

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

Annual Report

Agro Invest Group d.o.o.
for agricultural production,
livestock, tourism, catering,
trade and services

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INVEST
grupa

20
22

Contents

Overview of Key Performance Indicators for 2022	5
A Comment from the Company Director.....	6
About Us	8
Historical Development	9
Corporate Governance.....	10
Management Structure	12
Business Segments	14
Agro Invest Group in 2022.....	26
Business Risks	29
Plans and Expectations.....	34
Responsibility for Non-consolidated and Consolidated Financial Statements.....	36
Auditor’s Report	38
Non-consolidated and Consolidated Financial Statements	46



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REVIEW OF KEY BUSINESS INDICATORS FOR 2022

year

All amounts are in 000 HRK | comparison with 2021

648,606

Operating Income*

(+32.2%) ↗

157,921

EBITDA*

(+13.9%) ↗

114,941

EBIT*

(+21.1%) ↗

87,747

Profit for the
current year*

(+22.2%) ↗

* The financial measures used are not defined by International Financial Reporting Standards. For more details on the Alternative Performance Indicators used, see page 27.

Comment from the Director



While 2020 and 2021 were marked by uncertainty and business disruptions arising from the COVID-19 pandemic, 2022 was a year of uncertainty caused by the geopolitical situation in the Eastern Europe and the war in Ukraine. In this period, we sought to make business decisions which would above all protect our employees and business partners, but also make it possible to keep our business running smoothly and optimally, achieving the goals and results we had set for ourselves.

In the context of our business, the most significant disruptions in 2022 were reflected in a significant hike in the prices of inputs used in agricultural production, primarily energy products, basic production materials, fertilisers, seed material, plant protection products, fish feed and other materials essential for production. Despite negative initial estimates after the war in Ukraine had broken out, we were able to procure sufficient quantities of the required materials in the market at all times, sometimes with more effort than usual. Besides the complicated geopolitical situation, 2022 was extremely challenging and demanding in terms of agrometeorological conditions as well. The year was extremely dry, with precipitation being below annual average and having unfavourable distribution for agricultural production.

Despite these challenges, in 2022, Agro Invest Group generated total consolidated revenues of HRK 648.6 million, representing a year-on-year growth of 32.2%.

The revenue growth was caused by increased product sale prices in the sales markets, but also by increased sales. On the other hand, the level of impact produced by individual factors differs from segment to segment. The increase in sales prices was also accompanied by higher prices of almost all-important production materials used by the Group for production. Nevertheless, EBITDA amounted to HRK 157.9 million in 2022, representing a year-on-year growth of 13.9%.

Our business philosophy rests on several key foundations:

People – we select and build open-minded and innovative employees who are constantly exploring the latest global trends in agricultural production and accepting new technologies and business innovations. We encourage and support our employees in all kinds of professional training;

Organisational culture – which we aim to build in a way that encourages adopting and perfecting the best global practices to achieve maximum efficiency in agricultural production;

Resources – we invest in acquiring those resources that are limited and not easily accessible, such as agricultural land and fishponds;

Smart processes – we digitalise all business processes and consolidate all available digital data in our reporting systems (weather stations, fields, machinery, satellites, drones, etc.). By using advanced digital technologies, we help people in the process of making the best decisions about production processes on time.

In July 2022, Agro Invest Group issued corporate bonds amounting to HRK 170 million. To a lesser extent, funds obtained by issuing the bonds were used to repay loans issued to the Group companies by business banks. Most of the funds have been and are going to be used for investment purposes to keep the Group companies growing and developing.

Considering the inflationary pressures, the Group companies have found room for improving working conditions and adjusted monthly earnings to make this period easier for our employees, aiming to motivate and retain good staff, whose satisfaction and motivation are essential for the Group's performance.

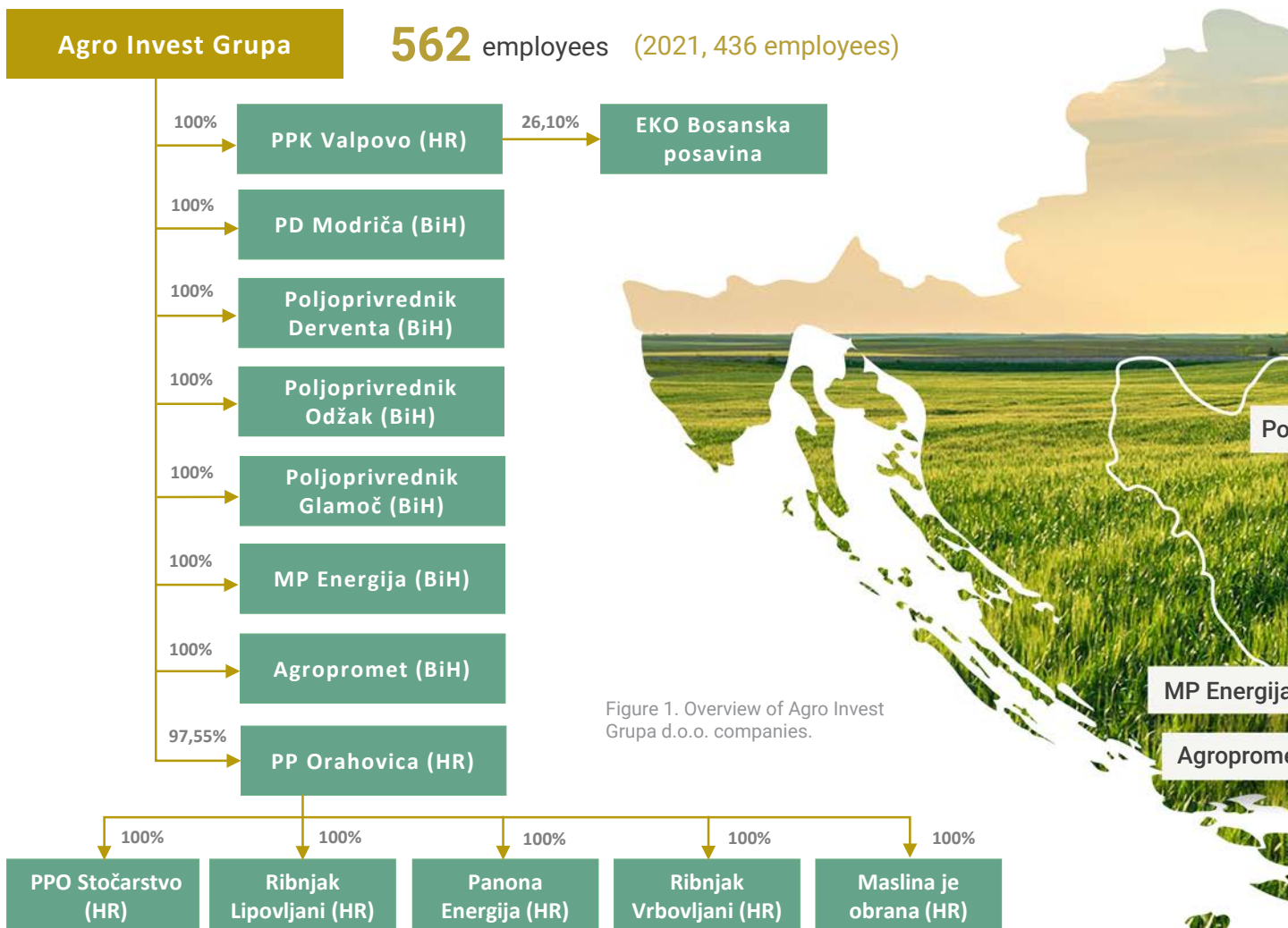
Stipo Matic
Agro Invest Group Director



ABOUT US

2022

Agro Invest Group, a limited liability company for agricultural production, livestock farming, tourism, catering, trade and services, with a registered office in Zagreb, Buzinski prilaz 10, Court Reg. No. (MBS): 010092380, was registered with the Commercial Court in Zagreb in 2014. The Company is represented by director Stipe Matić, who is also its sole owner. The Company has no treasury shares or treasury share buyback programs. It has no research and development activities. Agro Invest Group is a consolidator of companies whose primary activity is agricultural production. Agro Invest Group includes the companies PPK Valpovo and PP Orahovica from Croatia and EKO Bosanska Posavina, PD Modriča, Poljoprivrednik Derventa, Poljoprivrednik Odžak, Poljoprivrednik Glamoč, MP Energija and Agropromet from Bosnia and Herzegovina.



The Group cultivates over 14,500 ha of agricultural land for crop farming, over 6,800 ha for fish farming and over 850 ha for fruit growing. The Group also cultivates vineyards, owns silos with a capacity of 118,000 tonnes and raises 4,000 head of cattle. The Group's customer portfolio is well-diversified, consisting of over 2,500 customers, which has significantly reduced the risk of having a single customer. The group has no subsidiaries

History

The history of organised agricultural production in the areas where the Agro Invest Group companies operate dates back to the first half of the 18th century. Its beginnings are associated with the construction of the first watermills in the region.



1958

PPK Valpovo is established

1964

PPK Orahovica is established

2009

Start of AIG Group agricultural production in Bosnia and Herzegovina

2010

M San Ulaganja becomes majority owner of PP Orahovica and co-owner of PPK Valpovo

2018

M San Ulaganja takes over PPK Valpovo as its sole owner

2021

The AIG Group is established as the consolidating entity for the agricultural group

2022

The First corporate bond issue in agricultural sector in the Republic of Croatia. The company EKO Bosanska Posavina becomes a member of the Agro Invest group

Present day

The companies in the group have been successfully restructured

CORPORATE GOVERNANCE

2022



Agro Invest Group is not obligated to implement the Corporate Governance Code of the Croatian Financial Services Supervisory Agency (HANFA) and Zagreb Stock Exchange, Inc. (https://www.hanfa.hr/media/4097/zse_kodeks_eng.pdf). However, in its operations, the Group applies the highest governance and accountability standards in accordance with good corporate governance practices.

The Group must also submit data about its corporate governance practices to HANFA, which is to be done using the Corporate Governance Practice Questionnaire for Issuers of Bonds (GIKU_UOP_OBV).

Internal Controls and Risk Management in Relation to the Financial Reporting Process

Internal accounting controls and actions of competent employees ensures accuracy, validity and comprehensiveness of financial records and statements, which serve as the basis for drawing up annual financial statements. Such a control system also ensures their compliance with the International Financial Reporting Standards. The Company's accounting policies represent the rules the Company applies when preparing financial statements. A summary of the most significant accounting policies is published in the Company's financial statements.

Corporate Bodies

Agro Invest Group's corporate governance structure is based on a monistic system, where the Director is in charge of the management and supervision. The Company's General Assembly has appointed the Audit Committee, consisting of three members Branislav Vrtačnik, Karmela Jurina and Marko Rašić, whose tasks include assessing the quality of the internal control and risk management system with the aim of properly identifying the major risks to which the Company is exposed (including compliance risks). The Agro Invest Group companies have their own Management Boards and persons responsible for managing their affairs.

Description of the Diversity Policy

The Group's employment policy respects personal integrity of every individual by adhering to the principles of diversity and equal opportunities. Diversity is one of the most important qualities of our organisational culture, present ever since the Company was founded. It is reflected in our belief that differences in sex, skin colour, political or other beliefs and national or social origin can only make us richer.

The Group strictly prohibits and condemns any form of discrimination in order to ensure a sustainable work environment free of discrimination and abuse on grounds of sex, race, religion, ethnicity, sexual orientation or any other characteristic/status. The Group is committed to ensuring a non-discriminatory workplace and we are proud that no such incidents have ever been reported.

GOVERNANCE STRUCTURE

2022

In accordance with the Memorandum of Association, the Management Board can have one to three members (directors). A management board member (director) represents the Company individually and independently. The Management Board currently consists of a single director.



Stipo Matić

Agri Invest Group Director

Stipo Matić has been the director and founder of the company M San Ulaganja d.o.o. since 2009, which had the key role in the takeover and restructuring of the companies PPK Valpovo and PP Orahovica. Between 2016 and 2021, he was also a member of the Management Board of PP Orahovica. Besides Agri Invest Group, the portfolio of companies in his ownership also includes M SAN Grupa d.o.o., KING-ICT d.o.o., eKupi d.o.o. and Ured za podršku d.o.o.



Saša Breznik

Chairman of the Management Board of PP Orahovica

Saša became Chairman of the company's Management Board in 2017. He has been leading teams in various segments of agricultural production. He has been contributing greatly to strengthening business relations with our partners and clients. He has developed a team of professionals who have brought PP Orahovica to the very top of Croatian agricultural production, making it a competitive company in the EU market.



Vlado Čondić Galiničić

Member of the Management Board of PP Orahovica

Between 2007 and 2010, Vlado was the HR manager at M SAN Group. In 2010, he became the Director of the company Ured za podršku d.o.o. and he stayed at that position until 2017. Between 2012 and 2017, he was a member of the Board of Directors of PP Orahovica. After that, he was Executive Director for Agriculture at Agrokor/ Fortenova Group. In 2021, he returned to our group as a member of the Management Board of PP Orahovica. His main task and responsibility is the operation of agricultural production in Bosnia and Herzegovina.



Ivan Malić

Chairman of the Management Board of PPK Valpovo

Ivan became a member of the Management Board of KING-ICT d.o.o. in 2006 and he stayed at that position until 2009. He came to M SAN Ulaganja d.o.o. in 2011, where he started working in agricultural business development at M SAN Group. He became Chairman of the Management Board of PPK Valpovo in 2018.



Slaven Mijatov

Member of the Management Board of PPK Valpovo

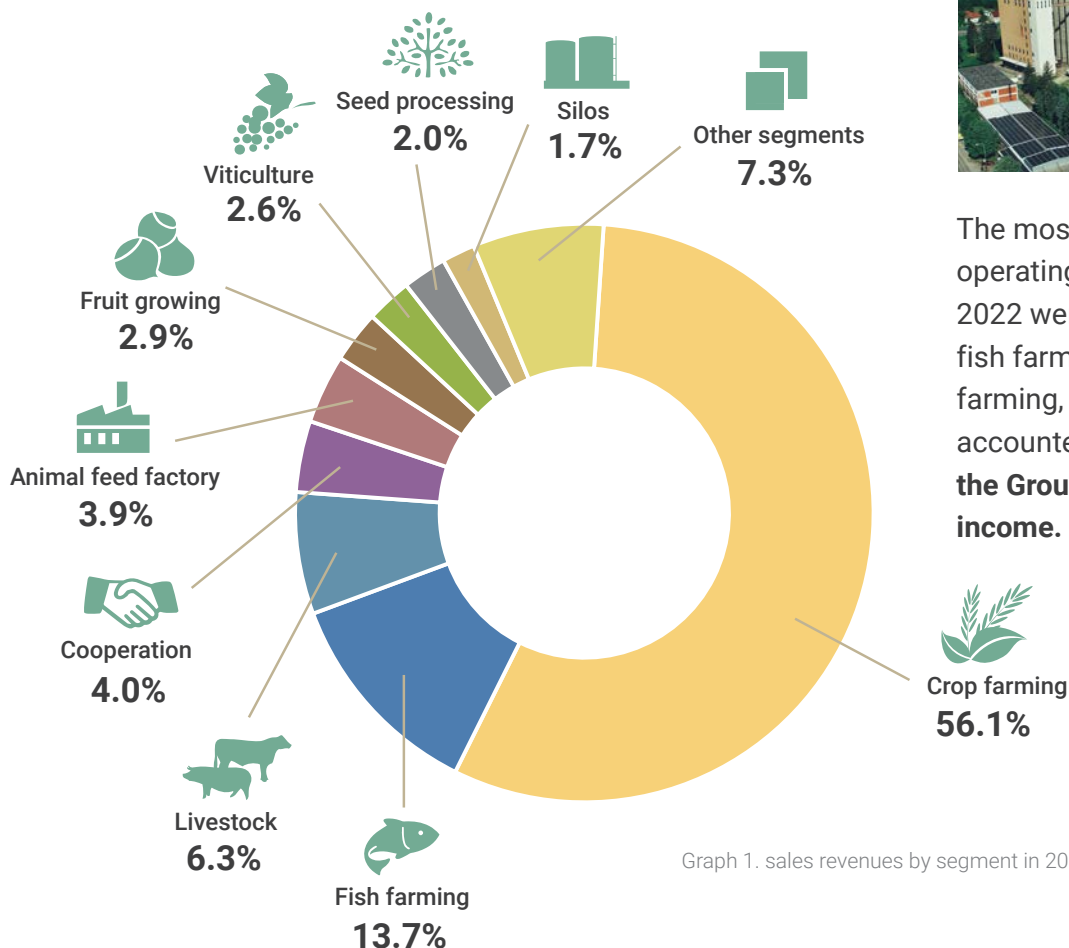
Slaven started his career at PPK Valpovo in 2005. He became Executive Director for Legal, Personnel and General Affairs in 2007. He stayed at this position until 2012, when he became a member of the Management Board of PPK Valpovo. He is involved in different operating segments at the company, particularly business stabilisation and development and HR optimisation and advancement.

OPERATING SEGMENTS

2022

The Group's primary activity is agricultural production. Its activities are carried out in the Republic of Croatia and Bosnia and Herzegovina.

The Group's agricultural production takes place within the following operating segments: crop farming, fish farming, fruit growing – hazelnut processing, viticulture, livestock farming, silo operations, cooperative and animal feed factory.



The most important operating segments in 2022 were crop farming, fish farming and livestock farming, which together accounted for **76.1% of the Group's operating income.**

Graph 1. sales revenues by segment in 2022



Tradition inspired by nature

A contemporary story of Slavonian agri-food tradition

Crop Farming

Crop farming accounts for the majority of Agro Invest Group's income. Most of the products are made on agricultural land controlled by the Group, while some of them are purchased as part of a cooperative with other producers. Our silo capacities allow us to manage the quality of our goods.



14,679 ha
Area

HRK 363.7 million
Share in operating income in 2022



Our most grown crops include cereals – wheat and maize, followed by oil crops – soy, oilseed rape and sunflower. They are grown mostly for consumption, but partly for seed production as well. Crops such as barley, oat, spelt and alike are also grown, but to a lesser extent.

The Group’s annual production in the cereal segment is:



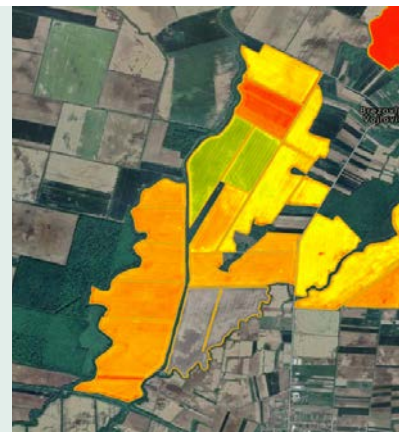
The Group’s annual production of oil crops is as follows:



In 2022, the Agro Invest Group’s crop farming segment generated operating income of HRK 363.7 million, accounting for 56.1% of Agro Invest Group’s operating income in 2022. Operating income from crop farming increased by 29.9% compared to 2021.

Smart agriculture

Education, knowledge and competence are essential for using modern technologies, which are an integral part of modern business and smart agriculture. Aware that modern-day business depends on ICT, information and knowledge, we base our smart agricultural production on planning, production management and digital monitoring.



The Group’s performance was significantly affected by an increase in the price of cereals and oil crops caused by the war in Ukraine. The sales policy of the Agro Invest Group companies is to sell goods at the best possible moment.

Accordingly, some of the goods produced in 2021 were sold in the first half of 2022, which was reflected in greater profitability being achieved in this segment. In the second half of 2022, despite maize, soy and sunflower yields being lower than planned due to drought, the crop farming segment remained profitable.

Fish Farming and Processing

PP Orahovica d.o.o. is in charge of fish farming, which takes place on a total surface area of 6,817 ha at nine locations – fishponds in the Republic of Croatia held by the Company on a long-term lease, eight of which for 50 years and one for 25 years.

6,817 ha

Area

9

Fishponds

HRK 88.6 million

Share in operating income in 2022

14%



The Group's fish farming segment offers a wide range of freshwater fish, primarily common carp, bighead carp, grass carp and wels catfish. The Group farms live fish for human consumption in its fishponds, but it also owns a fish processing factory, where it makes a wide range of smoked products and delicacies. The offer includes whole fish, dressed fish, steaks, fillets, frozen breaded fish, delicacies, etc.

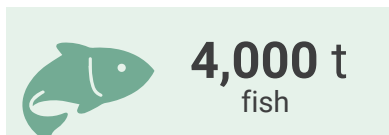


In addition, the fish farming segment has been integrated vertically and has all the necessary logistics from harvesting to delivering finished products to a point of sale, including its own retail stores at 10 locations in towns across Slavonia. The company also has a freshwater fish processing factory in Čačinci with a processing capacity of 50 tonnes a day, which produces and markets products under the Panona Mare brand.



Panona Mare

The Group's annual production in the fish farming segment is:



The majority of customers in this segment are retail customers, HoReCa customers, wholesale customers and chain stores.

In 2022, the Agro Invest Group's fish farming segment generated operating income of HRK 88.6 million, accounting for 13.7% of Agro Invest Group's operating income in 2022. Operating income in 2022, from fish farming increased by 14.6% compared to 2021. Sales revenue from the fish farming segment in foreign markets accounted for 66.0% of the sales revenue in 2022. Besides Croatia and Bosnia and Herzegovina, the most important markets where we place our fish and freshwater fish products are Poland, Bulgaria, Serbia, Slovakia and Lithuania.

In 2022, 1,786 tonnes of freshwater fish was processed at the freshwater fish processing factory, resulting in 1,208 tonnes of various products being made. This means that the quantity of processed freshwater fish increased by 25.7% compared to 2021. Notable investments in 2022 include the construction of a plant for breeding the African catfish in a recirculation system, which was commissioned in November 2022. The investment amounted to HRK 1.4 million. In the period from 2021 to 2022, HRK 7.7 million was invested in the fish processing factory, including the procurement of a new machine for packing products in bags and trays, automatic fish scaling, washing and cooling machine, automatic weighing and equalization system, breeding line and the quick product cooling and glazing system.

Fruit Growing

Fruit production is characterised by the specific quality and location of agricultural land as our resource as well as by the fact that the location of the Agro Invest Group companies' agricultural land is very suitable for growing hazel. The Group's fruit growing segment includes fresh hazelnuts and high-quality hazelnut products. These are Croatian products known for their distinct taste and quality. The product range includes fresh hazelnut kernels, roasted hazelnut kernels, chopped hazelnuts and roasted hazelnut paste. Regarding the fruit growing segment, the Group cultivates 660 ha of land, producing 600 tonnes of hazelnut annually. The majority of customers in this segment are retail chains, the confectionery industry and nut distributors.

660 ha

Area

600 t

Production

HRK 18.7 million

Share in operating income in 2022



2.9%

Agro invest Group is the largest producer of hazelnuts in the region and has significant resources in the knowledge and experience of our employees and the tradition in the Orahovica region, which dates back to the 1980s. Moreover, the Group owns all the machinery required to automate production processes as much as possible. The Agro Invest Group companies also own plant nurseries, one in Croatia and another one in Bosnia and Herzegovina, where hazel seedlings are grown both for the Group's own purposes (planting new groves) and for market needs. PP Orahovica d.o.o. also has a hazelnut processing facility. In 2022, the Agro Invest Group's fruit growing segment generated total income of HRK 18.7 million, accounting for 2.9% of its operating income in 2022. This result represents a 19.4% decrease in sales compared to 2021.

The main reason behind this decrease is that the base, i.e. hazelnut sales revenue in 2021, was unusually high. Income from fruit growing in 2021 amounted to HRK 23.2 million and was higher by 72.5% than in 2020.

Lower operating income generated in the fruit growing segment was also caused by a decrease in the average sales price of hazelnuts in the global market. Contrary to the trend of rising prices of other agricultural products, the price of hazelnuts is significantly affected by their sales prices in Turkey, the largest producer of hazelnuts in the world, which accounts for about 65.0% of the world's hazelnut production. In 2022, Turkey had a high inflation rate, which had a direct impact on the price of hazelnuts in Turkey and consequently on the price of hazelnuts in the global market. In addition to unfavourable prices, lower revenue from hazelnut sales was also somewhat caused by a lower hazelnut yield due to extended droughts in 2022.

Despite that, hazel has proven to be much more resilient to drought than other types of crops and fruits. It has been recognised as a plant with high potential, so the Agro Invest Group companies both in Croatia and Bosnia and Herzegovina plan to expand their hazel plantations. Furthermore, new hazelnut processing factories are being designed, which will have the capacity to fully meet the Group's own production and cooperative production requirements. This will make it possible to market products with a higher added value, such as roasted and chopped hazelnuts, hazelnut paste for the confectionery industry, hazelnut oil and flour, etc.



Apart from the planned investments, in 2022, investments were made in 135 ha of new irrigated hazel plantations and in the procurement of necessary equipment and machinery in the municipality of Zdenci, with a total planned value of HRK 15.8 million. This investment also received funding in the amount of HRK 5.6 million from the European Agricultural Fund for Rural Development for carrying out the operation type 4.1.1: Restructuring, modernisation and increased competitiveness of agricultural holdings. Finally, an investment in establishing a new 50-ha hazel plantation in Bosnia and Herzegovina was completed.

Viticulture

At Agro Invest Group, PP Orahovica d.o.o. is responsible for viticulture. On a surface area of 175 hectares, the company grows the following grape varieties: Welschriesling, blue Frankish and Silvaner, which the Orahovica wine-producing region is particularly known for, and Chardonnay, Sauvignon, Cabernet Sauvignon, Pinot Gris, Rhine Riesling and Traminer.

175 ha
Area

888,000 L
Wine sold

HRK 16.6 million
Share in operating income in 2022



2.6%

Out of 175 ha of vineyards, 83 ha are new plantations established between 2014 and 2021. In that period, certain parts of the vineyards were rehabilitated by grubbing up old vineyards and planting new vineyards in line with modern viticulture standards and varieties adjusted to market requirements.

In 2022, the Agro Invest Group's viticulture segment generated total income of HRK 16.6 million, accounting for 2.6% of its operating income. In 2022, operating income from viticulture increased by 12.7% compared to 2021.

In 2022, the Winery sold 888,000 litres of wine, of which 86,000 litres, i.e. 113,000 bottles of premium wine. When the overall placement of products on the market is considered, in a two-year period, there was a 12.0% growth in terms of quantity and a 35.0% growth in the premium wine category. When it comes to finances, total growth in the last two years was 33.7%, with a 59.0% growth in the premium wine segment.

Besides vineyard reconstruction, the quality of our wines has also been improved by investing in equipment. In the last two years, we procured state-of-the-art laboratory equipment for chemical analysis of wine, equipment for wine tank sterilisation – a steam generator, which reduces the use of chemicals to clean cellars. Wooden wine barrels in the "old cellar" were also restored.

For 2023, we arranged the procurement of a cutting-edge grape harvester with a selection table, which will allow mechanical grape harvesting both from optimal and the most challenging locations. The harvester will also reduce our need for seasonal workers, who for years have been very difficult to find in time for harvest season.

In 2022, Orahovica Winery wines won numerous international awards, the most notable being the grand gold medal and best-rated Croatian wine award at Mundus Vini in Germany, won by the 2018 late harvest Martin Albus Graševina.

Besides that, wines made by Agro Invest Group were awarded five medals by Decanter. Martin Albus Rosé was among the five best-rated rosés from Croatia.



Other Operating Segments



The Agro Invest Group companies always strive to expand their base of cooperative partners in order to establish a good partnership relationship and associate themselves with local agricultural producers. The aim is to supply them with production materials, be their production technology advisors when required and ultimately purchase the goods made by the local producers on their land.

The local community has recognised the Agro Invest Group companies as reliable and constructive partners. Thanks to that, the Group has cooperative production taking place on 6,500 ha of land owned by our cooperative partners, with about 32,000 tonnes of goods for human consumption being purchased annually.

In 2022, the Agro Invest Group's cooperative segment had total income of HRK 25.9 million, accounting for 4.0% of total operating income. In 2022, operating income from the cooperative segment increased by 38.8% compared to 2021. This growth resulted partly from increased sales of production materials, but also from higher production material prices.

Silo operations are also associated with the cooperative segment. The Agro Invest Group companies own silo facilities with a total capacity of 118,000 tonnes, storing goods made in-house and as part of our cooperative operations. Due to increased quantities of in-house and cooperative products, we also plan to increase our silo capacities.

Besides receiving and delivering goods by road, all silos are accessible by railway as well. This gives the Agro Invest Group companies many more options when it comes to delivery times and accessing more distant customers, since they can ship larger quantities of goods more quickly and at lower costs.

In 2022, the Agro Invest Group's silo operations segment generated total income of HRK 10.8 million, accounting for 1.7% of its operating income in 2022. In 2022, operating income from the silo operations segment increased by 26.4% compared to 2021.

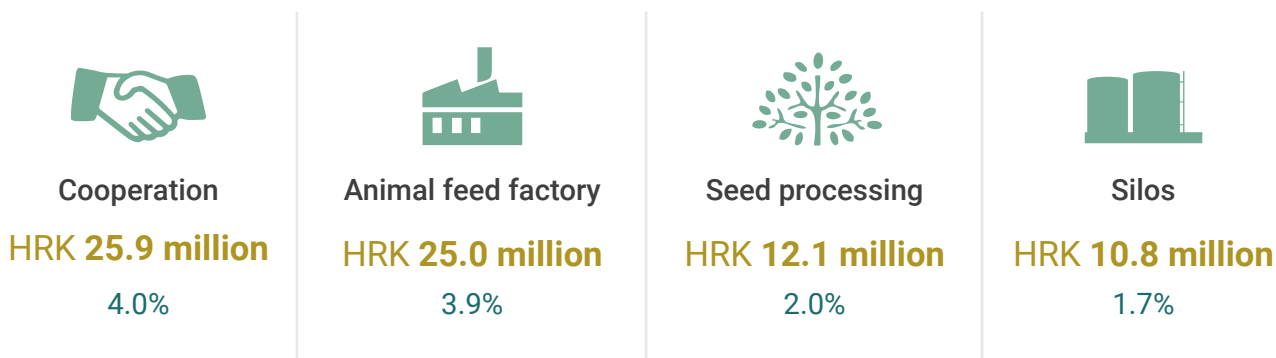
This growth can be attributed to increased activities in sales and purchase markets and good business with our business partners and cooperative partners. Better performance in the silo operations segment is emphasised even further by lower costs achieved by installing a solar power plant, increased focus on reducing labour costs and better utilisation of silo by-products.

The animal feed production segment saw an increase in the volume of production and sales and higher animal feed prices as a result of rising prices of feed ingredients. In 2022, the Agro Invest Group's animal feed production segment generated total income of HRK 25.0 million, accounting for 3.9% of its operating income in 2022. Operating income from animal feed production increased by 38.9% year-on-year.

The Agro Invest Group's seed production segment had total income of HRK 12.1 million in 2022, accounting for 2.0% of total operating income. In 2022, operating income from the seed production segment increased by 24.9% compared to 2021. The most notable increase in seed sales occurred in Bosnia and Herzegovina.

In 2022, we realised our investment in constructing and setting up a new seed production line – a processing plant in Bosnia and Herzegovina – which has significantly increased our seed production and processing capacities.

Share of income in 2022 by other operating segments:



AGRO INVEST GROUP IN

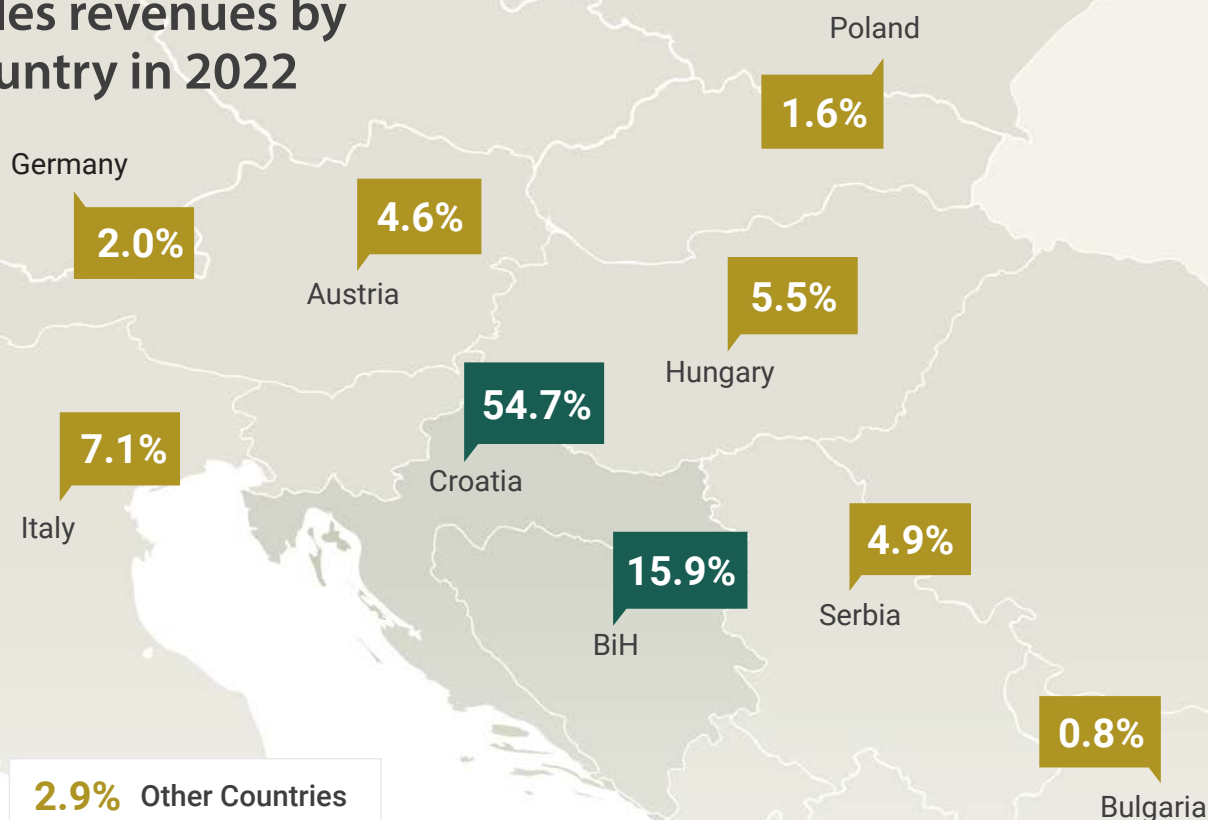
2022 \$ 316

The year 2022 in agriculture was marked by the war in Ukraine and high inflation. Agro Invest Group has successfully overcome turbulent period by relying on its fundamentals values and by investing in business.

The Group generated operating income of HRK 648,606 thousand. This result represents a 32.2% growth compared to 2021. In operational terms, the Group's EBITDA was 13.9% higher than previous year, amounting to HRK 157,921 thousand, whereas operating profit was HRK 114,941, representing a 21.1% growth.

Considering the fact that prices rose in 2022, both prices of input materials and selling prices, income increased more slowly than operating profit. Geographically speaking, 71% of income was generated by sales in the domestic market, whereas the remaining 29% came from foreign sales.

Sales revenues by country in 2022



In the Annual Report, the Group used the financial indicators of historical financial performance, financial position or cash flows that are not defined or referred to in the applicable financial reporting framework. Those indicators derive from (or are based on) financial statements prepared in accordance with the applicable financial reporting framework and were obtained by adding up or subtracting certain amounts from the figures reported in the financial statements, or by calculating ratios based on those figures.

Alternative performance measures	Formula
EBITDA	Total operating income less total operating expenses and increased by the cost of depreciation and amortization and changes in the value of work in progress and finished goods
EBITDA margin	EBITDA divided by total operating income
EBIT	Operating profit or total operating income less total operating expenses increased by changes in the value of work in progress and finished goods
EBIT margin	EBIT divided by total operating income
Net income	Net income is the sub-total shown in the consolidated income statement
Net debt	Represents long-term and short-term liabilities to banks and other financial institutions increased by long-term and short-term liabilities for securities less cash and cash equivalents
Net profit margin	Profit for the current year divided by total operating income

Those indicators do not constitute financial performance indicators under the International Financial Reporting Standards and they are not to be considered alternatives to other indicators of operating performance, cash flows or any other performance indicators derived in accordance with those standards. The indicators have been provided in order to give useful information about the Group's financial situation and performance for the following reasons:

- (i) these are indicators that the Group uses to assess its operating performance;
- (ii) these are indicators that the Group's governing bodies use to make day-to-day business decisions.

(in thousands HRK)	2021	2022	2022/2021
Sales	490,642	648,606	32.2%
Operating expenses	352,034	490,685	39.4%
EBITDA	138,608	157,921	13.9%
Amortization and depreciation	43,699	42,980	(1.6%)
EBIT	94,909	114,941	21.1%
Profit before taxes	88,697	105,424	18.9%
Income tax	16,874	17,677	4.8%
Profit for the current year	71,823	87,747	22.2%
EBITDA margin	28.3%	24.3%	-
EBIT margin	19.3%	17.7%	-
Net profit margin	14.6%	13.5%	-

(in thousands HRK)	2021	2022	2022/2021
Financial debt	185,375	348,428	54.9%
Cash	37,335	54,603	46.3%
Net debt	148,040	293,825	98.5%
Total assets	841,548	1,226,332	45.7%
Total capital and reserves	473,221	681,041	43.9%
Ratio of current assets and current liabilities	3.1	3.6	-
Share of equity in total equity and liabilities	56.2%	55.5%	-
Net debt / EBITDA	1.1	1.9	-
Debt to equity ratio	77.8%	80.1%	-
Inventories	244,655	352,686	44.2%
Trade receivables	43,952	85,476	94.5%
Trade payables	37,686	40,287	6.9%
Net working capital	250,921	397,875	58.6%

OPERATING RISKS

2022

In its business operations, Agro Invest Group is exposed to numerous internal and external influences that may cause the emergence of risks affecting the achievement of the Company's goals and, indirectly, its financial situation and performance.



Business Environment Risks

Political risk

Political risk pertains to all the risks that could potentially influence a country's political instability and relationships with other countries, which could in turn result in undesired trade-related effects that could negatively impact the Group.

The Group is exposed to political risk because it does business in the territories of different countries. This risk could be reflected in aggravation of political and economic relationships or cooperation between the countries in which the Group operates, which could affect its business processes and operations. Moreover, the observance of different regulations and rules in different jurisdictions could result in significant costs. On the global level, there are also certain risks which could result in a shortage of goods in the market, for example, the war in Ukraine, which started in late February 2022. As a result of the war and sanctions being imposed on the Russian Federation, there was a sudden increase in the prices of gas and other energy products. However, in late 2022 the prices stabilised, as the fuel prices dropped and exports from the conflict-affected regions increased.

Natural disaster risk

Risk of natural disasters such as floods, extreme drought, earthquake or other arises from unforeseen, sudden events that could cause significant financial loss on property or negatively impact the Group's overall business operations.

Eliminating the consequences of such disasters could result in significant material costs and prolonged suspension of operations or only limited scope of operations in such conditions. Agro Invest Group reduces its exposure to the consequences of this kind of risk by way of property insurance.

Risk of contagious diseases

The Group is exposed to the risk of a pandemic of contagious diseases, which could afflict a large geographical area or the entire world. Apart from representing a hazard for the health and safety of employees, the risk of a pandemic could lead to shortages of goods, temporary shutdown of an operating segment or partial termination of the supply chain or complete suspension of operations across all markets for an unspecified period. During the COVID-19 pandemic, the Group proactively implemented health protection and contagion prevention measures.

Industry risks

The Group is exposed to industry risks, particularly risks characteristic to crop and livestock farming. Crop farming is exposed to weather-related disasters (drought, flood, hail). Adverse weather can result in reduced yields of agricultural crops, reduced quality or both. In extreme cases, it could also result in total loss of crops. The Group attempts to minimise such weather-related risks by insuring its crops. It also protects itself from the risks caused by bad weather conditions through geographical diversification. Risk of crop diseases could have a significant negative impact on expected yields. Therefore, the Group applies disease prevention measures in its production processes as a way of maintaining the expected yield levels.

In the livestock farming segment, significant risks are the risks of livestock becoming diseased or dying. For the purpose of preventing animal diseases and deaths on farms, there are in-house or contracted external veterinary services taking care of the condition of cattle at all times. All animals are also covered by mortality insurance.

Environmental risk

The Group performs activities and manages certain plants that may have a negative impact on the environment and public health. For instance, livestock farming is an activity consuming large amounts of energy, polluting water sources and releasing large amounts of carbon dioxide. Besides livestock farming, fish processing creates significant amounts of animal by-products, while crop farming and fruit growing involves handling considerable amounts of oil derivatives and protection products, which, if used by non-professionals, can endanger plants, animals and watercourses.

The Group companies try to minimise these risks, so they implement animal by-product disposal measures during fish processing. When using oil derivatives and protection products, it is made sure that they are stored adequately. Employees are trained and have the required certificates for using pesticides and fertilisers as well as for transporting hazardous chemicals in accordance with legal regulations.

Furthermore, in case of projects, environmental impact assessments are made when so required by applicable regulations. Assessments of acceptability for ecological network are also made in case of fishpond projects, considering our fishponds are located within the NATURA 2000 area. The Group companies also have third-party liability insurance.

OPERATING RISKS

Business Risk

Risk of losing workforce

Considering the current negative demographic trends faced by the Republic of Croatia and neighbouring countries, particularly a significant outflow of the working age population, the Group is exposed to the risk of losing workforce and not having/being able to secure a sufficient number of workers. The Group tries to keep the current and attract new employees by ensuring adequate working conditions and it also employs foreign nationals in accordance with applicable regulations on employment of foreign nationals.

Despite these measures, there is a risk that the Group might not be able to secure a sufficient number of workers in the future, which could have a negative impact on the Group's business operations, financial position and performance.

Risk of breakdowns and accidents

Plant and equipment managed by the Group may experience breakdowns, accidents, unplanned downtime, limited capacities and physical damage due to natural disasters (e.g. floods, droughts or earthquakes), terrorism, interruptions in the supply of raw materials and other causes. Such events can have a negative impact on the performance of contractual obligations to business associates.

This can also lead to fatalities or injuries suffered by Group employees, customers or third parties, damage to the Group's or third-party property as well as cause downtime or disrupt the Group's operations in some other way. Incidents of this kind can also cause significant environmental pollution. All of this can affect the public perception of the Group's business operations and its future profits.

To reduce its exposure to such risks, the Group carries out routine maintenance of its facilities and invests in equipment on a regular basis. The Group also concludes contracts with insurance companies on a regular basis. However, if no appropriate insurance policy has been taken out for a particular loss event or if the coverage is insufficient, such circumstances can have a negative impact on the Group's business operations, performance and financial position.

OPERATING RISKS

Financial Risk

Liquidity risk

Liquidity means having sufficient funds and working capital, and ensuring adequate financial resources in the form of lines of credit. Liquidity risk is the risk of the Group not being able to meet its financial liabilities in a timely manner when they become due because of a lack of own funds, a lack of funds available in the money market or inability to borrow funds from financial institutions.

Liquidity risk occurs as a result of other risk factors materialising, such as credit risk, refinancing risk and many other risks. Materialisation of the Group's liquidity risk could lead to financial losses if the Group had to sell certain assets below their market value to compensate for the lack of liquid assets.

Price risk

Considering that the Group procures raw materials and supplies from third parties, its business is affected by the volatility risk. The war in Ukraine, the breadbasket of Europe, has significantly disrupted the food supply chain, leading to surging prices of wheat and maize in particular. Since cereals are the basic food both for humans and cattle, even the slightest supply chain disruption can have a major impact on the market price. Since early 2022, the market price of cereals (wheat and maize) grew by 30-50%, but stabilised towards the end of the year, returning to pre-war levels. Besides the cereal market, there have also been some severe disruptions in the oil crop market (soy, oilseed rape and sunflower), where market prices increased by 20-50% since the beginning of 2022.

The war in Ukraine has also led to highly volatile fertiliser prices due to the fact that the Russian Federation is a global producer of the main types of fertilisers, which are sold at low prices and in large amounts. Furthermore, fertiliser prices are greatly affected by the increasing price of gas and other energy products, which is also a consequence of the war in Ukraine and sanctions against the Russian Federation.

Despite fertilizer prices increasing in the first half of 2022, they stabilised at the end of the year due to a decline in gas prices and higher exports from the regions affected by the war. It must be pointed out that in the preceding period, the Group secured sufficient amounts of production materials for smooth sowing operations, fertilisation and protection of planted crops.

Currency risk

On January 1st 2023, the euro was introduced as the official currency in the Republic of Croatia. In addition to the euro, the Group has exposure in the convertible mark (BAM). Based on the Law on the Central Bank of Bosnia and Herzegovina (Official Gazette of Bosnia and Herzegovina No. 17/2017), the exchange rate of the specified currency is fixed for the euro. As the Group has no assets and liabilities in other currencies, there is no currency risk for the Group.

Interest rate risk

Interest rate risk arises from the Group companies' interest payable on short-term and long-term loans that the Group has and may have in the future as well as issued bonds. Loans granted at variable rates expose the Group's financial performance to the cash flow risk. Any significant changes in interest rates could therefore have a negative impact on the Group's financial performance. The majority of the Group's borrowings have a fixed interest rate.

The Group continuously monitors changes in interest rates, simulating situations that indicate a significant increase in variable interest rates, and takes refinance and alternative finance options into account. Based on these situations, the Group calculates the impact of interest rate changes on its profit and loss account.

OPERATING RISKS

Regulatory Risk

Risk of a change in the legal and regulatory framework in which the Group operates

Considering the importance of agriculture for human life and health and the environment, the agricultural sector is relatively strictly regulated. It is also expected that the regulatory framework governing the agricultural sector will become increasingly stricter in the future, be it in terms of water management, waste disposal or permitted agricultural production practices. Government grants and EU funding requirements in the agricultural sector are also subject to extensive regulations.

The Group has obtained all required permits and other documents as well as registrations in relevant registers and public records for all the Group's activities requiring such permits, other documents and registrations under applicable regulations. The permits and registrations are permanent in principle. However, the Group is subject to regular inspections to verify whether the conditions under which the permits have been issued are met and whether the activities to which the permits apply are carried out in accordance with applicable regulations, rules and standards.

Also, as regards the grants received, the Group complies with applicable requirements and acts in accordance with the regulations applicable to such grants. However, any changes in regulatory requirements, government grant conditions and EU funding requirements or any other trade barriers in any of the countries where the Group operates could limit its business, complicate the distribution of products and have a negative impact on its business operations, financial position and performance.

An aerial photograph of agricultural fields. The top left corner features a yellow and white rectangular area containing the title and year. The rest of the image shows a vast expanse of green crops in the bottom right and brown, tilled soil in the top left, separated by a diagonal line.

PLANS AND EXPECTATIONS

2022

Despite these challenging times, the Group still has ambitious growth and development plans and makes its planned investments accordingly. First of all, irrigation systems have been recognised as a necessity, as they can ensure stable and efficient agricultural production processes in the coming period.

The Group companies are currently running several irrigation projects, which are at different stages of completion with the aim of raising an additional 500 hectares of agricultural land under irrigation in 2023. The plan is to have at least 1,000 hectares of irrigated land by 2025. The irrigated areas are planned to be used for growing the production of vegetables, seed and pulse crops – crops which are more profitable to produce than conventional oilseeds and cereals.

Fish farming continues to be one of the Group's key investment areas. Investments are currently underway in the fish processing segment - a line for breeding products and a line for shock freezing products. Except processing, investments in solar power plant projects are underway, as well as investments in the area of expansion production areas and improvements to the energy infrastructure for freshwater fish farming.

With their completion and commissioning, we will be able to change the structure of production taking place on agricultural land. Investments in the generation of electricity from renewable sources have also been recognised as another area that has great potential and complements our production. Therefore, eight integrated solar plants with a total installed capacity of 1.2 MW, six unintegrated solar power plants with a total installed capacity of 37.3 MW and two biomass CHP plants with a total capacity of 2 MW are currently at different stages of design and construction.

In the animal feed factory segment, new cattle fattening barn was completed in Brođanci with an associated trench silo and hayloft, as well as the procurement of machinery for manure disposal - the project is subsidized by the Rural Development Fund. The stable for housing cows in Orahovica was also renovated according to the new one to the production model, which continued the multi-year renovation of the infrastructure at the Vereš Majur farm. A significant step forward is being made in the segment of service fattening of cattle, which PPK Valpovo carries out with its own subcontractors.

Also, a building permit was obtained for the construction of a new factory for the processing of hazelnuts in order to effectively monitor the increased production of hazelnuts on our own land and on the land of our cooperative partners.

Besides these investments, the Group companies have also made a series of investments aimed at restoring agricultural machinery and procuring machines for increasing capacities, efficiency, etc.



Responsibility for Consolidated and Separate Financial Statements

2022

The management is responsible to ensure that unconsolidated and consolidated financial statements for each financial year are prepared in accordance with the International Financial Reporting Standards adopted by the European Union (“IFRS”), so that they give a true and objective picture of the financial position and business results of Agro Invest Grupa d.o.o. (“Company”) and its subsidiaries (“Group”).

After making inquiries, the Management has a reasonable expectation that the Company and the Group have adequate resources to continue their business operations in the foreseeable future. For this reason, the Management continues to adopt the going concern basis in preparation of consolidated and unconsolidated financial statements.

When preparing unconsolidated and consolidated financial statements, the Management Board of the Company and Group is responsible for:

- selection and then consistent application of appropriate accounting policies in accordance with current financial reporting standards;
- providing reasonable and prudent judgments and assessments;
- preparation of unconsolidated and consolidated financial statements with the assumption of unlimited business time, unless the assumption is inappropriate.

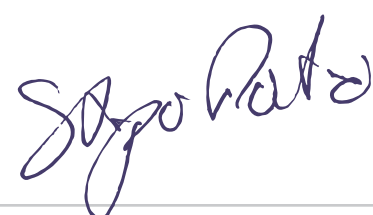
Management is responsible for keeping correct accounting records, which will at any time reflect with acceptable accuracy the financial position and business results of the Company and the Group, as well as their compliance with the Accounting Act and International Financial Reporting Standards adopted in the European Union. The management of the Company and the Group is responsible for the completeness and accuracy of the management report in accordance with the Accounting Act. The Management Board is also responsible for safeguarding the assets of the Company and the Group, and therefore for taking reasonable measures to prevent and detect fraud and other illegalities.

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10000 Zagreb
Republika Hrvatska

For and on behalf of the Management board

Ivan Pandurević
President of the Management
Board

Stipo Matic
Member of the Management
Board



April 20th 2023

AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

2022

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INDEPENDENT AUDITOR'S REPORT

To the owner of Agro Invest Grupa d.o.o. and its subsidiaries

Report on the audit of unconsolidated and consolidated financial statements

Opinion

We have audited the consolidated financial statements of Agro Invest Grupa d.o.o., Buzinski prilaz 10, Zagreb ("the Company") and its subsidiaries ("the Group"), which include consolidated and unconsolidated Statement of Financial Position as at 31 December 2022, unconsolidated and consolidated Statement of Comprehensive Income, unconsolidated and consolidated Statement of Cash Flows and unconsolidated and consolidated Statement of Changes in Equity for the year then ended, as well as the accompanying Notes to the unconsolidated and consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying unconsolidated and consolidated financial statements give a true and fair view of the consolidated financial position of the Company and the Group as of 31 December 2022, their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the European Union ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under these standards are described in detail in our Independent Auditor's Report in the section on the *Auditor's responsibilities for the audit of consolidated financial statements*. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants ("IESBA Code") including the International Standards of Independence issued by the International Ethics Standards Board for Accountants (the "IESBA Code"), as well as in compliance with the ethical requirements relevant to our audit of the unconsolidated and consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of the greatest importance for our audit of the unconsolidated and consolidated financial statements of the current period. We dealt with these matters in the context of our audit of the unconsolidated and consolidated financial statements as a whole and in forming our opinion about them, and we do not give a separate opinion on these matters.

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

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OIB 76394522236

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of unconsolidated and consolidated financial statements (continued)

Key audit matter

We have determined that the matter below is a key audit matter to be disclosed in our Independent Auditor's Report.

Key audit matter	How we addressed the key audit matter
<p><i>Revenue recognition</i></p> <p>In 2022, the Group has sales revenues in the amount of HRK 554,658 thousand reported in the Statement of Comprehensive Income.</p> <p>Operating income is generated by selling goods and providing services. Revenues are measured at the fair value of the consideration received or receivable for consideration and are reduced by the estimated amounts of customer refunds, volume and similar discounts.</p> <p>According to International Financial Reporting Standard 15, revenue is recognized when control is transferred, either over time or at a specific point in time. Control over an asset is defined as the ability to manage the way it is used and obtain almost all the remaining benefits from the asset which includes the ability to prevent others from managing the way it is used and obtaining benefits from it.</p> <p>Considering the significance of the sales revenues presented in the Statement of Comprehensive Income and the risk of recognizing them, we concluded that the stability, accuracy and completeness of the revenues as well as their distribution in the proper reporting period is a key audit matter.</p> <p>See notes 3. "Revenue recognition" and 5. "Revenue from sales" in the corresponding unconsolidated and consolidated financial statements.</p>	<p>Our audit procedures in addressing this area included, among other:</p> <ul style="list-style-type: none"> - Gaining an understanding of the sales process by interviewing key sales personnel; - Gaining an understanding of key controls related to the recognition of sales revenue and examining the effectiveness of internal controls related to occurrence and accuracy of the revenue recognition; - Implementation of evidentiary testing by which we assessed the stability, accuracy, completeness and timeliness of revenue recognition; - Comparison of obtained external confirmations of the amount of outstanding trade receivables at the reporting date and the balances presented in the Group's records on the same date; - Assessment of the compliance of the sales revenue recognition policy with International Financial Reporting Standard 15 - Revenue from Contracts with Customers; - Assessing the adequacy of disclosures related to the recognition of sales revenue in accordance with International Financial Reporting Standard 15 - Revenue from Contracts with Customers.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of unconsolidated and consolidated financial statements (continued)

Key audit matter (continued)

We have determined that the matter below is a key audit matter to be disclosed in our Independent Auditor's Report.

Key audit matter	How we addressed the key audit matter
<p><i>Valuation of investments in subsidiaries</i></p> <p>As of 31 December, the Company has investments in subsidiaries in the amount of HRK 582,514 thousand reported in the Statement of Financial Position.</p> <p>In accordance with International Accounting Standard 36 - Impairment of Assets, at the end of each reporting period, the Company determines whether there are indicators of a possible impairment of investments in subsidiaries. If such indicators exist, the Company estimates the recoverable amount of investments in subsidiaries.</p> <p>Determining the existence of indicators of possible impairment of investments in subsidiaries represents a key audit matter because it involves significant estimates. Determining the valuation of individual investments in subsidiaries requires the Company's Management to use various assumptions, projections and forecasts related to future cash flows, applied discount rates and growth rates in order to calculate the expected future operations of subsidiaries.</p> <p>See notes 3. "Basis of consolidation - Subsidiaries" and 23. "Investments in subsidiaries" in the corresponding unconsolidated and consolidated financial statements.</p>	<p>Our audit procedures in addressing this area included, among other:</p> <ul style="list-style-type: none"> - Interview with key persons in order to gain an understanding of the process of examining the recoverability of investments in subsidiaries; - Understanding of the Company's accounting policies and processes regarding impairment testing of investments in subsidiaries; - Verification of the accuracy and completeness of the data from the Company's analytical reviews and the reconciliation of the aforementioned review with the general ledger; - A test of the mathematical accuracy of the share valuation and a test to determine the existence of indicators of a possible decrease in the value of investments in subsidiaries; - Reviews and checks of the applied accounting policy for the valuation of investments in subsidiaries; - Review of notes and assessment of appropriateness of disclosures related to investments in subsidiaries.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of unconsolidated and consolidated financial statements (continued)

Other Matters

For the Company Agro Invest Grupa d.o.o. there was no obligation to audit the financial statements for the year ended 31 December 2021, so the financial statements were not audited.

Other information

Management Board is responsible for other information. Other information includes the Management Report and the Statement of Application of the Corporate Governance Code, but does not include the annual unconsolidated and consolidated financial statements and our Independent Auditor's Report thereon. Our opinion on the annual unconsolidated and consolidated financial statements does not include other information.

In relation to our audit of the annual unconsolidated and consolidated financial statements, it is our responsibility to read other information and consider whether the other information is materially inconsistent with the annual unconsolidated and consolidated financial statements or our audit findings or otherwise appear to be materially misstated.

Regarding the Management Report and the Statement on the Application of the Corporate Governance Code, we also carried out the procedures required by the Accounting Act. These procedures include considering whether the Company's Management Report has been prepared in accordance with Article 21 and Article 24a of the Accounting Act and whether the Statement on the Application of the Corporate Governance Code has been prepared in accordance with Article 22 of the Accounting Act.

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

1. The information in the attached Management Report and Statement on the Application of the Corporate Governance Code is harmonized, in all significant respects, with the attached unconsolidated and consolidated financial statements;
2. The attached Management Report is compiled in accordance with Article 21 and Article 24a of the Accounting Act; and
3. The attached Statement on the Application of the Corporate Governance Code includes the information defined in Article 22 of the Accounting Act.

Based on the knowledge and understanding of the operations of the Company and the Group and their environment acquired within the audit of unconsolidated and consolidated financial statements, we are obliged to report if we have established that there are significant misrepresentations in the attached Management Report and Statement on the Application of the Corporate Governance Code. In this sense, we have nothing to report.

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

Management Board is responsible for the preparation of unconsolidated and consolidated annual financial statements that give a true and fair view in accordance with IFRSs, and for those internal controls that the Management Board determines are necessary to enable the preparation of unconsolidated and consolidated annual financial statements that are free from material misstatement due to fraud or error.

In preparing the unconsolidated and consolidated annual financial statements, Management Board is responsible for evaluation of the Company's and Group's ability to continue operations assuming going concern principle, disclosure, if applicable, of issues related to going concern, and using accounting based on going concern principle, unless the Management Board intends to liquidate the Company or the Group or discontinue its business or there is no realistic alternative but to do so. Those charged with governance are responsible for overseeing the financial reporting process established by the Company.

INDEPENDENT AUDITOR'S REPORT (continued)**Report on the audit of unconsolidated and consolidated financial statements (continued)****Auditor's Responsibility for the audit of unconsolidated and consolidated annual financial statements**

Our goals are to obtain reasonable assurance about whether the unconsolidated and consolidated annual financial statements, as a whole, are free from material misstatement as a result of fraud or error, and to issue an Independent Auditors' Report that includes our opinion. Reasonable assurance is a higher level of assurance, but this is no guarantee that an audit performed in accordance with IAS will always detect a material misstatement when it exists. Misstatements may result from fraud or error and are considered as important, if it can reasonably be expected that, individually or in aggregate, they affect the economic decisions of users made based on these unconsolidated and consolidated annual financial statements.

As an integral part of the audit report in accordance with ISA, we make professional judgments and maintain professional scepticism throughout the audit process. In addition, we:

- identify and assess the risks of material misstatement of the annual unconsolidated and consolidated financial statements due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of non-detecting a material misstatement of fraud is greater than the risk of error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or circumvention of internal controls.
- acquire an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal controls.
- assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of the accounting basis used based on the going concern principle used by the Management Board and, based on the obtained audit evidence, we conclude on whether there is significant uncertainty regarding events or circumstances that may create significant doubts about the ability to continue operating for an indefinite period of time. If we conclude that there is significant uncertainty, in our Independent Auditors' Report we are required to call our attention to related disclosures in the unconsolidated and consolidated annual financial statements or, if these are inappropriate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our Independent Auditors' Report. However, future events or conditions may cause the Company and Group to discontinue their operations on a going concern.

- evaluate the overall presentation, structure and content of the unconsolidated and consolidated annual consolidated financial statements, including disclosures, as well as whether the annual unconsolidated and consolidated financial statements reflect the transactions and events which they are based on in a way that achieves a fair presentation.
- obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on these consolidated financial statements. We are responsible for directing, supervising and performing the Group's audit. We are solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (continued)**Report on the audit of unconsolidated and consolidated financial statements (continued)****Auditor's Responsibility for the audit of unconsolidated and consolidated annual financial statements (continued)**

We communicate with those charged with governance, among other issues, the intended scope and timing of audit and important audit findings, including any significant deficiencies in internal controls identified during our audit.

We also make a statement to those charged with governance that we have complied with the relevant ethical requirements regarding independence and that we will communicate with them any relationship and other matters that may reasonably be considered to affect our independence as well as, where applicable, on related safeguards.

Among the issues communicated to those charged with governance, we identify those issues that are the most important in auditing the annual unconsolidated and consolidated financial statements of the current period and therefore present the key audit matters.

We describe these matters in our Independent Auditor's Report, unless the law or regulation prevents the matters from being publicly disclosed, or when we decide, in extremely rare circumstances, that the matter should not be reported in our Independent Auditors' Report because the negative consequences of the disclosure could reasonably be expected to outweigh the benefits of public interest from such communication.

Statement on other legal requirements

On 23 August 2022, we were appointed by the General Assembly of the Company to audit the annual unconsolidated and consolidated financial statements of the Company for 2022.

As of the date of this report, we are continuously engaged in performing statutory audits of the Company from the audit of the unconsolidated financial statements for the year 2022 to the audit of the unconsolidated financial statements of the Company for the year 2022, which is a total of one year. As of the date of this report, we are continuously engaged in performing statutory audits of the Group from the audit of the consolidated financial statements for the year 2021 to the audit of the consolidated financial statements of the Group for the year 2022, which amounts to a total of two years.

In the audit of the annual unconsolidated financial statements of the Company for 2022, we determined the materiality for the unconsolidated financial statements as a whole in the amount of HRK 14,588 thousand, which represents approximately 2.5 % of the net assets for 2022. In the audit of the annual consolidated financial statements of the Group for 2022, we determined the materiality for the consolidated financial statements as a whole in the amount of HRK 7,380 thousand, which represents approximately 7 % of profit before tax for 2022.

We have chosen net assets and profit before tax as measures of materiality because we believe that these are the most appropriate measures of the performance of the Company's and Group's operations.

Our audit opinion is consistent with the supplementary report for the Audit committee of the Company prepared in accordance with the provisions of Article 11 of Regulation (EU) no. 537/2014.

During the period between the starting date of the audited annual unconsolidated and consolidated financial for 2022 and the date of this Independent Auditor's Report, we did not provide prohibited non-audit services to the Company and its subsidiaries and did not provide services for the design and implementation of internal control procedures or risk management related to preparation and/or control of financial information or the design and implementation of technological systems for financial information, and we have maintained independence in relation to the Company and the Group.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of unconsolidated and consolidated financial statements (continued)

Report based on the requirements of Delegated Regulation (EU) 2018/815 amending Directive 2004/109 / EC of the European Parliament and the Council regarding regulatory technical standards for the specification of the European Single Electronic Format

Auditor's assurance report on the compliance of annual unconsolidated financial statements (hereinafter: financial statements), prepared pursuant to the provision of Article 462, paragraph 5 of the Capital Market Act (Official Gazette, nos. 65/18, 17/2, 83/21 and 151/22) by applying the Delegated Regulation (EU) 2018/815 establishing a single electronic reporting format for issuers (hereinafter: the ESEF Regulation).

We conducted the engagement with expressing reasonable assurance as to whether the financial statements prepared for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, which are contained in the electronic file *Agro Invest Grupa FS 2022 EN*, in all material aspects prepared in accordance with the requirements of the ESEF Regulation

Responsibilities of Management and those charged with governance

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

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

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

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

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

Auditor's responsibilities

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

Procedures performed

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)**Report on the audit of unconsolidated and consolidated financial statements (continued)**

Report based on the requirements of Delegated Regulation (EU) 2018/815 amending Directive 2004/109 / EC of the European Parliament and the Council regarding regulatory technical standards for the specification of the European Single Electronic Format (continued)

Procedures performed (continued)

The aim of our procedures was to assess whether:

- the financial statements, which are included in the unconsolidated and consolidated annual report, are prepared in the valid XHTML format,
- the information contained in the unconsolidated and consolidated financial statements required by ESEF Regulation, are labelled and all labels meet the following requirements:
- XBRL mark-up language was used,
- the elements of the basic taxonomy listed in the ESEF Regulation with the closest accounting meaning were used, unless an additional element of taxonomy has been created in accordance with Annex IV ESEF Regulations,
- the labels comply with the common labelling rules under the ESEF Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

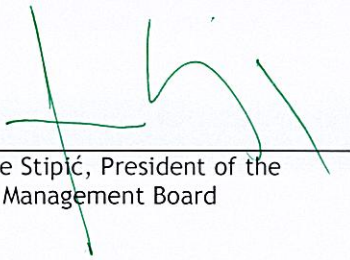
In our opinion, based on the procedures performed and the evidence obtained, the financial statements presented in ESEF format, contained in the above-mentioned electronic file and based on the provision of Article 462, paragraph 5 of the Capital Market Act prepared for the purposes of public disclosure, in all material respects are in line with the requirements from articles 3, 4 and 6 of the ESEF Regulation for the year ended 31 December 2022.

In addition, as well as the opinion contained in this Independent Auditor's Report for the accompanying unconsolidated and consolidated financial statements and the annual report for the year ended 31 December 2022, we do not express any opinion on the information contained in these statements or other information contained in the file stated above.

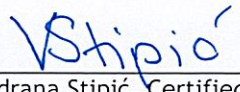
The engaged partner involved in the audit of the Company's and Group's annual unconsolidated and consolidated financial statements for 2022 which results in this Independent Auditor's Report, is the certified auditor Vedrana Stipić.

Zagreb, 20 April 2023

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



Hrvoje Stipić, President of the
Management Board



Vedrana Stipić, Certified Auditor



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

Consolidated Statement of comprehensive income
for the year ended 31 December 2022
(all amounts are stated in thousand HRK)

	Notes	2022	2021
OPERATING INCOME			
Sales revenue	5	554,658	395,715
Other operating income	6	93,948	94,927
Gross profit		648,606	490,642
Change in the value of work in progress and finished goods		79,148	13,553
OPERATING EXPENSES			
Cost of goods sold	7	(234,598)	(122,890)
Costs of raw materials and supplies	8	(187,337)	(124,253)
Other external costs	9	(66,272)	(51,468)
Employee costs	10	(52,397)	(44,358)
Depreciation	11	(42,980)	(43,699)
Other costs	12	(20,702)	(16,201)
Value adjustment	13	(4,416)	(4,941)
Other operating expenses	14	(2,538)	(1,374)
The cost of provisions	15	(1,573)	(102)
Total operating expenses		(612,813)	(409,286)
OPERATING PROFIT		114,941	94,909
FINANCIAL INCOME AND EXPENSES			
Financial income	16	2,374	1,863
Financial expenses	17	(11,959)	(8,075)
Net financial expense		(9,585)	(6,212)
Share of net result of associate	16	68	-
Profit before tax		105,424	88,697
Income tax	18	(17,677)	(16,874)
Profit for the current year		87,747	71,823
OTHER COMPREHENSIVE INCOME			
Exchange rate differences from the translation of foreign parts of business		194	(248)
TOTAL COMPREHENSIVE PROFIT FOR THE CURRENT YEAR		87,941	71,575
Profit for distribution:		87,430	71,035
To the owner of the Group		317	788
To owners of non-controlling interests		87,747	71,823
Total comprehensive income for distribution:		87,642	70,811
To the owners of the Group		299	764
To owners of non-controlling interests		87,941	71,575

Accounting policies and notes form an integral part of these nonfinancial and financial statements

Consolidated Statement of financial position
for the year ended 31 December 2022
(all amounts are stated in thousand HRK)

ASSETS	Notes	31 December 2022	31 December 2021
FIXED ASSETS			
Property, plant and equipment	21	527,925	361,735
Right-of-use asset	22	107,352	98,881
Intangible assets	19	8,440	1,817
Goodwill	20	248	248
Deposits	27	159	349
Deferred tax assets	18	143	110
Investment in subsidiaries	23	22	21
TOTAL NON-CURRENT ASSETS		644,289	463,161
CURRENT ASSETS			
Inventories	24	352,686	244,302
Trade receivables	25	85,476	43,953
Receivables from the State and other institutions	26	69,408	42,887
Cash and cash equivalents	30	54,603	37,335
Loans and deposits	27	7,335	6,615
Receivables for given advances	28	7,307	936
Deferred expenses and accrues income		3,309	1,531
Other receivables	29	1,919	828
TOTAL CURRENT ASSETS		582,043	378,387
TOTAL ASSETS		1,226,332	841,548

Accounting policies and notes form an integral part of these nonfinancial and financial statement

Consolidated Statement of financial position (continued)
for the year ended 31 December 2022
(all amounts are stated in thousand HRK)

EQUITY AND LIABILITIES	Notes	31 December 2022	31 December 2021
EQUITY AND LIABILITIES			
Share capital		508,531	508,531
Other reserves		(170,349)	(171,880)
Retained earnings		216,402	128,796
SHARES OF PARENT OWNER		554,584	465,447
Non-controlling interest	31	126,457	7,774
TOTAL EQUITY		681,041	473,221
LONG-TERM LIABILITIES			
Long-term bond liabilities	34	153,000	-
Liabilities to banks and other financial institutions	32	119,943	134,820
Liabilities for right-of-use assets	35	106,789	106,400
Deferred tax liability	18	761	667
Long-term provisions		2,455	3,286
TOTAL NON-CURRENT LIABILITIES		382,948	245,173
SHORT-TERM LIABILITIES			
Liabilities to banks and other financial institutions	33	58,485	50,555
Trade payables	36	40,287	33,699
Liabilities for taxes, contributions and similar benefits	38	21,009	18,970
Short-term maturity of long-term obligations on issued bonds	34	17,000	-
Liabilities for right-of-use assets	35	8,381	9,641
Liabilities to employees	37	4,328	3,510
Liabilities for advances received		1,052	1,173
Other current liabilities	39	9,637	4,380
Accrued expenses and deferred income		2,164	1,226
TOTAL SHORT - TERM LIABILITIES		162,343	123,154
TOTAL EQUITY AND LIABILITIES		1,226,332	841,548

Accounting policies and notes form an integral part of these nonfinancial and financial statements

Consolidated Statement of changes in equity
for the year ended 31 December 2022
(all amounts are stated in thousand HRK)

	Share capital	Other reserves	Reserves from foreign currency translation	Retained earnings	Shares of Parent owner	Non-controlling interest	Total
Balance at 1 January 2021	508,531	(171,688)	-	57,791	394,636	7,010	401,646
Profit for the current year	-	-	-	71,035	71,035	788	71,823
Other comprehensive income	-	(2)	(192)	(30)	(224)	(24)	(248)
Total comprehensive income/loss for the current year	-	(2)	(192)	71,005	70,811	764	71,575
Balance at 31 December 2021	508,531	(171,688)	(192)	128,796	465,447	7,774	473,221
Acquisition of control over a subsidiary	-	682	-	-	682	118,384	119,066
Merger of a company	-	753	-	-	753	-	753
Transfer of deferred tax liabilities to retained earnings	-	-	-	60	60	-	60
Profit for the current year	-	-	-	87,430	87,430	317	87,747
Other comprehensive income	-	-	96	116	212	(18)	194
Total comprehensive income/loss for the current year	-	-	96	87,546	87,642	299	87,941
Balance at 31 December 2022	508,531	(170,253)	(96)	216,402	554,584	126,457	681,041

Accounting policies and notes form an integral part of these nonfinancial and financial statements

Consolidated Statement of cash flows
for the year ended 31 December 2022
(all amounts are stated in thousand HRK)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		87,747	71,823
Adjustments:			
Profit tax	18	17,677	16,458
Depreciation of property, plant and equipment and amortization of intangible assets	11	42,980	43,699
Value adjustment of trade receivables	13	4,416	4,941
Net interest expense	16, 17	8,366	6,707
Other non-monetary transactions		1,563	(172)
		<u>162,749</u>	<u>143,456</u>
CHANGES IN WORKING CAPITAL			
Change in inventory		(108,384)	(45,464)
Change in trade receivables		(45,045)	(3,189)
Change in advances given		(6,371)	2,006
Change in other receivables		(22,351)	(9,082)
Change in prepaid costs		(1,778)	434
Change in advances received		(121)	786
Change in trade payables		6,586	1,800
Change in other current liabilities		16,356	(7,592)
Change in long-term lease liabilities (IFRS 16)		(871)	(1,465)
Change in deferred income		939	(1,149)
		<u>1,709</u>	<u>80,541</u>
CASH GENERATED BY OPERATIONS			
Interests paid		(3,652)	(3,985)
Income taxes paid		(16,321)	(6,104)
		<u>(18,264)</u>	<u>70,452</u>
NET CASH FLOW FROM OPERATING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest charged		1,180	552
Cash outflows for loans granted		(145,612)	(43,071)
Payment on approved loans		132,010	38,442
Cash outflows for the purchase of property, plant and equipment and intangible assets	18, 20, 21	(94,316)	(51,146)
Dividends received		-	450
		<u>(106,738)</u>	<u>(54,773)</u>
NET CASH USED IN FROM INVESTING ACTIVITIES			
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from financial institutions		163,345	157,556
Repayment of liabilities to credit institutions		(191,075)	(158,241)
Cash receipts from bond issuance		170,000	-
		<u>142,270</u>	<u>(685)</u>
NET CASH MADE/(USED) IN FINANCING ACTIVITIES			
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		<u>17,268</u>	<u>14,994</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	30	<u>37,335</u>	<u>22,341</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	30	<u>54,603</u>	<u>37,335</u>

Accounting policies and notes form an integral part of these nonfinancial and financial statements

Nonconsolidated Statement of comprehensive income
for the year ended 31 December 2022
(all amounts are stated in thousand HRK)

	Notes	2022	2021
OPERATING INCOME			
Sales	5	1,360	-
Gross profit		<u>1,360</u>	<u>-</u>
OPERATING EXPENSES			
Other external expenses	9	(879)	(108)
Other expenses	12	(38)	(6)
Cost of raw materials	8	(27)	-
Total operating expenses		<u>(944)</u>	<u>(114)</u>
OPERATING PROFIT		<u>416</u>	<u>(114)</u>
FINANCIAL INCOME AND EXPENSES			
Financial income	16	6,172	-
Financial expenses	17	(3,748)	(2)
Net financial expense		<u>2,424</u>	<u>(2)</u>
Share of net result of associate			
Profit before tax		2,840	(116)
Income tax	18	-	-
PROFIT FOR THE YEAR		<u>2,840</u>	<u>(116)</u>
OTHER COMPREHENSIVE INCOME			
		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>2,840</u>	<u>(116)</u>

Accounting policies and notes form an integral part of these nonfinancial and financial statements

Nonconsolidated Statement of financial position
for the year ended 31 December 2022
(all amounts are stated in thousand HRK)

ASSETS	Notes	31 December 2022	31 December 2021
NON-CURRENT ASSETS			
Investments in subsidiaries	23	582,518	580,323
Deposits	27	153,000	-
TOTAL NON-CURRENT ASSETS		<u>735,518</u>	<u>580,323</u>
CURRENT ASSETS			
Loans and deposits given	27	17,000	-
Other receivables	29	3,096	-
Cash and cash equivalents	30	1,086	371
Trade receivables	25	500	-
Receivables from the State and other institutions	26	67	9
TOTAL CURRENT ASSETS		<u>21,749</u>	<u>380</u>
TOTAL ASSETS		<u>757,267</u>	<u>580,703</u>
EQUITY AND LIABILITIES	Notes	31 December 2022	31 December 2021
EQUITY			
Share capital		508,531	508,531
Retained earnings		75,004	72,164
TOTAL EQUITY		<u>583,535</u>	<u>580,695</u>
NON-CURRENT LIABILITIES			
Long-term bond liabilities	34	153,000	-
TOTAL NON-CURRENT LIABILITIES		<u>153,000</u>	<u>-</u>
CURRENT LIABILITIES			
Current portion of non-current Bond payables	34	17,000	-
Trade payables	36	905	1
Other current liabilities	39	2,797	7
Accrued expenses and deferred income		30	-
TOTAL CURRENT LIABILITIES		<u>20,732</u>	<u>8</u>
TOTAL EQUITY AND LIABILITIES		<u>757,267</u>	<u>580,703</u>

Accounting policies and notes form an integral part of these nonfinancial and financial statements

Nonconsolidated Statement of changes in equity
for the year ended 31 December 2022
(all amounts are stated in thousand HRK)

	Share capital	Retained earnings	Total
Balance at 1 January 2021	508,531	72,280	580,811
Profit for the year	-	(116)	(116)
<i>Total comprehensive income</i>	-	(116)	(116)
Balance at 31 December 2021	508,531	72,164	580,695
Profit for the year	-	2,840	2,840
<i>Total comprehensive income</i>	-	2,840	2,840
Balance at 31 December 2022	508,531	75,004	583,535

Accounting policies and notes form an integral part of these nonfinancial and financial statements

Nonconsolidated Statement of cash flows
for the year ended 31 December 2022
(all amounts are stated in thousand HRK)

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	2022	2021
Profit for the year		2,840	(116)
Adjusted by:			
Net interest expense		(364)	2
Other non-monetary transactions		(3,000)	-
		<u>(524)</u>	<u>(114)</u>
CHANGES IN WORKING CAPITAL			
(Increase)/ decrease in trade receivables		(500)	-
Decrease / (increase) in given advances		1	(1)
Decrease / (increase) in other receivables		12	-
Increase/ (decrease) in trade payables		904	(10)
(Decrease) / increase in other current liabilities		24	(99)
CASH GENERATED FROM OPERATIONS		<u>(83)</u>	<u>(224)</u>
Interests paid		(3)	(9)
Income taxes paid		(5)	(32)
Net cash generated from operating activities		<u>(91)</u>	<u>(265)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		3,000	-
Cash receipts/ (disbursements) for loans and credits given		(170,000)	-
Cash disbursements for purchase of shares in subsidiaries and associates		(2,194)	-
Net cash used in investing activities		<u>(169,194)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from loans		5,000	18,345
Repayments of loans		(5,000)	(18,345)
Cash receipts from bond issuance		170,000	-
Net cash used in financing activities		<u>170,000</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents		<u>715</u>	<u>(265)</u>
Cash and cash equivalents at the beginning of the year	30	<u>371</u>	<u>636</u>
Cash and cash equivalents at the end of year	30	<u>1,086</u>	<u>371</u>

Accounting policies and notes form an integral part of these nonfinancial and financial statements

1. GENERAL INFORMATION

The financial statements for the years ended 31 December 2022 include the nonconsolidated and consolidated nonfinancial and financial statements of AGRO INVEST GRUPA d.o.o. (the "Company") and its subsidiaries (together the "Group").

Agro Invest Group d.o.o. for agricultural production, livestock, tourism, catering, trade and services, based in Zagreb, Buzinski prilaz 10, MBS: 010092380, was registered at the Commercial Court in Zagreb in 2014 under the name PP Grudnjak d.o.o. By the decision of the only member of the company (PP Orahovica d.o.o.) in November 2020, the company was sold to Mr Stipo Matić and the name was changed to its current name "Agro Invest Grupa" d.o.o. The company is represented by Mr. Ivan Pandurević, President of the Management Board and Mr. Stipo Matić, member of the Management Board.

The main activities of the Group are agricultural production, livestock, tourism, catering, trade and services.

As at 31 December 2022, the Group had 562 employees (2021: 436 employees).

2. BASIS OF PREPARATION

(i) *Statement of compliance*

The nonconsolidated and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as established by the European Commission and published in the Official Journal of the European Union ("IFRS"). These are the first financial statements of the Group showing the consolidation of companies under the joint control of the Group and/or its majority owner.

(ii) *Basis of measurement*

The nonconsolidated and consolidated financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for the asset.

(iii) *Functional and presentation currency*

The nonconsolidated and consolidated financial statements have been prepared in the Croatian currency, the kuna (HRK), which is also the functional currency, rounded to the nearest thousand.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for all periods included in these unconsolidated and consolidated statements.

Basis of consolidation

The accompanying consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- *has power over the investee;*
- *is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.*

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- *the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;*
- *potential voting rights held by the Company, other vote holders or other parties;*
- *rights arising from other contractual arrangements; and*
- *any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.*

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation eliminates all assets and all liabilities, as well as all equity (i.e. all capital), all income, expenses, and inflows and outflows of money related to transactions between Group members.

(i) *Group structure and scope of consolidation*

As of 31 December 2022, the Company had the following ownership interests in the companies under its control:

Company	Percentage of ownership	Country	Activity
PPK VALPOVO	100.00%	CROATIA	AGRICULTURE
POLJOPRIVREDNIK ODŽAK	100.00%	BOSNIA AND HERZEGOVINA	AGRICULTURE
POLJOPRIVREDNIK GLAMOČ	100.00%	BOSNIA AND HERZEGOVINA	AGRICULTURE
AGROPROMET GRAHOVO	100.00%	BOSNIA AND HERZEGOVINA	AGRICULTURE
MP ENERGIJA GRAHOVO	100.00%	BOSNIA AND HERZEGOVINA	AGRICULTURE
POLJOPRIVREDNIK DERVENTA	100.00%	BOSNIA AND HERZEGOVINA	AGRICULTURE
PP ORAHOVICA	97.55%	CROATIA	AGRICULTURE
MASLINA JE OBRANA	100.00%	CROATIA	AGRICULTURE
PPO STOČARSTVO	100.00%	CROATIA	AGRICULTURE
PD MODRIČA	100.00%	BOSNIA AND HERZEGOVINA	AGRICULTURE
PANONA ENERGIJA	100.00%	CROATIA	AGRICULTURE
RIBNJAK PISAROVINA	100.00%	CROATIA	AGRICULTURE
RIBNJAK LIPOVLJANI	100.00%	CROATIA	AGRICULTURE
RIBNJAK VRBOVLJANI	100.00%	CROATIA	AGRICULTURE
EKO BOSANSKA POSAVINA*	26.10%	CROATIA	AGRICULTURE

During 2022, PPK Valpovo d.o.o. invested in capital increase of EKO Bosanska Posavina d.o.o. thereby gaining an ownership share of 22.77%. At the end of the year, PPK Valpovo additionally acquired a 3.33% share from the company KIM TEC Vitez (a company with a common ultimate owner), which increased PPK Valpovo's share to 26.10%.

The amendments to the Article of Association of EKO Bosanska Posavina, which were made after the above mentioned transactions and signing of Agreement on the Management of the Business of EKO Bosanska Posavina, between the shareholders, defined that PPK Valpovo will direct the relevant businesses of EKO Bosanska Posavina, thereby gaining control over this company. Since December 1, 2022 this company is consolidated within the Agro Invest Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) *Group structure and scope of consolidation (continued)*

1 December 2022

Property, plant and equipment	116,376
Intangible assets	-
Other fixed assets	18,813
Inventories	16,591
Trade receivables	15,572
Cash and cash equivalents	3,896
Other current assets	9,452
Total assets	180,700
Long term liabilities	19,413
Short term liabilities	8,511
Total liabilities	27,924
Net Book Value of Assets	152,776

Non-controlling interest in net assets as of 1 December 2022 (77,23%) 117,989

As of December 31 2021, the Company had the following ownership interests in companies under its control:

Company	Percentage of ownership	Country	Activity
PPK VALPOVO	100.00%	CROATIA	AGRICULTURE
POLJOPRIVREDNIK ODŽAK	100.00%	BOSNIA AND HERZEGOVINA	AGRICULTURE
POLJOPRIVREDNIK GLAMOČ	100.00%	BOSNIA AND HERZEGOVINA	AGRICULTURE
AGROPROMET GRAHOVO	100.00%	BOSNIA AND HERZEGOVINA	AGRICULTURE
MP ENERGIJA GRAHOVO	100.00%	BOSNIA AND HERZEGOVINA	AGRICULTURE
POLJOPRIVREDNIK DERVENTA	100.00%	BOSNIA AND HERZEGOVINA	AGRICULTURE
PP ORAHOVICA	97.55%	CROATIA	AGRICULTURE
MASLINA JE OBRANA	100.00%	CROATIA	AGRICULTURE
NEKRETNINE PPKV	100.00%	CROATIA	REAL ESTATE
PP LJEŠNJAK	100.00%	CROATIA	AGRICULTURE
PP STOČARSTVO	100.00%	CROATIA	AGRICULTURE
PP DONJI MIHOLJAC	100.00%	CROATIA	AGRICULTURE
PD MODRIČA	100.00%	BOSNIA AND HERZEGOVINA	AGRICULTURE
RIBNJAK NARTA	100.00%	CROATIA	AGRICULTURE
RIBNJAK PISAROVINA	100.00%	CROATIA	AGRICULTURE
RIBNJAK LIPOVLJANI	100.00%	CROATIA	AGRICULTURE
RIBNJAK BARANJA	100.00%	CROATIA	AGRICULTURE
RIBNJAK VRBOVLJANI	100.00%	CROATIA	AGRICULTURE
RIBANJAK JASINJE	100.00%	CROATIA	AGRICULTURE

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

(ii) Subsidiaries

Subsidiaries are companies in which the Company (parent) has control. Control is achieved if: the Company has dominance, i.e. the power to dispose of the entity, the Company is exposed or has rights to a variable return based on its participation in that entity and is able to influence its return based on its dominance, i.e. the power to dispose.

The Company reassesses whether it has control if the facts and circumstances indicate that one or more of the above three control elements have changed:

- the share of their voting rights in relation to the size and division of voting rights of other persons with the right to vote
- potential voting rights of investors, other persons with voting rights or other persons.
- rights from other contractual relationships and any additional facts and circumstances that indicate that the Company has or does not have the current ability to conduct relevant business at the time when it is necessary to make such decisions.

A subsidiary is an entity in which the Company has control, i.e. direct or indirect dominant influence. Control is exercised by acquiring more than 50% of voting shares, exercising the right to appoint a majority of members of the management or supervisory board, and the right to decide in the subsidiary in a way that the parent company controls most voting rights in the subsidiary.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are excluded from consolidation from the date that control ceases. Investments in business entities over which the Company has control and significant influence are shown in these financial statements at investment cost, less value adjustments, if necessary. At the end of each reporting period, the Company determines whether there are indicators of a possible decrease in investments in subsidiaries. If such indicators exist, the Company estimates the recoverable amount of investments in subsidiaries.

(iii) Business combinations

The Group uses the accounting method of purchase for the accounting treatment of business combinations (excluding business combinations under joint control). The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and equity interests issued by the Group. The consideration transferred includes the fair value of each asset or liability that results from the contingent consideration agreement. Acquisition-related costs are recognized in the statement of comprehensive income as incurred. Acquired identifiable assets, liabilities and contingent liabilities in a business combination are initially measured at fair value at the acquisition date. The Group recognizes minority interests in the acquired subsidiary either at fair value or at the proportionate share of the minority interest in the net assets of the acquired subsidiary.

The excess of the consideration transferred the amount of any non-controlling interest in the acquired subsidiary and the fair value at the date of acquisition of any previous ownership interest in the acquired company above the fair value of the Group's share of the identifiable net assets is recognized as goodwill. If this is less than the fair value of the net assets of the acquired subsidiary in the case of a purchase at a price lower than the sale price, the difference is recognized directly in the statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

(iv) *Non-controlling interests*

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

(v) *Loss of control of subsidiaries*

When the Group loses control of a subsidiary, the assets and liabilities of the subsidiary and all related non-controlling interests and other items of equity are derecognised. Gains or losses are recognized in the income statement. Retained interest in a former subsidiary is measured at fair value when control is lost.

(vi) *Transactions eliminated in consolidation*

Balances and transactions between members of the Group and all unrealized gains on transactions between members of the Group have been eliminated in consolidating the financial statements. Unrealized gains on transactions with associates and joint ventures where the Group shares control with other owners are eliminated to the extent of the Group's interest in such entities. Unrealized gains on transactions with companies in which there are interests are eliminated by reducing the investment in that company. Unrealized losses are eliminated in the same way as unrealized gains, but only up to an amount that does not represent a permanent impairment of assets.

Goodwill

Goodwill arising from a business combination is carried at a cost determined on the acquisition date, i.e. the acquisition of the entity, less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each cash-generating unit (or group of such units) that is expected to benefit from the synergies arising from the merger.

The cash-generating unit to which the goodwill is allocated is subject to an impairment test once a year or more frequently if there is an indication of possible impairment. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first by reducing the carrying amount of goodwill allocated to the unit and then to the other asset's other assets based on the carrying amount of each asset in each generating unit. Any gain or loss on fair value is recognized directly in profit or loss. Once recognized, an impairment loss for goodwill is not reversed in subsequent periods.

When a cash-generating unit is disposed of, the related amount of goodwill is included in the determination of the gain or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in associates and joint ventures

The results and assets and liabilities of associates or joint ventures are included in these financial statements using the equity method, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or joint venture is initially recognized in the consolidated statement of financial position at cost and subsequently adjusted to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture.

When the Group's share of the losses of an associate or joint venture exceeds the Group's share of that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group ceases to recognize its share of further losses. Additional losses are recognized only to the extent that the Group has assumed legal or constructive obligations or made payments on behalf of an associate or joint venture.

An investment in an associate or joint venture is accounted for using the equity method from the date the investor becomes an associate or joint venture. After acquiring an investment in an associated or joint venture, any excess of investment costs over the Group's share of the net fair value of identifiable assets and liabilities of the invested company is recognized as goodwill, which is included in the book value of the investment amount. Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of the investment, after revaluation, is immediately recognized in profit or loss in the period in which the investment is acquired.

A joint venture is a joint business in which the parties who have joint control over the business have rights to the net assets of the business in question. Joint control is an agreed division of control over some business, which exists only when decisions on relevant business require the unanimous consent of the parties sharing control.

Any goodwill resulting from the acquisition of the Group's share in a jointly controlled company is calculated in accordance with the Group's accounting policy for calculating goodwill arising from a business merger.

Unrealized gains and losses from transactions between the Group and companies over which it has joint control are eliminated in proportion to the Group's share in the joint venture. Profits and losses from transactions between the Group and a jointly controlled company are recognized in the unconsolidated and consolidated financial statements of the Group only up to the amount of shares in jointly controlled companies that do not relate to the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Operating income is generated by selling goods and providing services. Revenue is measured at the fair value of the consideration received or receivable and is reduced by the estimated amounts of refunds from customers, quantity and other discounts.

In accordance with IFRS 15 – Revenues from Contracts with Customers, the basic principle of revenue recognition is developed through a five-step model:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price
- Recognize revenue when or as the entity satisfies a performance obligation

Revenue is recognized by transferring control, either over time or at a specified time. Control over assets is defined as the ability to manage the use and acquisition of almost all remaining benefits from assets, which includes the ability to prevent others from managing the use of and obtaining benefits from assets.

i) Revenues from the provision of services

Revenues from the provision of services are calculated in the Statement of comprehensive income:

Especially:

- if the performance obligation is met at a particular point in time (“at the time”), the related revenue is recognized in the income statement when the service is provided;
- if the performance obligation is met over time, the related income is recognized in the income statement to reflect progress in meeting that obligation.

If the timetable for liquidation is not in accordance with the manner in which the performance obligation has been met, the Group calculates the contractual asset or contractual obligation for the part of the revenue generated in that period or for the deferral in subsequent periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

ii) Revenues from sales of goods

Revenue from the sale of goods is recognized when all of the following conditions are met:

- The Group has transferred to customers all significant risks and rewards associated with the ownership of the goods
- The Group does not retain a continuing involvement in the management to the extent normally associated with ownership or actual control of the goods sold
- The amount of revenue can be measured reliably
- The inflow of economic benefits to the entity associated with the transaction is probable
- The costs incurred or to be incurred as a result of the transaction can be measured reliably.

iii) Income from subsidies

Based on its registered activity, livestock breeding and fish farming, the Group is entitled to subsidies. The purpose of the subsidy is to ensure the long-term sustainability of active farmers engaged in agricultural activity. They are allocated for the production, cultivation or planting of agricultural products, as well as for maintaining the agricultural area in a condition suitable for grazing or cultivation.

The Group submits a request to the Agency for Payments in Agriculture, Fisheries and Rural Development for each production year within the set deadline, according to the sowing plan and the number of livestock. Based on the request, the Group recognizes revenue up to the amount of the submitted request.

iv) Income from the growth of the livestock unit is explained within the accounting policy Livestock unit

v) Interest income

Interest income is recognized when it is probable that the economic benefits associated with the item will flow to the Group and the revenue can be measured reliably. Interest income is calculated on an accrual basis and at the applicable effective interest rate, which is the rate at which estimated future cash receipts are discounted over the expected life of the financial asset to its net carrying amount determined on initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Leases are recognized as a right-of-use asset and a lease liability whenever substantially all the risks and rewards incidental to ownership of the asset are transferred to the lessee over the term of the lease, except:

- low-value leases
- leases whose lease term ends within a period of 12 months from the date of the first application or less.

Lease income is recognized on a straight-line basis over the term of the lease.

When concluding a contract, the Group assesses whether the contract is or contains lease characteristics. That is, it assesses whether the contract transfers the right to control the use of the property in question over time in exchange for compensation.

The Group as a lessee

For all leases, except short-term leases and leases of low-value assets, the Group applies a single approach to recognition and measurement. The Group recognizes lease payment liabilities and the right-of-use asset, which is the right to use the asset in question.

Right-of-use assets

The Group recognizes a right-of-use asset at the time the lease is entered into (i.e. when the asset in question is available for use). Right-of-use assets are measured at cost less accumulated depreciation and impairment losses and are adjusted for remeasurement of lease liabilities. The cost of the right-of-use assets includes the amount of recognized lease liabilities, initial direct costs and lease payments made on or before the date of the contract, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the term of the lease.

Lease liabilities

When entering into a lease, the Group recognizes lease liabilities, measured at the present value of future lease payments over the term of the lease. Lease payments include fixed payments (less all incentive claims), variable payments that depend on an index or rate, and amounts expected to be paid from residual value guarantees. Lease payments may include the value of a purchase option that is expected to be realized with reasonable certainty and the payment of a penalty for terminating the lease if the terms of the contract provide for a termination option. Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that conditions the payment occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

The separate financial statements of each entity within the Group are presented in the currency of the primary economic environment in which the entity operates, i.e. in its functional currency. In the consolidated financial statements, the results and financial position of each entity within the Group are expressed in Croatian kuna (HRK) because the Croatian kuna is the functional currency of the parent company and the presentation currency of the consolidated financial statements.

When preparing the financial statements of individual entities, transactions in currencies other than the entity's functional currency, i.e. in foreign currencies, are recorded using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the end of each reporting period are retranslated at the exchange rate ruling at the end of the reporting period. Non-monetary items reported at fair values that are denominated in foreign currencies are retranslated at the exchange rate ruling at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are carried at historical cost are not retranslated.

The exchange rates applied as at 31 December 2022 and the average exchange rates used to translate the items of income and expenditure were as follows:

Currency	31 December 2022	Average exchange rate in 2022	31 December 2021	Average exchange rate in 2021
RSD	15.56931	15.59269	15.64535	15.62818
KM	0.25958	0.25959	0.26018	0.25994
MKD	8.19133	8.17772	8.19732	8.18513
EUR	7.534500	7.534128	7.517174	7.523970

Foreign exchange differences are recognized in profit or loss in the period in which they arise, except:

- exchange differences on received loans and credits in foreign currency related to assets under construction intended for future production, which are included in the cost of assets if viewed as an adjustment of interest costs on liabilities for these loans and credits;
- exchange differences on monetary receivables or liabilities from foreign operations, the settlement of which is neither planned nor probable and which therefore form part of the net investment in foreign operations, which are first recognized in other comprehensive income and transferred when selling all or part of the net investment from principal to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

In these consolidated financial statements, the assets and liabilities of the Group's foreign operations are denominated in Croatian kuna using the exchange rates prevailing at the end of the reporting period. Income and expenses are translated using the average exchange rate for the reporting period, except for significant fluctuations in exchange rates, in which case the exchange rates prevailing at the date of the transaction are used. Any foreign exchange differences are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests, if any).

When selling a foreign operation, i.e. selling the entire Group's interest in a foreign operation in which the Group loses control of a foreign subsidiary or partially selling a joint venture or an associate whose foreign operations include a retained interest in that foreign operation becomes financial assets, all exchange differences accumulated in equity from foreign operations attributable to owners of the Group are transferred to profit or loss. Furthermore, in the case of a partial sale of a foreign subsidiary in which the Group does not lose control of the subsidiary, part of the cumulative exchange rate differences is again attributed to non-controlling interests in proportion to the part sold and not included in profit or loss. In all other partial sales, i.e. partial sales of associates or joint ventures in which the Group does not lose significant influence or joint control in the entity, part of the cumulative exchange differences is transferred to profit or loss in proportion to the part sold.

The reconciliation of goodwill and fair value of identifiable assets and identifiable liabilities assumed through the acquisition of foreign operations is accounted for as assets and liabilities of foreign operations and translated at the closing rate at the end of each reporting period. The resulting exchange differences are recognized in other comprehensive income.

State grants

Unconditional subsidies related to biological assets measured at fair value less estimated costs to sell should be recognized as income when, and only when, the subsidy is due. If state grants related to biological assets measured at fair value less estimated costs to sell is conditional, including the possibility that state grants require the entity not to engage in a particular agricultural activity, the entity should recognize grants as income if and only if the conditions related to the grants are met.

Asset-related grants are state grants whose first condition is that the eligible entity should purchase, build or otherwise acquire long-term assets. Additional conditions are possible that limit the type or location of the property or the periods in which it must be acquired or held.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State grants (continued)

State grants should be recognized in profit or loss on a systematic basis over the period in which the entity recognizes as an expense the related costs for which grants are intended to be covered.

Grants related to depreciable tangible assets reduces the cost of the asset, and depreciation is still calculated at impaired value. Grants related to non-depreciable assets may also require the fulfilment of certain obligations and should therefore be recognized in profit or loss over the periods in which the costs of meeting those obligations are incurred.

Segmental reporting

A segment is a recognizable component or part of the Group that is engaged in the sale of related products and services (operating segment) or engaged in the sale of products and services within a particular economic environment (geographical segment) and is subject to risks and rewards that differ from those applicable to other segments.

At the consolidated level, the Group internally monitors and reports the following segments: crop farming, fruit growing, livestock farming, fish farming, viticulture, silos, animal feed factory (AFF), cooperation and other segments.

Taxation

Corporate income tax expense is the sum of current tax liabilities and deferred taxes.

i) Current taxes

Current tax liability is based on taxable profit for the current year. Taxable profit differs from net income shown in the consolidated comprehensive income statement because it does not include items of income and expense that are taxable or deductible in other years, nor items that are never taxable or deductible. The Group's current tax liability is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

ii) Deferred taxes

Deferred taxes are recognized on the basis of the difference between the carrying amounts of assets and liabilities shown in the financial statements and the related tax bases used to calculate taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences up to the amount of taxable profit that is likely to be available and allow deductible temporary differences to be used. Deferred tax liabilities and deferred tax assets are not recognized if the temporary difference arises from goodwill or the initial recognition of other assets and other liabilities (except in the case of a business combination) in a transaction that affects neither taxable nor accounting profit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

ii) Deferred taxes (continued)

Deferred tax liabilities are also recognized based on taxable temporary differences related to investments in subsidiaries and associates and interests in joint ventures, except when the Group is able to influence the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced by the amount that is no longer likely to be available as sufficient taxable profit to allow all or part of the taxable asset to be recovered.

Deferred tax assets and deferred tax liabilities are calculated at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The determination of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects to recover the carrying amount of its assets at the end of the reporting period, i.e. to settle the carrying amount of its liabilities.

iii) Current and deferred taxes for the current year

Current and deferred taxes are recognized in profit or loss, except for taxes that are included in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity. For current and deferred taxes arising from the first posting of a business combination, the tax effect is included in the calculation of the business combination.

Property, plant and equipment

Property, plant and equipment used in the production or supply of goods or services or for administrative purposes, other than the livestock unit, are presented in the consolidated statement of financial position at historical cost, less accumulated depreciation and impairment losses. Acquisition cost includes the cost that is directly attributable to the acquisition of the asset.

Subsequent expenditure is included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only if the Group will obtain future economic benefits from the asset and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other maintenance costs are charged to the consolidated statement of comprehensive income in the financial period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

Land and assets under construction are not depreciated. Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate cost or to the residual value of the asset and asset over its estimated useful life, as follows:

Buildings	10 to 40 years
Plant and equipment	2 - 25 years
Vehicles	10 - 16 years
Investment in third party assets	50 years

The asset's residual value and useful life are reviewed, and adjusted if appropriate, at each reporting date. If the carrying amount of an asset is greater than its estimated recoverable amount, the difference is written off to the recoverable amount. Gains and losses on disposals are determined as the difference between the disposal proceeds and the carrying amount of the asset sold and are recognized in profit or loss within other income/expenses.

Livestock unit

The livestock unit is recorded by groups of cattle. The livestock unit consists of: calves, breeding heifers, breeding cows and breeder bulls. The livestock unit does not consist of yearling store cattle intended for further sale. The acquisition of the livestock unit is recorded at cost because it represents the fair value at that time. The change in fair value less estimated costs to the point of sale of the biological asset is included in the income statement in the period in which it arises. At the reporting date, the Group reduces the value of the livestock unit (breeding heifers and calves) to fair value taking into account the best available market indicators.

For breeding cows and bulls, it is not possible to determine fair value either on the market (absence of an active market), or by other alternative methods (last market price, market prices for similar assets, best comparable measurement sector), or by DFC method (unrealistic DFC) so to the best possible approximation of the fair value of the cost of acquisition is allocated over the lifetime (for cows 10 years, for bulls 6 years).

The livestock unit consists of cattle that are initially recorded at cost for external procurement, and for the livestock unit from own production for further breeding at fair value. When the livestock unit is no longer in function, it is given for forced slaughter, i.e. it is sold at fair value. The increase in the livestock unit is calculated and recorded on a monthly basis and calculated as the difference in the value of livestock at the end and beginning of the accounting period, based on changes in pieces and kilograms of livestock during the period. The increase in the livestock unit is recorded as an increase in the value of the livestock unit, and in favour of the income from the increase in the Statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

Perennial plantations

Perennial crops are fruit-bearing plants used in production and which are expected to bear fruit for more than one accounting period and which are unlikely to be sold as an agricultural product. The initial cost of such assets is stated in the same way as assets that the Group only builds on property, plant and equipment and before being restored into the condition and position necessary for the work intended for that asset. After initial recognition, perennial crops are measured at cost and depreciation is recorded as an expense of the period and is calculated on a straight-line basis over the expected useful life of the asset over a period of 25 to 35 years.

Harvesting fruits are valued at fair value less estimated selling expenses at the time of harvest.

Intangible assets

Non-current intangible assets include software, licenses, technical documentation expenses and intangible assets in preparation, and are stated at cost less accumulated amortization. Intangible assets are initially recognized at cost. Intangible assets are recognized in the event that future economic benefits attributable to the asset will enter the Group and the cost of the asset can be measured reliably. Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortization and any accumulated impairment losses. There are no intangible assets for which an indefinite useful life is estimated. Intangible assets are amortized on a straight-line basis over their estimated useful lives of 4 to 10 years.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (excluding inventories and deferred taxes) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated so that any impairment loss can be determined. If the recoverable amount of an asset cannot be estimated, the Group estimates the recoverable amount of the "cash-generating unit" ("CGU") to which the asset belongs. If it is possible to determine a realistic and consistent basis for allocation, the assets of companies are also allocated to individual cash-generating units or, if this is not possible, to the smallest group of cash-generating units for which a realistic and consistent allocation basis can be determined.

The recoverable amount is the higher of an asset's fair value less sales costs and its value in use. For the purposes of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of that asset (CGU) is reduced to its recoverable amount. Impairment losses are recognized immediately as an expense. Upon subsequent reversal of an impairment loss, the carrying amount of the asset (CGU) is increased to the revised estimated recoverable amount of the asset so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized in previous years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Based on the provisions of the relevant inventory valuation standard, the following are included:

- the cost of purchasing inventories of merchandise includes the purchase price, import duties and other costs directly attributable to the purchase. Inventories of merchandise are intended for sale and are stated at cost. The value of inventories is measured using the weighted average price method.
- for inventories of finished goods and work in progress, the cost includes direct material and, if applicable, direct labour costs and all overhead/indirect costs associated with bringing the inventories to their current location and condition. Cost is determined using the weighted average cost method.
- inventory stocks include tools, plant and office inventory and similar assets that are expected to be used within one year and assets that are not considered fixed assets.
- consumption or putting into use of stocks of small inventory and car tires as well as spare parts is included in costs by the method of the one-time write-off.
- the Group assesses the value of non-current inventories as well as old inventories. The value of non-current and old inventories is reduced and adjusted to fair value.

Fish, yearling store cattle, oilseeds and cereals that are the subject of cultivation are classified as current biological assets. At initial recognition and at the end of each reporting period, biological assets should be measured at fair value less sale costs, unless fair value cannot be measured reliably. The fair value determined is compared with the cost of production and the difference represents the gain or loss from estimating the fair value of the biological asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents presented in the statement of cash flows include cash and balances with banks.

Financial assets

Recognition and initial measurement

Trade receivables are initially recognized when incurred. All other financial assets are initially recognized when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets (unless they are trade receivables without a significant financial component) are initially measured at fair value plus, if not an instrument stated at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the instrument in question. Trade receivables without a significant financing component are initially measured at the transaction price.

Classification and subsequent measurement of assets

After initial recognition, financial assets are classified as assets at amortized cost, assets at fair value through other comprehensive income (FVOCI) and assets at fair value through profit or loss (FVTPL), depending on the business model and characteristics of the contracted cash flows of financial assets. Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets, in which case the financial assets are reclassified from the first day of the first reporting period following the change in the business model.

Financial assets at amortized cost

Financial assets are measured at amortized cost if they meet both of the following conditions and if they are not measured at fair value through profit or loss (FVTPL):

- the purpose of the business model is to hold assets to collect contractual cash flows; and
- the contractual terms of a financial asset presuppose cash flows that are solely the repayment of principal and interest (SPPI) on certain dates.

Financial assets at fair value through other comprehensive income

A debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions and if it is not measured at fair value through profit or loss (FVTPL):

- the purpose of the business model is to hold assets in order to collect contractual cash flows and sell financial assets; and
- the contractual terms of a financial asset presuppose cash flows that are solely the repayment of principal and interest (SPPI) on certain dates.

Upon initial recognition of an investment in an equity instrument that is not held for trading, the Group may irrevocably choose to disclose subsequent changes in fair value through other comprehensive income. This choice is made on the basis of individual investment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Financial assets at fair value through profit or loss

All other financial assets are classified as financial assets at fair value through profit or loss.

In addition, upon initial recognition, the Group may irrevocably measure financial assets at fair value through profit or loss, although it meets the requirements for measurement at amortized cost or at fair value through other comprehensive income, if this eliminates or significantly reduces accounting inconsistencies.

Impairment of financial assets

The Group recognizes provisions for expected credit losses for loans and deposits measured at amortized cost and for trade receivables. The amount of expected credit losses is calculated at each reporting date to reflect changes in credit risk since the initial recognition of an individual financial instrument. The Group always recognizes lifelong expected credit losses (ECL) for trade receivables based on the simplified approach. Expected credit losses on these financial assets are estimated based on the arrears matrix created based on the Group's historical experience with credit losses, consistent with debtors' specific factors.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss for that financial instrument at an amount equal to the 12-month ECL. The lifelong ECL represents the expected credit losses that will result from all possible defaults during the expected life of the financial instrument.

In contrast, the 12-month ECL is part of the lifelong ECL due to the likelihood of default in the next 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of default at the reporting date with the risk of default at the date of initial recognition. In making this assessment, the Group also considers quantitative and qualitative information that is reasonable and available, including historical experience and that is available without undue expense or commitment. In particular, the Group relies on default days when assessing significant credit risk deterioration.

Notwithstanding the above, it is assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is found to have low credit risk at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

A financial instrument is found to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong ability to meet its contractual obligations in a short period of time, and
- Adverse changes in economic and business conditions, in the long run, may, but do not necessarily, reduce the borrower's ability to meet its contractual cash flow obligations.

However, the Group does not currently use low credit risk simplification when assessing significant increases in credit risk. The Group regularly monitors the effectiveness of the criteria used to determine whether there has been a significant increase in credit risk and reviews them to ensure that the criteria can identify a significant increase in credit risk before delays in payments.

(ii) Definition of default status

The following facts that constitute default for internal credit risk management purposes, and are considered by the Group to be historical experience showing that financial assets that meet any of the following criteria are generally not recoverable:

- when the debtor has breached financial clauses; or
- internally developed data or data obtained from external sources indicate that the borrower is unlikely to repay its creditors, including the Group, in full (excluding any collateral held by the Group).

Notwithstanding the above analysis, the Group considers that there was a default when the financial assets matured for more than 30 days and no liabilities were paid; unless the Group has reasonable and substantiated information to demonstrate a more appropriate delay criterion.

(iii) Impaired Financial Assets

Financial assets are impaired when one or more events have occurred that have an adverse effect on the estimated future cash flows of that financial asset. Evidence that the financial asset is impaired includes available information on the following events:

- significant financial difficulties of the issuer or debtor;
- breach of contract, such as failure to fulfil an obligation (defined above);
- when the issuer, due to the debtor's financial difficulties, grants to the debtor the same concession that he would not otherwise have taken into account;
- it becomes probable that the debtor will go bankrupt or undertake other financial reorganization
- the disappearance of an active market for certain financial assets due to financial difficulties

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

(iv) Write-off Policy

The Group writes off financial assets when there are indications that the debtor is in serious financial difficulties and there is no realistic prospect of recovery, e.g. when the debtor is liquidated or in bankruptcy proceedings or in the case of receivables from customers, when the amounts are due over three years, whichever comes first. Derecognised financial assets may still be subject to the Group's collection activities, taking into account legal advice where appropriate. Income from the collection of previously written off financial assets is recognized in the statement of profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default (PD), loss given default (LGD), i.e. the amount of loss if a default occurs and exposure at the moment of occurrence of the status of default (Exposure at Default, EAD). The assessment of the probability of default and loss given default is based on historical data and the information provided in the previous paragraphs. As for the exposure at default, for financial assets, it represents the gross carrying amount of the asset at the reporting date.

To assess PD and LGD parameters, the Group relies on publications of external investment rating agencies.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows maturing under the contract and all expected cash flows, discounted at the original effective interest rate. If the Group measured the provision for expected credit losses for a financial instrument in the amount of the lifelong ECL in the previous reporting period, but at the current reporting date determines that the conditions for the lifelong ECL are no longer met, the Group measures the loss in the amount of 12 months at the current reporting date, except for assets for which simplified access has been used (trade receivables).

The Group always presents provisions for losses on trade receivables in the amount equal to lifelong expected credit losses (ECL). Expected credit losses are estimates of the weighted probabilities of credit losses. Credit losses are measured as the present value of all cash losses (the difference between the cash flows to which the Group is entitled under the contract and the cash flows that the Group expects to actually receive). Expected credit losses are discounted at the effective interest rate of the financial assets in question. Expected credit losses on trade receivables are estimated based on the arrears matrix, taking into account the historical experience of the default of the debtor, and the analysis of the current financial position of the debtor.

There were no changes in valuation techniques or significant assumptions during the current reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

The Group writes off trade receivables when there are indications that the debtor is in serious financial difficulties and there is no realistic prospect of recovery, e.g. when the debtor has been liquidated or entered into bankruptcy proceedings, or when trade receivables are overdue for more than a year, whichever comes first. None of the written-off receivables is subject to enforcement activities. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, provisions for losses based on maturity status do not differ further between the Group's different customer groups.

The Group recognizes a gain or loss in the statement of comprehensive income for all financial instruments with an appropriate adjustment to the carrying amount through the provision for expected credit losses.

Derecognition of financial assets

The Group derecognises a financial asset only when its contractual rights to the cash flows from the financial asset expire or transfers all the risks and rewards incidental to ownership of the financial asset to another person.

If the Group does not transfer and retain substantially all the risks and rewards of ownership and continues to control the transferred assets, the Group recognizes its retained interest in the assets and the related liability for the amounts it may have to pay. If the Group retains all material risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the financial assets and also recognizes the collateral received.

In the event of derecognition of a financial asset measured at amortized cost, the difference between the carrying amount and the amount of the consideration received and receivable is recognized in the statement of profit or loss. Furthermore, upon derecognition of an investment in a debt instrument measured under the FVOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss, except for equity instruments for which the FVOCI option is selected.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at fair value through profit or loss.

The Group measures all financial liabilities at amortized cost.

However, financial liabilities that arise when the transfer of financial assets does not qualify for derecognition or when the continuing participation approach is applied, and for financial guarantee contracts issued by the Group, are subsequently measured in accordance with the specific accounting policies set out below.

Financial liabilities subsequently measured at amortized cost.

Financial liabilities that are not (i) contingent consideration for the acquirer in a business combination, (ii) held for trading, or (iii) designated at fair value through profit or loss, are subsequently measured at amortized cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. Effective interest rate is the rate that exactly discounts estimated future cash payments (including any fees and points paid or received that form part of the effective interest rate, transaction costs and other premiums or discounts) over the expected life of the financial liability or (if applicable) a shorter period, at the amortized cost of the financial liability.

Classification as a financial liability or equity

Debt or equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is a contract that provides evidence of the residual interest in an entity's assets after deducting all of its liabilities. Equity instruments issued by the Group are recorded in the amount of realized income, less direct issuance costs.

Financial liabilities

Other financial liabilities, including borrowings and loans, are initially measured at fair value less transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. Effective interest rate is the rate at which estimated future cash outflows are discounted over the expected life of the financial liability or a shorter period, if applicable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments (continued)

Derecognition of financial liabilities

The Group derecognises a financial liability when, and only when, the Group's liabilities are discharged, cancelled or expire.

Employee benefits

Liabilities for pensions and other liabilities after retirement

In the course of regular operations, the Company makes regular payments of contributions on behalf of its employees who are members of mandatory pension funds in accordance with the law. Mandatory pension contributions to funds are reported as part of the cost of salaries when they are calculated. The Company has no obligation to provide any other employee benefits after their retirement.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) that arises from past events, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably. Provisions are reviewed at each statement of financial position date and are adjusted for an estimate based on current knowledge.

In cases where the effect of the time value of money is significant, the amount of the provision is the present value of the expenditure expected to be required to settle the liability. When discounting is used, the increase in provisions reflecting the passage of time is recognized as a finance charge.

Provisions for severance pay are recognized when the Group undertakes to terminate employment contracts with employees, that is, when it has made a detailed formal plan for termination of employment contracts that has no realistic possibility of withdrawal.

Contingent liabilities

Contingent liabilities are not recognized in the financial statements. They are published only if the possibility of outflow of resources that constitute economic benefits is not far off.

Contingent assets are not recognized in the financial statements but are disclosed when the inflow of economic benefits is probable.

The impact of the outbreak of war in Ukraine on the Group's operations

The economic consequences of the outbreak of the conflict in Ukraine were particularly pronounced in the agricultural sector through a strong increase in the prices of inputs used in agricultural production, primarily energy, basic raw materials, fertilizers, seed goods, protective agents, fish feed, but also other materials that necessary for production. Despite the first negative assessments after the outbreak of the conflict in Ukraine, we managed to obtain all the necessary quantities of raw materials on the market at all times. The increase in output prices largely canceled out the increase in input prices, so the Group's profitability was not threatened.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events after the reporting date

Events after the reporting date that provide additional information about the Group's position at the reporting date (events that have the effect of reconciliation) are reflected in the financial statements. Those events that do not result in reconciliation are disclosed in the notes to the financial statements if they are material.

APPLICATION OF NEW STANDARDS, INTERPRETATIONS AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Initial application of new amendments to the existing standards and interpretations effective for the current financial period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current financial period:

- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"- Annual Improvements to IFRS Standards 2018-2020 regarding the Subsidiary as a First-time Adopter (effective for annual periods beginning on or after January 1, 2022)
- Amendments to IFRS 3 "Business Combinations" – Update of a reference to the Conceptual Framework, adopted in the European Union on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022)
- Amendments to IFRS 9 "Financial Instruments" - Annual Improvements to IFRS Standards 2018-2020 regarding fees in the '10 per cent' Test for Derecognition of Financial liabilities (effective for annual periods beginning on or after 1 January 2022)
- Amendments to IFRS 16 "Leases" - Annual Improvements to IFRS Standards 2018-2020 for illustrative purposes only
- Amendments to IAS 16 "Property, plant and equipment"- Prohibition of cost deduction for proceeds before Intended Use, adopted in the European Union on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022)
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"- clarification of the costs of fulfilling related to the onerous contracts, adopted in the European Union on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022)
- Amendments to IAS 41 "Agriculture" - Annual Improvements to IFRS Standards 2018-2020 regarding Taxation in Fair Value Measurements (effective for annual periods beginning on or after January 1, 2022)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- Amendments to IFRS 17 “Insurance contracts” - Initial Application of IFRS 17 and IFRS 9 – Comparative Information, adopted in the European Union on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 1 “Presentation of financial statements” and IFRS Practice Statement 2 - Disclosure of Accounting Policies, adopted in the European Union on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 8 “Accounting policies, Changes in Accounting Estimates and Errors” - Definition of Accounting Estimates, adopted in the European Union on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 12 “Income Taxes” - Deferred Tax related to Assets and Liabilities arising from a Single Transaction, adopted in the European Union on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023)

Standards and amendments to the existing standards issued by IASB and not yet adopted by the EU

IFRS currently adopted in the European Union do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to existing standards, the adoption of which the European Union has not yet decided on (date of entry into force set out below relate to IFRSs issued by the IASB):

- Amendments to IFRS 16 “Leases”- Lease Liability in a Sale and Leaseback, effective for annual periods beginning on or after 1 January 2024
- Amendments to IAS 1 “Presentation of Financial Statements” - Classification of Liabilities as Current or Non-current Date, Classification of Liabilities as Current or Non-current - Deferral and Non-current Liabilities with Covenants, effective for annual periods beginning on or after 1 January 2024

The Company/Group expects that the adoption of these new standards and amendments to existing standards will not lead to significant changes in the Company's/Group financial statements in the period of the first application of the standard.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting judgments and estimates

In applying the Group's accounting policies described above, the Management Board should make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not apparent from other sources. Estimates and associated assumptions are based on historical experience and other relevant factors. Actual results may differ from estimates. The estimates and assumptions on which the estimates are based are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the revision period of the estimate if the change affects only that period or in the revision period of the estimate and in future periods if the change affects both current and future periods. The following is a description of the key judgments of the Management Board, in the process of applying the Group's accounting policies, which most significantly affected the amounts recognized in the financial statements.

(a) The useful life of property, plant and equipment and intangible assets

As described in the accounting policies, the Group reviews the estimated useful lives of property, plant and equipment and intangible assets at each reporting date. Property, plant and equipment and intangible assets are stated at cost less accumulated depreciation and impairment losses.

(b) Recoverability of trade and other receivables

For credit exposures for which there has been no significant increase in credit risk since initial recognition, expected credit losses are recognized for credit losses arising from the probability of default in the next 12 months. For those credit exposures where there has been a significant increase in credit risk since initial recognition, an adjustment is required for expected credit losses over a lifetime, regardless of the time of borrowing. For trade receivables, the Group applies a simplified approach to the calculation of expected credit losses and therefore does not monitor changes in credit risk but recognizes impairment based on lifelong expected credit loss at the end of each reporting period.

Expected credit losses on trade receivables are estimated based on the arrears matrix, taking into account the historical experience of the default of the debtor and the analysis of the current financial position of the debtor.

In assessing expected credit losses, the Group considers reasonable and corroborating information that is relevant and available. This includes quantitative and qualitative information and analysis, based on the Group's historical experience and informed creditworthiness assessment, including information relating to the future. Impairment of receivables at risk in terms of collection certainty is charged to the income statement for the current year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting judgments and estimates (continued)

(c) Taxes

The Company calculates its tax liability in accordance with Croatian laws and regulations. The tax expense calculated on the result for the year consists of current tax and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The amount of deferred tax is calculated using the balance sheet liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not recognized if it arises from the initial recognition of assets or liabilities in a transaction other than a business combination that does not affect accounting profit or taxable profit (tax loss) at the time of the transaction.

(d) Consequences of certain litigation

Management uses estimates of the probable outcome of legal proceedings and recognizes, on a consistent basis, provisions for the Group's liabilities arising from those proceedings.

4. SEGMENT INFORMATION

The Group's business model consists of the following operating segments: arable farming, fruit growing, animal husbandry, fish farming, viticulture, silos, feed mills (FM), cooperation and other segments.

The following is an analysis of revenue by operating segment. The revenues shown consist of sales revenues and state subsidies.

Business overview by operating segments in 2021 and 2022

Operating segment	2022		2021	
	Amount	%	Amount	%
Crop farming	363,689	56.1%	280,079	57.08%
Fish farming	88,605	13.7%	77,340	15.80%
Livestock farming	41,093	6.3%	31,166	6.40%
Cooperation	25,947	4.0%	18,691	3.80%
Animal feed factory	25,014	3.9%	18,009	3.67%
Fruit growing	18,723	2.9%	23,238	4.70%
Viticulture	16,597	2.6%	14,722	3.00%
Silo	10,804	1.7%	8,547	1.70%
Other segments	58,134	9.0%	18,850	3.80%
Total	648,606	100%	490,642	100%

Geographical overview of operating income in 2021 and 2022

Country	2022		2021	
	Amount	%	Amount	%
Croatia	354,939	54.7%	285,322	58.15%
Bosnia and Herzegovina	102,979	15.9%	45,732	9.32%
Italy	46,069	7.1%	30,409	6.20%
Hungary	35,868	5.5%	30,529	6.22%
Serbia	31,686	4.9%	16,649	3.39%
Austria	30,006	4.6%	8,002	1.63%
Germany	13,146	2.0%	10,498	2.14%
Poland	10,191	1.6%	8,619	1.76%
Bulgaria	5,300	0.8%	-	0.00%
Other countries	18,422	2.9%	54,882	11.20%
Total	648,606	100%	490,642	100%

5. SALES REVENUE

	GROUP		COMPANY	
	2022	2021	2022	2021
Revenues from sales of finished products	260,429	222,104	-	-
Revenues from wholesale of goods	231,164	139,181	-	-
Revenues from sales of raw materials	45,371	23,903	-	-
Revenues from sales of services	17,820	10,581	1,360	-
Retail sales revenue	1,113	1,043	-	-
Subsequently granted discounts and approvals	(1,239)	(1,097)	-	-
Total	554,658	395,715	1,360	-

Revenues from sales of finished products mainly relate to revenues from sales of wine, fish, hazelnuts, cereals, oilseeds and animal feed. In the current year, the company generated income from intermediation.

6. OTHER OPERATING INCOME

	GROUP		COMPANY	
	2022	2021	2022	2021
Income from incentives and subsidies	75,677	73,040	-	-
Income from insurance claims collection	5,324	3,046	-	-
Livestock unit growth	4,132	3,431	-	-
Cancellation of long-term provisions	2,984	1,882	-	-
Rental income	1,625	2,899	-	-
Revenues from pre-invoiced costs	1,312	766	-	-
Income from inventory surpluses	1,040	2,881	-	-
Profit from sale of fixed assets	836	756	-	-
Income from own-account investments	685	1,614	-	-
Income from collected compensation for damages, down payment and severance pay	101	1,486	-	-
Revenue from collected doubtful and disputed receivables from customers	58	73	-	-
Revenues from write-offs of trade payables	34	342	-	-
Translation from yearling store cattle to livestock unit	14	63	-	-
Other operating income	126	2,648	-	-
Total	93,948	94,927	-	-

Companies within the Group receive grants related to agricultural production for which they must meet the requirements in accordance with the Law on Agriculture.

Notes to the nonconsolidated and consolidated financial statements (continued)
for the year ended 31 December 2022
(all amounts are stated in thousand HRK)

7. COST OF GOODS SOLD

	GROUP		COMPANY	
	2022	2021	2022	2021
The purchase value of the goods sold	233,903	122,508	-	-
Abatement, dispersal, breakdown and malfunction of merchandise	696	382	-	-
Total	234,599	122,890	-	-

8. COST OF RAW MATERIALS

	GROUP		COMPANY	
	2022	2021	2022	2021
Costs of raw materials and supplies	132,811	91,152	-	-
Basic, auxiliary material and office supplies	32,294	20,634	27	-
Energy and fuel costs for trucks and cars	22,057	12,349	-	-
Abatement, dispersal, breakdown and malfunction of raw materials and finished products	175	118	-	-
Total	187,337	124,253	27	-

9. OTHER EXTERNAL EXPENSES

	GROUP		COMPANY	
	2022	2021	2022	2021
Costs of services related to agricultural production	13,168	10,442	-	-
Transportation costs and postal services	11,686	9,674	-	1
Advertising services, sponsorships and fair costs	7,581	3,658	2	-
Work contracts	6,817	5,504	-	-
Costs of the Office of Support and Bookkeeping Services	5,943	5,162	-	-
Routine maintenance services	5,795	2,966	-	-
Intellectual services	3,502	2,091	851	106
Utility fees and economic management	2,415	2,458	-	-
IT solutions and business process development services	1,793	889	-	-
Lease of business premises, equipment, vehicles, etc.	1,562	3,297	16	1
Entertainment expenses	1,296	771	-	-
Investment maintenance services	1,164	334	-	-
Other external services	3,550	4,222	10	-
Total	66,272	51,468	879	108

Services related to agricultural production refer to the costs of ploughing, spraying, sowing, veterinary services, etc.

Notes to the nonconsolidated and consolidated financial statements (continued)
for the year ended 31 December 2022
(all amounts are stated in thousand HRK)

10. EMPLOYEE EXPENSES

	GROUP		COMPANY	
	2022	2021	2022	2021
Net salaries	33,926	29,142	-	-
Taxes, surtaxes and contributions from salaries	11,246	9,159	-	-
Contributions to salaries	7,225	6,057	-	-
Total	52,397	44,358	-	-

As of 31 December 2022, the Group had 562 employees (31 December 2021: 436 employees). In 2022, the Group had an average of 465 employees (2021: 463 employees).

11. DEPRECIATION

	GROUP		COMPANY	
	2022	2021	2022	2021
Depreciation of property, plant and equipment	37,396	38,232	-	-
Depreciation of right-of-use assets	5,381	5,169	-	-
Amortization of intangible assets	203	298	-	-
Total	42,980	43,699	-	-

12. OTHER EXPENSES

	GROUP		COMPANY	
	2022	2021	2022	2021
Insurance premiums for equipment, means of transport and inventories	6,731	4,083	-	-
Christmas presents, gifts for children, special prizes	6,123	5,446	-	-
Transportation costs to and from work	2,263	2,061	-	-
Per diems and other expenses on business trips	809	694	-	-
Costs of pre-invoiced services	650	732	-	-
Contribution for forests and other contributions and membership fees	626	412	1	1
Payment and banking costs	567	430	33	3
License fees	516	446	-	-
Costs of professional development of workers and costs of professional literature	290	304	-	-
Other employee costs	270	256	-	-
Membership fees, allowances and similar benefits	204	201	-	-
Other expenses	1,653	1,136	5	2
Total	20,702	16,201	39	6

13. VALUE ADJUSTMENT

	GROUP		COMPANY	
	2022	2021	2022	2021
Value adjustment of trade receivables	3,521	454	-	-
Value adjustment of receivables from the state	871	3,500	-	-
Value adjustments of financial assets	24	-	-	-
Value adjustment of inventories	-	987	-	-
Total	4,416	4,941	-	-

14. OTHER OPERATING EXPENSES

	GROUP		COMPANY	
	2022	2021	2022	2021
Donations	463	176	-	-
Direct write-offs of trade receivables	452	503	-	-
Grain quality evaluation	213	-	-	-
Expenses that are not tax deductible	105	-	-	-
Long-term assets deficits	95	-	-	-
Other expenses	1,210	695	-	-
Total	2,538	1,374	-	-

15. PROVISIONS FOR RISKS

	GROUP		COMPANY	
	2022	2021	2022	2021
Provisions for unused annual leave	1,005	60	-	-
Provisions for severance payments and jubilee awards	568	42	-	-
Total	1,573	102	-	-

Notes to the nonconsolidated and consolidated financial statements (continued)
for the year ended 31 December 2022
(all amounts are stated in thousand HRK)

16. FINANCIAL INCOME

	GROUP		COMPANY	
	2022	2021	2022	2021
Interest income	1,856	699	3,162	-
Positive exchange rate differences	518	714	10	-
Income from the sale of shares in companies in which the share is held up to 20%	68	-	-	-
Dividends/profit share	-	450	3,000	-
Total	2,442	1,863	6,172	-

17. FINANCIAL EXPENSES

	GROUP		COMPANY	
	2022	2021	2022	2021
Interest expense	8,034	7,406	2,798	2
Interest expense for right of use asset	2,188	-	-	-
Negative exchange rate differences	712	400	5	-
Other financial expenses	1,025	269	945	-
Total	11,959	8,075	3,748	2

18. CORPORATE INCOME TAX

Income tax in the country is calculated at the rate of 18% in 2022 (2021: 18%), which is applied to the estimated taxable profit of the current year. Income tax on foreign affiliates is calculated at the rates in force in the country in which it is domiciled, Bosnia 10% (2021: 10%). The basis is the profit less the tax loss carried forward and increased and decreased by the amount of certain items. Tax expense includes:

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Current tax	17,616	16,507	-	-
Deferred tax asses	(33)	49	-	-
Deferred tax liability	94	318	-	-
Income tax expense	17,677	16,874	-	-

The following table shows the reconciliation of the tax expense presented in the statement of comprehensive income with the statutory tax rate:

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Accounting profit before tax	105,424	88,697	2,840	(116)
Increase in profit / Decrease in loss	2,666	5,524	-	-
Decrease in loss / Increase in profit	(6,318)	(1,706)	(3,000)	-
Tax-loss for which deferred tax assets are not recognized	-	(900)	-	-
Tax base	101,772	91,615	(160)	(116)
Corporate income tax rate	10 - 18%	10 - 18%	18%	18%
Calculated current tax	17,616	16,507	-	-
Effective corporate income tax rate	17.31%	18.02%	0.00%	0.00%

18. CORPORATE INCOME TAX (CONTINUED)

Unused tax losses

As at 31 December 2022, the Group's tax losses amount to HRK 3,658 thousand and are available for the reduction of future taxable profits. The Group's tax losses are shown in the following table and stand out as follows:

Year in which tax losses expire:

	GROUP	COMPANY
2023	1.153	-
2024	1.290	-
2025	648	-
2026	407	116
2027	160	160
	<u>3.658</u>	<u>276</u>

Tax losses cannot be transferred and used within group members. The Group did not recognize deferred tax assets on the basis of tax losses carried forward.

Deferred tax assets and liabilities:

The Group has recognized deferred tax assets on temporary differences relating to unrecognized provisions for jubilee awards and severance payments. The movement of deferred tax assets is shown as follows:

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Balance at 1 January	110	159	-	-
In favour of profit or loss	33	(49)	-	-
Balance at 31 December	<u>143</u>	<u>110</u>	<u>-</u>	<u>-</u>

The Group has recognized a deferred tax liability related to temporary differences arising from the increase in the fair value of property, plant and equipment when acquiring a subsidiary. The movement of deferred tax liability is shown as follows:

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Balance at 1 January	667	349	-	-
In favour of profit or loss	94	318	-	-
Balance at 31 December	<u>761</u>	<u>667</u>	<u>-</u>	<u>-</u>

Notes to the nonconsolidated and consolidated financial statements (continued)
for the year ended 31 December 2022
(all amounts are stated in thousand HRK)

19. INTANGIBLE ASSETS

GROUP	Software	Development expenditures	Other intangible assets	Intangible assets under construction	Total
PURCHASE VALUE					
As at 1 January 2021	<u>3,345</u>	<u>1,415</u>	<u>908</u>	<u>750</u>	<u>6,418</u>
Increases	-	-	-	2,086	2,086
Transfer from intangible assets to tangible assets	125	-	-	(2,240)	(2,115)
Exchange rate differences	-	-	(1)	-	(1)
At 31 December 2021	<u>3,470</u>	<u>1,415</u>	<u>908</u>	<u>596</u>	<u>6,388</u>
Increases	-	-	-	7,959	7,959
Transfers from investment in progress	3,333	-	-	(4,752)	(1,419)
Transfer from intangible to tangible assets	(4)	-	-	289	285
At 31 December 2022	<u>6,799</u>	<u>1,415</u>	<u>908</u>	<u>4,092</u>	<u>13,213</u>
VALUE ADJUSTMET					
At 1 January 2021	<u>2,923</u>	<u>1,329</u>	<u>21</u>	-	<u>4,273</u>
Depreciation for the current year	220	74	4	-	298
At 31 December 2021	<u>3,143</u>	<u>1,403</u>	<u>25</u>	-	<u>4,571</u>
Depreciation for the current year	187	12	4	-	203
At 31 December 2022	<u>3,330</u>	<u>1,415</u>	<u>29</u>	-	<u>4,774</u>
NET CARRYING VALUE					
At 31 December 2022	<u>3,469</u>	-	879	4,092	8,440
At 31 December 2021	<u>327</u>	12	882	596	1,817

20. GOODWILL

The movement of goodwill position in 2022 and 2021 is shown below:

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Balance at the beginning of the year	248	248	-	-
Balance at the end of the year	248	248	-	-

The Group estimates the existence of impairment of goodwill at least annually, in accordance with accounting policies. This process requires an assessment of the use value of cash-generating units to which goodwill is allocated. Assessment of value in use requires the Group to make estimates of the future cash flows of cash-generating units and to select an appropriate discount rate to calculate the present value of those cash flows.

The recoverable amount of cash-generating units is determined based on a use value calculation. These calculations use cash flow projections based on financial plans approved by the Management Board and cover a period of five years.

Goodwill has been assigned to the following cash-generating units for impairment testing as follows:

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Agropromet Grahovo	96	96	-	-
MP Energija	152	152	-	-
Total	248	248	-	-

Notes to the nonconsolidated and consolidated financial statements (continued)
for the year ended 31 December 2022
(all amounts are stated in thousand HRK)

21. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and buildings	Biological assets and livestock unit	Plant and equipment	Vehicles, office equipment	Assets under construction	Investment in third party assets	Total
PURCHASE VALUE							
At 1 January 2021	396,775	44,730	277,488	9,539	18,318	101,639	848,489
Increases	-	38	94	-	44,562	1,900	46,594
Transfers from investment in progress	9,419	10,554	27,530	2,214	(50,031)	314	-
Transfer to account	-	-	-	-	506	1,609	2,115
Livestock unit growth and other changes	-	3,347	-	-	-	-	3,347
Transfer to another position	-	-	(140)	140	-	-	-
Mortality	-	(425)	-	-	-	-	(425)
Reconciliation of assets	-	-	-	-	(815)	-	(815)
Alienations	(1,241)	(3,862)	(14,038)	(287)	-	-	(19,428)
Exchange rate differences	(291)	-	(88)	-	(5)	(42)	(426)
At 31 December 2021	404,662	54,382	290,846	11,606	12,535	105,420	879,451
Increases	163	5	-	-	85,684	684	86,536
Transfers from investment in progress	10,530	9,788	40,563	1,917	(66,034)	2,633	(603)
Transfer from intangible to tangible assets	-	-	4	-	(289)	-	(285)
Livestock unit growth and other changes	-	3,958	-	-	-	-	3,958
Reduction of purchase value grants	(229)	-	(5,986)	(295)	-	-	(6,510)
Increase in NV of the acquired company	96,749	2,414	26,892	-	16,504	-	142,559
Transfer of biological assets	-	(113)	-	-	-	-	(113)
Alienations	(95)	(4,577)	(20,034)	(3,577)	-	-	(28,283)
Mortality	-	(311)	-	-	-	-	(311)
Impairment of tangible assets	-	-	-	-	(406)	-	(406)
Asset reduction	-	141	-	-	-	-	141
Exchange rate differences	258	-	81	-	6	42	387
At 31 December 2022	512,038	65,687	332,366	9,651	48,000	108,779	1,076,521

Notes to the nonconsolidated and consolidated financial statements (continued)
for the year ended 31 December 2022
(all amounts are stated in thousand HRK)

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP	Land and buildings	Biological assets and livestock unit	Plant and equipment	Vehicles, office equipment	Assets under construction	Investment in third party assets	Total
VALUE ADJUSTMENT							
As at 1 January 2021	270,855	14,936	180,193	6,485	-	20,427	492,896
Charge for the year	9,817	2,337	22,385	739	-	2,954	38,232
Disposals	(1,237)	(187)	(11,398)	(218)	-	-	(13,040)
Transfer to another position	-	-	(100)	100	-	-	-
Mortality	-	(94)	-	-	-	-	(94)
Exchange rate differences	(190)	-	(57)	-	-	(31)	(278)
As at 1 December 2021	279,245	16,992	191,023	7,106	-	23,350	517,716
Charge for the year	9,703	2,471	21,480	830	-	2,912	37,396
Disposals	(50)	(239)	(18,712)	(3,319)	-	-	(22,320)
Increase in NV of the acquired company	79	105	15,450	-	-	-	15,634
Mortality	-	(82)	-	-	-	-	(82)
Exchange rate differences	169	-	51	-	-	31	251
As at 31 December 2022	289,146	19,247	209,292	4,617	-	26,293	548,595
NET BOOK VALUE							
At 31 December 2022	222,892	46,440	123,074	5,034	48,000	82,485	527,925
At 31 December 2021	125,417	37,390	99,823	4,500	12,535	82,070	361,735

As of December 31 2022, the current value of real estate on which the bank's mortgage was registered as loan insurance is HRK 63,781 thousand. The mortgage on the said property amounts to HRK 275,706 thousand, while the amount owed on the said mortgages amounts to HRK 159,757 thousand.

22. RIGHT-OF-USE ASSETS

GROUP	Right-of-use assets
Purchase value	
Balance 1 January 2021	107,414
Initial recognition IFRS 16	2,466
Exchange rate differences	(10)
Balance 31 December 2021	109,870
Increase	3,556
Transfers from investment in progress	2,022
Increase in NV of the acquired company	11,170
Exchange rate differences	15
Balance 31 December 2022	126,633
Value adjustment	
Balance 1 January 2021	5,824
Depreciation of the period	5,169
Exchange rate differences	(4)
Balance 31 December 2021	10,989
Charge for the year	5,381
Disposals	-
Increase in NV of the acquired company	2,907
Exchange rate differences	5
Balance 31 December 2022	19,282
NET BOOK VALUE	
Balance as at 31 December 2021	98,881
Balance as at 31 December 2022	107,352

23. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Investments in associates	22	21	4	4
Investments in available-for-sale shares	-	-	582,514	580,319
	22	21	582,518	580,323

The table below lists the subsidiaries and the shares the company has in them:

Name of the subsidiary company	Main activity	Place of establishment and business	Share in ownership and voting rights		COMPANY	
			31 December 2022	31 December 2021	31 December 2022	31 December 2021
PPK Valpovo	Agriculture	Valpovo	100%	100%	174,037	174,037
PP Orahovica	Agriculture	Orahovica	98%	98%	334,474	334,474
PD Modriča	Agriculture	Modriča	100%	100%	29,734	29,734
Poljoprivrednik Derventa	Agriculture	Derventa	100%	100%	22,991	22,991
Poljoprivrednik Odžak	Agriculture	Odžak	100%	100%	7,443	7,443
MP Energija B. Grahovo	Agriculture	Grahovo	100%	86%	5,318	4,418
Agropromet B. Grahovo	Agriculture	Grahovo	100%	80%	4,122	3,239
Poljoprivrednik Glamoč	Agriculture	Glamoč	100%	91%	4,395	3,983
					582,514	580,319

Notes to the nonconsolidated and consolidated financial statements (continued)
for the year ended 31 December 2022
(all amounts are stated in thousand HRK)

24. INVENTORIES

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Inventories of raw materials and supplies	84,945	53,881	-	-
Production inventories in progress	75,275	4,803	-	-
Finished goods inventories	73,453	45,190	-	-
Biological assets stock	51,057	34,950	-	-
Inventories of merchandise	42,388	41,554	-	-
Inventories of work in progress and semi - finished products	17,583	58,452	-	-
Goods in the customs warehouse type "D"	6,092	5,068	-	-
Property and equipment for resale	1,338	8	-	-
Spare parts inventory	555	396	-	-
Total	352,686	244,302	-	-

25. TRADE RECEIVABLES

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Trade receivables in the country	65,442	28,252	500	-
Trade receivables from abroad	24,860	19,812	-	-
Impairment of trade receivables and expected credit losses	(4,826)	(4,111)	-	-
Total	85,476	43,953	500	-

Change in impairment and expected credit losses

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
As at 1 January	(4,111)	(10,689)	-	-
Increase	(3,521)	(454)	-	-
Charged	58	73	-	-
Cancellation	2,748	6,959	-	-
As at 31 December	(4,826)	(4,111)	-	-

25. TRADE RECEIVABLES (CONTINUED)

Age analysis of trade receivables for which no impairment has been determined:

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Not due	36,355	30,769	-	-
up to 60 days	37,980	8,279	-	-
61 - 90 days	4,361	1,819	375	-
91 - 120 days	936	1,251	-	-
121 - 365 days	4,936	1,835	125	-
366 days onwards	908	-	-	-
Total	85,476	43,953	500	-

The average number of collection days in the Group in 2022 was 56 days (2021: 40 days).

26. RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Receivables for premiums, recourses, incentives	46,371	29,801	-	-
Receivables for paid profit tax advances	11,161	5,973	14	9
VAT receivables	11,143	6,752	53	-
Receivables from institutions for sick leave and injuries of workers	437	166	-	-
Receivables from insurance companies	65	80	-	-
Impairment of receivables from the state	(2,714)	(2,714)	-	-
Other receivables from the state	2,945	2,829	-	-
Total	69,408	42,887	67	9

Notes to the nonconsolidated and consolidated financial statements (continued)
for the year ended 31 December 2022
(all amounts are stated in thousand HRK)

27. LOANS AND DEPOSITS GIVEN

Long-term loans and deposits

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Long-term loans granted to unrelated companies	-	136	153,000	-
Long-term loans granted to individuals	79	109	-	-
Commodity loans granted to unrelated companies	80	104	-	-
Total	159	349	153,000	-

Financial institution	Original currency	Loan amount	Maturity	31 December 2022	31 December 2021
<i>Long-term loans and credits granted</i>					
Lender: Agroinvest Group - Company					
<i>Borrowers:</i>					
PP Orahovica	HRK	100,000	12 July 2029	100,000	-
PPK Valpovo	HRK	70,000	12 July 2029	70,000	-
Total				170,000	-
Current portion of long-term liabilities:				17,000	-
Total long term				153,000	-
Lender: PPK Valpovo					
<i>Borrowers:</i>					
Individuals				-	136
Total:				-	136
Lender: PP Orahovica					
<i>Borrowers:</i>					
Long-term receivables from customers				80	104
Individuals				79	109
Total				159	213
Grand total				159	349

27. LOANS AND DEPOSITS GIVEN (CONTINUED)

Short-term loans and deposits

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Loans granted to non-affiliated companies	5,099	4,660	-	-
Loans to affiliates	1,580	1,280	17,000	-
Short-term loans granted to individuals	695	637	-	-
Deposits granted to non-affiliated companies	38	38	-	-
Impairment of loans granted in the country	(77)	-	-	-
Total	7,335	6,615	17,000	-

Financial institution	Original currency	Loan amount	Maturity	31 December 2022	31 December 2021
<i>Loans given to related parties</i>					
Lender: PPK Valpovo					
<i>Borrowers:</i>					
Nekretnine PPKV	HRK	2,000	30 December 2023	1,580	1,280
Total				1,580	1,280

Notes to the nonconsolidated and consolidated financial statements (continued)
for the year ended 31 December 2022
(all amounts are stated in thousand HRK)

27. LOANS AND DEPOSITS GIVEN (CONTINUED)

Financial institution	Original currency	Loan amount	Maturity	31 December 2022	31 December 2021
<i>Loans and deposits given to unrelated parties</i>					
Lender: PPK Valpovo					
<i>Borrowers:</i>					
Receivables from subcontractors - OPG Mateja Gudelj	HRK	398	29 December 2023	398	398
Receivables from subcontractors - Nada Nevistić	HRK	166	30 December 2023	166	166
Receivables from subcontractors - OPG Željko Than	HRK	1,000	31 July 2023	1,000	1,000
Receivables from subcontractors - Vis Vitalis d.o.o.	HRK	50	28 November 2023	234	234
Receivables from subcontractors - OPG Ivica Blagaj	HRK	1,000	10 November 2023	300	800
Receivables from subcontractors - OPG Kraljik Ksenija	HRK	200	30 November 2023	101	-
Receivables from subcontractors - Pizzigin d.o.o.	HRK	700	7 December 2023	250	670
Receivables from subcontractors - OPG Luka Zorić	HRK	250	10 June 2023	210	-
Receivables from subcontractors - KMD servis d.o.o.	HRK	4,902	19 July 2023	696	-
Receivables from subcontractors - OPG Josip Than	HRK	500	31 July 2023	500	-
Receivables from subcontractors - OPG Mario Vukić	HRK	50	29 November 2023	50	-
Other receivables from subcontractors for loans				244	406
Total				4,149	3,674
Lender: PP Orahovica					
<i>Borrowers:</i>					
Loans granted to legal entities - Novčić više	HRK	400	6 February 2022	-	909
Loans granted to legal entities - PG LONČAREVIĆ ROMANO	HRK	200	31 December 2023	200	-
Loans granted to legal entities - PROCESSUS D.O.O.	HRK	2,000	2 November 2023	750	-
Total				950	909
Lender: Poljoprivrednik Odžak					
<i>Borrowers:</i>					
Loans given to other companies - Slama d.o.o.	KM	20	5 July 2022	-	77
Total				-	77
Grand total				5,099	4,660
Financial institution	Original currency	Loan amount	Maturity	31 December 2022	31 December 2021
<i>Structure of loans granted to individuals</i>					
Lender: PPK Valpovo					
<i>Borrowers:</i>					
Individuals				588	572
Receivables for annuities				78	39
Total				666	611
Lender: PP Orahovica					
<i>Borrowers:</i>					
Individuals				29	26
Total				29	26
Grand total				695	637

28. RECEIVABLES FOR ADVANCE PAYMENTS

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Receivables for advance payments for services	4,977	490	-	-
Receivables for given advances for fixed assets	2,104	93	-	-
Receivables for given advances for goods	226	353	-	-
Total	7,307	936	-	-

29. OTHER RECEIVABLES

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Interest receivable	1,363	703	3,097	-
Other receivables	517	103	-	-
Employee receivables	37	22	-	-
Receivables from subcontractors	2	1	-	-
Total	1,919	828	3,097	-

30. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Giro account	43,674	22,659	1,086	371
Foreign currency account	10,820	14,625	-	-
Cash on hand	109	51	-	-
Total	54,603	37,335	1,086	371

31. NON-CONTROLLING INTEREST

	PP Orahovica	EKO Bosanska Posavina	Total
Balance as at 1 January 2021	7,010	-	7,010
Profit for the current year	788	-	788
Other comprehensive loss	(24)	-	(24)
Total comprehensive income	764	-	764
Balance as at 31 December 2021	7,774	-	7,774
Balance as at 1 January 2022	7,774	-	7,774
New investment	-	118,384	118,384
Profit for the current year	831	(514)	317
Other comprehensive loss	-	(18)	(18)
Total comprehensive income	831	(532)	299
Balance as at 31 December 2022	8,605	117,852	126,457

32. LONG-TERM LIABILITIES TO BANKS AND FINANCIAL INSTITUTIONS

Long-term loan liabilities

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Total liabilities on loans from financial institutions	148,728	163,223	-	-
Less: current portion of loan liabilities from financial institutions	(28,785)	(30,760)	-	-
Total long-term liabilities on loans from financial institutions	119,943	132,463	-	-

Notes to the nonconsolidated and consolidated financial statements (continued)
for the year ended 31 December 2022
(all amounts are stated in thousand HRK)

32. LONG-TERM LIABILITIES TO BANKS AND FINANCIAL INSTITUTIONS (CONTINUED)

Financial institution	Original currency	Amount	Maturity	31 December 2022	31 December 2021
Poljoprivrednik Derventa					
NLB Razvojna banka	KM	2,600	18 July 2024	3,158	5,177
Intesa Sanpaolo Banka d.d.	KM	500	17 June 2022	-	480
BBI Banka	KM	950	14 July 2024	2,177	3,360
Total				5,335	9,017
Poljoprivrednik Odžak					
BBI Banka	KM	1,977	30 June 2029	3,505	4,077
Total				3,505	4,077
PP Orahovica					
Addiko banka	EUR	4,935	30 September 2026	15,509	27,906
Addiko banka	EUR	1,762	31 January 2026	5,743	9,584
Kentbank d.d.	EUR	267	31 August 2023	292	714
Kentbank d.d.	EUR	491	31 December 2024	1,549	2,283
Podravska Banka d.d.	EUR	687	1 January 2028	7,290	8,804
Podravska Banka d.d.	EUR	1,222	1 October 2027	4,016	4,809
Privredna banka d.d.	EUR	606	31 December 2023	-	2,442
HBOR	HRK	34,000	30 June 2030	16,066	18,240
Total				50,466	74,782
Eko Bosanska Posavina					
ProCredit Bank dd D KREDIT - PCB	BAM	535	5 June 2027	1,588	-
ProCredit Bank dd D KREDIT	BAM	220	5 September 2027	712	-
ProCredit Bank dd D KREDIT	BAM	2	5 August 2028	6,676	-
ProCredit Bank dd D KREDIT PCB	BAM	250	5 June 2025	504	-
ProCredit Bank dd	BAM	400	5 April 2027	882	-
ProCredit Bank dd D KREDIT	BAM	750	15 April 2028	2,601	-
Total				12,963	-
PPK Valpovo					
Zagrebačka banka d.d.	EUR	14,200	31 December 2028	61,383	71,925
Zagrebačka banka d.d.	HRK	7,176	26 February 2023	231	1,154
Hrvatska poštanska banka d.d.	HRK	14,743	31 December 2030	12,488	2,268
Total				74,102	75,347
Long-term loan:					
Maslina je obrana					
Msan Nekretnine d.o.o.	HRK	2,700	30 September 2023	2,357	2,357
Total				2,357	2,357
Grand total				148,728	163,223
Less: the current portion of long-term loans				(28,785)	(30,760)
Long-term portion of long-term loans				119,943	132,463

33. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Liabilities for framework loans from banks	28,315	18,065	-	-
Liabilities for short-term loans from banks	1,384	1,730	-	-
Total loan liabilities	29,699	19,795	-	-
Current portion of long-term loan liabilities	28,786	30,760	-	-
Total	58,485	50,555	-	-

Overview of short-term bank loans:

Financial institution	Original currency	Amount	Maturity	31 December 2022	31 December 2021
COMPANY					
MP Energija Grahovo					
UNICREDIT	BAM	150	17 May 2023	190	-
ProCredit Bank	KM	150	14 April 2022	-	577
Total				190	577
Poljoprivrednik Odžak					
UNICREDIT BANKA	BAM	300	17 May 2023	653	-
ProCredit Bank	KM	300	17 March 2022	-	1,153
Total				653	1,153
AGROPROMET GRAHOVO					
UNICREDIT BANKA	BAM	200	17 May 2023	540	-
Total				540	-
Grand total				1,383	1,730

33. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

Overview of framework loans:

Overview of framework loans				31 December 2022	31 December 2021
Financial institution	Original currency	Amount	Maturity		
COMPANY					
Agropromet Grahovo					
ProCredit Bank	KM	200	14 April 2022	-	769
Total				-	769
Poljoprivrednik Derвента					
NLB Razvojna banka	BAM	1,100	10 June 2023	3,853	-
BBI Banka	BAM	950	14 July 2023	3,660	-
BBI Banka	BAM	950	19 July 2023	3,660	-
Revolving kredit	BAM	950	22 April 2023	3,660	-
Revolving kredit	BAM	1,000	22 April 2023	3,852	-
Revolving kredit	BAM	1,000	9 August 2023	3,852	-
Revolving kredit	BAM	950	15 July 2023	3,852	-
Intesa Sanpaolo Banka d.d.	KM	500	15 November 2022	1,926	1,922
NLB Razvojna banka	KM	1,000	5 March 2022	-	3,844
NLB Razvojna banka	KM	1,100	10 June 2022	-	4,228
Intesa Sanpaolo Banka d.d.	KM	500	15 April 2021	-	-
BBI Banka	KM	950	14 July 2022	-	3,651
BBI Banka	KM	950	14 July 2022	-	3,651
Total				28,315	17,296
Grand total				28,315	18,065
Overall short-term liabilities for loans				29,698	19,795
Total liabilities for deposits received				-	-
Total short-term loans				29,698	19,795
More: the current part of liabilities for loans from financial institutions				28,786	30,760
Total short-term part of long-term loans and short-term loans				58,485	50,555

34. SHORT TERM MATURITY OF LONG-TERM OBLIGATIONS ON ISSUED BONDS

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Long-term liabilities for issued bonds	153,000	-	153,000	-
The current part of the long-term liability for issued bonds	17,000	-	17,000	-
Total long-term liabilities for issued bonds	170,000	-	170,000	-

35. LIABILITIES FOR RIGHT-OF-USE ASSETS

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Current portion of the liability for the right-of-use assets	8,381	9,641	-	-
Long-term portion of the liability for the right-of-use assets	106,789	106,400	-	-
Total liabilities for the right-of-use assets	115,170	116,041	-	-

36. TRADE PAYABLES

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Liabilities to suppliers of goods	28,520	24,448	-	-
Liabilities to domestic suppliers	6,611	6,467	905	1
Liabilities to suppliers of property and tangible fixed assets	3,662	1,273	-	-
Liabilities to suppliers abroad	1,402	482	-	-
Liabilities to service providers	90	1,029	-	-
Total	40,285	33,699	905	1

37. LIABILITIES TO EMPLOYEES

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Liabilities for net salaries	3,364	2,562	-	-
Other liabilities to employees	964	948	-	-
Total	4,328	3,510	-	-

38. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR BENEFITS

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Income tax liabilities	17,226	15,985	-	-
Liabilities for membership fees	1,625	663	-	-
Liabilities for taxes and contributions from and to salaries	1,469	1,109	-	-
VAT liabilities	589	1,107	-	-
Taxes and contributions under the work contract and royalties	80	91	-	-
Contribution liabilities for forests	20	12	-	-
Liabilities for other benefits	-	3	-	-
Total	21,009	18,970	-	-

39. OTHER CURRENT LIABILITIES

	GROUP		COMPANY	
	31 Decembe r 2022	31 Decembe r 2021	31 Decembe r 2022	31 Decembe r 2021
Liabilities for interest on issued bonds	2,797	-	2,797	-
Interest liabilities for leased assets maturing in the current year	2,188	798	-	-
Short-term provisions for unused vacations	2,042	1,568	-	-
Interest payable on borrowings	1,223	1,157	-	2
Liabilities under employment contracts	546	642	-	-
Interest payable on loans	321	173	-	-
Short-term provisions for severance pay	77	-	-	-
Liabilities under assumed assignments	-	6	-	6
Other current liabilities	443	36	-	-
Total	9,637	4,380	2,797	8

40. RELATED PARTY TRANSACTIONS

The table below shows the receivables and liabilities that the Company had with subsidiaries in sales transactions as of December 31 2022 and December 31 2021:

	Receivables		Liabilities	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
PP ORAHOVICA d.o.o.	500	-	264	-
PPK VALPOVO d.o.o.	-	-	33	-
	<u>500</u>	<u>-</u>	<u>297</u>	<u>-</u>

The table below shows the receivables and liabilities that the Company had with associates and companies with a common ultimate owner in sales transactions on December 31 2022 and 2021:

	Receivables		Liabilities	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Ured za podršku d.o.o., Zagreb	-	-	639	1
	<u>-</u>	<u>-</u>	<u>639</u>	<u>1</u>

The table below shows the income and expenses that the Company had with subsidiaries in purchase transactions as of December 31 2022 and December 31 2021:

	Income		Expenses	
	2022	2021	2022	2021
PP ORAHOVICA d.o.o.	800	-	211	-
PPK VALPOVO	560	-	148	-
	<u>1,360</u>	<u>-</u>	<u>359</u>	<u>-</u>

The table below shows the income and expenses that the Company had with associates and companies with a common ultimate owner in sales transactions on December 31 2022 and 2021:

	Income		Expenses	
	2022	2021	2022	2021
Ured za podršku d.o.o., Zagreb	-	-	520	2
M San Nekretnine d.o.o., Zagreb	-	-	8	1
	<u>-</u>	<u>-</u>	<u>528</u>	<u>3</u>

40. RELATED PARTY TRANSACTIONS (CONTINUED)

The table below shows the receivables and income that the Company had with subsidiaries from credit transactions as of December 31 2022 and 2021:

	Receivables		Income	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
PP ORAHOVICA d.o.o.	101,860	-	1,860	-
PPK VALPOVO d.o.o.	71,236	-	1,302	-
	<u>173,096</u>	<u>-</u>	<u>4,162</u>	<u>-</u>

The table below shows the liabilities and expenses that the Company had with subsidiaries from credit transactions as of December 31 2022 and 2021:

	Liabilities		Expenses	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
PP ORAHOVICA d.o.o.	1	2	1	2
	<u>1</u>	<u>2</u>	<u>1</u>	<u>2</u>

The table below shows other receivables and other income that the Company had with subsidiaries as of December 31 2022 and 2021:

	Receivables		Income	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
PPK VALPOVO d.o.o.	-	-	3,000	-
	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>-</u>

41. FINANCIAL INSTRUMENTS

Capital risk management

The group manages its capital in order to ensure that entities within the group are able to continue their business indefinitely, while at the same time realizing the highest possible return for stakeholders through optimizing the balance between debt and equity capital.

The Group's capital consists of the debt part, which includes received loans and credits minus money in cash and bank account balances (net debt) and equity, which includes share capital, reserves and retained earnings.

Financing ratio

Financing ratio at the end of the reporting period:

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Debt	348,428	183,018	170,000	-
Cash on hand and balances in bank accounts	54,603	37,335	1,086	371
NET DEBT (DEBT - CASH)	293,825	145,683	168,914	(371)
Equity	681,041	473,221	583,535	580,695
Net debt to equity ratio	43.14%	30.79%	28.95%	(0.06%)

41. FINANCIAL INSTRUMENTS (CONTINUED)

Capital risk management

The Group is exposed to the following risks related to financial instruments

Categories of financial instruments:

	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Financial assets				
Cash and cash equivalents	54,603	37,335	1,086	371
Loans and receivables	102,196	52,681	170,000	-
Total financial assets	156,799	90,016	171,086	371
Financial liabilities				
Bank loans and received loans	178,428	183,018	-	-
Liabilities for bonds issued	170,000	-	170,000	-
Loans received from other entities	115,170	116,041	-	-
Other financial liabilities	55,304	42,762	3,702	8
Total financial liabilities	518,902	341,821	173,702	8

As at 31 December 2022, the reported amounts of cash and cash equivalents, short-term borrowings and receivables, short-term loan and other liabilities and other financial instruments correspond to their market value, due to the short-term nature of these assets and liabilities.

Currency risk management

The Group executes certain transactions in foreign currency and is therefore exposed to the risks of changes in foreign exchange rates.

The following table shows the carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currencies at the end of the reporting period:

	Liabilities		Assets		Assets - liabilities	
	2022	2021	2022	2021	2022	2021
EUR	-	(79.821)	-	22.100	-	(57.721)
CHF	-	(2.093)	-	-	-	(2.093)
USD	-	(8)	-	33	-	25

41. FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk sensitivity analysis

Analysis of sensitivity to currency risk

The following table analyses the Group's sensitivity to a 10% change in the kuna exchange rate against relevant foreign currencies. A sensitivity rate of 10% is the rate used in internal reports to key executives on currency risk and represents management's assessment of realistically possible changes in exchange rates. The sensitivity analysis includes only open monetary items in foreign currency and it recalculates items adjusted for a 10% change in exchange rates. The sensitivity analysis includes external loans, as well as loans to foreign entities of the Group that are denominated in a currency other than the currency of the borrower or lender. A positive number indicates an increase in profit or principal with a 10% increase in the value of the kuna against the currency in question. In the event of a 10% fall in the value of the kuna against the currency in question, the impact on profit or principal would be the same but opposite, i.e. the amounts in the table would be negative.

Analysis of sensitivity to currency risk (continued)

	Currency effect EUR		Currency effect CHF		Currency effect USD	
	2022	2021	2022	2021	2022	2021
Profit or loss	-	(5.772)	-	(209)	-	3

Credit risk management

Credit risk refers to the risk that the other party will fail to meet its contractual obligations, which would result in a financial loss to the Group and Company. The Group and Company has adopted a policy of dealing exclusively with creditworthy parties and acquiring sufficient collateral to mitigate the risk of financial loss due to non-payment.

Trade receivables are monitored on an ongoing basis to determine their risk and to carry out appropriate procedures. The credit assessment of the Group's and the Company's customers is constantly monitored and the credit exposure is reviewed at least once a year.

41. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk management

Due to the fact that the Company and the Group use loans with fixed and variable interest rates, the Company and the Group are exposed to interest rate risk. Most loans of the Company and the Group are contracted with a fixed interest rate.

Interest rate risk sensitivity analysis

The sensitivity analyses presented below are determined based on the exposure to interest rates at the end of the reporting period by non-derivatives. The sensitivity analysis for floating-rate liabilities was prepared assuming that the outstanding amount of the liability at the end of the reporting period was outstanding throughout the year. Internal interest rate risk reports submitted to key executives use an increase or decrease of 50 basis points and represent management's assessment of realistically possible changes in interest rates.

If those interest rates were 50 basis points higher or lower and all other variables were unchanged, there would be changes in the Group's interest expenses as at 31 December 2021 by HRK 75 thousand (31 December 2021: HRK 72 thousand)

The Group's total liabilities under loans at the statement of financial position date amount to HRK 178,428 thousand (31 December 2021: HRK 183,018 thousand).

Liquidity risk management

The ultimate responsibility for credit risk management rests with the Management Board, who has set a quality framework for liquidity risk management for short, medium and long positions of the group and defined requirements related to liquidity management.

Tabular analysis of liquidity risk and interest rate risk

The following tables analyse the remaining period to the contractual maturity of the Group's outstanding financial liabilities and expected maturity of Group's financial assets. The tables have been prepared on the at the earliest date on which payment can be requested from the Group.

Disclosure of non-derivative financial assets is necessary to understand how the Group manages liquidity risk, as liquidity is managed based on the net amount of financial assets and financial liabilities.

41. FINANCIAL INSTRUMENTS (CONTINUED)

Tabular analysis of liquidity risk and interest rate risk (continued)

GROUP	Up to 1 month	From 1 to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
31 December 2022						
Assets						
Interest-free	149,333	-	-	-	-	149,333
Fixed interest rate instruments	-	-	7,335	159	-	7,494
Total	149,333	-	7,335	159	-	156,827
Liabilities						
Interest-free	55,304	-	-	-	-	55,304
Lease liabilities	698	1,397	6,286	26,819	79,970	115,170
Interest rate instruments	13,374	9,748	52,364	94,520	102,938	272,943
Total	69,376	11,144	58,650	121,339	182,908	443,417
GROUP	Up to 1 month	From 1 to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
31 December 2021						
Assets						
Interest-free	83,052	-	-	-	-	83,052
Fixed interest rate instruments	-	-	6,964	-	-	6,964
Total	83,052	-	6,964	-	-	90,016
Liabilities						
Interest-free	42,726	-	-	-	-	42,726
Lease liabilities	471	942	7,851	23,091	83,434	115,789
Interest rate instruments	2,563	11,470	36,522	55,457	79,363	185,375
Total	45,797	12,412	44,373	78,548	162,797	343,926

41. FINANCIAL INSTRUMENTS (CONTINUED)

COMPANY	Up to 1 month	From 1 to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
31 December 2022						
Assets						
Interest-free	4,682	-	-	-	-	4,682
Fixed interest rate instruments	8,500	-	8,500	68,000	85,000	170,000
Total	13,182	-	8,500	68,000	85,000	174,682
Liabilities						
Interest-free	3,702	-	-	-	-	3,702
Interest rate instruments	8,500	-	8,500	68,000	85,000	170,000
Total	12,202	-	8,500	68,000	85,000	173,702

COMPANY	Up to 1 month	From 1 to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
31 December 2021						
Assets						
Interest-free	371	-	-	-	-	371
Total	371	-	-	-	-	371
Liabilities						
Interest-free	9	-	-	-	-	9
Total	9	-	-	-	-	9

41. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The view of the Management Board is that the fair value of cash and cash equivalents, bank placements and other receivables does not differ significantly from their carrying amount due to the short-term nature of these financial instruments.

Most interest-bearing loans have a variable interest rate, which is also a market rate, so there is no significant difference between their carrying amount and fair value.

The Company measures fair value using a division that reflects the importance of the inputs used to make the measurement:

Level 1: quoted prices in active markets for assets and liabilities;

Level 2: application of valuation techniques, comparison of the fair value of another instrument that is substantially the same, discounted cash flow techniques or other valuation techniques;

Level 3: application of valuation techniques in which data affecting the determined fair value of financial instruments are not based on visible market data.

Market risk

Market risk is the risk that changes in market prices, exchange rates and interest rates will affect the Company's income, value of investments or financial instruments. The goal of market risk management is to control the exposure to market risk within acceptable values while optimizing results.

42. REMUNERATION TO KEY MEMBERS OF MANAGEMENT

Remuneration to directors and other key members of management throughout the year was as follows:

	GROUP		COMPANY	
	2022	2021	2022	2021
Short-term income - gross	2,458	2,120	-	-
Total	2,458	2,120	-	-

43. LEGAL DISPUTES AND CONTINGENT LIABILITIES

Companies within the Group are included in several court cases as plaintiffs and defendants. Provisions were made in accordance with the assessment of the negative outcome of court disputes by the legal representatives of the companies within the Group. Management estimates that the outcomes of the remaining court cases will not significantly affect the Group's business results, that is, it expects a positive outcome of the court case.

	GROUP	
	2022	2021
Third party goods in our warehouse	25,264	37,257
Field roads	2,256	2,256
Total	27,520	39,513

44. EVENTS AFTER THE REPORTING DATE

After the reporting date, in accordance with the Law on the introduction of the euro as the official currency in the Republic of Croatia, the euro was introduced as the official currency in the Republic of Croatia. The non-consolidated and consolidated financial statements for 2022 were drawn up in kuna as the functional and reporting currency that was valid until December 31, 2022, while unconsolidated and consolidated financial statements of future periods will be drawn up in euros as the new functional and reporting currency.

In 2021, PPK Valpovo d.o.o. received a tax ruling from the Tax Administration Osijek, according to which it was determined that value added tax for 2018 and 2019 was calculated less. The Company promptly appealed the said decision and in the second instance administrative procedure a decision was adopted on June 20, 2022 which annuls the first instance decision due to procedural failures. The case was returned for re-proceedings to the first instance body and it was issued on 31.10.2022 by a tax ruling re-establishing the less calculated value added tax for 2018 and 2019. The Company filed a timely appeal against the tax ruling and before the date of approval of these financial statements received a second-instance decision from the Ministry of Finance rejecting the appeal. The company PPK Valpovo d.o.o. is ordered to pay a less calculated amount of value added tax, interest on value added tax and default interest in the total amount of HRK 2,977,769. The Management Board of the Group considers that the above does not have a material impact on the financial statements and accordingly, the Group has not shown the stated obligation and related cost in the financial statements for the year ended December 31, 2022.

45. APPROVAL OF FINANCIAL STATEMENTS

These nonfinancial and financial statements were approved by the Management Board on April 20th 2023.

Signed on behalf of the Company and Group on April 20th 2023:

Ivan Pandurević
President of the Management Board



Stipo Matić
Member of the Management Board



In Zagreb, April 20th 2023

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

DECISION

I. The Annual Report of the Company for 2022 is determined according to the text attached to this Decision.

II. The consolidated and separate Annual Financial Report for 2022 are determined, which consists of:

- statement of financial position (balance sheet),
- profit and loss account,
- report on other comprehensive income,
- cash flow statement,
- report on changes in equity,
- notes to the financial statements,

according to the text attached to this Decision and are an integral part of the report referred to in item I of this Decision.

III. The Audit Report for 2022 is an integral part of the report referred to in item I of this Decision.

IV. The Annual Report on the Situation of the Company and Associated Companies for 2022 is determined (management report).

V. Annual report of the Company for 2022, ie reports from item II to IV these decisions are submitted to the General assembly for examination.

VI. This Decision shall enter into force on the day of its adoption.

Ivan Pandurević
President of the Management Board



Stipo Matic
Member of the Management Board



In Zagreb, April 20th 2023

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

DECISION

I. The proposal of the Decision on use, which is sent to the General Assembly for adoption, is determined, which reads:

I. It is determined that the total realized profit after tax for 2022 amounts to HRK 2,839,902.25.

II. The total realized profit for 2021, after taxation, in the amount of HRK 2,839,902.25, is allocated to the retained earnings of the Company.

II. This Decision shall enter into force upon obtaining the consent of the General Assembly

Ivan Pandurević
President of the Management Board



Stipo Matić
Member of the Management Board



