ANNUAL REPORT OF BIG BANG, d.o.o.

2021

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INTRODUCTION

From a business and strategic point of view, 2021 was a successful year for Big Bang. Despite strict restrictive measures aimed at preventing the spread of the SARS-CoV-2 virus, which resulted in the closure of our stores in January and the first half of February 2021, with only people who met the recovered/vaccinated/tested rule being allowed to visit the stores in the following months, the digital transformation projects, implemented in the previous year, have proved to be a success. This allowed us to easily cope with the increased commerce on the Internet at the beginning of the year and to maintain high sales throughout the year, despite a slightly lower number of sales assistants and customers.

We were given further impetus by a sharpened strategy – the development strategy adopted in 2019 was further enhanced in 2021, and thus became the Better Big Bang strategy, which clearly sets the direction of the company's development and growth until 2025, as well as the focus on the customer and the customer experience. It was the customer experience in particular that a lot of attention was devoted to in 2021, with the opening of the most modern technical store in the region, Big Bang Mega BTC in Ljubljana.

MANAGEMENT PRESENTATION

UROŠ MESOJEDEC

Managing Director

ROBERT SRAKA

IT and Digital Transformation Director

KEY PERFORMANCE INDICATORS

OVERVIEW OF MAJOR EVENTS IN 2021

In thousands of EUR

Item	2018	2019	2020	2020*	2021
Sales revenues	133.042	139.177	106.378	77.927	101.975
Gross profit or loss	26.748	28.132	21.323	17.655	23.350
EBIT	3.055	3.197	110	-194	2.149
EBITDA	4.119	7.458	3.525	3.221	6.171
Net profit or loss	2.625	2.432	-394	-635	1.502
Balance sheet total as at 31 December	37.882	52.480	42.963	42.963	48.455
Equity as at 31 December	13.724	13.087	8.314	8.314	9.867
Return on equity - ROE (in %)	21,24 %	18,16 %	-3,7 %	-3,7 %	16,5 %
Investments in fixed and intangible assets	1.228	17.640	7.740	7.740	2.182
Employees as at 31 December	391	409	350	350	376

*Split-off of the wholesale part of the business to Big Partner, d.o.o. as of 1 October, 2020. The items in the Income Statement represent the retail part of the business.

Big Bang started 2021 as a retail-only company for the first time, with the wholesale part of the business being split-off into a separate company, Big Partner, d.o.o., as of October 2020.

We performed soundly despite the measures adopted due to the COVID-19 epidemic, with a decisive role being played by our company transformation, which started in 2019 and continued at an accelerated pace in 2020. Well-established online sales ensured stability of operations at the time when the stores were closed; despite the uncertain conditions, the employees were already well prepared for different business scenarios at the beginning of the year.

Our development did not stall in 2021, either. The changed circumstances led us to review, enhance and upgrade our development strategy into the Better Big Bang strategy for the period from 2021 to 2025. The enhanced strategy promotes forward the customer and the customer's shopping experience. The essence of the strategy, which is based on improving the customer experience in the purchase cycle, is already enshrined in the company's clear mission statement.

"Our mission: To enable everyone to enjoy in the UAU technology and, thus, provide the best customer experience."

The first major test of our enhanced strategy represented the complete refurbishment of our largest store, Big Bang Mega BTC Ljubljana. The refurbishment started in February and ended at the beginning of July, with the store being in continuous operation during this process. Thus, in June, we opened the most modern store of its kind in the region, which combines the strategy of the company in one location. By breaking down the settled and well-established concepts, a visit to Big Bang Mega has been transformed into a real experience, and thus, even before entering the store, the customers get impressed by the first outdoor 3D screen in Slovenia.

The best user experience, the latest technology and the integration of the physical and virtual world are proof that we are setting trends not only in Slovenia, but also in the countries beyond. At the beginning of 2022, this was also recognised by the jury of experts who awarded the Big Bang Mega store in Ljubljana's BTC with the architectural award, BigSEE Interior Award 2022, whereby it needs to be emphasised that the store was selected among 21 stores from the Central and Eastern European countries.

The refurbished Big Bang Mega BTC store has also become a testing ground for the introduction of new technologies. We thus implemented shopping cards, which replace carrying paper orders around the store, interactive displays and new support for fast conclusion of credits. In addition to that, we also launched a pilot sales assistant mobile app, which provides sales assistants with all the information necessary to advise customers and prepare their orders.

Towards the end of the year, we also introduced a new order management system to track orders and standardise the user experience for both online and in-store purchases. The system enables customers to track their orders and communicate with the service that prepares them. Therefore, the order management system, online store and the sales assistant app used by the sales assistants all form parts of a single sales platform that helps us blur the line between online and in-store purchases. Continuation of digitalisation projects, real-time document preparation, efficient logistics, taking over of the goods, fast delivery, assembly and effective complaint handling are all areas that impact greatly on the end-user experience, and we are proud to have further improved and upgraded them in 2021.

Given the increased relevance of online sales and the increasing share of the latter, we were delighted to receive the news at the end of the year that our customers and the professional public, in the context of the Web Retailer Award 2021, awarded us the title of the best online retailer in Slovenia and the Adriatic region. Big Bang was selected as the best from among 412 online retailers from Slovenia, Croatia and Serbia.

In the end, we are the ones who can convince the customers to make a purchase with us. This is where we rely on a good understanding of our customers' needs, professional consultancy and support. Employee training, knowledge building and proper motivation lead to the key asset of Big Bang, as this enables us to provide the best professional support to our customers. This is why they trust us and like to return to our stores. It is also the reason why we work hard every day to provide a suitable range of technology, as well as services, which upgrade the use of technology even further. However, our work is not finished here. Big Bang is a trendsetter and it must, therefore, strive to be the first to present the latest technology to its customers in a professional way. Because of that we are designing new categories, such as health, e-mobility, connected home and others.

BUSINESS REPORT

SALES PROGRAMME AND SERVICES

2021 was a milestone for Big Bang in several parts of the business, as we, as a specialist retailer, managed to offer our customers technological innovations which follow trends at the European and international levels, as well as greater breadth in categories. We added premium offers and some new categories. Our goal for 2020 was to further strengthen our core product groups in depth, while in 2021 we wanted to prove through the growth of our market shares that we are becoming one of the most important providers of consumer electronics and household appliances for our existing and future customers. Besides the core categories, such as TVs, computers, mobile technology and white goods, we continued to invest and develop small household appliances, which are becoming a very important pillar of Big Bang's business, gaming, e-mobility and the leisure and health categories. We have also increased the breadth of the DIY offer in the smart home category, which has already born fruit. The development of categories is based on technologically advanced solutions, which we build on with services. These are becoming a very important part of Big Bang's user experience, as we want to offer the customer a complete UAU solution.

The beginning of 2021 was marked by the closure of our commercial establishments, but we managed to maintain a good relationship with our customers through a quality customer experience on our website and video consultation. Following the reopening of our commercial establishments, a period of growth followed for all core product groups. In particular, 2021 saw an increased demand for white goods or investments in higher quality solutions and products. The keys to success were the right offers, counselling and immediate availability. In addition to that, we made key developments in the video and mobile technology segments through the related offers and counselling of our sales assistants. In the computing segment, we managed to convince even the most demanding users, namely by increasing our range of devices in the higher price ranges, while in the category of small household appliances we expanded our offer with new brands, both online and in-store.

One of Big Bang's greatest values are its sales and after-sales services. Assembly, installation, delivery, insurance financing and other services, such as picking up faulty devices at all our commercial establishments around Slovenia, convince customers to return to Big Bang. Quick and high-quality resolution of complaints is of essence to provide satisfaction to our customers. We continue to develop delivery processes that ensure delivery to the end user within a day or even a few hours.

Big Bang's highest selling brands in 2021 were Apple, Samsung, HP, Bosch and Philips. The fastest growth was for brands in the segments of mobile technology, white goods and small household appliances. We continued to develop special solutions and offers for small and medium-sized companies, as well as for our club members.

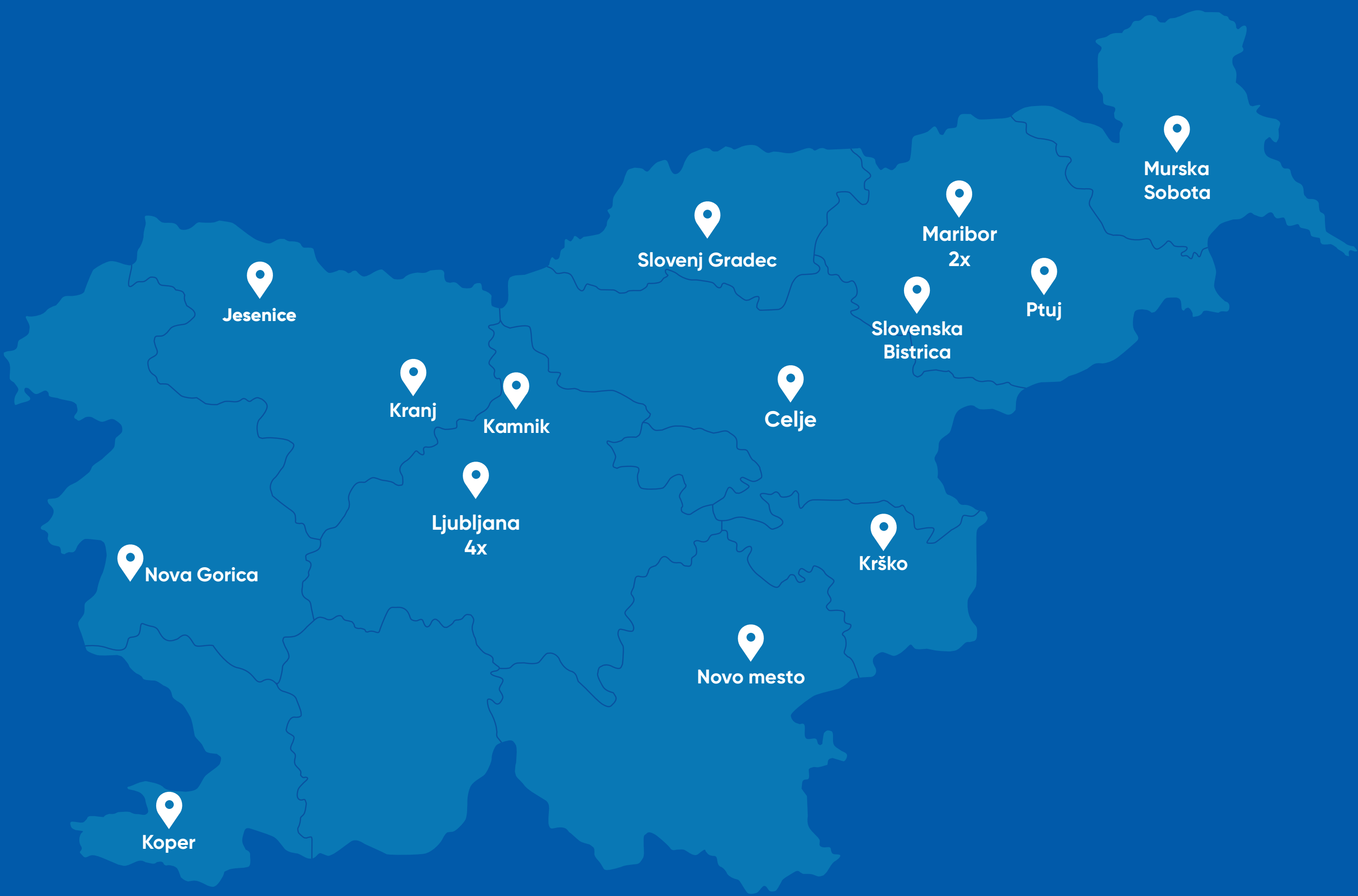
Due to global problems in logistics chains that resulted from the COVID-19 epidemic and the shortage of chips, we had some deliverability problems in our business. The biggest problem in 2021 represented the availability of the Playstation PS5 game consoles, as well as other consoles, which posed a problem at the global level.

We build trust with suppliers and brands through development of our multi-channel approach, sales network experts, effectively executed marketing activities, content marketing, events and efficient logistics that enable fast delivery to the points of sale or directly to the end consumers across Slovenia.

STORES

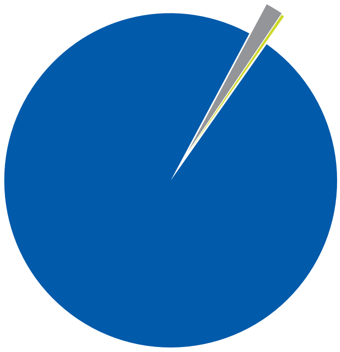
BIG BANG STORES	Address
BIG BANG CITYPARK	ŠMARTINSKA CESTA 152 g, 1000 LJUBLJANA
BIG BANG BTC	FRANCOSKA CESTA, 1000 LJUBLJANA
BIG BANG ALEJA, ŠIŠKA	CELOVŠKA CESTA 182, 1000 LJUBLJANA
BIG BANG RUDNIK	JURČKOVA CESTA 228, 1000 LJUBLJANA
BIG BANG MARIBOR – TRŽAŠKA	TRŽAŠKA CESTA 7, 2000 MARIBOR
BIG BANG MARIBOR – EUROPARK	POBREŠKA CESTA 18, 2000 MARIBOR
BIG BANG SLOVENJ GRADEC	FRANCETOVA 16, 2380 SLOVENJ GRADEC
BIG BANG CELJE	MARIBORSKA CESTA 100, 3000 CELJE
BIG BANG KOPER	ANKARANSKA CESTA 3 a, 6000 KOPER
BIG BANG KRANJ	CESTA STANETA ŽAGARJA 71, 4000 KRANJ
BIG BANG NOVO MESTO	OTOŠKA 5, 8000 NOVO MESTO
BIG BANG MURSKA SOBOTA	BTC – NEMČAVCI 1 d, 9000 MURSKA SOBOTA
BIG BANG JESENICE*	FUŽINSKA CESTA 8, 4270 JESENICE
BIG BANG PTUJ	ORMOŠKA CESTA 15, 2250 PTUJ
BIG BANG SLOVENSKA BISTRICA*	ŽOLGARJEVA ULICA 14, 2310 SLOVENSKA BISTRICA
BIG BANG NOVA GORICA	CESTA 25. JUNIJA 1 A, 5000 NOVA GORICA
BIG BANG KRŠKO	CESTA KRŠKIH ŽRTEV 141, 8270 KRŠKO
BIG BANG KAMNIK	DOMŽALSKA CESTA 3, 1241 KAMNIK
HUAWEI SHOP	ŠMARTINSKA CESTA 152 g, 1000 LJUBLJANA

*Closed 31. 12.2021


Murska Sobota
Maribor 2x
Slovenj Gradec
Ptuj
Slovenska Bistrica
Jesenice
Kranj
Kamnik
Celje
Ljubljana 4x
Krško
Nova Gorica
Novo mesto
Koper

SALES MARKET

The Slovenian market, which represents 99,4% of total sales, is Big Bang's most important market, followed by the markets of other EU countries with a 0,5% share, and then other foreign markets (0,1%).



Economic situation in 2021

	2021	2020	2019	2018
Gross domestic product (real growth rate in %)	6,7	-4,2	3,3	4,5
Unemployment rate, ILO, in %	4,8	5,0	4,5	5,1
Inflation, HICP (average annual growth rate, December)	2,4	-0,3	1,7	1,9
Economic Sentiment Indicator, December	5,1	-9,2	3,3	10,0

Source: Bank of Slovenia

After a large drop in GDP in 2020 due to the COVID-19 epidemic and the measures that followed, Slovenia experienced high economic growth of 6.7-percent in 2021 as a result of gradual easing of the related measures, as well as additional resources the government invested in maintaining the economy and jobs. Economic growth is expected to continue in 2022, at 4.0%.

The main contributor to the economic recovery was the growth in domestic demand; in addition to the COVID-19 epidemic, even larger growth was hampered by problems in the global supply and production chain. The labour market conditions were encouraging: the unemployment rate in 2021 was 4.8%; according to predictions, a further positive trend in employment is expected. Inflation averaged 2.4-percent; it will rise to 3.8% in the following year, but will start to slow down towards 1.8-perecent growth by the end of 2022.

2021 was similar to 2020, although the COVID-19 epidemic marked it to a much lesser extent. The worsened epidemiological picture was accompanied by strict, yet more targeted measures aimed at containing the spread of infections, the effects of which were more pronounced only in individual economic sectors. The stores were closed for the first six weeks of the year due to the COVID-19 epidemic. Later on, there were no more store closures, but other measures were in place, such as mandatory recovered/vaccinated/tested rule checks, and thus there were fewer customers entering the stores than would otherwise have been the case.

EMPLOYMENT

The employment in Slovenia experienced a remarkable rebound in 2021 and is expected to exceed the pre-crisis employment level as early as 2022. During the year, employment reached the highest level ever since Slovenia started recording these data. Most new employments were concluded in manufacturing, construction and other business activities. Given the very high employment rate and unfavourable demographic trends, companies are starting to face labour shortages.

In Slovenia, wages rose significantly in 2021, mainly due to payment of epidemic-related wage supplements in the government sector.

GROSS DOMESTIC PRODUCT

Gross domestic product increased by 6.7% on an annual basis. The main contributors to growth were final consumption of private households and gross investment, while the impact of the external position was negative. Final consumption of private households increased for all types of goods and services, with the exception of cars. A solid growth of gross disposable income and the release of restrictive measures reflected in a rapid increase in final consumption of private households that intensively channelled their savings generated during the epidemic into consumption, and thus saved less. A stronger growth of consumption was reflected indirectly in the relatively low surplus (net lending) of private households.

Investment was also higher than in the previous year. Gross investment in fixed assets increased, most notably in other machinery and equipment. Investment in most fixed assets also increased. In addition to that, inventories strengthened and, thus, contributed to the GDP growth.
The export and import of goods and services also increased, however, growth in services was much higher than growth in goods. As the growth rate of imports was higher than that of exports, and due to weaker terms of trade, the contribution of external trade surplus to the GDP growth was significantly negative this time.

MOVEMENT OF PRICES

The average 12-month inflation was 2.4% compared to -0.3% in the same period of the previous year. Inflation on an annual basis was 5.8% and -0.7% in the same month of the previous year.

Over the year, the prices of goods rose by 7.1% on average, while, on the other hand, the prices of services increased by 3.1%. Durable goods were 8.2% more expensive, daily consumer goods rose by 8.0% and semi-durable goods increased by 2.7%. The main contributor to the overall increase of prices on an annual basis was the 1.2 percentage point rise in the price of petroleum products: the price of liquid fuels rose by 11.9% and by 29.6% in the case of fuels and lubricants intended for passenger cars. Price increases in electricity, gas and other fuels (by 15.4%) pushed inflation up by 1 percentage point. Higher food and non-alcoholic beverages prices (by 4.6%) also contributed 0.8 percentage points to annual inflation.

On the other hand, the annual inflation was mitigated by 0.2 percentage points due to decrease in the price of communication products and services (by 4.4%).

PUBLIC FINANCE

The deficit in the consolidated general government budgetary accounts, which consists of all four public purses (the budget, health and pension insurance funds and local authority funds), was EUR 2.92 billion or 5.8% of GDP in 2021, which is around 1.8 percentage points less than in 2020.

The decrease in the deficit is the result of faster growth in revenue over expenditure. The revenue of the consolidated general government budgetary accounts was EUR 21.4 billion in 2021, representing an increase of 15.4% compared to 2020 and 11.2% compared to 2019.

Tax revenue, which was up by 9.3% compared to 2019, contributed the largest share to revenue growth. Compared to 2020, revenue from personal income tax was up by 14.4%, revenue from corporate income tax by 44.2% and revenue from value added tax by 19.9%. Revenue from social security contributions was higher by 8.7%.

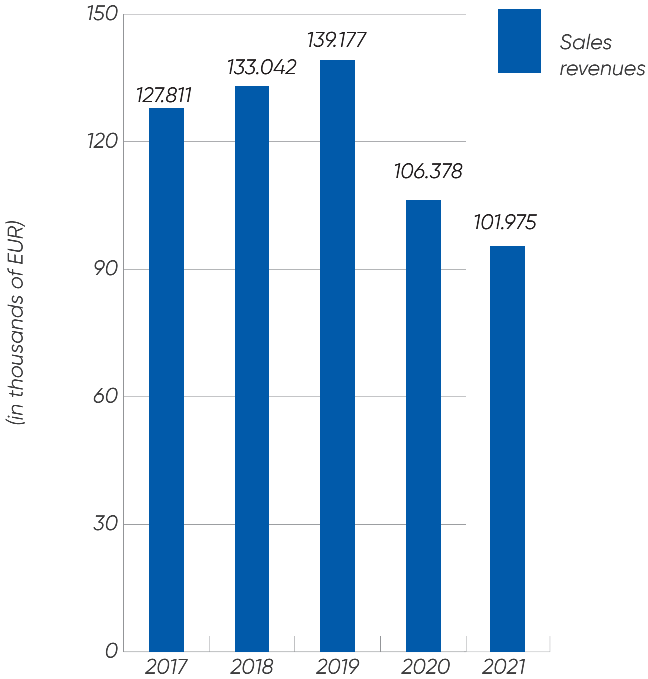
The expenditure of consolidated general government budgetary accounts amounted to EUR 24.3 billion last year, which represents an increase of 10.1% compared to 2020 and of 28.1% compared to 2019. Their increase is mainly due to higher current expenditure (+ 13.8% more than in 2020), including expenditure on salaries (+17.3%), expenditure on goods and services (+10.6%) and employer's social security contributions (+7.4%).

OPERATION ANALYSIS IN 2021

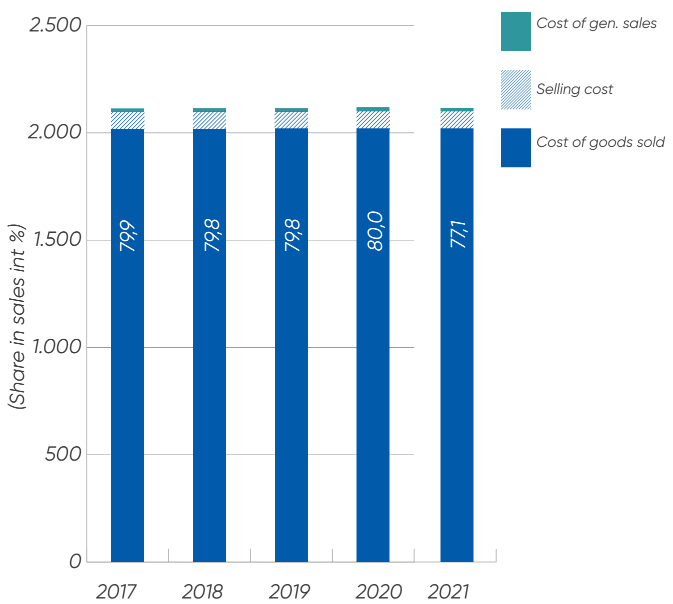
SALES

In 2021, the company noted a drop in sales revenues, which were down by 4% when compared to 2020. The decline in revenue is mainly due to the split-off, as Big Bang had both the wholesale and retail until 1 October, 2020.

In 2020, the company generated revenues of EUR 77,927 million in the retail segment and EUR 101,975 million in 2021 (24-percent growth).



OPERATING EXPENSES



In 2021, operating expenses amounted to EUR 101 million and were down by 3% compared to the previous year. The majority of the structure of operating expenses in sales is accounted for by costs of goods sold, which, within the last four years, has been around 80% of total revenues, with the share in sales in 2021 being lower by 3% compared to the year before.

In terms of size, selling costs are the second largest item in the structure of sales-related operating expenses. Over the last four years, they have on average amounted to around 16.7%, and in 2021, increased by 3.5 percentage points in the share of sales, as the accounted for 18.6% of sales compared to 15.7% in the previous year.

In 2020, costs of general activities increased by 0.5 percentage points in the share of sales, amounting to 2.4 percentage points of total sales.

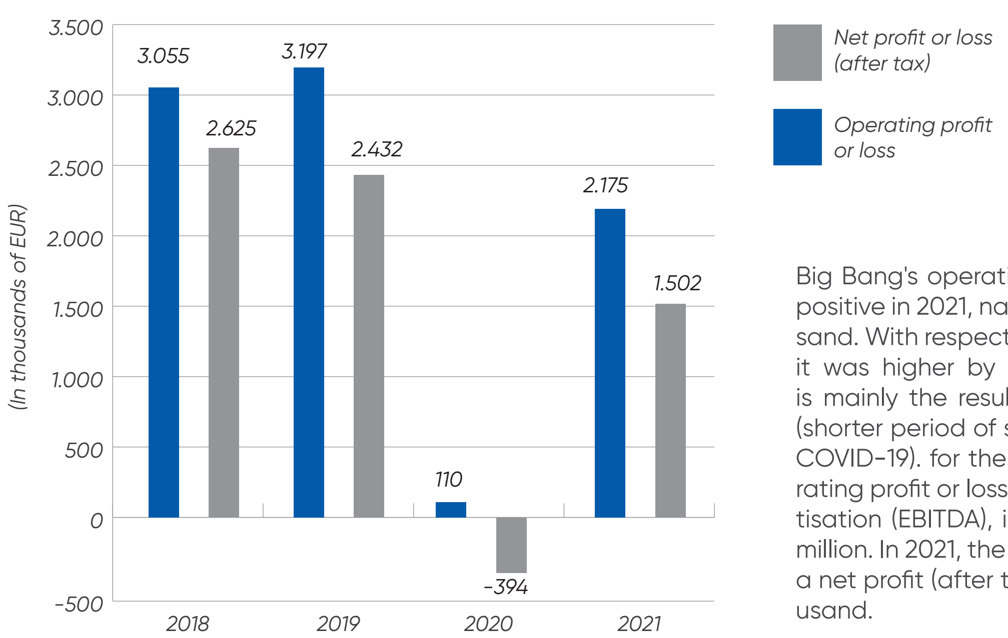
FINANCIAL REVENUES AND EXPENSES

in thousands of EUR

FINANCIAL REVENUES AND EXPENSES	2018	2019	2020	2021
Financial revenues	6	6	23	35
Financial expenses	61	347	406	403
Net financial result	-54	-341	-384	-368

Compared to the year before, financial revenues increased by EUR 12 thousand. On the other hand, financial expenses decreased by EUR 3 thousand.

PROFIT OR LOSS

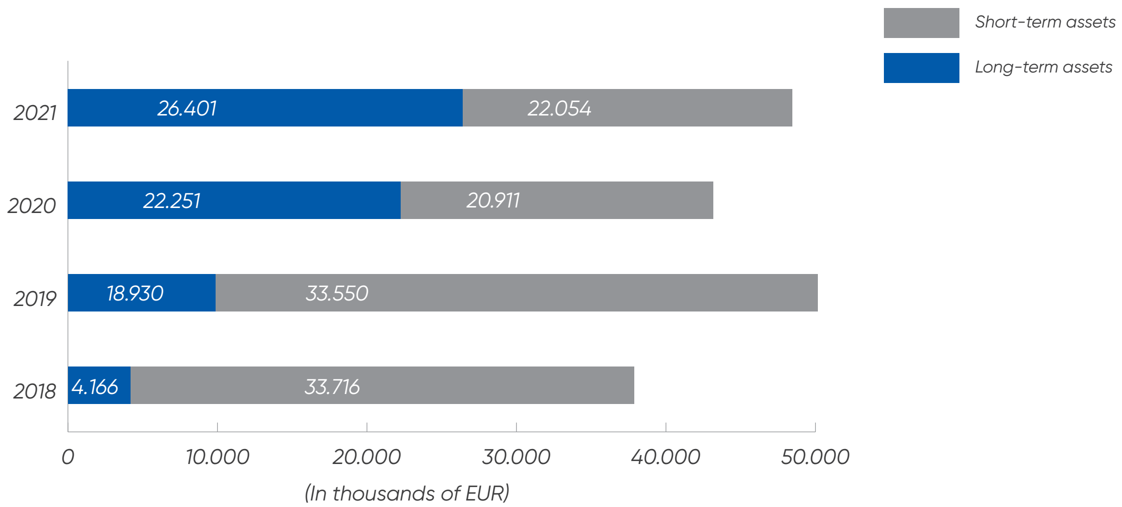


Big Bang's operating profit or loss was positive in 2021, namely, EUR 2,175 thousand. With respect to the previous year, it was higher by EUR 2 million, which is mainly the result of increase in sale (shorter period of stores' closure due to COVID-19). for the same reasons, operating profit or loss, increased for amortisation (EBITDA), increased by EUR 2.6 million. In 2021, the company generated a net profit (after tax) of EUR 1,502 thousand.

in thousands of EUR

Item	2018	2019	2020	2021
Operating profit or loss	3.066	3.197	110	2.175
Net profit or loss	2.625	2.432	-394	1.502

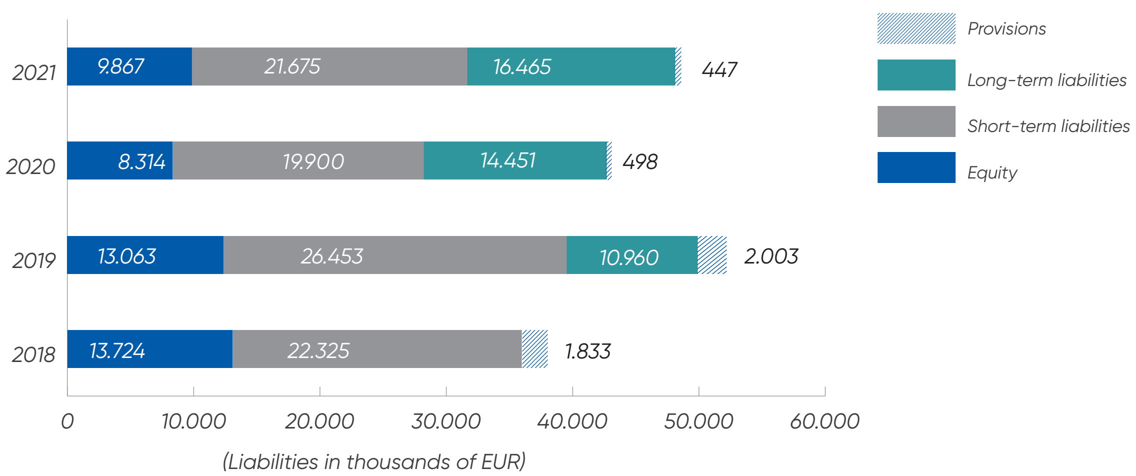
ASSETS



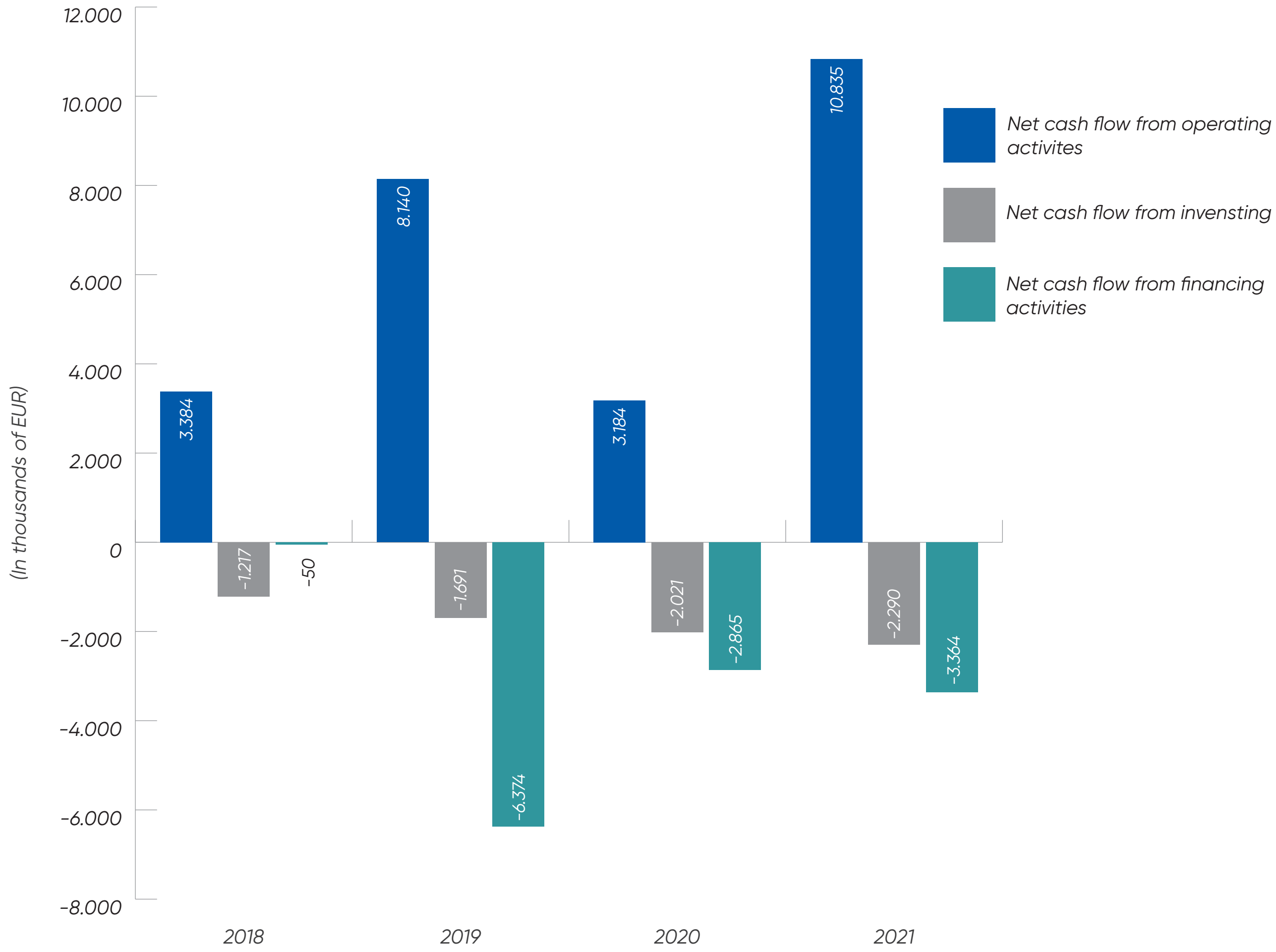
At the end of 2021, the company's assets totalled EUR 48.45 million, which is EUR 5.3 million more than at the end of 2020. This results in particular from the increase in tangible fixed assets and cash.

EQUITY AND LIABILITIES

Compared to 2020, Big Bang's equity increased by EUR 1.5 million, which results from the net profit for the financial year. Short-term liabilities were up by 9% compared to 2020. Long-term liabilities were largely associated with the use of IFRS 16 and increased in 2021 due to an extension of leasing agreements.



CHANGES IN CASH FLOW



PLANS FOR THE FUTURE

Big Bang enhanced its strategy in 2021 and put an even greater emphasis on the best user experience. Therefore, in 2022, we will continue to make changes that will help us blur the lines between the physical store experience and online shopping. We prepared the ground for this by introducing an order management system, which will be extended in the first months of 2022 to all purchases in physical stores where the customer does not collect all the purchased goods (either because of the home delivery or because goods need to be specifically ordered). This will make order tracking the same for online purchases and purchases in a physical store. When purchasing in a physical store, the customer will be able to access his/her order via a QR code on the invoice.

We will continue to gradually implement the sales assistant app in our retail establishments. This will allow sales assistants to advise customers and prepare orders by using their phones or tablets. The sales assistant app also supports one-click insurance and fast credit underwriting. The aim of introducing the sales assistant app is to make sales assistants as customer-focused as possible, while the back office and technology ensure that order fulfilment is fast and efficient.

In 2022, we will continue to concentrate on expanding our sales shelves. We will upgrade the shelves in physical stores, which are limited in space, with a virtual shelf, and thus offer a wider range of products and some new categories, both in physical stores and online. Our offer will be expanded in the context of an online marketplace – we will upgrade our online store to allow other sellers to also sell on the Big Bang online platform. This will significantly increase the range of products available to customers, while at the same time open some new product categories.

The new Big Bang Mega BTC has become a model for what we want to do in other physical stores in order to make a visit to Big Bang a real experience. Therefore, in 2022 we will progressively refurbish and transform our retail establishments and add "stores within a store" for the most striking brands that attract shoppers with new technologies.

As we want to offer our customers the best user experience, in 2022 we will further expand the number of experience measurement points. At the same time, we will continue to develop the Big Bang Club – the members will be provided with more advanced services and more convenient management of devices throughout the device lifecycle. The basis for this is the new system for linking data about customers, which will be launched in the first months of 2022. Moreover, we will pay particular attention to our user communities. Namely, we will add new communities to the Game Gang community in order to support the enthusiasm for technology and a healthy lifestyle.

In 2022, we will continue to place a great emphasis on the development of Big Bang that is underpinned by employee empowerment, as we believe that it represents the cornerstone of a good user experience. in addition to that, we will further develop our HR processes and introduce modern and widely accessible education. A lot of attention will also be paid to monitoring development, performance, well-being and rewarding excellence.

The future will be of hybrid nature: it is not a question whether to sell online or in physical stores – the question is how to best combine both experiences into a single one. The best one.

MANAGEMENT OF POTENTIAL

Employee potential in the changed conditions

Development of employee potential is the cornerstone of Big Bang's strategy for the period from 2021 to 2025. Accordingly, in 2021 the company already carried out a number of activities aimed at adapting to the new way of working and empowering, developing and connecting the employees. The COVID-19 epidemic also marked the employee potential management in 2021. The rapid responsiveness with the pre-prepared scenarios, work reorganisation and temporary redeployments of employees to those positions where the company perceived bottlenecks due to the changed conditions, the organisation of testing and the effective management of administration helped to adapt better to the unpredictable circumstances.

Internal communication is of crucial importance for Big Bang. The employees were thus introduced to Bine the Robot, a virtual colleague that keeps all employees up to date with all the important news and updates. The company completely renewed its internal newsletter, Big Bang Svet, which informs and connects the employees with contents on a weekly basis. The upgrade of communication and support to the employees is enabled by a renewed intranet platform, where the employees can easily find all valid documents, education and other important content for collective growth and the necessary support for the implementation of the Better Big Bang 2021-2025 strategy.

Education has been upgraded in the context of the Big Bang School, which has a new look and brand-new content. Education and sales network growth remain our main priorities. In addition to the centrally managed education and trainings, we have authorised additional three in-house coaches who regularly ensure that the knowledge of our sales teams is at an exceptionally high level at all times. In the Big Bang School, we have also launched a pilot project of developing the successors. Moreover, the Big Bang School has also started developing other employees, and thus laid the foundations for the future.

In 2021, the company continued to redesign the HR processes and digitalisation. As such, the rules upon the completion of work and handover process were implemented, as well as the process of induction of a new employee. In addition to that, the company introduced a Refer a Friend programme, redesigned the input questionnaire and instructions for recording absences and formalised the stand-by duty and work during stand-by arrangements.

Big Bang rewards excellence! In 2021, the company included all its employees in the excellence rewarding system. The system is tailored to the functions carried out by employees:

1. Sales,
2. Sales support, and
3. Overhead services.

But the new reality also requires us to adapt to a new way of working that will continue after the end of the epidemic. Thus, we have formalised working from home and also digitalised the entire process.
We are pleased to have established a really good and genuine relationship with the representative trade union. Our cooperation is very constructive. Open dialogue and mutual support are the result of mutual trust that is based on the good work of Big Bang, as well as proof that we put our employees first.

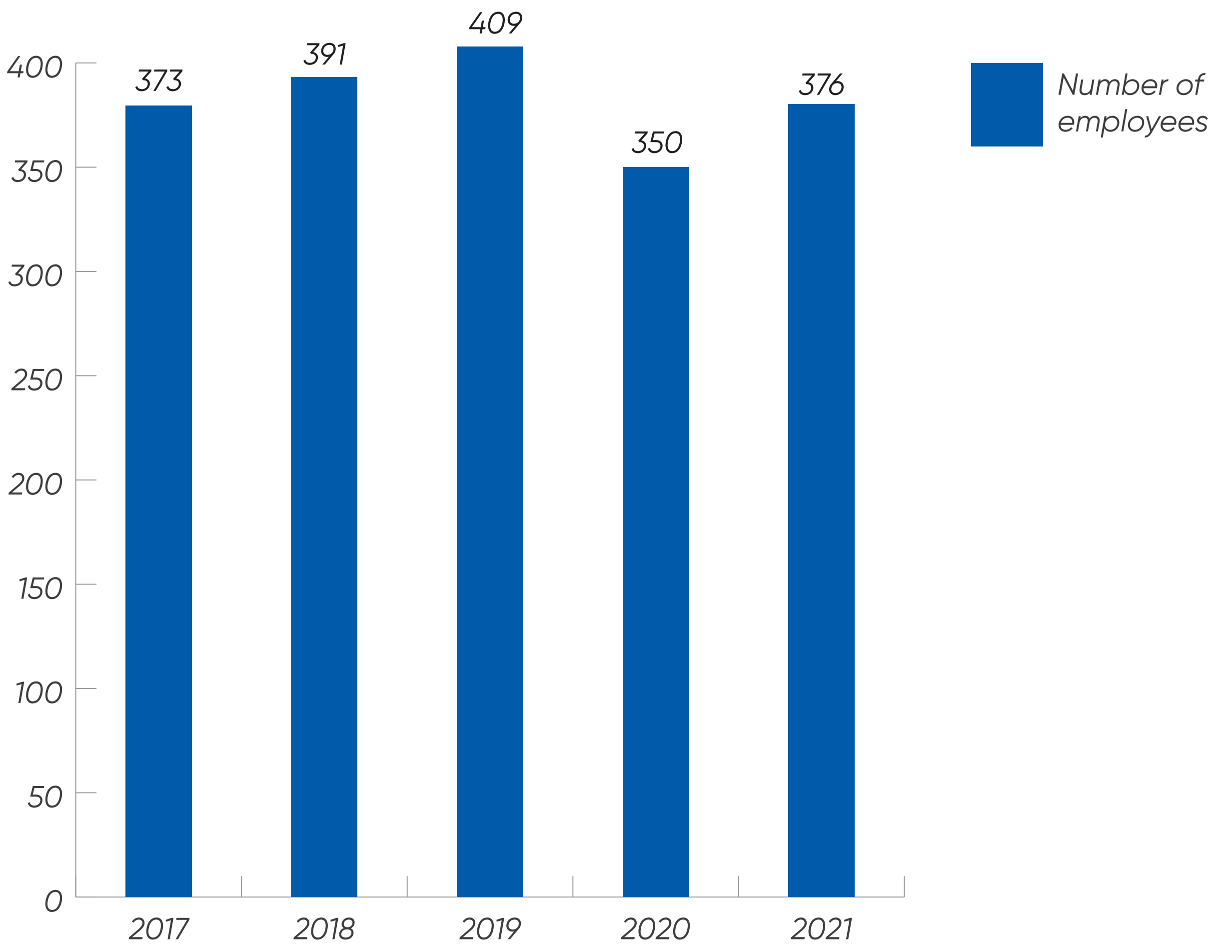
The company's compass is its values. We take great pride in knowing that, together with our employees, we have managed to establish unique values that we firmly believe in and live by.

Big Bang's values:

- Technology is written into our DNA.
- We are an experience for our customers.
- We are here for each other.
- We fulfil our potential.
- We live healthy lives.
- Laughter brings us together.
- We care about the world around us.

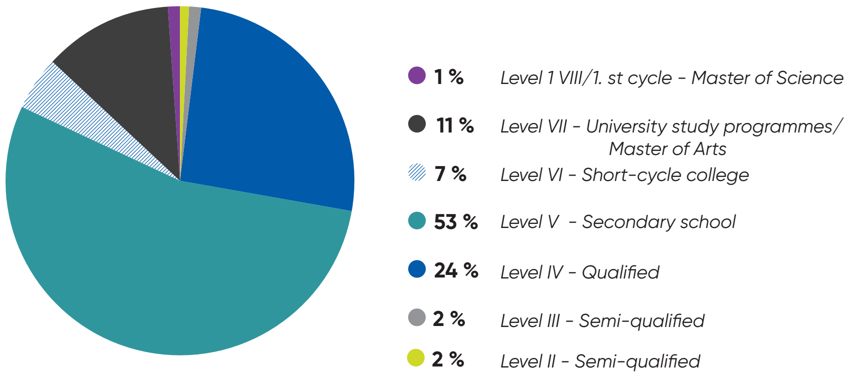
As part of the renewal of our values, we have established an ambassadorship system. We also live by our values in our work.

CHANGES IN THE NUMBER OF EMPLOYEES IN BIG BANG, D.O.O. BETWEEN 2017 AND 2021



*As of 1 October, 2020, the company split-off 13 employees to the newly established company, Big Partner, d.o.o..

EMPLOYEE EDUCATION STRUCTURE AS AT 31 DECEMBER 2021



Percentage of employees

Level of education as at 31 December 2021	Number of employees	Percentage of employees
Level II	8	2,1
Level III – Semi-qualified	8	2,1
Level IV – Qualified	90	23,9
Level V – Secondary school	200	53,2
Level VI – Short-cycle college	27	7,2
Level VII – University study programmes/ Master of Arts	42	11,2
Level VIII, 1st cycle – Master of Science	1	0,3
TOTAL	376	100

Big Bang promotes diversity

Big Bang strives to maintain and encourage a fine balance between the number of male and female employees. In 2021, women accounted for 44% and men accounted for 56 % of employees, meaning the proportion has remained similar compared to previous years. It is important for us to appreciate the knowledge of our experienced employees and to take care of the introduction and development of our younger employees.

STRUCTURE BY GENDER AND AGE AS AT 31 DECEMBER 2021

Age	Number	Percentage	Men	Women
UP TO 20	5	1 %	2	2
FROM 21 TO 30	112	30 %	75	38
FROM 31 TO 40	105	28 %	70	35
FROM 41 TO 50	104	28 %	55	49
FROM 51 TO 60	45	12 %	18	27
FROM 61 UP	5	1 %	3	2
TOTAL	376	100 %	223	153

RISK MANAGEMENT

Risk management is a proactive systemic approach aimed at anticipating and perceiving negative trends and occurrences (risks) and positive trends and occurrences (opportunities) in a timely manner for effective action and exploitation of all possibilities in favour of the company. Effective risk management creates the basis for safe and profitable operations, and represents one of the most important factors of business performance. Management of various risks requires different approaches. We manage risks through sectoral services. With the timely detection of risks, we want to increase the achievement of set goals, identify deviations in a timely manner, and adopt corrective measures, and thus reduce the potential impact of negative events and better manage the resources available to the company to achieve the goals. All key functions are committed to the transfer of knowledge and good practices in the company.

The risk management system includes all areas, but emphasis is given to those that materially affect the business and the set business goals. Also very important is the concern for the appropriate culture of the company, especially in knowledge, cooperation, and open communication about risks, whereby the company's management and business compliance service play a key role.

Epidemic risk

In 2021 the COVID-19 epidemic, which broke out in December 2019 in China, and later swept across the globe, continued. During the SARS-CoV-2 virus pandemic, Slovenia introduced a number of measures aimed at preventing the spread of the disease. One of the consequences of the measures was re-closure of stores immediately at the beginning of 2021 for more than six weeks. During this period sales were significantly lower than they would otherwise have been. This negatively impacted the business results.

For Big Bang this meant that it was once again confronted with a risk to the company's operations, i.e., the risk of business interruption. Due to the epidemic, we faced the risk of shortages of all resources (employees, merchandise, open retail outlets, inability of outside providers' operations), all the while having to keep all major processes running. The risk was expressed in a number of areas: human health, stocks of goods, financial resources, delayed payments by external stakeholders, interruptions of certain parts of the business, etc. For many companies, including Big Bang, this was a very serious test of how well they had prepared for the crisis. It turned out that the usual risk management measures and consequent successful operation were not sufficient in such times of economic instability. Business partners and customers were performing business differently, the sales were restricted, the state was directing public and private life, and additional difficulties originated from uncertainties in all areas. The most obvious consequence of the combination of unfavourable factors is the loss of revenue while maintaining the existing personnel costs, inventories and remaining current operating expenditures.

At the time of declaring a state of epidemic in 2020, Big Bang started running the company according to the principles of crisis management, all the while continuously adapting to the situation in order to mitigate business risks, and we continued to do so in 2021 as well. We respect the government decrees and recommendations of the National Institute of Public Health (NIPH) in order to reduce the transmission of infections and ensure safe and uninterrupted work processes of the company. In accordance with the instructions provided to us, we also ensured a safe shopping environment for the shoppers who opted for the in-store shopping. The employees were regularly informed and updated on new developments related to the measures, and we also maintained regular communication and provided support and protection. The risk of new infections among the employees was reduced by introducing work from home. We also redeployed the staff according to the work processes' needs (increase in online sales) and ensured all other measures for the safe operation of the business. Moreover, Big Bang continuously managed the availability and stock of goods, liquidity facilities, relations with business partners and the digitalisation of business processes, in such a way that it adjusted its business strategy to the new situation and organised work teams that safely managed this at an operational level.

Based on the experience gathered during the crisis management of Big Bang as a result of the COVID-19 epidemic, we will work to overhaul important work processes and prepare refreshed information to improve the response and minimise the negative impacts of any similar events in the future.

Business risk

STRATEGIC RISK

Strategic risks are risks of loss due to inadequate strategic decisions, the inconsistent implementation of strategic decisions, and the insufficient responsiveness to changes in the business environment (including legal and regulatory risk). Strategic risks are properly managed with the established organisation and processes that enable the company to have real-time and important information necessary for the adoption of business decisions. In 2019 the company's new strategy was adopted, which was "sharpened" in 2021 into the Better Big Bang strategy for the period 2021 to 2025. In the framework of the latter, the strategic indicators which enable the company's management to gain an appropriate and continuous overview of the implementation of the set strategic orientations and goals were also updated.

OPERATIONAL RISK

The company manages operational risks through defined work processes and both internal and external controls, the purpose of which is to reduce the probability of losses from operational risk. The company's internal measures and rules thus include the appropriate definition of work processes, an appropriate personnel policy, separation of important functions in the company, control over the flow of information within the company, establishment of internal controls, and other relevant acts and rules governing the company's operations. In a rapidly changing environment, Big Bang needs to effectively manage changes and implement improvements. We make every effort to make real process improvements through a more structured and consistent approach to the entire organisation, namely, by defining key strategic measures and processes that need to be upgraded, adopted or changed, by identifying key process owners, by managing human resources in raising expertise/competencies and the number of employees needed for it, and by eliminating activities bringing no added value.

PURCHASING RISK

Risk of changes in purchase prices: Changes in purchase prices represent a strategic, business, and financial risk to the company. On the one hand, there is a risk that the prices of certain stocked goods may decrease on the market. The resulting adaptation to changed market conditions incurs stock revaluation costs. Moreover, if a supplier increases a certain price, this may lead to a problem of non-competitiveness and consequently a drop in sales. The instrument for the reduction of risk associated with the movement of prices is the purchase contract, which determines the procedures for price changes. Another important instrument for the management of such risk is stock regulation, given the level of risk for an individual type or groups of goods. The movement of purchase prices poses a high risk to a trading company, however, Big Bang's exposure to this risk is moderate. Higher volatility of prices is expected in 2022, which is why we will pay particular attention to the management of this risk.
Risk of obsolete inventories: Obsolete inventories (non-sellable or poorly sellable goods, goods with expired shelf life, etc.) cause longer tying up of financial resources and require sales at discounted sale prices, as well as write-offs, which affect the company's profit and loss. This type of risk is managed by constant monitoring of such inventories in accordance with defined criteria and by taking prompt measures, whereby we include our suppliers in the solutions with regard to the obsolete inventories. The instruments for the management of such a risk are the purchase contract and effective management of the goods' sales cycle. While obsolete inventories can have a serious impact on the operations of the company, they do not represent a high risk to Big Bang, as the percentage of obsolete inventories is very low, and we have an impairment formed for them. Due to regular monitoring and the implementation of suitable activities, the likelihood of a significant increase in obsolete inventories is low.

Untimely delivery risk: Is a risk that a supplier may fail to deliver goods within the agreed time period, which poses a risk for special offers and seasonal products in particular. A consequence of untimely delivery in this context is failure to reach the planned effect of the special offer and a loss of the company's goodwill. Untimely delivery of products also incurs an opportunity cost, as it may result in a low stock level of goods and thereby a loss of sales opportunities. The instrument for management of this type of risk is the purchase contract, where contractual penalties are determined separately for the untimely delivery of special offer products and for untimely deliveries of products that are not in the special offer. Due to global issues in production and logistics chains, the risk of untimely delivery increased slightly in 2021; a similar situation is also expected in 2022. Otherwise, untimely deliveries represent a moderate risk, which slightly decreases with stock optimisation. The likelihood of occurrence is moderate.

Risk due to the non-compliance of goods or supporting documents with legal requirements: At Big Bang we trade in a wide range of products, which must meet numerous legal requirements. There is a risk that a certain product may not entirely comply with these, thus resulting in consequences such as the prohibition of sale demanded by supervisory bodies, costs of procedures, and high financial penalties, which have a direct negative impact on profit and loss. To limit this type of risk, we follow the current legislation and keep our employees at the sales department informed of it. The impact on operations is moderate and the probability of occurrence is low.

Logistics risk: At Big Bang, the logistics activity represents risks in the management of resources and costs. The goal of logistics activities is to ensure the constant and timely delivery of goods and their storage with as little deviation as possible in the volume of stock or delivery times. In doing so, we are mainly dependent on our external partners, which is especially true for deliveries from abroad. The risks arising from it include uncoordinated large arrivals of goods, congestion of storage facilities, delays in deliveries to the central warehouse and a sub-optimal movement of goods. In order to have these risks limited, logistics actively cooperates with the purchasing department, commercial establishments and external partners, and constantly improves logistics processes. Logistics risks are assessed as moderate, while the likelihood of the occurrence of a major negative event is low. In 2022 we expect slightly increased variations in inventories, particularly due to optimisation on items subject to price changes or lower availability. Because of that, we will include additional logistical capacity where needed.

INFORMATION RISK

The information infrastructure is becoming increasingly important for the operation of the company. The risk of systems not being adequately set up, not functioning correctly, not being properly secured, being vulnerable to downtime and errors in collecting or processing data, or not adjusting to changes in the external and internal environments, as well as to the needs of its users, are critical to us, which is why we put a strong emphasis on this area. We reduced the risks in the infrastructure part by renting the server infrastructure in the form of a hybrid cloud, whereby we are provided with a maintained and protected server environment in accordance with the contracts on the level of service provision. Our IT-architecture is gradually being transformed into a micro-service architecture, with each service independently protected in terms of safety. In this way, we reduce security risks, while at the same time the interdependence of the individual information system parts enables for faster and easier changes. We assess information risks as moderate, as well as the likelihood of an incident.

HEALTH RISK AND SAFETY AT WORK

V The company takes a comprehensive approach to ensure safe and healthy working conditions and recognise, decrease, and manage the risks originating from work tasks and the work environment. We maintain such an attitude with the introduction of the envisaged standards of health and safety at work and compliance with laws. All jobs are assessed with the Safety Statement and Risk Assessment document, which anticipates and describes the possible hazards and harmful effects which may affect the health of employees, as well as foresees the measures for their mitigation. This is a process where we perform regular audits of assessments and change the related measures as needed. The process also directly includes employees. In carrying out the audits of health risk assessments we cooperate with occupational medicine professionals, which is especially important in order to manage the risks. In 2020, due to the COVID-19 epidemic, the Safety Statement and Risk Assessment document, along with the Health Risk Assessment document, were revised and adapted in order to lower the risk of transmission or to prevent SARS-CoV-2 virus infections. Based on the audited risk assessments, the company carried out planned activities for the protection of health and safety of employees, customers, and other external visitors. Moreover, we also prepared instructions for all employees on safety behaviour and procedures for action in exceptional and other security-based events related to the SARS-CoV-2 virus. The company also provides its employees with psychosocial assistance, as the current SARS-CoV-2 virus situation has had a strong impact on the psychosocial conditions of our employees.

In accordance with the risk assessment, we regularly refer our employees for periodic medical examinations, and each new employee undergoes a legally prescribed medical examination. We pay special attention to preventive actions and the elimination of potential hazards. Employees may report any dangerous occurrence or accident at work. All reported incidents at the company are researched, and appropriate actions are taken.
With regard to fire protection, we carry out preventive measures, monitor fire safety conditions in accordance with legal requirements, and take care for the regular training and education of employees and the constant improvement of fire safety at all business locations. The company's external contractor that is authorised to carry out fire safety also performs regular inspections of premises and work equipment.

HUMAN RESOURCES RISK

This type of risk represents a lack of adequate and specialist staff, and the health, satisfaction and engagement of existing staff. Measures to manage HR risks include the development of a reward system which encourages the outstanding individuals and their achievements, the development and education of motivated individuals, and the regular monitoring and planning of careers of key employees. We regularly monitor the education and development of employees, while at the same time we increase their responsibility at work and encourage them to take on new assignments and reallocations to new job positions. In particular, by applying soft methods we try to ensure employee motivation and a sense of initiative and belonging to the company. This helps reduce the risk of staff departure. There is also information (non-)flow risk, which is mitigated by introducing measures, such as the development of human resource programmes and other IT programmes, such as working processes' support and mutual business communication. In addition to this, we also regularly monitor how well the employees at all levels are informed through expert, commercial and weekly meetings in the retail stores. In accordance with the above-mentioned activities, we assess HR risks to be moderate and manageable.

LEGAL RISK

The legal safety and compliance of operations at Big Bang are handled by the Legal Affairs and Business Compliance Department, with the additional support of external legal advisors. Together they are involved in all areas of work where collaboration with the Legal Affairs Department is necessary, but in particular they monitor legislation, prepare and review contracts, prepare internal acts, and direct and coordinate or co-operate in the resolution of issues raised that may arise in the operations of the company.

The business compliance function assesses the risks of the company's business compliance with regulations and other internal acts of the company and, thus, informs the company's management. In addition to that, it also assesses the possible effects of legislative and other changes in the legal environment with regards to the company's operations, advises on their compliance, and monitors the adequacy and efficiency of measures aimed at the harmonisation of operations with the perceived changes. The essential function of business compliance is also to assist sectoral services in detecting business risks and possible violations of regulations, as well as to establish internal controls necessary in order to prevent violations and reduce risks. The compliance function plays an important role in striving for the fair and transparent behaviour of the company's employees.

We estimate the level of legal risks during the time of the epidemic to be significantly increased, specifically in the entire economic area. Companies, including ours, were suddenly forced to adjust their operations in accordance with the related rules and the regulatory measures adopted by the state, with different and often inconsistent or delayed interpretations of the competent national authorities. Our company was especially exposed to such a legal risk, as we had to consider intervention measures to help mitigate the effects of COVID-19 on the economy. It was necessary to act in accordance with the legislation and regulations that were new in our legal area. Legal risks were also higher due to the tighter control of the competent national bodies and stricter sanctions in the event of non-compliance with the epidemiological regulations. We firmly believe that we operated legally and in accordance with all the country's regulations and measures also in these conditions.

RISK OF FRAUD AND OTHER UNLAWFUL ACTS

The risk of fraud and other unlawful acts includes administrative fraud, illegal acts, scams, frauds committed by employees and third persons, the unauthorised use of various resources, and intentional damage. Management of these risks requires continuous supervision. Some risks are also posed by the possible disposal of assets – fixed assets and merchandise. The experience gathered so far has shown that an important factor in reducing risk represents adequate technical protection of premises and merchandise, both during and outside of the operation of commercial establishments. As part of the protection of property and merchandise, we have appropriately organised technical security, a surveillance system, and an intervention service. We estimate that the risk of burglary and theft is relatively high, but the likelihood of its occurrence is moderate, especially in terms of the amount of potential loss or damage. Due to the nature of its activities, Big Bang is exposed to higher risk of fraud and disposal of assets, which is why we reduce it with insurance instruments, regular and extraordinary inventory of goods, internal controls, and external performance audits. Big Bang has a zero-tolerance policy when it comes to such actions.

In 2021, we began preparing the customer acceptance verification policy or the so-called "know your customer protocol" (hereinafter referred as the "policy"), which defines the basis on which Big Bang enters into business relations with new and existing customers. The policy introduces the guidelines or certain provisions of the Law on the Prevention of Money Laundering and Terrorist Financing (Official Gazette of the Republic of Slovenia No. 68/16, as amended) and the Companies Act (Official Gazette of the Republic of Slovenia No. 65/09, as amended). The policy will formally enter into force in 2022. By formulating the policy, the company has defined and set out the measures it will take to manage the risks of fraud and reputation. The policy establishes general guidelines and criteria for the acceptance of customers, defines procedures for verifying the identity of customers and carrying out examination of customers, and sets restrictions the company must observe in its business in order to minimise the risk of fraud and reputation.

REPUTATIONAL RISK

Reputational risk is the possibility of losing future or current business due to the negative image of the company by its employees, business partners, customers, owners, and other interested members of the public. Reputational risk is understood as the risk of potential damage done to the Big Bang trademark and its reputation, which can have a negative impact on the company's capability to maintain established business relations or to make new ones. The basic element of the reputational risk management system is a good corporate governance system, which is monitored and supported by the company through activities that assess the attitude of employees and external stakeholders on the company. In order to manage reputational risk effectively, it is important to have an effective system of internal flow of information and communication with employees and between them. This helps raise the awareness of employees and provides them with sufficient understanding of the strategy, operations, plans, and the current circumstances. Also important is to maintain harmonised, consistent, and up-to-date information to external stakeholders regarding the company's operations and activities, thus strengthening mutual trust and long-term relations.

The company is exposed to liquidity, credit, and market financial risks (interest rate, currency, and inflation risks). The COVID-19 epidemic has further exacerbated some financial risks, in particular liquidity and credit risk. When having exposure to financial risks in mind, we follow the conditions on global markets. As obtaining and managing financial resources needed for uninterrupted operations and investments might become more demanding, we pay special attention to global events. When managing and controlling financial risks, we follow the adopted financial policy that includes the starting points for efficient and systematic financial risk management.

The goals of the active risk management process are as follows:

- To achieve business stability and reduce exposure to individual risks to an acceptable level;
- To increase market value, competitiveness, and creditw orthiness;
- Greater predictability of cash flows and profit levels;
- Optimisation of tax liabilities and reduction of the effects of exceptional harmful events.

LIQUIDITY RISK

Liquidity risk is the risk that the company will encounter difficulties in raising the funds needed to meet its financial obligations. The company manages the risk with an active liquidity management policy in order to prevent non-coordinated cash inflows and outflows.

This encompasses the following:

- A system of limits determining the minimum cash and high-liquid assets the company must have available at any time,
- Credit risk management policy ensuring the envisaged payment of receivables,
- Real-time planning and monitoring of cash flow, and
- Credit line with banks intended for loan draws with regard to the current needs.

Easier management and the regulation of current liquidity also enables constant flow from retail buyers. We assess that the insolvency risk exposure is constant and low in relation to the aforementioned protection measures and the current situation. Even during the period of the closure of stores due to the Covid-19 epidemic, Big Bang was still able to provide sufficient liquidity through online sales. Liquidity was not jeopardised at any given moment.

CREDIT RISK

Credit risk exposure depends on individual buyers and the economic conditions in the countries of the buyers' origin. At Big Bang, we have developed an active credit risk management policy which includes the ongoing monitoring of outstanding receivables, limitation of exposure to any individual buyer through a system of limits, default interest, insurance of receivables, and a receivables recovery policy. This system covers all buyers. In doing so, we take into account the awareness that an overly strict credit risk management policy could decrease the competitiveness of the company, which would, therefore, result in the loss of a certain number of customers and amount of income.

In order to limit exposure to this risk, we use a credit rating system, which includes the following:

- Insurance of potential future receivables upon signing of the contract and the evaluation of a credit rating of new and existing buyers,
- Determining the volume of the limit granted and its maximum amount for regular buyers given the assessed credit rating, the extent of turnover and previous payment discipline, depending on the amount and quality of insurance,
- Setting the limit for new buyers based on assessed credit rating and insurance,
- A detailed trade receivable recovery procedure (including court recovery).

Big Bang generates the largest part of its sales revenue in the retail segment. In addition to cash payments, other payment instruments (cards, consumer lending) enable us to receive practically the entire revenue from this segment of sales immediately or in a few days following the sales. In other segments, we consistently implement the above-mentioned measures for risk hedging, therefore, the management believes the credit risk exposure is moderate.

OTHER FINANCIAL RISKS

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates or equity instruments, may affect the revenue or the value of financial instruments. The aim of market risk management is to manage and control the exposure to market risks within reasonable limits while simultaneously aiming for profit optimisation.
Interest rate risk is a risk that the value of a financial instrument will fluctuate due to a change in market interest rates. In 2021, Big Bang had the possibility to draw a loan tied to the EURIBOR variable interest rate, thus its operations were exposed to interest rate risk. In 2021, the EURIBOR rates were more or less constant and remained low. Forecasts for 2022 show a trend of gradual growth. In light of the above facts, the management of the company assesses the exposure to interest rate risk to be low.

Currency risk is a risk where the economic benefits of the company may decrease as a result of the changed rate of an individual currency. We assess the company is not exposed to currency risk, as the share of foreign currency transactions in overall operations is negligible.
Inflation risk includes all risks associated with higher level of inflation in an economy. In 2022, gradual growth of inflation is expected. However, despite the expected inflation growth, the management assesses that the exposure to the inflation risk is low.

STATEMENT IN ACCORDANCE WITH ARTICLE 545 OF THE COMPANIES ACT (ZGD-1)

The management of Big Bang, d.o.o. hereby declares that in 2021 there was no action take nor abandoned on the initiative of the controlling undertaking or its associated companies that would represent a deprivation for the company Big Bang, d.o.o.

In Ljubljana, 14 April, 2022

Uroš Mesojedec
Managing Director

Robert Sraka
IT and Digital
Transformation Director

SUSTAINABLE DEVELOPMENT

Responsibility towards employees

The largest contribution to a firm's success in a dynamic environment comes from its employees. Employees at Big Bang help shape a working environment that encourages team spirit, collaboration, engagement, achievements and employee empowerment to foster a culture of involvement, challenge, development and acceptance of changes. We encourage all employees to achieve their full potential and work together in the promotion of the development and growth of the company. Our organisation is aligned with a business strategy and organisational culture that is based on engaged, dynamic, responsible, and highly qualified employees. Core values and competencies are part of all employee activities, as well as the company's processes. Therefore, we strive to ensure that all our activities reflect our responsibility to our employees and the values we stand for. These values guide us in setting goals, achieving results, and cooperating and working with the employees.

We pay special attention to attracting, recognising, and developing talented individuals, and, thus, ensure the success of the company also in the future. In order for the firm to establish itself on the market successfully, and to develop and market new products, highly qualified staff are needed, which is why we are creating a work environment that promotes both professional and personal development of employees. We believe the success of an individual is founded on the desire to achieve excellence in their work and on continuous professional and personal development, and the development of interpersonal relationships.

Due to quality being important to us at every step of the work process, we encourage employees to engage in mutual cooperation, transfer relevant information, and creativity. We create an environment in which the individual's goals and needs are connected with those of the company. This is achieved through demanding and interesting work challenges, ensuring optimal working conditions, enabling the development of skills and competencies, and cooperating in career development.

We offer our employees regular employment in a dynamic team, with incentive structures and the opportunity for professional and personal development. At Big Bang, employees also receive other non-financial benefits, such as direct contact with new technologies and digitalisation trends, the possibility of participating in innovative/development projects, an attractive working space, continuous development in sales and other skills, and a number of other benefits. We provide:

- Work in places of business furnished in a modern style,
- A pleasant working environment,
- Mentorship and ongoing support of colleagues in the department,
- An opportunity for advancement to managerial positions for ambitious colleagues,
- Besides regular payment, additional remuneration in the event when objectives beyond set are achieved,
- Gifts to all employees and their youngest family members at the end of the year,
- Supplementary pension insurance payment for employees,
- Investment in knowledge, as we are convinced it is the key for the progress of the entire company.

We care for the well-being of our employees

At Big Bang, d.o.o. we recognise that occupational health and safety, in addition to its basic purpose, ensures a high level of staff satisfaction. The company, thus, strives continuously to decrease the risk of injuries and health impairments resulting from the implementation of work processes. This is why we are seeking solutions that are healthier and safer for our employees.

All risks are assessed periodically and kept at a level deemed acceptable by implementing security measures. In 2021, we carried out an audit of the Safety Statement with Risk Assessment. Employees are trained periodically in occupational health and fire protection, as well as fighting incipient stage fires. Together with an external contractor, we periodically monitor and inspect workplaces and equipment, carry out ecological work condition inspections and measurements, and perform regular technical inspections of the hydrant network and fire-extinguishing apparatuses in order to lower risks and provide a safe and healthy working environment for our employees.

In 2021, we carried out an inspection of premises and equipment in all places of business and performed periodical occupational health and fire protection training sessions in six retail shops. Moreover, we also carry out periodic and preventive health checks of all employees in the company in accordance with the health-risk assessment.

Collective supplementary pension insurance

At Big Bang, we look after our employees by helping them create a more secure future, therefore we contribute to supplementary pension insurance at two insurance companies, namely Skupna pokojninska družba, d.d. and Prva osebna zavarovalnica, d.d.

The objective of inclusion into the supplementary pension saving is to ensure an adequate supplementary pension in order to fill the pension gap and loss of income following an employee's retirement. The company made this decision due to the benefits such an inclusion has for the employees. Specifically, it provides additional motivation for employees (enabled by the employer), lower employee inclusion costs, subsidy from the state in the case of own contribution, additional benefits offered by the insurance company, and greater financial security before and after retirement (early retirement pension). The inclusion provides certain benefits for the company as well, namely tax relief and a contribution to corporate social responsibility.

Responsibility towards the owner

The basic objective of Big Bang is to achieve profitable operations and generate a positive free cash flow. Responsible behaviour towards the owner is reflected in achieving our operating goals, with suitable transparency of operations and communication with the owner.

Responsibility towards customers

In 2021, we upgraded our consumer-oriented strategy called the "vision of entertainer and caretaker". We have connected everything together in a renewed communication approach that upgrades the Big Bang's UAU position.

As our brand is all about delight through fun and professionalism, we clearly defined the objectives to achieve consistent market effectiveness. The entertainer's strategy encompasses enthusiasm, while the caretaker's strategy means being available to the customer throughout the entire purchasing process, irrespective of whether the purchase takes place in a physical or an online store. Customers who decide to shop in a physical store can use the support of a special adviser in the individual department, and customers making an online purchase can make use of the call centre and e-support via e-mail and social networks. The after-sales service ensures customer satisfaction in cases when additional services are needed after the purchase. Connecting the physical and virtual worlds is made possible by the video counselling service, which we were the first in Slovenia to offer to customers. Given the results of external surveys, consumers recognise our professionalism and excellent recommendations, arguments and support at the time of purchase. Our guiding principle is once again the one that matters most: To provide the utmost satisfaction of the customer's shopping experience.

The company invests a great deal of time and knowledge into the provision of updated and current information with the aim of creating a better user experience, both online and in physical stores. Our physical stores are continuously stocked with new and interesting products for our customers, while in the online shop we ensure user-friendly, simple and transparent purchases. The webpage includes information for customers, the content "landing pages", descriptions and advantages of services, informative and entertaining video content, and information about special prices. We strive to remain the leading provider of product and service information, and in this way persuade the customers about the purchase, and thus strengthen their confidence in the Big Bang brand.

Responsibility towards natural environment

A responsible attitude towards the environment is a key guideline of our company. We strive to be an environmentally friendly company and pursue this objective in all areas of our operations. Therefore, in 2021 we got in touch with the Vozim Institute and together we prepared the "Best Phones and Headsets" campaign. The purpose of the campaign was to raise awareness among young people to avoid using their smartphones and headsets while in traffic, as distraction of drivers can lead to the worst consequences. We are proud that we managed to carry out 28 workshops on road safety in Slovenian secondary schools together with the Vozim Institute. More than 800 students were involved in the workshops.

We make proper arrangements for the disposal of all waste produced by way of our operations. Trade activities produce different types of waste. One of the main types is packaging, but since we are a seller of entertainment electronics and household appliances, we also produce waste electric and electronic equipment. Therefore, we collect and properly dispose of both types of waste.

In accordance with the statutory provisions, we have transferred our obligations to companies formed for the handling of electric and electronic equipment and batteries (Zeos, d.o.o.) and the handling of waste packaging (Dinos, d.o.o.).

The companies ensure for the payment of recycling and re-use of our waste. Therefore, proper waste management represents a cost to us, but most of all it has a positive effect on the environment, which is a natural asset and must be properly protected.

Both types of waste are collected separately. At most of our stores we collect packaging within the premises of shopping centres, while in two stores and in our central warehouse we have our own containers and separate waste disposal system. We also temporarily store the collected electric and electronic equipment at our waste collection points. For the Ljubljana region, we have a temporary collection point at the

BTC Eco-Island, in the Maribor region such waste is temporarily stored by Europark, while our business unit in Celje also has a specific premise intended for the temporary storage of such waste. Other small stores deliver waste electric and electronic equipment to contractual waste collection points.

At Big Bang, the collection of waste electric and electronic equipment is carried out in a way that is environmentally friendly and convenient for customers. We have containers for the separate collection of batteries, light bulbs, and small electric devices at all our stores, where every customer can dispose of their devices when no longer useful, regardless of where the items were purchased. Large devices (home appliances), however, can only be collected by us if a new appliance is purchased first. On the demand of a customer, we can also take away old devices and appliances when we deliver the new ones.

In 2021, we collected and handed to over contractual waste disposal centres the following amounts of waste electric and electronic equipment:

Light bulbs	140
Large household appliances	147.023
Refrigerators and freezers	76.459
TV screens	3.886
Small household appliances	1.761
Batteries	491
Total in kg	230.194

CORPORATE GOVERNANCE STATEMENT OF BIG BANG, D.O.O.

Pursuant to Article 70 Paragraph 5 of the Companies Act (Official Gazette of the Republic of Slovenia, No. 65/09 – officially consolidated text 33/11, 91/11, 100/11 – Order of the Constitutional Court, 32/12, 57/12, 44/13 – Decree of the Constitutional Court, 82/13, 55/15, 15/17, 22/19 – Trade Secrets Act (Slovene: ZPosS), 158/20 – Integrity and Prevention of Corruption Act (Slovene: ZIntPK-C), 175/20 – Act on Intervention Measures to Mitigate the Consequences of the Second Wave of the COVID-19 Epidemic (Slovene: ZIUOPDVE), 18/21; hereinafter referred to as the "ZGD-1"), Big Partner, d.o.o. (hereinafter referred to as the "Company"), hereby makes the following Corporate Governance Statement as part of its Business Report:

1. Referring to the Corporate Governance Code

The company's management declares that the management of the company in 2021 was carried out in accordance with laws and other regulations, Big Bang's Articles of Association, the company's internal acts, and good business practice. The company does not have its own code, and in 2021, with regard to this the management did not decide to follow the publicly accessible referential governance code.

Namely, in 2021, Big Bang, d.o.o. was completely marked by the COVID-19 epidemic, as we, as a trading company, operated in accordance with the state measures aimed at curbing the spread of the COVID-19 virus for the entire year. Accordingly, the COVID-19 situation affected several areas of the company's operations, which is why we adjusted the company's strategy, internal rules, operational policies and processes, and employment and contractual relationships with business partners in accordance with the guidance from our business partners. We were also forced to look for new ways of working from home, deal with employees and focus on their protection, as well as adapt the workplaces, and manage legal and other business and financial risks. In addition to that, we had to pay more attention to managing the company's compliance with the state regulations and measures, promoting digital business content, and creating an organisational culture according to the epidemiological situation. In 2021, we also took care to further manage the negative effects of the epidemiological situation on the company's operations.

In financial year 2021, management of the company remained difficult in the light of the recommendations and guidelines of the recommended corporate governance codes.

2. Main features of the internal control system and risk management in the company associated with the financial reporting process

- In accordance with the provisions of the Companies Act (ZGD-1), Articles of Association, the company's internal acts, and legislative provisions, the company establishes and maintains an appropriate internal control system and risk management with effective procedures for identifying, assessing, managing, and monitoring risks. The internal control system is defined as the composition of accounting and other controls, including the organisational structure, methods and procedures established by the company's management as part of their objectives in order to assist them in the economic, effective, and successful implementation of activities.
- Internal controls play an important role in the discovery and prevention of fraud, corrupt actions, asset protection, and the company's reputation. Their purpose is to ensure the efficiency and effectiveness of operations, correctness, completeness and reality of financial reporting, and compliance with applicable laws and other external and internal regulations, which we seek to achieve primarily by providing and implementing the following measures and internal controls:
- Formulating clear and uniform accounting policies and their consistent use,
- Control over the regularity of accountancy data, which includes the verification of monthly adjustments of turnover, the harmonisation of items with business partners, and control over the conduct of annual inventory and asset balances,
- Protection of assets against theft, losses and inefficient use,
- Control of access restrictions – the accounting and business information system provides adequate restrictions of access to data and control over discrepancies,
- Recognition and analysis of discrepancies from planned events and the implementation of activities for their elimination,

- Checking the correctness of accountancy data within the reporting function or analysing and studying deviations from planned or previous turnovers and balances (regular monthly and occasional periodic reports on the company's operations),
- In all important respects, the internal control system provides adequate guarantees for achieving objectives with regard to the compliance of operations with laws, regulations, the company's adopted internal acts and other instructions, successful operations, the protection of assets against loss due to negligence, abusive practices, bad management, mistakes, fraud, and other irregularities in order to maintain reliable accounting and other data and the correctness of data presentation in financial reports,
- Risks related to financial statements are managed by directing and controlling the implementation of activities within the company's accounting function, and by performing audits of the financial statements, carried out by accredited auditors. We assess that the implementation of individual internal controls was effective despite the epidemiological conditions, and that they were carried out regularly, as the company's accounting department, which, due to protection against infection with COVID-19, worked alternately in the office and from home, and was well-organised. On the other hand, the managerial staff was always present at the company's headquarters.

3. Information on the composition and operations of the management or supervisory boards and their key competences and the manner of their enforcement

The management or supervisory bodies of the company include the partner, the manager and the advisory committee. The management of Big Bang, d.o.o. is comprised of the Executive Director and the IT and Operations Support Director.

The Executive Director manages the company's operations and independently represents it in accordance with the law, Articles of Association, general acts of the company, general acts of the partner, directly applicable in the partner's companies, employment contract and the general and specific instructions and powers of the partner under the administration and management of the company. The Executive Director may grant another person written authorisation to conclude certain types of contracts and certain types of legal transactions (general authorisation), or for concluding an individually specified contracts, as well as other specific legal tasks (special authorisation), by which they are not able to transfer more rights and obligations than they themselves hold under the law or the Articles of Association.

The partner decides autonomously on the:

- Adoption of general company acts, which are the responsibility of the partner, and of its amendments and supplements,
- Adoption of amendments to the company's Articles of Association,
- Status amendments and changes in the company form,
- Adoption of the annual balance sheet and the profit or loss statement, as well as the distribution of profit,
- Appointment and removal of directors,
- Appointment and removal of the advisory committee members,
- Appointment of a procuration holder,
- Appointment of the company's revisor,
- Enforcement of the company's claims against a director,
- Representation of the company in judicial procedures against a director and in business transactions between the company and a director,
- Changes in the nominal capital and dismemberment and termination of the business shares,
- Entering into employment contracts with a director,
- Winding-up the company,
- Other matters that the law stipulates must be decided on at the general meeting.

The company has an advisory committee, which consists of the partner's representatives. In accordance with the provisions of the Companies Act (ZGD-1), the advisory committee is not a supervisory board of the company, but rather a specialised body of the company, established by the partner in accordance with the Articles of Association, predominately for advisory purposes and to execute the tasks of the partner. The provisions of laws with regard to the supervisory board are not used for the advisory committee unless otherwise explicitly defined in the Articles of Association. The existence of the advisory committee is the partner's right and not duty, meaning if the partner does not appoint the advisory committee, the company's operations will not be affected by it.

The advisory committee is comprised of four members. The members of the advisory committee are appointed and removed by the partner upon the proposal of the partner's partners. Any member of the partner holding at least 40-percent of the partner's equity interest may put forward a proposal for the appointment of half of the members of the advisory committee. A partner's partner having over 60-percent of the partner's equity interest has the right to request the appointment of three-fourths of the members of the advisory committee. The advisory committee members then appoint a chairman to the advisory committee from amongst the members appointed on the proposal of the majority partner.

The advisory committee's competence and decision-making method is laid down in the Rules of Procedure of the advisory committee adopted by the partner. In the Rules of Procedure of the advisory committee, the partner may determine the business transactions for which management is required to ask for the prior consent of the partner.

The advisory committee is composed of four members, namely, Dejan Rajbar, Robert Močnik, Tilen Klarič and Aleš Škerlak, the Chairman of the advisory committee.

In 2021, the company was managed and represented autonomously by the company's Director, Uroš Mesojedec. In addition to that, the company is also represented by Robert Sraka, but alongside the company's Director, Uroš Mesojedec.

4. Diversity policy

The company has no formally adopted diversity policy that would be implemented in relation to representation in the company's management or supervisory bodies with regard to the aspects, such as gender, age, or education. Notwithstanding the foregoing, the company follows the principle of diversity when defining the structure of managerial staff or the company's supervisory body, which means that it does not discriminate in the selection of managerial staff, respects diversity and provides equal opportunities to all, regardless of nationality, race, gender, age, religion, belief, financial status, and other personal characteristics.

Candidates wishing to have the possibility of running for a managerial function in the company have to have/be:

- A different type and level of education obtained under current educational programmes,
- A varied professional profile i.e., work experience and skills from different areas of expertise needed for in-depth understanding of the company's activities and the risks the company is exposed to,
- Representatives of both genders and different age groups, nationalities, race, religion, beliefs, financial status, etc.,
- Free of any conflict of interests under the provisions of the Companies Act (ZGD-1).

When selecting the best-qualified candidate for work in a managerial or supervisory function, the following will be assessed in particular: the level and nature of the candidate's knowledge, skills, and experience, reputation, openness and honesty (ethical integrity), the candidate's ability to constructively exchange views, proposals, and professional approaches in formulating the company's business objectives and objectives related to risk assumption and management or in monitoring the achievement of these objectives, the candidate's ability to make the right decisions, supported by arguments, despite differing views and experience, and to express independent opinions, functional complementarity of knowledge, skills, and experience (complementarity) that help maintain the body's adequate level of expertise, and a sufficient amount of time that the candidate must devote to the performance of the function.

In 2022, the company will strive for the formal adoption of a diversity policy that will promote a diverse composition of the managerial and supervisory staff in order to effectively manage the company, achieve greater efficiency of the management bodies, supervision and greater business reputation.

In Ljubljana, 15 April, 2022,

Uroš Mesojedec
Managing Director of
Big Bang, d.o.o.

Robert Sraka
IT and Digital
Transformation Director

FINANCIAL REPORT

STATEMENT OF THE MANAGEMENT

The management hereby confirms the financial statements of Big Bang, d.o.o., for the year ended 31 December 2021.

The management confirms that appropriate accounting policies were consistently applied in drawing up the financial statements, that the accounting estimates were made following the principle of prudence and good management, and that the Annual Report gives a true and fair view of the company's financial position and its operations in 2021.

The management is also responsible for maintaining proper accounting, the adoption of suitable measures to secure property and other assets, and confirms that the accounting statements, together with explanations, are in accordance with the applicable legislation and the IFRS adopted by the EU.

The management is responsible for measures aimed at the prevention and discovery of fraud and irregularities, and for maintaining the value of assets of the company, Big Bang, d.o.o.

The management is familiar with the content of the integral parts of the Annual Report and, thus, also with the entire Annual Report of Big Bang, d.o.o. for 2021. The management agrees with it and confirms it with its signature.

Ljubljana, 15 April, 2022

Uroš Mesojedec
Managing Director

Robert Sraka
IT and Digital Transformation Director

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

in thousands of EUR

Item	Note	31.12.2021	31.12.2020
TOTAL ASSETS		48.635	43.163
Long-term assets		**26.401**	**22.251**
Intangible assets	5.1	1.612	1.224
Tangible fixed assets	5.2	22.973	20.387
Investment property	5.3	320	320
Long-term financial investments in affiliated companies	5.4	0	0
Long-term loans	5.5	1.200	0
Deferred tax assets	5.6	295	321
Short-term assets		**22.234**	**20.911**
Inventories	5.7	12.732	11.905
Short-term loans	5.8	100	1.200
Current tax assets	5.11	2	296
Short-term operating receivables	5.9	3.289	6.579
Cash assets	5.10	6.112	931
TOTAL LIABILITIES		48.635	43.163
Equity	**5.12**	**9.867**	**8.314**
Nominal capital		4.204	4.204
Capital surplus		421	421
Profit reserves		420	420
Retained earnings		3.315	3.715
Net profit or loss for the period		1.502	-394
Reserves, arising from the valuation at fair value		5	-53
Other reserves		0	0
Liabilities		**38.768**	**34.849**
Provisions and long-term accrued and deferred liability items		**447**	**498**
Provisions	5.13	447	498
Long-term liabilities		**16.465**	**14.451**
Long-term financial liabilities	5.14	16.465	14.451
Short-term liabilities		**21.855**	**19.900**
Short-term financial liabilities	5.14	3.079	3.267
Short-term operating liabilities	5.15	18.523	16.633
Current tax liabilities	5.16	253	0

INCOME STATEMENT

in thousands of EUR

Item	Note	2021	2020
NET SALES REVENUES	**6.1**	**101.975**	**77.927**
Costs of goods sold	6.2	-78.625	-60.272
GROSS PROFIT OR LOSS FROM SALES		**23.350**	**17.655**
Selling costs	6.3	-19.521	-16.669
General and administrative costs	6.3	-2.413	-2.061
Revaluatory operating expenses	6.4	-731	-1.115
Other operating expenses	6.4	-26	-2
Other operating revenues	6.5	1.489	1.998
PROFIT OR LOSS FROM OPERATIONS		**2.149**	**-194**
NET FINANCIAL REVENUES/EXPENSES		**-369**	**-355**
PROFIT OR LOSS BEFORE TAX		**1.781**	**-549**
Income tax	6.7	253	0
Deferred taxes	6.7	26	86
NET PROFIT OR LOSS FOR THE PERIOD – ORDINARY ACTIVITIES		**1.502**	**-635**
NET PROFIT OR LOSS FROM DISCONTINUED OPERATIONS			**242**
NET PROFIT OR LOSS		1.502	-394

STATEMENT OF OTHER COMPREHENSIVE INCOME

in thousands of EUR

Item	2021	2020
Net profit or loss for the period	**1.502**	**-394**
Other comprehensive income for the period	52	-45
Items that will be reclassified to profit or loss	0	0
Items that will not be reclassified to profit or loss	52	-45
Actuarial losses from severance pay at retirement	52	-45
Total comprehensive income for the period	1.554	-439

STATEMENT OF CHANGES IN THE OWNER'S EQUITY

Item	Nominal capital	Capital surplus	Legal reserves
Balance as at 1 Jan 2020	4.204	2.705	420
Comprehensive income for the period			
Profit or loss for the period			
Actuarial gains and losses			
Total comprehensive income for the period	**0**	**0**	**0**
Changes in equity			
Transfer of net profit from previous year to profit brought forwards			
Total changes in equity	**0**	**0**	**0**
Transactions with owners recorded in equity			
Covering net loss according to a resolution of the Management Board			
Discontinued operations – Split off/Transfer		-2.284	
Total transactions with owners recorded in equity	**0**	**-2.284**	**0**
Capital outstanding as at 31 Dec 2020	4.204	421	420
Balance as at 1 Jan 2021	4.204	421	420
Comprehensive income for the period			
Profit or loss for the period			
Actuarial gains and losses			
Total comprehensive income for the period	**0**	**0**	**0**
Changes in equity			
Transfer of net profit/loss from previous year to profit brought forwards			
Other changes			
Total changes in equity	**0**	**0**	**0**
Transactions with owners recorded in equity			
Covering net loss according to a resolution of the Management Board			
Payment of dividends			
Total transactions with owners recorded in equity	**0**	**0**	**0**
Capital outstanding as at 31 Dec 2021	4.204	421	420

In thousands of EUR

Other reserves	Reserves, arising from valuation at fair price	Profit or loss for the financial year	Retained net profit	TOTAL EQUITY
-8	0	2.421	3.309	13.051
		-394		-394
-45	0			-45
-53	**0**	**-394**	**0**	**-447**
				0
		-2.421	2.431	10
0	**0**	**-2.421**	**2.431**	**10**
				0
				0
			-2.025	-4.309
0	**0**	**0**	**-2.025**	**-4.309**
-53	0	-394	3.715	8.313
-53	0	-394	3.715	8.313
		1.502		1.502
51				51
51	**0**	**1.502**	**0**	**1.553**
		394	-394	0
6			-6	0
6	**0**	**394**	**-400**	**0**
				0
				0
0	**0**	**0**	**0**	**0**
5	0	1.502	3.315	9.867

PROPOSAL OF DISTRIBUTABLE PROFIT ALLOCATION

The distributable profit established for 2021 and the comparative year 2020 is made up of the following elements:

in thousands of EUR

	2021	2020
Net profit or loss for the year	**1.502**	**-394**
Retained net profits from previous years	3.315	3.715
DISTRIBUTABLE PROFIT FOR THE FINANCIAL YEAR	**4.817**	**3.321**

Management proposes leaving retained net profits from previous years completely undistributed.

CASH FLOW STATEMENT

in thousands of EUR

Item	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit or loss	**1.502**	**-394**
Adjustments for:	**5.387**	**5.110**
Amortisation	4.021	3.415
Written-off liabilities	0	0
Revenues from dissolved provisions for long-service bonuses and severance pay at retirement	-11	-21
Profit from the sale of tangible fixed assets	-2	0
Write-off of inventories	500	1.168
Impairment and write-offs of operating receivables	231	5
Write-offs of tangible fixed assets	0	13
Financial revenues arising from financial liabilities write-off	0	0
Expenditure for the provision of given guarantees, warranties and lawsuits	0	89
Net financial expenses	369	355
Income tax	**279**	**86**
Changes in net operating current assets and provisions	3.400	-1.184
Changes in operating and other receivables	3067	4,983
Changes in inventories	-1327	6.327
Changes in deferred tax assets	0	0
Changes in operating and deferred items and provisions	1,702	-6.544
Changes in accrued and deferred items and provisions	-42	-1.641
Elimination of discontinued operations – split off	0	-4.4309
Paid (-)/returned (+) corporate income tax	**547**	**-348**
Net cash flow from operating activities	10.835	3.184
CASH FLOW FROM INVESTING ACTIVITIES		
Cash receipts from investing activities	15	19
Interest received	13	19
Cash receipts from the sale of property, plant and equipment	2	0
Cash receipts from loan repayment	**0**	**0**
Cash disbursements from investing activities	-2.305	-2.040
Cash disbursements for the acquisition of property, plant and equipment	-1.351	-383
Cash disbursements for the acquisitions of intangible assets	-854	-457
Cash disbursements for the acquisition of investment property	0	0
Cash disbursements for loans given	-100	-1.200
Net cash flow from investing activities	-2.290	-2.021
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash receipts from financing activities	0	16.000
Cash receipts from the increase in short-term financial liabilities	0	16.000
Cash receipts from financial leasing	0	0
Cash disbursements for financing activities	-3.364	-18.865
Cash disbursements for interest paid	-401	-365
Cash disbursements for long-term financial liabilities	0	0
Cash disbursements for dividend payment	0	0
Cash disbursements for repayment of lease liabilities	-2.963	-2.500
Cash disbursements for repayment of short-term financial liabilities	0	-16.000
Net cash flow from financing activities	**-3.364**	**-2.865**
CASH FOR THE PERIOD	5.181	-1.702
Opening balance of cash	931	2.633
Closing balance of cash	**6112**	**931**

Notes to the audited financial statements

1. REPORTING COMPANY

Big Bang, d.o.o., (hereinafter referred to as the "company") has its registered address at Šmartinska cesta 152, 1000 Ljubljana, Slovenia. The company compiles consolidated financial statements and prepares its annual report in accordance with the International Financial Reporting Standards (hereinafter referred to as the "IFRS") as adopted by the European Union and in accordance with the Companies Act. The financial year is the same as the calendar year.

The firm and the registered office of the controlling company:

The company is an affiliated company of Bidigital, d.o.o., with its registered office at Vošnjakova ulica 3, 1000 Ljubljana, Slovenia. As at 31 December 2020, Bidigital, d.o.o. is the 100-percent owner of the company's capital. The company Big Bang, d.o.o., is included in the consolidated financial statements of the ADVENTURA HOLDING Group. The consolidated Annual Report can be found at the registered office of ADVENTURA HOLDING, d.d., Vošnjakova ulica 3, 1000 Ljubljana.

2. BASIS FOR COMPILATION

2.1 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the IFRS as adopted by the European Union and in accordance with the explanatory notes adopted by the International Accounting Standards Board (hereinafter referred to as "IASB").

The company's management endorsed the financial statements on 31 March 2022.

The new and amended standards set out below are effective for annual periods beginning after 1 January, 2021, although earlier application is also allowed. The company has not applied any of the aforementioned new and amended standards and does not expect them, when effective, to have a material impact on the financial statements of the company.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1).

Reference to the Conceptual Framework (Amendments to IFRS 3).

Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16).

Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37).

Disclosure of Accounting Policies (Amendments to IAS 1).

Definition of Accounting Estimates (Amendments to IAS 8).

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12).

Covid-19-Related Rent Concessions beyond 30 June, 2021 (Amendments to IFRS 16).

2.2 MEASUREMENT BASIS

The financial statements have been prepared taking into account the historical costs and on a going concern basis.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in euros, which is the company's functional currency. All accounting data presented in euros is rounded to one thousand units. The rounding may result in slight differences in summation.

2.4 USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in accordance with the IFRS requires the management to make certain estimates, judgments and assumptions, which impact the use of the accounting policies and the disclosure of the values of assets, liabilities, revenue, and expenses. The actual results may deviate from these estimates.

The estimates and assumptions must be continuously verified. Adjustments of accounting estimates are recognised for the period in which an estimate is adjusted, and for all the future years affected by the adjustment.

The data about relevant estimates of uncertainty and critical judgements, which were prepared by the management during the accounting policies implementation process, and which most affect the amounts in the financial statements, are indicated in the notes below, which constitute an integral part of this Annual Report:

- Property, plant and equipment (disclosed in Chapters 5.1 and 5.2),
- Investment property (disclosed in Chapter 5.3),
- Inventories (disclosed in Chapter 5.7),
- Revenues (disclosed in Chapter 6.1),
- Liabilities (disclosed in Chapter 5.12, 5.14 and 5.15),
- Long-term liabilities to employees (disclosed in Chapter 5.13), and
- Deferred tax liability (disclosed in Chapter 5.6.).

Fair value measurement:

Part of the company's accounting policies and, consequently, disclosure in this Annual Report, envisages the measurement of assets at fair value, for both financial and non-financial assets and liabilities. The company has put in place a method to monitor the valuation of assets and obligations at fair value.

The calculation of fair value takes into account various aspects of assets and liabilities, whereby the individual assets or liabilities are classified in three levels, namely:

- The first level of fair value considers the unadjusted market prices on the free market for assets of the same nature.
- The second level of fair value takes into account other factors not included in the first level of fair value, which can be determined directly on the basis of assessments or indirectly on the basis of a calculation based on market prices.
- The third level of fair value is determined on the basis of assessments having no direct basis with market prices, such as value assessments and the like.

When the fair value of an individual asset is determined on the basis of different levels of the fair value hierarchy, these are placed in the lowest level of the fair value for the whole asset. In these cases, the group of assets or liabilities is transferred to an individual level at the end of the reporting period in which the change of hierarchy occurred.
The significant effects of recognising assets and liabilities at fair value are presented in the context of individual disclosures in this Annual Report, whereby we emphasis in particular the following:

- Investment property (disclosed in Chapters 5.3),
- Financial investments (disclosed in Chapter 5.4), and
- Financial instruments (disclosed in Chapter 5.5).

Cash generating units:

The company regularly revises assets and liabilities at the level of cash-generating units, in particular to check expected losses. The assessment of cash-generating units at 31 December 2021 did not show any need for additional adjustments or the establishment of additional provisions.

2.5 EXPLANATORY NOTES AND DISCLOSURES TO STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position is published in an abbreviated form for greater transparency. A more detailed breakdown of individual items, data and information disclosed is presented below.

3. SIGNIFICANT ACCOUNTING POLICIES

From period to period, the company consistently applies the same accounting policies presented in the accompanying financial statements. The company changes its financial policy only if the change is:

- Required by a standard or interpretation, or
- If its effects are such that the financial statements provide more reliable and relevant information about the effects of transactions, other events and conditions on the financial position, financial performance or financial flows of the group or the company.

Comparative information is harmonised with the presentation of information in the financial year under review.

3.1 FOREIGN CURRENCY

Transactions expressed in a foreign currency are converted into the functional currency of the company at the exchange rate on the date of the transaction. Monetary assets and liabilities expressed in a foreign currency on the balance sheet date are converted into the functional currency at the relevant exchange rate. Positive or negative exchange differences are differences between the amortised cost in the functional currency at the beginning of the period, adjusted for the amount of effective interest and payments in the period, and the amortised cost in a foreign currency converted at the exchange rate at the end of the period. Exchange differences are recognised in the income statement.

3.2 FINANCIAL ASSETS

The company initially recognises financial assets at fair value, except trade receivables, which are recognised at transaction price.

The company recognises purchases and sales of financial assets on the day of closing of a deal, that is, on the date when the company undertakes to purchase or sell an asset. On the same day, the company also recognises profits or losses from the disposal of financial assets.

Cash represents sight deposits and cash in hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The company thus defines the short-term time deposits held at call.

The company classifies other financial assets into financial asset groups based on the business model for managing the financial assets and the features of contractual financial asset cash flows.

The essential characteristics of financial assets:

Financial assets measured at amortised cost

After initial recognition, the company measures financial assets at amortised cost, provided both of the following conditions are met:

- The company possesses the financial asset in the context of its business model, the goal of which is achieved by receiving contractual cash flows.
- In accordance with the contractual conditions of the financial asset, the cash flow occurs on specific dates, which are exclusively payments of principal and interest on the outstanding amount of the principal.

The company calculates interest income from the mentioned assets by using the effective interest method, and recognises them in the income statement.

Financial assets measured at fair value through other comprehensive income

Interest and currency differences arising from such assets are recognised in the income statement, while other gains and losses are recognised in other comprehensive income. Upon asset de-recognition, gains and losses recognised in other comprehensive income (revaluatory surplus) are transferred to retained net profit or loss.

Financial assets measured at fair value through profit or loss

Financial assets, which are not measured by the company at amortised cost and are not financial investments in affiliates and associates, are measured at fair value through profit or loss. Gains and losses are recognised in the income statement.

Financial investments in an affiliated company

The subsidiary, Big Bang, d.o.o., Belgrade – in bankruptcy proceedings, had no carrying amount as at 1 January 2020 and, as such, is not significant to the company's financial statements and does not produce consolidated financial statements. In accordance with the IAS 27 – Separate Financial Statements, the company has chosen the accounting policy for the valuation of this investment in accordance with IFRS 9, at fair value through other comprehensive income.

Impairment of financial investments in an affiliated company

At the end of every financial year, the company assesses whether there are signs that an investment could be impaired. If such a sign exists, the company assesses the recoverable value of investments in affiliated companies. The recoverable value of the asset is its fair value decreased for the cost of sale or value in use – depending on whichever is higher.

If by using the discounted cash flow model the value is lower than the carrying amount of the investment in an affiliated company, the value of the company is also assessed on the basis of the estimated net value of assets, whichever is the greater. If the carrying amount of the financial asset exceeds the recoverable amount, the impairment of a financial investment in an affiliated company must be made. For companies at a standstill, the recoverable value calculation cannot be made by using the discounted cash flow model, and therefore the assessment is made on other bases (net value of asset assessment).

Impairment of operating receivables

The company impairs operating receivables by making value adjustments for the expected credit loss in the entire period of the duration of such assets. The amount of impairment loss (including a reversal of an impairment loss) of trade receivables and other operating receivables is recognised as a receivable impairment loss in the income statement.
The company impairs trade receivables (including lease receivables) – which are not in lawsuits, recovery, bankruptcy, or reported in compulsory settlements, until the announced confirmation of compulsory settlement is made at recovery proceedings at specialised institutions, and are not classified as doubtful based on other objective reasons – by making a value adjustment with an impairment percentage based on their age.

When measuring the expected credit loss of such assets, the company uses a simplified approach, using the "provisions matrix", which is based on past experience with regard to the written-off receivables from the past and future estimates.

The company impairs receivables which are subject to lawsuit, recovery, bankruptcy, or reported compulsory settlements until the announced confirmation of compulsory settlement is made at recovery proceedings at specialised institutions, and are not classified as doubtful based on other objective reasons in the amount of 100-percent, except when the law permits a liability decrease in relation to charged and unpaid value added tax, the impairment being reduced by this amount.

Impairment of loans given and deposits

DThe company impairs loans given and deposits on the basis of a judgment by the management regarding their non-collectability. In accordance with the IFRS 9, the company has switched from the incurred loss model to the expected loss model, and thus does not recognise the incurred losses only, but also losses which are expected to arise in the future.

When judging impairment of the loans given, the company evaluates evidence on loan impairment for each loan individually. If the company estimates that the carrying amount of a loan exceeds its fair value, namely its collectible value, it impairs the loan. The impairment estimate is based on the expected credit loss associated with a probability of loan default in the next 12 months, unless the credit risk has significantly increased since the initial recognition. In these cases, the impairment estimate is based on the probability of default over the entire duration of the financial asset. The expected credit losses represent the difference between the contractual cash flow that has matured according to the contract, and all the cash flows the company expects to receive. The expected cash flow will also include the cash flow from the sale of insurance assets.

Impairments for expected credit losses are assessed in two steps. For credit exposures, where no significant increase of credit risk was recorded after the initial recognition, the impairment for the expected credit loss is recognised as a credit loss resulting from default possible in the next 12 months. For the credit exposure, where a significant increase of credit risk was recorded after the initial recognition, the company recognises an adjustment for losses it expects in the remaining life cycle of the exposure, regardless of the default period. The company estimates that in the case of financial assets, default contractual payments are 90 days past due date. In certain cases, the company can assess increased credit risk, even though based on information, it is probable that the company will not receive the unsettled contractual amount in full.

The company recognises write-offs of financial assets when it has reason to expect that it will not be able to recover the contractual cash flow. The amount of such an asset impairment loss is presented as other financial expenses in the income statement.

3.3 FINANCIAL LIABILITIES

A financial liability is any contractual obligation to:

- Deliver cash or another financial asset (for example liabilities to suppliers, liabilities from received loans) to another company, or
- Exchange the financial assets or financial liabilities with another company under conditions that are potentially unfavourable for the company.

The company recognises financial liabilities on the day of their occurrence. Financial liabilities are initially recognised on the transaction conclusion date, when the company becomes a contracting party with regard to the instrument. The company de-recognises a financial liability if obligations determined in the contract are fulfilled, annulled or expired. On initial recognition, the company measures a financial liability according to its fair value including transaction cost. After initial recognition, the non-derivative financial liabilities are measured by amortised cost under the effective interest method.

3.4 OPERATING LIABILITIES

Liabilities are generally measured at amortised cost using the effective interest method. Short-term operating liabilities are not discounted on the statement of financial position date.

On initial recognition, operating liabilities are valued with amounts from the relevant documents on their occurrence, which prove the receipt of a product or service or a performed work or accounted cost, expense or share in the profit or loss for operating liabilities.

Liabilities from contracts with customers

Liabilities from contracts with customers are an obligation for the transfer of goods or services to a customer, for which the customer received compensation (liabilities for the advances received).

3.5 EQUITY

Nominal capital

The company's nominal capital is nominally determined in the company's Articles of Incorporation and registered at a court and paid for by its owners.

Capital surplus

A company's capital surplus is based on amounts from the simplified nominal capital reduction. It may be used under the conditions and for the purposes determined by law.

Legal reserves

Legal reserves are amounts retained from profit from previous years, especially for the settlement of potential future losses.

Fair value reserves

Fair value reserves refer to increases in asset carrying amounts according to the revaluation model. They consist of the revaluation relating to land.

Liabilities for dividends and other profit sharing

Liabilities for dividends and other profit sharing are recognised on the date when the shareholder's or owner's rights to payment is enforced.

3.6 TANGIBLE FIXED ASSETS

Measurement at recognition

Tangible fixed assets include immovable property, plant and equipment, and are carried at their cost less any allowance for amortisation and any accumulated impairment losses (see the accounting policy "Impairment of Assets").

Upon initial recognition, tangible fixed assets are measured at cost, which is composed of the purchase price, import duties, and non-refundable purchase taxed and costs directly attributable to bringing the asset to its working condition for its intended use. The cost also comprises borrowing costs (interest) concerning the construction of immovable property until their readiness for use, as well as decommissioning costs.

Additional or agreed investments in assets and in improvements of assets, which the company has in financial or operating lease, are stated among immovable property, plant and equipment or their parts.

Subsequent costs

The cost of replacing part of an item of tangible fixed assets is recognised in the carrying amount of such assets, if it is likely that the future economic benefits will be associated with the part of the item of such an asset and that the fair value can be measured reliably. The carrying amount of the replaced part of an item is de-recognised. Based on the originally assessed level of asset efficiency and useful life, repairs or maintenance of tangible fixed assets for renewing or keeping the future economic benefits are stated in the income statement as maintenance expenditure as incurred.

Start of depreciation, depreciation method and useful life

Tangible fixed assets start being depreciated on the next day after they are made available for use. Depreciation is recognised in the income statement by the straight-line depreciation method, taking into account the useful life of each individual item of immovable property, plant and equipment. The estimated useful lives of assets for the current and comparable period are as follows:

- Buildings - 33.33 years,
- Investments in leased premises - 10 years,
- Plant and equipment - 2 to 10 years,
- Furniture - 5 years,
- Computer equipment - 3 to 5 years,
- Means of transport - 5 years.

Land and tangible fixed assets under construction or in acquisition are not depreciated. Depreciation methods, useful lives and residual values are reviewed on the reporting date and adjusted where needed. In 2021, they did not change. The leased assets are depreciated considering the duration of the lease and their useful life.

De-recognition

Items of tangible fixed assets are de-recognised upon their disposal or when no future economic benefit is expected from their use or disposal. Profit or loss deriving from the de-recognition of tangible fixed assets is established as the difference between the possible net returns upon disposal and their carrying amount. Profit or loss is recognised in the income statement upon an asset's de-recognition.

3.7 INTANGIBLE ASSETS

Intangible assets are recognised as non-monetary assets without a physical existence, such as purchases of a trademark and software, as well as long-term acquired patents and licenses.

The costs of research and development incurred in the company, mastheads, lists of consumers and items similar in content are not recognised as an intangible asset, but are immediately treated as expenses or operating costs in the period when they were incurred.

Intangible assets are stated at their cost less any accumulated amortisation and any accumulated impairment losses (see the accounting policy "Impairment of Assets").

Amortisation

Amortisation is recognised in the income statement under the straight-line amortisation method taking into account the useful lives of intangible assets unless they are not determined. Amortisation of intangible assets begins when an asset is ready for use. This method most accurately reflects the expected pattern of the use of future economic benefits embodied in the asset. The estimated useful life for the current and comparable period for software is five years, and two years for licenses and other rights.
The amortisation methods, useful lives, and residual values are reviewed at the end of each business year and adjusted if necessary.

De-recognition

Intangible assets are de-recognised upon their disposal or when no future economic benefit is expected from their use or disposal. Profit or loss arising from the de-recognition of an intangible asset is established as the difference between the possible net returns upon disposal and the carrying amount of the asset. They are stated in the income statement upon de-recognition of the asset.

3.8 INVESTMENT PROPERTY

Investment property is property accounted by the company to generate rent or increase the value of a long-term investment, or both.

Measurement after recognition

Investment property is initially measured at cost, which comprises the purchase price and purchase directly attributable costs. Such costs include legal expenses, property transfer taxes and other transaction costs.

In cases where it has to be decided if an asset falls under investment property or immovable property it is considered to be an investment property if more than 80-percent of its value is used as rental.

Measurement after recognition

Until 31 December 2017, investment property was initially recognised using the cost model, however, after that day it was stated at fair price based on the changed investment property accounting policy. As of 1 January 2018, the company has, thus, assessed the fair value of investment property and recognised the difference in the company's profit or loss. All future investment property revaluations are disclosed in the profit or loss for the current year.

De-recognition of investment property

An item of investment property stops being recognised on disposal or when it is permanently removed from use and when no future economic benefits are expected from its disposal. Profit or losses arising from the retirement or disposal of investment property shall be determined as the difference between its purchase value and carrying amount and stated in profit or loss.

3.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

On each reporting date, the company checks the carrying amount of tangible fixed assets, investment property, and intangible assets, in order to establish whether there are signs of impairment. If such signs exist, the recoverable value of the asset is assessed.

The asset's recoverable amount or cash-generating units is its value of use or fair value less cost of sale, whichever is higher. When determining the asset's value of use, the expected future cash flows are discounted to their current value by using a pre-tax discounted rate, which reflects the current market estimates of the time value of money and the risk specific to the asset. In order to test the impairment, the assets, which cannot be tested individually, are classified into the smallest possible group of assets which generate cash flows from further use, and which are mainly independent of the receipt of the residual assets or groups of assets (cash-generating unit).

The company recognises an asset or cash-generating unit in cases when its carrying amount exceeds its recoverable amount. The impairment is disclosed in the income statement as expenditure.

The company reverses the impairment loss of an asset to an amount at which the increased carrying amount of the asset does not exceed the carrying amount established after subtraction of the amortisation write-down, provided that the impairment loss had not been recognised for the asset in previous years.

Long-term assets classified as available-for-sale

Long-term assets or disposal group, which includes assets (in the context of long-term assets, this applies to investment property, intangible assets, and long-term financial investments, while in the context of tangible fixed assets, this only applies to land and buildings due to their importance) for which it is expected that their value will be primarily settled by sale and not further use, are classified as assets for sale, namely their sale is expected no later than in the next twelve months.

Sales are highly probable when the entire programme and plan to locate a buyer are in progress. Moreover, the active marketing of an asset and efforts to achieve a price that corresponds to its current fair value must also take place. Immediately before being classified as available-for-sale assets, revaluation of such assets is carried out. In accordance with this, a long-term asset (or a disposal group) is recognised at the carrying amount or fair value less the cost of sale, whichever is lower.

Due to special events and circumstances that go beyond the company's control, the period required to complete a sale can be extended to more than one year provided there is sufficient evidence that the company has been consistently following its plan to sell the asset.

If the asset for sale no longer meets the criteria to be classified in the group of assets for sale, it must be reclassified to another suitable group of assets, and specifically the one it was classified in before being classified as an asset for sale.

3.10 INVENTORIES

Inventory valuation

Inventory is valued at historical cost or net realisable value, whichever is lower. The net realisable value is the estimated selling price reached during regular operations less the estimated costs of completion and the estimated selling costs. For the purposes of inventory valuation, the company uses the FIFO method (first-in, first-out).

The cost of inventories comprises the purchase price, customs duty, and other charges (excluding those charges which the tax authorities will later refund to the company), transportation costs, handling costs, and other costs, which can be attributable directly to the obtained merchandise or material. Commercial discounts, other discounts and similar items are subtracted at the establishment of the cost. When inventory is sold, its carrying amount is recognised as an expense in the period in which the corresponding income was accounted for.

Net realisable value of inventories

The value of inventories may not be recoverable if the inventories are damaged, if they become wholly or partially obsolete, or if their selling prices have declined. The value of inventories may also not be recoverable if the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The practice of writing inventories down below their historical cost or costs to net realisable value is consistent with the view that assets should not be carried in excess of the amounts expected to be realised from their sale or use.

The amount of any partial write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period when the partial write-down or loss occurs. Write-offs and partial write-downs of damaged, expired or useless inventory are carried out regularly throughout the year or during the inventory according to individual items. At the end of the year, the net realisable value of inventories is checked by related types of goods and, if necessary, the value of inventories is adjusted to the level of realisable value for inventories, especially taking into consideration market prices and current inventories, which include the inventory age and inventory turnover ratio.

3.11 PROVISIONS

Provisions are recognised if the company has a current legal or indirect obligation due to a past event, and if there is a probability that the offset for such an obligation will require an outflow of factors which enable economic benefits. As the effect of the time value of money is substantial, the amount of provision equals the current value of expenses which are expected to be needed to offset the obligation.

Provisions for termination and long-service bonuses

In accordance with the legal provisions and the collective agreement, the company is obliged to pay long-service bonuses to employees and severance pay at retirement, for which it has formed long-term provision. No other pension obligations exist.

Provisions are formed on the value of the estimated future payments for old-age retirement termination and the long-service bonuses. They are discounted on the balance sheet date using the book reservation method on the basis of the actuarial calculation or estimate.

3.12 INCOME TAX

Tax on profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the income statement as an expense, with the exception of the part that refers to the items recognised directly in equity, which is why it is recognised in equity. Current tax is a tax that will be paid from the taxable profit for the financial year using tax rates established on the balance sheet date and the possible adjustment of tax liabilities in connection with previous financial years.

In order to record deferred tax, the method of liabilities on the balance sheet is used on the basis of temporary differences between the carrying and tax amounts of individual assets and liabilities. Deferred tax is based on the expected method of recovery or settlement of the carrying amount of assets and liabilities, using the tax rates effective on the balance sheet date, or tax rates in the period in which the write-down of receivable or deferred tax liability is expected.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the deferred asset can be utilised in the future. Deferred tax assets are reduced by the amount for which it is no longer likely that the tax relief associated with the asset will be enforceable.

3.13 REVENUES

A contract with a customer is accounted for only after certain conditions have been met. Upon contract approval with the customer, the compensation expected from the customer in return when the merchandise or services are transferred to the customer is assessed. The received compensation represents the transaction price. The transaction price encompasses the agreed fixed compensation for the promised goods or the services rendered to the customer.

Revenues from the sale of goods and products

Revenues from the sale of goods and products are recognised at fair value of the received repayment or related receivable, less returns, rebates for further sale and quantity discounts. Revenues are recorded when the company has fulfilled all contractual performance obligations to the customer. The company transfers merchandise management, and thereby fulfils the performance obligation at a given moment. The company transfers the management in a certain moment if the following criteria are met:

- The company transfers all significant risks and benefits deriving from ownership to the customer;
- The company does not retain as much influence on the handling of goods as is normal in terms of ownership, nor does it actually decide on the products sold;
- The amount of revenues can be reliably assessed;
- It is probable that the economic benefits associated with the transaction will flow to the organisation;
- The expenditure, which has or will be incurred in relation to the transaction, can be measured reliably;

The typical payment deadline for the sale of goods and services in the wholesale depends on contractual commitments.

Revenues from services rendered

Revenues from services rendered are recognised in the income statement when the service has been rendered, or by reference to the stage of completion of the transaction at the end of reporting period, or when the performance obligations are fulfilled. The level of completeness is assessed on the basis of a review of costs incurred (review of the work performed – transaction progress measurement).

Revenues from services rendered are measured at the transaction price of completed services indicated on invoices (fulfilment of performance obligations at a certain point in time) or other documents, or at prices of unfinished services depending on the stage of their completion (fulfilment of performance obligation is carried out gradually).

The company estimates that it is not possible to reliably assess what the outcome of a transaction will be if a certain transaction (performance obligation) has not yet been completed on the date of the statement of financial position, but that its progress can be reasonably measured and the revenues recognised only up to the amount of incurred direct costs which are expected to be covered (input method).

The amounts collected to the benefit of third parties, such as calculated VAT and other duties (for example customs duties), are not a component of sales revenues.

Revenues from customer contracts

Revenues are measured based on the provisions of a sales contract. The company recognises revenues when the service is rendered, and according to the provisions from contracts, or when the sale of the goods has been completed, in accordance with the contractual provisions.

The revenues are recognised at amortised cost reduced for all discounts given to customers, including the retrospective discounts that the company subsequently authorises to its customers. In light of the contractual provisions, the company recognises the stated discounts for the period of sales completion. The company does not record the retrospective discounts in the retail sale of goods.

In addition to that, the company performs certain services for its suppliers, such as marketing and customer services. The recognition method for revenues from the stated services is presented in the table below.

Rental income

Income is measured based on the provisions from contracts with customers. The company recognises the income when the service is rendered and given the provisions of the contracts.

Other operating revenues

Other operating revenues include revenues from the disposal of immovable property, plant and equipment in the form of the surplus of their selling value over their carrying amount. They also represent the revenues from the realised receivables, including the reversal of impairment of receivables and the revenue from liability write-offs.

king into account the shortest time of use of an individual tangible fixed asset or intangible asset.
Labour costs are the gross amounts of employee salaries calculated in accordance with the collective agreement and individual contracts of employment, contributions and tax payments (which debit the employer directly), voluntary supplementary pension insurance, and other labour costs (subsidy, commuting allowance, meal allowance, etc.).

Type of service	Success in meeting the obligations with regard to the supplier contracts, including the payment conditions	Revenues' recognition policy
Marketing bonuses	The supplier recognises reimbursement of the marketing services specified in the contract (monthly, quarterly, annually).	Revenues are recognised each month given the contractual provisions.
Service bonuses	The supplier recognises reimbursement of the expenses specified in the contract (monthly, quarterly, annually).	Revenues are recognised each month given the contractual provisions.

3.14 EXPENSES

Operating expenses

According to their purpose (function), operating expenses are classified as the cost of sold quantities, selling cost, general and administrative costs (administration and procurement) and other operating expenses, which are not costs.

Cost of quantities sold

The first-in, first-out (FIFO) method is used when de-recognising the use of merchandise inventories for the sold quantities. The cost of sold quantities of merchandise is directly decreased by the received rebates and super rebates from the suppliers. The rebates are partially accrued in the cost of inventories.

Selling costs (with amortisation)

Selling costs (with amortisation) include all costs incurred associated with the sale of operating effects. As these costs are not in inventories, they are recognised entirely among the operating expenses in the same accounting period when incurred.

General and administrative costs (with amortisation)

General and administrative costs (with amortisation) consist of any costs incurred with respect to the purchase function and the administration with auxiliary activities. These costs are also recognised entirely among the operating expenses in the same accounting period when incurred.

Costs by nature

Costs of material and services represent the amounts indicated on supplier invoices and other documents decreased for discounts obtained during the sale or later.
Amortisation is calculated individually in stages ta-

Other operating expenses

Other operating expenses appear in connection with the impairment of value or write-off of assets and with the disposal of immovable property, plant and equipment due to loss in sales.

Financial expenses

Financial expenses comprise borrowing costs and losses due to impairments of value and write-offs of financial assets, which are recognised in the income statement. Borrowing costs are recognised in the income statement using the effective interest rate method. Foreign exchange gains and losses are recognised in the net amount. Financial expenses are recognised at settlement regardless of the payments associated with them.

Other expenses

Other expenses refer to items which are a result of outstanding (i.e., unique) events, and are not related to the regular operations of the company.

3.15 LEASES

As of 1 January, 2019, the company applies the new IFRS 16 - Leases standard. Application before the mentioned date was permitted provided that companies also applied IFRS 15 - Revenue from Contracts with Customers.

In accordance with IFRS 16, a lease agreement is an agreement that gives the right to use a particular asset for a specific period in return for payment, whereby the lessee recognises the right-to-use the asset (leased asset) and the lease liability at the beginning of the lease. The right-to-use asset is amortised, while the interest is added to the liability. The standard introduces possible limited lease exceptions for the lessee, while the amortisation costs for a leased assets are recognised separately containing a lease component, the company shall determine the parameters that, based on its estimates, are important for the calculation (asset value, lease period, and discount rate).

Prior to the application of IFRS 16, the company classified leases of immovable property, forklift trucks and passenger cars. At initial recognition, the company measures the liability at the present value of future rental payments discounted at the balance sheet date. The company also assesses whether those assets need to be impaired at the cut-off date.

4. FINANCIAL RISK MANAGEMENT

With regard to financial risk management, the company follows the adopted financial policy that includes a baseline for efficient and systematic financial risk management.

A more detailed overview of activities for the assessment and management of each type of risk is presented in the Risk Management section of the business report.

Accounting policies for risk management have been designed with a view to determine and analyse the risks facing the company, based on which suitable restrictions and controls are determined and which risks are monitored. Risk management policies and systems are regularly checked, and information from the environment has a dynamic and proactive effect on the current decisions regarding the operations of the company under the changed circumstances.

4.1 CREDIT RISK

Credit risk is a risk that a party included in a contract for a financial instrument may not fulfil its liabilities and, consequently, incur a financial loss to the company. Credit risk is directly linked to commercial risk and represents a threat that trade receivables and receivables from other business partners will be repaid with a delay or not be repaid at all.

In order to limit credit risk exposure, we use the GVIN formalised business information system. With the aim of having better knowledge of our partners, we use various soft information, which besides the current operations also includes the history of their operations with us and the activities of the founders, owners and representatives of these entities in association with their involvement in critical procedures. In addition to that, we have also conducted a contract with a credit insurance company with which we secure our trade receivables.

We manage credit risk exposure with the buyers' credit rating and the active collection of receivables.

Management assesses that due to the stated measures for risk hedging and the fact that the company creates the most revenues in the retail sector, where cash payment prevails, the exposure to credit risk is moderate (moderate risk).

Maximum credit risk exposure:

In thousands of EUR

Item	31.12.2021	31.12.2020
Financial investments in affiliated companies	**-**	**-**
Loans given	1.300	1.200
Trade receivables	**2.243**	**4.843**
Other receivables	1.057	2.033
Total	4.590	8.076

Overview of receivables at amortised cost and potential losses:

In thousands of EUR

Item	31.12.2021	31.12.2020
Historical cost	**3.762**	**6.178**
Allowances	-1.528	-1.335
Amortised cost of receivables	**2.234**	**4.843**

Overview of receivables at the cut-off day by groups through which the company shows its credit risk exposure:

In thousands of EUR

Item	31.12.2021	31.12.2020
Receivables to companies insured at insurance companies	1.839	2.798
Receivables to other companies in Slovenia	89	1.434
Receivables to companies abroad	306	611
Other receivables	1.057	2.033
Total	3.290	6.876

Ageing of trade receivables

In thousands of EUR

Item	31.12.2021 Weighted average of credit loss	Gross value	Impairment	Net receivables	31.12.2020 Weighted average of credit loss	Gross value	Impairment	Net receivables	Increased credit risk
Not yet due	0,0%	1.874	–	1.874	0,0%	3.999	0	3.999	No
Past due 0–30 days	0,4%	364	93	271	0,4%	454	0	454	No
Past due 31–180 days	70,0%	235	158	77	70,0%	201	0	201	No
Past due 181–365 days	75,0%	2	2	–	75,0%	125	5	120	Yes
Over a year	100,0%	1.289	1.277	12	100,0%	1.398	1.330	68	Yes
Total		3.764	1.530	2.234	26,2	6.177	1.335	4.843	

According to the volume of insured receivables and their recoverability, the company assesses the credit risk to be adequately controlled.

Credit risk exposure for items that are neither due for payment nor impaired:

In thousands of EUR

	31.12.2021		31.12.2020	
Item	Historical cost	Allowances	Historical cost	Allowances
Receivables to companies insured at insurance companies	1.839	0	2.798	–
Receivables to other companies in Slovenia	934	-845	2.335	-901
Receivables to companies abroad	989	-683	1.045	-434
Other receivables	877	0	2.033	–
Total	4.639	-1.528	8.211	-1.335

Exposure of trade receivables to credit risk by geographic regions

In thousands of EUR

Item	31.12.2021	31.12.2020
Domestic	1.929	4.666
Euro area countries	229	121
Countries of the former Yugoslavia	0	34
Other countries	76	21
Total	2.234	4.843

Our trade receivables are secured with a foreign insurance company. Other credit exposure items are not secured.

The company has no customer with a share of over 10-percent of the total of mass receivables.

Long-term and short-term loans given

In thousands of EUR

Item	31.12.2021	31.12.2020
Long-term loans given	1.200	0
Long-term loans given to the owner	1.200	0
Long-term loans given to companies	1.973	1.973
Allowance of the long-term loans given to companies	-1.973	-1.973
Non-current loans given to others	0	0
Short-term loans given	100	1.200
Short-term loans given to the owner	100	1.200
Short-term loans given to companies	570	570
Allowance of the short-term loans given to companies	-570	-570
Short-term loans given to others	0	0

4.2 MARKET RISK

Interest rate change risk

In 2021, the company had short-term revolving loans tied to the EURIBOR variable interest rate risk, which is why its operations are exposed to interest rate risk.

In 2021, the values of EURIBOR were more or less constant and kept at low levels, while the forecasts for 2022 show the same trend or, in other words, growth is expected at the end of the year. Given the fact that the company is expected to have only short-term loans in 2022, the exposure to interest rate risk will be low. Due to the stated facts, the management assesses that the exposure to interest rate risk in 2021 and 2022 is low.

Fair value sensitivity analysis for instruments with a fixed interest rate

The company does not take into account financial assets with fixed interest rates at fair value through the profit or loss, and that is why the change of interest rates at the reporting date would not affect the net profit or loss.

Cash flow sensitivity analysis for instruments with a variable interest rate

The company did not carry out the cash flow sensitivity analysis for instruments with a variable interest rate, as it had no such instruments on 31 December 2021.

Cash loss risk

Cash and cash-equivalents are kept by banking institutions rated with AA+ based on the credit ratings.

Impairment of cash and its equivalents was measured based on a 12-month expected loss and reflects short-term maturity exposure. The company believes that its cash and cash equivalents carry a low credit risk with regard to the external credit ratings.

The company uses a similar approach to assess the risk of cash in hand.

Fair value

The fair value of financial assets and financial liabilities does not deviate significantly from the carrying amount.

According to the calculation of their fair value, assets and liabilities are classified in three levels:

- Level 1 – Assets at market price,
- Level 2 – Assets not classified as level 1; their value is determined directly or indirectly based on the comparative market data,
- Level 3 – Assets whose values cannot be obtained from market data.

4.3 CURRENCY RISK

Sensitivity analysis

The company mainly carries out its transactions in euros, and therefore a change in the value of the US dollar would not have a significant influence on the company's equity or profit or loss.

4.4 INFLATION RISK

The management assesses that inflation exposure risk is low.

Fair value levels of assets

In thousands of EUR

Item	31.12.2021 Carrying value	Level 1	Level 2	Level 3	Total	31.12.2020 Carrying value	Level 1	Level 2	Level 3	Total
Assets measured at fair value										
Investment property	320	0	0	320	320	320	0	0	320	320
Loan	0	0	0	0	0	0	0	0	0	0
Total assets measured at fair value	320	0	0	320	320	320	0	0	320	320
Assets with disclosed fair value										
Operating receivables and other assets	4.590	0	0	4.590	4.590	8.076	0	0	8.076	8.076
Total assets with disclosed fair value	4.590	0	0	4.590	4.590	8.076	0	0	8.076	8.076
Total	4.910	0	0	4.910	4.910	8.396	0	0	8.396	8.396

Fair value levels of liabilities

In thousands of EUR

Item	1.1.2021 Carrying value	Level 1	Level 2	Level 3	Total	31.12.2020 Carrying value	Level 1	Level 2	Level 3	Total
Liabilities measured at fair value										
Total liabilities measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Liabilities with disclosed fair value										
Bank loans with a variable interest rate	-	-	-	-	-	-	-	-	-	-
Bank loans with a fixed interest rate	-	-	-	-	-	-	-	-	-	-
Liabilities from financial lease	19.544	-	-	19.544	19.544	18.056	-	-	18.056	18.056
Liabilities to partners	-	-	-	-	-	-	-	-	-	-
Total liabilities with disclosed fair value	**19.544**	**-**	**-**	**19.544**	**19.544**	**18.056**	**-**	**-**	**18.056**	**18.056**
Total	19.544	-	-	19.544	19.544	18.056	-	-	18.056	18.056

4.5 LIQUIDITY RISK

Liquidity risk is the risk of the company encountering problems in raising the funds needed to fulfil its financial liabilities.

The company has been managing the indicated risk with an active liquidity management policy in order to prevent non-reconciled cash inflows and outflows. The easier management and balancing of current liquidity also provide for a constant inflow created by customers in retail.

Given the stated risk protection measures and given the current situation, the management assesses the liquidity risk to be low.

The contractual maturities of financial liabilities, including the estimated payments of interest and without the influence of offset arrangements, are presented below.

Contractual maturities of non-derivative financial liabilities in 2021

In thousands of EUR

Item	Carrying value	Contractual cash flows	Up to 1 year	1–5 years	Over 5 years
Non-derivative financial assets					
Loans given	1.300	1.300	100	1.200	0
Trade receivables	2.234	2.234	2.234	0	0
Receivables due from others	1.057	1.057	1.057	0	0
Total non-derivative financial assets	**4.590**	**4.590**	**3.2390**	**1.200**	**0**
Non-derivative financial liabilities					
Financial lease liabilities	-19.544	-21.167	-3.475	-11.006	-6.686
Liabilities to suppliers	-14.720	-14.720	-14.720	0	0
Liabilities to others	-3.803	-3.803	-3.803	0	0
Total non-derivative financial liabilities	**-38.068**	**-39.690**	**-21.999**	**-11.006**	**-6.686**
Net as at 31 December 2021	-33.477	-35.100	-18.608	-9.806	-6.686

Contractual maturities of non-derivative financial liabilities in 2020

In thousands of EUR

Item	Carrying value	Contractual cash flows	Up to 1 year	1–5 years	Over 5 years
Non-derivative financial assets					
Loans given	1.200	1.200	1.200	0	0
Trade receivables	4.843	4.843	4.843	0	0
Receivables due from others	2.033	2.033	2.033	50	0
Total non-derivative financial assets	**6.876**	**6.876**	**6.876**	**50**	**0**
Non-derivative financial liabilities					
Financial lease liabilities	-18.056	-18.971	-3.608	-13.716	-1.647
Liabilities to suppliers	-13.470	-13.470	-13.470	0	0
Liabilities to others	-2.782	-2.782	-2.782	0	0
Total non-derivative financial liabilities	-34.308	-35.223	-19.860	-13.716	-1.647
Net as at 31 December 2020	-27.432	-28.347	-12.984	-13.716	-1.647

5. NOTES AND DISCLOSURES TO THE BALANCE SHEET

A more detailed classification of individual items, along with further data and information being disclosed, are presented below.

5.1 INTANGIBLE ASSETS

In thousands of EUR

Item	31.12.2021	31.12.2020
Intangible assets	**1.612**	**1.224**
Property rights (trademarks, rights and licenses)	1.612	1.224
Intangible assets being acquired	**0**	**0**

Intangible assets by type

In 2021, intangible assets increased by 23% due to major acquisitions of software compared to amortisation. In 2021, the company invested mainly in its online store and an app for sales assistants.

Changes in intangible assets

In thousands of EUR

Item	Property rights and software	Intangible assets being acquired	Total
Balance as at 1 January 2020			
Cost	3.900	42	3.942
Allowance	-2.832	0	-2.832
Carrying value	**1.068**	**42**	**1.110**
2020			
Opening carrying value	**1.068**	**42**	**1.110**
Acquisitions	457	0	457
Eliminations	-1	0	-1
Transfer from assets being acquired	42	-42	0
Amortisation	-342	0	-342
Discontinued operations – transfer, split-off	-1	0	-1
Closing carrying value	**1.224**	**0**	**1.224**
Balance as at 31 December 2020			
Cost	6.352	0	6.352
Allowance	-5.128	0	-5.128
Carrying value	**1.224**	**0**	**1.224**
Balance as at 1 January 2021			
Cost	6.352	0	6.352
Allowance	-5.128	0	-5.128
Carrying value	**1.224**	**0**	**1.224**
2021			
Opening carrying value	**1.224**	**0**	**1.224**
Acquisitions	854	0	854
Eliminations	3	0	3
Transfer from assets being acquired	0	0	0
Amortisation	-466	0	-466
Disposals/write-offs	-3	0	-3
Closing carrying value	**1.612**	**0**	**1.612**
Balance as at 31 December 2021			
Cost	**7.204**	**0**	**7.204**
Allowance	-5.591	0	-5.591
Carrying value	**1.612**	**0**	**1.612**
Balance as at 1 January 2021	1.612	0	1.612

5.2 TANGIBLE FIXED ASSETS

In thousands of EUR

Item	31.12.2021	31.12.2020
Tangible fixed assets	22.973	20.387
Land and buildings	2.299	2.049
Plant, machinery and equipment	1.173	732
Equipment in financial lease	164	189
Equipment and other tangible fixed assets in lease (IFRS 16)	19.338	17.417

In 2021, the company increased its tangible fixed assets by the amount of EUR 2.6 million, especially the right-of-use assets. The accounted amortisation, included in operating expenses, was EUR 3.98 million in 2020 and EUR 3.94 million in 2021.

The company has no mortgages on its own immovable or movable property.

Changes in tangible fixed assets

In thousands of EUR

Item	Buildings	Buildings being acquired	Plant, machinery and equipment	Plant, machinery and equipment being acquired	Total
Year 2020					
Cost					
Balance as at 1 January 2020	**29.258**	**169**	**4.997**	**0**	**34.425**
Amendment of the IFRS 16 – Right-of-use-asset	6.485	0	195	0	6.680
Balance as at 1 January 2020 - adjusted	**35.743**	**169**	**5.192**	**0**	**41.105**
Acquisitions	153	0	450	0	603
Eliminations	-2.997	-169	-910	0	-4.076
Balance as at 31 December 2020	**32.899**	**0**	**4.732**	**0**	**37.632**
Allowance					
Balance as at 1 January 2020	**11.142**	**0**	**3.799**	**0**	**14.941**
Amortisation	3.664	0	320	0	3.984
Disposals and write-offs	-3.534	0	-540	0	-4.074
Increase	2.445	0	0	0	2.445
Balance as at 31 December 2020	**13.717**	**0**	**3.579**	**0**	**17.296**
Carrying value as at 31 December 2020					
Balance as at 1 January 2020 – adjusted	24.601	169	1.393	0	26.163
Discontinued operations – transfer, split-off	0	0	-51	0	-51
Balance as at 31 December 2020	19.182	0	1.204	0	20.386
Year 2021					
Cost					
Balance as at 1 January 2021	**32.899**	**0**	**4.732**	**0**	**37.632**
Acquisitions	14.123	0	693	0	14.817
Eliminations	-11.970	0	-75	0	-12.045
Balance as at 31 December 2021	**35.053**	**0**	**5.350**	**0**	**40.403**
Allowance					
Balance as at 1 January 2021	**13.717**	**0**	**3.528**	**0**	**17.296**
Amortisation	3.567	0	372	0	3.938
Disposals and write-offs	-3.679	0	-75	0	-3.753
Increase	0	0	0	0	0
Balance as at 31 December 2021	**13.605**	**0**	**3.825**	**0**	**17.430**
Carrying value as at 31 December 2021					
Balance as at 1 January 2021	19.182	0	1.204	0	20.336
Balance as at 31 December 2021	21.448	0	1.526	0	22.973

Carrying values of tangible fixed assets acquired through financial lease

In thousands of EUR

Item	31.12.2021	31.12.2020
Equipment	164	189
Total	164	189

5.3 INVESTMENT PROPERTY

In thousands of EUR

Item	31.12.2021	31.12.2020
Investment property	320	320
Cost	320	320
Allowance	0	0
Change due to fair value in equity	0	0

Investment property comprises a building intended for resale or rental. Rental income from the investment property is recognised as other income on a straight-line basis over the term of the lease. The following amounts associated with the investment property were recognised in the income statement:

In thousands of EUR

Item	2021	2020
Lease revenues	22	27
Direct costs originating from investment property and generating lease revenues	-9	-9
Total	13	18

Revenues from future leases thus amounted to EUR 22 thousand annually, in net sum, decreased for the direct cost of leasing, and thus totalled EUR 13 thousand. According to current contracts, the company expects to maintain such leases over the next five years.

Under the valid lease contract, the property is occupied and the company expects no changes either in the lease contract or with regard to the property. The fair value of the investment property is based on an appraisal of the value of the property carried out by KF Finance in 2021.

As of 1 January 2019, the company changed its policy with regard to measuring the value of the investment property. From this date, the investment property has been valued at fair value. The property valuation, which was carried out by licensed property surveyors, showed that the value of the investment property on 1 January 2019 amounted to EUR 320 thousand. In accordance with the International Financial Reporting Standards, the company has already disclosed changed accounting items for investment property in the preceding years, while the revaluation itself was directly reflected in the current profit or loss. In 2021, there were no revaluation effects.

The fair value of property investment has been determined by external, independent property surveyors with properly recognised qualifications and recent experience with regard to the location and category of property being valued. Each year, the independent property surveyors ensure the fair value of the investment property owned by the company. The measurement of the investment property's fair value was classified as level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and important data

A summary of the Report on the Value of the Property Owned by Big Bang, d.o.o., as at 31 December 2021, was prepared by a certified property valuer:

"The purpose of this evaluation is to evaluate the value of property rights for immovable property for financial reporting purposes (determining and measuring the fair value). The accounting records show that the property is evaluated as an investment property that is measured in accordance with the fair value model. The basis of value is in accordance with the IFRS 13 – Fair Value. For the needs of evaluation, we verified the suitability of use of all methods of property evaluation that are provided in the International Valuation Standards (IVS). Based on the findings of the immovable property market analysis and other conclusions, and taking into consideration the purpose of the evaluation, as well as the characteristics of the evaluated immovable property, we used the income approach (income capitalisation method).

- We used income approach in order to evaluate the immovable property. The reason why we used the method is because the evaluated property can be rented out and, thus, generate certain cash flow. From the investor's point of view, the recalculation of the value is appropriate provided there is return on the investment. The value of the immovable property is determined on the basis of the future cash flows received by the property owners from rental activities. The data used for the evaluation of the potential market rent and stabilised revenues, were obtained by analysing the actually concluded rental transactions of comparable business premises.
- In addition to that, we also examined the possibility of evaluation by way of market comparisons, however, when reviewing and analysing the property market, we established that it was not possible to identify sufficiently comparable sales transactions, as there were no sufficiently comparable sales recorded among the sales transactions carried out in the last two years. For information purposes, we have presented a business premises transaction analysis.
- We did not use the cost approach for the case in question, as we considered that the value evaluation would not cover the immovable property market potential, but rather its replacement value.

The final conclusion with regard to the evaluation of the immovable property's value is, therefore, given on the basis of the income capitalisation method, because we believe that the used method is the most suitable, both in terms of its purpose, as well as the reliability of data. Thus, assuming a long-term lease-rental relationship, we have indicated the market value of the evaluated immovable property for the property owner."

5.4 LONG-TERM FINANCIAL INVESTMENTS IN AFFILIATED COMPANIES

Long-term financial investments represent the investments in the subsidiary company, Big Bang, d.o.o., Belgrade – in bankruptcy. The financial investment is 100% impaired.

The company's long-term financial investments are not pledged.

5.5 LONG-TERM AND SHORT-TERM LOANS

In thousands of EUR

Item	31.12.2021	31.12.2020
Long-term loans given	1.200	0
Long-term loans given to companies	3173	1.973
Allowance for long-term loans given to companies	-1973	-1.973
Non-current loans given to others	0	0
Short-term loans given	100	1.200
Short-term loans given to the owner	100	1.200
Short-term loans given to companies	570	570
Allowance for short-term loans given to companies	-570	-570
Short-term loans given to others	0	0

Changes in loans given

In 2021, the company granted a loan to the owner of Bidigital d.o.o. in the amount of EUR 1.2 million in the form of a long-term loan with maturity ending on 31 March, 2023 and interest rate of 0.534% p.a. EUR 100 thousand represents a short-term loan with a repayment deadline of no later than on 9 July, 2022 and interest rate of 0.515% p.a.

The company has fully impaired long-term loans to unrelated companies and a short-term loan given to a related company, Big Bang Beograd d.o.o.

Valuation of assets and liabilities

In thousands of EUR

Item	Long-term loans given	Short-term loans given	Total loans given
GROSS AMOUNT			
Balance as at 31 December 2020	**1.973**	**1.770**	**3.743**
Increase – loans given	0	100	100
Decrease - repayments	0	0	0
Transfers long-term/short-term	1.200	-1.200	0
Balance as at 31 December 2021	**3.173**	**670**	**3.843**
ALLOWANCE			
Balance as at 31 December 2020	**1.973**	**570**	**2.543**
Increase	0	0	0
Transfers	0	0	0
Balance as at 31 December 2021	**1.973**	**570**	**2.543**
CARRYING AMOUNT			
Balance as at 31 December 2020	**0**	**1.200**	**1.200**
Balance as at 31 December 2021	**1.200**	**100**	**1.300**

5.6 DEFERRED TAX ASSETS

Long-term deferred tax assets are calculated based on temporary differences under the method of liabilities from the statement of financial position. The tax rate amounts to 19%.

Changes in temporary differences between the accounting profit and tax income in 2021

In thousands of EUR

Item	Balance as at 1 January 2021	Recognised in the statement of financial position	Balance as at 31 December 2021
Donations	1	-1	0
Fixed assets	45	-45	0
Receivables	189	22	211
Provisions	75	-2	73
Tax loss	11	0	11
Total	321	-26	295

In 2021, the company de-recognised EUR 26 thousand of deferred tax assets.

5.7 INVENTORY

In thousands of EUR

Item	31.12.2021	31.12.2020
Inventory	12.732	11.905
Material	142	133
Products and merchandise	13.765	12.930
• – goods in warehouses	2.935	3.948
• – goods in stores	10.830	8.982
Inventory allowance	-1.174	-1.158

Inventory of goods includes merchandise in stores and their storage areas, and merchandise in stock in the central warehouse. At the end of 2021, the inventory of merchandise was 6% higher than at the end of 2020.

Changes in inventory allowance

In thousands of EUR

Item	31.12.2021	31.12.2020
Balance as at 1 January	1.158	375
Final write-off	-687	-307
Making of allowances in the year	704	1.168
Split-off	0	-79
Balance as at 31 December	1.174	1.158

As at 31 December 2021, the inventory allowance amounted to EUR 1,174 thousand and at 31 December 2020, to EUR 1,158 thousand. In 2021, the company made allowance for inventory in the amount of EUR 704 thousand and a final write-off in the amount of EUR 687 thousand.

The company has no pledged inventories of goods.

The surplus and deficits in inventory established during the year are credited or charged in the cost of goods. A deficit of EUR 127 thousand was established during the process of assessing the inventory.

5.8 SHORT-TERM LOANS GIVEN

In 2021, the company provided a short-term loan in the amount of EUR 100 thousand to the company, Bidigital naložbe, d.o.o. (owner) with the interest rate of 0.515% p.a. without insurance.

5.9 SHORT-TERM OPERATING RECEIVABLES

In thousands of EUR

Item	31.12.2021	31.12.2020
Short-term operating receivables and other assets	3.290	6.876
Advances for rent	59	68
Short-term operating trade receivables	2.223	3.409
Short-term operating receivables from related companies	11	1.434
Other short-term operating receivables	888	768
Current tax receivables	2	296
Assets under supplier contracts	107	901

As at 31 December 2021, the company's operating receivables and other assets amounted to EUR 3,290 thousand, which decreased by 109% in comparison with 2020.

Assets under supplier contracts represent assets from different bonuses set in contracts.

The company secured 82.32% of trade receivables.

Changes in allowances due to trade receivables impairment

In thousands of EUR

Item	31.12.2021	31.12.2020
Balance as at 1 January	1.529	1.609
Final write-off	-70	-30
Making of allowances in the year	276	5
Reversal of impairment	-13	-56
Balance as at 31 December	1.722	1.529

As at 31 December 2021, allowances for receivables amounted to EUR 1,722 thousand, and as at 31 December 2020 to EUR 1,529 thousand. In 2021, the company made an allowance for receivables in the amount of EUR 276 thousand and entirely wrote-off EUR 70 thousand of receivables. The company also reversed past impa-irments to the amount of EUR 13 thousand.

Structure of allowances due to trade receivables impairment

In thousands of EUR

Item	31.12.2021	31.12.2020
Balance	1.722	1.529
Making of allowances based on the expected credit loss	-	2
Specifically made allowances based on the increased credit risk	1.722	1.527

5.10 CASH

In thousands of EUR

Item	31.12.2021	31.12.2020
Cash and cash equivalents	6.112	931
Cash in hand	27	27
Cash at bank	6.085	904

The balance of cash at the end of 2021 was EUR 5,181 million higher than the balance at the end of 2020.

5.11 CURRENT TAX RECEIVABLES

In thousands of EUR

Item	31.12.2021	31.12.2020
Current tax receivables	2	296

5.12 EQUITY

Nominal capital

The company's nominal capital is entered at the Local Court in Ljubljana in the amount of EUR 4,204 thousand, which did not change in 2021. As at 31 December 2021, the 100-percent owner of the equity was the company Bidigital naložbe, d.o.o.

Reserves

The company's reserves comprise the capital surplus (subsequent capital increase) and legal reserves. In accordance with the Companies Act (ZGD-1), they are tied-up reserves.

As at 31 December 2021, the capital surplus amounted to EUR 421 thousand.

Legal reserves, which amount to EUR 420 thousand, did not change during the year.

Retained earnings

The balance of retained earnings on 31 December 2021 was EUR 3,315 thousand.

5.13 PROVISIONS

In thousands of EUR

Item	31.12.2021	31.12.2020
Provisions	447	498
Provisions for long-service bonuses	86	97
Provisions for severance pay at retirement	319	359
Provisions for restoration to the previous state – IFRS 16	42	42
Provisions for warranty repairs	0	0

Changes in provisions

In thousands of EUR

Item	Provisions for long-service bonuses	Provisions for severance pay at retirement	Provisions for warranty repairs	Provisions for restoration to the previous state – IFRS 16	Total
Balance as at 1 January 2020	121	285	1.555	42	2.003
Split-off	-3	-6	-1.644	-	-1.653
Interest costs	1	3	-	-	4
Past and current service costs	11	34	-698	-	-653
Actuarial gains/losses through income statement	-21	-	787	-	766
Actuarial gains/losses through balance sheet	-	42	-	-	42
Payment of benefits	- 11	-	-	-	- 11
Balance as at 31 December 2020	98	358	-	42	498
Balance as at 1 January 2021	98	358	-	42	498
Interest costs	0	2	-	-	2
Past and current service costs	11	28	-	-	39
Actuarial gains/losses through income statement	-11	-	-	-	-11
Actuarial gains/losses through balance sheet	-	-52	-	-	-52
Payment of benefits	- 12	-18	-	-	- 31
Balance as at 31 December 2021	86	319	-	42	447

Provisions for severance pay at retirement and provisions for long-service bonuses are formed for the estimated liabilities of severance pay at retirement and long-service bonuses at the balance sheet date, discounted to the current value. The liability was formed for expected payments and is based on an actuarial calculation, in which the following assumptions were considered:

- Discount rate of 1%,
- Currently effective amounts of severance pay at retirement and long-service bonuses, determined in the company's internal acts, or as laid down by regulations,
- Actual turnover of employees by age group,
- Mortality tables of the Slovenian population between 2005–2007,
- 1.0-percent growth of salaries in the company, and
- 2.0-percent growth of salaries in the country.

5.14 FINANCIAL LIABILITIES

In thousands of EUR

Item	31.12.2021	31.12.2020
Financial liabilities	19.544	17.718
Long-term financial liabilities	**16.465**	**14.451**
Financial liabilities from operating leases	16.442	14.379
Financial liabilities from financial leases	24	72
Short-term financial liabilities	**3.079**	**3.267**
Financial liabilities from operating leases	3.042	3.200
Financial liabilities from financial leases	37	67

Changes in loans received in 2021

In 2021, the company did not use loans.

Changes in loans received in 2020

In thousands of EUR

Balance	Borrowings (increase)	Loan repayments (decrease)	Balance as at 31 December 2020
0	16.000	16.000	0

Maturity of financial liabilities in 2021

In thousands of EUR

Financial liabilities as at 31 December 2021	Future liabilities from leases	Interest	Current value
Not more than a year	3.460	381	3.079
In more than one year, but not more than five	11.006	948	10.058
In more than five years	6.686	279	6.407
Total	21.152	1.607	19.544

Maturity of financial liabilities in 2020

In thousands of EUR

Financial liabilities as at 31 December 2020	Future liabilities from leases	Interest	Current value
Not more than a year	3.608	341	3.267
In more than one year, but not more than five	13.716	876	12.840
In more than five years	1.647	36	1.611
Total	18.971	1.253	17.718

Non-discounted contractual cash flow

In thousands of EUR

	31.12.2021	31.12.2020
Total non-discounted liabilities	19.544	17.718
Less than 1 year	3.079	3.267
1–5 years	10.058	12.840
More than 5 years	6.407	1.611
Liabilities from lease, included in the statement	19.544	17.718
Short-term part	3.079	3.267
Long-term part	16.465	14.451

All lease liabilities are concluded in euros. The company applied a 2.1% discount rate when recognising the lease liabilities; the lease relationships expire between 2020 and 2030.

5.15 SHORT-TERM OPERATING RECEIVA

In thousands of EUR

Item	31.12.2021	31.12.2020
Short-term operating liabilities	18.523	16.633
Short-term operating liabilities based on advance payments	408	450
Short-term operating liabilities to suppliers	14.594	13.491
Short-term operating liabilities to related companies	126	221
Short-term operating liabilities to other	3.395	2.471
• - liabilities for unpaid salaries	711	555
• - liabilities to state institutions	1.734	1.090
• - remaining liabilities	950	826

At 31 December 2021, short-term operating liabilities were 11% higher compared to the previous year, whereby the liabilities to suppliers represent 79% of total short-term operating liabilities.

Short-term liabilities to others include liabilities for unpaid salaries, liabilities to state institutions, and remaining liabilities. Short-term operating liabilities to state institutions also include VAT liabilities, which amounted to EUR 1,081 thousand on 31 December 2020 and EUR 1,408 thousand on 31 December 2021.

5.16 CURRENT TAX LIABILITIES

The statutory tax rate for the calculation of corporate income tax for 2021 is 19%. On 31 December 2021, the company recognised current tax liabilities of EUR 253 thousand. A more detailed explanation is provided in note 5.7.

5.17 CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities

In thousands of EUR

Item	31.12.2021	31.12.2020
Contingent liabilities	7.917	6.636
Guarantees given of which:	**7.917**	**6.636**
• Group companies	7.917	5.417
• Other companies	-	1.219

The company's contingent liabilities relate to the securities given to the bank for the fellow enterprise in the amount of EUR 2.5 million (guarantees given to suppliers) and security given to the controlling company, Bidigital d.o.o. in the amount of EUR 5,417 thousand.

Contingent assets

In thousands of EUR

Items	31.12.2021	31.12.2020
Contingent assets	6.000	0
Security from Big Partner, d.o.o.	6.000	0

The contingent assets relate to securities received from the fellow company, Big Partner, d.o.o.

Securities given to banks for loans raised by the parent company

In thousands of EUR

Recipients of security	Principal as at 31. 12. 2021	Principal as at 31. 12. 2020
NLB	5.417	1.219
Intesa San Polo Bank	0	5.417
TOTAL	5.417	7.719

Securities given to banks as at 31 December 2021 amount to EUR 5,517 thousand. The recipient or the beneficiary of the sum of EUR 5,417 thousand arising from the security given to the controlling company, Bidigital naložbe, d.o.o., is NLB, d.d.

6. NOTES AND DISCLOSURES TO THE INCOME STATEMENT

6.1 SALES REVENUES

In thousands of EUR

2021	Slovenia			Foreign countries			Total
	Direct sales to customers	Sales through intermediaries	Total	Direct sales to customers	Sales through intermediaries	Total	
Revenues from the sales of goods	95.528	0	95.528	106	0	106	95.634
• Audio and video	26.195		26.195	15	0	15	26.210
• Digital	38.617		38.617	82	0	82	38.699
• Household appliances	25.417		25.417	7	0	7	25.424
• Smart devices	156		156	0	0	0	157
• Home	624		624	0	0	0	624
• Sports and leisure time	4.519		4.519	1	0	1	4.520
Revenue from the supply of services	1.758	4.125	5.883	0	459	459	6.342
• Services of direct sales to customers	1.758	0	1.758	0	0	0	1.758
• Services charged to suppliers	0	4.125	4.125	0	459	459	4.583
• Other services	0	0	0	0	0	0	0
Sales revenues	97.286	4.125	101.411	106	459	565	101.975

Revenue recognition timeframe			
Goods sold at a certain moment	95.528	106	95.634
Services rendered at a certain time period	5.883	459	6.342
Revenues from supplier contracts	4.102	459	4.561
Other revenue – rents	22	0	22
Sales revenues	101.142	834	101.975

		2020					In thousands of EUR
	Slovenia			**Other countries**			**Total**
	Direct sales to customers	Sales through intermediaries	Total	Direct sales to customers	Sales through intermediaries	Total	
Revenues from the sales of goods	74.362	249	74.611	0	0	0	74.611
• Audio and video	17.457	133	17.590	0	0	0	17.590
• Digital	33.884	97	33.980	0	0	0	33.980
• Household appliances	18.495	13	18.508	0	0	0	18.508
• Smart devices	561	1	562	0	0	0	562
• Home	84	0	84	0	0	0	84
• Sports and leisure time	3.881	5	3.886	0	0	0	3.886
Revenue from the supply of services	2.179	1.017	3.196	0	120	120	3.316
• Services of direct sales to customers	2.179	0	2.179	0	0	0	2.179
• Services charged to suppliers	0	1.017	1.017	0	120	120	1.137
• Other services	0	0	0	0	0	120	0
Sales revenues	76.541	1.266	77.807	0	120	120	77.927

Revenue recognition timeframe			
Goods sold at a certain moment	74.611	0	0
Services rendered at a certain time period	3.196	120	3.316
Revenues from supplier contracts	1.017	120	0
Other revenue – rents	27	0	0
Sales revenues	0	120	120

Revenues from supplier contracts represent super rebates, marketing contributions, campaign (special price) contributions, and the like.

Assets under supplier contracts, liabilities under customer contracts

In thousands of EUR

Item	**31.12.2021**	**31.12.2020**
Assets from supplier contracts	-43	87
Receivables from supplier contracts	390	59
Other receivables from supplier contracts	-433	28
Liabilities from customer contracts	0	326
Liabilities from customer contracts	0	326

Assets from supplier contracts mainly represent credit entries received from purchase contracts and bonuses, and the invoices issued for the purpose of marketing. Revenues from these assets decrease the costs of goods sold. Receivables from supplier contracts include open receivables for which the company has already received supplier credit entries or issued invoices. Other receivables from customer contracts comprise accrued bonuses for which suppliers have not yet issued relevant documents on the cut-off date.

Liabilities from customer contracts consist of sales and marketing bonuses, which the company granted to its customers at the end of the year and were not yet due on the cut-off date.

6.2 COST OF GOODS SOLD

In thousands of EUR

Item	2021	2020
Cost of goods sold	78.625	60.272

The cost of goods sold in 2021 increased by 30% compared to the previous year.

6.3 COSTS BY NATURE

In thousands of EUR

Item	2021	2020
Costs by nature	21.933	18.730
Costs of material used	706	573
Costs of services	7.479	5.695
Labour costs	9.344	7.958
Amortisation costs	4.022	3.356
Other operating costs	382	361
Long-term provisions	0	787

In 2021, costs increased by 17% compared to the year before.

Costs of material used by type

In thousands of EUR

Item	2021	2020
Costs of material used	706	573
Electricity costs	269	254
Fuel costs	59	101
Costs of office supplies	35	22
Other costs of material	343	196

Costs of services by type

In thousands of EUR

Item	2021	2020
Costs of services	7.479	5.695
Costs of transportation to customers and other transport costs	376	489
Advertisement, publicity and participation at fairs	2.942	2.443
Lease for assets	3	12
Maintenance costs	193	131
Costs of telecommunication and postal services	170	135
Utility costs, water charge costs and sewage costs	59	50
Reimbursement of labour-related costs to employees	35	44
Costs of credit card sales, payment transactions, bank services and customs duties	655	517
Insurance premiums	156	192
Entertainment costs	20	10
Education costs	31	4
Costs of other services	2.840	1.668

Labour costs by type

In 2021, the company employed on average 361 workers, while the average number of employees in 2020 totalled 375.75.

In thousands of EUR

Item	2021	2020
Labour costs	9.344	7.958
Cost of wages and salaries	6.755	5.540
Pension costs	693	591
Costs of other insurance	490	404
Costs of holiday allowance	376	327
Reimbursement costs of commuting	356	299
Reimbursement costs for meals during work	389	328
Provisions for severance pay and long-service bonuses	113	45
Other labour costs	172	424

Amortisation costs by type

In thousands of EUR

Item	2021	2020
Amortisation costs	4.022	3.356
Amortisation of immovable property, plant and equipment	3.556	3.014
• Amortisation of investments in immovable property – buildings	390	382
• Amortisation of equipment and small tools	271	173
• Amortisation of leased assets	3.277	3.372
• Decrease of amortisation*	-383	-912
Amortisation of intangible assets	466	342

*Lessors' credit entries for the time of stores' closure due to the COVID-19 measures.

Other operating costs

In thousands of EUR

Item	2021	2020
Other operating costs	382	361
Contribution for the ground exploitation	172	168
Environmental tax due to waste electrical and electronic equipment	178	123
Other operating costs	33	70

6.4 REVALUATORY AND OTHER OPERATING EXPENSES

In thousands of EUR

Item	2021	2020
REVALUATORY OPERATING EXPENSES	731	1.115
Write-offs of tangible fixed assets to recoverable value	0	13
Impairment and write-offs of inventory	500	1.109
Impairment and write-offs of operating receiva-bles	231	-7

Revaluation-based operating expenses increased by EUR 284 thousand when compared to 2021.

In thousands of EUR

Item	2021	2020
OTHER OPERATING EXPENSES	26	2
Other operating expenses	26	2

Other operating expenses refer to expenses for donations, indemnities given, solidarity aid and offsets.

6.5 OTHER OPERATING REVENUES

In thousands of EUR

Item	2021	2020
OTHER OPERATING REVENUES	1.489	1.998
Profits from the sale of property, plants and equipment	2	0
Revenues from realised receivables	11	448
Revenues from the reversal of provisions	11	21
Other operating revenues	328	326
Government subsidies	1.137	1.203

Other operating revenues decreased by 34% when compared to the same period in 2020. revenues from government subsidies represent 76% of all other operating revenues. Government subsidies originate mostly from subsidies intended for mitigating the consequences of the COVID-19 epidemic.

6.6 NET FINANCIAL REVENUES AND EXPENSES

In thousands of EUR

Item	2021	2020
Financial revenues	35	19
Interest revenues	13	19
Revenues from exchange rate differences	0	0
Other financial revenues	21	0
Financial expenses	-403	-373
Interest expenses	-5	-29
Expenses from exchange rate differences	0	0
Impairments of financial assets	0	0
Other financial expenses	-3	-8
Financial expenses for interest on assets leased	-396	-336
Net financial revenue/expenses	-369	-355

In 2021, financial expenses were EUR 30 thousand higher when compared to the previous year, in particular due to interest from right-to-use assets.

6.7 DEFERRED TAX AND CORPORATE INCOME TAX

Liability for corporate income tax is established on the basis of the Corporate Income Tax Act (ZDDPO-2), which came into effect on 1 January 2007.

In thousands of EUR

Amounts recognised in the income statement

Item	2021	2020
Income tax	**253**	**0**
Tax for the current year	253	0
Deferred tax	**26**	**86**
Deferred tax originating from the occurrence and reversal of temporary differences	26	86
Total corporate income tax	278	86

Effective tax rate breakdown

In thousands of EUR

Item	2021	2020
Profit or loss before tax	1.781	-549
Tax rate	19 %	19 %
Expected income tax	338	-
Expenses not recognised for tax purposes	342	-
Exemption of revenues	5	-
Increase of expenses	15	-
Tax basis I	**2.103**	**-549**
Change of tax basis	26	-
Tax basis II		
Tax income	2.129	-549
Tax loss		
Tax relief	798	-
Tax loss covering	0	-
Tax basis III	**1.331**	**-549**
Tax loss covering	253	-
Deferred tax	26	86
Effective tax rate	15,64 %	-15,66 %

In thousands of EUR

Item			2021			2020
Profit or loss before tax			1.781			-549
Tax rate		19,00 %	19 %		19,00 %	19 %
Expected income tax			338			-
Tax effects connected with:						
Expenses not recognised for tax purposes	342	3,65 %	65	-	0,00 %	0
Exemption of revenues	-5	-0,05 %	-1	-	0,00 %	0
Increase of expenses	15	0,16 %	3	-	0,00 %	0
Effect of previous years' error correction	26	0,28 %	5	-	0,00 %	0
Costs not recognised for tax purposes	-	0,00 %	0	-	0,00 %	0
Increase of tax basis	0	0,00 %	0	-	0,00 %	0
Increase of tax loss	-	0,00 %	0	-	0,00 %	0
Tax relief	-798	-8,51 %	-152	-	0,00 %	0
Reversal/recognition of deferred receivables	26	0,27 %	5	86	0,00 %	0
Total income tax			253			0
Effective tax rate		15,64 %			-15,66 %	

7. OTHER NOTES

7.1. COSTS OF LEGAL SERVICES AND AUDIT COSTS

In 2021, the company paid EUR 22.5 thousand to the audit company, KPMG Slovenija, d.o.o. for the audit purposes of this Annual Report and other reports that need to be drawn up by the company.

In addition to that, the company also committed EUR 32 thousand for the needs of various legal counselling and enforcement proceedings.

7.2. RELATED PARTY TRANSACTIONS

The company has three groups of related parties: The management staff, the parent company and the affiliated companies. The management staff comprises of both Directors.

Gross receipts of management and employees under individual contracts

			2021			In thousands of EUR
Recipient	Number of members	Fixed part of receipts	Variable part of receipts	Other receipts	Total gross receipts	Total net receipts
	3	2	3	4	5 = 2 to 4	6
Uroš Mesojedec	1	133	-	8	141	66
Robert Sraka	1	95	-	7	102	50
Total		228	-	15	243	116
Gross structure		94 %	0 %	6 %	100 %	
Employees under individual contracts	22	929		67	996	560

Other receipts include holiday allowance, benefits with respect to managerial insurance and the use of the company car, termination bonuses, and meal and commuting allowances.

In 2021, Big Bang, d.o.o. did not grant any advances or loans to the members of management or employees under individual contracts.

Company's transactions with related parties in 2021

Item	Sale of goods	Purchase of goods	Service rendering	Financial revenues	Purchase of services	Interest received
Nomago, d. o. o.	21	0	0	0	7	0
Adventura investments, d. o. o.	1	0	0	0	103	0
Bidigital, d. o. o.	0	0	0	24	0	7
Big partner, d. o. o.	5.322	12.670	2.033	4	8	0
Total Group companies	**5.344**	**12.670**	**2.033**	**28**	**117**	**7**
Total all	5.344	12.670	2.033	28	117	7

Company's transactions with related parties in 2020

Item	Sale of goods	Purchase of goods	Service rendering	Purchase of services	Interest rec
Nomago, d. o. o.	34	0	13	0	0
Adventura holding, d. o. o.	0	0	56	0	0
Big partner, d. o. o.	4.213	1.000	263	0	0
Bidigital naložbe, d. o. o.	0	0	13	0	2
Marg, inženiring, d. o. o.	4	0	0	0	0
Total Group companies	**4.251**	**1.000**	**344**	**0**	**2**
Total all	4.251	1.000	344	0	2

In thousands of EUR

Balance of receivables as at 31.12.2021	Balance of liabilities as at 31.12.2021	Balance of loans given as at 31.12.2021	Balance of guarantees given as at 31. 12. 2021	Balance of guarantees received as at 31.21.2021
0	0	0	0	0
7	0	1.300	5.417	0
0	126	0	2.500	6.000
11	**126**	**1.300**	**7.917**	**6.000**
11	126	1.300	7.917	6.000

In thousands of EUR

ceived	Interest paid	Balance of receivables as at 31. 12. 2020	Balance of liabilities as at 31. 12. 2020	Balance of loans given as at 31. 12. 2020	Balance of guarantees issued as at 31. 12. 2020
	0	4	0	0	0
	18	0	12	0	0
	0	1.428	200	0	0
	0	2	0	1.200	5.417
	0	0	0	0	0
	18	**1.434**	**212**	**1.200**	**5.417**
	18	1.434	212	1.200	5.417

7.3. AFFILIATED COMPANY

Big Bang, d. o. o., Beograd

In thousands of EUR

Item	Country	Ownership interest since	Ownership interest in %	Investment value at year-end	The company's profit or loss
2020	Serbia	2005	100 %	0	In liquidation
2021	Serbia	2005	100 %	0	In liquidation

On 28 September 2015, insolvency proceedings were initiated for the subsidiary company, Big Bang, d.o.o, Belgrade.

SIGNIFICANT BUSINESS EVENTS AFTER THE END OF THE FINANCIAL YEAR

In the light of the optimisation of the number of stores and in line with the annual plan, two stores were closed immediately at the beginning of 2022, namely, Slovenska Bistrica and Jesenice. In doing so, all jobs have been preserved, thereby providing consumers a better user experience, which is difficult to provide in smaller stores.

In mid-February, all measures aimed at verifying the recovered/vaccinated/tested rule in stores were lifted, which should lead to an increase of the number of shoppers in stores and fewer focused purchases.

At the end of February 2022, the Russian invasion of Ukraine started, although it will not have a significant impact on the results, except indirectly due to a decrease in consumer optimism.

AUDITOR'S REPORT

KPMG SLOVENIJA, podjetje za revidiranje, d.o.o.
Železna cesta 8a
SI-1000 Ljubljana
Slovenija

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This document is a free translation of the Slovenian original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Slovenian original should be referred to in matters of interpretation.

Independent Auditors' Report

To the owner of Big Bang, trgovina in storitve, d.o.o.

Opinion

We have audited the financial statements of Big Bang, trgovina in storitve, d.o.o. (the “Company”), which comprise:

- the statement of financial position as at 31 December 2021;

and, for the period from 1 January to 31 December 2021:

- the statement of profit or loss;
- the statement of other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows;

and

- notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union (“IFRS EU”).

The Independent Auditor’s Report is a translation of the original Independent Auditor’s Report in Slovene, issued on the financial statements and the notes thereto in Slovene. This translation is provided for reference purposes only and is not to be signed.

TRR: SI56 2900 0000 1851 102
vpis v sodni register: Okrožno sodišče v Ljubljani
št. reg. vl.: 061/12062100
osnovni kapital: 54.892,00 EUR
ID za DDV: SI20437145
matična št.: 5648556

Basis for Opinion

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

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider 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.

With respect to the Business Report, we considered whether the Business Report includes the disclosures required by the Company's Act dated 4 May 2006 (official gazette of Republic of Slovenia No. 42/2006 with amendments - hereafter referred to as "the applicable legal requirements"). Based solely on the work required to be undertaken in the course of the audit of the financial statements and the procedures above, in our opinion, in all material respects:

- the information given in the Business Report for the financial year for which the financial statements are prepared, is consistent with the financial statements; and
- the Business Report has been prepared in accordance with the applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment in which it operates, obtained in the course of our audit, we are required to report if we have identified material misstatements in the Business Report. We have nothing to report in this respect.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the IFRS EU, 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 the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

On behalf of audit firm

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Signed on the Slovenian original

Matej Drobnič
Certified Auditor

Ljubljana, 15 April 2022

Signed on the Slovenian original

Danilo Bukovec
Certified Auditor
Director

KPMG Slovenija, d.o.o.
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Name of company:	Big Bang, trgovina in storitve, d, o, o,
Short name:	Big Bang, d, o, o,
Registered office:	Madžarska ulica 12, 1000 Ljubljana, Slovenija
Web page:	www.bigbang.si
Company's HQ phone:	+386 (1) 309 3700
Fax number:	+386 (1) 309 3760
E-mail:	uprava@bigbang.si
Identification number:	SI18224326
Registration number:	5464943
Company's principal activity:	G/47.430: Retail sale of audio and video equipment in specialized stores
Entry in the commercial register:	District Court in Ljubljana, no. of insert 1/11417/00
Nominal capital:	4.204.400 EUR
Transaction account:	NLB, d. d.: 02923-0254441325 Intesa Sanpaolo Bank, d. d.: 10100-0057326510
Business space in m2:	Own: 402 m2
	Hired: 31.205,90 m2
Owner:	100-percent owner of equity's company is Bidigital, d. o. o., Vošnjakova ulica 3, 1000 Ljubljana
Management:	Uroš Mesojedec, Robert Sraka