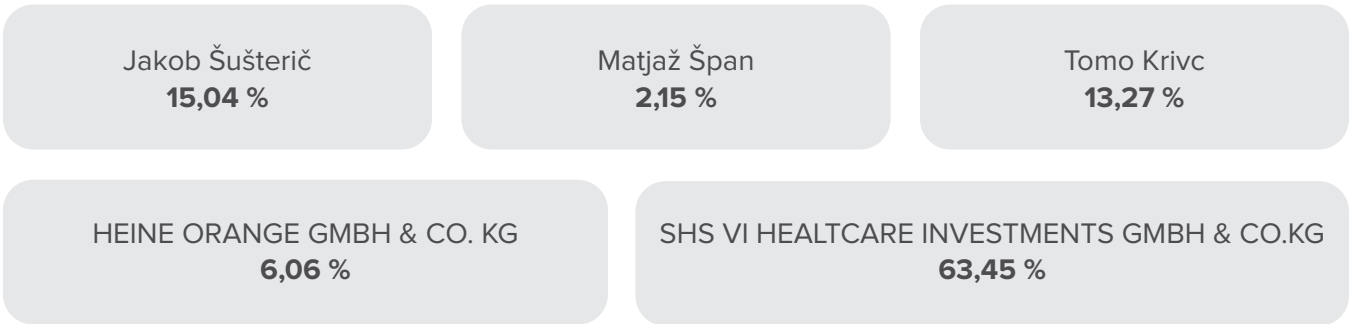


Figure 1: Equity interests in MESI Ltd in 2023

### 3.3 Information on group companies

To reach potential customers more easily and to support them more effectively in all phases of the sales process (including after-sales), we have established companies in key markets – responsible for market development, distribution, sales, integration and support. They are group companies in 100 % ownership by their founder, MESI Ltd.

MESI group companies:

- MESI France SAS (CEO Sandrine Millasseau, 32 Boulevard du Port, CS 20001, 95015 Cergy-Pontoise Cedex, France, EU, info@mesimedical.fr)
- MESI UK Ltd (CEO Martin Marsh, Canterbury Innovation Centre, Kent, CT2 7FG, United Kingdom, info@mesimedical.co.uk)
- MESI Deutschland GmbH (CEO Jakob Šušterič, Landsberger Str. 218, 12623 Berlin, Deutschland, EU, info@mesimedical.de)

### 3.4 Organigram

The staff organigram presents the structure of our organisation and the links between the different departments and employees. It provides an insight into how our processes are organised and how we work together to achieve our objectives.

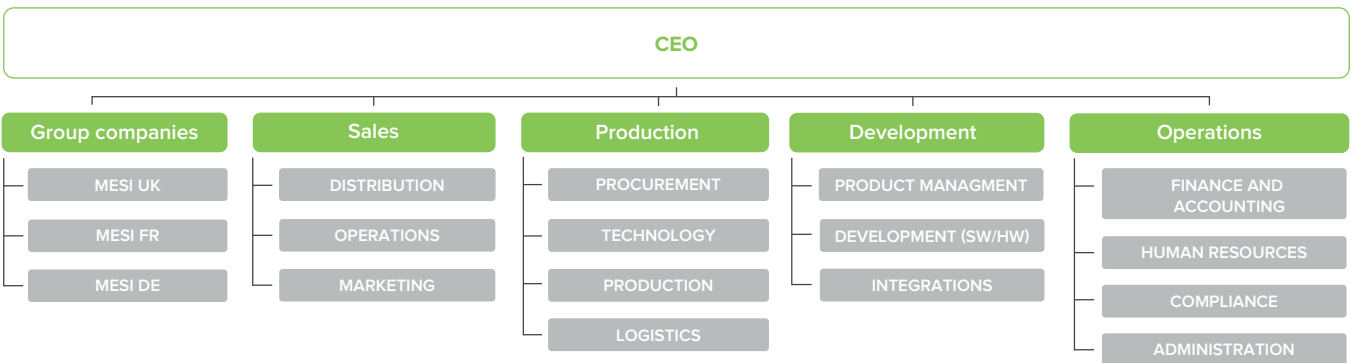


Figure 2: Organisational structure on 31 December 2023



## 3.5 Employees

At MESI Ltd, we put employee support and development at the core of all our decisions. We encourage career development, continuing education, and personal and professional growth. We are aware that health and well-being are essential for successful performance, so we support our employees in leading a healthy lifestyle, by co-funding activities that significantly contribute to it. We further the company's progress and added value per employee by fostering an innovative and stimulating work environment, where employees can contribute and participate in the development of advanced medical solutions.

### 3.5.1 Staff development and training

2023 was again marked by our commitment to staff development. We participated in the DragonHack event, and consolidated our market presence and reputation at the EESTEC JobFair. Our employees had the opportunity to participate in mentoring programmes, where experienced managers shared know-how and experience with their junior colleagues.

Training represents a key part of our strategy for employee growth and development. Funds are available for employees to spend on individual training and competence building. We co-funded workshops and seminars on a wide range of topics, from technical to soft skills such as communication and teamwork.

We set up and implemented the process of yearly performance appraisal interviews. We also achieved greater clarity, goal orientation and company efficiency through OKR setting.

### 3.5.2 Organisational climate measurement

Regular organisational climate measurement is essential for employee satisfaction and engagement. An organisational climate measurement was carried out in 2022, with in-depth workshops for all employees in 2023. Based on the results and feedback, we were able to identify areas for improvement. We introduced several measures to strengthen the working environment; they included improved communication between departments and more transparency in decision-making. We also established clearer work processes and timelines for project implementation, detailing the roles and responsibilities of the teams or departments.

The measurement results were met with satisfaction and a sense of accomplishment, as they showed that our employees got on well, respecting and trusting one another. They also have a clear understanding of what is expected of them. They can easily turn to one another in case of problems; they feel accepted and included. They have autonomy at work, especially in terms of work methods and scheduling work activities.

### 3.5.3 Care for employees

Employee well-being is one of our top priorities. In 2023, we introduced several initiatives to promote health and well-being, including regular health check-ups, a healthy lifestyle promotion programme and MESI bikes, which all employees can use. We offer fresh fruit to employees each week, and encourage both informal and formal socialising (teambuildings). We funded weekly volleyball for employees and improved our work-life balance policies; this included flexible working hours and the possibility to work from home twice a week.

### 3.5.4 Employment trends. Employment and age structure

In 2023, employment in Slovenia increased in comparison to 2022. The number of employed persons in March 2023 was 1,8 % higher than in March 2022. This means that there were more employed and self-employed persons in Slovenia, which indicates a positive trend in the labour market. The effect of that was also felt at MESI.

In 2023, we hired 23 people and 7 people left us.

By department, we recruited:

- A) 8 persons in development,
- B) 4 persons in sales,
- C) 1 person in marketing,
- D) 3 persons in operations and
- E) 7 persons in production.

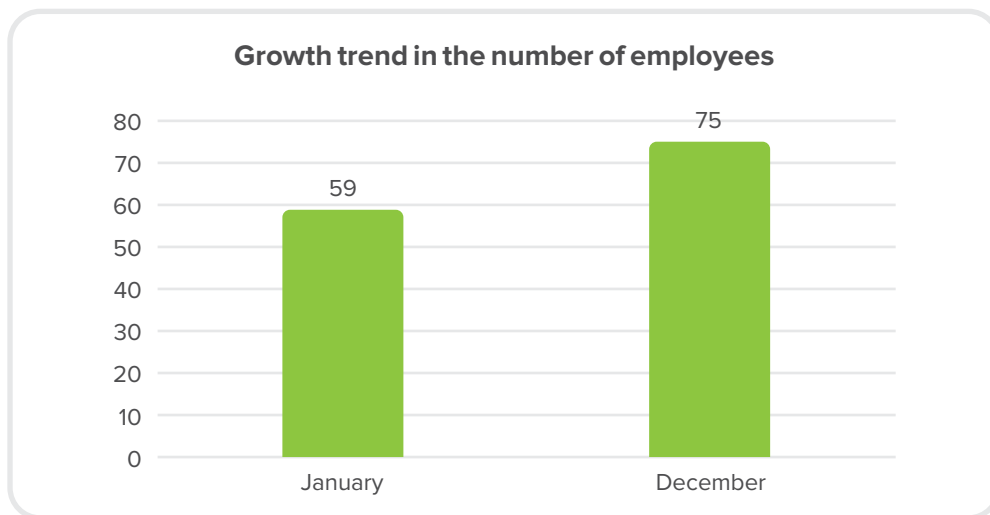


Figure 3: Growth trend in the number of employees in 2023

### 3.5.5 Gender structure of the company's workforce and the percentage of women in managerial positions

The company follows the rules of gender equality, inclusion and gender balance in employment. In 2023, the company employed 39 women and 36 men, i.e. 75 employees in total. Employed in managerial positions were 23 % (9) of the women and 16,6 % (6) of the men.

### 3.5.6 Women in technology and development positions

The company has 45 employees working in technology and development positions. The proportion of women in these positions is 46 % (18).

### 3.5.7 Average age

At the end of 2023, the average employee age at the company was 34,01 years (women 35,97 years, men 31,89 years).

### 3.5.8 Educational structure

The educational structure at MESI is balanced because of our diverse departments with different levels of job complexity. We employ experts as well as dedicated, precise and experienced production workers; this affects our educational structure. The share of employees who have completed at least short-cycle higher education is 58,67 %. 41,33 % of employees have completed a V. or lower level of education.

Level of education	Number of employees
II.	3
III.	1
IV.	2
V.	25
VI/1.	3
VI/2.	26
VII.	15

Figure 4: Educational attainment at MESI – numerical representation

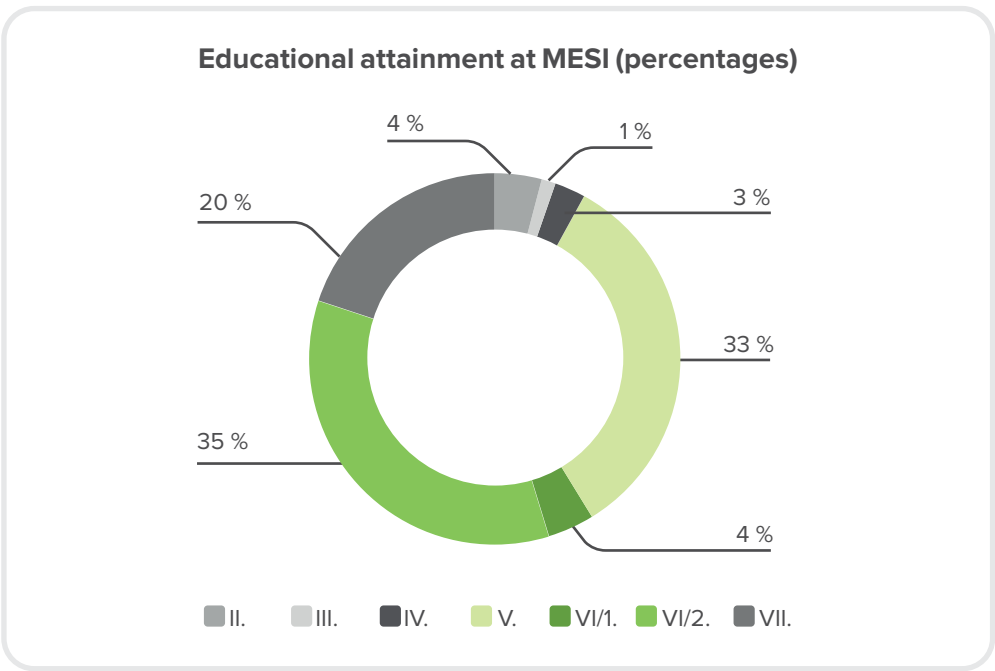


Figure 5: Educational attainment at MESI in 2023 – percentage representation

### 3.5.9 Code of Ethics

The fundamental principles of respecting human rights, equal opportunities, dignity and personal integrity, and the prohibition of workplace discrimination, harassment and mobbing in the workplace are part of the company’s Code of Ethics. We strive to promote mutual respect, know-how exchange and transparent reporting. We are committed to product excellence and to quality and safety of service. We encourage our managers to set an example for other employees with their conduct. MESI strictly enforces ethical and professional conduct, with zero tolerance for corruption and fraud. We avoid situations where personal interests could influence the objectivity of our work. Employees are under obligation to report improper conduct or breaches of the Code of Ethics or regulations, and to cooperate with the compliance officer.

## 4 BUSINESS POLICY

### 4.1 Mission

We simplify diagnostics to help healthcare professionals detect, diagnose, treat, and monitor diseases and conditions better.

### 4.2 Vision

To be a European market leader in predictive diagnostics in primary care, a challenger in intelligent vital signs measurement in hospitals, and a pioneer in connected diagnostics in home care.

## 5 BUSINESS REPORT

### 5.1 Sales

In 2023, the company recorded high growth across all key performance indicators in sales and in business development. This contributed to further establishment of our brand in international markets, high motivation of the entire sales team, and the creation of ambitious plans for the coming years. The inflow of investment capital in the second half of the year had a significant effect on marketing and sales in terms of work organisation. It led to additional investment into market presence and an expansion of our local sales teams. Furthermore, the company continued to expand and develop its group companies and sales offices in major European markets, most notably in France, where the sales team was reinforced with five regional sales representatives, a technical support specialist and the appointment of a sales manager.

#### 5.1.1 Key achievements

High sales revenue growth: with a sales revenue growth of 75 %, the company exceeded its target of 50 % growth.

- Outstanding sales revenue growth in key European markets where MESI group companies are responsible for sales, especially in France (136 %) and Spain (111 %).
- High sales revenue growth in the USA (132 %).
- Revenue growth in distribution markets in the EU (86 %) and in international markets (50 %) where sales are made in collaboration with distribution partners.
- Opening new markets: in 2023, the company successfully established new partnerships in Turkey, Saudi Arabia, Chile, Libya, Georgia, Latvia, Poland, Mauritius, New Zealand and Ireland.
- Adoption of a new market strategy until 2028 with defined strategic objectives and performance indicators.
- Successful implementation of major projects in Hungary and Spain in the field of digitalisation of primary care.

## 5.1.2 Sales results

In 2023, MESI Ltd generated a net sales revenue of EUR 10.977.016. This is a 75 % increase compared to 2022.

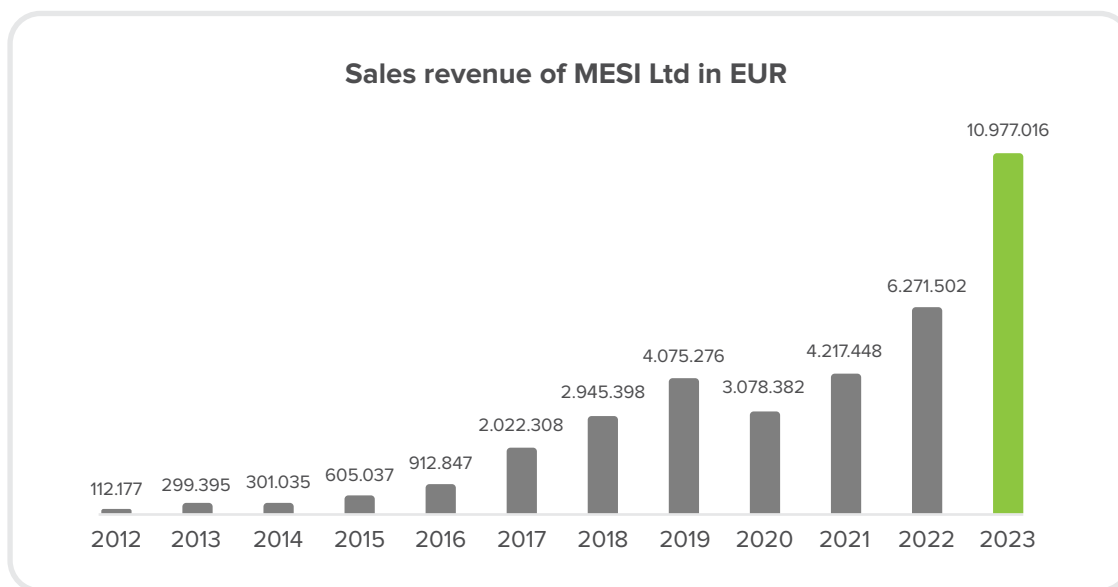


Figure 6: Net sales revenue of MESI Ltd over the years

The markets with the highest sales revenue in 2023 are mainly those of European countries, Australia and the USA. It should be noted that Slovenia is the only market where the entire sales process to the end user takes place exclusively through MESI Ltd. In all other markets, the sales process to the end user is organised through an agent, a distribution partner or through a company in the MESI group.



Figure 7: Markets with the highest sales revenue

5.1.3 Growth

At the end of 2022, MESI set a target of a 50 % sales revenue growth in 2023, with the aim to continue the trend of previous years. However, due to regular sales activities and successful projects, the growth was higher than planned. Consequently, MESI generated a sales revenue of EUR 10,97 million last year, which represents a 75 % growth compared to 2022.

The fourth quarter was the most successful in the company’s history, with a sales revenue of almost EUR 6,15 million and a 118 % growth compared to the same period in 2022.

Among the key markets (France, Spain, Germany, UK, Italy), France and Spain saw the highest sales revenue growth, with 136 % and 111 % increases respectively. In France, this was due to a rise in direct sales to end users (physicians), and in Spain, due to major projects that the sales team had been actively working on for the last few years. Outside Europe, the largest revenue increase was in the USA (132 %), due to expansion of our independent sales representative network. The top distribution markets in terms of sales revenue growth were Hungary (1947 %) and Australia (137 %).

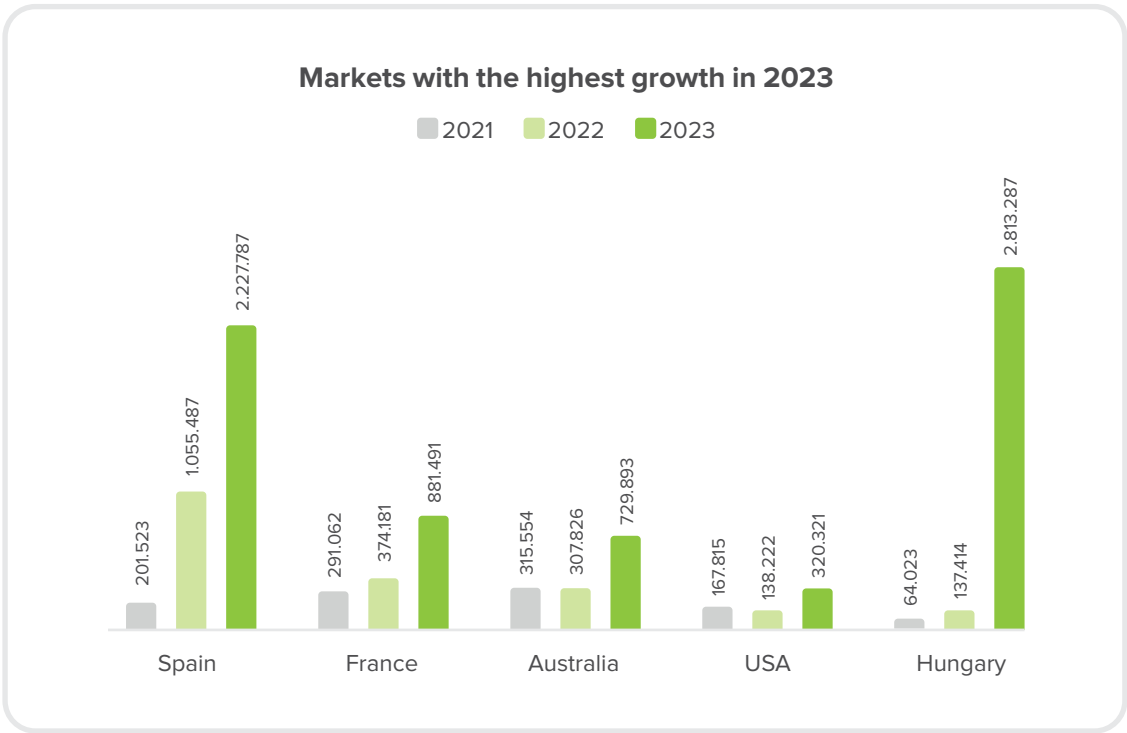


Figure 8: Markets with the highest growth (in EUR) in 2023 compared to 2022

## 5.1.4 Products

The most frequently purchased commercial package on offer was the MESI mTABLET ABI – a wireless system for automated measurement of the Ankle-Brachial Index; it represents almost 80 % of all initial systems. The initial system is the user's entry point to the world of MESI mTABLET products and includes a tablet used to operate all diagnostic modules. The Ankle-Brachial Index is followed by the MESI mTABLET ECG with 16 %.

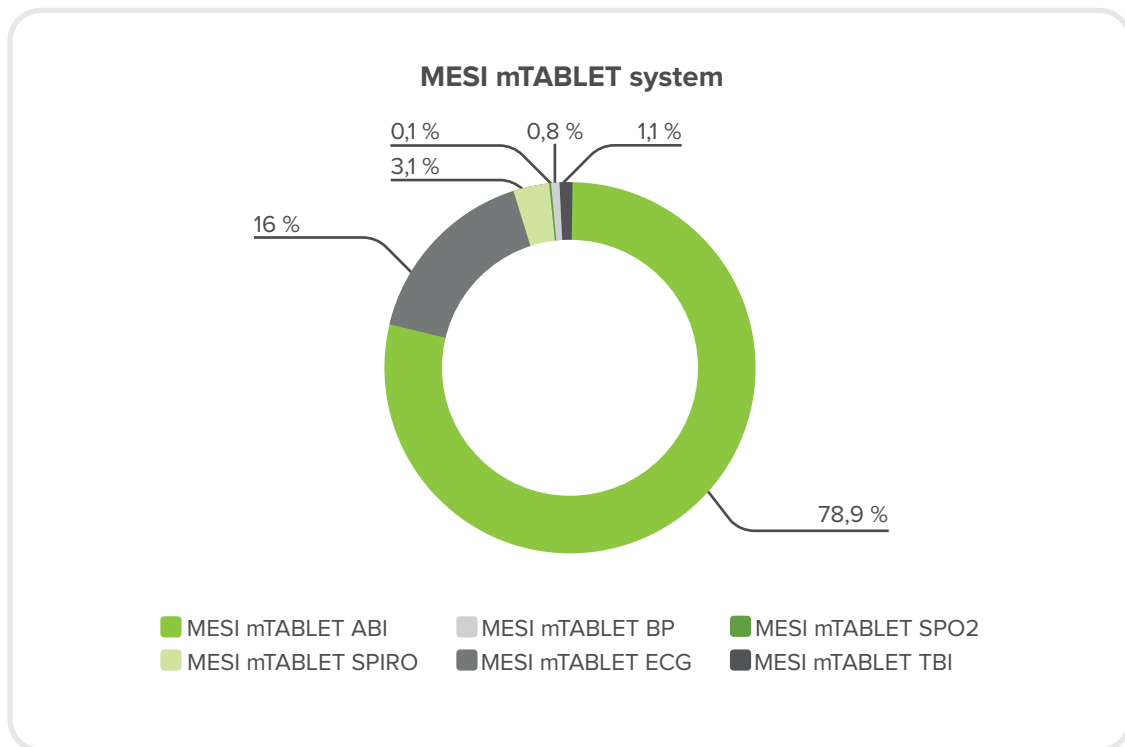


Figure 9: Sales of MESI mTABLET systems in 2023

The customer can upgrade the initial system by subsequently purchasing various other diagnostic measurements, delivered as physical wireless modules or as apps on the MESI mTABLET. The ECG module represents the largest number of purchased extensions (31 %), followed by the spirometry extension (26 %) and the pulse oximetry module (20 %).

The most frequently purchased app was the Worklist app (28 %), which enables the integration of the MESI mTABLET with digital health information systems and records. It is followed by the advanced spirometry app (21 %) and the blood pressure measurement app (11 %).

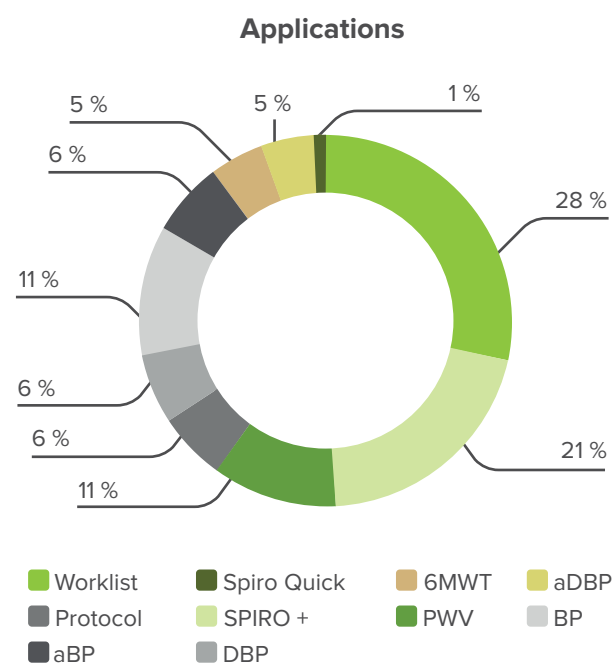
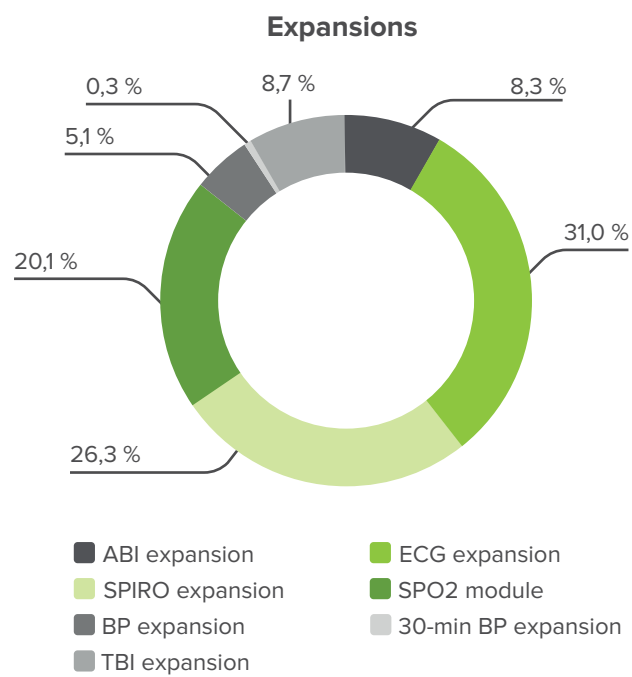


Figure 10: MESI mTABLET system upgrades in percentages



5.1.5 Activations

One of the key indicators for measuring the performance of our sales activities at a global level is the number of MESI mTABLET activations for end users in each market. It namely shows the overall performance of the company and its business partners in closing sales opportunities and carrying out product installations for end users, even if the sale to the end user is made through a distributor at a local, regional or national level. In 2023, the number of activated MESI mTABLET systems increased by more than 50 % compared to 2022. With this, the company successfully realised its baseline plan for 2023.

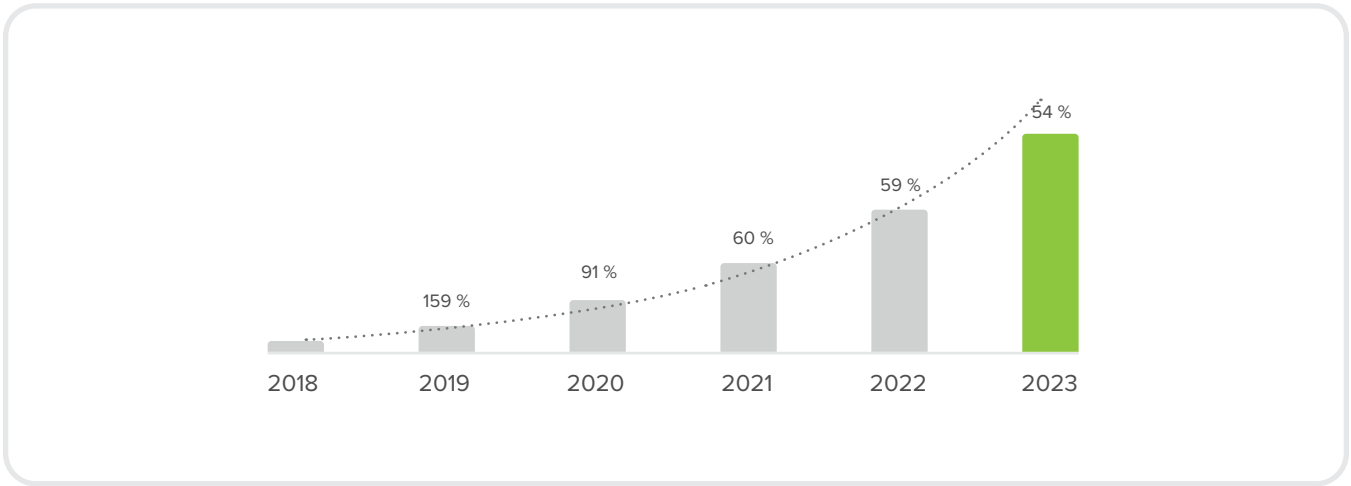


Figure 11: Growth of MESI mTABLET activations over the years (with percentage differences to the previous year)

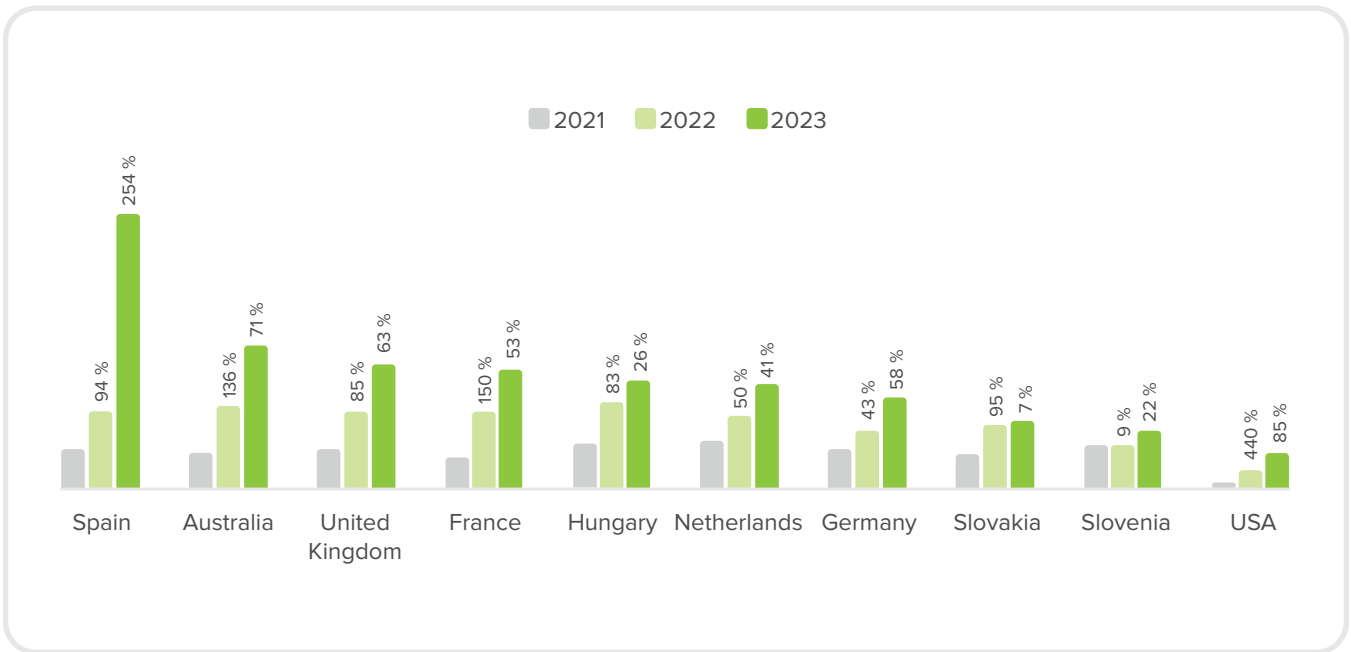


Figure 12: Growth of MESI mTABLET activations by market (with percentage differences to the previous year)

## 5.1.6 Number of measurements

Additionally, there was a high growth in the use of MESI mTABLET products, which attests to their added value in processes of patient care as well as to their contribution to better healthcare. The number of diagnostic measurements performed with MESI mTABLETs exceeded 2 million, which is a 100 % increase compared to 2022.

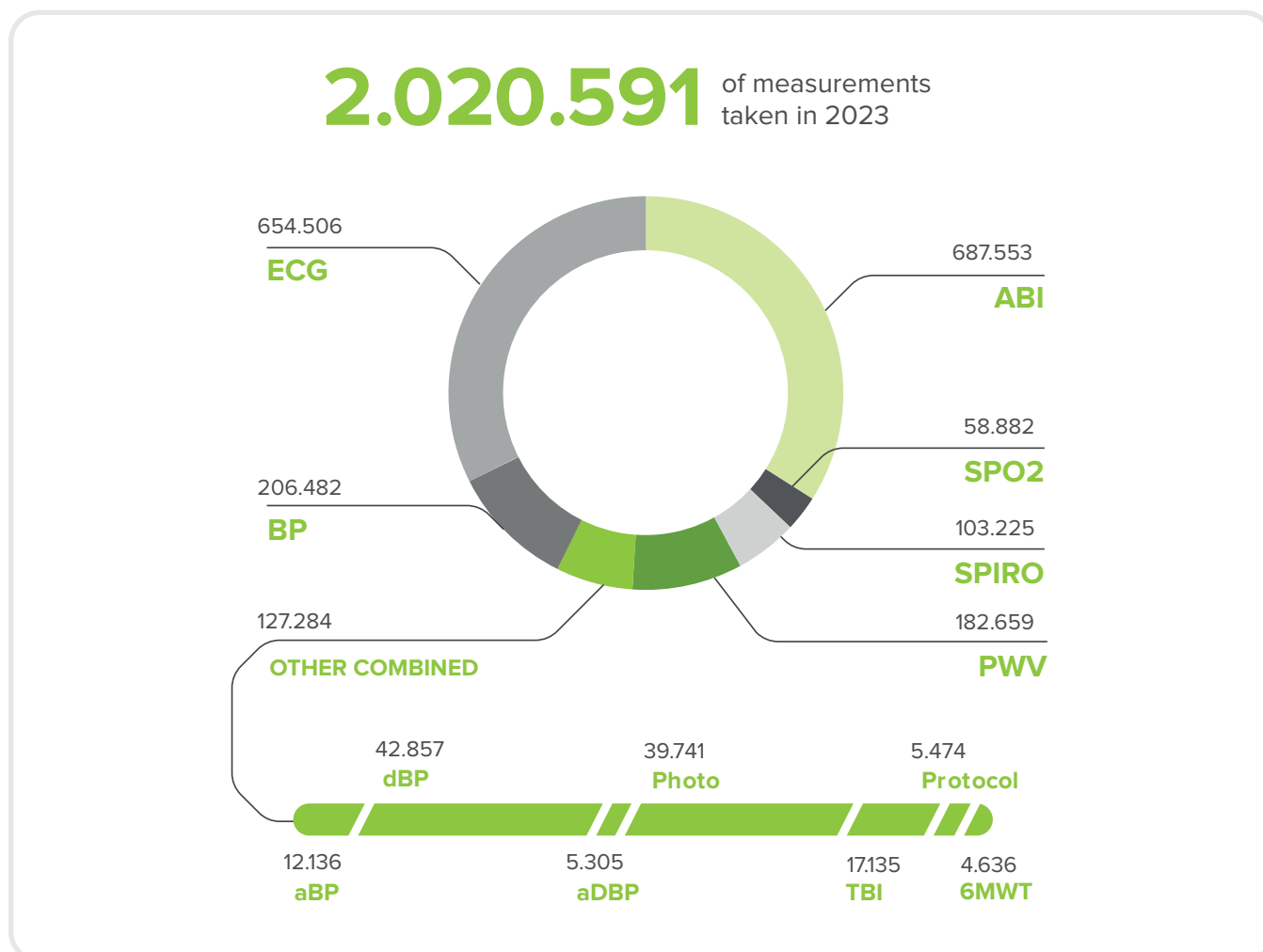


Figure 13: Number of individual measurements performed with the MESI mTABLET system

Compared to 2022, the number of pulse wave velocity measurements increased the most – by 660 %. The number of ECG measurements grew by 90 % and the number of ABI measurements by 32 %.

For the first time, the numbers of Ankle-Brachial Index and electrocardiogram measurements were almost equal; they were followed by blood pressure, pulse wave velocity, spirometry and pulse oximetry. This reflects the establishment of MESI products in diagnostics that was not part of the company's original offer (i.e. Ankle-Brachial Index measurements).

In addition to the higher number of measurements in 2023, the use of other digital features offered by the MESI mTABLET system increased as well. The shares of measurement results for a second opinion grew by 227 % in comparison to 2022.

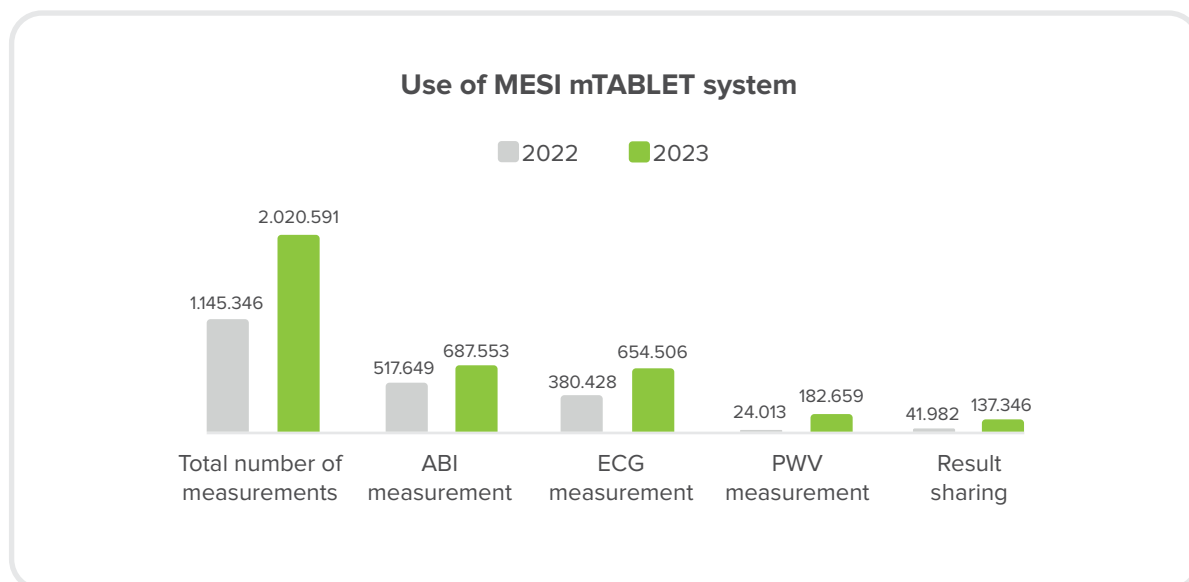


Figure 14: Growth in the use of the MESI mTABLET system compared to the previous year

23 % of the Ankle-Brachial Index measurement results were outside the healthy range as determined in clinical guidelines. They were in line with the estimated prevalence of Peripheral Arterial Disease in the population aged over 55 with comorbidities and in the general population aged over 65. In the case of all other measurements, the average share of results outside the healthy range was between 45 and 50 percent. This data demonstrates the contribution of MESI products to early disease detection.

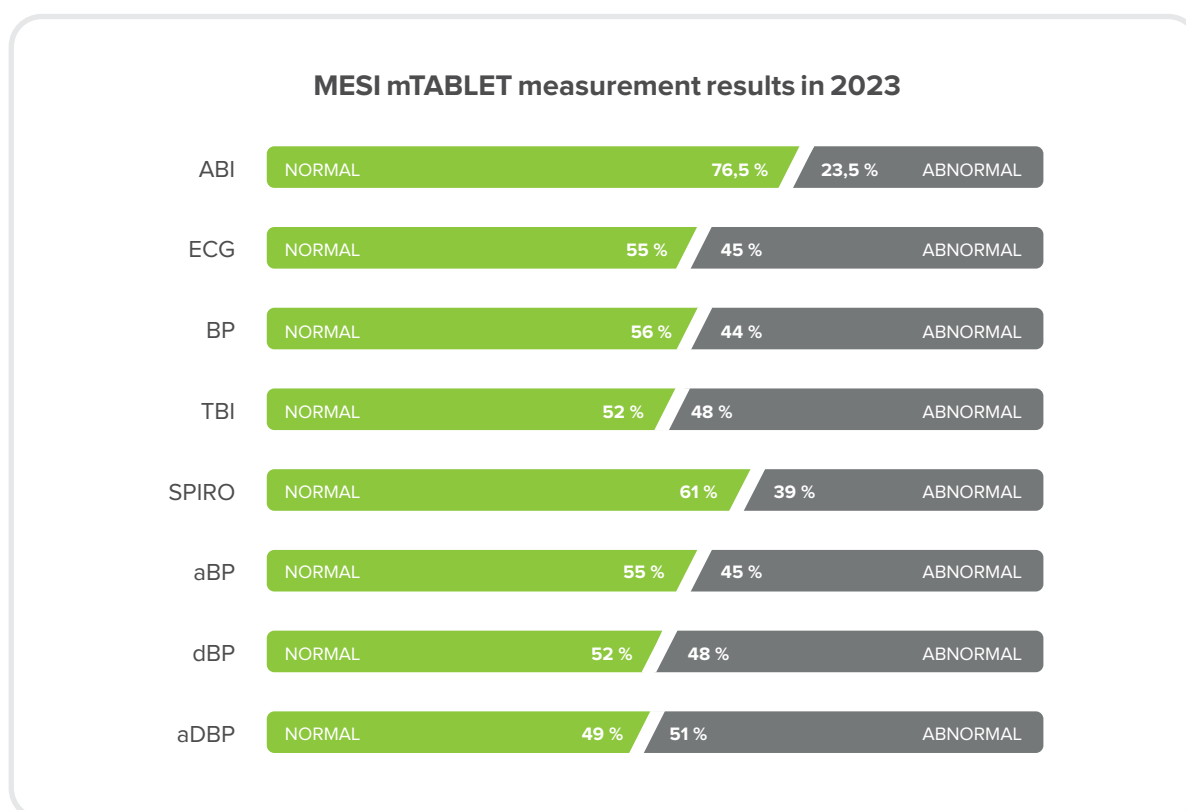


Figure 15: Number of diagnostic measurements performed with the MESI mTABLET system

### 5.1.7 Marketing activities

In 2023, we strengthened our marketing activities to raise awareness of the MESI brand in international markets and to increase the number of inbound leads and sales opportunities. We enhanced our growth strategy and its implementation in individual markets. As a result, we almost doubled the number of enquiries and leads compared to the previous year. The number of enquiries saw a 96 % growth; the highest was in paid and organic online enquiries. We went into great lengths to create new video content and animations for communicating new products, their features and their added value for the user. With this content, the marketing team ensured that the company remained competitive and attractive to both existing and new users.

### 5.1.8 Clinical studies

- Hungary: A new clinical study at the Pécs University Medical Centre, Hungary, examined the utility of automated Ankle-Brachial Index and Toe-Brachial Index measurements compared to manual measurement methods. The results reconfirmed the reliability of measurements made with MESI products (i.e. the MESI mTABLET ABI and MESI mTABLET TBI systems) and their usefulness in early detection of Peripheral Arterial Disease.
- UK: A new clinical study by the National Institute for Health and Care Research (NIHR) researched the utility of Ankle-Brachial Index devices in diagnosing hypertension. The results showed that MESI technology is suitable for simultaneous detection of Peripheral Arterial Disease and hypertension in accordance with the guidelines and requirements of the European Society of Hypertension International Protocol (ESH-IP).
- Italy: Experimental study in the scope of a master's thesis at the Faculty of Pharmacy and Medicine, Sapienza University of Rome. Using MESI technology, the study investigated the prevalence of Peripheral Arterial Disease among diabetics. It confirmed the importance of measuring the Ankle-Brachial Index and the Toe-Brachial Index for early detection of Peripheral Arterial Disease, optimisation of healthcare resources and improved access to treatment for diabetic patients.

### 5.1.9 Awards

- The MESI mTABLET won the Product of the Year Award at the 16. ANECORM Congress in Spain. The congress is dedicated to showcasing innovations in healthcare and technology that represent advancement in the field of nursing.

### 5.1.10 Projects

- MESI Strategic Forum  
For the first time, we organised a strategic forum in Brussels – dedicated to owners and managers of our international business partners. The aim of the two-day event was to identify different market and strategic opportunities worldwide and to exchange experiences, best practices, successful sales approaches and business models.
- Congresses  
In 2023, MESI participated in 75 different events around the world. These included major international trade fairs (e.g. MEDICA and Arab Health) to exhibit our products, international medical congresses (ESC, EASD, WONCA, EWMA, AHA, etc.) as well as national and regional congresses in different countries, which we attended together with our partners.
- Expert content  
In 2023, we produced 41 different pieces of expert content in the form of blogs, case studies and good clinical practice examples, including specialised e-books on ECG measurement and spirometry.

## 5.2 Production and supply chain

The activities of the production team are strongly shaped by those of the sales and the development. The central task of MESI's procurement, logistics, technology and production staff is to create quality products in line with the customers' needs, while also providing after-sales support as well as logistic and servicing activities. The extraordinary revenue growth in 2023 resulted in a number of challenges for the aforementioned departments. In addition to regular sales to distributors and end customers, this was the first time we had to fulfil timely large-scale orders of devices based on major tenders. Inter-departmental coordination was particularly important in the second half of the year, when product demand was at its peak. In line with the revenue growth, the number of devices produced increased proportionally.

### 5.2.1 Procurement process

MESI's procurement department provides a wide variety of materials. Due to the wide range of our products, we collaborated with more than 150 suppliers in 2023. In addition to more than 1,100 different materials for production, we have also secured the purchase of all types of tools and fixed assets for the areas of production, servicing and technology. Among the most important tasks were regular stock monitoring and timely deliveries; this helped optimise stock levels, ensure appropriate use of the stock funds and facilitate timely order dispatch to the customers. In 2023, a large proportion of materials was once again sourced from Slovenian suppliers, who are at the very top of their respective fields. The highest percentage is that of electronics, followed by plastic and aluminium housing, and the packaging, which is used for all MESI products.

### 5.2.2 Responsibility towards suppliers

At MESI, we pay particular attention to our business partners and our relationships with them. Our communication is therefore based on professionalism, honesty, integrity, respect and trust. In order to maintain and further develop a high level of collaboration and quality of our materials, we carry out various activities.

Central among these activities is the yearly evaluation of suppliers, which we also performed in 2023. Based on various criteria and parameters, the results show we have trustworthy suppliers that we can rely upon in all phases of our procurement collaboration.

We classify suppliers into two groups – critical and non-critical. There were 15 suppliers in the critical group of 2023; they are more important to us as they often use our technologies in their production process, are more difficult to replace, or have technology and solutions that our products are exclusively connected with. The work processes of all critical suppliers are certified in line with internationally recognised standards – most with ISO 9001 and some with the ISO 13485 medical standard.

### 5.2.3 Production process

The production process is designed to efficiently produce products from stock, allowing us flexibility and speed in fulfilling orders. The process starts with the soldering and assembly of subproducts from the supplied materials. These are then assembled into end products, onto which the relevant software is loaded. Each end product goes through a rigorous calibration and testing process in order to ensure faultless operation. After successful testing and calibration, the end products are stored until orders have been received. At that point, the products are suitably packed into commercial packages, furnished with their respective labels and then shipped to our customers.

In 2023, our production efforts focused on established products. The only new introductions were in the area of commercial packaging and labelling, as new markets opened due to sales growth; this resulted in more localised products (instructions for use, packaging and product labelling).

Along with development and technology, we maintained product support and made a number of minor additions and corrections in production. Apart from new and additional tools, employees received upgraded in-house calibration and testing software. This helped increase our efficiency and reduced the resources needed to keep up with market demands.

Additional staff were recruited for product assembly, calibration and packaging. However, due to a number of product and process improvements, the number of staff did not have to be increased in proportion to production growth.

We worked with partners and suppliers on upgrading the supply chain in order to increase efficiency and optimise MESI's internal processes. Due to additional technical requirements, we obtained materials that require less additional in-house processing, which resulted in higher production capacity.

Our employees received internal training to refresh their knowledge of the processes and products dealt with in their daily work. Further know-how was gained specifically in the areas of logistics and standards compliance.

All our activities were geared towards cost-effective production, along with higher added value of our products.

## 5.3 Research and development

The R&D department plays a key role in helping MESI achieve its strategic objectives and securing its competitive advantage in the market. Our work is based on a continuous search for innovation, the development of advanced technologies and the improvement of existing solutions that enable doctors and other healthcare professionals to diagnose and monitor patients' health more efficiently and accurately. The year 2023 focused on several key projects related to the development of new features of the MESI mTABLET system, optimisation of existing processes, the introduction of artificial intelligence into our solutions, and the integration with the information systems of outpatient clinics and hospitals. Our goal was to create products that not only meet current user requirements but also take into account the future needs and challenges in the healthcare industry.

### 5.3.1 Innovation and technological advances

The guiding principle of the R&D department is that of innovation, which means that we are constantly testing new ideas and technologies. In 2023, we made the biggest progress in the following areas:

- Development of the new MESI mTABLET THERMO measurement module: we completed most of the development of an innovative medical thermometer that combines fast, non-contact temperature measurement with more precise, contact-based measurement technologies. With four different measurement modes, we aim to meet all the needs of doctors for different patients, for different stages of treatment and for different departments of healthcare facilities, at both primary and secondary level.
- Development of new algorithms for health risk prediction: we started the development of advanced algorithms based on machine learning. The aim is to build on the current added value of the MESI mTABLET system and further enhance the benefits of using connected diagnostic devices.

- Improving the user experience: every product we develop is based on user feedback. We thus monitor it actively and perform user experience analyses; this allows us to optimise the performance and ease of use of our devices in order to meet the needs of healthcare professionals as much as possible.
- Process optimisation: as part of our ongoing efforts to improve efficiency, we optimised our development processes, resulting in faster and higher-quality product development cycles. This reflects in our quality management system and certifications obtained.

### 5.3.2 Collaboration and growth

The success of our projects is the result of close work with different teams in the company, external partners and research institutions. We believe that collaboration and shared expertise bring about the best results; this is why we regularly cooperate with experts from diverse fields.

The commitment to continuous education and growth of our development team members is key to maintaining our high standards. By investing in their education, training and career development, we ensure that our experts keep up with the latest trends and technologies.

### 5.3.3 Future goals

Going forward, we will focus on expanding our product portfolio with new and innovative solutions that will continue to serve the improvement of healthcare worldwide. We will also keep investing in advanced technologies such as artificial intelligence, telemedicine and personalised medicine as they will play a pivotal role in the healthcare industry of the future.

## 6 COMPLIANCE MANAGEMENT SYSTEM

All of us have probably been to the doctor. The most important thing at that point is to make sure that the medical staff treats us with safe equipment and naturally gives the correct diagnosis. The only way for a medical equipment manufacturer to ensure this is by establishing a strong quality and compliance management system.

At MESI, we are aware that the safety of the users of our medical devices and the safety of the patients treated with them must come first. For this reason, we actively monitor the requirements of various international standards and legislation, proactively implementing new requirements and best practices into our business operations.

In 2023, we started implementing information security controls according to ISO 27001:2013 in addition to the previously obtained ISO 13485:2016, ISO 9001:2015 and MDSAP quality certifications.

### 6.1 Audits

The start of the year at MESI is dedicated to internal audits and reviews. Internal audits are performed by a team of five internal auditors from different departments to ensure impartial reviews.

We carried out a regular internal audit in January 2023 – in accordance with various regulations and international standards: MDR EU 2017/745, ISO 13485:2016, ISO 27001:2013, ISO 9001:2015 and MDSAP.

The internal audit was followed by a management review in February 2023. This involves the department managers supplying all relevant information on the performance of their respective departments over the previous year. The company management then reviews the information provided and assesses whether the operations of the company in the year before were successful and regulation-compliant; it also makes suggestions for improvement.

In recent years, adding more international standards and expanding our sales into various foreign markets have resulted in regular expansions of the legislation and standard requirements that we need to observe. For this purpose, MESI started executing mini-audits in 2023, which also include reviews of the compliance system and production processes. This additionally ensures that potential risks and changes are detected in a timely manner and that suggestions for improvement are made on a more regular basis.

In addition to the internal audits, MESI also underwent six different external audits in 2023:

- A due diligence review of the company's operations with a view to bringing in a new shareholder.
- A regular audit in line with ISO 13485:2016 and Regulation (EU) 2017/745 – MDR, performed annually by SIQ (Slovenian Institute of Quality and Metrology).
- A regular audit in line with the MDSAP programme, carried out by DQS Medizinprodukte GmbH, Germany.
- A regular audit by the BraCert notified body, Brazil.
- A preliminary audit in line with the ISO 27001:2013 information security standard, carried out by SIQ (Slovenian Institute of Quality and Metrology).
- An audit in the scope of product registration in South Korea, carried out by the South Korean regulatory authority KGMP.

All external audits were successfully completed.

### **Description of controls**

MESI is a company with a wide variety of processes and numerous departments. Process-wise, everything starts with product development, followed by production, and ultimately sales and marketing. In addition to these three main processes, there are many supporting ones (operations, accounting, logistics, compliance, etc.). Each of these processes must comply with internal and external regulations; this is why we have implemented a number of controls into our system.

## **6.1.1 Development process**

In the product development phase, control of the development process takes place. This ensures that all standards and legislative requirements are observed during development, and that the development process complies with internal regulations. These controls are essential for achieving certification at the end of product development.

## **6.1.2 Production process**

The production process is subject to numerous quality controls. The first one is input quality control; it takes place at the warehouse upon receipt of materials. It is performed on all materials to ensure that the only suitable and verified materials are used in the production process. This helps avoid potential problems later in the production process.



During product assembly, we carry out mid-process controls in different production stages. This may involve visual inspections or function tests. The aim is to detect potential defects before the product is assembled as this makes defects quicker to eliminate.

Once the product has been assembled, the final acceptance testing follows. The device must reach a 100 % pass rate and function in accordance with its intended use. After the final acceptance testing has been completed, there follows a visual inspection of the end products in line with the AQL system.

### 6.1.3 Sales process

In the sales process, a partner initial assessment is performed. Before entering a deal, the sales staff check whether we have a sales licence for that particular market and whether the partner fulfils certain criteria.

### 6.1.4 Compliance

The compliance department carries out controls (supervision) of internal processes. The main control is the internal audit, taking place once a year. In addition, we also carry out monthly mini-audits to ensure regular process monitoring.

## 6.2 Risk management

MESI manages risks in different areas and at different stages.

Product-specific risk analysis is carried out as early as in the product development phase, in order to identify all potential risks that may affect the safety of the user, the safety of the patient, or the functioning of the product. The findings of the risk analysis serve as input information for the development team; the team then strives to eliminate as many recognised risks as possible already in the development phase. This helps ensure that the product is safe for both users and patients.

Risks are also assessed at the organisational level – in the scope of the management review. This review serves the identification of the risks linked to the context of the organisation. This context is divided into the internal environment, the narrow external environment and the wide external environment. This classification includes all risks originating from internal processes, risks connected with our stakeholders, and global risks arising from the economic and political spheres. We also identify risks in the course of our daily operations.

All risks are entered into a risk management application, where they are assessed, given a timeframe for implementing mitigation measures, and assigned the designated person. The status of the risk database is monitored by the compliance team at regular biweekly meetings.

Apart from product risks, 2023 saw the identification of 37 risks at an organisation level; they were successfully managed or eliminated in the course of the year.

## 6.3 Environmental protection activities

MESI regularly fulfils all of its environmental management obligations. We regularly provide reports on waste packaging and waste electronic equipment. The quantity of received and shipped packaging is tracked in our ERP system, which enables various data outputs and analyses.

When designing or developing products, we strive for our product packaging to be made of sustainable and recyclable materials to the highest degree possible. The vast majority of our current packaging is already made of paper.

In the production process, we use digital task orders and product assembly instructions. In this way, we actively reduce paper consumption and further waste generation in the production phase.

We have also digitalised the majority of our other processes; in most of these, electronic documents and electronic signatures are used.

### 6.3.1 ESG

In 2023, MESI started actively addressing ESG topics. In 2028, it will become mandatory for all companies to disclose their sustainability measures. We are aware that the projects of implementing the sustainability measures and developing the relevant indicators will be extensive; for this reason, we started our activities well before the deadline – in order to prepare and shape our ESG strategy in the best way possible.

By the end of 2023, we reviewed the European Sustainable Development Goals (SDGs) and identified those relevant to our business. We also drafted an ESG strategy, which we will continue to build on and refine in 2024.

In addition to the ESG strategy activities in 2023, we set ourselves a target to successfully implement the requirements of the ISO 14001:2015 (Environmental Management System) standard by the end of 2024.

## 7 EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred after the date on which the financial statements were compiled that would require a restatement of the 2023 financial statements or additional disclosures in this respect.

## 8 STATEMENT OF MANAGEMENT ACCOUNTABILITY

The management confirms the financial statements for the year ended 31 December 2023, the accounting guidelines applied, and notes to the financial statements. The financial statements and the accounting guidelines and explanatory notes, as confirmed by management, are presented later in this Annual Report.

The management is responsible for the preparation of the Annual Report so that it gives a true and fair view of the state of the Company's assets and of the results of its operations for the year ending on 31 December.

The management confirms that the appropriate accounting guidelines have been consistently applied and that the accounting estimates have been made on the basis of prudence and good management. The management further confirms that the financial statements, together with their notes, are prepared on a going concern basis and in accordance with applicable law and the Slovenian Accounting Standards.

The management is also responsible for keeping proper accounting records, for taking appropriate measures to safeguard assets, and for preventing and detecting fraud and other irregularities or illegal behaviour.

The tax authorities may, at any time within five years from the date on which the tax was due, review the Company's operations, which may result in additional liability to pay tax, interest and penalties from corporate income tax or other taxes and duties. The Company's management is not aware of any circumstances that could give rise to a material liability in this respect.

Ljubljana, 2 September 2024

Jakob Šušterič  
CEO

## 9 FINANCIAL REPORT

### 9.1 Balance sheet

Item	Clarifications	31 December 2023	31 December 2022
<b>ASSETS</b>		<b>13.700.465</b>	<b>5.927.945</b>
<b>A. LONG-TERM ASSETS</b>		<b>5.223.191</b>	<b>2.923.459</b>
<b>I. Intangible assets</b>	<b>10.1</b>	<b>3.097.634</b>	<b>2.680.855</b>
a) Long-term property rights		2.378	3.543
b) Long-term deferred development costs		3.095.256	2.677.311
<b>II. Long-term deferred costs and accrued revenue</b>	<b>10.2</b>	<b>33.514</b>	<b>8.178</b>
<b>III. Property, plant and equipment</b>	<b>10.3</b>	<b>197.785</b>	<b>204.307</b>
1. Other machinery and equipment, low-value items, and other property, plant and equipment		197.785	204.307
<b>IV. Long-term financial investments</b>	<b>10.4</b>	<b>1.189.219</b>	<b>30.119</b>
1. Long-term financial investments, except loans		530.119	30.119
a) Shares and interests in group companies		530.119	30.119
2. Long-term loans		659.100	0
a) Long-term loans to group companies		659.100	0
<b>V. Long-term operating receivables</b>	<b>10.7</b>	<b>5.430</b>	<b>0</b>
1. Long-term operating receivables due from others		5.430	0
<b>VI. Deferred tax assets</b>	<b>10.5</b>	<b>699.609</b>	<b>0</b>
<b>B. CURRENT ASSETS</b>		<b>8.457.812</b>	<b>2.963.967</b>
<b>I. Inventories</b>	<b>10.6</b>	<b>1.885.955</b>	<b>1.317.916</b>
1. Material		1.203.570	1.317.916
2. Work in progress		243.064	0
3. Products		197.206	0
4. Merchandise		0	0
5. Advances for inventories		242.115	236.669
<b>II. Short-term investments</b>	<b>10.4</b>	<b>998.268</b>	<b>262.600</b>
1. Short-term investments, except loans		998.268	262.600
a) Other short-term investments		998.268	262.600
<b>III. Short-term operating receivables</b>	<b>10.7</b>	<b>1.414.993</b>	<b>1.191.572</b>
1. Short-term operating receivables from group enterprises		664.208	897.366
2. Short-term operating receivables due from customers	<b>10.8</b>	435.613	198.391
3. Short-term operating receivables due from others		315.171	95.815

<b>IV. Cash</b>	<b>10.9</b>	<b>4.158.597</b>	<b>191.879</b>
<b>C. SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUE</b>		<b>19.462</b>	<b>40.520</b>
<b>ASSETS AND LIABILITIES</b>		<b>13.700.465</b>	<b>5.927.945</b>
<b>A. EQUITY</b>	<b>10.10</b>	<b>9.757.591</b>	<b>3.043.272</b>
<b>I. Called-up capital</b>		<b>56.502</b>	<b>37.670</b>
1. Share capital		56.502	37.670
<b>II. Capital surplus</b>		<b>8.766.999</b>	<b>2.785.831</b>
<b>III. Revenue reserves</b>		<b>5.650</b>	<b>4.053</b>
1. Legal reserves		5.650	4.053
<b>IV. Fair value reserves</b>		<b>-7.581</b>	<b>0</b>
<b>V. Retained net profit</b>		<b>157.463</b>	<b>603.834</b>
<b>VIII. Net profit for the financial year</b>		<b>778.558</b>	<b>-388.115</b>
<b>B. PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUE</b>	<b>10.11</b>	<b>86.449</b>	<b>0</b>
1. Provisions		86.449	0
<b>C. LONG-TERM LIABILITIES</b>		<b>906.746</b>	<b>1.176.954</b>
<b>I. Long-term financial liabilities</b>	<b>10.12</b>	<b>905.281</b>	<b>1.176.954</b>
1. Long-term financial liabilities to banks		755.281	1.026.954
2. Other long-term financial liabilities		150.000	150.000
<b>II. Long-term operating liabilities</b>	<b>10.13</b>	<b>1.465</b>	<b>0</b>
2. Long-term operating liabilities to suppliers		1.465	0
<b>Č. CURRENT LIABILITIES</b>		<b>2.855.097</b>	<b>1.704.784</b>
<b>I. Short-term financial liabilities</b>	<b>10.12</b>	<b>271.673</b>	<b>456.450</b>
2. Short-term financial liabilities to banks		271.673	456.331
3. Other short-term financial liabilities		0	119
<b>II. Short-term operating liabilities</b>	<b>10.13</b>	<b>2.583.424</b>	<b>1.248.335</b>
2. Short-term operating liabilities to suppliers		1.163.458	536.134
3. Other short-term operating liabilities		1.419.966	712.200
<b>D. SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUE</b>	<b>10.14</b>	<b>94.583</b>	<b>2.935</b>

## 9.2 Statement of profit or loss and other comprehensive income

	Clarifications	2023	2022
<b>1. Net sales</b>	<b>10.15</b>	<b>10.977.016</b>	<b>6.271.502</b>
<b>2. Change in inventories of products and work in progress</b>		<b>440.270</b>	<b>-</b>
<b>3. Capitalised own products and own services</b>		<b>671.786</b>	<b>831.559</b>
<b>4. Other operating revenues</b>	<b>10.15</b>	<b>12.884</b>	<b>71.247</b>
<b>5. Costs of goods, material and services</b>	<b>10.16</b>	<b>-7.729.373</b>	<b>-4.579.601</b>
a) Cost of goods and materials sold and costs of materials used		-4.745.472	-2.357.296
b) Costs of services		-2.983.901	-2.222.306
<b>6. Labour costs</b>	<b>10.17</b>	<b>-2.959.279</b>	<b>-2.431.610</b>
a) Payroll costs		-2.153.669	-1.835.931
b) Social security costs		-346.765	-296.820
- of which pensions		-156.116	-133.938
c) Other labour costs		-458.846	-298.859
<b>7. Write-downs in value</b>	<b>10.18</b>	<b>-1.074.171</b>	<b>-464.724</b>
a) Depreciation and amortisation expense		-343.269	-367.164
b) Revaluation operating expenses associated with intangible assets and property, plant and equipment		-	-6.622
c) Revaluation operating expenses for current operating assets		-730.902	-90.938
<b>8. Other operating expenses</b>	<b>10.19</b>	<b>-63.824</b>	<b>-50.438</b>
<b>OPERATING PROFIT OR LOSS</b>		<b>275.309</b>	<b>-352.066</b>
<b>9. Financial revenue from shares</b>	<b>10.20</b>	<b>17.657</b>	<b>-</b>
Financial revenue from other investments		17.657	-
<b>10. Financial revenue from loans</b>	<b>10.20</b>	<b>104</b>	<b>6</b>
Financial revenue from loans to others		104	6
<b>11. Financial revenue from operating receivables</b>	<b>10.20</b>	<b>26.169</b>	<b>13.180</b>
Financial revenue from operating receivables due from others		26.169	13.180
<b>12. Financial expenses due to impairment and write-offs of investments</b>	<b>10.21</b>	<b>-</b>	<b>-</b>
<b>13. Financial expenses from financial liabilities</b>	<b>10.21</b>	<b>-36.203</b>	<b>-27.765</b>
Financial expenses for loans received from banks		-36.203	-27.582
Financial expenses on other financial liabilities		-	-182
<b>14. Financial expenses from operating liabilities</b>	<b>10.21</b>	<b>45.821</b>	<b>-20.480</b>

Financial expenses for operating liabilities to suppliers and bills payable		-3.643	-1.549
Financial expenses for other operating liabilities	10.22	-42.179	-18.932
<b>15. Other revenues</b>	<b>10.23</b>	<b>4.451</b>	<b>2.400</b>
<b>16. Other expenses</b>		<b>-77.081</b>	<b>-3.391</b>
<b>TOTAL PROFIT OR LOSS BEFORE TAX</b>		<b>164.585</b>	<b>-388.115</b>
<b>17. Income tax</b>	<b>10.24</b>	<b>-85.636</b>	<b>-</b>
<b>18. Deferred taxes</b>	<b>10.5</b>	<b>699.609</b>	<b>-</b>
<b>NET PROFIT OR LOSS FOR THE PERIOD</b>		<b>778.558</b>	<b>-388.115</b>
<b>19. Net profit or loss for the period</b>		<b>778.558</b>	<b>-388.115</b>
<b>20. Changes in reserves arising from fair value measurement</b>		<b>-7.581</b>	
<b>TOTAL COMPREHENSIVE INCOME FOR THE ACCOUNTING PERIOD</b>		<b>770.977</b>	<b>-388.115</b>

## 9.3 Statement of cash flows

	2023	2022
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>a) Net profit or loss</b>	<b>778.558</b>	<b>–388.115</b>
Pre-tax profit or loss	164.585	–388.115
Income taxes and other taxes not included in operating expenses	613.973	-
<b>b) Adjustments for</b>	<b>1.092.612</b>	<b>492.483</b>
Depreciation and amortisation (+)	343.269	367.164
Revaluation operating revenue (–)	-	-
Revaluation operating expenses (+)	730.902	97.560
Financial revenue excluding financial revenue from operating receivables (–)	–17.761	–6
Financial expenses excluding financial expenses from operating liabilities (+)	36.203	27.765
<b>c) Changes in net operating assets (including accruals)</b>	<b>–781.268</b>	<b>–648.764</b>
Opening less closing operating receivables	–959.753	–721.634
Opening less closing short-term deferred costs and accrued revenue	–4.279	292.683
Opening less closing deferred tax assets	–699.609	-
Opening less closing inventories	–568.039	–263.165
Closing less opening operating liabilities	1.336.554	49.717
Closing less opening accrued costs and deferred revenue, and provisions	113.857	–6.366
<b>d) Surplus in operating cash receipts (expenditure) (a+b)</b>	<b>1.089.903</b>	<b>–544.396</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>a) Investment income</b>	<b>17.761</b>	<b>6</b>
Interest and dividends received from investing activities	17.761	6
<b>b) Investment expenditure</b>	<b>–2.648.294</b>	<b>–1.088.489</b>
Cash payments to acquire intangible assets	–670.986	–829.831
Outflows for acquisition of property, plant and equipment	–82.540	–46.058
Outflows for acquisition of long-term financial investments	–1.159.100	-
Cash payments to acquire short-term investments	–735.668	–212.600
<b>c) Surplus of investment income (expenditure) (a+b)</b>	<b>–2.630.533</b>	<b>–1.088.484</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>a) Inflows from financing activities</b>	<b>6.000.000</b>	<b>2.094.502</b>
Cash proceeds from paid-in capital	6.000.000	2.000.000
Cash proceeds from increase in short-term financial liabilities		94.502
<b>b) Outflows from financing activities</b>	<b>–492.652</b>	<b>–284.095</b>
Interest paid on financing activities	–36.203	–27.765
Cash repayments of long-term financial liabilities	–271.673	–256.331
Cash repayments of short-term financial liabilities	–184.777	
<b>c) Surplus of financing income (expenditure) (a+b)</b>	<b>5.507.348</b>	<b>1.810.407</b>
<b>Č. CLOSING BALANCE OF CASH</b>	<b>4.158.597</b>	<b>191.879</b>
<b>x) Cash result for the period (Ac+Bc+Cc)</b>	<b>3.966.718</b>	<b>177.527</b>
<b>y) Opening balance of cash flows</b>	<b>191.879</b>	<b>14.352</b>



## 9.4 Statement of changes in equity

Statement of changes in equity for 2022

	Economic categories	I. Called-up capital		II. Capital surplus	III. Revenue reserves					IV. Revaluation surplus	V. Fair value reserves	VI. Net profit or loss carried forward	VII. Net result or loss for the financial year	VIII. Total capital
		share capital	uncalled capital		legal reserves	reserves for own shares and interests	own shares and interests	statutory reserves	other revenue reserves					
		I./1	I./2	II./	III./1.	III./2.	III./3.	III./4.	III./5.	IV.	V.	VI.	VII.	VIII.
<b>A.1.</b>	<b>Balance at the end of the previous reporting period</b>	<b>40.530</b>	-	<b>782.971</b>	<b>4.053</b>							<b>672.503</b>	<b>-68.670</b>	<b>1.431.387</b>
<b>A.2.</b>	<b>Opening balance for the reporting period on 1 January</b>	<b>40.530</b>	-	<b>782.971</b>	<b>4.053</b>	-	-	-	-	-	-	<b>672.503</b>	<b>-68.670</b>	<b>1.431.387</b>
<b>B.1.</b>	<b>Changes in equity - transactions with owners</b>	<b>-2.860</b>	-	<b>2.002.860</b>	-	-	-	-	-	-	-	-	-	<b>2.000.000</b>
	Additional paid-in capital			2.002.860										<b>2.002.860</b>
	Disposal or cancellation of own shares and interests	<b>-2.860</b>												<b>-2.860</b>
<b>B.2.</b>	<b>Total comprehensive income for the reporting period</b>	-	-	-	-	-	-	-	-	-	-	-	<b>-388.115</b>	<b>-388.115</b>
	Entry of net profit or loss for the reporting period												<b>-388.115</b>	<b>-388.115</b>
<b>B.3.</b>	<b>Changes within equity</b>	-	-	-	-	-	-	-	-	-	-	<b>-68.670</b>	<b>68.670</b>	<b>0</b>
	Allocation of the remaining part of net profit for a comparative reporting period to other components of equity											<b>-68.670</b>	<b>68.670</b>	<b>0</b>
<b>C.</b>	<b>Closing balance for the reporting period on 31 December</b>	<b>37.670</b>	-	<b>2.785.831</b>	<b>4.053</b>	-	-	-	-	-	-	<b>603.834</b>	<b>-388.115</b>	<b>3.043.273</b>

## Statement of changes in equity for 2023

	Economic categories	I. Called-up capital		II. Capital surplus	III. Revenue reserves					IV. Revaluation surplus	V. Fair value reserves	VI. Net profit or loss carried forward	VII. Net result or loss for the financial year	VIII. Total capital
		share capital	un-called capital		legal re-serves	reserves for own shares and interests	own shares and interests	statutory re-serves	other revenue re-serves					
		I./1	I./2	II./	III./1.	III./2.	III./3.	III./4.	III./5.	IV.	V.	VI.	VII.	VIII.
<b>A.1.</b>	<b>Balance at the end of the previous reporting period</b>	<b>37.670</b>	-	<b>2.785.831</b>	<b>4.053</b>							<b>603.834</b>	<b>-388.115</b>	<b>3.043.273</b>
	Retroactive restatements – first formation of actuarials											-56.659		<b>-56.659</b>
<b>A.2.</b>	<b>Opening balance for the reporting period on 1 January</b>	<b>37.670</b>	-	<b>2.785.831</b>	<b>4.053</b>	-	-	-	-	-	-	<b>547.175</b>	<b>-388.115</b>	<b>2.986.614</b>
<b>B.1.</b>	<b>Changes in equity – transactions with owners</b>	<b>18.832</b>	-	<b>5.981.168</b>	-	-	-	-	-	-	-	-	-	<b>6.000.000</b>
	Additional paid-in capital	18.832		5.981.168										<b>6.000.000</b>
<b>B.2.</b>	<b>Total comprehensive income for the reporting period</b>	-	-	-	-	-	-	-	-	-	<b>-7.581</b>	-	<b>778.558</b>	<b>770.978</b>
	Entry of net profit or loss for the reporting period												778.558	<b>778.558</b>
	Other components of comprehensive income for the reporting period										-7.571			<b>-7.581</b>
<b>B.3.</b>	<b>Changes within equity</b>	-	-	-	<b>1.597</b>	-	-	-	-	-	-	<b>-389.712</b>	<b>388.115</b>	<b>0</b>
	Allocation of the remaining part of net profit for a comparative reporting period to other components of equity				1.597							-388.115	388.115	<b>1.597</b>
	Allocation of part of net profit for the reporting period to other components of equity based on a decision of the managing and supervisory bodies											-1.597		<b>-1.597</b>
<b>C.</b>	<b>Closing balance for the reporting period on 31 December</b>	<b>56.502</b>	-	<b>8.766.999</b>	<b>5.650</b>	-	-	-	-	-	<b>-7.581</b>	<b>157.463</b>	<b>778.558</b>	<b>9.757.591</b>

## 9.5 Notes to the financial statements

### Basis for preparation of the financial statements

#### a) Declaration of conformity

The financial statements in this report have been prepared on the basis of the Slovenian Accounting Standards 2016, as amended effective from 1 January 2019, issued by the Slovenian Institute of Auditors, and the provisions of the Slovenian Companies Act. This takes account of two fundamental accounting principles: accrual accounting and going concern accounting.

The financial statements comprise:

- A statement of financial position is a basic financial statement showing a true and fair view of assets and liabilities.
- The income statement is the basic financial statement that shows how profit or loss is recognised for the period.
- The statement of other comprehensive income supplements the income statement, which together form the statement of comprehensive income. It encompasses items of (unrealised) profit and loss that are not recognised in profit or loss.
- A cash flow statement is a basic financial statement showing a true and fair view of changes in cash during a financial year.
- A statement of changes in equity may be prepared to show the changes in all components of equity included in the balance sheet.

The financial statements are presented in Euros.

The provisions of standards are applied directly to the recognition and evaluation of items, except for the evaluation of items for which the Standards give the Company a choice between different measurement methods. All external audits have been successfully completed.

#### b) Basis for evaluation

The financial statements are prepared on the historical cost basis.

Financial information presented in Euros is rounded to the nearest unit, which may result in rounding differences in the financial statements and notes thereto.

#### c) Foreign currencies

Transactions and balances denominated in foreign currency are converted into Euros at the ECB exchange rate. Cash denominated in foreign currency at the end of the financial year is translated into local currency at the prevailing ECB mid-rate at the time. Exchange rate differences are recognised as financial revenue or expenses in the income statement.

#### d) Use of significant estimates and assessments

In preparing financial statements to conform with the Slovenian Accounting Standards (SAS), the Company makes assessments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, revenue, and expenses. Estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and that are used by management to make judgements about the carrying amounts of assets and liabilities. The estimates and assumptions are reviewed regularly.

The estimates and assumptions are particularly relevant for the following assessments:

- **Useful life of property, plant and equipment and intangible assets**

The management must determine the estimate of the useful life. The estimated useful life of a depreciable asset represents the period over which the asset will be used. In estimating useful lives, the Company considers expected physical wear and tear, technical obsolescence, economic obsolescence and expected regulatory and other restrictions on use. The Company reviews the useful lives of assets annually in case there is a material change in circumstances that would significantly affect the useful lives of the assets.

- **Allowances for receivables**

The Company establishes an allowance for impairment of short-term trade receivables based on an individual assessment of the creditworthiness of the customer and external and internal indicators of impairment.

- **Provisions**

Provisions for gratuities and termination benefits are made on the basis of an actuarial calculation based on various assumptions such as discount rate, turnover rate, and estimated salary and bonus growth. Changes in these assumptions may lead to an increase or decrease in the provision. For more information on the assumptions used in the calculation of the provision for gratuities and termination benefits and the carrying amount, see the disclosure.

- **Deferred taxes**

At the balance sheet date, the Company reassesses previously unrecognised deferred tax assets and recognises them if it is probable that future taxable profit will allow the deferred tax assets to be utilised. The Company reduces the carrying amount of deferred tax assets when it is no longer probable that sufficient taxable profit will be available. Any such reduction is eliminated if it becomes likely that sufficient taxable profits will be available. For more information on the assumptions and carrying amounts of deferred taxes, see the disclosure.

## **e) Changes in accounting policies and estimates and corrections of errors**

The Company did not change any accounting policies or recognise any corrections of errors in the 2023 financial year. In 2023, the Company made provisions for pensions and gratuities for the first time and recorded the impact of the first provision in equity.

## **Summary of significant accounting policies**

The Company has consistently applied the accounting policies set out below for all periods presented in the accompanying financial statements.

### **a) Leases**

At the time of contract conclusion, the Company assesses whether the contract is a lease or contains a lease. For all such contracts, the right to use the asset and the corresponding lease liability are recognised at the inception of the lease. Exceptions are short-term leases and leases where the asset being leased is of low value.

### **b) Intangible assets**

The Company recognises an intangible asset in the books of account and balance sheet if:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to it,
- the cost of the asset can be measured reliably.

The Company uses the cost model to value intangible assets. An intangible asset is evaluated on initial recognition at cost plus any costs that are directly attributable to bringing the asset to its intended use. All intangible assets with finite useful lives are amortised. The Company uses the straight-line method.

Long-term deferred development costs are the costs of development, e.g. transferring research findings or knowledge to a plan or project to produce new or substantially improved products or services before they are produced or rendered for sale. Development costs consist of the cost of materials and services (e.g. external consultants) used in the development activity, the cost of salaries of employees in the development activity, depreciation of equipment to the extent that equipment was used for development purposes, and other costs relating to the development activity. Development costs incurred by the Company shall be recognised as an intangible asset if the organisation can demonstrate all of the following:

- the technical feasibility of completing the project so that it will be available for use or sale;
- its intention to complete the project and use or sell it;
- its ability to use or sell the project;
- how the project will generate probable future economic benefits, including the existence of a market for the output of the project or the project itself or, if the project is to be used internally, the usefulness of the project;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the project; and
- its ability to reliably measure the expenditure attributable to the intangible asset during its development.

### **c) Tangible assets**

The company recognises an item of property, plant and equipment as an asset in the books of account and in the balance sheet if:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the organisation; and
- the cost of the asset can be measured reliably.

An item of property, plant and equipment is an asset owned or leased that is used in the production or supply of goods or services, for rental to others, or for administrative purposes, and is expected to be used during more than one accounting period.

An item of property, plant and equipment that qualifies for recognition as an asset is presented by the Company using a cost model. The cost of an individual tangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, as well as directly attributable costs to bringing the asset to the condition necessary for the intended use, especially the cost of its delivery and installation. Non-refundable purchase taxes also comprise the non-refundable value added tax. Any trade discounts and rebates shall be deducted in arriving at the purchase price.

The valuation allowance for property, plant and equipment is accounted for using the straight-line method. The useful lives of each type of fixed asset are defined by annual depreciation rates. The useful life of an item of property, plant and equipment depends on its expected physical useful life, expected technical obsolescence, expected economic obsolescence and expected legal or other restrictions on its use. The useful life of an asset is the period that would be the shortest given each of these factors.

#### **d) Financial investments**

Investments are loans given by lenders to borrowers; for the former they represent long-term or short-term investments in loans, and investments in shares and interests. In addition, they include purchased debt securities.

Investments are financial assets recognised in the balance sheet as long-term and short-term investments.

Investments are a constituent part of the Company's financial instruments and are financial assets held by the investor Company for the purpose of increasing its financial revenue through returns from investments; financial revenue differs from operating revenue, which derives from the sale of products and provision of services within the scope of the Company's regular operation. On initial recognition the Company shall measure an investment recognised as a financial asset at its fair value.

An investment shall be recognised as an asset in the books of account and in the balance sheet if:

- it is probable that the future economic benefits that are associated with the item will flow to the Company; and
- its cost can be measured reliably.

Long-term investments are investments that an investor company intends to hold for a period longer than one year, and that are not held for trading.

Short-term investments are assets held by an investor company for the purpose of increasing its short-term financial revenue through the short-term returns arising from them.

Long-term investments in financial liabilities of other organisations, of the government or of other issuers with maturity of one year after the balance sheet date shall be transferred to short-term investments in the balance sheet.

#### **e) Operating receivables**

In terms of maturity, receivables are classified into long-term and short-term receivables.

Long-term receivables arise in connection with a sale on a long-term instalment basis, but may also arise as deferred tax assets or as long-term collaterals. All other receivables are considered short-term.

Receivables are predominantly amounts owed by customers for goods sold and services provided; they may also be amounts owed by suppliers, by employees, by those who participate in the distribution of profit or loss, by providers of funds and by users of investments and by the state.

Advances shall be recognised in the balance sheet in relation with items to which they relate. Advances paid for fixed assets fall into the same group as fixed assets, and advances paid for inventories are part of inventories.

Receivables are recognised at amounts recorded in the relevant documents under the assumption that they will be recovered. The receivables originally established may be directly increased or decreased at a later date.

Minor adjustments are decided by the finance department and major adjustments are decided by the management. Receivables are stated at historical cost on initial recognition and subsequently reduced by any allowances for receivables that are not paid within the period agreed in the contract or other relevant instrument to reflect the expected recoverable amount of the receivable.

#### **f) Inventories**

Inventories include separately reported inventories of raw materials and supplies, low-value assets and packaging, work in progress, semi-finished goods and finished goods. Inventories of materials comprise quantities held in store, in the process of completion and modification, and in transit from a supplier, if the organisation has already taken them over or has them in their power. Materials also encompass low-value assets whose useful life is not more than one year, as well as low-value assets whose useful life is more than one year if the cost of purchase of an item of the low-value assets does not exceed EUR 500.

Advances paid for materials recognised in the balance sheet in association with inventories shall be recorded in the books as receivables.

Inventories of materials are valued at cost, which comprises the purchase price, import duties and direct acquisition costs. The carrying amount of consumed inventories of materials is an expense for the period. The Company uses the moving average price method for the sale and consumption of its inventories of materials.

Inventories of products and work in progress are valued at production cost. Production costs are made up of direct material costs, direct labour costs, direct service costs and an appropriate share of production overheads. The carrying amount of inventories sold is an operating expense.

The revaluation of inventories is an adjustment to their carrying amount. This is done at the end of the financial year. Inventories are not revalued for increase in value but are revalued for decrease in value if their carrying amount exceeds their net realisable value.

#### **g) Cash and cash equivalents**

Cash includes bank accounts or money deposited with another financial institution. Cash is also classified as cash equivalents. These are highly liquid investments that are readily convertible to known amounts of cash.

An item of cash shall initially be recognised at the amount arising from the relevant document. An item of cash expressed in a foreign currency shall be translated into the national currency at the middle exchange rate of the Bank of Slovenia effective at the date of the receipt.

A revaluation occurs only for monetary assets denominated in foreign currencies if there is a change in the exchange rate after initial recognition. The exchange rate difference arising from this represents regular financial revenue or regular financial expense.

#### **h) Accruals and deferrals**

Short-term accruals and deferrals are receivables and other assets and liabilities expected to arise within a year, and whose incurrence is probable, whereas their amount is reliably estimated.

The accruals and deferrals to be realised within one year or less are defined as short-term, whereas the accruals and deferrals that will be realised in a period of more than one year are defined as long-term.

Short-term (capitalised) deferred costs and accrued revenue comprise short-term deferred charges and accrued income.

Short-term accrued liabilities comprise short-term accrued expenses and short-term accrued charges, as well as short-term deferred income.

### **i) Equity**

Total equity is the liability of a company to its owners that becomes due and payable if the company ceases to exist. It consists of basic capital, revenue reserves, fair value reserves, retained earnings from previous years, and temporarily undistributed net profit for the financial year. The fair value reserve arises from actuarial gains or losses related to the provision for retirement benefits calculated in the actuarial calculation.

### **j) Provisions for termination benefits and jubilee bonuses**

Provisions are made by an organisation for its present obligations that arise from obligating past events and are expected to be settled in the period that cannot be defined with certainty, but a reliable estimate can be made of the amount.

The Company recognises provisions for retirement benefits and jubilee bonuses, which are made at the amount of the estimated future payments discounted at the balance sheet date. Changes in the provision for termination benefits and jubilee bonuses are recognised in the income statement and in the statement of other comprehensive income in respect of actuarial gains or losses on retirement benefits. The basis for the provision is an actuarial calculation.

### **k) Liabilities**

Liabilities are divided into short-term and long-term liabilities. They are valued at the time they are incurred at the amounts derived from the relevant documents.

Long-term liabilities are recorded as long-term financial liabilities and long-term payables. Long-term financial liabilities are long-term loans obtained under loan agreements and long-term debt securities issued. Long-term payables are long-term supplier credits for goods or services purchased.

Short-term liabilities are also shown separately for current financial liabilities and current operating payables. Current financial liabilities are short-term loans and right-of-use liabilities. Current operating payables are advances and deposits received from customers, payables to suppliers at home and abroad, payables for unbilled goods and services, payables to employees, payables to government institutions and other payables.

Liabilities are recognised in the books of account if it is probable that an outflow of resources embodying economic benefits will result from its settlement; and the cost of their settlement can be measured reliably. They shall be increased by accrued interest or reduced by the amounts paid and by possible other ways of settlement if so agreed with creditors.

Long-term liabilities are recognised obligations associated with the financing of its assets the settlement of which is expected in a period exceeding a year, usually by payment in cash.



Long-term liabilities shall be increased by accrued interest or reduced by the amounts paid.

They are also reduced by the part that will have to be repaid in less than a year, which is shown as short-term financing debts in the balance sheet.

The part of the long-term liabilities that is already due and the part of the long-term liabilities that will be due within a year are shown as current liabilities in the balance sheet.

Long- and short-term liabilities expressed in a foreign currency shall be translated into national currency at the balance sheet date at the Bank of Slovenia exchange rate (reference ECB exchange rate).

## **l) Revenue**

Revenue shall be recognised if increases in economic benefits during the accounting period are associated with increases in assets or decreases in liabilities, and those can be measured reliably. Revenue shall be recognised when it is reasonably expected that the Company will receive consideration for it.

Revenue shall be classified into operating revenue, financial revenue and other revenue. Operating revenue comprises sales revenue and other operating revenue associated with products and services.

The Company recognises revenue when it has fulfilled a contractual obligation, that is, when it has delivered or rendered the contractually agreed goods or services to the customer. The obligation is discharged when the company transfers the contractually agreed goods or services to the buyer, i.e. when the buyer obtains control of them.

## **m) Expenses**

Expenses are reductions in economic benefits during the period in the form of decreases in assets or increases in liabilities. Expenses shall be classified as operating expenses, financial expenses and other expenses.

Operating expenses are in principle equal to the calculated cost of the accounting period, increased by the cost held in the opening inventories of products and work in progress, and reduced by the cost held in the closing inventories of products and work in progress.

Expenses shall be recognised by the Company if decreases in economic benefits during the accounting period are associated with decreases in assets or increases in liabilities and such decreases can be measured reliably.

Operating expenses shall be recognised once costs are no longer held in inventories of products and work in progress. The costs that cannot be held in inventories and work in progress shall on their incurrence be recognised as operating expenses.

The usual valuation of inventories of products and work in progress at production costs shall be based on operating expenses comprising the production costs that are no longer held in inventories as well as the purchasing and selling costs and costs of general and administrative services accrued during the accounting period.

## n) Financial revenue and expenditure

Financial revenue is revenue generated by investment activities. Financial revenue arises in relation to investments. Financial revenue also represents interest on deposits with banks and foreign exchange gains recognised in the income statement. Interest income is recognised when it is created, using the effective interest method.

Financial expenses are financing expenses, mainly comprising interest costs, foreign exchange losses on foreign currency supplier transactions and interest on actuarial calculations.

## o) Income tax

Income tax for the year includes both current and deferred tax.

Income tax is recognised in the income statement.

Current tax is the tax expected to be payable on the taxable profit for the financial year, using tax rates enacted on the reporting date, and any adjustment to tax liabilities in respect to previous financial years.

Deferred taxes are recognised using the balance sheet liability method for all temporary differences that arise between the carrying amounts and the tax bases of assets and liabilities. The amount of deferred tax is determined by reference to the expected manner of payment or settlement of the carrying amounts of assets and liabilities, using tax rates enacted at the date of statement of financial position.

Deferred tax assets for taxable temporary differences are recognised when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced by the amount for which it is no longer probable that the tax benefit associated with the asset will be available.

# 10 EXPLANATORY NOTES TO INDIVIDUAL ITEMS OF FINANCIAL STATEMENTS

## 10.1 Intangible assets

Changes in intangible assets 2022:

	Property rights	Long-term deferred development costs	Long-term deferred development costs - ongoing	Total
<b>PURCHASE VALUE</b>				
Balance as of 31 December 2021	7.889,10	2.695.495	715.794	<b>3.419.178</b>
Acquisitions/increases	1.827,00	-	831.559	<b>833.386</b>
Transfer from intangible assets in progress			-568.691	<b>0</b>
Disposals/reductions	-	568.691		<b>-</b>
<b>Balance as of 31 December 2022</b>	<b>9.716</b>	<b>3.264.186</b>	<b>978.661</b>	<b>4.252.563</b>

VALUE ADJUSTMENT	Property rights	Long-term deferred development costs	Long-term deferred development costs - ongoing	Total
Balance as of 31 December 2021	5.129	1.295.516	-	1.300.645
Depreciation and amortisation expense	1.044	270.019	-	271.063
Reduction	-	-	-	-
<b>Balance as of 31 December 2022</b>	<b>6.173</b>	<b>1.565.536</b>		<b>1.571.708</b>

#### CARRYING AMOUNT

<b>Balance as of 31 December 2022</b>	<b>3.543</b>	<b>1.698.650</b>	<b>978.661</b>	<b>2.680.855</b>
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Changes in intangible assets 2023:

PURCHASE VALUE	Property rights	Long-term deferred development costs	Long-term deferred development costs - ongoing	Total
Balance as of 31 December 2022	9.716	3.264.186	978.661	4.252.563
Acquisitions/increases	-	-	671.786	671.786
Transfer from intangible assets in progress	-	218.257	-218.257	-
Disposals/reductions	-	-	-	-
<b>Balance as of 31 December 2023</b>	<b>9.716</b>	<b>3.482.444</b>	<b>1.432.190</b>	<b>4.924.349</b>

#### VALUE ADJUSTMENT

Balance as of 31 December 2022	6.173	1.565.536	-	1.571.708
Depreciation and amortisation expense	1.165	253.842	-	255.007
Reduction	-	-	-	-
<b>Balance as of 31 December 2023</b>	<b>7.338</b>	<b>1.819.377</b>	<b>-</b>	<b>1.826.715</b>

#### CARRYING AMOUNT

<b>Balance as of 31 December 2023</b>	<b>2.378</b>	<b>1.663.066</b>	<b>1.432.190</b>	<b>3.097.634</b>
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Property rights include the right to use computer software. The Company has no intangible assets financed by finance leases. Intangible assets are not pledged as security for debts.

## 10.2 Long-term deferred costs and accrued revenue

The long-term deferred costs and accrued revenue include the amount of the prepaid licence for the use of the software amounting to EUR 33.514.

## 10.3 Property, plant and equipment

Changes in property, plant and equipment for 2022:

<b>PURCHASE VALUE</b>	<b>Other equipment</b>	<b>Total</b>
Balance as of 31 December 2021	654.777	654.777
Acquisitions/increases	62.204	62.204
Disposals/reductions	73.993	73.993
<b>Balance as of 31 December 2022</b>	<b>642.988</b>	<b>642.988</b>
<b>VALUE ADJUSTMENT</b>	<b>Other equipment</b>	<b>Total</b>
Balance as of 31 December 2021	412.705	412.705
Depreciation and amortisation expense	25.976	25.976
Reduction		
<b>Balance as of 31 December 2023</b>	<b>438.681</b>	<b>438.681</b>
<b>CARRYING AMOUNT</b>	<b>Other equipment</b>	<b>Total</b>
<b>Balance as of 31 December 2022</b>	<b>204.307</b>	<b>204.307</b>

Changes in property, plant and equipment for 2023:

<b>PURCHASE VALUE</b>	<b>Other equipment</b>	<b>Total</b>
Balance as of 31 December 2022	642.988	642.988
Acquisitions/increases	81.739	81.739
Disposals/reductions	-	-
<b>Balance as of 31 December 2023</b>	<b>724.727</b>	<b>724.727</b>

VALUE ADJUSTMENT	Other equipment	Total
Balance as of 31 December 2023	438.681	438.681
Depreciation and amortisation expense	88.262	88.262
Reduction	-	-

<b>Balance as of 31 December 2023</b>	<b>526.943</b>	<b>526.943</b>
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CARRYING AMOUNT	Other equipment	Total
<b>Balance as of 31 December 2023</b>	<b>197.785</b>	<b>197.785</b>

The increase in fixed assets consists of the purchase of new equipment, mainly office equipment, and the purchase of computer equipment.

The Company leases some computer equipment. As these are low-value, short-term leases, the Company has applied the exemptions in SAS 1 and no right to use assets and lease liabilities are recognised for these operating leases. Equipment rental costs amounted to EUR 10.336 in 2023.

Property, plant and equipment are not pledged as security for debt..

## 10.4 Financial investments

The Company's long-term financial investments represent investments in the capital of other companies, including affiliated or subsidiary companies.

The Company recognises long-term investments in accordance with SAS 3. As of 31 December 2023, the Company has long-term equity investments in the following companies:

- MESI France: EUR 505.000, representing a 100 % share;
- MESI Deutschland GmbH: EUR 25.000,00, representing a 100 % share;
- MESI UK Ltd: EUR 119,01, representing a 100 % share.

The Company also recognises long-term loans to group companies as long-term financial investments.

The management does not consider that any adjustments on investments in subsidiaries are necessary. The group companies, together with the parent company, do not meet the threshold for publication of the consolidated accounts, therefore the Company does not publish them.

Long-term loans to group companies:	31 December 2023	31 December 2022
MESI France	60.000	60.000
MESI Deutschland GmbH	599.100	202.600
<b>Total</b>	<b>659.100</b>	<b>262.600</b>

The Company considers its interest rate risk to be low. Loans granted to affiliated companies did not bear interest in 2023. The loans mature on 31 December 2027.

The Company's short-term investments comprise investments in debt securities.

<b>Short-term investments</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Other investments – investments in treasury bills	998.268	-
<b>Total</b>	<b>1.657.368</b>	<b>262.600</b>

Treasury bills are valued at amortised cost and mature in less than 1 year, with a fixed interest rate of 1,8 %. Treasury bills are not pledged.

## 10.5 Deferred tax assets

Deferred tax assets are amounts of income taxes that will be recovered in future years.

<b>Deferred tax assets</b>	<b>Balance as of 31 December 2022</b>	<b>Formation</b>	<b>Balance as of 31 December 2023</b>
Unused tax credits	-	623.434	623.434
Unused tax losses	-	76.174	76.174
<b>Total</b>		<b>699.609</b>	<b>699.609</b>

The amount of deferred tax assets is recalculated at a tax rate of 22 % on the basis of the temporary differences identified and taking into account the expected utilisation of the deferred tax assets over the next 5 years.

The amount of unrecognised deferred tax assets is EUR 182.575.

## 10.6 Inventories

	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Material</b>	1.203.570	1.081.247
<b>Semi-finished products</b>	243.064	-
<b>Products</b>	197.206	-
<b>Advances for inventories</b>	242.115	236.669
<b>Total</b>	<b>1.885.955</b>	<b>1.317.916</b>

In the course of the regular annual inventory count, the Company identified inventory shortages totalling EUR 103.075.

The Company did not write-down the inventories due to changes in their quality and changes in their value.

The carrying amounts of inventories are equal to the net realisable value of inventories.

The Company has pledged EUR 300.000 worth of inventories of materials and finished products as collateral.

## 10.7 Operating receivables

Long-term operating receivables	31 December 2023	31 December 2022
Long-term collaterals	5.430	-

Long-term collaterals relate to the collaterals for additional leased premises in 2023.

Short-term operating receivables	31 December 2023	31 December 2022
Short-term operating receivables from group enterprises	664.208	897.366
Short-term operating receivables due from customers	435.613	198.391
Short-term operating receivables due from others	315.171	95.816
Receivables due from the state	277.009	93.871
Receivables due from other state institutions	10.345	1.593
Advances to suppliers	27.467	0
Operating receivables due from others	351	352
<b>Total</b>	<b>1.414.993</b>	<b>1.191.572</b>

Of the total balance of short-term trade receivables, 82 % are receivable on 31 December 2023, of which 30 % have exceeded 180 days.

Receivables from group companies are subject to specific agreed payment terms.

Receivables from customers, both domestic and foreign, are not secured. For larger orders, the Company requires an advance payment of at least 70 % of the order.

In the financial year 2023, the Company wrote off or reduced receivables amounting to EUR 730.902.

These are receivables that are either more than three years old or assessed as irrecoverable.

Of this, it wrote off receivables from its subsidiary MESI France for an amount of EUR 325.000, and reduced receivables from MESI Deutschland by EUR 384.240.

The Company assesses each receivable individually for write-off.

Changes in value adjustments due to	31 December 2023	31 December 2022
Status of adjustments	-	-
Formation of adjustments	730.902	90.938
Receivables recovered	-	-
Final write-off	346.662	90.938
<b>Total</b>	<b>384.240</b>	<b>-</b>

## 10.8 Cash

Cash	31 December 2023	31 December 2022
Domestic currency	4.154.725	190.660
Foreign currencies (EUR equivalent)	3.872	1.219
<b>Total</b>	<b>4.158.597</b>	<b>191.879</b>

Cash balances represent the funds in the Company's transaction accounts. The company does not use the overdraft facility on any of these accounts.

## 10.9 Short-term deferred costs and accrued revenue

Short-term deferred costs and accrue	31 December 2023	31 December 2022
Short-term deferred costs	18.817	39.874
VAT on advances made	646	646
<b>Total</b>	<b>19.462</b>	<b>40.520</b>

Short-term deferred costs include the cost of prepaid subscriptions and licences for the use of software and the payment for insurance services.



## 10.10 Equity on 31 December 2023

- Called-up capital

The Company's called-up capital is equal to the share capital registered with the registry court. The amount of the share capital was increased by EUR 18.832 in 2023. The amount of the share capital on 31 December 2023 is EUR 56.502 (see statement of changes in equity).

- Capital surplus

The capital surplus increased by EUR 5.981.168 in 2023, representing the paid-in capital surplus.

The amount of the capital surplus on 31 December 2023 is EUR 8.766.998.

- Revenue reserves

Revenue reserves refer to legal reserves and amount to 10 % of the share capital in accordance with Article 64 of the Slovenian Companies Act (ZGD-1). The amount of the legal reserve has been adjusted to the increase in share capital and amounts to EUR 5.650 on 31 December 2023.

- Fair value reserves

The fair value reserve amounts to EUR –7.581 and represents an actuarial loss.

- Balance sheet profit/loss

<b>Net profit for the financial year</b>	<b>778.558</b>
<b>Retained profit</b>	<b>215.719</b>
<b>Formation of legal reserves</b>	<b>–56.659</b>
<b>Long-term deferred development costs on the balance sheet cut-off date</b>	<b>–3.095.256</b>
<b>Balance sheet loss</b>	<b>–2.157.638</b>

## 10.11 Provisions and accrued costs and deferred revenue

In 2023, the Company made provisions for retirement benefits and jubilee bonuses for the first time.

<b>Provisions for retirement benefits and jubilee bonuses</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Provisions for retirement benefits	62.282	-
Provisions for jubilee bonuses	24.166	-
<b>Total</b>	<b>86.449</b>	<b>-</b>

Changes in provisions	Balance as of 31 December 2022	Formation	Utilisation and reversal	Balance as of 31 December 2023
Provisions for retirement benefits	39.407	22.875	-	62.282
Provisions for jubilee bonuses	17.251	6.915	-	24.166
<b>Skupaj</b>	<b>56.659</b>	<b>86.449</b>	<b>-</b>	<b>86.449</b>

The opening balance in 2022, which was formed for the first time in 2023, was carried forward against past profits.

Actuarial assumptions in %	31 December 2023
Staff turnover	up to 3 % in the interval of 40 years; 2 % in the interval of 41-50 years; 0 % in the interval of 50 years and over
Discount rate	3,17 %
Expected annual nominal wage growth	5,5 %; 4,5 %; 3,5 % in years 2024; 2025; 2026
Expected growth in minimum basic salaries by collective bargaining contract of the electrical industry	3,00 %

Sensitivity analysis	Impact on the provisions for jubilee bonuses	Impact on the provisions for severance payments
Discount rate (+0,5 %)	1.382	7.727
Discount rate (−0,5 %)	−1.508	−8.989
Wage growth (+0,5 %)	−1.503	−8.902
Wage growth (−0,5 %)	1.391	7.732
Staff turnover (+1 %)	2.812	15.059
Staff turnover (−1 %)	−2.816	−10.484

## 10.12 Financial liabilities

Long-term financial liabilities	31 December 2023	31 December 2022
Liabilities to banks	755.281	1.026.954
Other long-term liabilities – to natural persons	150.000	150.000
<b>Total</b>	<b>905.281</b>	<b>1.176.954</b>

The Company has long-term liabilities to banks amounting to EUR 755.281:

- of which EUR 673.799 maturing in 2030 and bearing interest at 1,65 % + 37,5 % (of the loan value) \* 6-month Euribor. The loan is secured by the Company's bills of exchange.
- and EUR 81.482 maturing in 2025 and bearing interest at 0,75 % + 6-month Euribor. The loan is secured by a guarantee of the Republic of Slovenia and the Company's bills of exchange.

The liability to a natural person is non-interest-bearing and has a maturity of less than 5 years.

Short-term financial liabilities	31 December 2023	31 December 2022
Liabilities to banks	271.673	456.331
<b>Total</b>	<b>271.673</b>	<b>456.331</b>

The Company recognises current financial liabilities of EUR 271.673 for the current portion of long-term borrowings, namely:

- for an amount of EUR 29.296, bearing interest at 1,65 % + 37,5 % (of the loan value) \* 6-month Euribor, the loan is secured by the Company's bills of exchange.
- EUR 153.488 at a fixed interest rate of 1,65 % p.a. The loan is secured by the Company's bills of exchange, a guarantee by a natural person, and a pledge of movable property – stocks of materials and finished products in the amount of EUR 300.000.
- EUR 88.889, bearing interest at 0,75 % + 6-month Euribor. The loan is secured by a guarantee of the Republic of Slovenia and the Company's bills of exchange.

## 10.13 Operating liabilities

Long-term operating liabilities include instalment payments for telephones amounting to EUR 1.465. Payment is divided into 24 instalments.

Short-term operating liabilities are short-term supplier credits for goods or services purchased, short-term payables to employees for work performed, short-term payables to financiers for interest and similar items, and short-term payables to the government for taxes, including accrued value added tax. A special type relates to payables to customers for advances received.

Short-term operating liabilities are initially recognised in the amounts shown in the relevant documents.

Short-term liabilities denominated in foreign currency are converted into EUR at the ECB rate as of 31 December 2023.

Short-term operating liabilities	31 December 2023	31 December 2022
Short-term liabilities to suppliers	1.163.458	536.134
Advances received	1.006.284	434.062
Other short-term operating liabilities	413.682	278.138
<b>Total</b>	<b>2.583.424</b>	<b>1.248.335</b>

The Company has operating liabilities amounting to EUR 1.163.458 as of 31 December 2023. Of the total balance of liabilities to suppliers, 16 % are due, of which 4 % are more than 180 days overdue.

Other short-term operating liabilities include liabilities to employees for wages and liabilities to the state for taxes and contributions.

## 10.14 Short-term accrued costs and deferred revenues

Short-term accrued costs and deferred revenues	31 December 2023	31 December 2022
Short-term accrued costs	94.583	2.935
<b>Total</b>	<b>94.583</b>	<b>2.935</b>

At the balance sheet cut-off date, the Company records accrued costs of EUR 94.583, consisting of provisions for unused leave (EUR 69.187) and contractual salary reimbursements (EUR 25.396).

## 10.15 Operating revenues

<i>Net sales</i>	<i>2023</i>	<i>2022</i>
Domestic sales	757.857	510.605
Group sales on foreign markets	1.592.145	1.061.821
Sales on foreign markets to others	8.627.013	4.699.076
<b>Total</b>	<b>10.977.016</b>	<b>6.271.502</b>

<i>Other operating revenues</i>	<i>2023</i>	<i>2022</i>
Revenue from subsidies	4.170	9.475
Revenue from reversal of provisions	109	-
Reimbursement revenue	8.605	27.197
Revaluation operating revenue	-	33.104
State support – COVID	-	1.471
<b>Total</b>	<b>12.884</b>	<b>71.247</b>

## 10.16 Cost of goods, materials and services

Costs of goods, material and services	2023	2022
Cost of goods and materials	486.088	225.687
Costs of materials	4.259.384	2.131.608
Costs of services	2.983.901	2.222.306
– transport services	150.139	81.719
– rents	154.810	133.080
– reimbursement of staff expenses in connection with work	167.575	90.629
– trade fairs and advertising costs	357.932	413.806
– intellectual services	747.603	327.434
– other services related to certification and sales activities	1.148.818	929.227
– other service charges	59.994	56.815
– labour costs under other contracts	197.030	189.596
<b>Skupaj</b>	<b>7.729.373</b>	<b>4.579.601</b>

## 10.17 Labour costs

Labour costs	2023	2022
Payroll costs	2.153.669	1.835.931
Pension insurance costs	156.116	133.938
Other social security costs	190.649	162.882
Other labour costs	458.846	298.859
<b>Total</b>	<b>2.959.279</b>	<b>2.431.610</b>

Payroll costs increased by EUR 507.433 or 21 % in 2023. The number of employees on the last day of 2023 is 76, an increase of 24,60 % compared to 2022.

The Company did not grant any advances, loans or guarantees to members of the management.

The management received EUR 141.550 in 2023.

## 10.18 Write-downs in value

Write-downs in value	2023	2022
Amortisation of intangible assets	254.207	270.263
Depreciation of property, plant and equipment	89.062	96.901
Revaluation operating expenses associated with intangible assets and property, plant and equipment	-	6.622
Revaluation operating expenses for current operating assets	730.902	90.938
<b>Total</b>	<b>1.074.171</b>	<b>464.724</b>

Depreciable assets are depreciated individually on a straight-line basis over useful lives determined by persons responsible in the Company based on the expected useful life of each asset.

An overview of the base useful lives or depreciation rates of the major groups of depreciable assets is given below:

Group	Depreciation method	Depreciation rate	Useful life
Intangible assets	Straight-line	10 %	10 years
Investments in other fixed assets	Straight-line	10-100 %	1-10 years
Equipment and computers	Straight-line	20-50 %	2-5 years

## 10.19 Other operating expenses

Other operating expenses	2023	2022
Provisions	0	0
Other costs	63.824	50.438
<b>Total</b>	<b>63.824</b>	<b>50.438</b>

Provisions include provisioning for gratuities and retirement benefits formed in 2023.

The largest share of other operating expenses is due to the payment of the contribution for non-fulfilment of the quota for the employment of disabled persons and the building land allowance.

## 10.20 Financial revenues

Financial revenues	2023	2022
Financial revenue from other investments	17.657	0
Financial revenue – positive bank account interest	104	6
Exchange rate differences	26.169	13.180
<b>Total</b>	<b>43.930</b>	<b>13.186</b>

## 10.21 Financial expenses

Financial expenses are financing expenses, mainly comprising interest costs, foreign exchange losses on foreign currency supplier transactions and interest on actuarial calculations.

Financial expenses	2023	2022
Interest on loans received from banks	36.203	27.582
Financial expenses from operating liabilities	3.885	1.549
Exchange rate differences	39.855	18.932
Actuarial interest	2.082	-
Other financial expenses from financial liabilities	-	182
<b>Total</b>	<b>82.024</b>	<b>48.062</b>

## 10.22 Other revenues

Other revenue comprises extraordinary items and other revenues that increase profit or loss. They arise from events or transactions that do not occur in the ordinary course of business and are not expected to occur regularly or frequently. In 2023, they amounted to EUR 4.451.

## 10.23 Other expenses

Other expenses consists of unusual items and other expenses that do not arise in the ordinary course of business. In 2023, they amounted to EUR 77.081.

## 10.24 Income tax

<b>Profit or loss before tax</b>	<b>164.585</b>
Revenue not recognised for tax purposes	–55
Expenses not recognised for tax purposes	1.053.614
Tax reliefs and other	–767.431
<b>Total tax base</b>	<b>450.713</b>
Tax rate	19,00 %
<b>Income tax</b>	<b>85.636</b>

	<b>2023</b>	<b>2022</b>
Tax assessed	–85.636	-
Deferred tax income	699.609	-
<b>Total</b>	<b>613.973</b>	

Net profit for the financial year is EUR 778.558.

## 11 REPORT ON RELATIONS WITH AFFILIATED COMPANIES

### 11.1 Definition of parent company and related parties

MESI Ltd is 63.47 % owned by the parent company SHS VI Healthcare Investments GmbH & CO. KG.

Related parties with whom the company did business in 2023:

- MESI France
- MESI Deutschland GmbH
- MESI UK Ltd.
- SHS Gesellschaft für Beteiligungsmanagement mbH



## 11.2 Legal transactions and other actions entered into by the company with the parent company or a related company and the value of these transactions in 2023

### 11.2.1 Revenue from sales to group companies

	PRODUCTS	SERVICES
MESI Deutschland	331.425	9.165
MESI France	852.591	24.404
MESI UK	364.184	10.377
<b>Total</b>	<b>1.548.200</b>	<b>43.946</b>

### 11.2.2 Financial revenue from group companies

The Company did not have any financial revenue from group companies.

### 11.2.3 Other operating revenue from group companies

The Company had no other operating revenue from group companies.

### 11.2.4 Expenses from operations with group companies

	SERVICES
MESI France	554
SHS Gesellschaft für Beteiligungsmanagement mbH	142.535
<b>Total</b>	<b>143.089</b>

### 11.2.5 Financial expenses from group companies

The Company had no financial expenses from group companies.

### 11.2.6 Other operating expenses from group companies

The Company had no other operating expenses from group companies.

### 11.2.7 Operating receivables from group companies as of 31 December 2023

MESI Deutschland	384.240
MESI France	150.441
MESI UK	129.528
<b>Total</b>	<b>664.209</b>

### 11.2.8 Operating payables from group companies as of 31 December 2023

The Company has no operating payables from group companies as of 31 December 2023.

### 11.2.9 Financial liabilities to group companies as of 31 December 2023

The Company has no financial liabilities to group companies as of 31 December 2023.

### 11.2.10 Investments in group companies as of 31 December 2023

	<b>Loans granted</b>
MESI Deutschland	599.100
MESI France	60.000
MESI UK	-
<b>Total</b>	<b>659.100</b>

The management of MESI Ltd declares that the effects of the mutual transactions have not resulted in any disadvantage to MESI Ltd and that they have not been detrimental to the future business and development of the Company.

The management of MESI Ltd further declares that during the year 2023, at the initiative of the parent company or its affiliated companies, it has not undertaken or refrained from undertaking any act that would constitute a disadvantage to MESI Ltd.

## 12 EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred after the date on which the financial statements were compiled that would require a restatement of the 2023 financial statements or additional disclosures in this respect.

# 13 INDEPENDENT AUDITOR'S REPORT



## INDEPENDENT AUDITOR'S REPORT

To the owners of MESI Ltd

### *Qualified opinion*

We have audited the accounting statements of **MESI Ltd**, which comprise the balance sheet as of **31 December 2023**, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of **MESI Ltd** as of **31 December 2023** and its profit or loss and its cash flows for the year then ended in accordance with the Slovenian Accounting Standards.

### *Basis for qualified opinion*

We were first appointed as the Company's auditors on 5 July 2023 and so we did not observe the count of physical inventories at the end of 2022 to verify ourselves the quantity of inventories on 31 December 2022. We have also not been able to satisfactorily verify ourselves the quantity of inventories on 31 December 2022 by any other possible means. As the opening inventory position on 1 January 2023 affects the determination of profit or loss and cash flows, we were unable to determine whether adjustments to the profit for the reporting year in the income statement and the net cash flows from operating activities in the cash flow statement might be necessary.

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under these rules are described in our report in paragraph entitled *Auditor's responsibility for the audit of the financial statements*. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

In accordance with the International Code of Ethics for Accounting Professionals (including the International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements applicable to the audit of financial statements in Slovenia, we confirm our independence from the Company. We confirm that we have fulfilled our other ethical obligations in accordance with these requirements and the IESBA Code.

### *Other information*

Other information is the responsibility of the management. Other information includes the management report, which is an integral part of the Company's annual report (but excludes the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not extend to other information and we do not express any form of assurance on it, except to the extent otherwise expressly stated in our report.

In connection with the audit of financial statements, it is our responsibility to read the other information identified above and to determine whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of our work, we conclude that there is a material misstatement of other information, we are required to report it.

In addition to our responsibilities and reporting under the International Standards on Auditing, we have carried out the procedures required by the Slovenian Companies Act in relation to other information. These procedures include assessing whether the other information is consistent with the financial statements for the same financial year and whether the other information has been prepared in accordance with applicable legal requirements.

In this respect, on the basis of the procedures described above, we report that:

- other information is consistent in all material respects with the audited financial statements;
- other information is prepared in accordance with the requirements of the Slovenian Companies Act.

Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in relation to the information other than the effects of the matter described in the *Basis for qualified opinion* section of our report. As we did not take part in the 2022 inventory, we cannot conclude whether or not the other information on this matter is materially incorrect.

#### **Management responsibility for the financial statements**

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

In preparing a company's financial statements, the management is responsible for assessing the company's ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the company or to discontinue operations, or has no alternative but to do one or the other.

#### **Auditor's responsibility for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements taken 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. Acceptable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the International Standards on Auditing will always detect a material misstatement, if one exists. Misstatements may 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 made on the basis of those financial statements.

We use professional judgement and maintain professional discretion when conducting audits in accordance with the International Standards on Auditing. We further:

- identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, we design and carry out audit procedures in response to the assessed risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement arising from fraud is higher than that associated with error, as fraud may involve collusion, forgery, deliberate omission, misinterpretation or circumvention of internal controls;
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related management disclosures;
- based on audit evidence obtained about the existence of a material uncertainty about events or circumstances that cast doubt about the entity's ability to continue as a going concern, we make a conclusion about the appropriateness of management's use of the going concern assumption as a basis of accounting. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the relevant disclosures in the financial statements or, if such disclosures are inadequate, to adjust the opinion. The auditor's conclusions are based on audit evidence obtained up to the date of the auditor's report, but subsequent events or circumstances may cause the organisation to cease to be a going concern;
- evaluate the overall presentation, structure, and content of the financial statements, including disclosures, and assess whether the financial statements present the underlying transactions and events in a manner that achieves fair presentation.

We inform the management and those charged with governance, inter alia, of the planned scope and timing of the audit and of significant audit findings, including internal control weaknesses identified during our audit.

Krško, 2 September 2024  
For AD – AUDIT d.o.o.



Aleš Dular  
Certified auditor