CIAK Grupa d.d.

Annual Report

for the year ended

31 December 2020

This version of our report is a translation from the original, which was prepared in 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 our report takes precedence over this translation.

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MANAGEMENT REPORT

Summary of financial results for 2020

Consolidated incomes of CIAK Group achieved during 2020 are HRK 966 million or 3% less compared with 2019. EBITDA without one-off items is HRK 83 million, and although is 6% less in comparison with 2019, shows very steady level of delivery considering external environment conditions and global pandemic.

That is primary the result of several factors, main of them are related to CIAK Group's diversification of business and drivers of EBITDA generation, while on the other hand having wide range of business partners with well-balanced level of bilateral business relations on both purchase/sales side.

Above all that, high-levelled diversification of customer's portfolio decreases overexposure on individual level. In the end, company's right-in-time activities and decisions on the operating level are uniting factor for all above mentioned during year 2020.

During fourth quarter of 2020 CIAK Grupa d.d. IPO process was finalized in which CIAK Group recapitalization was delivered by amount somewhat greater than HRK 216 million.

That brought net debt and reported EBITDA ratio down to 0.85 with gearing ratio 11%.

In HRK millions	I.-XII.2019.	I.-XII.2020.	%
Sales revenues	996	952	(4)
EBITDA (1)	85	80	(6)
EBITDA without one-off items (2)	89	83	(6)
Profit / (Loss) from operations	51	45	(11)
Profit from operations without one-off items (2)	54	48	(11)
Net result from financial activities	(12)	(12)	7
Net profit / (loss)	30	27	(10)
Net profit / (loss) of period without one-off items (2)	33	30	(10)
Simplified free cash flow (3)	62	60	(4)
Net debt (4)	246	68	(72)
Neto gearing (%) (5)	57	11	(80)
CAPEX	26	24	(11)

(1) *EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) = EBIT (Earnings Before Interest and Taxes) + Amortization*

(2) *EBITDA, operating and net profit in I-XII 2020 were negatively affected by HRK 3.4 million one-off items related to one-off higher payments to employees in December, reduction of supplier bonuses received and other one-off operating expenses, while EBITDA, operating and net profit in I-XII 2019 were negatively affected by HRK 3.7 million one-off items mainly related to impairments of plastic business segment and reclassification of maintenance costs*

(3) *Simplified Free Cash Flow = EBITDA without one-off items – CAPEX (capital expenditures)*

(4) *Net debt = Long and short-term financial liabilities – Cash and cash equivalents*

(5) *Gearing ratio = Long and short-term financial liabilities – Loans and deposits given - Cash and cash equivalents / (Long and short-term financial liabilities – Loans and deposits given - Cash and cash equivalents + Equity)*

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Statement by **President of the Management Board**

In year 2020, being unpredictable and challenging, CIAK Group delivered key goals: (i) delivering business results almost on the same level as in the pre-Covid year and (ii) IPO process finalization and recapitalization of CIAK Grupa d.d.

By delivering those goals, CIAK Group made several points of which three key points are: (i) the business of CIAK Group is consistent and diversified in its EBITDA delivery portfolio, despite unstable external environment, (ii) Business politics, business approach and everyday operating and strategic decisions of CIAK Group were successful in delivering business result in the given uncertain circumstances (iii) and last, market and investors have recognized CIAK Group as important participant on regional level and have shown their trust through everyday cooperation and support, as well by supporting IPO process during one of the most uncertain year in new history.

Finalizing IPO process we continue to build balance position of CIAK Group as a good foundation for further development and achievements of even better results. Despite all of the world efforts Pandemic is still ongoing and considering that, there is no room for relaxation and that's why CIAK Group will maintain to keep efforts in delivering strategic projects and achieving business goals.

Mr. Ivan Leko

President of the Management Board

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Key
business indicators

966 mHRK
consolidated
operating income

80 mHRK
consolidated
EBITDA

24 mHRK
capital investment
in 2020

6
business
segments

4
countries

1.296
employees
on the date
31.12.2020.

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Organizational structure of CIAK Group

4.1. HISTORY AND INCORPORATION

CIAK Grupa d.d., Zagreb (formerly named Direkt d.o.o., “the Company”) is incorporated in the Republic of Croatia on 14 January 1999. The main activities of the Company and its subsidiaries (together referred to as “the Group”) comprise wholesale and retail of automotive parts as well as waste management.

Ciak Group d.d. as a parent company owns a number of subsidiaries as shown in part "Organizational structure of the Group" and the term "Group" hereinafter means Ciak Group d.d. as a parent company together with subsidiaries.

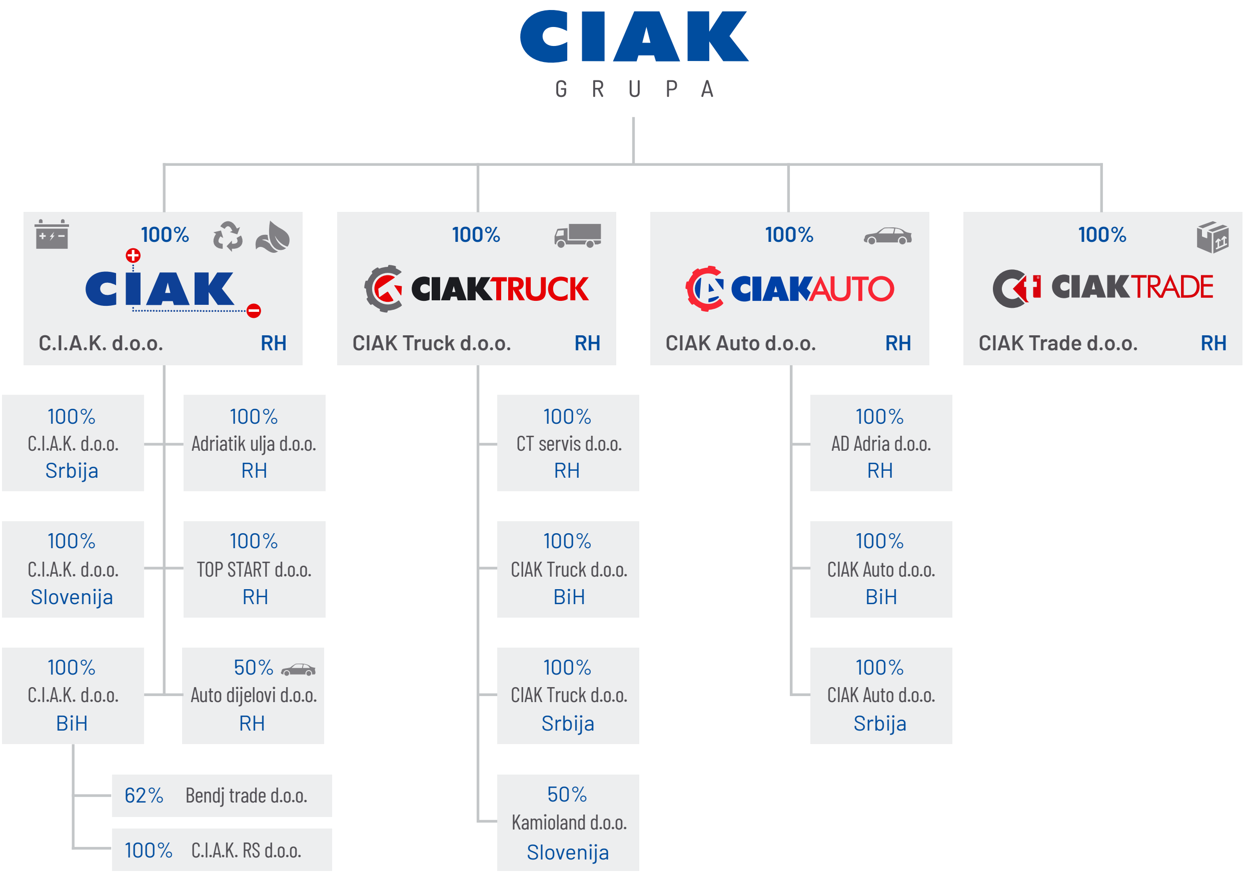
The Group is headquartered in Zagreb, Croatia, Savska opatovina 36.

By the decision on legal transformation of 27 December 2019, the Company was transformed from a limited liability company into a joint stock company which was registered at the Commercial Court in Zagreb on 2 January 2020 and the Company changed its name to CIAK Grupa d.d.

Management of the Zagreb Stock Exchange d.d. brought on 29 December 2020 Decision on listing on the Official Market of 19,751,989 ordinary shares of CIAK Grupa d.d. with headquarters in Zagreb, OIB: 28466564680, without nominal amount, mark: CIAK, ISIN: HRCIAKRA0007.

The first day of trading with financial instruments determined by the Decision of the Zagreb Stock Exchange d.d. was 04 January 2021.

ORGANIZATIONAL STRUCTURE OF CIAK GROUP



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Corporate governance

5.1. ADMINISTRATIVE, MANAGING AND SUPERVISORY AUTHORITIES

MANAGEMENT BOARD

In accordance with the Statute, **Ciak Group d.d. Management Board** may have at least one and a maximum of five members. In the event that the Management Board has more than one member, one of the members must be the Chairman of the Board representing the company independently and individually, and the other members together with the President or with another member of the Board. The management currently consists of five members, namely:

IVAN LEKO, President of the Management Board
DOMINIK LEKO, Member of the Management Board
DALIBOR BAGARIĆ, Member of the Management Board
IVICA GREGURAŠ, Member of the Management Board
IVAN MILOŠ, Member of the Management Board

SUPERVISORY BOARD

The Supervisory Board of the Group consists of five members, one of whom is the chairman of the Supervisory Board and one member is the deputy chairman of the Supervisory Board. Currently, members of the Supervisory Board are:

STJEPAN LJATIFI, President
VJEKOSLAV MESAROŠ, Member
SLAVICA ZRINSKI, Member
ĐURĐICA MEGLAJEC, Member
DAMIR KOS, Member

The business address of the members of the Management board and the Supervisory Board is Savska Opatovina 36, Zagreb. The business address of the board members is Savska Opatovina 36, Zagreb.

The Company Assembly consists of the shareholders of CIAK Grupa d.d.

6 Operating results

6.1. CONSOLIDATED PROFIT & LOSS STATEMENT

In HRK millions	I.-XII.2019.	I.-XII.2020.	%
Sales revenues	996	952	(4)
Other operating revenues	5	14	166
Operating revenues	1.001	966	(3)
Costs of raw materials and consumables	111	108	(3)
Amortization	34	35	2
Staff costs	144	151	5
Costs of goods sold	571	552	(3)
Other costs	86	75	(13)
Value adjustments	4	3	(34)
Provisions for costs and risks	(0)	(2)	8.377
Operating expenditures	951	922	(3)
Profit / (Loss) from operations	51	45	(11)
Financial revenues	3	3	2
Financial expenditures	15	15	6
Net profit / (loss) from financial activities	(12)	(12)	7
Profit / (Loss) of the period	30	27	(10)

Consolidated revenues of CIAK Group in year 2020 were HRK 966 million or 3% less than 2019.

EBITDA without one-off items is HRK 83 million and, although in comparison to 2019 is less by 6%, shows very stable level of realization considering already mentioned terms in external environment.

Consolidated Net profit is HRK 27 million which is 10% less in comparison to 2019.

Financial expenditures realized in 2020 are being kept on the level of ones realized in year 2019, with changed structure where interest rates expenditures are decreased by HRK 3 million as consequence of better financing terms, while on the other hand negative exchange rate effect increased due to a EUR/HRK exchange rate growth.

6.2. EMPLOYEE INFORMATION

The number of Ciak Group employees at 31.12.2020 is 1296, which is 50 employees more than 31.12.2019.

Personnel costs in 2020 amounts to HRK 151 million or 5% more than the previous year.

	2019.	2020.
Net wages costs	89.863	92.659
Tax and contribution costs	46.562	47.959
Other personnel costs	7.399	10.597
Personnel costs	**143.824**	**151.215**

Other personnel costs relate mainly to reimbursement of transport costs and rewards to employees.

6.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In HRK millions	31.12.2019	31.12.2020	%
TOTAL ASSETS			
Fixed assets			
Intangible assets	5	6	20
Real estate, plant and equipment	202	202	0
Loans and deposits given	1	0	(9)
Receivables	0	1	100
Deferred tax assets	6	3	(54)
Total fixed assets	213	213	(0)
Current assets			
Inventories	287	319	11
Customer receivables	151	153	2
Other receivables	19	13	(28)
Loans and deposits given	9	12	43
Cash & cash equivalents	35	199	471
Total current assets	500	698	40
Prepaid expenses and accrued revenues	9	12	33
Total assets	722	923	28
Equity and liabilities			
Equity and reserves			
Initial equity	134	198	47
Capital reserves	32	185	472
Retained profit / (Loss brought forward)	(18)	11	(161)
Profit / (Loss) of the period	29	26	(10)
Minority interest	4	4	5
Total equity	181	424	134
Provisions	0	0	1.173
Long-term liabilities			
Long-term liabilities for loans and deposits	192	188	(2)
Other long-term liabilities	0	1	100
Deferred tax liability	0	0	138
Total long-term liabilities	192	188	(2)
Short-term liabilities			
Total long-term liabilities	88	80	(10)
Short-term liabilities	196	173	(12)
Total long-term liabilities	29	26	(10)
Short-term liabilities	26	20	(23)
Total short-term liabilities	8	9	9
Accruals and deferred income	346	306	(12)
Total liabilities	2	4	131
Total equity and liabilities	541	499	(8)
Total short-term liabilities	722	923	28

During fourth quarter of 2020 CIAK Grupa d.d. IPO process was finalized in which CIAK Group recapitalization was delivered by amount somewhat greater than HRK 216 million.

Liabilities to suppliers decreased to HRK 173 million at 31.12.2020, which is HRK 23 million or 12% lower compared to last year closing date.

Position of Cash and cash equivalent amounted to almost HRK 200 million at 31.12.2020. while at 31.12.2019 it was amounted to HRK 35 million.

Capital investments in 2020 amounted to HRK 24 million, which compared to 2019 is at the high level of 89% despite the pandemic in 2020.

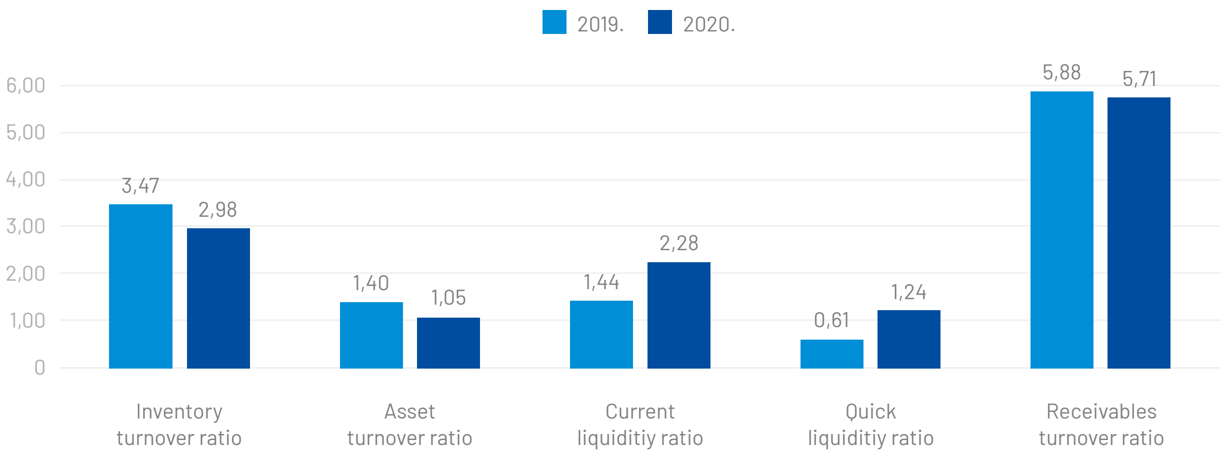
6.4. FINANCIAL INDICATORS

The inventory turnover ratio is slightly lower in comarison with the previous reporting period, which was primarily influenced by the increase in inventories at the end of 2020 as a result of increased sales activities after the end of the IPO process.

The asset turnover ratio also recorded a decline in 2020, primarily as a result of the IPO process and a significantly higher amount of cash and cash equivalents and consequently increase of total assets value.

Liquidity ratios recorded higher values in 2020 compared to the previous year, i.e. the liquidity situation of the Group was significantly better compared to 2019, which was mainly influenced by the recapitalization of the Group at the end of the reporting period.

The receivables turnover ratio is approximately at the same levels as in the previous year, indicating a stable collection of the Group's receivables during 2020 despite instabilities in the external environment caused by Covid-19.



During fourth quarter of 2020 CIAK Grupa d.d. IPO process was finalized in which CIAK Group recapitalization was delivered by amount somewhat greater than HRK 216 million.

That brought net debt and reported EBITDA ratio down to 0,85 with gearing ratio 11%. Net debt of the Group is decreased by 178 mHRK, i.e. as at 31 December 2020 is 68 mHRK.

Indicator	2019.	2020.
Net debt	246	68
Net debt/EBITDA	2,89	0,85
Gearing ratio	57%	11%

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Key events
for the period up to december 31, 2020

7.1. CIAK GROUP SUCCESSFULLY COMPLETED IPO PROCESS

During fourth quarter of 2020 CIAK Grupa d.d. IPO process was finalized in which CIAK Group recapitalization was delivered by amount somewhat greater than 216 mHRK, thus reducing the net debt to the level of 68 mHRK on December 31, 2020 and net debt and reported EBITDA ratio down to 0.85.

By achieving this goal, the CIAK Group has achieved a key step for further business development. Strengthening the balance sheet of the CIAK Group as well as financial indicators provides a good foundation for further negotiations with partners at all levels of business and enables further realization of planned projects in the following years. The external environment which on global level made 2020 a year to remember, will partially continue in the next period. That is more of a reason why achieving this strategic goal is one of the most important achievements in 2020.

7.2. CIAK GROUP SUCCESSFULLY RESPONDS TO THE CHALLENGES OF THE COVID-19 PANDEMIC

Last year, 2020 was globally one of the most challenging years in modern era. COVID-19 pandemic during 2020 years combined with lockdown and restricted movement of people, goods and services during some periods of 2020 inevitably caused negative effect on the level of national and global economy. In despite, CIAK Group consolidated results show less negative effects in comparison with market averages.

That is primary the result of several factors, main of them are related to (i) CIAK Group's diversification of business and drivers of EBITDA generation; (ii) wide range of business partners with well-balanced level of bilateral business relations on both purchase/sales side; (iii) high-levelled diversification of customer's portfolio decreases overexposure on individual level. In the end, company's right-in-time activities and decisions on the operating level are uniting factor for all above mentioned during year 2020.

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Markets, customers, products and services

CIAK Group has achieved high risk diversification and business sustainability by operating in **6 business segments**. Two main business divisions - the IAM division (Independent Aftermarket), which refers to the distribution of spare parts and equipment) and the Ecology division.

The strength of the CIAK Group comes from long-term partnerships with key suppliers of the IAM sector and from the strategy of consolidating the still unconsolidated IAM markets, which is recognized as a major trend within the EU region.

The stable development of the Ecology Division is enabled on the basis of internally developed knowledge and experience based on 20 years of work, cooperation with the largest European companies in the field of hazardous waste management and adherence to the highest standards in work. The synergy effect with the IAM business division enables capillary access to raw materials throughout the region and an efficient segment of Battery Recycling.

The Group realizes the majority of its operations through its own companies in the markets of the Republic of Croatia, Bosnia and Herzegovina, the Republic of Serbia and the Republic of Slovenia, and at the beginning of 2021 the Group's operations were expanded to the Montenegrin market.

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OVERVIEW OF CIAK GROUP SEGMENTS AND DIVISIONS

Distribution of car parts as a business segment includes the purchase and sale of car parts on the IAM market, i.e. car parts for sale to customers who do not visit authorized service networks (OES). A typical range includes brakes, filters, wipers, shock absorbers, lights, suspension parts, etc., but also parts such as batteries, tires, oils, antifreeze, etc.

Business in this segment began in 2013, and over the years the Group has acquired existing smaller companies that already had their own sales parts for auto parts in the territory of the Republic of Croatia. Also, together with the above acquisitions, the Group opened its own branches.

Customers from the segment of distribution of car parts are mostly legal entities and crafts, and the largest percentage of customers are service centers, mechanics, small resellers and other.

The business is mostly focused on retail customers, and the company has established a call center and a web store through which online orders are enabled.

In the Republic of Croatia, the IAM market has grown significantly in the last 5 (five) years due to the growth of used vehicles compared to new vehicles, and thus the older vehicle fleet where there is an increased need for auto parts. Accordingly, and organic growth and market expansion, the Group's revenue growth in the auto parts segment has occurred.

Due to level of consolidation of the IAM market in the Republic of Croatia, further growth and approximation to the standard of consolidated western markets is expected.

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Distribution of batteries, oils, etc. includes the sale of batteries, industrial batteries, oils, lubricants and other automotive supplies such as brooms, additives, etc. (all together the so-called consumables).

C.I.A.K. d.o.o. is one of the leading distributors of accumulators and batteries in the region. At the same time, the C.I.A.K. d.o.o., the largest distributor of batteries in the Republic of Croatia, Bosnia and Herzegovina, the Republic of Serbia and is also present in the markets of the Republic of Montenegro and the Republic of Slovenia. C.I.A.K. d.o.o. is the largest authorized distributor of many world manufacturers of batteries and accumulators. Also, the C.I.A.K. d.o.o. is the first company in the Republic of Croatia that also disposes of and recycles waste lead-acid batteries.

The most important product are CIAK Starter batteries. Currently, CIAK Starter batteries occupy about 25-30% of the battery market in the Republic of Croatia, which gives the Group a leading market share in this part of sales. The main advantage of the Group is the developed network with about 350 (three hundred and fifty) authorized battery servicers, i.e. stations in the region.

About 75-80% of sales of the main group of products, i.e. batteries, refer to the sale of own brands (mostly CIAK Starter battery products), while the rest refers to the resale of products from other manufacturers or other private labels. Suppliers in this segment are also, to a large extent, customers in the ecology division, with the Group selling lead ingots for batteries as a raw material and procuring finished batteries.

The freight program segment includes the purchase and sale of parts for trucks, work machines and other commercial vehicles in the IAM market.

The Group, through its subsidiaries operating in this segment, is present, except in the domestic market, also in the markets of Bosnia and Herzegovina, the Republic of Serbia and the Republic of Slovenia. The Group entered the market in this segment in 2014 with the acquisition of three existing companies operating in the Republic of Croatia. In parallel with these acquisitions, growth was achieved organically, i.e. by establishing new companies.

The Group currently has a leading share in the market of the Republic of Croatia and the CIAK Group is among the few in the Republic of Croatia that also has a car and freight program for the IAM market in a significant volume of business. The largest part of revenues in the segment of the freight program was generated from the distribution of parts for trucks, while revenues generated from parts for buses and off-road machinery were represented to a lesser extent.

A typical range includes brakes, filters, wipers, shock absorbers, lights, suspension parts, etc., but also batteries, tires, oils, antifreeze, accessories, etc. (so-called consumables).

The direct import of all parts for commercial vehicles enables the provision of the best truck service and the shortest time for the purchase of spare parts. The customers of this segment are mostly legal entities and craftsmen such as trucking companies, large fleet customers, mechanical workshops, smaller resellers and similar.

Recycling and waste management can be observed through a common denominator - the ecology division.

Recycling includes the recycling of waste industrial batteries and accumulators. Companies headquartered outside the Republic of Croatia only collect or purchase old batteries, while in the Republic of Croatia they are recycled.

The C.I.A.K. d.o.o. has established an efficient circular economy in which it has harmonized environmental, economic and development goals at the Group level. At the Recycling Center for the Recovery of Accumulators and Batteries in Zabok, the Group produces processed lead alloys (ingots) through the process of processing components of old batteries, including the sorting and hydroseparation processes of 90-95% of the batteries received at the inlet and the melting of lead gratings, pastes and dust.) and plastic and acid, i.e. components for the production of new batteries.

Currently, C.I.A.K. d.o.o. is the only company that has developed a closed system for recycling accumulators and batteries in the Republic of Croatia.

The business model of this segment is set in such a way that the obtained raw materials after the recycling process are sold to foreign customers who are also battery manufacturers. Subsequently, such buyers of raw materials sell ready-made new batteries to the Group as suppliers in the battery and oil distribution segment, on the basis of agreements establishing multi-year cooperation.

In its facilities, C.I.A.K. d.o.o. uses state-of-the-art technology and state-of-the-art production methods and all recycling processes are in line with industry and environmental standards.

In addition, the Group is engaged in the resale of surplus purchased batteries, which due to the current capacity of the Recycling Center cannot be recycled.

Battery purchase is done in two ways:

(i) active (B2B) in collection stations and mechanics, end-users with a larger fleet, and,

(ii) passively (B2C) through the "old for new" model, where the Group uses its own (ii) retail network and network of service partners, which consists of a total of 120 (one hundred and twenty) redemption points, making it the largest redemption network in region.

Revenues in this segment are largely influenced by the market price of lead (the so-called LME Lead Index, English: London Metal Exchange Lead Index), while the quantities of purchased batteries are subject to the company's business decision.

Waste management includes the activity of collection, transport, recovery and disposal of hazardous and non-hazardous waste, including supervision of these procedures and subsequent maintenance of the disposal site. It also includes the activity of remediation of contaminated sites and industrial plants.

C.I.A.K. d.o.o. manages over 30 thousand tons of hazardous and non-hazardous waste per year. The Group has experience in the management of all types and categories of waste, with a maximum capacity of over 70 thousand tons per year. The company has established cooperation with over 2000 business entities, from which it takes over, transports, processes and disposes of hazardous and non-hazardous waste on a daily basis. The collected waste is partly treated independently, and where this is not possible, the waste is transported to unrelated companies that have their own facilities for processing the remaining waste, and all hazardous waste is transported to foreign incinerators.

Sustainable circular economy in Croatia - CIAK EcoCycle (**VIDEO**)

The Group's entry into the waste management market took place in 2000 at the former Waste Management Center in Vojnić, and was significantly developed by a greenfield investment for the construction of a Waste Management Center at a location in Zabok.

C.I.A.K. d.o.o. has established the only Freon Center where it receives controlled substances and / or floured greenhouse gases from refrigeration and air conditioning equipment, heat pumps, fire protection systems and fire extinguishers from authorized service technicians. Also, the C.I.A.K. d.o.o. has established its own testing laboratory as a natural sequence of performing the activities of remediation of contaminated sites and industrial plants.

Activities in this segment are regulated in detail by law and under the supervision of the competent state bodies regarding the adequacy of waste disposal.

C.I.A.K. d.o.o. in this segment has a leading share in the waste management market.

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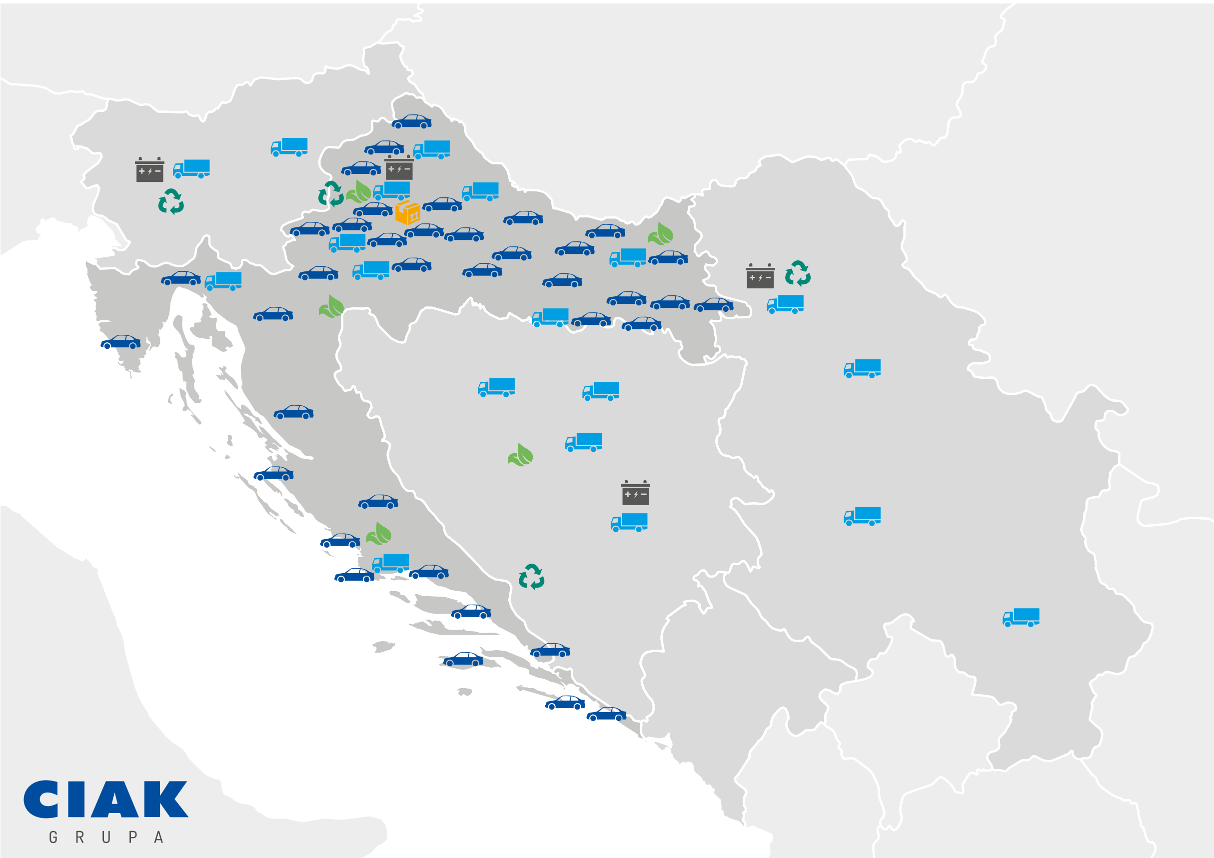
Wholesale (other) as a business segment includes wholesale of car supplies, textiles and garden program.

The Group has been in this segment since the beginning of the 2000s, when it was primarily engaged in the wholesale of car accessories.

In this area of business, the Group has established cooperation with large retail chains in the Republic of Croatia, which are significant customers in this segment.

The goods are mostly procured directly from the manufacturer, so the Group is the main distributor of private battery brands to large retail chains through its own battery and oil distribution segment.

OVERVIEW OF LOCATIONS AND MARKETS BY BUSINESS SEGMENTS



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Main risks and uncertainties to which the Group is exposed

9.1. CURRENCY RISK MANAGEMENT

The Group is mainly exposed to the currency risk of changes in the exchange rate of HRK against EUR, BAM and RSD, due to the fact that it operates in foreign markets (Slovenia, Bosnia and Herzegovina and Serbia) and most transactions with foreign customers and suppliers are denominated in these currencies. Loans and borrowings are partly denominated in EUR, so the Group is also exposed to currency risk in relation to EUR. On 31 Dec 2020, the total share of the Group's monetary liabilities denominated in euro against credit institutions in relation to all monetary liabilities of the Group denominated in euro is approximately 56%.

In general, natural hedging is applied to manage the currency risk to which the Group is exposed, based on the principle that the combination of currencies in the debt portfolio should reflect the currency position of the company's free cash flow (natural hedge). Furthermore, the Group applies the portfolio approach when selecting the combination of currencies in the debt portfolio, therefore in addition to loans and borrowings denominated in EUR, the Group contracts loans and borrowings denominated in HRK. Through the sales price policy, the Group corrects possible negative effects of exchange rate changes.

In addition, the Group manages operational currency risks through a combination of other instruments, such as payment before due date and negotiating exchange rates with commercial banks.

9.2. GROUP'S EXPOSURE TO INTEREST RATE RISK

The Group is exposed to interest rate risk as it borrows at both fixed and variable interest rates. On 31 Dec 2020, of the total debt of the Group on which interest is accrued, the share of debt (principal) of the Group on which interest is accruing at variable rates is approximately 70%. Most of these variable interest rates are linked to reference interest rates such as EURIBOR.

The Group does not speculate with interest rate movements, so it primarily chooses a variable interest rate. The Group actively manages interest rate risk exposures by continuously monitoring market interest rate movements and negotiating with commercial banks. In 2020, the Group refinanced one part of the existing loan portfolio with the new long term loan, which significantly reduced the costs and financing terms in 2020 and in the remaining years of loan repayment.

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9.3. THE GROUP'S EXPOSURE TO CREDIT RISK

Credit risk is the risk of non-payment or non-performance of contractual obligations by the Group's customers. Overdue trade receivables have a negative impact on the Group's liquidity, and overdue adjusted receivables also have a negative impact on the Group's financial result.

In relationship with customers, activities are carried out in order to protect against the risk of collection of receivables. Customers are assessed according to creditworthiness, financial indicators, and in accordance with the obtained data and previous experience with customers, credit conditions are defined.

For categorization of customers and determination of credit conditions, data from official financial reports of customers and ratings of independent credit rating agencies are used. The exposure analysis is performed continuously and the credit exposure is monitored and controlled through credit limits that are changed and re-evaluated at least once a year. The Group collects payment security instruments from customers, wherever possible, in order to minimize possible credit risks due to non-payment of contractual obligations. Part of the customers, especially large customers of certain business segments (e.g. ecology, recycling) are also suppliers of the Group where regular bilateral sett-offs are carried out. This minimizes credit risk in this area.

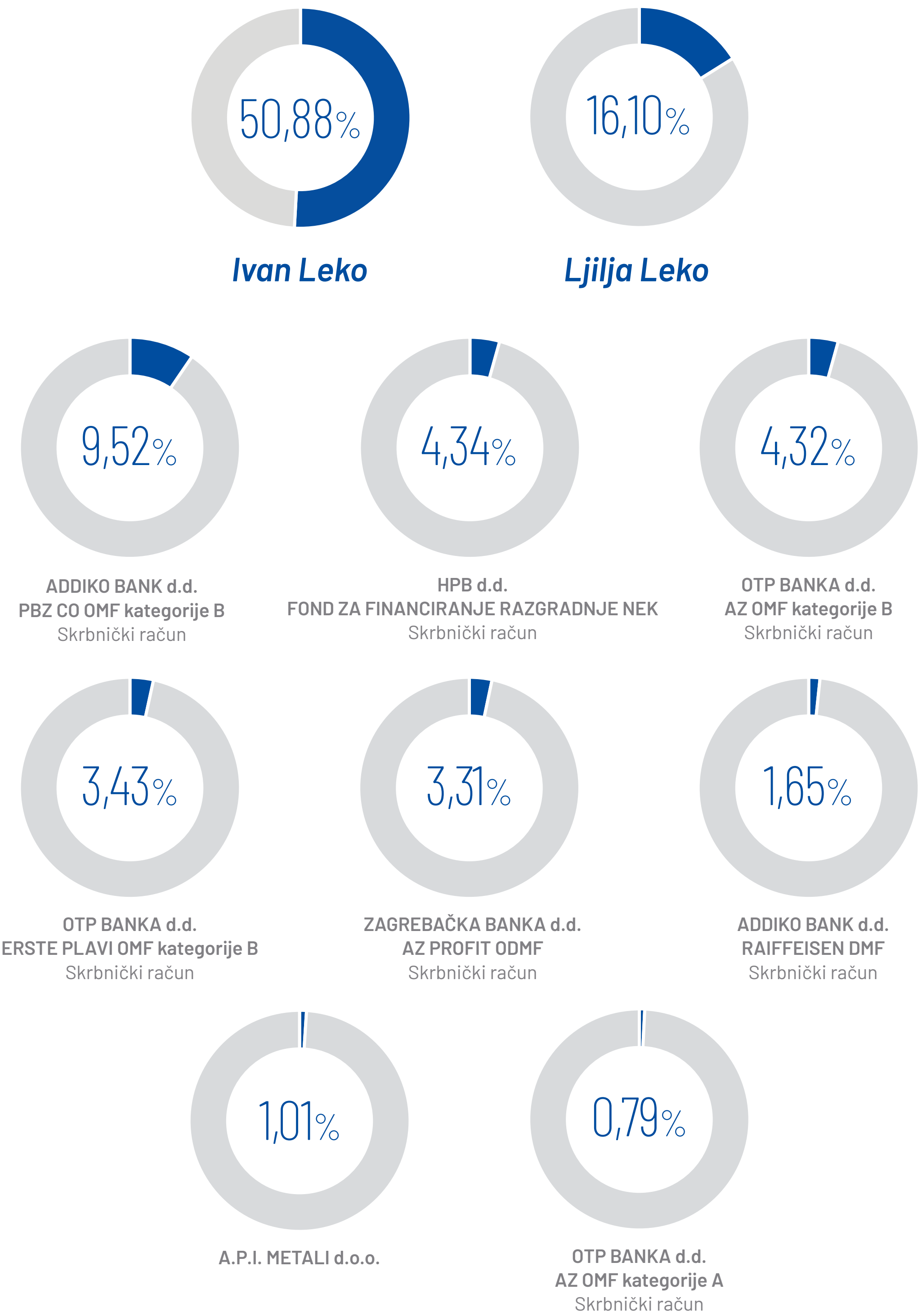
The Group operates with a large number of customers of various activities and sizes, which disperses the risk, i.e. it is not concentrated on a smaller number of customers. Part of the sale of deferred goods refers to state institutions and buyers in state ownership, and in the ownership of local self-government, which do not submit payment security instruments.

9.4. GROUP'S EXPOSURE TO LIQUIDITY RISK AND CASH FLOW RISK

Group manages liquidity risk by maintaining and utilizing adequate reserves and credit facilities. Also, Group continuously monitors and manages of due dates of receivables and liabilities, continuously comparing planned and actual cash flows. Additionally, through working capital management and inventory level optimization, the company makes maximum use of liquidity potential.

Ownership structure

OWNERSHIP STRUCTURE - DECEMBER 31. 2020.



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Consolidated financial statements of CIAK GRUPA D.D.

11.1. CONSOLIDATED PROFIT & LOSS STATEMENT

Item	ADP code	No. of note	Same period of the previous year	Current period
1	2	3	4	5
I OPERATING INCOME (ADP 126 to 130)	125		1.001.061.438	966.498.403
1 Income from sales with undertakings within the group	126			
2 Income from sales (outside group)	127		995.663.163	952.153.365
3 Income from the use of own products, goods and services	128			
4 Other operating income with undertakings within the group	129			
5 Other operating income (outside the group)	130		5.398.275	14.345.038
II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131		950.517.370	921.605.776
1 Changes in inventories of work in progress and finished goods	132			
2 Material costs (ADP 134 to 136)	133		682.516.810	659.492.303
a) Costs of raw material	134		111.204.060	107.782.146
b) Costs of goods sold	135		571.312.750	551.710.157
c) Other external costs	136			
3 Staff costs (ADP 138 to 140)	137		143.823.444	151.215.445
a) Net salaries and wages	138		89.862.572	92.659.256
b) Tax and contributions from salaries expenses	139		46.561.639	47.958.846
c) Contributions on salaries	140		7.399.233	10.597.343
4 Depreciation	141		34.342.376	35.145.959
5 Other expenses	142		85.838.614	74.626.505
6 Value adjustments (ADP 144+145)	143		4.014.295	2.665.744
a) fixed assets other than financial assets	144			
b) current assets other than financial assets	145		4.014.295	2.665.744
7 Provisions (ADP 147 to 152)	146		-18.169	-1.540.180
a) Provisions for pensions, termination benefits and similar obligations	147			
b) Provisions for tax liabilities	148			
c) Provisions for ongoing legal cases	149			
d) Provisions for renewal of natural resources	150			
e) Provisions for warranty obligations	151		-18.169	256.400
f) Other provisions	152			-1.796.580
8 Other operating expenses	153			
III FINANCIAL INCOME (ADP 155 to 164)	154		2.965.278	3.017.643
1 Income from investments in holdings (shares) of undertakings within the group	155			
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	156			
3 Income from other long-term financial investment and loans granted to undertakings within the group	157			
4 Other interest income from operations with undertakings within the group	158			
5 Exchange rate differences and other financial income from operations with undertakings within the group	159			
6 Income from other long-term financial investments and loans	160			
7 Other interest income	161		1.173.725	309.187
8 Exchange rate differences and other financial income	162		1.537.972	2.574.221
9 Unrealised gains (income) from financial assets	163			
10 Other financial income	164		253.581	134.235
IV FINANCIAL EXPENDITURE (ADP 166 to 172)	165		14.521.295	15.383.341
1 Interest expenses and similar expenses with undertakings within the group	166			
2 Exchange rate differences and other expenses from operations with undertakings within the group	167			
3 Interest expenses and similar expenses	168		9.580.931	7.410.690
4 Exchange rate differences and other expenses	169		3.742.186	7.669.245
5 Unrealised losses (expenses) from financial assets	170			
6 Value adjustments of financial assets (net)	171			
7 Other financial expenses	172		1.198.178	303.406

Item	ADP code	No. of note	Same period of the previous year	Current period
1	2	3	4	5
V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	173			
VI SHARE IN PROFIT FROM JOINT VENTURES	174			
VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	175			
VIII SHARE IN LOSS OF JOINT VENTURES	176			
IX TOTAL INCOME (ADP 125+154+173 + 174)	177		1.004.026.716	969.516.046
X TOTAL EXPENDITURE (ADP 131+165+175 + 176)	178		965.038.665	936.989.117
XI PRE-TAX PROFIT OR LOSS (ADP 177-178)	179		38.988.051	32.526.929
1 Pre-tax profit (ADP 177-178)	180		38.988.051	32.526.929
2 Pre-tax loss (ADP 178-177)	181		0	0
XII INCOME TAX	182		9.453.632	5.913.366
XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183		29.534.419	26.613.563
1 Profit for the period (ADP 179-182)	184		29.534.419	26.613.563
2 Loss for the period (ADP 182-179)	185		0	0
DISCONTINUED OPERATIONS				
XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 187-188)	186		0	0
1 Pre-tax profit from discontinued operations	187			
2 Pre-tax loss on discontinued operations	188			
XV INCOME TAX OF DISCONTINUED OPERATIONS	189			
1 Discontinued operations profit for the period (ADP 186-189)	190		0	0
2 Discontinued operations loss for the period (ADP 189-186)	191		0	0
TOTAL OPERATIONS				
XVI PRE-TAX PROFIT OR LOSS (ADP 179+186)	192		0	0
1 Pre-tax profit (ADP 192)	193		0	0
2 Pre-tax loss (ADP 192)	194		0	0
XVII INCOME TAX (ADP 182+189)	195		0	0
XVIII PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	196		0	0
1 Profit for the period (ADP 192-195)	197		0	0
2 Loss for the period (ADP 195-192)	198		0	0
APPENDIX to the P&L				
XIX PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	199		29.534.419	26.613.563
1 Attributable to owners of the parent	200		29.471.873	26.493.572
2 Attributable to minority (non-controlling) interest	201		62.546	119.991
STATEMENT OF OTHER COMPRHENSIVE INCOME				
I PROFIT OR LOSS FOR THE PERIOD	202		29.534.419	26.613.563
II OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (ADP 204 to 211)	203		328.119	-65.467
1 Exchange rate differences from translation of foreign operations	204		328.119	-65.467
2 Changes in revaluation reserves of fixed tangible and intangible assets	205			
3 Profit or loss arising from re-evaluation of financial assets available for sale	206			
4 Profit or loss arising from effective cash flow hedging	207			
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	208			
6 Share in other comprehensive income/loss of companies linked by virtue of participating interest	209			
7 Actuarial gains/losses on defined remuneration plans	210			
8 Other changes in equity unrelated to owners	211			
III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	212			
IV NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)	213		328.119	-65.467
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)	214		29.862.538	26.548.096
APPENDIX to the Statement on comprehensive income				
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 216+217)	215		29.862.538	26.548.096
1 Attributable to owners of the parent	216		29.838.552	26.381.695
2 Attributable to minority (non-controlling) interest	217		23.986	166.401

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11.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Item	ADP code	No. of note	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4	5
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	001			
B) FIXED ASSETS (ADP 003+010+020+031+036)	002		213.390.299	213.270.817
I INTANGIBLE ASSETS (ADP 004 to 009)	003		5.179.021	6.238.439
1 Research and development	004			
2 Concessions, patents, licences, trademarks, software and other rights	005		3.729.171	3.744.936
3 Goodwill	006			
4 Advance payments for purchase of intangible assets	007			
5 Intangible assets in preparation	008		213.632	481.013
6 Other intangible assets	009		1.236.218	2.012.490
II TANGIBLE ASSETS (ADP 011 to 019)	010		201.852.331	202.465.770
1 Land	011		21.669.404	23.132.960
2 Buildings	012		58.931.227	57.962.123
3 Plant and equipment	013		39.889.442	38.481.987
4 Tools, working inventory and transportation assets	014		8.943.278	10.353.474
5 Biological assets	015			
6 Advance payments for purchase of tangible assets	016			
7 Tangible assets in preparation	017		1.931.000	2.120.080
8 Other tangible assets	018		70.487.980	70.415.146
9 Investment property	019			
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	020		539.467	491.022
1 Investments in holdings (shares) of undertakings within the group	021			
2 Investments in other securities of undertakings within the group	022			
3 Loans, deposits, etc. to undertakings within the group	023			
4 Investments in holdings (shares) of companies linked by virtue of participating interest	024			
5 Investment in other securities of companies linked by virtue of participating interest	025			
6 Loans, deposits etc. given to companies linked by virtue of participating interest	026			
7 Investments in securities	027			
8 Loans, deposits, etc. given	028		539.467	491.022
9 Other investments accounted for using the equity method	029			
10 Other fixed financial assets	030			
IV RECEIVABLES (ADP 032 to 035)	031		0	1.380.389
1 Receivables from undertakings within the group	032			
2 Receivables from companies linked by virtue of participating interests	033			
3 Customer receivables	034			1.380.389
4 Other receivables	035			
V. Deferred tax assets	036		5.819.480	2.695.197
C) CURRENT ASSETS (ADP 038+046+053+063)	037		499.676.379	697.776.840
I INVENTORIES (ADP 039 to 045)	038		286.900.626	319.328.899
1 Raw materials	039		7.883.250	8.861.161
2 Work in progress	040			

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Item	ADP code	No. of note	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4	5
3 Finished goods	041			
4 Merchandise	042		276.975.778	306.269.124
5 Advance payments for inventories	043		1.637.727	3.778.188
6 Fixed assets held for sale	044		403.871	420.426
7 Biological assets	045			
II RECEIVABLES (ADP 047 to 052)	046		169.197.234	166.675.343
1 Receivables from undertakings within the group	047			
2 Receivables from companies linked by virtue of participating interest	048			
3 Customer receivables	049		150.588.997	153.237.551
4 Receivables from employees and members of the undertaking	050		835.007	260.641
5 Receivables from government and other institutions	051		5.734.473	9.889.533
6 Other receivables	052		12.038.757	3.287.618
III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	053		8.634.169	12.375.604
1 Investments in holdings (shares) of undertakings within the group	054			
2 Investments in other securities of undertakings within the group	055			
3 Loans, deposits, etc. to undertakings within the group	056			
4 Investments in holdings (shares) of companies linked by virtue of participating interest	057			
5 Investment in other securities of companies linked by virtue of participating interest	058			
6 Loans, deposits etc. given to companies linked by virtue of participating interest	059			
7 Investments in securities	060			
8 Loans, deposits, etc. given	061		8.634.169	12.375.604
9 Other financial assets	062			
IV CASH AT BANK AND IN HAND	063		34.944.350	199.396.994
D) PREPAID EXPENSES AND ACCRUED INCOME	064		8.795.972	11.670.417
E) TOTAL ASSETS (ADP 001+002+037+064)	065		721.862.650	922.718.074
OFF-BALANCE SHEET ITEMS	066			
LIABILITIES				
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	067		181.226.481	423.710.705
I. INITIAL (SUBSCRIBED) CAPITAL	068		134.063.900	197.519.890
II CAPITAL RESERVES	069		32.282.500	184.762.638
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070		0	0
1 Legal reserves	071			
2 Reserves for treasury shares	072			
3 Treasury shares and holdings (deductible item)	073			
4 Statutory reserves	074			
5 Other reserves	075			
IV REVALUATION RESERVES	076			
V FAIR VALUE RESERVES (ADP 078 to 080)	077		0	0
1 Fair value of financial assets available for sale	078			
2 Cash flow hedge - effective portion	079			
3 Hedge of a net investment in a foreign operation - effective portion	080			
VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)	081		-18.254.329	11.152.077
1 Retained profit	082			11.152.077
2 Loss brought forward	083		18.254.329	

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Item	ADP code	No. of note	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4	5
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	084		29.471.873	26.447.162
1 Profit for the business year	085		29.471.873	26.447.162
2 Loss for the business year	086			
VIII MINORITY (NON-CONTROLLING) INTEREST	087		3.662.537	3.828.938
B) PROVISIONS (ADP 089 to 094)	088		22.089	281.169
1 Provisions for pensions, termination benefits and similar obligations	089			
2 Provisions for tax liabilities	090			
3 Provisions for ongoing legal cases	091			
4 Provisions for renewal of natural resources	092			
5 Provisions for warranty obligations	093		22.089	281.169
6 Other provisions	094			
C) LONG-TERM LIABILITIES (ADP 096 to 106)	095		192.426.023	188.362.646
1 Liabilities towards undertakings within the group	096			
2 Liabilities for loans, deposits, etc. to companies within the group	097			
3 Liabilities towards companies linked by virtue of participating interest	098			
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	099			
5 Liabilities for loans, deposits etc.	100		31.834.149	31.428.243
6 Liabilities towards banks and other financial institutions	101		160.584.738	156.098.133
7 Liabilities for advance payments	102			
8 Liabilities towards suppliers	103			686.182
9 Liabilities for securities	104			
10 Other long-term liabilities	105			133.086
11 Deferred tax liability	106		7.136	17.002
D) SHORT-TERM LIABILITIES (ADP 108 to 121)	107		346.437.733	306.313.786
1 Liabilities towards undertakings within the group	108			
2 Liabilities for loans, deposits, etc. to companies within the group	109			
3 Liabilities towards companies linked by virtue of participating interest	110			
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	111			
5 Liabilities for loans, deposits etc.	112		22.075.000	17.246.578
6 Liabilities towards banks and other financial institutions	113		66.103.836	62.409.855
7 Liabilities for advance payments	114		1.396.050	1.725.305
8 Liabilities towards suppliers	115		196.098.442	172.555.757
9 Liabilities for securities	116			
10 Liabilities towards employees	117		8.047.509	8.782.181
11 Taxes, contributions and similar liabilities	118		28.545.836	25.609.102
12 Liabilities arising from the share in the result	119			
13 Liabilities arising from fixed assets held for sale	120			
14 Other short-term liabilities	121		24.171.060	17.985.008
E) ACCRUALS AND DEFERRED INCOME	122		1.750.324	4.049.768
F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)	123		721.862.650	922.718.074
G) OFF-BALANCE SHEET ITEMS	124			

11.3. CONSOLIDATED STATEMENT OF CASH FLOW

Item	ADP code	No. of note	Same period of the previous year	Current period
1	2	3	4	5
Cash flow from operating activities				
1 Pre-tax profit	001		38.988.051	32.526.929
2 Adjustments (ADP 003 to 010):	002		51.181.880	49.547.631
a) Depreciation	003		34.342.376	35.145.959
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004		1.381.370	1.214.952
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005			
d) Interest and dividend income	006		-1.173.725	-309.187
e) Interest expenses	007		11.141.931	8.363.622
f) Provisions	008		-171.367	258.997
g) Exchange rate differences (unrealised)	009		1.334.000	2.149.066
h) Other adjustments for non-cash transactions and unrealised gains and losses	010		4.327.295	2.724.222
I Cash flow increase or decrease before changes in the working capital (ADP 001+002)	011		90.169.931	82.074.560
3 Changes in the working capital (ADP 013 to 016)	012		-36.579.014	-60.596.394
a) Increase or decrease in short-term liabilities	013		-24.440.344	-2.973.970
b) Increase or decrease in short-term receivables	014		8.168.781	-33.718.663
c) Increase or decrease in inventories	015		-20.307.451	-23.903.716
d) Other increase or decrease in the working capital	016			
II Cash from operations (ADP 011+012)	017		53.590.917	21.478.166
4 Interest paid	018		-9.678.106	-7.439.414
5 Income tax paid	019		-8.399.654	-7.678.006
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	020		35.513.157	6.360.746
Cash flow from investment activities				
1 Cash receipts from sales of fixed tangible and intangible assets	021		367.761	676.993
2 Cash receipts from sales of financial instruments	022			
3 Interest received	023			
4 Dividends received	024			
5 Cash receipts from repayment of loans and deposits	025		8.109.965	1.054.810
6 Other cash receipts from investment activities	026		1.846.336	2.559.053
III Total cash receipts from investment activities (ADP 021 to 026)	027		10.324.062	4.290.856
1 Cash payments for the purchase of fixed tangible and intangible assets	028		-18.492.715	-19.078.809
2 Cash payments for the acquisition of financial instruments	029			
3 Cash payments for loans and deposits for the period	030		-186.000	-4.746.763
4 Acquisition of a subsidiary, net of cash acquired	031		-632.000	
5 Other cash payments from investment activities	032			
IV Total cash payments from investment activities (ADP 028 to 032)	033		-19.310.715	-23.825.572
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)	034		-8.986.653	-19.543.716
Cash flow from financing activities				
1 Cash receipts from the increase of initial (subscribed) capital	035			63.455.990
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036			154.403.921
3 Cash receipts from credit principals, loans and other borrowings	037		68.883.000	64.009.941
4 Other cash receipts from financing activities	038			
V Total cash receipts from financing activities (ADP 035 to 038)	039		68.883.000	281.869.852
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040		-79.597.909	-104.243.238
2 Dividends paid	041		-3.200.000	
3 Cash payments for finance lease	042			
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	043			
5 Other cash payments from financing activities	044			-686.096
VI Total cash payments from financing activities (ADP 040 to 044)	045		-82.797.909	-104.243.238
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)	046		-13.914.909	177.626.614
1 Unrealised exchange rate differences in cash and cash equivalents	047			
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 020+034+046+047)	048		12.611.595	164.452.644
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	049		22.332.755	34.944.350
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (ADP 048+049)	050		34.944.350	199.396.994

11.4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Item	ADP code	No. of note	Attributable to owners of the parent							
			Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves
1	2	3	4	5	6	7	8	9	10	11
Previous periode										
1 Balance on the first day of the previous business year	01		14.920.000	70.000.000						
2 Changes in accounting policies	02									
3 Correction of errors	03									
4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)	04		14.920.000	70.000.000	0	0	0	0	0	0
5 Profit/loss of the period	05									
6 Exchange rate differences from translation of foreign operations	06									
7 Changes in revaluation reserves of fixed tangible and intangible assets	07									
8 Profit or loss arising from re-evaluation of financial assets available for sale	08									
9 Gains or losses on efficient cash flow hedging	09									
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	10									
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	11									
12 Actuarial gains/losses on defined benefit plans	12									
13 Other changes in equity unrelated to owners	13									
14 Tax on transactions recognised directly in equity	14									
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15		119.143.900	-61.843.900						
16 Increase of initial (subscribed) capital by reinvesting profit	16									
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	17									
18 Redemption of treasury shares/holdings	18									
19 Payment of share in profit/ dividend	19									
20 Other distribution to owners	20			24.126.400						
21 Transfer to reserves by annual schedule	21									
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	22									
23 Balance on the last day of the previous business year reporting period (ADP 04 to 22)	23		134.063.900	32.282.500	0	0	0	0	0	0
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY										
I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)	24		0	0	0	0	0	0	0	0
II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	25		0	0	0	0	0	0	0	0
III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 22)	26		119.143.900	-37.717.500	0	0	0	0	0	0

Item	ADP code	No. of note	Attributable to owners of the parent							
			Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves
1	2	3	4	5	6	7	8	9	10	11
Current period										
1 Balance on the first day of the current business year	27		134.063.900	32.282.500						
2 Changes in accounting policies	28									
3 Correction of errors	29									
4 Balance on the first day of the current business year (restated) (ADP 27 to 29)	30		134.063.900	32.282.500	0	0	0	0	0	0
5 Profit/loss of the period	31									
6 Exchange rate differences from translation of foreign operations	32									
7 Changes in revaluation reserves of fixed tangible and intangible assets	33									
8 Profit or loss arising from re-evaluation of financial assets available for sale	34									
9 Gains or losses on efficient cash flow hedging	35									
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	36									
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	37									
12 Actuarial gains/losses on defined remuneration plans	38									
13 Other changes in equity unrelated to owners	39									
14 Tax on transactions recognised directly in equity	40									
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	41		63.455.990	152.480.138						
16 Increase of initial (subscribed) capital by reinvesting profit	42									
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43									
18 Redemption of treasury shares/holdings	44									
19 Payment of share in profit/dividend	45									
20 Other distribution to owners	46									
21 Transfer to reserves by annual schedule	47									
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	48									
23 Balance on the last day of the current business year reporting period (ADP 30 to 48)	49		197.519.890	184.762.638	0	0	0	0	0	0
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY										
I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 32 to 40)	50		0	0	0	0	0	0	0	0
II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31+50)	51		0	0	0	0	0	0	0	0
III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 41 to 48)	52		63.455.990	152.480.138	0	0	0	0	0	0

Item	ADP code	No. of note	Attributable to owners of the parent						Minority (non-controlling) interest	Total capital and reserves
			Fair value of financial assets available for sale	Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent		
1	2	3	12	13	14	15	16	17 (4 to 7 - 8 +9 to 16)	18	19 (17 + 18)
Previous period										
1 Balance on the first day of the previous business year	01					46.397.025	36.006.367	167.323.392	3.638.551	170.961.943
2 Changes in accounting policies	02							0		0
3 Correction of errors	03							0		0
4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)	04		0	0	0	46.397.025	36.006.367	167.323.392	3.638.551	170.961.943
5 Profit/loss of the period	05						29.471.873	29.471.873	62.546	29.534.419
6 Exchange rate differences from translation of foreign operations	06							0		0
7 Changes in revaluation reserves of fixed tangible and intangible assets	07							0		0
8 Profit or loss arising from re-evaluation of financial assets available for sale	08							0		0
9 Gains or losses on efficient cash flow hedging	09							0		0
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	10							0		0
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	11							0		0
12 Actuarial gains/losses on defined benefit plans	12							0		0
13 Other changes in equity unrelated to owners	13					366.679		366.679	-38.560	328.119
14 Tax on transactions recognised directly in equity	14							0		0
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15					-57.300.000		0		0
16 Increase of initial (subscribed) capital by reinvesting profit	16							0		0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	17							0		0
18 Redemption of treasury shares/holdings	18					-3.200.000		-3.200.000		-3.200.000
19 Payment of share in profit/dividend	19							0		0
20 Other distribution to owners	20					-40.524.400		-16.398.000		-16.398.000
21 Transfer to reserves by annual schedule	21					36.006.367	-36.006.367	0		0
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	22							0		0
23 Balance on the last day of the previous business year reporting period (ADP 04 to 22)	23		0	0	0	-18.254.329	29.471.873	177.563.944	3.662.537	181.226.481
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY										
I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)	24		0	0	0	366.679	0	366.679	-38.560	328.119
II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	25		0	0	0	366.679	29.471.873	29.838.552	23.986	29.862.538
III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 22)	26		0	0	0	-65.018.033	-36.006.367	-19.598.000	0	-19.598.000

Item	ADP code	No. of note	Attributable to owners of the parent						Minority (non-controlling) interest"	Total capital and reserves
			Fair value of financial assets available for sale	Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent		
1	2	3	12	13	14	15	16	17 (4 to 7 - 8 +9 to 16)	18	19 (17 + 18)
Current period										
1 Balance on the first day of the current business year	27					-18.254.329	29.471.873	177.563.944	3.662.537	181.226.481
2 Changes in accounting policies	28							0		0
3 Correction of errors	29							0		0
4 Balance on the first day of the current business year (restated) (ADP 27 to 29)	30		0	0	0	-18.254.329	29.471.873	177.563.944	3.662.537	181.226.481
5 Profit/loss of the period	31						26.447.162	26.447.162	119.991	26.567.153
6 Exchange rate differences from translation of foreign operations	32							0		0
7 Changes in revaluation reserves of fixed tangible and intangible assets	33							0		0
8 Profit or loss arising from re-evaluation of financial assets available for sale	34							0		0
9 Gains or losses on efficient cash flow hedging	35							0		0
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	36							0		0
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	37							0		0
12 Actuarial gains/losses on defined remuneration plans	38							0		0
13 Other changes in equity unrelated to owners	39					620.629		620.629	46.410	667.039
14 Tax on transactions recognised directly in equity	40							0		0
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	41							215.936.128		215.936.128
16 Increase of initial (subscribed) capital by reinvesting profit	42							0		0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43							0		0
18 Redemption of treasury shares/ holdings	44							0		0
19 Payment of share in profit/ dividend	45							0		0
20 Other distribution to owners	46							0		0
21 Transfer to reserves by annual schedule	47					28.785.777	-29.471.873	-686.096		-686.096
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	48							0		0
23 Balance on the last day of the current business year reporting period (ADP 30 to 48)	49		0	0	0	11.152.077	26.447.162	419.881.767	3.828.938	423.710.705
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY										
I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 32 to 40)	50		0	0	0	620.629	0	620.629	46.410	667.039
II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31+50)	51		0	0	0	620.629	26.447.162	27.067.791	166.401	27.234.192
III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 41 to 48)	52		0	0	0	28.785.777	-29.471.873	215.250.032	0	215.250.032

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Unconsolidated financial statements of CIAK GRUPA D.D.

12.1. UNCONSOLIDATED PROFIT & LOSS STATEMENT

Item	ADP code	No. of note	Same period of the previous year	Current period
1	2	3	4	5
I OPERATING INCOME (ADP 126 to 130)	125		5.134.865	10.734.812
1 Income from sales with undertakings within the group	126		720.000	9.753.425
2 Income from sales (outside group)	127		4.412.012	591.266
3 Income from the use of own products, goods and services	128			
4 Other operating income with undertakings within the group	129		1.501	1.239
5 Other operating income (outside the group)	130		1.352	388.882
II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131		4.849.960	10.550.966
1 Changes in inventories of work in progress and finished goods	132			
2 Material costs (ADP 134 to 136)	133		4.590.874	609.776
a) Costs of raw material	134		1.128	261.510
b) Costs of goods sold	135		4.355.912	348.266
c) Other external costs	136		233.834	
3 Staff costs (ADP 138 to 140)	137		141.747	8.033.894
a) Net salaries and wages	138		70.807	4.423.350
b) Tax and contributions from salaries expenses	139		50.864	2.939.619
c) Contributions on salaries	140		20.076	670.925
4 Depreciation	141		1.765	16.297
5 Other expenses	142		89.292	1.738.485
6 Value adjustments (ADP 144+145)	143		0	0
a) fixed assets other than financial assets	144			
b) current assets other than financial assets	145			
7 Provisions (ADP 147 to 152)	146		0	152.514
a) Provisions for pensions, termination benefits and similar obligations	147			
b) Provisions for tax liabilities	148			
c) Provisions for ongoing legal cases	149			
d) Provisions for renewal of natural resources	150			
e) Provisions for warranty obligations	151			
f) Other provisions	152			152.514
8 Other operating expenses	153		26.282	
III FINANCIAL INCOME (ADP 155 to 164)	154		41.151	1
1 Income from investments in holdings (shares) of undertakings within the group	155		40.909	
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	156			
3 Income from other long-term financial investment and loans granted to undertakings within the group	157			
4 Other interest income from operations with undertakings within the group	158			
5 Exchange rate differences and other financial income from operations with undertakings within the group	159		240	
6 Income from other long-term financial investments and loans	160			
7 Other interest income	161		2	1
8 Exchange rate differences and other financial income	162			
9 Unrealised gains (income) from financial assets	163			
10 Other financial income	164			
IV FINANCIAL EXPENDITURE (ADP 166 to 172)	165		58.148	50.740
1 Interest expenses and similar expenses with undertakings within the group	166		9.662	49.932
2 Exchange rate differences and other expenses from operations with undertakings within the group	167		238	
3 Interest expenses and similar expenses	168		48.248	525
4 Exchange rate differences and other expenses	169			283
5 Unrealised losses (expenses) from financial assets	170			
6 Value adjustments of financial assets (net)	171			
7 Other financial expenses	172			

Item	ADP code	No. of note	Same period of the previous year	Current period
1	2	3	4	5
V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	173			
VI SHARE IN PROFIT FROM JOINT VENTURES	174			
VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	175			
VIII SHARE IN LOSS OF JOINT VENTURES	176			
IX TOTAL INCOME (ADP 125+154+173 + 174)	177		5.176.016	10.734.813
X TOTAL EXPENDITURE (ADP 131+165+175 + 176)	178		4.908.108	10.601.706
XI PRE-TAX PROFIT OR LOSS (ADP 177-178)	179		267.908	133.107
1 Pre-tax profit (ADP 177-178)	180		267.908	133.107
2 Pre-tax loss (ADP 178-177)	181		0	0
XII INCOME TAX	182			
XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183		267.908	133.107
1 Profit for the period (ADP 179-182)	184		267.908	133.107
2 Loss for the period (ADP 182-179)	185		0	0
DISCONTINUED OPERATIONS				
XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 187-188)	186		0	0
1 Pre-tax profit from discontinued operations	187			
2 Pre-tax loss on discontinued operations	188			
XV INCOME TAX OF DISCONTINUED OPERATIONS	189			
1 Discontinued operations profit for the period (ADP 186-189)	190			
2 Discontinued operations loss for the period (ADP 189-186)	191			
TOTAL OPERATIONS				
XVI PRE-TAX PROFIT OR LOSS (ADP 179+186)	192			
1 Pre-tax profit (ADP 192)	193			
2 Pre-tax loss (ADP 192)	194			
XVII INCOME TAX (ADP 182+189)	195			
XVIII PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	196			
1 Profit for the period (ADP 192-195)	197			
2 Loss for the period (ADP 195-192)	198			
APPENDIX to the P&L				
XIX PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	199		0	0
1 Attributable to owners of the parent	200			
2 Attributable to minority (non-controlling) interest	201			
STATEMENT OF OTHER COMPRHENSIVE INCOME				
I PROFIT OR LOSS FOR THE PERIOD	202		267.908	133.107
II OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (ADP 204 to 211)	203		0	0
1 Exchange rate differences from translation of foreign operations	204			
2 Changes in revaluation reserves of fixed tangible and intangible assets	205			
3 Profit or loss arising from re-evaluation of financial assets available for sale	206			
4 Profit or loss arising from effective cash flow hedging	207			
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	208			
6 Share in other comprehensive income/loss of companies linked by virtue of participating interest	209			
7 Actuarial gains/losses on defined remuneration plans	210			
8 Other changes in equity unrelated to owners	211			
III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	212			
IV NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)	213		0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)	214		267.908	133.107
APPENDIX to the Statement on comprehensive income				
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 216+217)	215		0	0
1 Attributable to owners of the parent	216			
2 Attributable to minority (non-controlling) interest	217			

12.2. UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

Item	ADP code	No. of note	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4	5
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	001			
B) FIXED ASSETS (ADP 003+010+020+031+036)	002		199.606.616	239.362.189
I INTANGIBLE ASSETS (ADP 004 to 009)	003		785	543
1 Research and development	004			
2 Concessions, patents, licences, trademarks, software and other rights	005		785	543
3 Goodwill	006			
4 Advance payments for purchase of intangible assets	007			
5 Intangible assets in preparation	008			
6 Other intangible assets	009			
II TANGIBLE ASSETS (ADP 011 to 019)	010		822	56.637
1 Land	011			
2 Buildings	012			
3 Plant and equipment	013		822	16.890
4 Tools, working inventory and transportation assets	014			32.067
5 Biological assets	015			
6 Advance payments for purchase of tangible assets	016			
7 Tangible assets in preparation	017			7.680
8 Other tangible assets	018			
9 Investment property	019			
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	020		199.605.009	239.305.009
1 Investments in holdings (shares) of undertakings within the group	021		199.605.009	199.305.009
2 Investments in other securities of undertakings within the group	022			
3 Loans, deposits, etc. to undertakings within the group	023			40.000.000
4 Investments in holdings (shares) of companies linked by virtue of participating interest	024			
5 Investment in other securities of companies linked by virtue of participating interest	025			
6 Loans, deposits etc. given to companies linked by virtue of participating interest	026			
7 Investments in securities	027			
8 Loans, deposits, etc. given	028			
9 Other investments accounted for using the equity method	029			
10 Other fixed financial assets	030			
IV RECEIVABLES (ADP 032 to 035)	031		0	0
1 Receivables from undertakings within the group	032			
2 Receivables from companies linked by virtue of participating interests	033			
3 Customer receivables	034			
4 Other receivables	035			
V. Deferred tax assets	036			
C) CURRENT ASSETS (ADP 038+046+053+063)	037		1.646.701	178.601.100
I INVENTORIES (ADP 039 to 045)	038		0	22
1 Raw materials	039			
2 Work in progress	040			

Item	ADP code	No. of note	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4	5
3 Finished goods	041			
4 Merchandise	042			22
5 Advance payments for inventories	043			
6 Fixed assets held for sale	044			
7 Biological assets	045			
II RECEIVABLES (ADP 047 to 052)	046		1.635.916	696.053
1 Receivables from undertakings within the group	047		1.056.743	391.590
2 Receivables from companies linked by virtue of participating interest	048			
3 Customer receivables	049		574.392	26.875
4 Receivables from employees and members of the undertaking	050		1.169	1.289
5 Receivables from government and other institutions	051		2.959	141.272
6 Other receivables	052		653	135.027
III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	053		0	0
1 Investments in holdings (shares) of undertakings within the group	054			
2 Investments in other securities of undertakings within the group	055			
3 Loans, deposits, etc. to undertakings within the group	056			
4 Investments in holdings (shares) of companies linked by virtue of participating interest	057			
5 Investment in other securities of companies linked by virtue of participating interest	058			
6 Loans, deposits etc. given to companies linked by virtue of participating interest	059			
7 Investments in securities	060			
8 Loans, deposits, etc. given	061			
9 Other financial assets	062			
IV CASH AT BANK AND IN HAND	063		10.785	177.905.025
D) PREPAID EXPENSES AND ACCRUED INCOME	064		137	2.305
E) TOTAL ASSETS (ADP 001+002+037+064)	065		201.253.454	417.965.594
OFF-BALANCE SHEET ITEMS	066			
LIABILITIES				
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	067		184.816.031	400.816.308
I. INITIAL (SUBSCRIBED) CAPITAL	068		134.063.900	197.519.890
II CAPITAL RESERVES	069		50.426.400	202.906.538
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070		0	13.395
1 Legal reserves	071			13.395
2 Reserves for treasury shares	072			
3 Treasury shares and holdings (deductible item)	073			
4 Statutory reserves	074			
5 Other reserves	075			
IV REVALUATION RESERVES	076			
V FAIR VALUE RESERVES (ADP 078 to 080)	077		0	0
1 Fair value of financial assets available for sale	078			
2 Cash flow hedge - effective portion	079			
3 Hedge of a net investment in a foreign operation - effective portion	080			
VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)	081		57.823	243.378
1 Retained profit	082		57.823	243.378
2 Loss brought forward	083			

Item	ADP code	No. of note	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4	5
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	084		267.908	133.107
1 Profit for the business year	085		267.908	133.107
2 Loss for the business year	086			
VIII MINORITY (NON-CONTROLLING) INTEREST	087			
B) PROVISIONS (ADP 089 to 094)	088		0	0
1 Provisions for pensions, termination benefits and similar obligations	089			
2 Provisions for tax liabilities	090			
3 Provisions for ongoing legal cases	091			
4 Provisions for renewal of natural resources	092			
5 Provisions for warranty obligations	093			
6 Other provisions	094			
C) LONG-TERM LIABILITIES (ADP 096 to 106)	095		0	0
1 Liabilities towards undertakings within the group	096			
2 Liabilities for loans, deposits, etc. to companies within the group	097			
3 Liabilities towards companies linked by virtue of participating interest	098			
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	099			
5 Liabilities for loans, deposits etc.	100			
6 Liabilities towards banks and other financial institutions	101			
7 Liabilities for advance payments	102			
8 Liabilities towards suppliers	103			
9 Liabilities for securities	104			
10 Other long-term liabilities	105			
11 Deferred tax liability	106			
D) SHORT-TERM LIABILITIES (ADP 108 to 121)	107		16.437.423	16.906.330
1 Liabilities towards undertakings within the group	108		14.778.274	10.887.870
2 Liabilities for loans, deposits, etc. to companies within the group	109		1.460.000	1.460.000
3 Liabilities towards companies linked by virtue of participating interest	110			
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	111			
5 Liabilities for loans, deposits etc.	112			
6 Liabilities towards banks and other financial institutions	113			
7 Liabilities for advance payments	114		10	
8 Liabilities towards suppliers	115		151.215	236.768
9 Liabilities for securities	116			
10 Liabilities towards employees	117		15.565	487.662
11 Taxes, contributions and similar liabilities	118		32.359	402.863
12 Liabilities arising from the share in the result	119			
13 Liabilities arising from fixed assets held for sale	120			
14 Other short-term liabilities	121			3.431.167
E) ACCRUALS AND DEFERRED INCOME	122			242.956
F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)	123		201.253.454	417.965.594
G) OFF-BALANCE SHEET ITEMS	124			

12.3. UNCONSOLIDATED STATEMENT OF CASH FLOW

Item	ADP code	No. of note	Same period of the previous year	Current period
1	2	3	4	5
Cash flow from operating activities				
1 Pre-tax profit	001		267.908	133.107
2 Adjustments (ADP 003 to 010):	002		45.047	66.844
a) Depreciation	003		1.765	16.297
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004			
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005			
d) Interest and dividend income	006			
e) Interest expenses	007		57.910	50.547
f) Provisions	008			
g) Exchange rate differences (unrealised)	009			
h) Other adjustments for non-cash transactions and unrealised gains and losses	010		-14.628	
I Cash flow increase or decrease before changes in the working capital (ADP 001+002)	011		312.955	199.951
3 Changes in the working capital (ADP 013 to 016)	012		-121.912	-185.064
a) Increase or decrease in short-term liabilities	013		-734.415	-1.512.719
b) Increase or decrease in short-term receivables	014		612.503	1.327.655
c) Increase or decrease in inventories	015			
d) Other increase or decrease in the working capital	016			
II Cash from operations (ADP 011+012)	017		191.043	14.887
4 Interest paid	018		-191.260	-13.030
5 Income tax paid	019			
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	020		-217	1.857
Cash flow from investment activities				
1 Cash receipts from sales of fixed tangible and intangible assets	021			
2 Cash receipts from sales of financial instruments	022			
3 Interest received	023			
4 Dividends received	024			
5 Cash receipts from repayment of loans and deposits	025			
6 Other cash receipts from investment activities	026			58.056
III Total cash receipts from investment activities (ADP 021 to 026)	027		0	58.056
1 Cash payments for the purchase of fixed tangible and intangible assets	028			-25.584
2 Cash payments for the acquisition of financial instruments	029			
3 Cash payments for loans and deposits for the period	030			-40.000.000
4 Acquisition of a subsidiary, net of cash acquired	031			
5 Other cash payments from investment activities	032			
IV Total cash payments from investment activities (ADP 028 to 032)	033		0	-40.025.584
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)	034		0	-39.967.528
Cash flow from financing activities				
1 Cash receipts from the increase of initial (subscribed) capital	035			217.859.911
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036			
3 Cash receipts from credit principals, loans and other borrowings	037			
4 Other cash receipts from financing activities	038		0	217.859.911
V Total cash receipts from financing activities (ADP 035 to 038)	039			
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040			
2 Dividends paid	041			
3 Cash payments for finance lease	042			
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	043			
5 Other cash payments from financing activities	044		0	0
VI Total cash payments from financing activities (ADP 040 to 044)	045		0	217.859.911
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)	046			
1 Unrealised exchange rate differences in cash and cash equivalents	047		-217	177.894.240
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 020+034+046+047)	048		11.002	10.785
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	049		10.785	177.905.025
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (ADP 048+049)	050		34.944.350	199.396.994

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12.4. UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Item	ADP code	No. of note	Attributable to owners of the parent							
			Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves
1	2	3	4	5	6	7	8	9	10	11
Previous periode										
1 Balance on the first day of the previous business year	01		14.920.000	70.000.000						837
2 Changes in accounting policies	02									
3 Correction of errors	03									
4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)	04		14.920.000	70.000.000	0	0	0	0	0	837
5 Profit/loss of the period	05									
6 Exchange rate differences from translation of foreign operations	06									
7 Changes in revaluation reserves of fixed tangible and intangible assets	07									
8 Profit or loss arising from re-evaluation of financial assets available for sale	08									
9 Gains or losses on efficient cash flow hedging	09									
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	10									
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	11									
12 Actuarial gains/losses on defined benefit plans	12									
13 Other changes in equity unrelated to owners	13									-837
14 Tax on transactions recognised directly in equity	14									
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15		119.143.900	-19.573.600						
16 Increase of initial (subscribed) capital by reinvesting profit	16									
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	17									
18 Redemption of treasury shares/holdings	18									
19 Payment of share in profit/dividend	19									
20 Other distribution to owners	20									
21 Transfer to reserves by annual schedule	21									
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	22									
23 Balance on the last day of the previous business year reporting period (ADP 04 to 22)	23		134.063.900	50.426.400	0	0	0	0	0	0
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY										
I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)	24		0	0	0	0	0	0	0	-837
II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	25		0	0	0	0	0	0	0	-837
III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 22)	26		119.143.900	-19.573.60	0	0	0	0	0	0

Item	ADP code	No. of note	Attributable to owners of the parent							
			Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves
1	2	3	4	5	6	7	8	9	10	11
Current period										
1 Balance on the first day of the current business year	27		134.063.900	50.426.400						
2 Changes in accounting policies	28									
3 Correction of errors	29									
4 Balance on the first day of the current business year (restated) (ADP 27 to 29)	30		134.063.900	50.426.400	0	0	0	0	0	0
5 Profit/loss of the period	31									
6 Exchange rate differences from translation of foreign operations	32									
7 Changes in revaluation reserves of fixed tangible and intangible assets	33									
8 Profit or loss arising from re-evaluation of financial assets available for sale	34									
9 Gains or losses on efficient cash flow hedging	35									
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	36									
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	37									
12 Actuarial gains/losses on defined remuneration plans	38									
13 Other changes in equity unrelated to owners	39									
14 Tax on transactions recognised directly in equity	40									
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	41		63.455.990	152.480.138						
16 Increase of initial (subscribed) capital by reinvesting profit	42									
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43									
18 Redemption of treasury shares/holdings	44									
19 Payment of share in profit/dividend	45									
20 Other distribution to owners	46									
21 Transfer to reserves by annual schedule	47				13.395					
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	48									
23 Balance on the last day of the current business year reporting period (ADP 30 to 48)	49		197.519.890	202.906.538	13.395	0	0	0	0	0
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY										
I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 32 to 40)	50		0	0	0	0	0	0	0	0
II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31+50)	51		0	0	0	0	0	0	0	0
III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 41 to 48)	52		63.455.990	152.480.138	13.395	0	0	0	0	0

Item	ADP code	No. of note	Attributable to owners of the parent						"Minority (non-controlling) interest"	Total capital and reserves
			Fair value of financial assets available for sale	Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent		
1	2	3	12	13	14	15	16	17 (4 to 7 - 8 +9 to 16)	18	19 (17 + 18)
Previous period										
1 Balance on the first day of the previous business year	01					33.648.796	9.027	118.578.660		118.578.660
2 Changes in accounting policies	02							0		0
3 Correction of errors	03							0		0
4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)	04		0	0	0	33.648.796	9.027	118.578.660	0	118.578.660
5 Profit/loss of the period	05						267.908	267.908		267.908
6 Exchange rate differences from translation of foreign operations	06							0		0
7 Changes in revaluation reserves of fixed tangible and intangible assets	07							0		0
8 Profit or loss arising from re-evaluation of financial assets available for sale	08							0		0
9 Gains or losses on efficient cash flow hedging	09							0		0
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	10							0		0
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	11							0		0
12 Actuarial gains/losses on defined benefit plans	12							0		0
13 Other changes in equity unrelated to owners	13					-33.590.973	-9.027	-33.600.837		-33.600.837
14 Tax on transactions recognised directly in equity	14							0		0
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15							99.570.300		99.570.300
16 Increase of initial (subscribed) capital by reinvesting profit	16							0		0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	17							0		0
18 Redemption of treasury shares/holdings	18							0		0
19 Payment of share in profit/dividend	19							0		0
20 Other distribution to owners	20							0		0
21 Transfer to reserves by annual schedule	21							0		0
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	22							0		0
23 Balance on the last day of the previous business year reporting period (ADP 04 to 22)	23		0	0	0	57.823	267.908	184.816.031	0	184.816.031
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY										
I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)	24		0	0	0	-33.590.973	-9.027	-33.600.837	0	-33.600.837
II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	25		0	0	0	-33.590.973	258.881	-33.332.929	0	-33.332.929
III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 22)	26		0	0	0	0	0	99.570.300	0	99.570.300

Item	ADP code	No. of note	Attributable to owners of the parent						M"Minority (non-controlling) interest"	Total capital and reserves
			Fair value of financial assets available for sale	Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent		
1	2	3	12	13	14	15	16	17 (4 to 7 - 8 +9 to 16)	18	19 (17 + 18)
Current period										
1 Balance on the first day of the current business year	27					57.823	267.908	184.816.031		184.816.031
2 Changes in accounting policies	28							0		0
3 Correction of errors	29							0		0
4 Balance on the first day of the current business year (restated) (ADP 27 to 29)	30		0	0	0	57.823	267.908	184.816.031	0	184.816.031
5 Profit/loss of the period	31							0		0
6 Exchange rate differences from translation of foreign operations	32							0		0
7 Changes in revaluation reserves of fixed tangible and intangible assets	33							0		0
8 Profit or loss arising from re-evaluation of financial assets available for sale	34							0		0
9 Gains or losses on efficient cash flow hedging	35							0		0
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	36							0		0
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	37							0		0
12 Actuarial gains/losses on defined remuneration plans	38							0		0
13 Other changes in equity unrelated to owners	39					185.555	-134.801	50.754		50.754
14 Tax on transactions recognised directly in equity	40							0		0
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	41							215.936.128		215.936.128
16 Increase of initial (subscribed) capital by reinvesting profit	42							0		0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43							0		0
18 Redemption of treasury shares/holdings	44							0		0
19 Payment of share in profit/dividend	45							0		0
20 Other distribution to owners	46							0		0
21 Transfer to reserves by annual schedule	47							13.395		13.395
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	48							0		0
23 Balance on the last day of the current business year reporting period (ADP 30 to 48)	49		0	0	0	243.378	133.107	400.816.308	0	400.816.308
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY										
I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 32 to 40)	50		0	0	0	185.555	-134.801	50.754	0	50.754
II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31+50)	51		0	0	0	185.555	-134.801	50.754	0	50.754
III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 41 to 48)	52		0	0	0	0	0	215.949.523	0	215.949.523

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Overview of other announcements, events, evaluations and data

13.1. ENVIRONMENT PROTECTION

During the year 2020 there were no ecological incidents inside of Group. Group continuously works on advancing environment protection and sustainable development. In that context Group collects waste oils, used automobile tires, batteries and other hazardous and non-hazardous waste in suitable containers and for that purpose prepared warehouse. Some of subsidiaries, among others activities, are also registered for waste management for which they own necessary licences issued by relevant ministries of countries where subsidiaries are registered.

13.2. IMPORTANT BUSINESS EVENTS AFTER CLOSURE OF BUSINESS YEAR

For financial statements with a balance sheet date of 31 December, 2020 realized acquisitions in year 2021 do not require adjustment, considering they have effect on business and financial statements in year 2021.

However, given that the acquisition of two companies, one of which is new market on which CIAK Group was not present (Montenegro), represents significant event, management of the Group considers that it requires disclosure in the Notes to the financial statements.

Acquisitions of Trgometal d.o.o., Zagreb, Croatia and Next Auto d.o.o., Podgorica, Montenegro were completed in March 2021.

Considering the core activities of the CIAK Group, the acquisitions of these companies are logical steps to further strengthening and growth of the CIAK Group's portfolio. By integrating these companies into the CIAK Group system and further development activities and synergy effects, potentially positive effect of these acquisitions is in the future even larger. More importantly, in addition to these activities, CIAK Group empowers its business position on domicile Croatian market and also becoming present on Montenegro market as the new one in its business portfolio. This creates a basis for further strengthening and growth of the CIAK Group in the future.

After 31 December, 2020 there were no significant changes in the company's operations, meaning there are no new information on estimates made on the balance sheet date that would have a material effect on the financial statements.

13.3. CIAK GROUP SUBSIDIARIES

On 31.December, 2020 CIAK Group had registered subsidiaries as set out in presentation.

Group company	Name of the subsidiary
CIAK, Grude	Subsidiary Jajce
CIAK Auto, Sarajevo	Subsidiary Jajce
CIAK Auto, Sarajevo	Subsidiary Široki Brijeg
CIAK Auto, Sarajevo	Subsidiary Zenica
CIAK Truck, Sarajevo	Subsidiary Doboj
CIAK Truck, Sarajevo	SubsidiaryŽepče
CIAK Truck, Sarajevo	Subsidiary Banja Luka

13.4. REPURCHASE OF OWN SHARES

There was no repurchase of own shares.

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Expected development of the Group **in the future**

14.1. MAKING ANNUAL BUSINESS PLANS

The Group makes its business plans for each business year, including the three-year period business overview for all activity areas of the Group and individually on level of each company meaning of each market, and ultimately on a consolidated level.

During the year 2021 the Group is engaged in expanding its business and taking bigger and better position in the market, both domicile and foreign one.

The Group's strategy is to expand the range in the field of wholesale and the volume of business within environmental affairs and production, as well as in the area of car parts segment in the following years.

The long-term goal at the CIAK Group level is to ensure steady and sustainable growth and development.

14.2. GROUP'S R&D ACTIVITIES

The Group pays special attention to the development and introduction of new technologies, also to additional training and improvement of quality and perspective personnel which by engaging funds for additional education enables the acquisition of new knowledge necessary in struggling with increasing competition.

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Corporate governance **statement**

The Management Board of CIAK Group submits a Statement on the application of the Corporate Governance Code pursuant to Article 22 of the Accounting Act. Given the fact that the shares of the company listed on the regulated market, CIAK Group d.d. applies the Corporate Governance Code which prepared jointly by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange, and is effective as of January 1, 2011. It was published on the website of the Zagreb Stock Exchange (www.zse.hr) and the Croatian Financial Services Supervisory Agency (www.hanfa.hr).

The Company followed and applied the recommendations set out in the Code by publishing all information whose publication is provided by positive regulations and information that is in the interest of shareholders.

CIAK Group d.d. in 2020 did not publish the Annual Corporate Governance Questionnaire because CIAK Group d.d. listed on the Zagreb Stock Exchange from January 2021 and 2021 is the first year when the company is obliged to do the same and when the Annual Questionnaire will be published.

CIAK
GRUPA

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ISO 50001 - ISO 45001
BUREAU VERITAS
Certification

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The Management Board is required to prepare the consolidated financial statements for each financial year which give a true and fair view of the financial position of the Company and its subsidiaries ("the Group") and of the results of its operations and its cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business. After making enquiries, the Management Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the consolidated financial statements.

The Management Board is also responsible for the preparation of the Annual report in accordance with the Croatian Accounting Act. The Annual report is authorised and signed by the Management Board. The Management Board is responsible for the submission to the Supervisory Board of its Annual report together with the annual consolidated and separate financial statements, following which the Supervisory Board is required to approve the annual consolidated financial statements for submission to the General Assembly of Shareholders for adoption.

The separate financial statements of the Company are published separately and issued simultaneously with the annual consolidated financial statements.

The consolidated financial statements were authorised by the Management Board on 28 April 2021 for issue to the Supervisory Board and are signed below to signify this:

Ivan Leko
President of the Management Board

Dominik Leko
Member of the Management Board

Dalibor Bagarić
Member of the Management Board

Ivica Greguraš
Member of the Management Board

Ivan Miloš
Member of the Management Board

CIAK Grupa d.d.
Savska Opatovina 36
10 000 Zagreb
Croatia

CIAK Grupa d.d.
ZAGREB

Independent Auditors’ Report to the shareholders of CIAK Grupa d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of CIAK Grupa d.d. (“the Company”) and its subsidiaries (together referred to as “the Group”), which comprise the consolidated statement of financial position of the Group as at 31 December 2020, and the consolidated statements of comprehensive income, cash flows and changes in equity of the Group for the year then ended, and notes, comprising significant accounting policies and other explanatory information (further referred to as “the financial statements”).

In our opinion, the accompanying financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (“EU IFRS”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

This version of our audit report is a translation from the original, which was prepared in 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 our audit report takes precedence over this translation.

Independent Auditors' Report to the shareholders of CIAK Grupa d.d. (continued)

Report on the Audit of the Financial Statements *(continued)*

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Revenue recognition</td></tr>
<tr><td colspan="2">Revenue recognized in profit or loss for 2020 amounts to HRK 952,153 thousand (2019: HRK 995,664 thousand). Please refer to the Note 3.4 Revenue recognition within Significant accounting policies and Note 6 Revenue in the financial statements.</td></tr>
<tr><td>Key audit matter</td><td>How we addressed the matter</td></tr>
<tr><td>The Group's core activities include wholesale and retail sales of automotive parts and accessories, waste disposal services and other related services. Revenue is a key measure used to evaluate the performance of the Group.

The applicable financial reporting standard governing the accounting for revenues, IFRS 15 Revenue from Contracts with Customers, requires management to identify all goods or services provided to customers and determine whether to account for each such good or service as a separate performance obligation, as well as to determine an appropriate revenue recognition pattern (point-in-time vs over time).

Given the nature of customer contracts or contract equivalents, the Group recognises most of its revenue (wholesale and retail sales) at a point time when the performance obligation relevant to the contract is executed and when control over the products transfers to the customer which is typically upon delivery to the customer.

For waste disposal services, revenue is recognised in part over time as the performance obligation is performed, and in part upon completion, i.e. upon fulfilment of the performance obligation, depending on the specifics of a relevant contract. Revenue from other related services is generally recognised over time.

Due to the above factors, accounting for revenues requires management to exercise significant judgment. Consequently, this area required our increased attention in the audit and is considered by us to be a key audit matter.</td><td>Our procedures performed in this area included:
• Evaluating the design and implementation of controls over the revenue cycle;
• Assessing the Group's policy for recognizing revenue, including considering whether the policy is in accordance with the five-step approach required by the revenue standard;
• For a sample of contracts or contract equivalents with customers in force during the reporting period:
- challenging the Group's identification of performance obligations included therein;
- critically assessing the Group's determination of revenue recognition pattern (point-in-time vs over time) for identified performance obligations by reference to the provisions of the contracts and our understanding of the resulting pattern of satisfying related performance obligations;
- based on our understanding of revenue recognition patterns derived from the above procedures, critically evaluating the revenue amounts recognized by comparing a sample of revenue transactions to the outgoing invoices (taking into account on-invoice rebates), goods delivery notes and general ledger entries and other relevant source documentation, with particular attention paid to amounts recognised at or around the reporting date;
• For a sample of customers, obtaining external confirmations of amounts due as at the reporting date, and inquiring as to the reasons for any significant differences between the amounts confirmed and the Group's accounting records, and inspecting the underlying documentation;
• Inspecting journal entries posted to revenue accounts focusing on unusual and irregular items;
• Assessing the adequacy of revenue recognition – related disclosures against the relevant requirements of the financial reporting standards.</td></tr>
</table>

Independent Auditors' Report to the shareholders of CIAK Grupa d.d. *(continued)*

Report on the Audit of the Financial Statements (continued)

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management Report, we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether the Management Report has been prepared in accordance with the requirements of Articles 21 and 24 of the Accounting Act.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and procedures above, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report has been prepared, in all material respects, in accordance with the requirements of Articles 21 and 24 of the Accounting Act.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report. We have nothing to report in this respect.

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

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

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

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

This version of our audit report is a translation from the original, which was prepared in 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 our audit report takes precedence over this translation.

Independent Auditors' Report to the shareholders of CIAK Grupa d.d. *(continued)*

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

This version of our audit report is a translation from the original, which was prepared in 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 our audit report takes precedence over this translation.

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Independent Auditors' Report to the shareholders of CIAK Grupa d.d. *(continued)*

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 30 June 2020 to audit the consolidated financial statements of CIAK Grupa d.d. for the year ended 31 December 2020. Our total uninterrupted period of engagement is two years, covering the years ending 31 December 2019 and 31 December 2020.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 29 April 2021;
- we have not provided any prohibited non-audit services (NASs) referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit.

The engagement partner on the audit resulting in this independent auditors' report is Igor Gošek.

KPMG

KPMG Croatia d.o.o. za reviziju
Croatian Certified Auditors
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Ivana Lučića 2a
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Croatia

KPMG Croatia
d.o.o. za reviziju
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Ivana Lučića 2a, 10000 Zagreb
8

30 April 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2020 AND 31 DECEMBER 2019

(in thousands of HRK)	*Note*	2020	2019
Sales revenue	*6*	952,153	995,664
Other income	*7*	14,345	5,398
Material expenses	*8*	(659,492)	(682,517)
Employee expenses	*10*	(151,215)	(143,824)
Depreciation and amortisation	*14,15,16*	(35,146)	(34,342)
Other operating expenses	*9*	(75,752)	(89,833)
Operating profit		**44,893**	**50,546**
Finance income	*11*	3,018	2,966
Finance costs	*12*	(15,383)	(14,521)
Net finance expense		**(12,366)**	**(11,555)**
Profit before tax		**32,527**	**38,991**
Income tax	*13*	(5,913)	(9,454)
Net profit for the year		**26,614**	**29,537**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign operations - foreign translation differences		(65)	328
Total comprehensive income		**26,548**	**29,865**
Profit attributable to:			
Equity holders of the parent		26,494	29,474
Non-controlling interests		120	63
Total comprehensive income attributable to:			
Equity holders of the parent		26,382	29,841
Non-controlling interests		166	24
Earnings per share (in HRK):			
Basic		1.34	2.20
Diluted		1.96	2.20

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020 AND 31 DECEMBER 2019

(in thousands of HRK)

	Note	31 December 2020.	31 December 2019.
ASSETS			
Non-current assets			
Intangible assets	*14*	6,238	5,183
Property, plant and equipment	*15*	132,050	131,359
Right of use assets	*16*	70,416	70,489
Financial assets	*17*	491	539
Trade and other receivables	*19*	1,381	-
Deferred tax assets	*13*	2,695	5,820
Total non-current assets		**213,271**	**213,390**
Current assets			
Inventories	*18*	318,908	286,497
Financial assets	*17*	5,701	4,746
Trade and other receivables	*19*	181,900	180,971
Income tax receivable		3,119	911
Cash and cash equivalents	*20*	199,397	34,945
Non-current assets held for sale	*21*	422	404
Total current assets		**709,448**	**508,474**
Total assets		**922,719**	**721,864**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	*22*	197,520	134,064
Reserves	*23*	184,762	32,282
Retained earnings	*24*	37,601	11,219
Attributable to equity holders of the parent		**419,883**	**177,565**
Non-controlling interests	*25*	3,829	3,663
Total shareholders' equity		**423,712**	**181,228**
Non-current liabilities			
Borrowings	*26*	187,526	192,418
Provisions	*27*	281	22
Long term payables	*28*	819	-
Deferred tax liability	*13*	17	7
Total non-current liabilities		**188,643**	**192,447**
Current liabilities			
Trade and other payables	*28*	230,038	256,660
Income tax payable		669	3,350
Borrowings	*26*	79,657	88,179
Total current liabilities		**310,364**	**348,189**
Total liabilities		**499,007**	**540,636**
Total equity and liabilities		**922,719**	**721,864**

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2020 AND 31 DECEMBER 2019

(in HRK thousands)	**Share capital**	**Capital reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total**
As at 1 January 2019	14,920	70,000	82,402	167,322	3,639	170,961
Comprehensive income						
Profit for the year	-	-	29,474	29,474	63	29,537
Foreign exchange differences	-	-	367	367	(39)	328
Other comprehensive income	-	-	367	367	(39)	328
Total comprehensive income	**14,920**	**70,000**	**112,242**	**197,162**	**3,663**	**200,824**
Transactions with owners and transfers recognised directly in equity						
Allocation from retained earnings and capital reserves	119,144	(61,844)	(57,300)	-	-	-
Transfer	-	24,126	(24,126)	-	-	-
Distribution to the owner	-	-	(16,398)	(16,398)	-	(16,398)
Declared dividend	-	-	(3,200)	(3,200)	-	(3,200)
Total transactions with owners recognised directly in equity	**119,144**	**(37,718)**	**(101,024)**	**(19,598)**	**-**	**(19,598)**
As at 31 December 2019	**134,064**	**32,282**	**11,219**	**177,565**	**3,663**	**181,228**
Comprehensive income						
Profit for the year	-	-	26,494	26,494	120	26,614
Foreign exchange differences	-	-	(112)	(112)	46	(65)
Other comprehensive income	-	-	(112)	(112)	46	(65)
Total comprehensive income	**-**	**-**	**26,382**	**26,382**	**166**	**26,548**
Transactions with owners and transfers recognised directly in equity						
Increase of capital	63,456	152,480	-	215,936	-	215,936
Total transactions with owners recognised directly in equity	**63,456**	**152,480**	**-**	**215,936**	**-**	**215,936**
As at 31 December 2020	**197,520**	**184,762**	**37,601**	**419,883**	**3,829**	**423,712**

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2020 AND 31 DECEMBER 2019

(in HRK thousands)	*Note*	2020	2019
Profit for the year		**26,548**	**29,537**
		-	-
Income tax	*13*	5,913	9,454
Depreciation and amortization	*14, 15, 16*	35,144	34,342
Merger efect		59	-
Write off of intangible assets		1,523	1,749
Write off of property, plant and equipment		609	-
(Gain)/loss on disposal of property, plant, equipment and intangibles		(917)	(368)
Impairment of trade and other receivables	*9*	1,358	-
Impairment of inventory		1,308	4,014
Net change in provisions		259	(171)
(Gain)/loss on disposal of joint ventures		-	313
Unrealised exchange rate differences		2,216	1,334
Interest income	*11*	(309)	(1,174)
Unwinding of dicount on long-term liabilities		953	-
Interest expense	*12*	7,411	11,142
		82,074	**90,172**
Changes in working capital:			
Trade and other receivables		(2,974)	8,170
Inventories		(33,719)	(20,308)
Trade and other payables		(21,980)	(24,438)
Cash generated from operations		**23,401**	**53,596**
Interest paid		(7,439)	(9,678)
Income taxes paid		(7,678)	(8,400)
Net cash from operating activities		**8,283**	**35,518**
Cash flows from investing activities			
Purchase of intangibles	*14*	(3,157)	(1,353)
Purchase of property, plant, equipment	*15*	(15,922)	(17,145)
Proceeds from sale of property, plant, equipment		677	368
Acquisition of subsidiary net of cash		-	(632)
Net change in deposits		(907)	4,704
Loans given		(4,747)	(186)
Proceeds from loans given		1,962	3,406
Proceeds from sale of joint ventures		1,035	1,420
Dividends received		-	254
Interest received		1,524	173
Net cash used in investing activities		**(19,535)**	**(8,991)**
Cash flows from financing activities			
Proceeds from issue of share capital	22	215,936	-
Loans received	*26*	64,010	68,883
Loans repaid	*26*	(77,655)	(60,072)
Lease liabilities paid		(26,587)	(19,526)
Dividends paid		-	(3,200)
Net cash used in financing activities		**175,704**	**(13,915)**
Net increase of cash and cash equivalents		164,452	12,612
Cash and cash equivalents at beginning of year	*20*	34,945	22,333
Cash and cash equivalents at the end of year		**199,397**	**34,945**

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

NOTE 1 – GENERAL INFORMATION

History and incorporation

CIAK Grupa d.d., Zagreb (formerly named Direkt d.o.o., "the Company") is incorporated in the Republic of Croatia on 14 January 1999. The principal activities of the Company and its subsidiaries (together referred to as "the Group") comprise wholesale and retail of automotive parts as well as waste management.

The Group is headquartered in Zagreb, Croatia, Savska Opatovina 36.

By the decision on legal transformation of 27 December 2019, the Company was transformed from a limited liability company into a joint stock company which was registered at the Commercial Court in Zagreb on 2 January 2020 and the Company changed its name to CIAK Grupa d.d.

The shareholder structure is shown in note 22.

Corporate governance and management

General Assembly

The General Assembly of the Company consists of the shareholders of CIAK Grupa d.d.

Supervisory Board

The Supervisory Board was formed on 27 December 2019. The members of the Supervisory Board since the date it was formed and until the date of these financial statements were as follows:

President	Stjepan Ljatifi (appointed 27 December 2019)
Deputy President	Vjekoslav Mesaroš (appointed 6 May 2020)
Member	Slavica Zrinski (appointed 27 December 2019)
Member	Đurđica Meglajec (appointed 27 December 2019)
Member	Damir Kos (appointed 6 May 2020)

Management Board

The Company formed a Management Board consisting of multiple members on 27 April 2020. The Management Board members of the Company are as follows:

President of the Management Board	Ivan Leko (appointed 27 April 2020)
Member of the Management Board	Dominik Leko (sole Director of the Company until 27 April 2020)
Member of the Management Board	Dalibor Bagarić (appointed 27 April 2020)
Member of the Management Board	Ivica Greguraš (appointed 27 April 2020)
Member of the Management Board	Ivan Miloš (appointed 27 April 2020)

NOTE 2 – BASIS OF PREPARATION

(i) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“EU IFRS”). The separate financial statements the Company is required to prepare in accordance with EU IFRS are published separately and issued simultaneously with these consolidated financial statements.

(ii) Basis of measurement

The consolidated financial statements of the Group have been prepared on the historical cost basis, except where stated otherwise (see note 5).

(iii) Functional and presentation currency

These financial statements are prepared in the Croatian kuna (“HRK”), which is also the functional currency, rounded to the nearest thousand.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been consistently applied to all the years presented in these consolidated financial statements.

3.1 Basis of consolidation

(i) Group structure and scope of consolidation

As at the reporting dates, the Company held the following ownership interests in controlled entities:

			2020.		2019.	
Company		**Country**	***DOI%**	***EOI%**	***DOI%**	***EOI%**
C.I.A.K. auto d.o.o.		HR	100%	100%	100%	100%
C.I.A.K. Auto d.o.o.		BiH		100%		100%
AD Adria d.o.o.		HR		100%		100%
C.I.A.K. Auto Srbija d.o.o.		RS		100%		100%
C.I.A.K. d.o.o.		HR	100%	100%	100%	100%
C.I.A.K. d.o.o.		RS		100%		100%
C.I.A.K. d.o.o.		SLO		100%		100%
C.I.A.K. d.o.o. Grude		BiH		100%		100%
Grioss RS d.o.o.		BiH		100%		100%
Bendj trade d.o.o.		BiH		62%		62%
Top start d.o.o.		HR		100%		100%
Autodijelovi d.o.o.		HR		50%		50%
Adriatik ulja d.o.o.		HR		100%		100%
CIAK Truck d.o.o.		HR	100%	100%	100%	100%
C.I.A.K. Truck (Kamioland)		SLO		50%		50%
C.I.A.K. Truck Srbija d.o.o.		RS		100%		100%
C.I.A.K. Truck Servis		HR		100%		100%
C.I.A.K. Truck		BiH		100%		100%
C.I.A.K. trade d.o.o.		HR	100%	100%	100%	100%
C.I.A.K.-USLUGE D.O.O.	**	HR	100%	100%	100%	100%

**DOI = direct ownership interest of parent company / EOI = effective ownership interest of parent company.*
***The company was merged with to parent company in 2020*

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

During 2019, Company prepared consolidated financial statements in accordance with EU IFRS.

(ii) Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are de-consolidated from the date that control ceases.

(iii) Business combinations

The Group uses the acquisition method of accounting to account for business combinations (other than business combinations under common control). The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed in the statement of comprehensive income as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of consideration transferred, the amount of any non-controlling interest in the acquiree and acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of bargain purchase, the difference is recognised directly in the statement of comprehensive income.

(iv) Non-controlling interests

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

(v) Loss of control over subsidiaries

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

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (nastavak)

3.2 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business, less accumulated impairment loss, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.3 Non-current assets held for sale

Non-current assets and disposal groups (which may include both non-current and current assets and liabilities directly associated with those assets) are classified in the statement of financial position as ‘held for sale’ if it is highly probable that their carrying amount will be recovered principally through a sale transaction within twelve months after the reporting date rather than through continuing use. Non-current assets classified as held for sale in the current period’s consolidated statement of financial position are not reclassified in the comparative consolidated statement of financial position.

Held-for-sale property, plant and equipment or disposal groups as a whole are generally measured at the lower of their carrying amounts and fair values less costs to sell or distribute. Held-for-sale property, plant and equipment are not depreciated.

3.4 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer and specific criteria have been met for each of the Group’s activities as described below.

Revenue is recognised net of value-added tax, volume rebates, trade discounts and returns.

(i) Revenue from wholesale and retail of merchandise

The Group sells trade goods of third parties (for which the Group is a distributor) as part of its wholesale and retail activities. Revenue is recognised when the Group has delivered the products to the customer, there is no continuing management involvement over the goods, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products.

Delivery does not occur until the products have been shipped to the specified location, the control has been transferred to the customer and either of the following has occurred: the customer has accepted the products in accordance with the contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied. The most common parity is the CIP, where the control is transferred to the customer at the moment the goods are delivered and the delivery note is confirmed upon the transfer of goods.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (nastavak)

3.4 recognition (continued)

Products are sold with volume discounts and customers have a right to return products in case of defects. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data. In these circumstances, a refund liability and a right to recover returned goods asset are recognised. The right to recover returned goods asset is measured at the former carrying amount of the inventory. The refund liability is included in other payables and the right to recover returned goods is included in inventory. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

Sales are recorded based on the price specified in the sales contracts, net of estimated volume rebates and trade discounts and returns. The volume discounts are assessed based on contracts with customers. No element of financing is deemed present in the sales.

Retail sales are usually in cash or by credit card.

(ii) Revenue from services

The Group generates revenue from services primarily through sales of services such as waste management and vehicle related services (repairs and similar). Revenue from waste management services is recognised at a point in time when the services is completed (generally when the waste has been collected for processing or delivered for processing to third parties as is the case with special and hazardous waste). Revenues from vehicle related services are recognised over time, by reference to stage of completion calculated on the basis of the actual services provided as a proportion of the total services to be provided and are mostly rendered within a very short timeframe of one to several days.

(iii) Finance income

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised when the right to receive payment is established.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Leases - Group as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in separate line items in the statement of financial position.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Leases - Group as a lessee

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.7 Foreign currency transactions

(i) Transactions and balances in foreign currencies

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the foreign exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary assets and items that are measured in terms of historical cost of a foreign currency are not retranslated.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into functional currency at foreign exchange rates ruling at the date of transaction.

(ii) Group companies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Croatian kuna ("HRK"), which is also the Company's functional currency.

Income and expense items and cash flows of foreign operations are translated into the Company's and Group's presentation currency at rates approximating the foreign exchange rates ruling at the dates of transactions and their assets and liabilities are translated at the exchange rates ruling at the year end. All resulting exchange differences are recognised in a separate component of equity. The applicable foreign exchange rates for relevant currencies are included within currency risk disclosures.

When a foreign operation is sold, such exchange differences are released in profit or loss as part of the gain or loss on sale of foreign operations.

3.8 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions associated with them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or loss already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3.9 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the General Assembly of the Company's shareholders.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in sales of related products or services (business segment) or in sales of products and services within a particular economic environment (geographical segment) and is subject to risks and rewards that are different from those of other segments.

At the consolidated level, the Group internally monitors and reports the following segments:

- Auto program – vehicles
- Truck program
- Batteries, oils and similar
- Wholesale
- Ecology

The Group identifies operating segments on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (Director or the Management Board of the Company) in order to allocate resources to the segments and to assess their performance. Details on the operating segments are disclosed in note 7 to the consolidated financial statements. Comparative information is presented using the comparability principle.

3.11 Taxation

(i) Income tax

Income tax expense comprises current and deferred tax. Tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in the statement of other comprehensive income or in equity.

Income tax for the current year is calculated on the basis of the tax laws enacted at the balance sheet date in countries where the Company and its subsidiaries operate and earn taxable profit.

(ii) Deferred tax assets and liabilities

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax assets for deductible temporary differences arising from investments in subsidiaries, and interests in joint arrangements, are only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference will be utilised, while liabilities are recognised only to the extent that the entity is able to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax asset recognised on the basis of tax losses carried forward is recognised in accordance with tax legislation of the country where the company operates for the period envisaged by the law and is discharged at the expiry of this period if it is not used until then.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Taxation (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(iii) Tax exposure

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(iv) Value added tax (VAT)

The Tax Authorities require the settlement of VAT on a net basis. VAT related to sales and purchases is recognised and disclosed in the consolidated statement of financial position on a net basis. Where a provision has been made for impairment of receivables, impairment loss is recorded for the gross amount receivable, including VAT.

3.12 Property, plant and equipment

Property, plant and equipment are included in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Land and assets under construction are not depreciated. Depreciation of other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 to 40 years
Plant and equipment	2 to 10 years
Transport assets	4 to 10 years

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date and when necessary.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 3.14).

Gains and losses on disposals are determined as the difference between the income from the disposal and the asset's carrying amount, and are recognised in profit or loss within other income/expenses.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Intangible assets

Intangible assets are included in the consolidated statement of financial position at cost less accumulated amortisation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items.

Computer software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their useful lives estimated at 5 years.

3.14 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (apart from 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 in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the "cash-generating unit" ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In 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.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is expensed immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized as income immediately.

3.15 Inventories

Inventories of raw materials and spare parts are stated at the lower of cost, determined using the weighted average cost method, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business.

The cost of work-in-progress and finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Merchandise is carried at the lower of purchase cost and selling price (less applicable taxes and rebates).

3.16 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid instruments with original maturities of three months or less. Bank overdrafts are included within current liabilities on the consolidated statement of financial position.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Share capital

Share capital consists of ordinary shares. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds of those transactions. Any excess of the fair value of the consideration received over the par value of the shares issued is presented in the notes as a share premium.

In case the Group purchases its own share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income tax) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

3.18 Employee benefits

(i) Short-term employee benefits

The Group recognises a provision for employee bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(ii) Pension obligations and post-employment benefits

In the normal course of business, the Group makes payments to mandatory pension funds operated by third parties on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Group is not obliged to provide any other post-employment benefits with respect to these pension schemes and they are therefore treated as defined contribution plans.

3.19 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the reversal of such discounting in each year is recognized as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

Provisions for restructuring costs are recognized when the Group has a detailed formal plan for the restructuring that has been communicated to parties concerned.

3.20 Financial instruments

A. <u>Financial assets</u>

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Financial instruments (continued)

A <u>Financial assets (continued)</u>

(ii) Classification and subsequent measurement (continued)

On initial recognition, a financial asset is classified as measured at:

- amortised cost;
- FVOCI (fair value through other comprehensive income) – debt investment;
- FVOCI – equity investment;
- or FVTPL (fair value through profit or loss).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial assets is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Financial instruments (continued)

A Financial assets (continued)

(ii) Classification and subsequent measurement (continued)

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Trade receivables are held in the business model of holding for the purpose of collection.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, relevant for the purpose of classifying financial assets at amortised cost, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing the main criterion, i.e. whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The structure of the Group's financial assets is simple and primarily relates to trade receivables without a significant financial component, loans given and short-term deposits in banks at fixed interest rates, while forward contracts are of insignificant amount. This significantly reduces the complexity of the assessment whether the financial assets meet the criterion of 'solely payments of principal and interest'.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Financial instruments (continued)

A Financial assets (continued)

Subsequent measurement and gains and losses

The table below provides an overview of key provisions of the accounting policy used by the Group for subsequent measurement of financial assets and recognition of gains and losses on each class of financial assets:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(ii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Financial instruments (continued)

B. Financial liabilities

(i) Recognition and initial measurement

Debt securities are initially recognised when they are originated. All other financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

C. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Financial instruments (continued)

D. Impairment of non-derivative financial assets

Recognition of impairment losses

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if early warning indicators have been activated in accordance with the Group's policy or contractual terms of the instrument.

The Group considers a financial asset to be fully or partially in default if:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 360 days past due based on historical experience of average market participant.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. Regular external trade receivables that are not past due and uncollected receivables past due up to 360 days from the maturity date are impaired using the percentage that reflects the expectations of the non-collection of trade receivables (ECL). The percentage of impairment is determined on the basis of the average of the previous three-year period (historical rate) separately for each of the Group's companies. The calculation of the historical rate is adjusted for extraordinary and specific circumstances, if required.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Financial instruments (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a significant delay of payment by the borrower;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off of financial assets

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount of a financial asset upon the legal statute of limitation and it generally expects no recovery of the amount written off.

NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with EU IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of EU IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed more detail below.

(i) Deferred tax assets recognition

The deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and applies estimation based on previous years taxable profits and expectations of future income that are believed to be reasonable under the existing circumstances.

NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(ii) Recoverability of trade and other receivables

The recoverable amount of trade and other receivables is estimated at present value of future cash flows discounted at the market interest rate at the measurement date. Short-term receivables with no stated interest rate are measured by the amount of original invoice if the effect of discounting is not significant.

The Group regularly reviews the ageing structure of trade receivables and monitors the average collection period. In cases where debtors with extended payment periods are identified, the Group reduces the related credit limits and payment days for future transactions and, in cases where it deems it necessary, imposes restrictions on future transactions until the outstanding balance is repaid either entirely or in part. In cases where the Group identifies receivables toward debtors which have entered into pre-bankruptcy or bankruptcy proceedings, an impairment loss is immediately recognised in full.

By applying the percentage that reflects expectations on the non-collection of trade receivables (expected credit loss), the Group impairs undue regular external trade receivables and past due uncollected receivables up to 360 days from the maturity date.

In the process of regulating the collection of overdue debts, the Group actively negotiates with the respective debtors taking into account expectations of future business relations, significance of exposure to an individual debtor, possibilities of compensation, exercise of instruments of security (if any) or seizure of assets, etc.

NOTE 5 – DETERMINATION OF FAIR VALUES

The Group has an established control framework with respect to fair value measurement which assumes the overall responsibility of the Management Board and finance department in relation to the monitoring of all significant fair value measurements, consultation with external experts and the responsibility to report, with respect the above, to those charged with corporate governance.

Fair values are measured using information collected from third parties in which case the Board and the finance department assess whether the evidence collected from third parties support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy where such valuations should be classified.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1 -* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2 -* inputs other than quoted prices included in level 1, that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3 -* input variables for assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more significant inputs are not based on observable market data, the fair value estimate is included in level 3.

NOTE 6 – SALES REVENUE

	2020	2019
	(thousands of HRK)	
Revenue from products	877,529	918,448
Waste management services	49,461	54,356
Revenue from other services	17,453	20,450
Other	7,710	2,410
	952,153	**995,664**

For management purposes, the Group is organised in business units based on the similarity in the nature of individual product groups and the nature of the distribution and sales channel and has identified reportable segments in accordance with quantitative thresholds for segment reporting. The reportable segments of the Group are as follows:

- Auto program – vehicles
- Truck program
- Batteries, oils and similar
- Wholesale
- Ecology

The reportable segments are part of the internal financial reporting to the Management Board which was identified as the chief operating decision maker. The Management Board reviews the internal reports regularly and assesses the segment performance, and uses those reports in making operating decisions.

Segment revenues and results

Set out below is an analysis of the Group's revenue and results by its reportable segments, presented in accordance with IFRS 8 *Operating segments* and a reconciliation of segment profits to profit or loss before tax as presented in the consolidated statement of comprehensive income. The revenue presented below relates to third-party sales and revenues between segments. Intra-segment revenues are eliminated on consolidation.

	Segment revenues		**Segment profits**	
(in thousands of HRK)	**2020**	**2019**	**2020**	**2019**
Auto program - vehicles	530,181	519,493	35,565	29,706
Truck program	163,041	169,138	4,838	1,992
Batteries, oils and similar	275,763	266,418	7,448	7,479
Wholesale	50,611	53,606	4,175	3,131
Ecology	142,159	166,587	6,995	21,421
	1,161,755	**1,175,242**	**59,020**	**63,729**
Inter-segment revenues	(209,602)	(179,578)	-	-
	952,153	**995,664**	**59,020**	**63,729**
Finance income			3,018	2,966
Finance expenses			(15,358)	(14,521)
Central administration and other costs			(14,153)	(13,183)
Profit before tax			**32,527**	**38,991**

NOTE 6 – SALES REVENUE (CONTINUED)

Segment revenues and results (continued)

The segment "Auto program – vehicles" operates as a retail channel for sales of auto parts in the "Independent Aftermarket" (IAM), i.e. market for repair and maintenance of vehicles. Typical products are brakes, filters, wipers, shock absorbers, lights, suspension parts, batteries, tires, oils, antifreeze, accessories, etc.

Truck program operates as wholesale of truck parts in the IAM. Typical products are brakes, filters, wipers, shock absorbers, lights, suspension parts, batteries, tires, oils, antifreeze, accessories, etc.

Generators, oils and similar includes the wholesale of batteries, industrial batteries, oils, lubricants and other automotive equipment such as brooms, additives, etc. through several sales channels: wholesale in the IAM, wholesale to products end users, wholesale to gas stations and retail.

Wholesale segment relates to wholesale to large retail chains which includes sales of car supplies (e.g. car cosmetics, windshield washer fluid, steering wheel covers, batteries, etc.), textiles (bedding, towels, blankets, etc.), garden program (mowers, trimmers, flaxers, saws) to retail chains.

Ecology comprises two sub-segments: recycling and waste management. The recycling operations relate to the recycling of accumulators and industrial batteries at the Recycling Center in Zabok, which is the only closed system for recycling accumulators and batteries in Croatia. Waste management includes the collection, treatment and disposal of hazardous and non-hazardous waste (e.g. motor oils, filters, grease, etc.), remediation of contaminated sites, maintenance of industrial plants, consulting services related to hazardous waste, etc.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, other income, other expenses, finance expenses, and income tax expense.

Geographical information

The Group operates in four principal geographical areas by which it reports third-party sales:

(in thousands of HRK)	**2020**	**2019**
Croatia	787,071	825,528
Serbia	92,706	82,732
Bosnia and Herzegovina	48,308	59,548
Slovenia	24,068	27,856
	952,153	**995,664**

Non-current assets (intangible assets, property, plant and equipment and right of use assets) based on the geographical areas are presented as follows:

	2020	**2019**
	(thousands of HRK)	
Croatia	176,712	179,414
Serbia	10,602	7,937
Bosnia and Herzegovina	19,414	18,703
Slovenia	1,976	977
	208,704	**207,031**

NOTE 7 – OTHER INCOME

	2020	2019
	(in thousands of HRK)	
Income from damage claims	623	2,184
Rent income	606	1,538
Subsidies	9,989	156
Gain from sale of non-current assets	917	368
Write-off of liebilities	23	329
Other income	2,187	823
	14,345	**5,398**

Subsidies refer to cash grants received from the government as a financial support during Coronavirus (Covid -19) outbreak.

NOTE 8 – MATERIAL COSTS

	2020	2019
	(in thousands of HRK)	
Cost of goods sold	551,710	571,313
Raw materials and consumables used	107,782	111,204
	659,492	**682,517**

NOTE 9 – OTHER OPERATING EXPENSES

	2020	2019
	(in thousands of HRK)	
Transport and logistics	14,415	18,847
Rent expense	4,152	4,043
Utilities and fees	2,361	2,314
Advertising and similar costs	3,893	7,981
Maintenance	5,550	6,256
Vehicle and similar repairs	6,452	5,739
Impairment	1,358	4,014
Intellectual services	3,912	4,114
Banking and similar charges	2,631	3,280
Entertainment	2,189	3,597
Vehicle costs	3,756	5,188
Taxes, fees and similar charges	1,827	2,790
Telecommunications and postal services	2,716	2,742
Insurance	2,557	2,616
Daily subsistence allowances and other travel expenses	2,835	2,332
Inventory surpluses / shortfalls	1,889	1,489
Membership fees, fees and similar charges	1,112	1,476
Office materials	1,269	1,311
Increase/(decrease) in provisions	259	(18)
Security services	876	862
Authors fee	372	539
Damage compensation	3	312
Donations	95	213
Legal expenses	392	134
Write-off of receivables	1,308	-
Penalties, penalties and damages	111	59
Other costs	7,466	7,603
	75,752	**89,833**

NOTE 10 – EMPLOYEE EXPENSES

	2020	2019
	(in thousands of HRK)	
Net salaries	92,659	89,863
Taxes and contributions	47,959	46,562
Other employee' costs	10,597	7,399
	151,215	**143,824**

As at 31 December 2020, the number of staff employed by the Group was 1,296 (2019: 1,246). Other employee costs primarily relate to transport costs and bonuses.

NOTE 11 – FINANCE INCOME

	2020	2019
	(in thousands of HRK)	
Interest income	309	1,174
Positive FX difference	2,574	1,538
Other finance income	135	254
	3,018	**2,966**

NOTE 12 – FINANCE EXPENSES

	2020	2019
	(in thousands of HRK)	
Interest expenses and similar	7,411	9,581
Negative FX difference	7,669	3,742
Other finance costs	303	1,198
	15,383	**14,521**

NOTE 13 – INCOME TAX

Income tax expense consists of:

	2020	2019
	(in thousands of HRK)	
Current income tax	2,789	9,472
Deferred tax	3,124	(18)
	5,913	**9,454**

A reconciliation of tax expense per the statement of comprehensive income and taxation at the statutory rate is detailed in the table below:

	2020	2019
	(in thousands of HRK)	
Profit before taxation	**32,527**	**38,991**
Income tax at 18%	5,855	7,018
Non-taxable income	(4,676)	(185)
Non-deductible expenses	3,457	2,281
Temporary differences and tax losses not recognised as deferred tax assets	(1,340)	1,075
Utilisation of tax losses previously not recognised as deferred tax asset	2,175	(586)
Effect of different tax rates	442	(149)
Income tax	**5,913**	**9,454**
Effective tax rate	18%	24%

Unused tax losses

In accordance with tax regulations, as at 31 December 2020 the Group has unused tax losses in the amount of HRK 528 thousand expiring in 2021 which relate to companies in Croatia. No deferred tax assets with respect to these losses were recognized.

Deferred tax assets and liabilities

Deferred tax assets as at 31 December 2020. amounted to HRK 2,695 thousand and related to the following:

Financial statement caption	**Basis**	
Property, plant and equipment	Non-deductible impairment losses	72
Trade and other receivables	Non-deductible impairment losses	1,081
Inventories	Non-deductible impairment losses and write-o	1
Trade and other payables	Non-deductible accruals	1,541
		2,695

Deferred tax liabilities amount to HRK 17 thousand as at 31 December 2020. and movements in the temporary differences are recognised in profit or loss.

NOTE 14 – INTANGIBLE ASSETS

(in thousands of HRK)	Software	Leasehold imoprovements	Investments in progress	Total
Cost				
At 1 January 2019	6,250	4,622	357	11,229
Additions	628	-	755	1,383
Transfers	380	518	(898)	-
Disposals and write offs	(94)	(35)	-	(129)
At 31 December 2019	**7,164**	**5,105**	**214**	**12,483**
Accumulated amortisation				
At 1 January 2019	3,421	2,418	-	5,839
Charge for the year	105	1,485	-	1,590
Disposals and write offs	(94)	(35)	-	(129)
At 31 December 2019	**3,432**	**3,868**	**-**	**7,300**
Carrying amount				
As at 31 December 2019	**3,732**	**1,237**	**214**	**5,183**
Cost				
At 1 January 2020	7,164	5,105	213	12,482
Additions	7	37	3,113	3,157
Transfers	694	2,097	(2,791)	-
Disposals and write offs	-	(568)	(54)	(622)
At 31 December 2020	**7,865**	**6,671**	**481**	**15,017**
Accumulated amortisation				
At 1 January 2020	3,432	3,869	-	7,301
Charge for the year	696	793	-	1,489
Disposals and write offs	(8)	(3)	-	(11)
At 31 December 2020	**4,120**	**4,659**	**-**	**8,779**
Carrying amount				
As at 31 December 2020	**3,745**	**2,012**	**481**	**6,238**

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

(in thousands of HRK)	Land and buildings	Plant and equipment	Transport assets	Assets under construction	Total
Cost					
At 1 January 2019	103,954	76,502	26,514	7,349	214,319
Additions	-	3,843	92	13,636	17,571
Transfers	11,809	4,278	2,967	(19,054)	-
Disposals and write offs	(646)	(6,523)	(3,184)	-	(10,353)
At 31 December 2019	**115,117**	**78,100**	**26,389**	**1,931**	**221,537**
Accumulated depreciation and impairments					
At 1 January 2019	31,007	37,505	16,812	-	85,324
Charge for the year	3,509	6,458	3,387	-	13,354
Disposals and write offs	-	(5,753)	(2,747)	-	(8,500)
At 31 December 2019	**34,516**	**38,210**	**17,452**	**-**	**90,178**
Carrying amount					
As at 31 December 2019	**80,601**	**39,890**	**8,937**	**1,931**	**131,359**
Cost					
At 1 January 2020	115,117	78,100	26,389	1,931	221,537
Additions	16	706	666	14,534	15,922
Transfers	4,987	6,672	2,691	(14,350)	-
Disposals and write offs	-	(2,484)	(668)	-	(3,152)
At 31 December 2020	**120,120**	**82,994**	**29,078**	**2,115**	**234,307**
Accumulated depreciation and impairments					
At 1 January 2020	34,516	38,210	17,452	-	90,178
Charge for the year	4,551	7,381	1,897	-	13,829
Disposals and write offs	-	(983)	(614)	-	(1,597)
FX differences	(43)	(95)	(10)	(5)	(153)
At 31 December 2020	**39,024**	**44,513**	**18,725**	**(5)**	**102,257**
Carrying amount					
As at 31 December 2020	**81,096**	**38,481**	**10,353**	**2,120**	**132,050**

Assets under construction relate mainly to buildings and plant and equipment.

Assets under mortgage

Land and buildings with a carrying value of HRK 40,749 thousand (2019: HRK 59,628 thousand) are under mortgage and collateral for bank loans.

NOTE 16 – RIGHT OF USE ASSETS

(in thousands of HRK)	Land and buildings	Plant and equipment	Transport assets	Total
Cost				
At 1 January 2019	62,718	9,461	20,139	92,318
Additions	17,243	1,646	8,984	27,873
Disposals and write offs	(269)	-	(467)	(736)
At 31 December 2019	**79,692**	**11,107**	**28,656**	**119,455**
Accumulated depreciation and impairments				
At 1 January 2019	20,183	3,285	6,406	29,874
Charge for the year	13,795	1,560	4,043	19,398
Disposals and write offs	-	-	(306)	(306)
At 31 December 2019	**33,978**	**4,845**	**10,143**	**48,966**
Carrying amount				
As at 31 December 2019	**45,714**	**6,262**	**18,513**	**70,489**
Cost				
At 1 January 2020	79,692	11,107	28,656	119,455
Additions	24,961	3,902	3,095	31,958
Transfers	(3,369)	3,369	-	-
Disposals and write offs	(14,957)	-	(2,336)	(17,293)
At 31 December 2020	**86,327**	**18,378**	**29,415**	**134,120**
Accumulated depreciation and impairments				
At 1 January 2020	33,978	4,845	10,143	48,966
Charge for the year	13,937	1,903	3,986	19,826
Transfers	(1,260)	1,260	-	-
Disposals and write offs	(3,877)	-	(1,211)	(5,088)
At 31 December 2020	**42,778**	**8,008**	**12,918**	**63,704**
Carrying amount				
As at 31 December 2020	**43,549**	**10,370**	**16,497**	**70,416**

NOTE 17 – FINANCIAL ASSETS

	2020	2019
	(in thousands of HRK)	
Deposits	6,192	5,283
Equity instruments	-	2
	6,192	**5,285**
Short term	5,701	4,746
Long term	491	539
	6,192	**5,285**

Deposits relate to deposits at commercial banks with maturity more than three months that carry a variable interest rate up to 0,01%.

NOTE 18 – INVENTORIES

	2020	2019
	(in thousands of HRK)	
Raw materials and supplies	7,294	6,376
Trade goods and merchandise	306,269	276,976
Small inventory	1,567	1,507
Advances for inventories	3,778	1,638
	318,908	**286,497**

Movements in write-down of inventory is recognized in other operating operations within profit or loss. In 2020 it is amounted to HRK 1,308 thousand.

NOTE 19 – TRADE AND OTHER RECEIVABLES

	2020	2019
	(in thousands of HRK)	
Trade receivables	169,842	168,806
Impairment of receivables	(15,224)	(18,217)
Net trade receivables	**154,618**	**150,589**
Interest receivables	343	1,558
Receivables for taxes and contributions	6,770	4,823
Advances given	554	1,731
Receivables from employees	261	835
Loans receivable	6,674	3,889
Accrued rebates	10,589	8,306
Prepayments	1,082	3,288
Receivables for divested shares	-	1,035
Other receivables	2,391	4,917
	183,281	**180,971**
Short term	181,900	180,971
Long term	1,381	-
	183,281	**180,971**

NOTE 19 – TRADE AND OTHER RECEIVABLES (continued)

During 2020, within other operating expenses the Group recognised impairment allowances in the amount of HRK 1,357 thousand with respect to trade receivables and other receivables.

Movement in the accumulated impairment allowance for trade and other receivables was as follows:

	2020	2019
	(in thousands of HRK)	
At 1 January	18,217	17,760
Net Increase/decrease	2,202	4,395
Amounts collected	(844)	(381)
Written off as uncollectable	(4,351)	(3,557)
At 31 December	**15,224**	**18,217**

Ageing analysis of gross trade receivables:

	2020	2019
	(in thousands of HRK)	
Not due	90,827	86,987
0-90 days	46,681	48,890
91-180 days	7,400	10,391
181-360 days	4,353	6,338
More than 360 days	20,581	16,200
	169,842	**168,806**

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased. Loss rates are based on actual credit loss experience over the three years.

Trade receivables in original currency (net amount):

	2020	2019
	(in thousands of HRK)	
HRK	99,094	97,784
EUR	25,313	23,293
BAM	10,950	12,354
RSD	19,261	17,158
	154,618	**150,589**

NOTE 20 – CASH AND CASH EQUIVALENTS

	2020	2019
	(in thousands of HRK)	
Cash register	469	450
Cash with banks	198,928	34,495
	199,397	**34,945**

Cash with banks relates to transaction accounts at commercial banks that carry an average interest rate around 0,01%. The table below summarises cash and cash equivalents by currency:

	2020	2019
	(in thousands of HRK)	
HRK	192,785	28,033
EUR	3,618	1,543
RSD	1,838	4,276
BAM	1,146	1,092
Other	10	1
	199,397	**34,945**

NOTE 21 – NON-CURRENT ASSETS HELD FOR SALE

	2020	2019
	(in thousands of HRK)	
Land and buildings	422	404
	422	**404**

Non-current assets held for sale relates to smaller items of real-estate.

NOTE 22– SHARE CAPITAL AND EARNINGS PER SHARE

Share capital

At the end of December 2019, the Company was transformed into a joint stock company and its share capital as at 31 December 2019 amounts to HRK 134,064 thousand, divided into 13,406,390 shares with a nominal value of HRK 10 per share. After the transformation, as transaction between owners was performed, during which Ivan Leko retained majority ownership and control over the Company/Group.

During 2020 share equity of the Company has been increased by HRK 63,456 thousand via issuance of new shares. Furthermore, this transaction resulted with additional capital gain on issued shares in the amount of HRK 154,404 thousand. Transaction costs related to issue of shares amounted to HRK 1,923 thousand and were presented as a reduction of capital reserves.

Share capital on the 31 December 2020 amounts to HRK 197,520 thousand and consists of 19,751,989 shares (nominal share price is HRK 10 per share). Regular shares of the Group were approved for listing on the Zagreb Stock exchange as at 29 December 2020 and admitted for trading in January 2021.

NOTE 22– SHARE CAPITAL AND EARNINGS PER SHARE (CONTINUED)

The ownership structure at the reporting dates was as follows:

	2020		2019
Structure of ownership	**Number of shares**	**% of ownership**	**% of ownership**
Ivan Leko	10,049,000	50.88%	68.79%
Ljilja Leko	3,180,140	16.10%	23.72%
Matea Leko	-	0.00%	7.49%
Ostali	6,522,849	33.02%	-
Ukupno	**19,751,989**	**100.00%**	**100.00%**

Earnings per share

Earnings per share *(in thousands of HRK)*	**2020**	**2019**
Profit attributable to owners	26,494	29,474
Weighted average number of shares at 31 December	13,514,324	13,406,390
Basic earnings per share	**1.34**	**2.20**
Diluted earnings per share	**1.96**	**2.20**

NOTE 23 – CAPITAL RESERVES

During 2020, capital reserves were increased for the amount of HRK 152,480 thousands, which is related to the capital reserves increase after the issuance of new shares which was disclosed in more details in Note 22.

NOTE 24 – RETAINED EARNINGS

During 2019, a corporate reorganisation was performed whereby the entities under direct control of the majority owner of the Company were transferred to direct ownership of the Company.

NOTE 25 – NON-CONTROLLING INTERESTS

Group has non-controlling interests arising from ownership interest in subsidiaries Autodijelovi d.o.o. (Croatia), C.I.A.K. Truck - Kamioland (Slovenia) and Bendj trade d.o.o. (Bosnia and Herzegovina). Summary financial information for these companies are as follows:

31 December 2020	**Kamioland d.o.o.**	**Autodijelovi d.o.o.**	**Bendj trade d.o.o.**
(in thousands of HRK)			
Non-controlling interest	***50.0%***	***50.0%***	***38.0%***
Statement of financial position			
Non-current assets	1,808	115	2,021
Current assets	10,010	1,572	1
Current liabilities	(3,198)	(269)	(156)
Non-current liabilities	(3,262)	-	-
Net assets	**5,358**	**1,418**	**1,866**
Statement of comprehensive income for the period			
Sales revenue	20,254	3,114	-
Profit after tax	193	64	(17)
Total comprehensive income for the period	**193**	**64**	**(17)**
Statement of cash flows			
Net increase / (decrease) in cash and cash equivalents	**512**	**154**	**1**

31 December 2019	**Kamioland d.o.o.**	**Autodijelovi d.o.o.**	**Bendj trade d.o.o.**
(in thousands of HRK)			
Non-controlling interest	***50.0%***	***50.0%***	***38.0%***
Statement of financial position			
Non-current assets	651	3	1,996
Current assets	9,650	1,759	-
Current liabilities	(3,213)	(1,135)	(138)
Non-current liabilities	(2,695)	-	-
Net assets	**4,393**	**627**	**1,858**
Statement of comprehensive income for the period			
Sales revenue	21,808	3,860	-
Profit after tax	180	(17)	(38)
Total comprehensive income for the period	**180**	**(17)**	**(38)**
Statement of cash flows			
Net increase / (decrease) in cash and cash equivalents	**304**	**(102)**	**-**

NOTE 25 – NON-CONTROLLING INTERESTS (CONTINUED)

The movement in non-controlling interest was as follows:

	2020	2019
	(thousands of HRK)	
Balance at 1 January	3,663	3,639
Foreign exchange differences	46	(39)
Share in current year profit	120	63
Balance at 31 December	**3,829**	**3,663**
Out of which:		
C.I.A.K. Truck (Kamioland)	**3,804**	**2,197**
Autodijelovi d.o.o.	**32**	**313**
Bendj trade d.o.o.	**(7)**	**1,153**

NOTE 26 – LOANS AND BORROWINGS

	2020	2019
	(in thousands of HRK)	
Non-current borrowings		
Bank borowings	143,949	141,845
Other loans	494	6,814
Lease liabilities	43,083	43,759
	187,526	**192,418**
Current borrowings		
Bank borowings	55,728	58,730
Other loans	2,347	6,943
Interest liabilities	645	674
Lease liabilities	20,937	21,832
	79,656	**88,179**
Total borrowings	**267,183**	**280,597**

The Group's borrowings contain covenants which obligate the Group to comply with a specified ratio of consolidated financial debt and consolidated EBITDA (Earnings before tax, interest, depreciation and amortisation). In case the specified ratio is breached, the loan would be considered matured in full and payable on the bank's request. At the reporting dates, the Group was in compliance with this covenant.

Bank loans in the amount of HRK 140,762 thousand (2019: HRK 172,457 thousand) are insured through mortgages on land, buildings, plant and equipment amounting to HRK 40,749 thousand (2019: HRK 59,628 thousand) as stated in note 15.

NOTE 26 – LOANS AND BORROWINGS (CONTINUED)

The maturity of non-current bank borrowings and other loans is as follows:

	2020	2019
	(in thousands of HRK)	
Between 1 and 2 years	39,225	34,447
Between 2 and 5 years	89,440	85,850
Over 5 years	15,778	28,362
	144,443	**148,659**

The maturity of non-current lease liabilities is as follows:

	2020	2019
	(in thousands of HRK)	
Between 1 and 2 years	17,199	22,382
Between 2 and 5 years	24,625	19,927
Over 5 years	1,259	1,450
	43,083	**43,759**

The carrying amounts of the Group's borrowings are denominated in the following currencies (in HRK thousand):

	2020			2019	
	Kune	EUR	Bam	Kune	EUR
Bank borrowings and other borrowings	5,495	189,786	7,237	23,911	190,421
Lease liabilities	33,009	31,011	-	12,136	53,298

An overview of borrowings by fixed and variable interest rates is as follows:

	2020		2019	
	fixed	variable	fixed	variable
	(in thousands of HRK)			
Non-current borrowings	35,033	109,410	41,859	147,301
Current borrowings	26,643	31,432	24,580	592
	61,676	**140,842**	**66,439**	**147,893**

The average weighted cost of debt on the Group's interest-bearing liabilities was as follows:

	2020.		2019.	
	Kune	EUR	Kune	EUR
Prosječna ponderirana stopa	2.15%	1.90%	2.88%	1.94%

NOTE 26 – LOANS AND BORROWINGS (CONTINUED)

Reconciliation of movements in liabilities with cash flows from financing activities:

(in thousands of HRK)	**Loans and borrowings**	**Leases**	**Total**
At 1 January 2019	**204,617**	56,947	261,564
Cash transactions:	-	-	-
Loans received	68,883	-	68,883
Loans repayments	(60,072)	-	(60,072)
Finance lease repaymnets	-	(19,526)	(19,526)
Total cash transactions	**8,811**	**(19,526)**	**(10,715)**
	-	-	-
Non - cash transactions:	-	-	-
Effect of change in exchange rates	1,150	184	1,334
Unwiding of discount	-	1,561	1,561
New lease contracts	-	27,875	27,875
Termination of lease contract	-	(319)	(319)
Loans received	148,283	-	148,283
Loans repayments	(148,529)	(1,131)	(149,660)
Total non - cash transactions	**904**	**28,170**	**29,074**
At 31 December 2019	**214,332**	**65,591**	**279,923**
At 1 January 2020	**214,332**	**65,591**	**279,923**
Cash transactions:			
Loans received	64,010	-	64,010
Loans repayments	(77,655)	-	(77,655)
Finance lease repaymnets	-	(26,587)	(26,587)
Total cash transactions	**(13,645)**	**(26,587)**	**(40,232)**
	-	-	-
Non - cash transactions:	-	-	-
Effect of change in exchange rates	1,831	226	2,057
Unwiding of discount	-	953	953
New lease contracts	-	31,958	31,958
Termination of lease contract	-	(12,205)	(12,205)
Other non - cash transactions	-	4,084	4,084
Total non - cash transactions	**1,831**	**25,016**	**26,847**
At 31 December 2020	**202,518**	**64,020**	**266,538**

In 2019 other non-cash transactions on borrowings mainly relate to loan refinancing settled directly within the borrowers.

Other non-cash transactions during 2020 mainly relate on compensation with lessors.

NOTE 27 – PROVISIONS

	Warranty
As at 1 January 2019	
Non-current	193
Current	-
	193
Increase/(decrease) in provisions	(171)
Utilised during the year	-
At 31 December 2019	**22**
As at 31 December 2019	
Non-current	22
Current	-
	22
Increase/(decrease) in provisions	259
Utilised during the year	-
At 31 December 2020	**281**
As at 31 December 2020	
Non-current	281
Current	-
	281

NOTE 28 – TRADE AND OTHER PAYABLES

	2020	**2019**
	(in thousands of HRK)	
Trade payables	173,374	196,098
Taxes, contributions and other duties payable	24,940	25,196
Salaries and other benefits to employees	8,782	8,048
Advances received	1,725	1,396
Accrued expenses	4,050	1,750
Payable for purhase of shares	10,388	14,412
Liability for unused holiday	1,977	3,702
Other payables	5,619	6,058
	230,856	**256,660**

At reporting dates the carrying amounts of trade and other payables approximate their fair values due to the short-term nature of those liabilities.

NOTE 28 – TRADE AND OTHER PAYABLES (CONTINUED)

The structure of trade and other payables with respect to currency denomination as at the reporting dates was as follows:

	2020	2019
	(in thousands of HRK)	
HRK	100,494	107,064
EUR	118,131	144,869
RSD	7,663	1,850
BAM	3,296	1,020
Other	1,271	1,857
	230,856	**256,660**

NOTE 29 – RISK MANAGEMENT

Financial risk management

Categories of financial instruments are as follows:

	2020	2019
	(in thousands of HRK)	
Financial assets		
Long-term loans	6,674	3,889
Long-term deposits	6,192	5,283
Trade receivables	154,618	150,589
Other receivables	14,959	20,835
Cash and cash equivalents	199,397	34,946
	381,840	**215,541**
Financial assets at FVOCI	-	
Investments in equity instruments	-	2
	-	-
	-	**2**
Total financial assets	**381,840**	**215,543**
Financial liabilities at amortised cost		
Lease liabilities	64,020	65,591
Loans and borrowings	203,163	215,006
Trade payables and other liabilities	195,158	219,714
	462,341	**500,311**
Total financial liabilities	**462,341**	**500,311**

NOTE 29 – RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments

The fair value of financial assets and financial liabilities is determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices,
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models, based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Financial instruments held to maturity in the ordinary course of business are recorded at the lower of cost and net amount less the portion repaid. Fair value is determined as the amount at which a financial instrument can be exchanged between willing and knowledgeable parties in an arm's-length transaction, except in the event of forced sale or liquidation. The fair value of financial instruments is the one quoted on the securities market or obtained using the discounted cash flow method.

As at the reporting dates, the carrying amounts of cash and cash equivalents, short-term deposits, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their fair value due to the short-term nature of those assets and liabilities and due to the fact that a majority of short term assets and liabilities are at variable interest rates.

As at the reporting dates, the carrying amounts of borrowings arising from bank and other loans approximates their fair values as the majority of these borrowings bear variable interest rates or fixed interest rate approximating current market interest rates.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management Board, which has built an appropriate liquidity risk management framework to manage the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by monitoring the net current asset position and by addressing any expected current liquidity deficits.

Liquidity risk analysis

The following tables detail the contractual maturity of the Group's financial liabilities and financial assets presented in the consolidated statement of financial position at each reporting period end. The tables have been drawn up based on the undiscounted cash flows until maturity and include cash flows from both interest and principal. Ultimate responsibility for liquidity risk management rests with the Management Board which has built an appropriate liquidity risk management framework to manage the short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by monitoring the net current asset position and by addressing any working capital requirements.

as at 31 December 2020	**Net book value**	**Contracted cash flow**	Up to one year	1 - 5 years	over 5 years
		(in thousands of HRK)			
Non-interest bearing liabilities:					
Trade and interest payables	**231,501**	231,501	231,501	-	-
	231,501	231,501	231,501	-	-
Interest bearing liabilities:					
Loans and borrowings	**202,518**	206,872	59,323	131,432	16,117
Lease liabilities	**64,020**	65,396	21,387	42,723	1,286
	266,538	272,268	80,710	174,155	17,403
	498,038	503,769	312,211	174,155	17,403

NOTE 29 – RISK MANAGEMENT (CONTINUED)

as at 31 December 2019	Net book value	Contracted cash flow	Up to one year	1 - 5 years	over 5 years
		(in thousands of HRK)			
Non-interest bearing liabilities:					
Trade and interest payables	**257,334**	257,334	257,334	-	-
	257,334	257,334	257,334	-	-
Interest bearing liabilities:					
Loans and borrowings	**214,332**	220,673	67,991	124,127	28,555
Lease liabilities	**65,591**	69,246	23,115	44,002	2,129
	279,923	289,919	91,106	168,129	30,684
	537,257	547,253	348,440	168,129	30,684

Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at both fixed and variable interest rates. Changes and projections of interest rates are monitored continuously as the majority of the Group's borrowings are at variable interest rates.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate changes at the reporting date. For variable rate liabilities, the analysis is prepared by calculating the effect of a reasonably possible increase in interest rates on variable rate debt on the expected contractual cash flows of such debt compared to those calculated using the interest rates applicable at the current reporting period end date. A 100 basis point increase/decrease is used when reporting interest rate risk internally to key management personnel and represents the Management Board's assessment of the reasonably possible change in interest rates.

The estimated effect of the reasonably possible change in interest rates on the Group's result before tax for the reporting periods is as follows:

as at 31 December 2020	Contractual cash flows	up to 1 year	from 1 to 5 years	over 5 years
	(in thousands of HRK)			
At currently applicable interest rates	**272,268**	80,710	174,155	17,403
At currently applicable interest rates + 50 basis points	**274,225**	80,908	175,656	17,661
Effect of increase of interest rate by 50 basis points	**(1,956)**	**(198)**	**(1,501)**	**(258)**

as at 31 December 2019	Contractual cash flows	up to 1 year	from 1 to 5 years	over 5 years
	(in thousands of HRK)			
At currently applicable interest rates	**289,919**	91,106	168,129	30,684
At currently applicable interest rates + 50 basis points	**294,187**	91,553	171,036	31,598
Effect of increase of interest rate by 50 basis points	**(4,268)**	**(447)**	**(2,907)**	**(914)**

NOTE 29 – RISK MANAGEMENT (CONTINUED)

Currency risk management

The Group performs certain transactions in foreign currencies and is therefore exposed to risks of changes in exchange rates. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows.

	Liabilities		Assets	
	2020	2019	2020	2019
	(in thousands of HRK)		(in thousands of HRK)	
European Union (EUR)	338,928	388,588	28,931	24,836
Bosnia and Herzegovina (BAM)	3,296	1,177	12,096	13,446
Serbia (RSD)	7,663	1,850	21,099	21,434

Foreign currency sensitivity analysis

The Group is primarily exposed to currency risk arising from changes in the exchange rate of the kuna against the Euro (EUR), convertible mark (BAM) and the Serbian dinar (RSD) as it is operating on foreign markets (Slovenia, B&H and Serbia) and records most transactions with foreign customers in these currencies. Loans and borrowings are partly denominated in EUR and partly denominated in Croatian kuna, also giving rise to currency risk exposure in relation to the Euro.

The currency risk analysis is based on the official exchange rates for the currencies analysed above as per the Croatian National Bank, which were as follows:

	31.12.2020.	31.12.2019.
EUR	7.5369	7.4426
BAM	3.8536	3.8053
RSD	0.0647	0.0637

The following table details the Group's sensitivity to a 1% increase in Croatian kuna against the Euro, BAM and RSD as the estimated reasonably possible increase in the exchange rate of the respective currencies. The sensitivity analysis includes only outstanding monetary assets and monetary liabilities in foreign currency and their translation at the end of the period based on the percentage change in currency exchange rates. A negative number below indicates a decrease in profit where Croatian kuna changes against the relevant currency for the percentage specified above. For an inversely proportional change of Croatian kuna against the relevant currency, there would be an equal and opposite impact on the profit.

	EUR exposure		BAM exposure	
	2020	2019	2020	2019
	(thousands of HRK)		(thousands of HRK)	
Increase/(decrease) of net result	(3,100)	(3,638)	88	123

	RSD exposure	
	2020	2019
	(thousands of HRK)	
Increase/(decrease) of net result	134	196

NOTE 29 – RISK MANAGEMENT (CONTINUED)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before standard payment and delivery terms and conditions are offered. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

Total exposure to credit risk at the reporting date is as follows is set out in note 29 to the financial statements. The Group does not have a significant credit exposure that is not covered by security instruments, or not reflected in the estimates of indications of impairment as at the reporting dates.

NOTE 30 – RELATED PARTY TRANSACTIONS

The Group is in a related party relationship with its majority shareholder and parties related to him or entities under his control or significant influence. The Group also has a related party relationship with key management personnel and Supervisory Board members, their close family members and entities controlled, jointly controlled by them and/or their close family members, in accordance with the definitions contained in International Accounting Standard 24 *Related Party Disclosures* ("IAS 24").

Transactions between the Company and its subsidiaries are eliminated through consolidation and are not presented in this note. The list of subsidiaries is disclosed in note 3 to the financial statements.

Transactions with the owner and his related parties and entities under his control or significant influence:

	2020	**2019**
Sales revenue	*(thousands of HRK)*	
Owner and parties related to owner	1,970	7,183
Equity-accounted investees	-	651
	1,970	**7,834**

	2020	**2019**
	(thousands of HRK)	
Cost of goods sold and other operating expenses		
Owner and parties related to owner	2,266	6,028
Equity-accounted investees	-	331
	2,266	**6,359**

	2020	**2019**
	(thousands of HRK)	
Trade and other receivables		
Owner and parties related to owner	1,770	5,658
Equity-accounted investees	-	1
	1,770	**5,659**

	2020.	**2019.**
	(thousands of HRK)	
Trade and other payables		
Owner and parties related to owner	21,138	28,355
Equity-accounted investees	-	528
	21,138	**28,883**

Transactions with key management and Supervisory Board members and their related parties:

	2020	**2019**
	(in thousands of HRK)	
Key management remuneration		
Salaries and severance payments	6,473	8,689
	6,473	**8,689**

Key management of the Group comprises the Management Board and executive directors and consisted of 26 persons (2019: 39 persons).

NOTE 31 – SUBSEQUENT EVENTS

For the financial statements ended December 31, 2020 the acquisitions realized are not events which are recognized as events delivering need for rebalance, sine the effect of the same will be fully reflected on the business results within financial statements 2021.

However, acquisitions of two companies of which one is related to the new market where CIAK Group was not present so far (Montenegro), the same is recognised as material event and the Group Management considers important to publish it within the notes of the financial statements 2020.

In March 2021 two acquisitions have been executed, company Trgometal d.o.o. Zagreb, Hrvatska and company Next Auto d.o.o, Podgorica, Montenegro.

CIAK Group with these acquisitions is further strengthening its position at its domicile Croatian market, and extends its performance to the new Montenegro market within its business portfolio. Overall, these activities are further strengthening the basis for the future growth of CIAK Group.