INSTITUT IGH, d.d.

NON-OFFICIAL REPORTING FORMAT

2022

FINANCIAL REPORT

October 2023

Hewlett-Packard Company

CONTENTS

1. INTRODUCTION

Articles 250.a and 250.b of the Companies Act and Article 21.a of the Accounting Act establish an obligation to submit an Annual Report on the Company's position as well as the Annual Consolidated Financial Statements.

Annual Report of the Company INSTITUT IGH, d.d. (hereinafter: Company) includes all information and data required by law.

Annual financial statements of the Company are consolidated since the Company owns shares and business interests in affiliate companies and subsidiaries.

The term „IGH Group“ will be applied in this Report to the Company and its affiliates and subsidies, all with the aim to present complete, true and substantially accurate information to the shareholders and investment community.

The Annual Report also includes principal financial statements prepared in line with the Accounting Act and International Financial Reporting Standards. According to the Accounting Act, the principal financial statements are the statements on the financial status of the Company (balance sheet), profit and loss account, Statement on other comprehensive income, Statement on changes in equity, Cash flow statement and Notes to the Financial Statements. Apart from this, Annual Report also includes the non-financial report, i.e. additional information, pursuant to provisions of Article 21 of the Accounting Act.

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2. INTRODUCTORY NOTE BY THE CEO

The year 2022 marked the completion of one of the largest infrastructure projects in the Republic of Croatia – the Pelješac Bridge. INSTITUT IGH, d.d. experts provided technical supervision, quality control and laboratory services on the project. It is somewhat concerning that investments of our main clients such as Hrvatske ceste (Croatian roads), Hrvatske autoceste (Croatian Motorways) and Hrvatske vode (Croatian Water Company) dropped in 2022. Nevertheless, the Company's portfolio of contracts is good for at least the following two years. We started some major projects within the Reconstruction Program and started opening new markets in Italy and Hungary. We continue to optimize costs in sectors that are not directly core business oriented and continue to open new lines of business (energy, nuclear power sector, building construction).

The number of employees in the INSTITUT IGH, d.d. head office was 468, with 9 more employees in foreign branches, resulting in a decrease by 57 employees compared to the status of 31 December 2021, when the Company had 534 employees. We consider this to be an optimal number considering the market trends.

Measures and actions have been taken in order to continue with resolving the issue of debts from the pre-bankruptcy settlement in order to close this chapter in 2023, and continue to achieve strategic goals that we have set for ourselves.

During 2022, we signed 208 new contracts and 259 Annexes, totalling to app. 138 million HRK. I would like to single out some contracts signed on the Croatian market.

The first one, signed with the University Hospital Centre Zagreb is the Earthquake Reconstruction Project - Main Hospital Building Zagreb at Kišpatićeva 12, valued EUR 980.821,55. We also signed a contract with the Croatian Parliament for the development of Design and Technical documentation for a comprehensive reconstruction of the Croatian Parliament building, valued EUR 522.829,43 A contract for advisory services of operational coordination_112(110), valued at EUR 219.346,34 was signed with the Fund for Reconstruction of the City of Zagreb, the Krapina-Zagorje County and Zagreb County.

Hrvatske autoceste d.o.o. and INSTITUT IGH, d.d. signed a contract for investigation works and pavement structure rehabilitation design on the basis of the basis of the main inspection, of the A1 Motorway (section Karlovac-Bosiljevo II), A6 (section Bosiljevo II-Orehovica) and A7 (section Orehovica-Rupa) value EUR 120.948,50.

After the adoption of the Company Development Strategy 2020-2030, and the establishment of a team to implement the Strategy, an annual plan with four focus areas was developed:

1. **Focus on employees and mentoring**
2. **New markets and business segments**
3. **Scientific and research activities**
4. **Profitability**

S obzirom na veliki opseg ugovorenih usluga iz područja potresne obnove krenuli smo u proces jačanja ljudskih resursa Odjela za visokogradnju.

Isto tako, INSTITUT IGH, d.d. po prvi puta kao izvođač radova pristupio radovima katastarskih izmjera. Intencija je pojačati ljudske resurse i nabaviti novu opremu kako bismo suvereno pružali usluge u većem obimu s obzirom na planove Državne geodetske uprave u narednom periodu.

Unatoč smanjenom opsegu javne nabave iz područja prometne infrastrukture uspjeli smo ugovoriti zadovoljavajući portfelj poslova za nadolazeći period čime smo još jednom potvrdili vodeću poziciju iz tog segmenta na tržištu.

Pored toga, tijekom 2022.godine zatovrili smo većinu neproftiabilnih ugovora, uglavno iz osnovne djelatnosti projektiranja.

Nefinancijski dio izvješća za 2022.godinu pripremljen uzimajući u obzir GRI standarde

U ime Uprave Instituta IGH, d.d.

Robert Petrosian, dipl.ing.građ.

Predsjednik Uprave

3. ACTIVITIES

INSTITUT IGH, d.d. is the leading consulting company for design and engineering services in civil engineering in Croatia and the region. Together with its 15 subsidiaries and 5 affiliates it provides comprehensive support in infrastructure and investment projects, delivering optimal, complete and innovative solutions in the civil engineering sector in Croatia and international markets.

The Company is registered at the Commercial Court in Zagreb under the number MBS: 080000959, with its head office in Zagreb, Janka Rakuše 1. The Company's share capital is HRK 116.604.710,00 divided into 613.709 ordinary shares mark IGH-R-A, ISIN:HRIGH0RA0006 nominal value HRK 190,00, listed on the official market of the Zagreb Stock Exchange.

INSTITUT IGH, d.d. provides the following activities:

- Publishing activity
- Counselling and purchase of programming equipment (software)
- Research and development in technical & technological sciences
- Counselling on business & management
- Management of holding companies
- Architectural and engineering activity & technical consultancy
- Technical testing & analyses
- Scientific research, development-oriented research, publishing results of scientific and development research, scientific training and education, and maintenance and development of scientific and research structure
- Advancement of general, technical and autonomous regulations in the field of civil engineering and in other fields where civil engineering expertise is required. Analysis and coordination of the implementation of international regulations in civil engineering

- Improvement of development programs and construction technologies
- Preparation of environmental impact studies from the standpoint of protection, preservation and improvement of physical space
- Organization and implementation of activities aimed at further scientific and professional development
- Inspection of technical documents to check stability, safety, functionality, physical properties and cost-effectiveness
- Verification and evaluation of competence of companies performing activities of consequence to the safety, quality and functionality of man-made structures
- Expert evaluations in the field of civil engineering, technics, technology and cost-effectiveness of construction projects
- Establishment and maintenance of a structures & infrastructure register, and the monitoring of structural conditions, conditions of use, and maintenance conditions
- Technical activities in the field of environmental protection
- Technical activities in the field of physical planning, as related to the preparation of physical planning documents, and technical documents for the issuing of location permits

DESIGN VALIDATION:

- architectural design (architectural design of structures/buildings, interior design for structures/buildings, and landscaping design);

- mechanical engineering design (mechanical design of power plants, design of storage and transport of gaseous and liquid substances).
- programming and realization of geotechnical investigations;
- development of geotechnical opinions, studies, reports and design documents
- civil engineering design of geotechnical structures/facilities;
- laboratory testing of rock and soil;
- in-situ testing of rock and soil materials in boreholes;
- monitoring behaviour of geotechnical structures/facilities;
- laboratory and in-situ testing of geotextiles;
- geological investigation of energy-providing, metallic and non-metallic raw-materials;
- hydrogeological investigations (geological, structural geological, and hydrogeological investigations, testing hydraulic parameters of ground water, design of ground water well areas including works relating to water supply, and preparation of design support data for civil engineering structures);
- organization, supervision during realization and design of engineering-geological and hydrogeological works;
- study of ground water and engineering geological properties of soil for the preparation of studies and design documents in the field of environmental protection;
- geophysical investigations for environmental protection purposes, and for preparation of support data for archaeological explorations;
- activities for the protection and preservation of cultural assets, i.e.: survey and documenting of load-bearing structures of cultural assets and preparation of conceptual, preliminary, detailed and working designs for the repair of load-bearing structures of fixed cultural assets or architectural documenting of cultural assets and preparation of conceptual, preliminary, detailed and working designs for the works on fixed cultural assets, and for the repair of materials on fixed cultural assets.
- development of interdisciplinary activities needed for the improvement and advancement of civil engineering
- development of prototypes and series of measuring devices used in civil engineering
- consultancy and quality assurance services for technical equipment in structures/facilities
- elaboration and implementation of quality assurance programs
- typing and reproduction of technical documents
- certification services
- elaboration of technical approvals
- implementation of investment works in the country and abroad
- investigation services and provision and use of information and knowledge relating to industry and science
- services relating to quality control and quality in the import and export of goods
- representation of foreign companies
- geophysical survey as needed for the engineering-geological, hydrogeological and geotechnical survey works and control tests and quality control on civil engineering structures
- technical activities relating to physical development planning
- activities relating to management of construction projects
- activities relating to preparation of design documents for water management facilities and water systems
- preparation of survey reports with permanent topographic points as required for basic topographic activities
- preparation of survey reports for the measuring, marking and maintaining of the national border
- preparation of reports for the development of the Croatian Basic Map

- preparation of reports for the development of digital orthophoto charts
- preparation of reports for the development of detailed topographic maps
- preparation of reports for the development of general topographic maps
- preparation of cadastral survey reports
- preparation of technical reambulation reports
- preparation of reports for the conversion of cadastral plans into digital format
- preparation of reports for the conversion of digital cadastral plans into a given format
- preparation of reports concerning the homogenization of cadastral plans
- preparation of plot plans and other survey reports relating to land cadastre
- preparation of plot plans and other survey reports relating to real estate cadastre
- preparation of plot plans and other geodetic survey reports for the individual conversion of land cadastre plots into real-estate cadastre plots
- preparation of cadastral reports relating to utilities and geodetic/surveying activities that are needed for the provision of surveying services
- technical management of the cadastre for utility services
- preparation of special geodetic/surveying support data for preparation of physical-development documents and acts
- preparation of special geodetic support data for design work
- preparation of geodetic reports defining the condition of a structure prior to reconstruction work
- preparation of surveying designs
- stakeout (setting out) of structures and preparation of stakeout reports
- preparation of general geodetic plans for built structures
- geodetic monitoring of structures during construction, and preparation of surveying-monitoring report
- monitoring displacement of structures in the course of maintenance activities, and preparation of surveying-monitoring reports
- geodetic activities that are undertaken in the scope of urban land redistribution
- preparation of agricultural land redistribution designs and surveying activities performed in the scope of redistribution of agricultural land
- preparation of special surveying/geodetic support data for protected areas and areas under protection
- technical supervision of works: development of work-cadastre reports and
- Expert topographic activities for provision of topographic services, technical management of cadastre for utility service lines, elaboration of special
- topographic support data for the preparation of physical development documents and acts, preparation of special surveying support data for design work, preparation of surveying reports defining condition of a structure prior to reconstruction work, preparation of geodetic designs, stakeout of structures and preparation of stakeout reports, geodetic monitoring of structures during construction, and preparation of geodetic-monitoring reports, monitoring displacement of structures in the course of maintenance activities, and preparation of geodetic-monitoring reports, and preparation of special surveying support data for protected areas and areas under protection
- professional activities relating to nature protection
- professional activities relating to noise protection
- account-keeping activities
- aerial photography
- translation and interpretation services
- activities relating to real estate management and real estate maintenance
- activities relating to real estate brokerage

- real estate activities

- rental of motor vehicles
- rental of aircrafts
- activities relating to rental of yachts or boats, with or without crew (charter)
- rental of vessels
- own-account transport
- transport of passengers in national road transport
- transport of passengers in international road transport
- transport of cargo in national and international road transport
- organizing seminars, courses, fairs, events, exhibitions and concerts
- market research and public opinion polls
- purchase and sale of goods
- provision of service in trade
- commercial brokerage on national and international markets
- design and construction of structures and technical supervision of construction works
- design and construction of mining facilities and plants

ACTIVITIES ON RECORD

- IT services
- web design
- development and maintenance of websites
- electronic communication networks and service activities
- universal services in the field of electronic communications
- special tariff services
- electronic publishing services
- teaching computer science
- IT and related activities
- development of designs for construction of mining and petroleum engineering facilities and plants
- Construction of mining and petroleum engineering facilities and plants, and technical supervision of construction works on the mining and petroleum engineering facilities and plants

In compliance with the standards for sustainable development system, IGH has the following certificates:

- ISO 9001 Quality Management Systems
- ISO 14001 Environmental Management Systems
- ISO 50001 Energy Management Systems
- ISO 45001 Occupational Health and Safety Management System
- ISO 27001 Information Security Management System

4. HISTORY

1949	• Establishment of INSTITUT IGH, d.d. as the Civil engineering laboratory Zagreb
1956	• Renamed to Civil Engineering Institute of Croatia
1961-1962	Opening of Regional offices in Split, Rijeka and Osijek • Gains the status of a research institution
1967-1973	• Opening of permanent field laboratories in Sisak, Karlovac, Dubrovnik, Pula, Zadar and Varaždin
1977	• The Institute merges with the Faculty of Civil Engineering and obtains a new name: Civil Engineering Institute
1991	• The Institute separates from the Faculty of Civil Engineering and reverts to its former name: Civil Engineering Institute of Croatia
1994	• Transition and privatization
1995	• IGH – joint stock company
1997	• New office building opens in Rijeka and a new laboratory building is completed in Sisak
1999	• First accreditation according to HRN EN 45001 standard, later replaced by standard HRN EN ISO/IEC 17025 General requirements for the competence of testing and calibration laboratories
1999	• Establishment of IGH Cert – independent body within IGH for the Assessment and verification of the constancy of performance of construction products, by authorization of the Minister responsible
2000	Establishment of the Department for Study and Design development • New office building in Split completed and fully equipped
2003	• Establishment of IGH TD – independent body within IGH for assessment of properties of construction products by authorisation of the Minister responsible • Institute shares listed on the Zagreb Stock Exchange
2004	• IGH accredited according to HRN EN 45011 General requirements for bodies operating product certification systems • Over 400 testing standards for different construction products • IGH laboratory moves to new building in the IGH head office in Zagreb
2005	• IGH obtains approval for provision of the following conformity certification services: certification of products, certification of factory production control, supervision over factory production control and testing
2006	• IGH granted Certificate ISO 9001:2002 Quality Management System
2008	• Restructuring of the Company and new visual identity

2009

- Name change to INSTITUT IGH, joint stock company for research and development in civil engineering
- New organization
- New visual identity
- Granted Certificate ISO 14001 Environmental Management System
- Granted Certificate OHSAS 18001 Occupational Health and Safety Assessment Specification

2012

- New organization
- Appointment of multi-member management
- Increase of share capital by cash contribution, issue of new ordinary shares, individual nominal value of HRK 400,00
- Increase of share capital to HRK 105.668.000,00 by issuing 105.590 new shares, nominal value HRK 400,00 each for a price of HRK 760,00 per share
- Issuing Convertible bonds mark IGH-O-176A, ISIN: HRIGH0O176A8 in the amount of EURO 10.000.000,00
- Establishing IGH-ESOP d.o.o. as a new FORM OF Employee Share Ownership, with 173 member - founders, with the paid-up share capital of HRK 2.979.200,00
- Entry in the Register of Scientific Organizations in the technical sciences discipline, field of civil engineering

2013

- New organization
- Pre-bankruptcy settlement
- IGH – Notified Body for certification (assessment of properties of material) of products at the EU level for area of harmonized European standards
- IGH – Approved Body and Croatian Body for technical assessment according to authorization of the Minister responsible for the area of non-harmonized EU Standards
- IGH – Technical Assessment Body – TAB for technical assessment of construction products at the EU level

2014

- Increase of share capital through authorized share capital by investment of rights of conversion of part of claims of a part of creditors from the pre-bankruptcy settlement, from HRK 105.668.000,00 to HRK 123.483.600,00, issuing of new 44.539 non-materialized shares, issued in name, nominal value of HRK 400,00 each
- Decrease of share capital from HRK 123.483.600,00 to HRK 58.654.710,00 by decreasing the nominal value of shares by HRK 210, 00, from HRK 400,00 to HRK 190,00 to cover the loss realized in previous periods
- Increase of share capital from HRK 58.654.710,00 to HRK 116.604.710,00 by cash contribution, by issuing new 305.000 non-materialized shares, issued in name, nominal value HRK 190,00 each
- Change in the ownership structure, members of the Management, positions of the Management, power of representation of the Management members, Supervisory Board members, revocation and granting of general power of representation

2015

- New organization
- Conversion of 349.539 shares mark IGH-R-C ISIN HRIGH0RC00004 nominal value HRK 190,00 each into 349.539 shares mark IGH-R-A ISIN HRIGH0RC00006 nominal value HRK 190,00 each
- Listing of 349.539 shares individual nominal value HRK 190,00, mark IGH-R-A, ISIN: HRIGH0RA00006 of the official market of the Zagreb stock exchange

2016

- Operational restructuring
- Opening of new markets
- Opening of Branch office in Georgia

Operational indicators mark an increase owing to the change in business development trends

2017

- Successful completion of large scale infrastructure projects in Georgia
- Acquisition of IGH Mostar and establishment of business unit in Bjelina
- Rebranding and new visual identity

2018

- Successful re-accreditation of IGH Laboratory by the Croatian Accreditat Agency (HAA), meeting all requirements set by the standard HRN EN ISO/ 17025. IGH Laboratory obtained a new, valid Certificate on Accreditation, v until 2024.
- Accreditation for low strain impact integrity testing (PIT - ASTM D5882-16), H strain dynamic testing of deep foundations (PDA - ASTM D4945-17), Stand penetration testing (SPP/SPT - HRN EN ISO 22476-3:2008) and Energy tran measurement during standard penetration testing (SPP/Er - ASTM D4633- which expanded our area of accreditation of geotechnical testing to IGH f investigations as well
- Signed the Contract for technical supervision of construction works on Bridge Mainland – Island of Pelješac with access roads with HC d.o.o., on basis of public procurement procedure and our offer for HRK 49,4 million (exclusive)
- Obtaining of new certificate ISO 50001 Energy Management System
- Signed a Contract for supervision of works on the construction of TPP Banovići - Block 1-350 MW, for a net value of HRK 15.769.400,00.

2019

- Obtaining of new certificate ISO 50001 Energy Management System
- Signed a Contract for supervision of works on the construction of TPP Banovići - Block 1-350 MW, for a net value of HRK 15.769.400,00.
- Signed a Contract for supervision of works on the construction of the Bypass of Ston (DC414), sub-sections Sparagovići / Zaradeže - Prapratno and Prapratno – Doli for a net value of HRK 12.750.697,00 as well as supervision on the Project Improvement of the water supply and utility infrastructure on the Rijeka agglomeration area, for a net value of HRK 12.522.863,00
- Design of ID12 Vrbovec 2 Interchange, (D10) –Bjelovar–Virovitica–BC T. Polje, section Bjelovar – Virovitica– BC T. Polje (Hungarian State Borderline, app. 60 km long, for a net value of HRK 12.407.600,00.
- New Business Strategy adopted for the period 2020 – 2030

2020

- A contract signed with the Public Company Motorways of the Federation of Bosnia and Herzegovina worth app. HRK 30 million, with Institute IGH d.d. as the leading partner in the Consortium, for the design of the express road Mostar-Široki Brijeg-Croatian State border, section Polog-Croatian State border
- A contract signed with the Public Company Motorways of the Federation of Bosnia and Herzegovina worth HRK 15,7 million for technical supervision services of construction works on the Corridor Vc motorway, section Tarčin-Konjic, sub-section Tarčin-Ivan, entrance to the Tunnel Ivan

- The Ministry of Construction and Physical Planning gave its approval for the “2020-2022 vocational training program”, namely for conducting internal and external education courses, for which academic hours will be allocated, which makes the company the only private institution in the Republic of Croatia that will provide vocational training services to all persons who have passed a professional exam, and who, in accordance with the Regulation on vocational training of persons performing physical planning and construction work are required to have at least twenty school hours of training in a period of two years
- The company, in accordance with the certification requirements, made the transition from the standard OHSAS 18001 to ISO45001:2018 and thereby emphasized the importance of occupational safety and health of employees as part of the company's culture.
- Implementation of the new Business Strategy 2020 – 2030
- Re-establishment of the visual identity developed in 2008
- A contract signed with Hrvatske ceste d.o.o. for supervision of construction works on the express road Okučani – B&H Stater border, valued HRK 7,2 million
- A contract signed with the Vukovar Port Authority for the development of study and design documentation. valued HRK 5,9 million.
- Contracts signed with HEP proizvodnja d.o.o. regarding the main inspection
2021 of building structures and facilities in Croatia, valued app. HRK 8 million
- A contract signed with Hrvatske autoceste d.o.o. for the reconstruction of the Zagreb City Bypass valued over HRK 10,5 million
- Preparation of conservation support dana and design for the reconstruction of the roof on the Poljud Stadium in Split
- Technical supervision on the construction of student dormitory complex of the University of Dubrovnik completed.
- One of the largest infrastructure projects in Croatia - the Pelješac Bridge, completed. INSTITUT IGH, d.d experts provided technical supervision, quality control and laboratory services on the project.
- The Company increased the number of accredited laboratory methods to 700
- Successfully implemented the ISO 27001 Information Security
- Signed a contract for the preparation of Preliminary design, EIA, FS and obtaining of the Location permit for construction of the A1 Motorway, Zagreb – Split – Dubrovnik
- Initiated the Company digitalization process
- Construction of the motorway section Tarčin – Tunnel Ivan, on the Corridor Vc completed, supervision provided by IGH and partners

2022
- One of the largest infrastructure projects in Croatia - the Pelješac Bridge, completed. INSTITUT IGH, d.d experts provided technical supervision, quality control and laboratory services on the project.
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5. GROUP COMPONENTS

Parent company of the Issuer is the Issuer himself. IGH Group members are partly complementary to the parent company, founded or acquired with the aim to provide complete range of services.

First part of the provided expert services include testing, design and design validation, technical supervision and management in the field of architecture, civil engineering and scientific research. The second part of the services are provided by dedicated companies for the implementation of real-estate projects.

IGH Group consists of **15 subsidiaries and 5 affiliate companies** (on 31 Dec 2022), providing core and similar activities, while the INSTITUT IGH, d.d. also operates through branch offices and representative offices abroad.

Subsidiaries are companies in which the company owns more than 50% of the voting rights and/or controls the adoption and implementation of the financial and business policies of the company in which investments were made in order to benefit from its activities.

Affiliates are companies in which the Company owns between 20% and 50% of the voting rights and has a significant influence but not control, through participation in decision making of financial and business policies.

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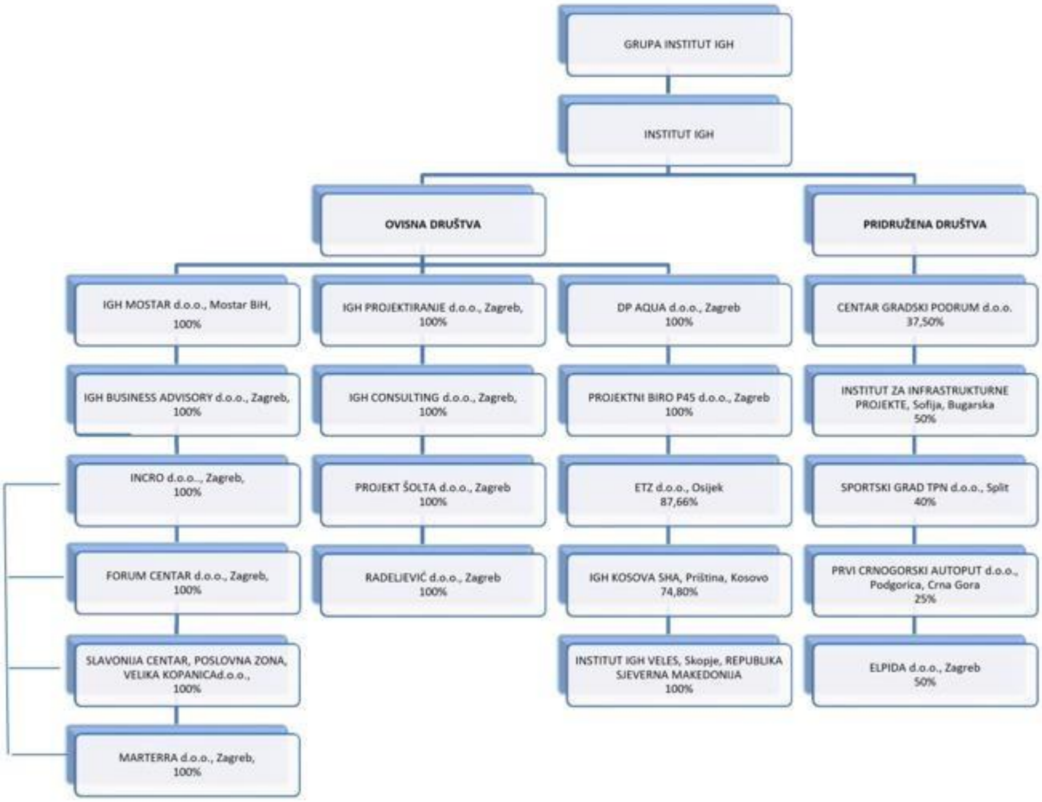

Figure 1.Group components on 31 Dec 2022

. Consolidation includes the following **subsidiaries**:

SUBSIDIARY	ADDRESS
EKONOMSKO TEHNIČKI ZAVOD d.d. (ETZ d.d.)	Drinska 18, Osijek, , Croatia
DP AQUA d.o.o.	Janka Rakuše 1, Zagreb, , Croatia
IGH PROJEKTIRANJE d.o.o.	Janka Rakuše 1, Zagreb, , Croatia
RADELJEVIĆ d.o.o.	Janka Rakuše 1, Zagreb, , Croatia
IGH CONSULTING d.o.o.	Janka Rakuše 1, Zagreb, , Croatia a
IGH BUSINESS ADVISORY SERVICES d.o.o.	Janka Rakuše 1, Zagreb, , Croatia
INCRO d.o.o.	Janka Rakuše 1, Zagreb, , Croatia
MARTERRA d.o.o.	Janka Rakuše 1, Zagreb, , Croatia
FORUM CENTAR d.o.o.	Janka Rakuše 1, Zagreb, , Croatia
SLAVONIJA CENTAR, POSLOVNA ZONA VELIKA KOPANICA d.o.o.	Janka Rakuše 1, Zagreb, , Croatia
IGH MOSTAR d.o.o.	Bišće Polje bb, Mostar, Bosnia and Herzegovina

Tablica 1. Ovisna društva obuhvaćena konsolidacijom

Having in mind that the company Projekt Šolta is under bankruptcy, and the company Montenegro was deleted from the register, these two companies are not included in the consolidation for 2022. Also, at the beginning of 2021, loss of control was recognized over the companies IGH Kosova SHA and IGH d.o.o. Mostar due to the fact that the contract on acquisition of shares was not implemented in full.

Affiliates

AFFILIATE	ADDRESS
INSTITUT ZA INFRASTRUKTURNE PROJEKTE	Bulgaria, Sofia
ELPIDA d.o.o.	Ventilatorska 24, Lučko, Croatia
SPORTSKI GRAD TPN d.o.o. u stečaju	Zrinsko-Frankopanska 211, Split, Croatia
CENTAR GRADSKI PODRUM d.o.o.	Augusta Cesarca 2, Zagreb, Croatia
PRVI CRNOGORSKI AUTOPUT d.o.o.	Montenegro, Podgorica

Table 2.Affiliates included in the consolidation process

The Company undertakes its business activities through **branches** in Georgia, The Republic of Kosovo and Republic of North Macedonia and through its **representative office** in Bosnia and Herzegovina. In 2022 our branch office in the Russian Federation was closed.

6. SIGNIFICANT PROJECTS AFTER THE BALANCE SHEET DATE

In the period after 31 Dec 2022. Until the preparation of this Report, the Company contracted new projects valued at **20 million HRK**.

Below given are some of the most significant projects contracted in 2022:

Redni broj	Zemlja	Naručitelj	Naziv projekta	Opis usluge	Neto ugovorna vrijednost za IGH_EUR	Status
1	Hrvatska	Klinički bolnički centar Zagreb	Usluga stručnog nadzora – Projekti obnove od potresa: Usluga stručnog nadzora – Projekt obnove od potresa_Glavna zgrada KBC–a Zagreb na lokaciji Kišpatićeva 12	nadzor	980.821,55	ugovor potpisan
2	Hrvatska	Hrvatski sabor	Nabava usluga za izradu Projektno-tehničke Dokumentacije za cjelovitu obnovu zgrade Hrvatskoga sabora	projektiranje	522.829,43	ugovor potpisan
3	Hrvatska	Fond za obnovu Grada Zagreba, Krapinsko-zagorske županije i Zagrebačke županije	Nabava usluga operativne koordinacije_112(110)	savjetodavne usluge	219.346,34	ugovor potpisan
4	Hrvatska	Hrvatske autoceste d.o.o.	Istražni radovi i projekt sanacije kolnika temeljem glavnog pregleda, autocesta A1 (dionica Karlovac-Bosiljevo II), A6 (dionica Bosiljevo II-Orehovica) i A7 (dionica Orehovica-Rupa)	istražni radovi/projektiranje	120.948,50	ugovor potpisan
5	Hrvatska	Regionalni centar čistog okoliša d.o.o. Split	Usluge stručnog nadzora građenja 3 pretovarne stanice u Splitsko-dalmatinskoj županiji PS Sinj, PS Brač, PS Zagvozd	nadzor	85.606,21	ugovor potpisan
6	Hrvatska	Fond za obnovu Grada Zagreba, Krapinsko-zagorske županije i Zagrebačke županije	Usluga operativne koordinacije za gradnju zamjenskih obiteljskih kuća - Grad Zagreb – Sjeverozapad (Graberje, Mikulići, Šestine, G. Stenjevec, Podsused, Črnomerec, G. Vrapče, Rudeš, Vrapče)	savjetodavne usluge	62.791,16	ugovor potpisan
7	Hrvatska	Hrvatske vode	Akumulacija Preslatinci – Idejni projekt	projektiranje	51.761,90	ugovor potpisan
8	Hrvatska	Hrvatske autoceste d.o.o.	Istražni radovi za potrebe izrade projekta sanacije nove kolničke konstrukcije recikliranjem asfaltnog kolnika na autocesti A3 Bregana-Zagreb-Lipovac	istražni radovi	44.953,22	ugovor potpisan

Table 3. ***List of projects contracted at the beginning of 2023***

At the beginning of the year the Company signed two Protocols on cancellation of debt, namely with B2 Kapital d.o.o and Avenue Mehanizacijom d.o.o. and signed a PIK debt restructuring agreement with AVENUE ENGINEERING AND CONSTRUCTION LIMITED, with the aim of completing the pre-bankruptcy settlement as soon as possible.

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7. VISION AND MISSION

VISION: Be a leading engineering company in the region and beyond, whose employees are the best experts and satisfied co-owners, improving the every-day quality of life and of the environment through their innovative engineering solutions.

MISSION: Tackle engineering challenges to our client's satisfaction, with a timely, professional and responsible approach, knowledge and innovation

8. IGH STRATEGY 2020 - 2030

New step forward of INSTITUT IGH, d.d. is based on our key values. Our course in the next ten year period is to keep the leading position on the traditional Croatian and East European markets, providing services in the field of design, construction supervision, project management, laboratory services in sectors in which we have so far demonstrated our superior expertise, such as road and railway infrastructure. IGH bases its corporate advantage on the comprehensive services it provides in civil engineering, which is an exceptional efficiency in project implementation for the client, along with maintaining a high level of quality of services.

The Strategy proposes four key courses of action:

1. **Focus on employees and mentoring**
2. **New markets and business segments**
3. **Scientific and research activities**
4. **Profitability**

Employees – our greatest asset

The experience gained on large and demanding projects, and experts who are capable of managing increasingly complex activities, must be kept in IGH. An invaluable pool of expertise and experience of IGH's experts is thus created, forming the basis for long-term sustainability of our business operations. Expanding the capabilities of professional staff through development and training of presently employed and bringing new team leaders and key experts to work on projects, as well as attract junior engineers is still in our focus. In addition, thanks to the implementation of the Mentoring System which we started in 2022, we would like to establish a mentoring system whereby junior engineers and designers can work together with more experienced experts in all phases of designs, thus ensuring a faster transfer of knowledge and ultimately a higher level of quality of our work and services and an added value for our partners. A systematic program of vocational education and training will enable our employees to develop their expertise and managerial skills, foreign languages and soft skills as well as application of new technologies such as BIM, as a part of the comprehensive digital transformation of the Company.

Client orientation

IGH’s view is to be a partner to our clients and not only a contractor, to achieve this by focusing on the timely fulfilment of their requirements and a proactive approach.

Scientific and research activities

IGH was once recognisable by his contribution to the profession through research and development. We would like to return to these roots in the next period and become once more the centre of excellence in the field of scientific and research activities and implementation of education programmes: use of plastic based waste materials in building materials, development of new methods for testing building materials and structures, including methods of non-destructive testing, further development and issuance of eco-certificates, capacity building for water analysis, research and development on hydrogen

Focus on new sectors and modernization of services

Energy, in the classic sense and especially energy from renewable sources such as wind, water and biomass is a great opportunity to expand our experience to this sector and additionally diversify our service portfolio and sectors in which we operate.

Buildings for industrial and civil purposes as well as Data Centres will in the future require state of the art design, technical supervision and strategic consultancy services. This is precisely where IGH wants to remain and be recognized as a top leading company.

We wish to be the leading company when it comes to improving services according to world standards, and be the leader in the trend towards modernization of services in civil engineering for all stakeholders. This primarily means promoting BIM processes and tools and establish them as the standard in the industry.

Financial stability

Ensuring cash flow stability and further financial activities for IGH's development in the next period, with complete fulfilment of commitments from the pre-bankruptcy settlement and its closure as a pre-requirement for easier business operation.

Increased involvement of all IGH assets on current and new foreign markets will ensure long-term and sustainable financial stability of the Company

New markets

Our strategic goal in the next period is to turn towards the West and the Near East and the Asian market.

Strategy adjustment

Considering the new market trends, last year we started to adjust our Strategy to reflect both market and geopolitical changes. In addition to maintaining our four principal directions, we will take a more strategic approach to design, technical supervision, laboratory and R&D activities, further digitalization. Promotion and provision of BIM services.

Figure 2. Symbolic representation of strategic areas of Institut IGH, d.d.

9. ORGANIZATIONAL STRUCTURE

On 31 Dec 2022, the Company organization was as follows:

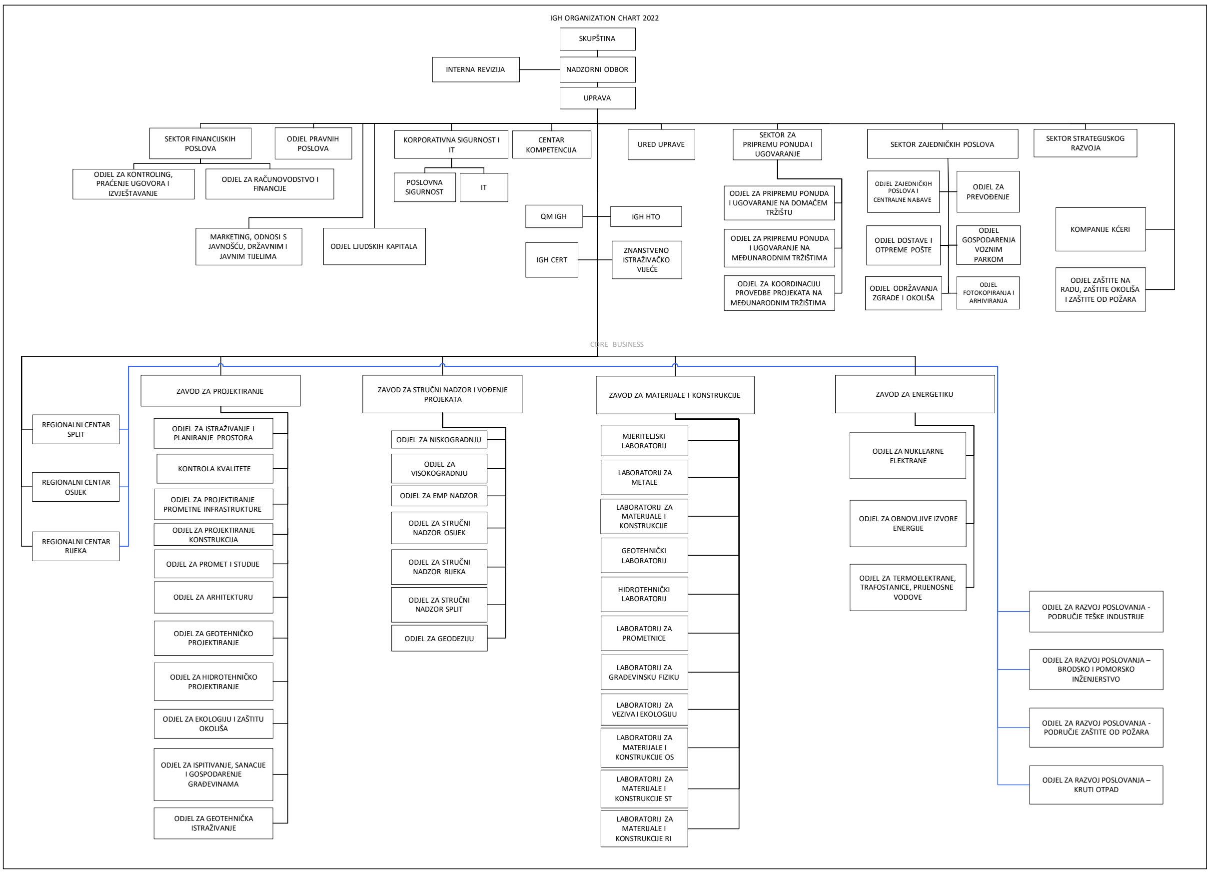

Figure 3. Organizational structure on 31 Dec 2022

10. Material issues of importance for the Company

Considering the context in which it operates, the Company's Management analysed a number of material topics of relevance. Considering the scope of services provided on the engineering consultancy market, three principal topics were recognized which have an impact on the economy and the society in general.

The Company primarily provides services on large infrastructural projects that have an exceptional impact on the economy, society and people in general. When providing this type of service, it is extremely important to take into account all possible consequences. For example, professional supervision of motorway or bridge construction has a great socio-economic significance, but it is also significant for all the people who work on such projects. Therefore, it is legally recognized that every company must have an adequate and professional workforce that will be able to give clear and unambiguous instructions regarding the health and safety of both its own employees and those of partners and subcontractors. Incidents on construction sites can have negative consequences in terms of personal injury or extension of construction deadlines, which also brings economic consequences. On the other hand, establishing valid procedures and processes in place can mean that the project will be carried out within the given time frame and without consequences. The Company is guided by the Control Management System principles, such as: Occupational Health and Safety Management: ISO 45001:2018

The Company's operations are geographically divided among the head office in Zagreb and three Regional Centres (Osijek, Rijeka, Split) with the largest civil engineering laboratory in this part of Europe as their integral part, undertaking testing and calibration procedures. This raises the awareness that we must consider our own impact on the environment. Therefore, Management Systems such as: Environmental Management System Standard: ISO 14001:2015 and Energy Management System Standard: ISO 50001:2018 and as an umbrella system the Quality Management System: ISO 9001:2015 have been set up within the Company.

Analysing the Company's age structure, it is evident that the older work force dominates demographically. Therefore, professional training and mentoring have been recognized through Strategic Positioning as one of the primary goals in order for the Company to remain a leader in providing consulting and engineering services in the Republic of Croatia and beyond. It was precisely the need for professional training that was dominantly recognized as a need during the employee satisfaction survey.

Considering all of the above, the Company recognizes the following three material issues:

1. **Health and safety of our employees and our industrial partners on projects**
2. **Adaptation and impact on the environment**
3. **Focus on employees through mentoring and professional development**

11. NON-FINANCIAL REPORTING

Pursuant to provisions of Article 21a of the Accounting Act (OG 78/15, 120/16), EU Directive 2013/34/EU and the 2017/C 215/01 EU Commission Guidelines on non-financial reporting (methodology for reporting non-financial information), the Company included in its Annual Report all relevant information on business activities which are expected to be included in the non-financial report.

INSTITUT IGH, d.d. is particularly proud of the long-standing tradition of implementing and certification of the Quality Management System in accordance with the standard HRN EN ISO 9001:2015; the Environmental Management System in accordance with the standard HRN EN ISO 14001:2015; Energy Management System in accordance with the standard HRN EN ISO 50001:2018 and the Occupational Health and Safety Management System in accordance with the standard HRN ISO 45001:2015.

The Company received confirmation of compliance with the requirements of all these standards from the Certification Body DNV in December 2022, upon completion of audit

Institut IGH was certified last year according to the standard ISO/IEC 27001:2013 of the Information Security Management System.

Laboratory activities are also undertaken for many years in accordance with the requirements of the standard HRN EN ISO/IEC 17025:2017 on several locations throughout Croatia (Zagreb, Split, Rijeka, Osijek, Pula, Varaždin, Dubrovnik). All organizational units carry out testing /calibration /sampling in accredited and non-accredited fields.

Accreditation in testing laboratories for 511 methods, i.e. 705 methods, if we take into account all the locations testing is conducted was completed in March 2022

The quality of the metrological laboratory was confirmed through accreditation by the Croatian Accreditation Agency in March 2022 issuing a Certificate 2070 for 16 methods for calibration of measuring devices for: strength, length, frequency, mass, temperature.

Integrated management system at the INSTITUT IGH d.d is applied to all business processes and locations and, as a requirement of modern business operations, ensures continuous improvement of processes, corporate social responsibility and development of service quality.

INSTITUT IGH d.d. continues to promote corporate social responsibility through the development of its business processes by reorganization and digitization, by focusing on employees, encouraging and developing research work, as well as accountability to the environment.

Pursuing global goals to reduce carbon and water footprints, as well as responsible energy consumption, INSTITUT IGH d.d seeks to increase its efficiency through defined goals.

INSTITUT IGH d.d. will continue to improve its business model for the benefit of its clients, investors, employees and suppliers, as well as the entire social community.

Management Systems in INSTITUT IGH, d.d

Integration of all management systems in INSTITUT IGH, d.d. was a priority in 2021, in order to facilitate their operation, increase their efficiency, reduce costs, reduce the number of management system documents and allow for easier access and understanding for the employees.

Within the framework of the management system, app. ten training events were held for all newly hired employees to increase awareness of management systems, awareness of the contribution of each employee to system efficiency, the quality system policy, the environment, energy and employee health and safety system policies.

More than 10, mostly integrated internal audits have been carried out in all locations, including construction sites as separate units, where the INSTITUT IGH d.d. is present, mostly through technical supervision activities.

The audit of the certification company DNV was held in November and included the requirements of ISO9001 (recertification), ISO14001, ISO45001 and ISO50001 (supervision).With the exception of a few isolated and recorded inconsistencies, the integrated management system is considered efficient and harmonized i.e. aligned with the standards based on audited samples. Certificates for the environmental management system, occupational health and safety management system, as well as energy management system remain in force, and a new certificate has been issued for the Energy management system, valid until the end of 2025.

The certification audit for the new information security management system according to ISO 27001 was held through May 2022, and the certificate for the said system was issued on 10 June 10 2022

Quality Management System including laboratories

INSTITUT IGH, d.d. bases its activities on business standards, social responsibility and certified Quality Management System in accordance with the requirements of the standard ISO 9001:2015 within the framework of an integrated management system.

The laboratories meet the training requirements and make up the majority of all laboratories in Croatia. All laboratories are equipped with modern equipment for laboratory, in-situ testing, research services and calibration of measuring devices and are accredited in accordance with the standard HRN EN ISO/IEC 17025:2017. According to the attachment to the Accreditation Certificate a total of 705 testing methods was accredited in the testing laboratories, of which 194 methods overlap by location, so in all 511 different methods are accredited.

The Metrological laboratory was evaluated by the Croatian Accreditation Agency in March 2022. Methods of calibration of length meters, force meters, vibration tables with a measuring system, non-automatic scales and temperature chambers were accredited. Five methods are accredited in the laboratory and eleven methods in-situ.

Environmental management

Through the environmental management system, INSTITUT IGH d.d. in 2022 continued to reduce negative environmental impacts to a minimum, taking into account climate changes and prospects of the life cycle of every product. In accordance with the requirements of our clients, suppliers, employees, business partners and other interested parties, and related to the range of activities we are engaged in, we estimated that the ecological footprint is relatively small. We have thus dedicated ourselves to the operations which we can significantly influence.

Our environmental management system, according to ISO 14001, but also energy according to ISO 50001 forces us to look for improvement opportunities through environmental aspects, but also through risk assessment and resolving nonconformities.

Waste management

Principal waste management goals in Institut IGH were connected to raising awareness about waste management through the study of options and possibilities or waste recycling and recovery.

In 2022 the following types and quantities of waste were managed:

Type of waste	ZG (t)	ST (t)	OS (t)	RI (t)	Generated waste (t)	Recovered (t)	Waste disposal (t)
Concrete	35,14	12,18	0	28,42	75,74	35,14	40,6
Construction waste	35,26	0	22,705	9,72	67,685	35,26	32,425
Biodegradable waste	8,71	0	0	0	8,71	8,71	0
Plastic	3,53	0	0	0	3,53	3,53	0
Paper	5,86	0	0	0,41	6,27	5,86	0,41
Filters and absorbents	0,07	0	0	0	0,07	0,07	0
Hazardous packaging	0,3	0	0	0	0,3	0	0,3
Paint, varnishes, resin	0,005	0	0	0	0,005	0	0,005
Electric and electronic waste	1,94	0	0	0	1,94	1,94	0
Insulating material (hazardous)	0,07	0	0	0	0,07	0	0,07
Insulating materials	3,96	0	0	0	3,96	0	3,96
Rubber, tyre	0,005	0	0	0	0,005	0,005	0
Dangerous components	0,08	0	0	0	0,08	0	0,08
Tar	0,175	0	0	0	0	0	0,175
Total	**95,105**	**12,8**	**22,705**	**38,55**	**168,365**	**90,515**	**78,025**

Table 4. Data on the quantities of waste in 2022

Data inputs in Table 4 are reported data from the Register of Environmental Pollutants and records on the generation and flow of waste.

Rock wool, concrete, brick, tile and aggregates, styrofoam and similar materials brought to INSTITUT IGH, d.d. as test samples are returned to the production cycle for reuse in order to create an additional – longer value of the product.. Extending the service life of construction products actually reduces the amount of waste and direct impact on the environment and supports the circular economy model.

Unfortunately the infrastructure of utility companies and disorder on the waste market/system prevents recovery of larger percentage of waste at all locations. This is mostly relevant to construction / mixed construction waste in Rijeka, Osijek, Split, so unfortunately instead of being recycled or reused, it is disposed of at a landfill.

All waste is handed over to authorized waste collection companies, therefore it is disposed of outside IGH premises. However , we have no information what is done with the waste after it is collected and how it is recycles or disposed.

Environmental data

	2021	2022
Gross direct greenhouse gas emissions (GHG) in metric tonnes of equivalent (scope 1)	595798,2 t	525001,5 t
Greenhouse gas emission per company revenue	0,003334704	0,002900561
Reduction of greenhouse gas emission per company revenue in 2022 compared to 2021	13%	

Gasses included in the calculation: CO^2, $CH^{4.}$

Source of calculation and used emission factors and GWP potential rate: EIB Project Carbon Footprint

The year 2021 was taken as the base year since it is the only one relevant. This also applies for the monitoring of energy consumption.

Regarding the indirect gross market energy GHG emissions (scope 2) and gross other indirect GHG emissions (scope 3), data are not available or not applicable.

Energy management

The energy management system requires an energy audit per location, monitoring of energy consumption and compliance with legal requirements, in accordance with the standard ISO 50001.

The energy review carried out within the framework of the energy management system in accordance with ISO 50001 includes Institute's locations of business: The head office in Zagreb, RC Split, RC Osijek, RC Rijeka, with some limitations. Regional centre Split was not included in the 2022 analysis because we do not have the data on energy consumption for that location. The RC Rijeka data on energy consumption are not realistic because they are calculated by the lessor as a percentage of the total bill
Other locations are energy-nonsignificant consumers and are not covered by the analysis.

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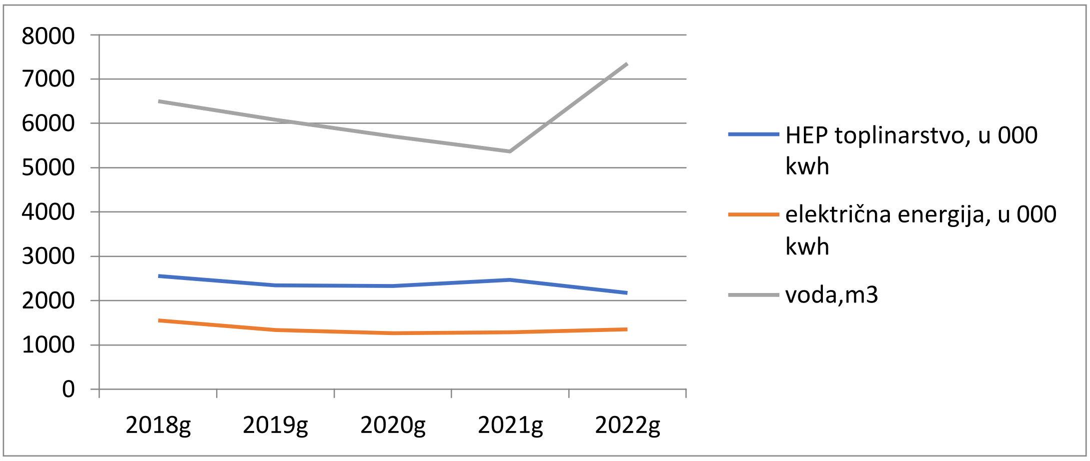
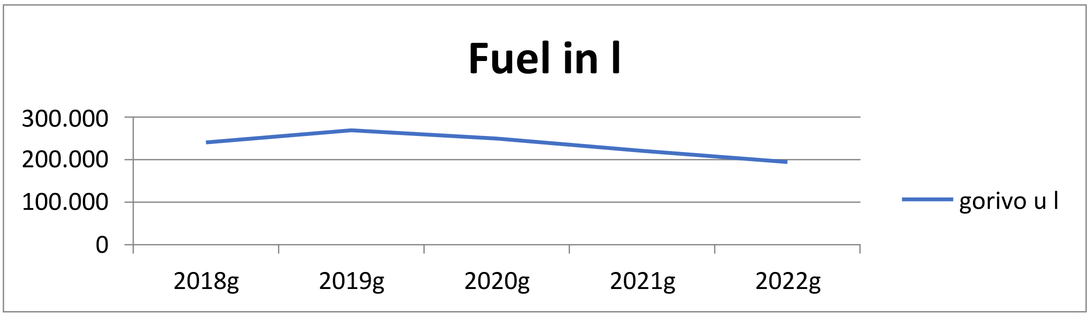
Total fuel consumption in the Company, from non-renewable sources is $8{,}38531 \cdot 10^{12}$J. As far as renewable sources are concerned, such vehicles are not currently not used.

In 2022, INSTITUT IGH, d.d. recorded consumption of the following energy sources in respective quantities (note: Split was not included in this data since there is no data for 2022 for comparison):

Energy Group	Energy source	Consumption per unit of measurement	Consumption in kWh	Consumption in J
Transport	Diesel fuel	194.445 l	2.080.562	$7{,}38891 \cdot 10^{12}$
Heating	Thermal energy	2.160.868 kWh	2.160.868	$4{,}9901 \cdot 10^{12}$
Electricity	Electricity	1.348.078 kWh	1.348.078	$7{,}77912 \cdot 10^{12}$
Water	Water	7.352m^3	-	-
Total	All	-	5.589.508	$2{,}01581 \cdot 10^{13}$

A comparison of the total energy consumption shows that thermal energy has the greatest consumption





Total fuel consumption in the Company comes from non-renewable sources As far as renewable sources are concerned, no such vehicles are currently being used.

In conclusion, energy consumption is monitored and analysed, and improvements in energy savings are evident. The biggest savings in eh energy sources were made in fuel consumption compared to the previous year. Regarding other energy sources which significantly impact energy efficiency, savings are also visible, although it is extremely difficult to compare 2022 and 2021 with the historical data (2018-2019-2020), because the energy management system was only introduced in 2019 and energy consumption started to be monitored. The year 2020 was the „Covid year“ (work from home, self-isolation, isolation...). Therefore 2021 was taken as the base year.

Energy indicators

Energy indicators are defined as the relationship between energy consumption and the relevant variables affecting consumption.

The relevant variable here is the Institut IGH revenue.

EnPi	2021	2022	2022-2021
Energy consumption total (J)	$2{,}278*10^{13}$	$2{,}01581*10^{13}$	$-2{,}62*10^{12}$
IGH revenue (HRK)	178.666.000	181.000.000	2.334.000
EnPi (J/HRK)	127503,57	111370,9326	-16.132,60

The total energy consumption includes total energy used for heating, cooling and transport.

Implementation of the Energy Management System according to ISO 50001 significantly influenced the reduction of energy consumption, primarily through employee education etc.

Water

In order to achieve concrete steps towards sustainable business operations and keeping in mind the importance of water as a resource, we understand the importance of water management. However, by assessing the risk of impact on waters (environmental aspects according to ISO 14001, risk assessment according to ISO 50001) and exploitation of this resource, we have come to the conclusion that Institut IGH has a minor, minimal water footprint. Water use is limited to sanitary needs and cooling of samples during a testing procedure at one of our locations.

The Company purchases and intakes water from the utility company and returns the used water into the drainage system. It is a closed drainage system and should have no losses.

Water consumption is monitored in absolute amounts and through energy indicators (taking into account relevant variables).

Absolute water consumption in megaliters, in IGH is: 7,469 Ml.

This information should not be taken as exact since data on water consumption in RC Split is unavailable, and data for RC Rijeka reflect only a part in the total water consumption of the building in which IGH has its offices Data is collected from the bills received from the utility company supplying water.

IGH has one sprinkler tank in Zagreb which contains 0,1115 Ml of water. The water quantity in the sprinkler tank did not change during the subject period.

Management of occupational health and safety at work

The established system of management of occupational health and safety at work provided a framework for managing risks and opportunities, ensured healthy workplaces for employees and reduced the number of injuries and work related diseases.

In 2022 the focus slowly shifted from the Corona virus pandemic (with no fatal outcomes among our employees) to risks directly related to work processes. Therefore, internal audits of occupational health and safety at work experts were intensified in those processes recognized as risky during risk assessment. Persons authorized by the employer for occupational health and safety at work were informed about the internal audit results and corrective actions were initiated, most of which were accepted and closed.

Occupational health and safety at work system performance is monitored through key system indicators, including injuries or deaths at work and lost working days and hours in relation to the total number of working hours spent at work.

Analysis of work related injuries in the period 2013 - 2022 /

***GODINA** / YEAR*	***BROJ SMRTNIH OZLJEDA** / No FATAL ACCIDENTS*	***BROJ OZLJEDA)** / No of injuries*	***IZGUBLJENI RADNI DANI** / LOST WORKING DAYS*	***UČESTALOST*** / FREQUENCY RATE**	***TEŽINA OZLJEDA**** / SEVERITY RATE***	***Broj djelatnika / No. of** Employees*	***Fond sati po djelatniku /** Np.of working hours/employee*	***Ukupno sati /** Total hours IGH*	***Izgubljeni sati /** Lost hours*	***Izgubljeni dani /** Lost days*
2013	0	4	100	0,03	0,74	651	2088	1359288	800	100
2014	0	3	50	0,02	0,39	613	2088	1279944	400	50
2015	0	2	59	0,02	0,49	578	2088	1206864	472	59
2016	0	3	26	0,03	0,23	532	2088	1110816	208	26
2017	0	4	22	0,04	0,22	473	2088	987624	176	22
2018	0	1	62	0,01	0,71	421	2088	879048	496	62
2019	0	5	99	0,05	1,01	469	2088	979272	792	99
2020	0	1	18	0,01	0,17	517	2088	1079496	144	18
2021	0	2	15	0,02	0,14	521	2088	1087848	120	15
2022	0	2	8	0,02	0,08	492	2088	1027296	64	8

*Calculation frequency: n. Injuries/ n. Hours worked x 10.000

**Index calculation of gravity: total working days lost / total hours worked x 10.000

12. ATTITUDE TOWARDS EMPLOYEES

Employee rights in the Company, in 2022 were regulated by:

- The Labour Act
- Employment Regulation dated 23 March 2017 which entered into force on 1 April 2017, by which the previous Employment Regulation and its Amendments ceased to be valid
- Regulation on the use of company cars no. OD-2-11/2021 dated 1 July 2021, by which the previous Regulation on the use of company cars dated 8 July 2020 ceased to be valid
- Decision of the Management Board no.OD-15-1/2021 by which a consolidated text of the Regulation on Business Trips and Field Work was adopted, in force since 25 March.2021 and by which all previous Regulations/Decisions on this subject have ceased to be valid.
- Decision of the Management Board no. OD-74/2020 dated 20 July 2020 by which the Decision on Salary Classes came into force and by which the Decision on Salary Classes no 201/131-4 dated 23 March 2017 ceased to be valid.

Personnel structure

On 31 December 2022, INSTITUT IGH, d.d. had 468 employees, with an additional 9 employed in foreign branch offices. This is a decrease by 57 employees compared to 31 December 2021, when the Company had 534 employees.

AGE	LOW SKILLED	SKILLED	SECONDARY SCHOOL	HIGHER EDUCATION	UNIVERSITY DEGREE	MASTER'S DEGREE	DOCTORATE	Total	percentage
20-29			12	8	49			69	14%
30-39	1		9	5	77			92	19%
40-49			23	17	88	5	2	135	30%
50-59	1	1	37	13	50	10	4	116	25%
60-69			7	6	34	4	3	54	12%
70-75					1	1		2	0%
TOTAL	2	1	88	49	299	20	9	468	100%
Share	0%	0%	19%	10%	65%	4%	2%	100%	-

Table 13: Age and educational structure of INSTITUT IGH, d.d. employees in Croatia and in branch offices on 31 Dec.2022

A total of 7 training sessions were held in 2022 with the aim of professional development, lasting a total of 112 hours. A total of 87 female and 112 male employees participated in these trainings.

13. TRANSACTIONS WITH SHARES

IGH-R-A	AGRAM BANKA D.D. (0/1) / AVENUE ENGINEERING AND CONSTRUCTION LIMITED (1/1)	AGRAM BANKA D.D.	239.500	39,02501
IGH-R-A	AGRAM BANKA D.D./ AVENUE ENGINEERING AND CONSTRUCTION LIMITED (1/1)	AGRAM BANKA D.D.	75.500	12,30225
IGH-R-A	AKCIONAR D.O.O. (1/1)	AKCIONAR D.O.O.	12.500	2,036796
IGH-R-A	PRIVREDNA BANKA ZAGREB D.D./SKRBNIČKI ZBIRNI RAČUN KLIJENTA	PRIVREDNA BANKA ZAGREB D.D.	9.005	1,467308
IGH-R-A	MIHALJEVIĆ BRANKO (1/1)	MIHALJEVIĆ BRANKO	8.010	1,305179
IGH-R-A	CAPTURIS D.O.O. (1/1)	CAPTURIS D.O.O.	7.895	1,28644
IGH-R-A	INSTITUT IGH, D.D. (1/1)	INSTITUT IGH, D.D.	6.659	1,085042
IGH-R-A	ČOLINA ANTE (1/1)	ČOLINA ANTE	4.800	0,78213
IGH-R-A	JURČAK ANTUN (1/1)	JURČAK ANTUN	4.798	0,781804
IGH-R-A	IPRO - INŽENJERING D.O.O. (1/1)	IPRO - INŽENJERING D.O.O.	4.512	0,735202

In 2022, the Zagreb Stock Exchange traded with 47.173 shares mark IGH-R-A in the amount of HRK 4.085.231,90 with the daily concluded prices ranging between HRK 70,1811 to 115,00 HRK. (Source: ZSE, Trade information and statistics, Periodic Trade Reports, Review of Trade in 2022)

14. STATEMENT ON THE APPLICATION OF CORPORATE GOVERNANCE

The largest shareholders are Avenue Engineering and Construction Limited, with 51,33% and Akcionar d.o.o. with 2,036%, while all other shareholders hold less than 1,5% share in the Company.

There are no holders of securities (shares) in the Company with specific control rights. There are no restrictions regarding voting rights in the Company. Each share carries one vote. There are no time limits for execution of voting rights in the Company, and there are no instances where, in cooperation with the Company, the financial rights pertaining from securities are separated from holding of these securities.

Rules on appointment and revocation of appointment of Management Board members are laid down in Articles 31-34 of the Articles of Association of the Company. Rules on the powers of the Board members are laid down in Article 33 of the Articles of Association. The Articles do not contain special rules on the powers of the Board members to issue Company shares or acquire own shares. Rules on appointment and revocation of appointment of Supervisory Board members and the powers of the Company Supervisory Board are given in Articles 23-30 of the Company's Articles of Association.

Company Management

The INSTITUT IGH, d.d. Management, in the period from 1 January 2022 to 31 December .2022 consisted of the following members:

1. from 06 Dec 2022 – four member Board: Robert Petrosian, President of the Management Board – Vedrana Tudor, Member of the Management Board – Miroslav Pauzar, Member of the Management Board – Igor Džajić, Member of the Management Board
2. from 06 Dec 2022 – three member Board: Robert Petrosian, President of the Management Board – Miroslav Pauzar, Member of the Management Board – Igor Džajić, Member of the Management Board

The Company Management acts in accordance with the Law and provisions of the Articles of Association of the Company.

Supervisory Board

The INSTITUT IGH, d.d. Supervisory Board, during 2021 had five members:

1. Žarko Dešković – Chairman of the Supervisory Board
2. Mariyan Tkach – Supervisory Board member since 26 August 2019 – Deputy Chairman of the Supervisory Board since 26 August 2020
3. Sergej Gljadelkin (16 June 1989) – Supervisory Board member
4. Igor Tkach –Supervisory Board member
5. Marin Božić – Supervisory Board member

15. INTERNAL CONTROLS

In line with the Corporate Governance principles, the Management of the Company and its subsidiaries established respective internal control systems and risk management systems. An effective internal control system contributes to the preservation of the company's assets.

The Company Management is responsible for the implementation and execution of the internal control and internal audit systems, as an independent and autonomous task which contributes to the definition of risks and assesses the efficiency of controls.

Management of the Company and its subsidiaries are responsible for the implementation and execution of internal control of financial reporting. The internal control system is organized to ensure reasonable assurance to the Management regarding the preparation and fair presentation of separate and consolidated financial statements. Management of the Company and its subsidiaries have assessed the efficiency of internal control over financial reporting for 2021 and concluded that the internal control of financial reporting has fulfilled all set criteria.

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16. RISK MANAGEMENT

Along with the risks already mentioned in the notes to the principal financial statements, the Company Management also reports on the following risks:

The Company concluded a pre-bankruptcy settlement on 5 Dec 2013 before the Commercial Court in Zagreb, Ref.no. 72. Stpn-305/2013. The subject settlement became valid and final on 28 Dec 2013. The Company received the Force of res judicta on 15 April 2014. Based on the fact that the pre-bankruptcy settlement is valid and final, the Company sees the pre-bankruptcy settlement risk as a potentially long-term risk, since settlement of commitments towards category a) financial institutions, is due within a period of 6,5 years with a grace period of 3,5 years. In terms of the long-term risk, the Company states that this is a risk over a longer time period in which adequate EBITDA might not be achieved to settle all commitments undertaken by the pre-bankruptcy settlement.

From the legally concluded pre-bankruptcy settlement until 31 Dec 2022, through cash payments, issue of shares for converting a part of creditor's claims into capital, through payment of priority claims and other claims of workers with respective taxes and contributions, and by writing-off in accordance with the provisions of the pre-bankruptcy settlement, the Company settled a total of HRK 369.372 thousand of liabilities incurred prior to the opening of the pre-bankruptcy settlement procedure.

The remaining debt, with the balance sheet date of 31 Dec 2022 amounts to HRK 90.403 thousand, and even after the balance sheet date the Company continues to settle its obligations towards creditors, partly from sale, partly by taking over of assets, in order to settle its obligations from the pre-bankruptcy settlement. In the first quarter of 2023, the Company will close the senior debt in the amount of HRK 39,933 thousand and continue with the activities of closing the complete obligations arising from the pre-bankruptcy procedure.

The Company is aware of potential long-term risks, and thus actively undertakes actions to streamline and rationalize business operations and strengthen its market position. In accordance with the achieved improvements in business operations, the Company Management considers that the above stated risks shall not have a significant impact on the long-term viability of business operations.

17. FINANCIAL OVERVIEW

	INSTITUT IGH d.d.			GRUPA IGH		
u 000 HRK	2022	2021	Promjena %	2022	2021	Promjena %
Opera tivni prihodi	181.978	178.666	1,85%	182.842	180.426	1,34%
Opera tivni troškovi	139.494	157.945	-11,68%	141.066	188.324	-25,09%
EBITDA	42.484	20.721	105,03%	41.775	-7.898	-628,94%
EBITDA marža	23,35%	11,60%	101,30%	22,85%	-4,38%	-621,95%
Kratkotrajna imovina izuzev zaliha	76.779	87.371	-12,12%	79.031	103.910	-23,94%
Kratkoročne obveze izuzev obaveza po kreditima I pozajmicama	71.934	76.560	-6,04%	77.492	80.761	-4,05%
	0,94	0,88		0,98	0,78	

Table: Key financial indicators

INSTITUT IGH, d.d. in 2022 achieved an **EBITDA** amounting to **HRK 42,5 million** compared HRK 20,7 million in 2021. The EBITDA trend reflects a decrease in expenditures by 12%.

Results of the IGH Group are primarily determined by activities of the parent company, which positively impacted the results of the whole Group.

A more detailed financial overview is provided in the annual financial statements given in **Attachment**.

18. GRI INDEX

Statement of use	INSTITU IGH, d.d. compiled this Report, presented through this Index, for the period 1 January 2022 to 31 December 2022. Taking into account the GRI standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	PAGE /OMMISSIONS
GRI 2: General Disclosures 2021	2-1 Organizational details	19
	2-2 Entities included in the organization's sustainability reporting	13,14
	2-3 Reporting period, frequency and contact point	1.1.2022-31.12.2022, Tatjana Bičanić
	2-4 Restatements of information	N/A
	2-5 External assurance	21,22
	2-6 Activities, value chain and other business relationships	3,4,13,14,15,20
	2-7 Employees	3,17,20,26,27,28
	2-8 Workers who are not employees	N/A
	2-9 Governance structure and composition	19,30
	2-10 Nomination and selection of the highest governance body	30
	2-11 Chair of the highest governance body	30
	2-15 Conflicts of interest	31,32
	2-16 Communication of critical concerns	31,42
	2-17 Collective knowledge of the highest governance body	31
	2-18 Evaluation of the performance of the highest governance body	42
	2-19 Remuneration policies	42
	2-20 Process to determine remuneration	42
	2-21 Annual total compensation ratio	42
	2-22 Statement on sustainable development strategy	N/A
	2-23 Policy commitments	42
	2-24 Embedding policy commitments	42
	2-25 Processes to remediate negative impacts	31, 42
	2-26 Mechanisms for seeking advice and raising concerns	42
	2-27 Compliance with laws and regulations	2,21,28,32,42

	2-28 Membership associations	N/A
	2-29 Approach to stakeholder engagement	
	2-30 Collective bargaining agreements	N/A
	3-1 Process to determine material topics	20
	3-2 List of material topics	20
	3-3 Management of material topics	20
GRI 3: Material Topics 2021	201-1 Direct economic value generated and distributed	N/A
	201-2 Financial implications and other risks and opportunities due to climate change	N/A
	201-3 Defined benefit plan obligations and other retirement plans	19
GRI 201: Economic Performance 2016	201-4 Financial assistance received from government	N/A
	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	No available data
	202-2 Proportion of senior management hired from the local community	No available data
	203-1 Infrastructure investments and services supported	No available data
GRI 202: Market Presence 2016	203-2 Significant indirect economic impacts	No available data
	204-1 Proportion of spending on local suppliers	No available data
GRI 203: Indirect Economic Impacts 2016	205-1 Operations assessed for risks related to corruption	No available data
	205-2 Communication and training about anti-corruption policies and procedures	During trial period
GRI 204: Procurement Practices 2016	205-3 Confirmed incidents of corruption and actions taken	N/A
GRI 205: Anti-corruption 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	N/A

	207-1 Approach to tax	According to law
	207-2 Tax governance, control, and risk management	31,32
GRI 206: Anti-competitive Behaviour 2016	207-3 Stakeholder engagement and management of concerns related to tax	N/A
GRI 207: Tax 2019	207-4 Country-by-country reporting	13,14,44
	301-1 Materials used by weight or volume	N/A
	301-2 Recycled input materials used	N/A
	301-3 Reclaimed products and their packaging materials	N/A
GRI 301: Materials 2016	302-1 Energy consumption within the organization	24,25
	302-2 Energy consumption outside of the organization	24,25
	302-3 Energy intensity	N/A
GRI 302: Energy 2016	302-4 Reduction of energy consumption	24,25,26
	302-5 Reductions in energy requirements of products and services	24,25,26
	303-1 Interactions with water as a shared resource	N/A
	303-2 Management of water discharge-related impacts	N/A
	303-3 Water withdrawal	N/A
GRI 303: Water and Effluents 2018	303-4 Water discharge	26
	303-5 Water consumption	26
	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	26
	304-2 Significant impacts of activities, products and services on biodiversity	26
	304-3 Habitats protected or restored	26
GRI 304: Biodiversity 2016	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	N/A
	305-1 Direct (Scope 1) GHG emissions	N/A
	305-2 Energy indirect (Scope 2) GHG emissions	N/A
	305-3 Other indirect (Scope 3) GHG emissions	N/A

GRI 305: Emissions 2016	305-4 GHG emissions intensity	24
	305-5 Reduction of GHG emissions	N/A
	305-6 Emissions of ozone-depleting substances (ODS)	N/A
	305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	N/A
	306-1 Waste generation and significant waste-related impacts	N/A
	306-2 Management of significant waste-related impacts	N/A
	306-3 Waste generated	23,24
GRI 306: Waste 2020	306-4 Waste diverted from disposal	23,24
	306-5 Waste directed to disposal	23,24
	308-1 New suppliers that were screened using environmental criteria	N/A
	308-2 Negative environmental impacts in the supply chain and actions taken	N/A
	401-1 New employee hires and employee turnover	Not covered by this report
GRI 308: Supplier Environmental Assessment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	N/A
	401-3 Parental leave	Not covered by this report
GRI 401: Employment 2016	402-1 Minimum notice periods regarding operational changes	in agreement with the employer
	403-1 Occupational health and safety management system	8,20,27
	403-2 Hazard identification, risk assessment, and incident investigation	26,27
GRI 402: Labour/Management Relations 2016	403-3 Occupational health services	26,27,28
GRI 403: Occupational Health and Safety 2018	403-4 Worker participation, consultation, and communication on occupational health and safety	26,27,28
	403-5 Worker training on occupational health and safety	All employees are obliged to grt training and be tested
	403-6 Promotion of worker health	Occasionally there are programs for employees
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	All employees working in this area are obliged to go through mandatory

		health and training tests
	403-8 Workers covered by an occupational health and safety management system	No data available
	403-9 Work-related injuries	26,27
	403-10 Work-related ill health	26,27
	404-1 Average hours of training per year per employee	No data available
	404-2 Programs for upgrading employee skills and transition assistance programs	No data available
	404-3 Percentage of employees receiving regular performance and career development reviews	No data available
GRI 404: Training and Education 2016	405-1 Diversity of governance bodies and employees	30
	405-2 Ratio of basic salary and remuneration of women to men	Equal
	406-1 Incidents of discrimination and corrective actions taken	N/A
GRI 405: Diversity and Equal Opportunity 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	N/A
	408-1 Operations and suppliers at significant risk for incidents of child labour	N/A
GRI 406: Non-discrimination 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	N/A
GRI 407: Freedom of Association and Collective Bargaining 2016	410-1 Security personnel trained in human rights policies or procedures	N/A
GRI 408: Child Labour 2016	411-1 Incidents of violations involving rights of indigenous peoples	N/A
GRI 409: Forced or Compulsory Labour 2016	413-1 Operations with local community engagement, impact assessments, and development programs	N/A
GRI 410: Security Practices 2016	413-2 Operations with significant actual and potential negative impacts on local communities	N/A
GRI 411: Rights of Indigenous Peoples 2016	414-1 New suppliers that were screened using social criteria	N/A
GRI 413: Local Communities 2016	414-2 Negative social impacts in the supply chain and actions taken	N/A
	415-1 Political contributions	N/A

GRI 414: Supplier Social Assessment 2016	416-1 Assessment of the health and safety impacts of product and service categories	N/A
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	N/A
GRI 415: Public Policy 2016	417-1 Requirements for product and service information and labelling	N/A
GRI 416: Customer Health and Safety 2016	417-2 Incidents of non-compliance concerning product and service information and labelling	N/A
	417-3 Incidents of non-compliance concerning marketing communications	N/A
GRI 417: Marketing and Labelling 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	N/A

19. SIGNATURE OF THE COMPANY'S MANAGEMENT

The Management of the Company signs this Report and makes the following statement:

„In accordance with our beliefs, knowledge and information at our disposal, we hereby state that all information set forth in this Report constitute a complete and accurate representation, and facts that could affect the completeness and accuracy of this Report have not been omitted.“

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Robert Petrosian, President of the Management Board

CEO

20. ATTACHMENTS

1. **SCIENTIFIC COUNCIL OF INSTITUT IGH d.d**
2. **CORPORATE GOVERNANCE CODE - ANNUAL QUESTIONNAIRE**
   - 1.1. **FINANCIAL STATEMENTS**
   - 1.2. Non-consolidated and consolidated financial statements of the Company INSTITUT IGH, d.d. for the year ended on 31 December 2022 together with the independent auditor's report

Attachment 1

SCIENTIFIC COUNCIL OF INSTITUT IGH, d.d.

During 2022 INSTITUT IGH, d.d. continued its scientific cooperation in the field of civil engineering and other areas, primarily in hydrogen production and environmental protection.

The initiator of the scientific and research work is the Scientific and Research Council, which was re-established in 2021.

The scientific and research activity is mostly connected with laboratory testing of new types of building materials with a special emphasis on the possibility of recycling different waste materials in the production of building materials. Activities related to testing the content of micro plastics in water and sediment continued. Cooperation was also established on projects related to hydrogen production.

A particularly important goal of the Scientific and Research Council is to strengthen the research potential by increasing the quality of research and taking care of the younger generation of scientists and researchers.

Attachment 2

2. CORPORATE GOVERNANCE CODE - ANNUAL QUESTIONNAIRE

The Corporate Governance Code, an integral part of this Report, shall be submitted as a separate document.

Attachment 3

1. FINANCIAL STATEMENTS

2.1. Non-consolidated and consolidated financial statements of the Company INSTITUT IGH, d.d. for the year ended on 31 December 2022, together with the independent Auditor's Report

INSTITUT IGH d.d., Zagreb

The 2022 annual consolidated and separate financial statements

with an independent auditor's report

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

INSTITUT IGH d.d., Zagreb

The 2022 annual consolidated and separate financial statements

with an independent auditor's report

Responsibility for the Annual Financial Statements

The Management of INSTITUT IGH d.d., Zagreb, Janka Rakuše 1 (hereinafter the Company) and its subsidiaries (hereinafter IGH Group) shall ensure that the Company's 2022 annual consolidated and separate financial statements are prepared in accordance with the current Croatian Accounting Act and International Financial Reporting Standards, which are defined by the European Commission and published in the Official Journal of the European Union. They shall provide a true and fair view of the separate financial position, separate operating results, separate changes in capital and separate cash flows of the Company for the subject period.

After making enquiries, the Management Board has a reasonable expectation that the Company and IGH Group have adequate resources to continue as a going concern for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the separate financial statements for the Company and IGH Group.

In preparing the annual separate financial statements, the responsibilities of the Management Board include:

- the selection and then consistent application of appropriate accounting policies in accordance with current financial reporting standards
- providing reasonable and prudent judgments and assessments
- the preparation of annual separate financial statements on a going concern basis, unless this assumption is inappropriate

The Management is responsible for keeping proper accounting records, which will at any time and with reasonable accuracy reflect the separate and consolidated financial position, separate and consolidated operating results, separate and consolidated changes in capital and separate and consolidated cash flows of the Company and must also ensure that the financial statements comply with the Croatian Accounting Act in force. The Management Board is also responsible for safeguarding the assets of the Company and IGH Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Management Board:

Institut IGH, dioničko društvo za istraživanje i razvoj u graditeljstvu, Zagreb 01

Robert Petrosian
Director

Željka Sikaček
Procurator

Marija Đuroković
Procurator

Senka Žaja
Procurator

Tatjana Bičanić
Procurator

Institut IGH, d.d.
Janka Rakuše 1
10 000 Zagreb

The Republic of Croatia

In Zagreb, 9 October 2023

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Institut IGH d.d.:

Report on the audit of annual separate and consolidated financial statements

Qualified opinion

We performed an audit of the annual separate and consolidated financial statements of Institut IGH d.d., Zagreb, Janka Rakuše 1 („the Company“) and its subsidiaries („the Group“), for the year ended 31 December 2022, which include the separate and the consolidated Statement of financial position as at 31 December 2022, the separate and consolidated Statement of comprehensive income, the separate and the consolidated Statement of Cash Flows and the separate and consolidated Statement of Changes in Equity for the year then ended, as well as the accompanying Notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects described in section "Basis for Qualified Opinion", the accompanying annual separate and consolidated financial statements present truly and fairly the separate and consolidated financial position of the Company and the Group as at 31 December 2022, their separate and consolidated financial performance and separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards established by the European Commission ("IFRS").

Basis for Qualified Opinion

The business operations of Institut IGH's Moscow subsidiary

As stated in Note 36 „The closing of Institut IGH's Russian subsidiary in Moscow„ accompanying the separate and consolidated financial statements, pursuant to a decision of the Company's Management, the Russian subsidiary of Institut IGH, d.d. in Moscow, was closed in 2021. Following the events concerning the war in Ukraine and the inability to access the assets of INSTITUT IGH's Russian subsidiary in Moscow, we were unable to acquire sufficient and appropriate audit evidence on the 5,118 thousand kunas worth of assets (5,356 thousand in 2021), 3,497 thousand kunas worth of liabilities (6,385 thousand kunas in 2021) included in the separate and consolidated Statement of financial position on 31 December 2022 as well as on the 2,784 thousands of kunas worth of revenues and 2,662 thousands of kunas worth of costs included in the separate and consolidated Statement on comprehensive income for the year that ended on 31 December 2021.

Valuation of property, plants and equipment

As stated in notes 3.8., 3.9., 12., 14., and 24.1, the Group and the Company have adopted the accounting policy of subsequent valuation of real estate, plant and equipment using the fair value model. The Company and the Group have not acquired relevant and comprehensive valuations of property, plants and equipment for the reporting period in accordance with International Accounting Standard 16 Property, plants and equipment. As such, during our audit, we were unable to acquire sufficient and appropriate evidence to ascertain the stated value of property, plant, equipment, revaluation reserves and deferred tax liabilities, and we are unable to determine the effects of corrections, in case of any, on the 2022 annual separate and consolidated financial statements.

Investments in subsidiaries

As stated in note 15, the Company and the Group stated investments in subsidiaries. During previous reporting periods, some of the subsidiaries ceased to do business, and the Group showed the effects of these changes in the consolidated Statement of financial position on 31 December 2022 and the consolidated Statement of changes in equity for the year that ended on 31 December 2022. If the Group had made corrections when it comes to previous periods in accordance with International Accounting Standard 8 Accounting policies, changes in accounting assessments and errors, the shown amounts of receivables and accumulated losses in the consolidated Statement of financial positions on 31 December 2021 would have been 14.250.000 kuna smaller.

INDEPENDENT AUDITOR'S REPORT (continued)

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

Basis for Qualified Opinion (continued)

We conducted our audit in accordance with International Auditing Standards (IAS). Our responsibilities under those standards are further described in our Independent Auditors' report under section *Auditor's Responsibilities for the audit of the annual separate and consolidated financial statements*. We are independent of the Company and the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independency Standards issued by the International Ethics Standards Board for Accountants (IESBA) (The IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our Qualified Opinion.

Emphasis of Matter

We draw attention to Note 2.7. „Going concern" and Note 35. „The effects of the pre-bankruptcy settlement" accompanying these separate and consolidated financial statements.

As at 31 December 2022 the Company the Company has negative equity in the amount of 80,408 thousand kuna (2021: 96,873 thousand kuna) and the short term liabilities exceed short term assets by 169,188 thousand kuna (2021: 172,762 thousand kuna), while the Group has a negative equity of 97,934 thousand kuna, (2021: 97,621 thousand kuna) and the Group's current liabilities exceed their current assets by 135,625 thousand kuna (2021: 122,845 thousand kuna).

Subsequently, the Company and Group Management are making an effort to resolve the existing situation and the improvement of ongoing business operations and the financial position of the Company and the Group, all for the purpose of doing business under the assumption of going concern. Our opinion has not been modified on this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, are of most significance in our audit of annual separate and consolidated reports for the current period and include the recognized greatest risks of significant misrepresentation due to error or fraud with the greatest impact on our auditing strategy, the use of our available resources and the use of time of our hired auditing team.

These matters were addressed in the context of our audit of the annual separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (continued)

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

We concluded that the matters outlined below are key audit matters that should be published in our independent auditor's report.

Key audit matter	How audit addressed the key audit matter
Revenue recognition **Related disclosures in the corresponding annual separate and consolidated financial statements** See note 3.3. „Revenue recognition" and 4. „Information on segments" in the corresponding annual separate and consolidated financial statements. In accordance with IFRS 15 „Revenue from contracts with customers" when the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the date of the statement of financial position relative to the total estimated costs. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable, Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately. The cost method emphasizes the importance of the accuracy of the estimated total contract costs, total estimated revenues, contracted risks, including technical, political and regulatory risks, and other judgments. Considering the significance of revenues presented in the Statement of comprehensive income and the risk of recognizing them in an inappropriate period in order to show a better result of the period, we concluded that the consistency, accuracy and completeness of revenues as well as their distribution in the proper reporting period is a key audit matter.	**Our audit procedures related to this area, among other things, included:** • Gaining an understanding of the revenue recognition process by conducting interviews with key sales people, • Gaining an understanding of key controls related to the recognition of sales revenue and testing them on the basis of a sample, • Identification of concluded construction contracts, • Assessment of compliance of sales revenue recognition policies with the International Financial Reporting Standard 15 – "Revenue from customers", • Based on a random independent, impartial and representative sample of construction contracts, we have confirmed the amount of recognized revenues and costs per year per project based on selected construction situations. • Assessment of the adequacy of disclosures related to the recognition of sales revenues in accordance with IFRS 15 – "Revenue from contracts with customers"

INDEPENDENT AUDITOR'S REPORT (continued)

A report on the audit of annual separate and consolidated financial statements (continued)

Other information

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

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

Regarding the Management Report, Non-financial Report and the Statement on the Application of the Code of Corporate Governance, we also carried out the procedures required by the current Croatian Accounting Act (the "Accounting Act"). These procedures include considering whether the Management Report has been prepared in accordance with Article 21 and 24 of the Accounting Act, whether the Non-Financial Report has been prepared in accordance with Article 21a of the Accounting Act and whether the Statement on the Application of the Corporate Governance Code contains information from Article 22 of the Accounting Act.

Based on the conducted procedures, to the extent to which we are able to estimate, we report that:

Based on the procedures required as part of our audit of the annual separate and consolidated financial statements and the above procedures, in our opinion:

1. The information contained in the Management Report and the Statement on the Application of the Corporate Governance Code is consistent, in all material respects, with the attached financial statements;
2. The attached Management Report is compiled in accordance with Article 21 of the Accounting Act;
3. The attached Non-Financial Report is compiled in accordance with Article 21.a of the Accounting Act
4. The attached Statement on the Application of the Corporate Governance Code includes the information defined in Article 22 of the Accounting Act.

Based on the knowledge and understanding of the Company's and Group's operations and their environment in which they operate, which we acquired during our audit of annual separate and consolidated financial statements, we are required to report whether we have identified material misstatements in the attached Management Report, Non-Financial Report and Statement on the Application of the Corporate Governance Code. In that sense, we have nothing to report, except as stated in the „Basis for Qualified Opinion" section.

Responsibilities of the Management and those in charged with governance for the annual separate and consolidated financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

A report on the audit of annual separate and consolidated financial statements (continued)

Auditor’s Responsibility for the audit for the audit of annual separate and consolidated financial statements

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

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

- identify and assess the risks of material misstatement of the annual separate and consolidated financial statements due to fraud or error, design and perform audit procedures in response to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of non-detecting a material misstatement of fraud is greater than the risk of error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or circumvention of internal controls
- acquire an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group’s internal controls.
- assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- conclude on the appropriateness of the accounting basis used based on the going concern principle used by the Management Board and based on the obtained audit evidence, we conclude on whether there is material uncertainty regarding events or circumstances that may create significant doubts about the Company’s and Group’s ability to continue operating for an indefinite period of time. If we conclude that there is material uncertainty, we are required to call our attention to related disclosures in the annual separate and consolidated financial statements in our Independent Auditor’s Report or, if these are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Independent Auditor’s report. However, future events or conditions may cause the Company and the Group to discontinue their operations as a going concern.
- evaluate the overall presentation, structure, and content of the annual separate and consolidated financial statements, including disclosures, as well as whether the annual separate and consolidated financial statements reflect the transactions and events which they are based on in a way that achieves a fair presentation.
- obtain sufficient appropriate audit evidence regarding financial information from individuals and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for directing, overseeing, and performing the audit. We are solely responsible for expressing our opinion.

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

A report on the audit of annual separate and consolidated financial statements (continued)

The responsibilities of the auditor for the audit of annual separate and consolidated financial statements(continued)

Among the matters communicated to those charged with governance, we identify those matters that are of the utmost importance in the audit of the annual separate and consolidated financial statements of the current period and are therefore key audit matters. We describe these matters in our Independent Auditor's Report unless the law or regulation prevents the matter from being made public or when we decide, in extremely rare circumstances, that the matter should not be disclosed in our Independent Auditor's Report because it can be reasonably expected that the negative consequences of such disclosure would surpass public interest.

Report on other legal requirements

On 28 July 2022 we were appointed by the General Assembly of the Company and of the Group to audit their the annual separate and consolidated financial statements for 2022.

We are engaged to perform a statutory audit of the annual separate and consolidated financial statements of the Company and of the Group since 2020, which is a three-year engagement.

In the audit of the Company's and the Group's 2022 annual separate and consolidated financial statements we determined the materiality of the separate and consolidated financial statements as a whole in the amount of 2,254 thousand kuna and 2,258 thousand kuna, respectively, representing approximately 1,5% of sales revenue for 2022.

We have chosen sales revenue as a measure of materiality because we believe that this is the most appropriate measure given the significant fluctuations of results in the current and previous periods.

Our audit opinion is consistent with the Company's and the Group's additional report for Company's audit committee prepared in accordance with the provisions of Article 11 of Regulation (EU) no. 537/2014.

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

Report based on the requirements of Delegated Regulation (EU) 2018/815 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format

Auditor's report on the compliance of annual separate and consolidated financial statements (hereinafter: the financial statements), prepared pursuant to Article 462, paragraph 5 of the Capital Market Act (Official Gazette 65/18, 17/20 and 83/21) by applying the requirements of Delegated Regulation (EU) 2018/815 determining a single electronic reporting format for issuers (hereinafter: the ESEF Regulation.

We have performed an engagement and we give reasonable assurance that the financial statements prepared for public disclosure pursuant to Article 462 (5) of the Capital Market Act, which are contained in the electronic file *Institut IGH-2022-12-31-eng* and *Institut IGH Grupa-2022-12-31-eng* are in all material respects, prepared in accordance with the requirements of the ESEF Regulation.

INDEPENDENT AUDITOR'S REPORT (continued)

A Report on the audit of annual separate and consolidated financial statements (continued)

A report pursuant to the requirements of the ESEF Regulation (continued)

Responsibilities of the Management and those in charged with governance

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

In addition, the Management Board is responsible for maintaining an internal control system that reasonably ensures the preparation of financial statements without significant non-compliance with the reporting requirements of the ESEF Regulation, whether due to fraud or error.

The Management Board of the Company is also responsible for:

- publishing to the public the financial reports contained in the annual report in the valid XHTML format;
- selection and use of XBRL codes in accordance with the requirements of the ESEF Regulation.

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

Auditor's responsibilities

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

Procedures performed

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

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

- we have read the requirements of the ESEF Regulation,
- we have gained an understanding of the Company's internal controls relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of significant non-compliance with the ESEF Regulation due to fraud or error; and
- based on that, devised and designed procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

A Report on the audit of annual separate and consolidated financial statements (continued)

A report pursuant to the requirements of the ESEF Regulation (continued)

Conclusion

In our opinion, based on the conducted procedures and obtained evidence, the financial statements presented in ESEF format, contained in the above electronic file and pursuant to Article 462 paragraph 5 of the Capital Market Act prepared for public disclosure, in all material respects are consistent with the requirements of Articles 3, 4 and 6 of the ESEF Regulation for the year ended 31 December 2022.

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

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

In Zagreb, 10 October 2023

BDO Croatia d.o.o.
Radnička cesta 180
10 000 Zagreb

For signatures, please refer to the original Croatian auditor's report, which prevails.

Hrvoje Stipić, President of the Management Board

Marina Tonžetić, Certified Auditor

INSTITUT IGH d.d.
Separate statement of comprehensive income for the year ending on 31 December 2022

DESCRIPTION	Note	2022 Thous. HRK	2021 Thous. HRK
Revenue from sale	4	**150.305**	169.137
Other operating income	5	**31.673**	9.529
Total revenue		**181.978**	178.666
Cost of consumables, raw materials and services	6	**(7.048)**	(6.507)
Cost of services	6	**(31.455)**	(41.476)
Staff costs	7	**(94.481)**	(98.105)
Other operating expenses	9	**(6.509)**	(11.857)
Total operating expenses		**(139.493)**	(157.945)
Depreciation	13. i 14.	**(18.144)**	(18.927)
Impairments/value adjustment of fixed financial assets	8	**0**	(25.059)
Impairments/value adjustment of other fixed assets	8	**(15)**	(26.812)
Value adjustment of receivables	8	**(1.428)**	(4.266)
Total depreciation and impairment		**(19.587)**	(75.064)
Financial revenue	10	**4.387**	3.797
Financial expenditure	11	**(11.373)**	(10.426)
Pre-tax profit		**15.912**	(60.972)
Corporate tax	12	1.049	9.897
Current year profit		**16.961**	(51.075)
Other comprehensive income			
Not to be reclassified through profit and loss			
Revaluation of fixed assets net of tax		**0**	(17)
To be reclassified through profit and loss			
Foreign exchange differences		**0**	(91)
Other comprehensive profit for the year		**0**	(108)
Comprehensive profit for the year		**16.961**	(51.183)
Earnings per share (in HRK)		**28,09**	(84,99)

Notes given in attachment comprise an integral part of these separate annual financial statements

INSTITUT IGH d.d.
Separate statement of comprehensive income for the year ending on 31 December 2022

DESCRIPTION	Notes	2022 Thous. HRK	2021 Thous. HRK
ASSETS			
Intangible assess	13	**1.626**	1.733
Property, plants and equipment	14	**53.192**	38.335
Investment in property		**247**	247
Investments in related parties and other investments	15	**72.975**	74.106
Loans and deposits given	17	**3.350**	3.488
Trade receivables and other receivables	16	**1.483**	2.196
FIXED ASSETS TOTAL		**132.873**	120.105
Inventories		**568**	568
Trade receivables and other receivables	16	**35.791**	39.911
Loans given and deposits	17	**27.322**	25.644
Accrued income and prepaid expenses	20	**6.418**	11.226
Contract assets	21	**3.795**	4.402
Cash and cash equivalents	18	**3.454**	6.188
CURRENT ASSETS TOTAL		**77.348**	87.939
Fixed assets held for sale	19	**12.300**	12.300
TOTAL ASSETS		**222.521**	220.344
EQUITY AND LIABILITIES			
Share capital	22	**116.605**	116.605
Own shares	23	**(3.016)**	(3.016)
Reserves for own shares	23	**1.446**	1.446
Other reserves	23	**1.007**	1.503
Capital reserves	23	**(255)**	(255)
Revaluation reserves	24	**38.950**	41.719
Accumulated losses		**(235.145)**	(254.875)
EQUITY TOTAL		**(80.408)**	(96.873)
Loans and borrowings	25	**363**	12.764
Lease liabilities	26	**24.393**	10.808
Provisions	27	**10.967**	11.223
Deferred tax liabilities	12	**8.174**	9.223
Trade and other payables	28	**198**	198
NON-CURRENT LIABILITIES TOTAL		**44.095**	44.216
Loans and borrowings	25	**186.901**	196.442
Lease liabilities	26	**12.489**	9.896
Trade and other payables	28	**40.183**	46.005
Liabilities for advances received	29	**6.932**	6.941
Liabilities for deposits received	29	**276**	419
Provisions	27	**2.432**	2.784
Contract liabilities	21	**1.041**	2.093
Accrual and deferred income	30	**8.580**	8.421
CURRENT LIABILITIES TOTAL		**258.834**	273.001
TOTAL EQUITY AND LIABILITIES		**222.521**	220.344

Notes given in attachment comprise an integral part of these separate annual financial statements

INSTITUT IGH d.d.
Separate statement of changes in equity for the year ending on 31 December 2022

(in thousand HRK)	Share capital	Capital reserves	Own shares	Reserves for own shares	Other reserves	Revaluation reserves	Share capital	Capital reserves
Status on 31 Dec 2020	**116.605**	**(255)**	**(3.196)**	**1.446**	**1.503**	**86.915**	**(248.888)**	**(45.870)**
Sale of treasury shares	0	0	180	0	0	0	0	179
Transfer from revaluation reserves	0	0	0	0	0	(45.088)	45.088	0
Comprehensive income								
Current year income	0	0	0	0	0	0	(51.075)	(51.075)
Other comprehensive income	0	0	0	0	0	(108)	0	(108)
Total comprehensive income	0	0	0	0	0	(108)	(51.075)	(51.183)
Status on 31 December 2021	**116.605**	**(255)**	**(3.016)**	**1.446**	**1.503**	**41.719**	**(254.875)**	**(96.873)**
Status on 1 Jan 2022	**116.605**	**(255)**	**(3.016)**	**1.446**	**1.503**	**41.719**	**(254.875)**	**(96.873)**
Reserves for bonus and option shares	0	0	0	0	(496)	0	0	(496)
Transfer from revaluation reserves	0	0	0	0	0	(2.769)	2.769	0
Comprehensive income								
Current year income	0	0	0	0	0	0	16.961	16.961
Other comprehensive income	0	0	0	0	0	**0**	0	0
Total comprehensive income	0	0	0	0	0	**0**	16.961	**16.961**
Status on 31 December 2022	**116.605**	**(255)**	**(3.016)**	**1.446**	**1.007**	**38.950**	**(235.145)**	**(80.408)**

Notes given in attachment comprise an integral part of these separate annual financial statements

INSTITUT IGH d.d.
Consolidated statement on cash flows
for the year ending 31 December 2022

DESCRIPTION	Notes	2022 Thous. HRK	2021 Thous. HRK
Cash flow generated from operations			
Profit before taxation		**15.911**	(60.972)
Adjustments:			
Depreciation	**13,14**	**18.144**	18.927
Value adjustments	**9**	**(167)**	56.137
Income from interest	**11**	**(39)**	(188)
Expenditure from interest	**11**	**11.654**	5.844
Net decreases in provisions		**(1.104)**	3.565
Unrealised exchange differences (net)	**11**	**-**	(3)
Profit from sale of fixed tangible and intangible assets	**14**	**-**	(1.807)
Other adjustments for non-cash transactions and unrealized profit and losses		**-**	(4.516)
Profit from sale of subsidiary company	**5**	**(27.583)**	-
Result from business activities before changes in working capital		**16.816**	16.987
Decrease (increase) of current liabilities		**9.848**	(5.797)
Decrease of contract assets		**606**	10.735
Decrease (Increase) of short term receivables	**29**	**-(12.034)**	8.338
Decrease of contract liabilities		**(1.053)**	(1.782)
Net cash flow from operating activities before interests and tax		**(2.633)**	11.494
Net cash flow from operating activities		**14.183**	28.481
Cash flows from investment activities			
Outflow for purchase of non-current tangible and intangible assets		**(2.285)**	(5.672)
Cash outflows for loans and deposits	**27**	**(1.539)**	(110)
Net cash flow from investment activities		**(3.824)**	(5.782)
Cash flows from investment activities			
Cash receipts from principal loans, other loans and borrowing		**9.047**	1.540
Cash receipts from sale of treasury shares		**-**	180
Cash outflows for repayment of principal loans and bonds		**(7.567)**	(17.574)
Cash outflows for rent		**(14.573)**	(8.603)
Other cash outflows from financing activities		**(13.093)**	(24.457)
Net cash flow from financial activities			
		(2.735)	(1.758)
Cash flow decrease total		**6.188**	7.946
Cash and cash equivalents at beginning of the business year	**20**	**3.454**	6.188

Notes given in attachment comprise an integral part of these separate annual financial statements

INSTITUT IGH d.d.
Consolidated statement on comprehensive income
for the year ending 31 December 2022

DESCRIPTION	Notes	2022 Thous. HRK	2021 Thous. HRK
Revenue from sale	4	150.557	169.826
Other operating income	5	32.285	10.600
Total revenue		182.842	180.426
Cost of consumables, services and raw materials	6	(7.359)	(6.781)
Cost of services	6	(31.004)	(41.210)
Staff costs	7	(95.873)	(99.011)
Other operating expenses	9	(6.832)	(41.322)
Total operating expenses		(141.068)	(188.324)
Depreciation	13 i 14	(18.546)	(19.370)
Value adjustment/impairment of other fixed assets	8	(15)	(26.812)
Value adjustment/impairment of receivables	8	(1.428)	(4.266)
Total depreciation and impairment		(19.989)	(50.448)
Profit/Loss from loss of control over subsidiary company		0	(1.052)
Financial revenue	10	4.476	3.566
Financial expenditure	11	(12.227)	(11.351)
Share in profit/loss of associated company		0	2
Pre-tax profit		14.034	(67.181)
Corporate tax		1.046	10.405
Current year profit		15.080	(56.776)
of holders of capital of the parent company		15.134	(56.759)
of minority interest holders		(54)	(17)
Earnings per share (in HRK)		24,98	(94,05)
Other comprehensive income			
to be reclassified through profit and loss			
Foreign exchange differences		(90)	(81)
Other comprehensive profit for the year		(90)	(81)
Comprehensive profit for the year		14.990	(56.857)
of holders of capital of the parent company		15.044	(56.840)
of minority interest holders		(54)	(17)

Notes given in attachment comprise an integral part of these consolidated annual financial statements

INSTITUT IGH d.d.
Consolidated statement of financial position
as at 31 December 2022

DESCRIPTION	Notes	31 December 2022	31 December 2021
		Thous.HRK	Thous. HRK
ASSETS			
Intangible assess	13	**1.658**	1.765
Property, plants and equipment	14	**63.283**	48.813
Investment in property		**247**	247
Investments in related parties	15	**15.000**	15.689
Loans and deposits given	17	**306**	493
Trade receivables and other receivables	16	**1.501**	2.213
FIXED ASSETS TOTAL		**81.995**	69.220
Inventories		**692**	692
Trade receivables and other receivables	16	**37.720**	54.559
Loans given and deposits	17	**27.130**	27.266
Accrued income and prepaid expenses	20	**6.522**	11.140
Contract assets	21	**3.795**	4.402
Cash and cash equivalents	18	**3.863**	6.543
CURRENT ASSETS TOTAL		**79.722**	104.602
Fixed assets held for sale	19	**12.300**	12.300
TOTAL ASSETS		**174.017**	186.122
EQUITY AND LIABILITIES			
Share capital	22	**116.605**	116.605
Own shares	23	**(3.643)**	(3.643)
Reserves for own shares	23	**1.446**	1.446
Other reserves	23	**1.007**	1.503
Capital reserves	23	**(255)**	(255)
Revaluation reserves	24	**41.578**	44.601
Accumulated losses		**(255.135)**	(258.395)
Minority interests		**463**	517
EQUITY TOTAL		**(97.934)**	(97.621)
Loans and borrowings	25	**363**	12.764
Lease liabilities	26	**24.393**	10.808
Provisions	27	**10.967**	11.223
Deferred tax liabilities	12	**8.497**	9.013
Trade and other payables	28	**198**	188
NON-CURRENT LIABILITIES TOTAL		**44.418**	43.996
Loans and borrowings	25	**150.041**	158.986
Lease liabilities	26	**12.489**	9.896
Trade and other payables	28	**45.870**	50.270
Liabilities for advances received	29	**7.007**	6.942
Liabilities for deposits received	29	**276**	419
Provisions	27	**2.432**	2.784
Contract liabilities	21	**1.041**	2.093
Accrual and deferred income	30	**8.377**	8.357
CURRENT LIABILITIES TOTAL		**227.533**	239.747
TOTAL EQUITY AND LIABILITIES		**174.017**	186.122

Notes given in attachment comprise an integral part of these consolidated annual financial statements

INSTITUT IGH d.d.
Consolidated statement of changes in equity for the year ending 31 Dec 2022

(in thousands HRK)	Share capital	Capital reserves	Own shares	Reserves for own shares	Other reserves	Revaluation reserves	Accumulated loss	Capital attributed to shareholders	Non-controlling interest	Total
Status on 31 Dec 2020	**116.605**	**(255)**	**(3.809)**	**1.446**	**1.503**	**97.183**	**(254.137)**	**(41.464)**	**(398)**	**(41.862)**
Sale of treasury shares	0	0	180	0	0	0	0	180	0	180
Acquisition of shares	0	0	(14)	0	0	0	0	(14)	0	(14)
Reserves for bonus and option shares	0	0	0	0	0	(52.501)	52.501	0	0	0
Transfer from revaluation reserves	0	0	0	0	0	0	0	0	932	932
Impact of loss of control over IGH d.o.o. Mostar and IGH Kosovo	0	0	0	0	0	0	(56.759)	(56.759)	(17)	(56.776)
Current year income	0	0	0	0	0	(81)	0	(81)	0	(81)
Other comprehensive income	**0**	**0**	**0**	**0**	**0**	**(81)**	**(56.759)**	**(56.840)**	**(17)**	**(56.857)**
Total comprehensive income	**116.605**	**(255)**	**(3.643)**	**1.446**	**1.503**	**44.601**	**(258.395)**	**(98.138)**	**517**	**(97.621)**
Status on 31 Dec 2021										
	116.605	**(255)**	**(3.643)**	**1.446**	**1.503**	**44.601**	**(258.395)**	**(98.138)**	**517**	**(97.621)**
Status on 1 Jan 2022	0	0	0	0	(496)	0	0	(496)	0	(496)
Sale of treasury shares	0	0	0	0	0	(2.769)	2.769	0	0	0
Acquisition of shares	0	0	0	0	0	0	(14.250)	(14.250)	0	(14.250)
Reserves for bonus and option shares	0	0	0	0	0	(164)	(303)	(467)	0	(467)
Transfer from revaluation reserves	0	0	0	0	0	0	15.044	15.044	(54)	14.990
Current year income	0	0	0	0	0	(90)	0	(90)	0	(90)
Other comprehensive income	**0**	**0**	**0**	**0**	**0**	**(90)**	**15.044**	**14.954**	**(54)**	**14.900**
Total comprehensive income	**116.605**	**(255)**	**(3.643)**	**1.446**	**1.007**	**41.578**	**(255.135)**	**(98.397)**	**463**	**(97.934)**

Notes given in attachment comprise an integral part of these consolidated annual financial statements

INSTITUT IGH d.d.
Consolidated statement of cash flow for the year ending 31 Dec 2022

DESCRIPTION	Notes	2022 Thous. HRK	2021 Thous. HRK
Cash flow generated from operations			
Profit(loss) before taxation		**14.034**	(67.181)
Adjustments:			
Depreciation	13,14	**18.546**	19.370
Value adjustments from receivables (net)	9	**(157)**	31.078
Income from interest	11	**39**	(188)
Expenditure from interest	11	**5.446**	6.675
Net decreases in provisions		**(574)**	3.565
Unrealised exchange differences (net)	11	**-**	(3)
Profit from sale of fixed tangible and intangible assets	6	**-**	27.369
Profit from sale of subsidiary company	11	**-**	1.052
Unrealized profit/loss through the equity method		**-**	(2)
Unrealized loss from financial assets and other expenditure		**-**	4.391
Write-off	5	**(27.583)**	-
Other adjustments for non-financial transactions and unrealised profit and losses		**(647)**	-
Result from operating activities before changes in working capital		**9.104**	26.126
Decrease (Increase) of receivables		**8.047**	(16.589)
(Decrease) Increase of contract assets		**607**	10.759
(Decrease) Increase of current liabilities		**(4.306)**	7.192
Decrease of contract liabilities		**(1.052)**	1.236
Net cash flow from operating activities before interests and tax		**3.296**	2.598
Net cash flow from operating activities		**12.400**	28.724
Cash flows from investment activities			
Proceeds from given loans and deposits		**-**	294
Outflow for purchase of non-current tangible and intangible assets		**(2.310)**	(5.672)
Cash outflows for loans and deposits		**-**	(110)
Cash receipts for loans and deposits		**323**	-
Net cash flow from investment activities		**(1.987)**	(5.488)
Cash flows from financial activities			
Cash receipts from loan principal, loans and other borrowings		**9.047**	1.540
Cash receipts from sale of treasury shares		**-**	180
Cash outflows for repayment of principal loans and bonds		**(7.567)**	(18.406)
Cash outflows for rent		**(14.573)**	(8.603)
Other cash outflows from financing activities		**-**	(14)
Net cash flow from financial activities		**(13.093)**	(25.303)
Total cash flow decrease		**(2.680)**	(2.067)
Cash and cash equivalents at beginning of the period	20	**6.543**	8.610
Cash and cash equivalents at the end of the period	20	**3.863**	6.543

Notes given in attachment comprise an integral part of these consolidated annual financial statements

1. General information

Foundation and development

Institut IGH d.d., Zagreb, Janka Rakuše 1, (the Company), VAT/OIB 79766124714, entered in the Commercial Court Register in Zagreb under the registration number 080000959.

Company shares, mark IGH-R-A, ISIN: HRIGH0RA0006 are listed on the Zagreb Stock Exchange.

The Company is engaged in professional and scientific research in the field of civil engineering which includes: design, elaboration of studies, technical supervision, consulting, investigation works, and proof of serviceability, laboratory testing and calibration. The Company is certified for these activities in accordance with the Sustainable Development Standards: EN ISO 9001, EN ISO 14001, EN ISO 45001.

The Company's registered office is in Zagreb, Croatia, Janka Rakuše 1. Except business operations run from the registered office, the Company conducts its business through subsidiaries in Georgia, Russia, Bosnia and Herzegovina and Kosovo.

IGH Group is engaged in professional and scientific research in the field of civil engineering which includes: design, elaboration of studies, technical supervision, consulting, investigation works, and proof of serviceability, laboratory testing and calibration. The Company is certified for these activities in accordance with the Sustainable Development Standards: EN ISO 9001, EN ISO 14001, EN ISO 45001.

The Group has 11 core business subsidiaries, 10 national and one international. The parent company of the Group is Institut IGH d.d. (the Company). The headquarters of the Group is located at Janka Rakuše 1, Zagreb, Republic of Croatia. Except for operations from the headquarters, the Group carries out its operations in Georgia, Bosnia and Herzegovina, Kosovo and Macedonia.

Company Bodies:

General Assembly

Chairman - Žarko Dešković

Members of the General Assembly are individual Company shareholders or their proxies.

Supervisory Board

In 2022, the Supervisory Board of Institut IGH d.d. consisted of 5 members, as follows:

- Žarko Dešković - Supervisory Board Chairman from 28 January 2021
- Mariyan Tkach – appointed Deputy-Chairman of the Supervisory Board on 26 August 2020
- Sergej Gljadelkin (OIB/PIN 50886241583) – Supervisory Board member
- Igor Aleksandrov Tkach – Supervisory Board member
- Marin Božić – Supervisory Board member

The Management Board of the Company and the Group

On 31 Dec 2022, the Management Board consists of 3 members:

- Robert Petrosian – Director, represents the Company solely and independently
- Miroslav Pauzar – Management Board member, represents the Company together with another Management Board member, ceased being a Management Board member on 22 February 2023
- Igor Džajić - Management Board member, represents the Company together with another Management Board member, ceased being a Management Board member on 22 February 2023

Company and Group Procurators representing the Company with another Procurator include:

- Mislav Hraste, ceased being a procurator on 4 July 2023
- Željka Sikaček
- Marija Đuroković, from 4 July 2023
- Senka Žaja, from 4 July 2023
- Tatjana Bičanić, from 4 July 2023

1. General information (continued)

The Audit Committee of the Company and the Group consists of three members:

- Gerhard Sattler
- Nadica Šalov
- Sergej Sergejević Gljadelkin

2. Basis for preparation

2.1. Statement of compliance – the Company

The separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), valid in the EU.

The Company maintains its accounting records in the Croatian language, in Croatian Kuna, in accordance with Croatian laws and the accounting principles and practices observed by enterprises in Croatia.

These consolidated and separate financial statements were authorised for issue by the Management Board on 9th October, 2023.

2.2. Statement of compliance- IGH Group

The consolidated financial statements of the Company and its subsidiaries, which the Company also prepares in accordance with IFRS and Croatian law, were issued separately, at the same time as the non-consolidated financial statements.

The Group maintains its accounting records in the Croatian language, in Croatian Kuna, in accordance with Croatian laws and the accounting principles and practices observed by enterprises in Croatia.

The consolidated and separate financial statements for the year ended December 31, 2022 are available on the company website: https://www.igh.hr/.

2.3. The adoption of new standards, interpretations and changes to International Financial Reporting Standards („IFRS“)

The first application of the new amendments of existing standards in force to the ongoing reporting period

In the ongoing reporting period, the following amendments to existing standards published by the International Accounting Standards Committee (IASC) and adopted by the European Union are effective:

- **Amendment to IFRS 1 „The first application of International Financial Reporting Standards“ -** The annual 2018-2020 IFRS update related to the first application of IFRS of subsidiaries (effective for annual periods starting on or after 1 January 2022)
- **Amendment to IFRS 3 „Business mergers“ -** Updating the conceptual framework of financial reporting, adopted in the European Union on 28 June 2021 (effective for annual periods starting on or after 1 January 2022)

2.3. The adoption of new standards, interpretations and changes to International Financial Reporting Standards („IFRS") (continued)

The first application of the new amendments of existing standards in force to the ongoing reporting period (continued)

- **Amendment to IFRS 9 „Financial instruments" -** The annual 2018-2020 IFRS update related to the derecognition of financial liabilities through the 10% test (effective for annual periods starting on or after 1 January 2022)
- **Amendment to IFRS 16 „Leases" -** The annual 2018-2020 improvement to IFRS Standards solely for illustrative purposes
- **Amendment to IAS 16 „Property, plants and equipment" -** prohibiting an entity from deducting from the cost of an item of property, plant and equipment ('PP&E') any proceeds received from selling items produced while the entity is preparing the asset for its intended use, adopted in the European Union on 28 June 2021 (effective for annual periods starting on or after 1 January 2022)
- **Amendment to IAS 37 „Provisions, contingent liabilities and contingent assets (Onerous contracts)" -** Interpreting the costs of fulfilment related to onerous contracts, adopted in the European Union on 28 June 2021 (effective for annual periods starting on or after 1 January 2022)
- **Amendment to IAS 41 „Agriculture" -** The annual 2018-2020 improvement to IFRS Standards related to the taxation of the fair value of biological property or agricultural products

Adopting the abovementioned amendments to existing standards has not led to significant changes in the financial statements of the Company and the Group.

Standards and amendments to existing standards published by IASC and adopted in the European Union, but are still not in force

On the day these financial statements were approved, the following amendments to existing standards, published by the IASC and adopted in the European Union were published, but not in force:

- **Amendment to IFRS 17 „Insurance contracts" -** The first application of IFRS 17 and IFRS 9 – Comparative data, adopted in the European Union on 8 September 2022 (effective for annual periods starting on or after 1 January 2023)
- **Amendment to IAS 1 „Presenting financial statements and the IFRS Managerial report 2-** Comparative data, adopted in the European Union on 8 September 2022 (effective for annual periods starting on or after 1 January 2023)
- **Amendment to IAS 8 „Accounting policies, changes in accounting assessments and errors"-** The definition of accounting assessments, adopted in the European Union on 2 March 2022 (effective for annual periods starting on or after 1 January 2023)
- **Amendment to IAS 12 „Corporate tax"-** Deferred Tax related to Assets and Liabilities arising from a Single Transaction, adopted in the European Union on 11 August 2022 (effective for annual periods starting on or after 1 January 2023)

2.3. The adoption of new standards, interpretations and changes to International Financial Reporting Standards („IFRS“) (continued)

New standards and amendments to existing standards published by IASC but still not adopted in the European Union

The IFRS currently adopted in the European Union do not differ significantly from the regulations adopted by the International Accounting Standards Committee (IASC), aside from the following new standards and amendments to existing standards on whose adoption the European Union still hasn't made a decision on the day of the year in question (the dates of effectiveness listed below refer to the IFRSs issued by the IASC):

- **Amendment to IFRS 16 „Leases“-** Lease Liability in a Sale and Leaseback, effective for annual periods starting on or after 1 January 2024.
- **Amendment to IAS „Presenting financial reports“-** Classification of liabilities to current and non-current liabilities, classification of deferred liabilities to current and non-current deferred liabilities and non-current liabilities with covenants, effective for annual periods starting on or after 1 January 2024.

The Company and the Group are currently estimating the impact of the new standards and amendments to existing standards on their financial statements. The Company and the Group expect that the adoption of the abovementioned new standards will not lead to significant changes in the financial statements of the Group and the Company in the period of the first application of the standard.

2.4. Basis for measurement

The financial statements are presented in accordance with the historical cost convention, except for the following:

- Revaluations of the value of land and buildings as stated in Note 3.9 (i)
- Investments in real estate as stated in Note 3.11.
- Assets at fair value through other comprehensive income as stated in Note 3.18
- Non-current assets intended for sale as stated in Note 3.22
- The methods used to measure the fair value are presented in Note 3.24.

2.5. Functional currency and presentation currency

These Financial Statements are presented in Croatian Kuna (HRK), which is the functional currency, of the parent Company rounded to the nearest thousand.

2.6. Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires the Management to make judgments, estimates and assumptions that affect the application of policies and amounts published for assets and liabilities, income and expenses. Estimates and related assumptions are based on historical experience and various other factors, which are believed to be reasonable under the circumstances, the result of which forms the starting point for creating estimates of the value of assets and liabilities, which cannot be obtained from other sources. Actual results may differ from such estimates.

These estimates and respective assumptions are subject to regular reviews.

The impact of an estimate correction is recognized in the period in which the estimate was corrected if the correction affects only the period in which it was made or in the period in which the correction was made and future periods if the correction affects current and future periods.

Judgments made by the Management in the application of IFRS, which have a significant impact on the financial statements and judgments where the risk of materially significant adjustments in the next year is high, are listed in note 3.23.

2.7. Going concern

During 2013, the Company initiated pre-bankruptcy settlement proceedings. On the basis of this, the Company concluded an agreement with creditors on the restructuring of liabilities, and limited the exposure arising from co-debtor relationships with certain related companies. Regardless of the financial restructuring, the Company increased the capital (recapitalized) at that time by issuing new shares and initiated the process of selling certain assets in order to ensure the necessary solvency.

The pre-bankruptcy settlement procedure was successfully completed through a Decision of the Commercial Court in Zagreb no. 72. Stpn- 305/13 of 5 December 2013 which approved the conclusion of the Pre-bankruptcy settlement between the debtor, Institut IGH d.d. and the creditor of the Pre-bankruptcy settlement. The Pre-bankruptcy settlement became final on 28 December 2013. The effects and the fulfilment of the Pre-bankruptcy settlement are described in detail in note 35. The Company is undertaking all the necessary steps to fulfil all the remaining obligations to suppliers pursuant to the Pre-bankruptcy settlement. These debts will be paid off from current revenue as soon as possible.

In order to improve the profitability of operations and core business, over the past years the Company has implemented a number of operational restructuring measures and has had a more active market access. Unfortunately, the impact of the SARS-CoV-2 pandemic, which caused tectonic changes in the entire business world during 2020 and 2021 but also during 2022, affected the Company's. i.e.business activities of the Group. Inflation in the Republic of Croatia, which amounted to 10.8% in 2022, also had a significant impact on the Company's operations.

Consequently, in 2022, the Company's sales revenue dropped by 18 832 thousand kunas compared to 2021, but it also made a profit of 16.961 thousand kunas (in 2021: a loss of 51.075 thousand kuna), while the Group shows a 19.269 thousand kunas drop in sales revenue in 2022 compared to 2021. The Company's equity is still negative and amounts to 80.408 thousand kunas (in 2021 the negative equity amounted to 96.874 thousand kunas), while the Group's negative equity amounts to 97.934 thousand kunas (in 2021, the negative equity amounted to 97.621 thousand kunas). On 31 December 2022, the Company's current liabilities exceed the Company's current assets by 169.188 thousand kunas (2021.: the current liabilities exceed current assets by 172.762 thousand kunas), while the Group's current liabilities exceed their current assets by 135.625 thousand kunas (in 2021 the current liabilities exceed current assets by 122.845 thousand kunas).

Since the final pre-bankruptcy agreement to 31 December 2022, the Company paid off a total of 369.372 thousand kunas of liabilities incurred before the start of the Pre-bankruptcy agreement proceedings. During 2022, the Company paid off 22.212 thousand kunas of PIK debt 23.005 thousand kunas of senior debt and 2.977 thousand kunas of interest. As of the date of the balance sheet, the due PIK debt amounts to 10.650 thousand kunas, the total senior debt amounts to 71.006 thousand kunas, while the debt to various creditors amounts to 8.747 thousand kunas. The Company and Group Management is making efforts to pay off its debt to various creditors in a reasonable amount of time. By the end of 2022, a large part of the sum was paid off through the sale, that is, replacement, of a part of the company's assets that was pledged for these debts, and in accordance with a restructuring agreement signed with B2 Kapital d.o.o. a write-off in the amount of 39.835.645 HRK was done in the Company's business books.

These financial reports have been prepared under the assumption of a going concern. During 2022 the Company's Management made adjustments and changes to key business processes and activities, necessary for an efficient execution of the obligations under the pre-bankruptcy settlement. The Management believes that, based on the business plans and Restructuring Agreements concluded with the largest creditor, the Company is able to continue with its business operations. In addition, significant activities were undertaken by the Company in completing the process of transferring assets as settlement of the pre-bankruptcy settlement obligations, which closed its obligations regarding PIK debt, while further negotiations with the largest creditors sought to define further steps in order to close the Senior debt all with the aim of further stabilizing the Company's operations and focusing on strategic goals and future development of the Company and the Group. As part of the activities undertaken for the purposes of ensuring a going concern, the Company would like to point out the conclusion of the pre-bankruptcy agreement through recapitalization that will be done by the end of 2023. During 2022 and 2023, the remaining pre-bankruptcy agreement debt was transferred to subsidiaries and affiliates of INSTITUT IGH, d.d. which are currently the only creditors and which have sent a letter of intent to the Company and the Group about the transfer of the entirety of the remaining pre-bankruptcy debt in the amount of HRK 55.729.815 to share capital.

Below given is an outline of significant accounting policies adopted for the preparation of these financial statements. These accounting policies have been consistently applied for all periods included in these statements.

3. Principal accounting policies

The consolidated financial statements of the Group include the financial statements of Institut IGH d.d. (the Company) and companies over which Institut IGH d.d. has control (subsidiaries) as at and for the year ending 31 Dec 2022. Control is present if the Company has the power to manage financial and business policies of an individual company in order to achieve benefits from its operations.

3.1. Investments in subsidiaries

Subsidiaries are companies over which the Company has business control, directly or indirectly. Control is achieved when the Company has the right to manage the company's key activities, and as a consequence is exposed to variable returns as a result of such activities.

Investments in subsidiaries are initially recognized at cost, and subsequently at cost less impairment. Impairment testing of investments in subsidiaries is carried out on an annual basis.

3.2. Investments in associated companies

Associated companies are companies in which the Company has significant influence, but does not have control. Significant influence is the power to participate in decisions about the financial and business policies of the entity in which the investment was made, but it does not represent control or joint control of these policies. Investments in associated companies are initially recognized at cost, and subsequently at cost less impairment. Impairment testing of investments in subsidiaries is carried out on an annual basis.

Transactions eliminated in consolidation

The balance and transactions among Group members and all unrealised profit from transactions among Group members are eliminated at consolidation of the financial statements. Unrealized profit from transactions with companies with shareholdings and mutual companies where the Company shares control with other owners is eliminated up to the Company share level in such companies. Unrealized profit from transactions with companies with shareholdings is eliminated by a decrease of investment into that company. Unrealized losses are eliminated in the same way as unrealized profit but only up to the amount which does not represent permanent decrease of assets.

Transactions with non-controlling interests

Non-controlling interests in subsidiaries are included in the comprehensive capital of the Group.

Losses from non-controlling interests in subsidiaries are added to the non-controlling interests even in situations when it causes the non-controlling interest to be shown with a negative value. Adjustment of non-controlling interest is based on the proportional amount of net assets of the subsidiary without goodwill adjustment and recognition of profit or loss in the profit and loss account.

Transactions with non-controlling interest which result in loss of control over the subsidiary are treated by the Group as transactions with majority owners of the Group When purchasing shares from non-controlling interest, the difference between the paid sum and the respective gained share of the book value of the subsidiary's net assets is shown as capital. Gains and losses from sale of non-controlling interest are also shown as capital.

Loss of control

After the loss of control over a subsidiary, the Group ceases to recognize its assets and liabilities, any minority interest or other components of capital and reserves. Any surplus or deficit resulting from loss of control is recognized in the profit and loss. If the Group retains a part in the subsidiary, such part is shown at fair value at the day the control ceases to exist. After that, it is shown as investment valued according to the equity method or as financial assets available for sale, depending on the level of retained influence.

3.2. Investments in associated companies (continued)

Goodwill

Goodwill, created by business merger is recognized as cost at the date of acquisition, decreased by any loss owing to decreased value. For the purpose of testing for decrease, goodwill is distributed to every cash generating unit of the Group (or groups of such units) where benefits from synergy, i.e. merger are expected. Cash-generating units to which goodwill is distributed undergo annual check for decreased value, or more often if there are indications of its possible decrease in value. If the reimbursable amount of the cash-generating unit is lower than its book value, the loss created by the decrease is distributed so as to decrease the book value of goodwill distributed to the unit, and after, that proportionally to other property of the cash-generating unit on the basis of the book value of every item in that cash-generating unit. Loss due to decrease of goodwill value is directly recognized as profit or loss in the consolidated statements on comprehensive income. Once recognized loss from decrease of goodwill is not annulled in the next periods.

When disposing of the cash-generating unit, respective amount of goodwill becomes a part of the profit or loss from sale.

3.3. Revenue

Policies for recognition of revenue and enforcement obligations

Revenue is measured on the basis of fee specified in the contract with the customer. The Company, that is, the Group, recognizes revenue when it transfers control of a good or service to a customer. The transfer of control over goods or services may take place either continuously (revenue recognition over time) or on a specific date (recognition at a point in time, upon completion). Before revenue is recognized, the Company and IGH Group identify the contract as well as the various obligations of performance contained in the contract. The number of obligations regarding performance depends on the type of contract and activity. Most contracts of the Company and IGH Group involve only one obligation of performance.

Recognition of revenue in accordance with IFRS 15 is applicable to the following sources of revenue:

(i) Construction contracts

The main revenue generated by the Company and IGH Group from construction contracts comes from design, study, supervision, consulting services, laboratory services, survey works and scientific research work for the reconstruction and construction of roads and other civil engineering structures.

In accordance with the main IFRS 15 principles, the Company's accounting policies for recognizing revenue from contracts with customers reflect:

- the dynamics by which contractual obligations are fulfilled, corresponding to the transfer of goods or services to the customer;
- the amount the seller expects to be entitled to receive as compensation for their activities.

Contractual terms and the way in which the Group manages construction contracts are mainly derived from projects that contain a single performance obligation. The Company and IGH Group use a cost-based method to measure progress to the completion of construction work i.e. the Management has chosen to use the input method to calculate revenue (expenses incurred until a certain date) from the construction contract.

Changes to the contract (relating to the price and/or scope of the contract) are recognized when approved by the client. If the changes relate to new products or services that are considered different and when the contract price increases by an amount reflecting the "standalone selling price" of the additional products or services, the changes are recognized as a separate contract. When a third party (such as a subcontractor) is involved in the delivery of a good or service, the Company and IGH Group determine if it assumes control of that product or service before it is transferred to the client. If control is taken before the transfer to the client, the Company and IGH Group recognize as revenue the gross amount it expects to be entitled to receive on handover. In cases where control is not taken, the Company and IGH Group consider that it is not the originator in the transaction and recognizes as income only the amount corresponding to its remuneration as an intermediary.

3.3. Revenue (continued)

(i) Construction contracts (continued)

The cost of obtaining a contract that would not have been incurred had the Group not obtained the contract is recognized as an asset if it is recoverable and is depreciated over the estimated contract life.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of the contract costs incurred that are likely to be recoverable. The expected contract loss is recognized immediately in the profit and loss account.

Contractual assets and contractual liabilities

Contractual liabilities are entered when the client has made payment for goods or services, and the Company and IGH Group did not fulfil their obligation by delivering these goods or services. If the Company. i.e. IGH Group delivered the goods or services to the client and the client did not pay for these, and the right to compensation is not conditioned by anything except by passing of time until maturity, receivables are recognized. Contractual assets are recognized if the right to compensation is conditioned by something else (e.g. by executing some other obligation).

(ii) Income from state aid

State aid is recognized when there is a reasonable belief that the Company , i.e. IGH Group will fulfil the conditions under which the aid is given and a reasonable belief that the said aid will be given. Accordingly, the Company, i.e. IGH Group do not recognize State aid until there is sufficient assurance that the Company will meet the requirements set for the State aid and that the aid will be received. State aid is recognized as profit or loss on a systematic basis over the period in which the costs for which the aid is intended to be covered are recognized. Receivables for State aid to compensate for expenses or losses already occurred, or for the purpose of providing immediate financial support to the entity without future related costs, are recognized as profit or loss of the period in which the receivables were incurred.

(iii) Financial revenue and costs

Financial revenue and costs comprise interest payable on loans and borrowings using the effective interest method, interest receivable on funds invested, dividend income, gains and losses from foreign exchange differences and gain/ losses from sale of investment in subsidiaries. Income from the write-off of financial liabilities is also reported within Financial revenue.

Income from interest is recognised in the profit and loss account on an accrual basis using the effective interest rate method. Dividend income is recognised in the profit and loss account on the date when the Company’s right to pay the dividend is established.

Financial costs comprise accrued interest on loans, changes in fair value of financial assets at fair value through profit or loss account, impairment losses from financial assets and losses from exchange rate differences. Costs from borrowings are recognised in the Profit and Loss Account using the effective interest rate method.

(iv) Revenue from rent

Revenue from rent is recognized in the period when the rent was provided and refer to operative rent.

3.4. Leases

a) Impact on the accounting on the Lessee

At the initial recognition these assets are evaluated on the basis of cash flows of the lease agreement. After initial recognition, the right of use will be valued according to international standards for assets under IAS 16, IAS 38 or IAS 40 and therefore applying the cost model, decreased by accumulated depreciation and accumulated impairment losses, the revaluation model or the fair value model.

In order to calculate the rent and respective asset with the right of use, discounting of future lease payments according to an appropriate discount rate is done. Thus, future rent payments which are discounted are determined according to contractual provisions, without VAT, since the obligation to pay this tax occurs when the invoice is issued by the Lessor and not on the day of the start of Lease Contract.

3.4. Leases (continued)

a) Impact on the accounting of the Lessee (continued)

In order to calculate the rent and respective asset with the right of use, discounting of future lease payments is done according to an implicit discount rate, or, if unavailable, at an incremental borrowing rate. The incremental borrowing rate is determined based on the financing cost of liabilities of a similar duration and security as those in a lease agreement. When defining the duration of the lease, a period of irrevocability must be considered defined in the Contract, where the Lessee has the right to use the subject asset also considering potential extension options, if the Lessee is reasonably certain of the extension. In fact, when looking at the contracts which allow the Lessor to tacitly extend the Lease Contract after the first period, the period of lease is determined on the basis of facts such as the length of the first lease period, possible plans for the sale of the leased asset and any other circumstance indicating a reasonable safety of extension.

An exception to this are low value lease contracts (up to 30 thousand HRK) and short duration contracts which are recognized as costs in the period to which they refer.

The Company, i.e. IGH Group leases certain plants and equipment. Finance leases are capitalised at the beginning of the lease at the lower of the fair value of the leased property or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding. The interest element of finance costs is charged to profit or loss over the lease period. The property, plants and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

3.5. Foreign currencies

Transactions and balances in foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated into the functional currency at the foreign exchange rate prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the conversion 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 converted per new exchange rate. Non-monetary assets and liabilities denominated in foreign currency that are stated at historical cost are converted into the functional currency at the foreign exchange rate prevailing at the date of the transaction.

Official exchange rate HRK on 31 December 2022 was HRK 7,53450 for 1 EURO (31 December 2021: HRK 7,517174 for 1 EURO).

Official exchange rate of GEL on 31 December 2022 was HRK 2,6112 for 1 GEL (31 December 2021: HRK 2,119100 for 1 GEL).

IGH Group members

Items included in the financial statements of every individual company in the Group are expressed in the currency of its respective primary economic environment in which the Parent Company operates, and which is the reporting currency. Consolidated financial statements are presented in Croatian Kuna, also the functional currency of the parent Company.

Revenue and expenditures and cash flows from foreign undertakings are recalculated into the functional currency of the Group using the exchange rate which most accurately represents the exchange rate on the day of the transaction, and their assets and obligations are recalculated according to exchange rate value at the end of the year.

Net investment into Group members

Exchange rate differences from recalculation of the net investment into foreign undertakings are recognized as part of the principal amount. When selling the foreign undertaking, exchange rate differences are recognized in the profit and loss account as part of profit or loss from sale. Exchange rate differences from recalculation of foreign currency, owing to its non-material amount, are included in the accumulated loss amount.

3.6. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the surrender value is recognised in the comprehensive income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowings from creditors classified as "Secured Creditors" (Note 2) are carried at fair value of the property under mortgage for the borrowings in question, since the collection of the relevant borrowings is possible solely from the mortgaged property.

3.7. Dividend

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

3.8. Taxation

Corporate tax

The income tax charge comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted at the reporting date, and any adjustments to tax payable in respect of previous periods.

(i) 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 assets or liabilities in a transaction that is not a business merger and that affects neither accounting nor taxable profit as well as differences relating to investments in subsidiaries and mutually controlled companies when it is likely that the situation will not change in the near 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 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 assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and if 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.

(ii) 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 Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period when a decision is made.

3.8. Taxation (continued)

Value Added Tax (VAT)

The Tax Administration requires the settlement of VAT on a net basis. VAT related to sales and purchases is recognised and disclosed in the financial position statement, on a net basis. Where receivables have been impaired, impairment loss is recorded in the gross amount of receivables, including VAT.

3.9. Property, plants and equipment

(i) Land and buildings

Following initial recognition at cost, land and buildings are recognized at revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and any impairment.

Fair value is based on the market value, being the estimated amount for which an asset could be sold on the date of valuation between a willing buyer and a willing seller in an arm's length transaction.

When the carrying amount is increased as a result of revaluation, this increase should be recognised directly in other comprehensive income under revaluation reserves. The revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

When the carrying amount is decreased as a result of revaluation, this revaluation decrease should be recognised directly in revaluation reserves to the extent that the decrease does not exceed the amount held in the revaluation reserve for the same asset, while the remaining amount is charged to expenses for the period.

A valuation is performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Certain land and buildings are derecognised upon disposal or when no future benefits are expected from its use or disposal. Gains or losses arising from derecognition of lands and buildings (calculated as the difference between the net disposal proceeds and the carrying amount of the item) are included in profit or loss when they are derecognised.

The relevant portion of the revaluation surplus, realised in the previous valuation, is released to profit or loss from the surplus of the valued assets upon the disposal of the revalued asset.

Also, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Based on the revaluation performed by independent valuers, the Company has revalued its properties and created revaluation reserves that are transferred to retained earnings/accumulated losses in accordance with the adopted depreciation policy.

Gains and losses from disposal of land and buildings are recognised within other income or expenses in the profit and loss account. When revalued assets are sold, the amounts included in revaluation reserves are transferred to retained earnings.

(ii) Plants and equipment

Plants and equipment are initially included in the financial statement at cost less accumulated depreciation and accumulated impairment, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Following initial recognition at cost, plants and equipment are carried at revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on plants and equipment and any impairment.

Fair value is based on the market value, being the estimated amount for which an asset could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction.

3.9. Property, plants and equipment (continued)

(iii) Assets with right of use

Assets with the right of use are shown in the statement of financial position according to the calculated discounted method depending on the period of use.

Gains and losses from the termination of property rights are recognized within the profit or loss account, within other income or expenses.

When the carrying amount is increased as a result of revaluation, this increase should be recognised directly in other comprehensive income under revaluation reserves. The revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

When the carrying amount is decreased as a result of revaluation, this revaluation decrease should be recognised as expenditure. This revaluation decrease directly impacts the revaluation reserves to the extent that the decrease does not exceed the amount held in the revaluation reserve for the same asset.

A valuation is performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Certain land and buildings are derecognised upon disposal or when no future benefits are expected from its use or disposal. Gains or losses arising from derecognition of lands and buildings (calculated as the difference between the net disposal proceeds and the carrying amount of the item) are included in profit or loss when they are derecognised.

The relevant portion of the revaluation surplus, realised in the previous valuation, is released to profit or loss from the surplus of the valued assets upon the disposal of the revalued asset and during its use.

Also, accumulated depreciation on the revaluation date is excluded from the gross book value of the asset, and the net amount is adjusted to the revalued amount of the asset.

Based on the revaluation performed by independent valuers, the Company has revalued the value of equipment classified in the depreciation groups - Laboratory equipment and Measuring and control devices, and created revaluation reserves that are transferred to retained earnings / accumulated losses, in accordance with the adopted depreciation policy.

Gains and losses from disposal of equipment are recognized within profit or loss within other income or expenses. When revalued assets are sold, the amounts included in revaluation reserves are transferred to retained earnings.

(iv) Subsequent costs

Subsequent costs are 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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other maintenance costs are charged to profit or loss during the financial period in which they are incurred.

(v) Depreciation

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

Buildings	20 years
Plants and equipment	1 to 8 years
Other	10 years

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

3.9. Property, plants and equipment (continued)

(v) Depreciation (continued)

If an asset's carrying amount is greater than its estimated recoverable amount, the difference is written-off to its revocable amount.

Gains and losses from sale are determined as the difference between the income from sale and the carrying amount of the sold asset, and are recognised in profit or loss within other income/expenses.

3.10. Intangible assets

Patents, licences and software

(i) Ownership of assets

Patents, licenses and computer software are capitalized on the basis of acquisition costs and costs arising from bringing assets into working condition.

(ii) Subsequent costs

Subsequent costs are capitalised only if they increase future economic benefits arising from the asset. All other costs are treated as costs in the profit and loss account, in the period as incurred.

(iii) Depreciation

Intangible assets under construction are not depreciated. Depreciation of other intangible assets is calculated using the straight-line method to allocate their cost over their estimated useful lives or to their residual values as follows:

Right to use property of third parties 1 to 2 years Software, content and other assets 1 to 2 years

(iv) Goodwill

Goodwill represents the difference between the acquisition cost and the fair value of the Group's share in the net identifiable assets of the acquired subsidiary, the recognized amount of the non-controlling interest and the fair value of the previous share at the date of acquisition. Goodwill arising from the acquisition of a subsidiary is reported under intangible assets.

3.11. Investment into property

Investment into property is recognised as an asset when it is likely that future economic benefits will arise from the investment and when the cost of investment can be reliably measured. Investment into property includes property held either to earn rental income or for capital appreciation or both.

Investment into property is initially recognised at cost including transaction costs incurred. Subsequently, investment into property is measured at fair value reflecting market conditions at the balance sheet date. Profit or loss from changes in fair value of investment int property is recognised in the profit or loss account of the period in which they are incurred.

3.12. Inventories

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

Trade goods are carried at the lower than purchase cost and sales price (less applicable taxes and margins). Small inventory and tools are written-off when put into use.

3.13. Trade receivables

Trade receivables are amounts that relate to services sold in the ordinary course of business. If collection is expected within one year, the receivable is shown within current assets, and if not, then the receivable is shown within non-current assets. Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any expected credit loss. Business model for management of receivables is an amortised cost model, a business model that is achieved by holding financial assets to collect contractual cash flows (principal and interest).

Impairment provisions for trade receivables and contractual assets are measured at an amount equal to the expected credit losses over the life of the loan, i.e. by applying a simplified approach to expected credit losses.

The Company uses historical observations (over a minimum of 2 years) to measure the expected credit losses of the Company on the days when the receivables are delayed, adjusted for estimated future expectations in the collection of receivables. Trade receivables are broken down by ageing structure.

Receivables are impaired and impairment losses for individual customers are incurred if there is objective evidence of impairment arising from one or more events after the initial recognition of the asset when that event affects the estimated future cash flows of the receivable that can be reliably determined. Objective evidence of impairment of financial assets for expected credit losses includes:

- Significant financial difficulties with the issuer or debtor and/or
- Breach of contract, such as late payment or non-payment of interest or principal and/or
- The likely initiation of bankruptcy or financial restructuring with the debtor

3.14. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments that are readily convertible to known amounts of money with original maturities of up to three months or less and which are subject to a slight risk of change in value. Cash and cash equivalents are measured at amortized cost because: (i) they are held for the purpose of collecting cash flows from contracts that represent an SPPI, and (ii) they are not reported as FVTPL.

3.15. Share capital

Share capital consists of ordinary shares. Gains directly attributable to the issue of new shares or options are shown in equity as a deduction, net of income tax, from the proceeds. Any excess of the fair value of the consideration received over the nominal value of the shares issued is presented in the notes as a share premium. Where the Company purchases its equity share capital (own shares), the consideration paid, including any directly attributable transaction costs (net of income taxes), is deducted from equity attributable to the Company’s shareholders until the shares are cancelled or reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable transaction costs and the related income tax effects, is included in equity.

3.16. Employee benefits

(i) Pension obligations and post-employment benefits

In the normal course of business, through salary deductions, the Company makes payments to mandatory pension funds 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 Company is not obliged to provide any other post-employment benefits.

3.16. Employee benefits (continued)

(ii) Severance pay

Severance pay are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises severance pay benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing severance pay as a result of an offer made to encourage voluntary redundancy.

(iii) Regular retirement benefits

Benefits falling due more than 12 months after the reporting date are discounted to their present value based on the calculation performed at each reporting date by an independent actuary, using assumptions regarding the number of staff likely to earn regular retirement benefits, estimated benefit cost and the discount rate equal to the rate of return on bonds issued by the Republic of Croatia. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in profit or loss.

(iv) Share-based payments

As part of the long-term reward plan, the Group and Company employees receive share-based payments in exchange for the services they provide. The fair value on the date of approval is recognized as an employee expense, with the corresponding increase in capital and reserves during the period in which the employees exercise their unconditional right to the award. The recognized cost reflects the share of the total reward for the services rendered, and other non-market conditions that are expected to be met. The cumulative amount of the reward recognized on the date of reward reflects services rendered and non-market conditions satisfied.

3.17. Provisions

Provisions are recognised when the Company and IGH Group have a current 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 discounting impact in each year is recognised as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

3.18. Financial instruments

Non-derivative financial instruments

(i) Recognition and initial measurement

Trade receivables and issued debt securities are initially recognized at the time they arise. All other financial assets and financial liabilities are initially recognized when the Company and IGH Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless the trade receivable has no significant financial component) or a financial liability is initially measured at fair value plus an item that is not carried at fair value through profit or loss, for transaction costs directly attributable to the acquisition or issue. Trade receivables without a significant financing component are initially measured at transaction cost.

3.18. Financial instruments (continued)

(ii) Classification and subsequent measurement

Financial assets

Upon initial recognition, financial assets are carried at amortized cost, fair value through other comprehensive income - debt investment, fair value through other comprehensive income - investment in equity or fair value through profit or loss account.

Financial assets are not reclassified after initial recognition, unless the Company or IGH Group changes its financial asset management business model, in which case all financial assets are reclassified on the first day of the first reporting period after the business model has been changed.

Financial assets are measured at an amortized cost if they meet both of the following conditions and are not classified as assets at fair value through profit and loss account:

- It is within a business model aimed at holding assets to collect contractual cash flows; and
- Based on the contractual terms, on certain dates, it receives cash inflows that represent the sole payment of principal and interest on the outstanding principal amount.

All financial assets not classified as financial assets at amortized cost as described above are measured at fair value through profit and loss account.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Net gains and losses including all interest or dividend income are recognized in the profit and loss account.

Financial assets carried at amortized cost are subsequently measured at amortized cost using the effective interest method. Amortized cost is reduced by impairment losses. Interest income, foreign exchange differences and impairment losses are recognized in the profit and loss account. Any gain or loss from derecognition is recognized in the profit and loss account.

Financial liabilities

Financial liabilities are classified as financial liabilities measured at amortized cost or at fair value through the profit and loss account. Financial liabilities are classified as financial liabilities at fair value through profit or loss when held for trading if it represents a derivative or if classified as such at initial recognition. Financial liabilities measured at fair value through the profit and loss account are measured at fair value, and net gain and loss, including all expenditure for interest, are recognized in the profit and loss account. Other financial liabilities are subsequently measured per amortized cost by applying the effective interest rate method. Expenditure for interest and gains and losses from exchange rate differences are recognized in the profit and loss account. Profit and loss at derecognition are also recognized in the profit and loss account.

(iii) Derecognition

Financial assets

The Company and IGH Group cease to recognize financial assets when the contractual rights to cash flows from financial assets expire or if the Company (IHG Group) transfers the rights to receive contractual cash flows in a transaction in which all key risks and rewards of ownership of the financial assets are transferred, or in which the Company neither transfers nor retains all risks and rewards of ownership and does not retain control over financial assets.

The Company (IGH Group) enters into transactions in which it transfers assets recognized in the statement of financial position but retains all or almost all of the risks and rewards of the transferred assets. In such cases, the transferred property does not cease to be recognized.

3.18. Financial instruments(continued)

(iii) Derecognition (continued)

Financial liabilities

The Company (IGH Group) ceases to recognize a financial liability when its contractual obligations are fulfilled, cancelled or expired. The Company also ceases to recognize a financial liability when its terms have changed and when the cash flows of the changed liability are materially different, in which case the new financial liability is recognized at fair value under the changed conditions.

Upon derecognition of a financial liability, the difference between the carrying amount and the amount paid (including any transferred non-monetary assets or liabilities) is recognized in the profit and loss account.

(iv) Netting

Financial assets and financial liabilities are netted and the net amount is disclosed in the income statement when, and only when, the Company currently has a legally enforceable right to offset amounts and intends to settle them on a net basis or to realize the assets and at the same time settle the liability.

Effective interest method

The effective interest method is a method that calculates the amortized cost of a financial asset and distributes interest income over the relevant period. Effective interest rate is the rate at which estimated future cash inflows, including any fees paid or received that are an integral part of the effective interest rate, then transaction costs and other premiums and discounts, are discounted over the expected life of the financial asset or a shorter period, if applicable.

Income from debt instruments other than financial assets designated at fair value through profit or loss is recognized on an effective interest basis, recognized on an effective interest basis.

3.19. Financial guarantee for the contracted obligations and financial liabilities

Financial guarantee of contractual obligations

The financial guarantee for the contractual obligation is initially measured at fair value and subsequently measured at a higher value:

- The amount determined in accordance with the model of expected credit losses according to IFRS 9 and
- The amount initially recognized, minus, if necessary, the corresponding cumulative effect recognized in accordance with the revenue recognition policy.

Financial liabilities, classification and measurement

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

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over a specified period. The effective interest rate accurately discounts estimated future cash payments over the expected life of the financial instrument or, where appropriate, for a shorter period to the gross carrying amount of the financial asset or the amortized cost of the financial liability, with the exception of financial assets less credit losses.

Financial liabilities are classified as financial liabilities at fair value through profit or loss when held for trading or as defined by the Company.

They are measured at fair value, and any related gain or loss is recognized in the profit and loss account, except for changes in the fair value of the liabilities resulting from changes in the Company's own credit risk that are recognized through other comprehensive income. The net gain or loss recognized in the profit and loss account also includes interest paid on a financial liability.

3.20. Operating segment reporting

The Company and IGH Group identify operating segments on the basis of internal reports about the Company components that are regularly reviewed by the chief operating decision maker (which is identified as being the Company's Management Board) in order to allocate resources to the segments and to assess their performance. Details on the operating segments are disclosed in Note 5 to the Financial Statements.

3.21. Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic and diluted earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

3.22. Non-current assets held for sale

Non-current assets held for sale are intended to settle the secured debt to financial institutions that have not waived their right to a separate settlement in the process of the pre-bankruptcy settlement. The estimated market value was determined based on the independent valuers' report that was based on the cost method, the comparative method and/or the income method depending on the type of property. Additional information on valuation methods are set out in Note 19.

3.23. Key accounting judgements and estimates

Key judgements in applying accounting policies

The preparation of financial statements in conformity with IFRS requires the Management Board to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(i) Revenue recognition

The Company and IGH Group recognise revenues and expenses on design contracts on the basis of the estimated stage of completion of contracted work at the balance sheet date, which requires a certain degree of judgement. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected losses are recognised as an expense immediately.

(ii) Useful life of property, plants and equipment

The Company and IGH Group review the estimated useful lives of property, plants and equipment at the end of each annual reporting period. During the year, there were no changes in estimated useful lives of non-current assets.

The Company regularly reviews the recoverability of each asset individually and if there is any indication of impairment, it shall be impaired to the estimated recoverable amount.

(iii) The pre-bankruptcy settlement and going concern

The Company and IGH Group consider all relevant information on all the key risk factors, assumptions and uncertainties that it is aware of and that are essential to the ability of the Company to continue as a going concern.

The Company and IGH Group continue to record growth in business operations, while on the other side it is actively working to restructure debts to financial institutions through the sale of non-operating real estate and refinancing the operating part of the debt. Considering the stable base contracts, the successful deleveraging to nonfinancial institutions and all the information on the ongoing restructuring of debts to financial institutions, the Company as well as IGH Group believe that they meet all business requirements to continue as a going concern.

3.23. Key accounting estimates and judgements(continued)

(iv) Valuation of liabilities from the pre-bankruptcy settlement

The Company has recorded the liabilities relating to loan commitments that will be settled from the Company's property, in accordance with the pre-bankruptcy settlement, at the fair value of the corresponding property. The Management Board has taken the estimated value of the property as the reference value of the liabilities.

3.24. Determination of fair value

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

Fair values are measured using information collected from third parties in which case the Management 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.

All significant issues related to fair values estimates are reported to the Supervisory Board.

Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in 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 within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- *Level 3* - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting 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 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 of the significant inputs is not based on observable market data, the fair value estimate is included in level 3.

In preparing these financial statements, the Company has made the following significant fair value estimates while preparing the financial statements as further explained in detail in the following notes:

- Note 14: Property, plants and equipment
- Note 15: Investments in related parties and other investments
- Note 19: Non-current assets held for sale.

3.25. The Company and IGH Group

The consolidation includes the Company and subsidiaries as follows:

	31 December 2022		31 December 2021	
Thous. HRK	**Share in ownership and voting right (%)**	**Cost of acquisition**	Share in ownership and voting rights (%)	Book value
IGH Mostar d.o.o., Mostar	**100**	**6.005**	100	6.005
IGH Business advisory d.o.o., Zagreb	**100**	**222**	100	222
Incro d.o.o., Zagreb	**100**	**20**	100	20
Forum centar d.o.o., Zagreb	**100**	**30.748**	100	30.748
IGH Projektiranje d.o.o., Zagreb	**100**	**6.103**	100	6.103
Radeljević d.o.o., Zagreb	**100**	**116.827**	100	116.827
IGH Consulting d.o.o., Zagreb	**100**	**100**	100	100
Marterra d.o.o., Zagreb	**100**	**20**	100	20
DP AQUA d.o.o., Zagreb	**100**	**452**	100	452
Slavonija centar, poslovna zona, Velika Kopanica	**100**	**20**	100	20
ETZ Ekonomsko tehnički zavod d.d., Osijek	**87,7**	**6.684**	87,7	6.684
IGH d.o.o. Mostar, Mostar (i)	**-**	**-**	80	1.131
Total		**167.201**		168.332

3.26. Reclassification of comparative values

Changes in comparative financial statements

In comparative 2021 consolidated and separate financial statements certain items have been reclassified to harmonize the financial information with the 2022 consolidated and separate financial statements. The reclassification did not impact the consolidated and separate statement of comprehensive income from the previous period.

Separate statement on financial position

On 31 December 2021

P O SITION	The 2021 statement	Reclassification	Fixed
	HRK	HRK	HRK
Trade payables and other payables	53.965	(7.960)	46.005
Accrued expenses and deferred income	462	7.960	8.422
	54.427	-	54.427

Consolidated statement of financial position

On 31 December 2021

P O SITION	The 2021 statement	Reclassification	Fixed
	HRK	HRK	HRK
Trade payables and other payables	58.166	(7.896)	50.270
Accrued expenses and deferred income	461	7.896	8.357
	58.627	-	58.627

4. Information on segments

The Company and IGH Group are organised into business units according to their locations and sectors of construction industry. Business units are engaged in designing, development of studies, supervision, consulting services, laboratory testing, survey work and scientific research.

Reportable segments are an integral part of the internal financial statements. The internal reports are regularly reviewed by the Company's Management Board that is also the chief operating decision maker, who assesses the success of business operations and makes business decisions.

Internal reporting of segment results is adjusted to business organisation and key indicators for each segment separately, and accordingly disclosure of this information is adjusted for the current year and previous period.

4.1 Revenue per segment

Set out below is an analysis of the Company's revenue and results by its reporting segments, presented in accordance with IFRS 8. The revenue presented below relates to third-party sales. Inter-segment revenues are eliminated when reporting. The Company's management reports net income in its internal reports, i.e. sales revenue less the cost of co-operation (shown in Note 6). Accordingly, segment revenues are presented at this level.

	Group		Company	
	2022	2021	**2022**	2021
DESCRIPTION	**Thous. HRK**	Thous. HRK	**Thous. HRK**	Thous. HRK
Design department	**53.597**	57.908	**53.597**	57.908
Water Engineering, Geotechnical and Environmental Protection Department	**-**	85	**-**	-
Supervision and Project Management Department	**61.096**	77.817	**61.096**	77.817
Department for Materials and Structures	**28.628**	30.833	**28.628**	30.833
Branch offices	**4.932**	894	**4.932**	894
Management and Administration	**2.304**	2.289	**2.052**	1.685
Total per segment	**150.557**	169.826	**150.305**	169.137

4.2 Revenue-per geographical area

	Group		Company	
	2022	2021	**2022**	2021
	Thous. HRK	Thous. HRK	**Thous. HRK**	Thous. HRK
DESCRIPTION				
The Republic of Croatia	**124.969**	133.735	**124.735**	133.128
Rest of the World	**25.588**	36.091	**25.570**	36.009
Total	**150.557**	169.826	**150.305**	169.137

4.3 Revenue per category

	Group		Company	
	2022	2021	**2022**	2021
DESCRIPTION	**Thous. HRK**	Thous. HRK	**Thous. HRK**	Thous. HRK
Revenue recognised over time	**146.751**	147.269	**146.499**	147.269
Revenue recognised at a point in time	**3.806**	22.557	**3.806**	21.868
Total	**150.557**	169.826	**150.305**	169.137

4. Information on segments (continued)

The Design Department's basic activity is the development of design and study documentation for transport infrastructure – roads, railways and airports, including all structures on the roads.

Water Engineering, Geotechnical and Environmental Protection Department is engaged in design and studies, demonstrating serviceability, investigations and measurement, modelling, planning, in all hydro technical fields as well as all other activities needed to solve engineering problems at the contact of soil (rocks) and structure.

Technical Supervision and Project Management Department carries out expert supervision of construction works in civil engineering, building construction and energy. In addition, the activity includes advisory services, conducting professional spatial planning, urban planning, design, feasibility studies, expert opinion and expert assessment, property valuation and construction costs.

The Department for Materials and Structures deals in tests and certification of building materials. With about 600 test methods accredited according to HRN EN ISO / IEC 17025, our laboratories meet the qualification requirements and make approximately 60% of all laboratories in Croatia accredited in the field of construction.

Regional centres Split, Rijeka and Osijek participate in almost all major and significant projects in their areas of service from study development, design (roads with all related facilities, water engineering structures, building construction etc.), conducting expert supervision and providing consultancy services, conducting survey works, laboratory testing and proof of serviceability, and scientific research work in the field of construction.

The accounting policies of the reportable segments are the same accounting policies as described in Note 3.20. Segment profit represents the profit earned by each segment without allocating central administration costs, depreciation, provisions, impairment, other revenue and other finance income and costs. The Company does not allocate assets and liabilities by segments.

5. Other operating revenue

5.1 Other operating revenue- IGH

	2022	2021
DESCRIPTION	**Thous. HRK**	Thous. HRK
Revenue from written-off liabilities /and/	**27.583**	8
Revenue from compensation, subsidies	**483**	38
Revenue from sale of assets	**19**	1.807
Revenue from rent	**718**	1.726
Revenue from cancellation of provisions	**543**	670
Revenue from subsequently collected receivables	**1.589**	4.272
Revenue from damages	**14**	578
Other revenue	**724**	430
Total	**31.673**	9.529

5.2 Other operating revenue IGH Group

	2022	2021
DESCRIPTION	**Thous. HRK**	Thous. HRK
Revenue from subsequently collected receivables	**1.589**	4.272
Revenue from rent	**1.185**	2.757
Revenue from sale of assets	**19**	1.807
Revenue from cancellation of provisions	**543**	669
Revenue from damages	**23**	530
Other revenue	**730**	519
Revenue from compensation, subsidies	**613**	38
Revenue from written-off liabilities /and/	**27.583**	8
Total	**32.285**	10.600

5. Other operating revenue (continued)

/and/ Revenue from liabilities write-off in the total amount of 26.853 thousand kunas was achieved based on the Restructuring contract on 25 March 2021 and it is part of process of the pre-bankruptcy settlement concluded on 05 December 2013 before the Commercial court in Zagreb, 72. Stpn-305/2013., which became valid on 28 December 2013. The written off debt was owed to B2 Kapital d.o.o. in the amount of 9.787 thousand kunas and Avenue Mehanizacija d.o.o. in the amount of 17.066 thousand kunas.

6. Costs of raw materials and consumables

6.1 Costs of raw materials and consumables IGH

DESCRIPTION	**2022** **Thous.HRK**	2021 Thous. HRK
Cost of raw material and consumables		
Cost of raw material and consumables	**1.065**	1.150
Energy costs	**5.585**	4.789
Cost of small inventory and spare parts	**398**	568
Total	**7.048**	6.507
Cost of services		
Costs of transport, phone and postal services	**1.344**	1.158
Subcontractors	**20.245**	28.750
Cost of production services	**768**	1.833
Utilities	**1.101**	1.169
Maintenance costs	**2.437**	1.978
Rent	**1.175**	1.651
Other external costs	**4.385**	4.937
Total	**31.455**	41.476

6.2 Costs of raw materials and consumables- IGH Group

DESCRIPTION	**2022** **Thous. HRK**	2021 Thous. HRK
Energy costs	**5.831**	4.789
Cost of raw material and consumables	**1.122**	1.425
Cost of small inventory and spare parts	**406**	567
Consumables and raw materials total	**7.359**	6.781
Subcontractors	**20.213**	28.750
Other external costs	**4.437**	4.670
Maintenance costs	**1.349**	1.979
Production costs	**1.334**	1.833
Rental expenses	**1.195**	1.651
Utilities	**1.112**	1.169
Transportation, telephone and mail costs	**1.364**	1.158
Services total	**31.004**	41.210

7. Staff costs

7.1 Staff costs- IGH

DESCRIPTION	2022 Thous. HRK	2021 Thous. HRK
Net salaries and wages	**54.758**	56.671
Taxes, contribution and other charges	**34.358**	34.822
Reimbursement of employee expenses (travel expenses, daily allowances, transportation)	**4.907**	6.192
Severance payments and other employee benefits	**458**	420
Total	**94.481**	98.105

On 31 December 2022, the Company had 468 employees (2021: 533 employees). In 2022, the Company paid 96 thousand HRK for non-taxable termination benefits (2021: 168 thousand HRK).

During 2022, the Company accounted for pension and other contributions HRK 15.043 thousand (2021: for a total amount of HRK 15.678 thousand).

7.2 Staff costs- IGH Group

DESCRIPTION	2022 Thous. HRK	2021 Thous. HRK
Net salaries and wages	**55.366**	57.303
Taxes, contribution and other charges	**35.033**	35.096
Reimbursement of employee expenses (travel expenses, daily allowances, transportation)	**5.011**	6.192
Severance payments and other employee benefits	**463**	420
Total	**95.873**	99.011

On 31 December 2022, the Group had 486 employees (2021: 534 employees). In 2022, the Group paid 96 thousand HRK for non-taxable termination benefits (2021: 168 thousand HRK).

During 2022, the Group accounted for pension and other contributions HRK 15.043 thousand (2021: for a total amount of HRK 15.678 thousand).

8. Value adjustments

8.1 Value adjustments IGH

DESCRIPTION	2022 Thous. HRK	2021 Thous. HRK
Value adjustment of non-current assets		
Value adjustment of investment into real property (i)	**15**	26.812
Value adjustment of share in affiliates(ii)	**-**	25.059
Total	**15**	51.871
Value adjustment of current assets		
Value adjustment of trade receivables (iii)	**1.422**	4.266
Value adjustment of other receivables	**6**	-
Total	**1.428**	4.266

8. Value adjustments (continued)

8.2 Value adjustments-IGH Group

DESCRIPTION	2022 Thous. HRK	2021 Thous. HRK
Value adjustment of non-current assets		
Value adjustment of investment into real property (i)	**15**	26.812
Total	**15**	26.812
Value adjustment of current assets		
Value adjustment of trade receivables (iii)	**1.422**	4.266
Value adjustment of other receivables	**6**	-
Total	**1.428**	4.266

(i) The value adjustment of non-current assets refers to the takeover of real estate by B2 Kapital pursuant to a Restructuring Agreement, which were initially a collateral to the bank loans that B2 Kapital bought as a claim.

(ii) The adjustment of shares in subsidiaries in 2021 refers to the value adjustment of the share in Radeljević d.o.o. in the amount of 25.000 thousand kunas and the value adjustment of the share in IGH Consulting d.o.o. in the amount of 59 thousand kunas. The decrease of the net book value of the capital was conducted because the property was to be sold to settle a part of the pre-bankruptcy agreement pursuant to a restructuring agreement, therefore, Radeljević d.o.o. has claims from the mother company as its only asset.

(iii) The value adjustment of current assets refers to the regular value adjustments of trade receivables, which has been considerably reduced compared to the previous year due to an active charging policy.

9. Other operating costs

9.1 Other operating costs- IGH

DESCRIPTION	2022 Thous. HRK	2021 Thous. HRK
Legal, consultancy and audit services	**1.366**	1.857
Bank fee and charges	**1.553**	1.073
Other expenses	**820**	672
Penalties	**62**	232
Insurance premiums	**1.047**	1.279
Contributions to public services	**519**	613
Representation costs	**298**	517
Education and training expenses	**749**	1.211
Taxes not dependent on result	**95**	193
Court disputes (i)	**-**	4.210
Total	**6.509**	11.857

9.2 Other operating costs- IGH Group

O P I S	2022 Thous. HRK	2021 Thous. HRK
Loss on sale of lomg-term assets (ii)	**-**	29.176
Court disputes(i)	**-**	4.210
Legal, consultancy and audit services	**1.469**	1.857
Insurance premiums	**1.051**	1.279
Education and training expenses	**752**	1.211
Bank fee and charges	**1.590**	1.026
Other expenses	**847**	960
Contributions to public services	**538**	661
Entertainment	**299**	517
Penalties	**190**	232
Taxes not dependent on result	**96**	193
Total	**6.832**	41.322

(i) During 2022 there was no court dispute- related reservations since there was no significant new court disputes. In 2021, the costs per reservation for court-disputes are significant and amount to 4.210 thous. kn. These costs are primarily the costs of executions over real estate that are the subject of the pre-bankruptcy agreement.

(ii) During 2022 there are no losses from the sales of non-current assets while in 2021, there is a loss in the amount of 29.176 thousand kunas. This loss is the loss of sales of a building in Zagreb, and the depreciated value that was entered on the loss side of the period.

10. Financial revenue

10.1 Financial revenue IGH

	2022	2021
DESCRIPTION	**Thous. HRK**	Thous. HRK
Revenue from foreign exchange	**3.079**	3.096
Revenue from interest	**39**	199
Other financial revenue	**1.269**	502
Total	**4.387**	3.797

10.2 Financial revenue- IGH Group

	2022	2021
DESCRIPTION	**Thous. HRK**	Thous. HRK
Revenue from foreign exchange	**3.168**	2.876
Revenue from interest	**39**	188
Other financial revenue	**1.269**	502
Total	**4.476**	3.566

11. Financial expenditures

11.1 Financial expenditures- IGH

	2022	2021
DESCRIPTION	**Thous. HRK**	Thous. HRK
Expenditure due to foreign exchange losses	**5.391**	3.680
Interest expenditures	**4.753**	5.843
Unrealised losses from financial assets	**31**	63
Other financial expenditure	**1.198**	840
Total	**11.373**	10.426

11.2 Financial expenditures IGH Group

	2022	2021
DESCRIPTION	**Thous. HRK**	Thous. HRK
Interest expenditures	**5.446**	6.675
Expenditure due to foreign exchange losses	**5.494**	3.632
Unrealised losses from financial assets	**90**	195
Other financial expenditure	**1.197**	849
Total	**12.227**	11.351

12. Corporate tax

12.1. Corporate tax-IGH

Tax revenue includes:

DESCRIPTION	2022 Thous. HRK	2021 Thous. HRK
Deferred tax	**1.049**	9.897

Adjustment of effective tax rate

The table below details the alignment of the tax expense shown in the statement of comprehensive income with the legal tax rate:

DESCRIPTION	2022 Thous. HRK	2021 Thous. HRK
Profit/loss before taxation	**15.911**	-60.972
Tax rate 18% (2021: 18%)	**2.864**	-10.975
Effects of non-taxable income and other decreases in tax base	**-141**	-640
Effects of unrecognized expenses and other increases in tax base	**899**	11.118
Effects of tax losses not recognised as deferred tax assets	**-3.622**	497
Previously recognized deferred tax liabilities	**-1.049**	-9.897
Corporate tax from deferred tax liabilities	**-1.049**	-9.897
Effective tax rate	**16%**	16%

In 2022, the total amount for transfer of tax losses decreased by HRK 19.940 thousand and at the end of the year it amounted to HRK 7.759 thousand

In 2021, the total amount for transfer of tax losses decreased by HRK 21.782 thousand and at the end of the year it amounted to HRK 27.699 thousand.

Unused tax losses are not recognised as deferred tax assets in the statement of financial position, as it is unlikely that there will be sufficient taxable profits realised for the utilisation of these deferred tax assets.

Based on non-tax recognized items, the company increased the tax base by 4.995 thousand kunas, has a tax effect of 899 thousand kunas, while it reduced the tax base by 782 thousand kunas based on tax recognized items with an effect on the tax effect in the amount of -141 thousand kunas. Considering the tax recognized losses that can be used, the company has no obligation to pay taxes at the end of the tax period in 2022. In the next tax period, the Company can't use the remaining tax loss.

The deferred tax liability arises from the following:

2022 *(in thousand HRK)*	Opening balance	Through profit and loss (relief)	Closing balance
Temporary difference:			
Revaluation of non-current assets	9.223	-1.049	8.174
	9.223	**-1.049**	**8.174**
2021 *(in thousand HRK)*			
Temporary difference:			
Revaluation of non-current assets	19.120	-9.897	9.223
	19.120	**-9.897**	**9.223**

12. Corporate tax (continued)

12.2 Corporate tax IGH Group

Tax revenue includes:

	2022	2021
DESCRIPTION	**Thous. HRK**	Thous. HRK
Deferred tax	**1.046**	12.371

Adjustment of effective tax rate

The table below details the alignment of the tax expense shown in the statement of comprehensive income with the legal tax rate:

	2022	2021
	Thous. HRK	Thous. HRK
Profit/loss before taxation	**14.034**	-67.181
Tax rate 18% (2021: 18%)	**2.526**	-12.095
Effects of non-taxable income and other decreases in tax base	**-141**	-600
Effects of unrecognized expenses and other increases in tax base	**899**	15.143
Effects of tax losses not recognised as deferred tax assets	**-3.284**	-482
Previously recognized deferred tax liabilities	**-1.046**	-12.371
Corporate tax	**-1.046**	-10.405
Effective tax rate	**16%**	15%

The deferred tax liability arises from the following:

2022 (in thousand HRK)	Opening balance	Through equity	Through profit and loss	Closing balance
Temporary difference:				
Revaluation of non-current assets	9.013	533	-1.049	8.497
	9.013	533	-1.049	8.497

2021 (in thousand HRK)	Opening balance	Through equity	Through profit and loss	Closing balance
Temporary difference:				
Revaluation of non-current assets	21.384	0	-12.371	9.013
	21.384	0	-12.371	9.013

13. Intangible assets

13.1. Intangible assets- IGH

In thous. HRK	Right of usage of property of third parties	Assets under preparatio n	Total
For the year ending 31 December 2021			
As at 1 January 2021	**1.056**	33	1.089
New acquisition	-	1.585	3.164
Transfer to use	1.579	-1.579	-
Impairment	-4	-	-4
Current year depreciation	-934	-	-934
Value adjustment	-	-3	-3
As at 31 December 2021	**1.697**	**36**	**1.733**
As at 31 December 2021			
Acquisition cost	19.535	44	19.579
Accumulated depreciation	-17.838	-	-17.838
Value adjustment	-	-8	-8
Net book value	**1.697**	**36**	**1.733**
For the year ending 31 December 2022			
As at 1 January 2022	**1.697**	**36**	**1.733**
New acquisition	-	1.423	1.423
Impairment	1.292	-1.292	-
Current year depreciation	-1.528	-	-1.528
Value adjustment	-	-2	-2
As at 31 December 2022	**1.461**	**165**	**1.626**
As at 31 December 2022			
Acquisition cost	20.827	175	21.002
Accumulated depreciation	-19.366	-	-19.366
Value adjustment	-	-10	-10
Net book value	**1.461**	**165**	**1.626**

13. Intangible assets (continued)

13.2. Intangible assets IGH Group

In thous. HRK	Right of usage of property of third parties	u pripremi	Goodwill	Total
For the year ending 31 December 2021				
As at 1 January	1.075	34	1.136	2.245
New acquisition	1.580	1.585	-	3.165
Current year depreciation	(934)	-	-	(934)
Impairment	(24)	(1.580)	(1.104)	(2.708)
Value adjustment		(3)	-	(3)
As at 31 December 2021	1.697	36	32	1.765
As at 31 December 2021				
Acquisition cost	19.535	44	10.979	30.558
Accumulated depreciation	(17.838)	(8)	(10.947)	(28.793)
Net book value	1.697	36	32	1.765
For the year ending 31 December 2022				
As at 1 January	1.697	36	32	1.765
New acquisition	1.292	194		1.486
Current year depreciation	-1.583			-1.583
Impairment				
Value adjustment		-10		-11
As at 31 December 2022	1.406	220	32	1.658
As at 31 December 2021				
Acquisition cost	20.900	230	10.979	32.109
Accumulated depreciation	-19.494	-10	-10.947	-30.451
Net book value	1.406	220	32	1.658

14. Property, plants and equipment

14.1. Property, plants and equipment- IGH

	Property with right of use	Land	Buildings	Plants and equipment	Assets under construction	Other	Advances for tangible assets	Total
As at 1 January 2021	19.465	51.362	39.260	11.520	21.652	305	143	143.707
Current year depreciation	-13.535	0	-1.055	-3.403	0	0	0	-17.993
Direct purchase	14.419	0	0	613	959	0	421	16.412
Transfer to use	0	0	0	922	-922	0	0	0
Impairment	-526	-47.000	-34.339	-201	-21.295	0	-430	-103.791
As at 31 December 2021	**19.823**	**4.362**	**3.866**	**9.451**	**394**	**305**	**134**	**38.335**
Acquisition cost	36.818	4.362	7.318	62.964	394	480	314	112.650
Accumulated depreciation and impairment	-16.995	0	-3.452	-53.513	0	-175	-180	-74.315
Net book value	**19.823**	**4.362**	**3.866**	**9.451**	**394**	**305**	**134**	**38.335**
As at 31 December 2022	19.823	4.362	3.866	9.451	394	305	134	38.335
Current year depreciation	-12.701	0	-300	-3.615	0	0	0	-16.616
Direct purchase	30.751	0	0	2.148	213	0	313	33.425
Transfer to use	0	0	7	235	-242	0	0	0
Impairment	-1.753	0	0	-57	0	0	-142	-1.952
As at 31 December 2022	36.120	4.362	3.573	8.162	365	305	305	53.192
Acquisition cost	67.569	51.362	39.267	15.438	21.660	305	877	193.544
Accumulated depreciation and impairment	-31.449	-47.000	-35.694	-7.276	-21.295	0	-572	-140.352
Net book value	36.120	4.362	3.573	8.162	365	305	305	53.192

Land and buildings of the Company (including assets under construction) with a net carrying amount of HRK 8.300 thousand (2021 HRK 112.273 thousand) have been pledged as security for borrowings from commercial banks (Note 33).

14. Property, plants and equipment – continued

14.2. Property, plants and equipment- IGH Group

(in thousand HRK)	Property with right of use	Land	Buildings	Plants and equipment	Assets under construction	Other	Advances for tangible assets	Total
For the year ending on 31 December 2022.								
As at 1 January	19.465	91.592	43.814	13.613	21.658	305	143	190.590
Current year depreciation	-13.535	-	-1.467	-3.434	-	-	-	-18.436
Direct purchase	14.419	-	-		959	1	421	15.800
Transfer to use	-	-	-	922	-922	-		-
Impairment	-526	-80.716	-34.688	-1.486	-21.295	-	-430	-139.141
As at 31 December 2022	**19.823**	**10.876**	**7.659**	**9.615**	**400**	**306**	**134**	**48.813**
As at 31 December 2022								
Acquisition cost	36.818	10.876	20.375	63.193	400	481	314	132.457
Accumulated depreciation and impairment	-16.995	-	-12.716	-53.578	-	-175	-180	-83.644
Net book value	**19.823**	**10.876**	**7.659**	**9.615**	**400**	**306**	**134**	**48.813**
For the year ending on 31 December 2021.								
As at 1 January	19.823	10.876	7.659	9.615	400	306	134	48.813
Current year depreciation	-12.701	0	-526	-3.736	0	0		-16.963
Direct purchase	30.751	0	0	2.051	213	0	313	33.328
Transfer to use	0	0	8	234	-242	0		0
Impairment	-1.753	0	0	0	0	0	-142	-1.895
As at 31 December 2021	**36.120**	**10.876**	**7.141**	**8.164**	**371**	**306**	**305**	**63.283**
As at 31 December 2021								
Acquisition cost	67.569	10.876	20.383	65.478	371	481	627	165.785
Accumulated depreciation and impairment	-31.449	-	-13.242	-57.314	0	-175	-322	-102.502
Net book value	36.120	10.876	7.141	8.164	371	306	305	63.283

Land and buildings of the Company (including assets under construction) with a net carrying amount of HRK 18.390 thousand (2021 HRK 18.935 thousand) have been pledged as security for borrowings from commercial banks (Note 33).

14. Property, plants and equipment - continued

The estimated market value for revaluation purposes was determined based on the independent valuers' report that was based on the cost method, the comparative method and/or the income method depending on the type of property.

The estimated market value of laboratory equipment and measuring instruments for revaluation purposes was determined by the Company based on the independent valuers' calculations who applied the cost method as the most appropriate method because it is based on the economic principle that the buyer of the property will not pay more than the price that the buyer would have paid for an asset of equal utility in case of a new purchase or construction.

	2022	2021.
DESCRIPTION	**Thous. HRK**	Thous. HRK
Cost of capitalised finance leases	**30.751**	13.805
Accumulated depreciation	**-13.513**	-13.535
Net book value	**17.238**	270

(i) Valuation techniques and valuable inputs

The following table summarizes the valuation methods and techniques used in measuring the fair value and significant inputs used in the valuation:

Valuation methods and techniques	**Significant unobservable inputs**
Land and buildings Fair value measurement of land and buildings was performed by certified property valuers. Depending on the intended use of the assets the methods used were the market value method (by further developing the cost method), the income method and the residual method. The calculation of the market value by developing the cost method is performed by calculating the value of a newly built property and its impairment due to the passage of time, construction, furnishing, etc. The resulting price is adjusted to the market price through a number of factors specific to the observed building or land. The income method considers the present value of net cash flows that the assets could generate from rent taking into account the expected net rent based on comparable transactions. The residual method is based on an analysis of a specific investment and is focused on determining the value of land planned for development. The method is applied in the context of developing a project, if the investor wishes to determine the maximum price to pay for land in order to profitably realise a project.	Correction factors used in calculating the market price. Average yield: 7-9% Among other factors, the estimated discount rate considers the underlying quality of the property, its location and the currently realisable rent conditions for similar locations and the comparative type of property. Specific expenses used in determining the net cash flow in the income method. Specific costs of construction, periods of financing, interest rates, required profit margins and other expenses in calculating the residual method.

14. Property, plants and equipment - continued

Valuation methods and techniques	Significant unobservable inputs
Equipment Fair value measurement of equipment was performed by certified property valuers. They used the cost method and the DCF method (capital contribution method) to measure fair value.	Correction factors used in calculating the market price.
The cost method for measuring the value of equipment involves determining the value of the physical, functional and economic obsolescence of the equipment. Cost value is determined on the basis of the carrying value of the fixed assets register. In the process of evaluating physical obsolescence, the current useful life of assets, their total useful life and remaining useful life is analysed for each assessed asset separately. Functional obsolescence takes into account the ability to function over the remaining useful life. When assessing economic obsolescence, the economic obsolescence model and the economic indicators model are used.	Among other factors, the estimated discount rate is the expected rate of return that the market requires in order to attract funds for a particular investment.
The DCF method is a variation of the income method according to which the market value of the asset is based on estimated future cash flows that are expected to be generated by functioning machinery and equipment.	Specific expenses used in determining the net cash flow in the DCF method.

15. Investments into affiliated companies and other investments

15.1. Investments into affiliated companies and other investments- IGH

	31 December 2022	31 December 2021
DESCRIPTION	**Thous. HRK**	Thous. HRK
Investment into subsidiaries /i/	**57.975**	59.106
Investment into related parties /ii/	**15.000**	15.000
Total	**72.975**	74.106

i. Investments into subsidiaries

	31 December 2022		31 December 2021	
Thous. HRK	**Share in ownership and voting rights (%)**	**Book value**	Share in ownership and voting rights (%)	Book value
IGH Mostar d.o.o., Mostar	**100**	**6.005**	100	6.005
IGH Business advisory d.o.o., Zagreb	**100**	**222**	100	222
Incro d.o.o., Zagreb	**100**	**20**	100	20
IGH Projektiranje d.o.o., Zagreb	**100**	**6.103**	100	6.103
Radeljević d.o.o., Zagreb	**100**	**116.827**	100	116.827
IGH Consulting d.o.o., Zagreb	**100**	**100**	100	100
DP AQUA d.o.o., Zagreb	**100**	**452**	100	452
ETZ Ekonomsko tehnički zavod d.d., Osijek	**87,7**	**6.684**	87,7	6.684
IGH d.o.o. Mostar, Mostar (i)	**-**	**-**	80	1.131
IGH Kosova Sha Priština	**74,8**	**39**	74,8	39
Value adjustment of investments in subsidiaries	**-**	**(78.477)**	-	(78.477)
Total		**57.975**		59.106

15. Investments into affiliated companies and other investments (continued)

15.1. Investments into affiliated companies and other investments IGH (continued)

Name	Cost of acquisition	IV Investment	31 Dec 2021	Impairment for 2022	31 Dec 2022
IGH-MOSTAR D.O.O.	6.005	6.005	-	-	**-**
IGH BUSINESS ADVISORY SERVICES D.O.O.	222	222	-	-	**-**
RADELJEVIĆ D.O.O.	116.827	66.827	50.000		**50.000**
INCRO D.O.O.	20	20	-	-	**-**
DP AQUA D.O.O.	452	452	-	-	**-**
IGH PROJEKTIRANJE D.O.O.	6.103	4.853	1.250	-	**1.250**
IGH CONSULTING D.O.O.	100	59	41	-	**41**
IGH D.O.O. MOSTAR *(i)*	1.131	-	1.131	(1.131)	**-**
ETZ, EKONOMSKO TEHNIČKI ZAVOD D.D.	6.684	-	6.684	-	**6.684**
IGH Kosova Sha Priština	39	39	-	-	**-**
Total	137.583	78.477	59.106	(1.131)	**57.975**

(i) On 22 May 2022, INSTITUT IGH d.d. signed a contract on the transfer of shares of IGH d.o.o. Mostar to Avenue Engeniring and Construction Limited. Through the transfer of the said shares, INSTITUT IGH d.d. has settled 1131 thousand kunas worth of debt it had towards Avenu Egeniring and Consturction Limited pursuant to the pre-bankruptcy agreement.

Valuation methods and significant inputs

The following table summarizes the valuation methods and techniques used in measuring the fair value and significant inputs used in the valuation:

Valuation methods and techniques	**Significant unobservable inputs**
The fair value of investments in affiliated parties was estimated using methods applicable to each individual company, The following methods were used: • The valuation of property was carried out by authorised independent valuers (methods described in Note 14 *(i)* • The estimation of the recoverable amount of assets, liabilities and equity	• Significant unobservable inputs are described in Note 14 (i). • Future cash flow projections with a growth rate of 5%

15. Investments in affiliates and other investments (continued)

15.1. Investments in affiliates and other investments IGH (continued)

ii. Investments in affiliates

Investments in affiliates referrs to companies in which Institut IGH d.d. has no independent management control, independent of the ownership share.

	31 December 2022		31 December 2021	
In thous. HRK	**Share in ownership and voting rights (%)**	**Book value**	Share in ownership and voting rights (%)	Book value
Elpida d.o.o. Zagreb	**50**	**31.300**	50	31.300
Institut za infrastrukturne projekte, Sofija	**50**	**9**	50	9
Sportski grad TPN d.o.o. u stečaju, Split (i)	**40**	**8**	40	8
Centar Gradski podrum d.o.o., Zagreb (ii)	**37,5**	**21.533**	37,5	21.533
Value adjustments of investments in affiliates		**(37.850)**		(37.850)
Total		**15.000**		15.000

(i) Sportski grad TPN d.o.o. went bankrupt on 7 October 2014 pursuant a decision number 5. St-138/2014.

(ii) Gradski Podrum d.o.o. was deleted from the court register on 1 June 2022.

iii. Other investments

	31 December 2022	31 December 2021
DESCRIPTION	**Thous. HRK**	Thous. HRK
Investment into shares in investment funds	**2.297**	2.297
Minus: Value adjustment of share in investment funds	**(2.297)**	(2.297)
Total	**0**	0

iv. Participating interest

	31 December 2022	31 December 2021
DESCRIPTION	**Thous. HRK**	Thous. HRK
Geotehnika-inženjering d.o.o., Zagreb	**55.803**	55.803
Konstruktor-inženjering d.d.	**759**	759
Viktor Lenac d.d. Rijeka	**47**	47
GP Dubrovnik d.d. u stečaju, Dubrovnik	**2.694**	2.694
Međimurje beton d.d., Čakovec	**383**	383
Industrogradnja Grupa d.d.	**372**	372
Elektrometal d.d. Bjelovar	**17**	17
Value adjustment of participating interest	**(60.075)**	(60.075)
Total	**0**	0

The Company has participating interests in several companies whose value has been adjusted, and their carrying amount has been reduced to zero.
Geotehnika-inženjering d.o.o., Međimurje beton d.d., Industrogradnja Grupa d.d., Elektrometal d.d. Bjelovar have been deleted from the court register, while GP Dubrovnik d.d. is bankrupt..

15. Investment into affiliates and other investments (continued)

15.2. Investment into affiliates and other investments -IGH Group

Investment into affiliates

Investments in affiliates relate to companies in which the Institut IGH d.d. has no independent control over management, regardless of ownership.

	31 Dec 2022 (thous.HRK)		31 Dec 2021 (thous. HRK)	
	Ownership	**Investment**	Ownership	Investment
Centar Bundek d.o.o., Zagreb (i)	**35%**	**0**	35%	31.960
Centar Gradski Podrum d.o.o. (ii)	**38%**	**21.533**	38%	21.533
Sportski grad TPN d.o.o. u stečaju (iii)	**40%**	**8**	40%	8
Elpida d.o.o.	**50%**	**31.300**	50%	31.300
Institut za infrastrukturne projekte d.o.o.	**50%**	**8**	50%	8
IGH d.o.o. Mostar	**80%**	**0**	80%	1.131
Value adjustment		**-37.849**		-70.251
Total		**15.000**		15.689

(i) Centar Bundek d.o.o., Zagreb was deleted from the court register on 21 April 2021.

(ii) Društvo Gradski Podrum d.o.o. was deleted from the court register on 1 June 2022.

(iii) Sportski grad TPN d.o.o. went bankrupt on 7 October 2014 pursuant a decision number 5. St-138/2014.

In the consolidated statement on changes in equity, the effects of the abovementioned companies leaving the Group have been shown.

Other investments

DESCRIPTION	**31 December 2022** **Thous. HRK**	31 December 2021 Thous. HRK
Investment into investment funds shares	**2.297**	2.297
Minus: Value adjustment of share in investment funds	**-2.297**	-2.297
Total	**-**	-

16. Trade receivables and other receivables

16.1. Trade receivables and other receivables IGH

DESCRIPTION	**31 December 2022** **Thous. HRK**	31 December 2021 Thous. HRK
Non-current receivables		
Receivables from sale of apartments with deferred payments and other receivables	**1.483**	2.196
Total	**1.483**	2196
Current receivables		
Trade receivables	**76.994**	81.741
Minus: value adjustment of trade receivables	**(45.370)**	(46.038)
Receivables from government institutions	**1.125**	1.304
Receivables from employees	**333**	516
Receivables from affiliated entrepreneurs (Note 32)	**2.025**	2.259
Minus: value adjustment of receivables from affiliated entrepreneurs (Note 32)	**(1.800)**	(1.834)
Receivables from issued advances	**2.198**	1.730
Other receivables	**286**	233
Total	**35.791**	39.911

16. Trade receivables and other receivables (continued)

16.1. Trade receivables and other receivables IGH (continued)

The following tables explain the changes in the corrections for trade receivables by using simplified ECL model between the beginning and end of the annual period:

	2022.
As at 31 Dec 2022	*tis HRK*
As at 1 Jan 2022	47.873
Newly created expected credit loss	1.381
Cancellation of previous credit loss	-1.589
MSFI 9 cancellation revenue	-149
Other changes	-346
As at 31 Dec	**47.170**

	2021.
As at 31 Dec 2021	*tis HRK*
As at 1 Jan 2021	46.593
Newly created expected credit loss	4.636
Cancellation of previous credit loss	-3.575
Other changes	219
As at 31 Dec	**47.873**

For calculation of impairment on trade receivables, the Company applies a model based on expected credit losses (Simplified Approach) in accordance with IFRS 9, and the amount of the impairment does not have a material effect on the financial statements. The Company continues to apply value adjustments based on proven losses under certain conditions.

The ageing structure of trade receivables and other receivables was as follows:

(thous. HRK)	Gross amount	Value adjustment	Net amount
31 December 2021			
maturity	1.182	-	1.182
0-60 days	4.023	-	4.023
60-120 days	6.903	-	6.903
120-180 days	19.067	-	19.067
180-360 days	8.406	-69	8.338
over 360 days	48.203	-47.804	399
	87.784	**-47.873**	**39.911**
31 December 2022			
maturity	19.484	-	19.484
0-60 days	6.948	-24	6.924
60-120 days	2.917	-	2.917
120-180 days	238	-	238
180-360 days	4.050	-32	4.018
over 360 days	49.324	-47.114	2.210
	82.961	**-47.170**	**35.791**

16. Trade receivables and other receivables (continued)

16.2. Trade receivables and other receivables-IGH Group

DESCRIPTION	**31 Dec 2022 Thous.HRK**	31 Dec 2021 Thous.HRK
Non-current receivables		
Receivables from sale of apartments with deferred payments and other receivables	**1.501**	2.213
Total	**1.501**	2.213
Current receivables		
Trade receivables	**77.950**	95.142
Minus: value adjustment of trade receivables	**(45.424)**	(45.142)
Receivables from affiliated entrepreneurs (Note 32)	**651**	734
Minus: value adjustment of receivables from affiliated entrepreneurs (Note 32)	**(646)**	(681)
Receivables from government institutions	**1.945**	2.115
Receivables from employees	**341**	519
Receivables for issued advances	**2.608**	1.725
Other receivables	**295**	147
Total	**37.720**	54.559

The following tables explain the changes in the corrections for trade receivables by using simplified ECL model between the beginning and end of the annual period:

	2022
31 Dec 2022	Thous. HRK
As at 1 Jan 2022	45.823
Newly created expected credit loss	1.381
Cancellation of previous credit loss	-1.589
MSFI 9 cancellation revenue	-149
Other changes	604
As at 31 Dec	46.070

	2021
31 Dec 2021	Thous. HRK
As at 1 Jan 2021	44.613
Cancellation of previous credit loss	-3.575
Newly created expected credit loss	4.636
Other changes	149
As at 31 Dec	45.823

For calculation of impairment on trade receivables, the IGH Group applies a model based on expected credit losses (Simplified Approach) in accordance with IFRS 9, and the amount of the impairment does not have a material effect on the financial statements. The IGH Group continues to apply value adjustments based on proven losses under certain conditions.

16. Trade receivables and other receivables (continued)

16.2. Trade receivables and other receivables IGH Group (continued)

The ageing structure of trade receivables and other receivables was as follows:

Thous. HRK	Gross amount	Value adjustment	Net amount
31 December 2022			
maturity	19.923		19.923
0-60 days	7.498	-24	7.474
60-120 days	3.264		3.264
120-180 days	603		603
180-360 days	4.965	-32	4.933
over 360 days	47.537	-46.015	1.522
	83.790	**-46.071**	**37.719**

Thous. HRK	Gross amount	Value adjustment	Net amount
31 December 2021			
maturity	1.182	0	1.182
0-60 days	16.037	0	16.037
60-120 days	2.981	-1182	1.799
120-180 days	19.067	-2.206	16.861
180-360 days	8.406	-69	8.337
over 360 days	52.709	-42.366	10.343
	100.382	**-45.823**	**54.559**

17. Loans and deposits given

17.1. Loans and deposits given- IGH

	31 December 2022	31 December 2021
DESCRIPTION	**Thous. HRK**	Thous. HRK
Long-term loans		
Loans given to subsidiaries (*Note 32*)	**3.044**	3.033
Loans given to third parties	**306**	455
	3.350	3.488
Short-term loans given		
Loans given to subsidiaries (*Note 32*)	**250**	354
Loans given to third parties	**176**	154
Deposits and guarantees	**26.504**	24.664
Interests receivables	**389**	442
Securities and factoring	**145**	145
Expected credit loss	**(142)**	(115)
	27.322	25.644
Total	**30.672**	29.132

17. Loans and deposits given (continued)

17.1. Loans and deposits given IGH (continued)

Loans to affiliates were granted with no interest or with a certain interest rate, whereby for determining the profit tax base, the interest rates stated in Art. 14, par. 3 of the Corporate Income Tax Act are taken into account.

17.2. Loans and deposits given- IGH Group

	31 December 2022	31 December 2021
DESCRIPTION	Thous. HRK	Thous. HRK
Long-term loans given		
Loans to third parties	306	453
Investment in securities	0	40
Long-term loans given total	306	493
Loans given to subsidiaries		
Loans given to third parties	0	4
Deposits and guarantees	175	0
Interests receivables	26.519	26.790
Securities and factoring	433	442
Expected credit loss	145	145
Loans given to subsidiaries	(142)	(115)
Short-term loans given total	27.130	27.266
Total	**27.436**	**27.759**

Loans to affiliates and third parties were granted with no interest or with a certain interest rate, whereby for determining the profit tax base, the interest rates stated in Art. 14, par. 3 of the Corporate Income Tax Act are taken into account.

18. Cash and cash equivalents

18.1. Cash and cash equivalents-IGH

	31 December 2022	31 December 2021
DESCRIPTION	Thous. HRK	Thous. HRK
Giro accounts	2.083	4.294
Cash in hand	7	4
Foreign currency accounts	1.365	1.891
Expected credit loss	-1	-1
Total	3.454	6.188

Breakdown of cash and cash equivalents per currency

	31 December 2022	31 December 2021
DESCRIPTION	Thous. HRK	Thous. HRK
HRK	2.082	4.293
GEL	168	1080
BAM	438	410
EUR	753	403
Other currencies	14	2
Total	3.455	6.188

18. Cash and cash equivalents (continued)

18.2. Cash and cash equivalents- IGH Group

	31 December 2022	31 December 2021
DESCRIPTION	**Thous. HRK**	Thous. HRK
Giro accounts	**2.481**	4.538
Cash in hand	**9**	6
Foreign currency accounts	**1.374**	2.000
Expected credit loss	**-1**	-1
Total	**3.863**	6.543

Breakdown of cash and cash equivalents per currency

	31 December 2022	31 December 2021
DESCRIPTION	**Thous. HRK**	Thous. HRK
HRK	**2.480**	4.538
GEL	**168**	1080
BAM	**450**	410
EUR	**753**	513
Other currencies	**12**	2
Total	**3.863**	6.543

19. Non-current assets held for sale

19.1. Non-current assets held for sale IGH

	31 December 2022	31 December 2021
DESCRIPTION	**Thous. HRK**	Thous. HRK
Acquisition cost		
As at 1 January	**12.300**	57.600
Sale	**0**	-45.300
As at 31 December	**12.300**	12.300

19.2. Non-current assets held for sale

	31 December 2022	31 December 2021
DESCRIPTION	**Thous. HRK**	Thous. HRK
Acquisition cost		
As at 1 January	**12.300**	57.600
Sale	**0**	-45.300
As at 31 December	**12.300**	12.300

Non-current assets held for sale are intended to settle the secured debt to financial institutions that have not waived their right to a separate settlement in the process of the pre-bankruptcy settlement. These assets refer to buildings and land.

(i) Valuation techniques and significant inputs

The following table summarizes the valuation methods and techniques used in measuring the fair value and significant inputs used in the valuation:

19. Non-current assets held for sale (continued)

(i) Valuation techniques and significant inputs (continued)

Valuation methods and techniques	Significant unobservable inputs
The fair value was estimated using methods applicable to each individual company, The following methods were used: • Valuation of property carried out by authorised independent valuers (methods described in Note 3.9 (i)	Significant inputs are described in Note 3.9 (i) Amount of secured debt
• Review of rights of secured creditors	

20. Accrued income and prepaid expenses

20.1. Accrued income and prepaid expenses IGH

	2022	2021
DESCRIPTION	Thous. HRK	Thous. HRK
Prepaid expenses	**2.984**	7.885
VAT on advances	**3.066**	2.431
Advance payments received on account	**283**	614
Accrued uninvoiced revenue	**85**	296
Total	**6.418**	11.226

20.2. Accrued income and prepaid expenses IGH Group

	31 December 2022	31 December 2021
DESCRIPTION	Thous. HRK	Thous. HRK
Prepaid expenses	**3.043**	7.799
VAT on advances	**3.107**	2.431
Advance payments received on account	**283**	614
Accrued uninvoiced revenue	**89**	296
Total	**6.522**	11.140

21. Assets and liabilities from contracts with clients

21.1. Assets and liabilities from contracts with clients IGH

The following table shows information on receivables and liabilities with clients based on construction contracts, for which on the reporting date the Company reported receivables from customers pursuant to a contractual obligation or obligations to clients pursuant to a contractual obligation:

	31 December 2022	31 December 2021
DESCRIPTION	Thous. HRK	Thous. HRK
Contract assets	**3.806**	4.519
Expected credit loss	**-11**	-117
Total	**3.795**	4.402
Contract liabilities	**1.041**	2.093
Total	**1.041**	2.093

Contract assets primarily relate to the Company's rights to compensation for works performed but not collected at the reporting date. Contract assets are transferred to trade receivables when the rights become unconditional. This usually happens when the Company invoices the client. A description of the methodology for calculating expected credit losses on a contract asset is described in Note 31.

21. Assets and liabilities from contracts with clients (continued)

21.1. Assets and liabilities from contracts with clients –IGH (continued)

Contract liabilities primarily relate to deferred income for construction works, for which revenue is recognized over time.

21.2. Assets and liabilities from contracts with clients IGH Group

	31 December 2022	31 December 2021
DESCRIPTION	**Thous. HRK**	Thous. HRK
Contract assets	**3.806**	4.519
Expected credit loss	**-11**	-117
Total	**3.795**	4.402
Contract liabilities	**1.041**	2.093
Total	**1.041**	2.093

22. Share capital

	Number of shares 2022	Ownership share 2022	Number of shares 2021	Ownership share 2021
AVENUE ENGINEERING AND CONSTRUCTION LIMITED	239.500	39,03%	239.500	39,03%
AVENUE ENGINEERING AND CONSTRUCTION LIMITED (1/1)	75.500	12,30%	75.500	12,30%
AKCIONAR D.O.O.	12.500	2,04%	12.500	2,04%
CAPTURIS D.O.O.	7.895	1,29%	7.895	1,29%
ČOLINA ANTE	4.800	0,78%	4.550	0,74%
INSTITUT IGH, D.D. (1/1)	6.659	1,09%	12.159	1,98%
IPRO - INŽENJERING D.O.O.	4.512	0,74%	4.512	0,74%
MARUS ANNA	1.221	0,20%	4.150	0,68%
MIHALJEVIĆ BRANKO	8.010	1,31%	7.638	1,24%
Other shareholders	242.716	39,55%	234.300	38,18%
PRIVREDNA BANKA ZAGREB D.D	9.212	1,50%	11.005	1,79%
AGRAM INVEST D.D.	1.184	0,19%	1.160	0,00%
Total	613.709	100,00%	613.709	100,00%

The Company's share capital comprises 613,709 shares, ticker IGH-R-A, ISIN: HRIGH0RA0006, with a nominal amount of HRK 190.00 per share, which amounts to HRK 116,605 thousand. The shares were listed on the Official Market of the Zagreb Stock Exchange. Each share holds voting and dividend rights.

Based on the final pre-bankruptcy settlement agreement of 28 December 2013, creditors transferred into the PIK and Junior debt have the right, upon the maturity period of six years, to convert their remaining claims into share capital and thus become a part of the ownership structure of the Company, up to 20% of the share capital. The PIK debt represents 63.6% of debt towards banks in the pre-bankruptcy settlement and is to be paid in one instalment after six years at a fixed interest rate of 4.5% per annum, which will also be paid upon maturity. After 6 years, creditors have the right to exercise an option to convert debt into equity up to a maximum of 20% of the share capital at the time of conversion. The details of the pre-bankruptcy settlement agreement are described in Note 35.

Given the above, the Company (IGH Group) has an obligation to calculate the probability and amount of conversion of debt into equity. Due to the significant uncertainty of key variables in the calculation, the Company did not calculate and recognize the equity component on 31 December 2022.

23. Reserves

Under Croatian regulations, companies must place into reserves a twentieth part (5%) of the current year profit until total reserves together with the share premium reach 5% of the Company's share capital. Both legal reserves and reserves for own shares are non-distributable.

The Company (IGH Group) owns 6.659 of own shares. Own shares are recorded at acquisition cost, and are released using the weighted average price method.

DESCRIPTION	**Number of own shares 31 Dec 2022**	Number of own shares 31 Dec 2021
As at 1 January	**12.159**	13.359
Decrease during the year	**-5.500**	-1.200
As at 31 December	**6.659**	12.159

The Management Board of the Company has the right to receive bonus shares and treasury shares. There was no award on this basis during the year 2021, while the remaining amount will be allocated in accordance with the Company's possibilities in the coming years. The Net Asset Value of treasury shares and bonus shares is presented in Other Reserves according to market value of the share on the reporting date.

24. Revaluation reserves

24.1. Revaluation reserves IGH

(In thousands HRK	**Revaluation reserves for non-current tangible assets**	**Foreign exchange differences from recalculation of foreign operations**	**Total**
As at 31 December 2020.	**87.122**	**-207**	**86.915**
Transfer to accumulated losses	-45.105	0	-45.105
Foreign exchange differences from recalculation of foreign operations	0	-91	-91
As at 31 December 2021	**42.017**	**-298**	**41.719**
Transfer to accumulated losses	-2.769	0	-2.769
As at 31 December 2022	**39.248**	**-298**	**38.950**

Revaluation reserves are not distributable to shareholders.

24.2. Revaluation reserves- IGH Group

(in thousand HRK)	**Revaluation reserves for non-current tangible assets**	**Foreign exchange differences from recalculation of foreign operations**	Total
As at 31 December 2020	**97.368**	**-185**	**97.183**
Transfer to accumulated losses	-52.480	-	-52.480
Foreign exchange differences from recalculation of foreign operations	-	-102	-102
Decrease due to write-offs	**44.888**	**-287**	**44.601**
As at 31 December 2021			
	-2.769	-254	-3.023
Transfer to accumulated losses	**42.119**	**-541**	**41.578**

25. Commitments for loans and borrowings

25.1. Commitments for loans and borrowings IGH

	31 December 2022	31 December 2021
	Thous. HRK	Thous. HRK
Long term borrowings		
Borrowings-senior debt /iii/	**0**	12.489
Other borrowings	**363**	275
Total	**363**	12.764
Short-term borrowings		
Borrowings-PIK debt /ii/	**10.650**	32.862
Borrowings (separate creditors) /v/	**8.747**	25.583
Borrowings -current portion of senior debt /iii/	**71.006**	64.687
Borrowings of associated companies *(Note 32)*	**73.447**	50.493
Other borrowings	**4.054**	845
Accrued interest payable	**18.996**	21.972
Total	**186.900**	196.442
Loans and borrowings total	**187.263**	209.206

25. Commitments for loans and borrowings (continued)

25.1. Commitments for loans and borrowings- IGH (continued)

(in thousand HRK)	Borrowings - PIK debt /ii/	Borrowings - Senior debt/iii/	Borrowings - secured creditors /iv/	Issued bonds /v/	Loans from associated companies /vi/	Other borrowings	Accrued interest payable	Total
Net book value								
As at 1 January 2021	131.045	80.037	25.622	46.964	1.281	1.899	54.754	341.602
Non-monetary repayment	-98.183	-2.861	-39	-46.964	-	-779	-32.782	-181.608
Loans received	-	-	-	-	49.212	-	-	49.212
As at 31 December 2021	**32.862**	**77.176**	**25.583**	**-**	**50.493**	**1.120**	**21.972**	**209.206**
Non-monetary repayment	-22.249	-66.120	-16.836	-	-	-7.517	-14.673	-127.395
Loans received	-	59.814	-	-	22.787	10.825	-	93.426
Transfer of commitments	-	-	-	-	-	-	11.654	11.654
Exchange rate difference	37	137	-	-	167	-11	42	372
As at 31 December 2022	**10.650**	**71.007**	**8.747**	**-**	**73.447**	**4.417**	**18.995**	**187.263**

25. Commitments for loans and borrowings (continued)

25.1. Commitments for loans and borrowings- IGH (continued)

/i/ Bank borrowings in the amount of HRK 10.650 *thousand* (*2021: HRK 32.862 thousand*) are secured with the Company's land and buildings, shares in the affiliates and pledged Company inventories.

In accordance with the pre-bankruptcy settlement agreement, creditors are classified into the following categories:

/ii/ The 'PIK debt' represents claims that will be settled by selling pledged assets of the Company or its related parties. The final maturity of the PIK claims is 6 years from the day the pre-bankruptcy settlement became final at an interest rate of 4.5% per annum, which is also paid on final maturity.

/iii/ The 'Senior debt' comprises a portion of creditor claims which will be settled by payment in semi-annual instalments in accordance with the provisions of the settlement and additional agreements with creditors of category a), which fall due on 30 June and 31 December with an interest rate set at 4.5% per annum.

/iv/ Secured creditors have not waived their right for separate settlement in the pre-bankruptcy settlement proceedings, and have the right to initiate separate enforcement procedures to enforce property sales and settlement of their claims. If the sale of pledged assets does not generate sufficient funds to settle secured claims, secured creditors are not entitled to settlement of outstanding claims in full, but their claims are considered to be settled entirely through the sale of the pledged assets. Regarding these borrowings, the Company is not obligated to repay principal or interest from the ordinary course of business, but the settlement is made only from the sale of pledged property.

/v/ Issued bonds

On 6 June 2012 the Company (IGH Group) issued convertible bonds in the amount of EUR 10 million for a partial rescheduling of liabilities arising from previously issued financial instruments and financing of the working capital.

On 10 June 2013, the Settlement Council of the Financial Agency adopted the Decision on initiating pre-bankruptcy settlement proceedings over INSTITUT IGH, d.d. Owners of convertible bonds as secured creditors have not waived their right for separate settlement in the pre-bankruptcy settlement proceedings, and have the right to initiate separate enforcement procedures to enforce property sales and settlement of their claims. In the event that the funds obtained from the realisation of the pledge will not be sufficient to cover the claims secured, the bondholders are not entitled to settle up to the full amount of the secured claim but their claim is deemed to be fulfilled by the realisation of the pledge. Regarding these bonds, the Company is not obligated to repay principal or interest from the ordinary course of business, but the settlement is made only from the sale of pledged property.

The value of pledged land and buildings amounts to HRK 46.964 thousand and the value of bond payables was corrected to the stated amount.

The bond obligation was settled during 2021.

/vi/ The Company recorded a debt to Elpida d.o.o. in the amount of 22.840 thousand kunas and to Radeljević d.o.o. in the amount of 49.231 thousand kunas. The liability has been incurred pursuant to a restructuring agreement with B2 Kapital and the taking over of the real estate owned by Elpida d.o.o. and Radeljević d.o.o. as collateral. With the taking over of the real estate in question, INSTITUT IGH d.d. settled a part of the debt it has with B2 Kapital pursuant to the pre-bankruptcy agreement, creating a claim against INSTITUT IGH, d.d. in the business books of Elpida d.o.o. and Radeljević d.o.o.

25. Commitments for loans and borrowings (continued)

25.1. Commitments for loans and borrowings IGH (continued)

The analytical review of loans and borrowings is as follows:

	Currency	Interest rate	2022	Up to 1 year	1 - 2 years
Financial liabilities					
Commercial bank	EUR	4,50%	669	669	-
Unrelated third parties	EUR	4,50%	89.734	89.734	-
Liabilities for interest	HRK	-	18.996	18.996	-
Non-interest bearing other liabilities to secured creditors					
Unrelated third parties	EUR	-	3.581	3.218	363
Loans from other financial institutions	HRK	-	836	836	-
Other financial liabilities					
Loans from related parties	HRK	2,86%	73.447	73.447	-
Total			**187.263**	**186.900**	**363**

	Currency	Interest rate	2021	Up to 1 year	1 - 2 years
Financial liabilities					
Commercial bank	EUR	4,50%	700	440	260
Third parties	EUR	4,50%	126.173	113.684	12.489
Liabilities for interest	EUR	4,50%	21.972	21.972	-
Non-interest bearing other liabilities to secured creditors					
Third parties	EUR	-	8.747	8.747	-
Loans from other financial institutions	HRK	-	836	836	-
Other financial liabilities					
Loans from related parties	HRK	3%	50.493	50.493	-
Loans from unrelated parties	HRK	4,50%	283	268	15
Other loans	RUB	4%	2	2	-
Total			**209.206**	**196.442**	**12.764**

25.2. Commitments for loans and borrowings- IGH Group

DESCRIPTION	**31 Dec 2022** **Thous. HRK**	31 Dec 2021 Thous. HRK
Long-term borrowings		
Borrowings-senior debt /iii/	**-**	12.489
Other borrowings	**363**	275
	363	12.764
Short-term borrowings		
Borrowings -PIK debt /i/	**10.650**	32.862
Borrowings (secured creditors) /v/	**8.747**	25.583
Borrowings – current maturity of senior debt /iii/	**71.006**	77.696
Other borrowings	**13.637**	873
Accrued interest payable	**23.161**	21.972
Loans from affiliated companies /vii/ *(Note 32)*	**22.840**	-
	150.041	158.986
Loans and borrowings total	**150.404**	171.750

25. Commitments for loans and borrowings (continued)

25.2. Commitments for loans and borrowings IGH Group (continued)

The analytical review of loans and borrowings is as follows:

(in thousand HRK)	Borrowings - PIK debt /ii/	Borrowings - Senior debt /iii/	Borrowings - secured creditors /v/	Borrowings - other	Issued bonds /vi/	Other borrowings	Loans by affiliated companies	Accrued interest payable	Total
Net book value									
As at 1 January 2021	131.045	108.832	25.622	3.074	47.800	1.514	-	54.754	372.641
Non-monetary repayment	-98.160	-18.639	-	-3.074	-47.800	-366	-	-32.782	-200.821
Exchange rate difference	-23	-8	-39	-	-	-	-	-	-70
As at 31 December 2021	**32.862**	**90.185**	**25.583**	**-**	**-**	**1.148**	**-**	**21.972**	**171.750**
Non-monetary repayment	-22.212	-19.179	-16.836	-	-	-	-	-	-58.227
Transfer of liabilities	-	-	-	-	-	12.852	22.840	-	35.692
Accrual of interest	-	-	-	-	-	-	-	1.189	1.189
As at 31 December 2022	**10.650**	**71.006**	**8.747**	**-**	**-**	**14.000**	**22.840**	**23.161**	**150.404**

25. Commitments for loans and borrowings (continued)

25.2. Commitments for loans and borrowings - (continued)

The analytical review of loans and borrowings is as follows (continued):

	Currency	Interest rate	2022	Up to 1 year	1 - 2 years
Financial liabilities					
Commercial bank	EUR	4,50%	669	669	
Third parties	EUR	4,50%	89.734	89.734	
Liabilities for interest	HRK	-	23.161	23.161	
Non-interest bearing other liabilities to secured creditors					
Third parties					
Liabilities for interest	EUR	-	13.164	12.801	363
Loans from affiliated companies			22.840	22.840	-
Loans from other financial institutions	HRK	-	836	836	-
Total			**150.404**	**150.041**	**363**

	Currency	Interest rate	2021	Up to 1 year	1 - 2 years
Financial liabilities					
Commercial bank	EUR	4,50%	716	441	275
Third parties	EUR	4,50%	119.725	107.236	12.489
Liabilities for interest	HRK	-	21.972	21.972	-
Non-interest bearing other liabilities to secured creditors					
Third parties					
Loans from other financial institutions	EUR	-	24.209	24.209	-
Other financial liabilities	HRK	-	836	836	-
Liabilities for interest					
Loans from unrelated parties	HRK	4,50%	4.290	4.290	
Other borrowings	RUB	4%	2	2	-
Total			**171.750**	**158.986**	**12.764**

26. Lease obligations

IGH d.d. and IGH Group

DESCRIPTION	31 December 2022 Thous. HRK	31 December 2021 Thous.HRK
Non-current liabilities		
Lease obligations	**24.393**	10.808
Total	**24.393**	10.808
Current liabilities		
Lease obligations	**12.489**	9.896
Total	**12.489**	9.896

The analytical review of lease obligations is as follows:

(in thousand HRK)	Lease obligations
Net book value	
As at 1 Jan 2021	19.638
Payments	-17.655
Increase	18.721
As at 31 December 2021	**20.704**
Payments	-14.478
Increase	30.656
As at 31 December 2022	**36.882**

	Currency	Interest rate	2022	Up to 1 year	1 - 2 years	2 - 5 years
Operative lease - MSFI 16	HRK	4,50%	36.882	12.489	18.734	5.659

	Currency	Interest rate	2021	Up to 1 year	1 - 2 years	2 - 5 years
Operative lease - MSFI 16	HRK	4,50%	20.704	9.896	5.416	5.392

27. Provisions

27.1. Provisions IGH

In thousand HRK	Unused vacation days	Retirement benefits	Legal disputes	Total
As at 31 December 2020	3.198	678	6.566	10.442
Provisions	-	23	4.211	4.234
Cancellation	-436	-	-233	-669
As at 31 December 2021	2.762	701	10.544	14.007
Cancellation	-352	-125	-66	-543
Decrease	-	-	-65	-65
As at 31 December 2022	2.410	576	10.413	13.399
Long-term	-	576	10.391	10.967
Short-term	2.410	-	22	2.432

27. Provisions (continued)

27.1. Provisions IGH (continued)

(i) Unused vacation days

In 2022, the provision for unused vacation days was accrued based on the expectations that unused vacation days from 2021 will be used in 2022.

(ii) Retirement benefits

In 2022 the Company decreased provisions for retirement benefits in the amount of HRK 125 thousand.

(iii) Legal disputes

The amounts of provisions relate to a number of legal disputes initiated against the Company. Based on the expert opinion of a legal counsel, the Company's Management Board believes that the outcome of these legal disputes will not give rise to any significant loss beyond the amount provided for as at 31 December 2022.

27.2. Provisions IGH Group

As at 31 December 2020	Unused vacation days	Retirement benefits	Legal disputes	Total
Reservations	3.198	678	6.566	10.442
Cancellation	-	23	4.211	4.234
As at 31 December 2021	-436	-	-233	-669
Cancellation	2.762	701	10.544	14.007
Reduction of liabilities	-352	-125	-66	-543
As at 31 December 2022			-65	-65
As at 31 December 2020	2.410	576	10.413	13.399
Long-term	-	576	10.391	10.967
Short-term	2.410	-	22	2.432

28. Trade payables and other payables

28.1. Trade payables and other payables- IGH

DESCRIPTION	**31 December 2022** **Thous. HRK**	31 December 2022 Thous. HRK
Non-current liabilities		
Trade payables	**198**	198
	198	198
Current liabilities		
Domestic trade payables	**13.755**	17.403
Trade payables per pre-bankruptcy settlement	**2**	150
Foreign trade payables	**6.811**	6.463
Liabilities towards government institutions	**8.895**	8.747
Liabilities to employees	**6.376**	6.335
Municipal charges	**2.318**	2.065
Liabilities towards associated companies *(Note 32)*	**402**	1.142
Other liabilities	**1.624**	3.599
	40.181	46.005
Total	**40.379**	46.203

28. Trade payables and other payables (continued)

28.2. Trade payables and other payables IGH Group

As at 31 December 2022, the book value of current liabilities approximates their fair value, due to the short-term nature of these liabilities. Other liabilities relate to those other current liabilities. The Company's exposure to foreign exchange rate risk and solvency risk is presented in Note 31.

	31 December 2022	31 December 2021
DESCRIPTION	**Thous. HRK**	Thous. HRK
Non-current liabilities		
Trade payables	**198**	188
	198	188
Current liabilities		
Domestic trade payables	**14.451**	22.749
Trade payables per pre-bankruptcy settlement	**2**	133
Foreign trade payables	**6.718**	6.463
Liabilities towards government institutions	**10.727**	8.851
Liabilities to employees	**6.590**	6.335
Municipal charges	**2.318**	2.065
Other liabilities	**4.864**	3.674
	45.870	50.270
Total	**46.068**	50.458

29. Commitments for advances and deposits received

29.1. Commitments for advances and deposits received- IGH

	31 December 2022	31 December 2021
DESCRIPTION	**Thous. HRK**	Thous. HRK
Received advances		
Advances from domestic clients	**4.440**	3.239
Advances from foreign clients	**2.162**	2.984
Calculation of advances given	**331**	718
Total	**6.933**	6.941
Received deposits		
Deposits and guarantees received	**275**	419
Total	**275**	419

29. Commitments for advances and deposits received (continued)

29.2. Commitments for advances and deposits received- IGH Group

	31 December 2022	31 December 2021
DESCRIPTION	**Thous. HRK**	Thous. HRK
Received advances		
Advances from domestic clients	**4.514**	3.239
Advances from foreign clients	**2.162**	2.985
Calculation of advances given	**331**	718
Total	**7.007**	6.942
Received deposits		
Deposits and guarantees received	**276**	419
Total	**276**	419

30. Accrued expenses and deferred income

The Company's accrued expenses and deferred income stated in the Statement on financial position on 31 December 2022, in the amount of 8.581 thousand kunas (8422 thousand kunas on 31 December 2021) and the Group's accrued expenses and deferred income in the amount of 8.377 thousand kunas (8357 thousand kunas on 31 December 2021 8.357) refer to the accrued expenses for which no invoice was received.

31. Risk management

Financial risk factors

The Company, that is, the Group is exposed to various financial risks related to foreign exchange, interest rate, credit and solvency risk. The Company monitors these risks and seeks to minimise their potential impact on the Company's financial exposure. The Company does not use derivative financial instruments to actively hedge its financial risk exposure.

a) Market risk

Market risk relates to financial instruments. IFRS defines market risk as the risk of fluctuation of fair value or future cash flows of financial instruments due to changes in market prices. Market risk comprises three types of risk: foreign exchange risk, interest rate risk and other price risks.

The Company, that is, the Group operates on the Croatian and international markets. The Management Board determines the cost of its services based on the market price of the relevant market.

b) Price risk

The Company is engaged in the professional and scientific research in the field of civil engineering, the area where the financial crisis has had a significant impact causing relative market inactivity.

However, positive macroeconomic indicators in the last period have stimulated market recovery and corresponding prices.

c) Foreign currency exchange risk

The Company's official currency is the Croatian Kuna (HRK). However, the Company and the Group have invested in financial instruments and entered into transactions denominated in currencies that do not represent its functional currency. Accordingly, the Company and the Group are exposed to foreign exchange risk of its currency in relation to other currencies in a way that may adversely affect the result and value of the Company and the Group.

31. Risk management (continued)

c) Foreign currency risk (continued)

Transactions denominated in foreign currencies are translated into Croatian Kuna by applying the exchange rates in effect at the balance sheet date. The resulting foreign exchange differences are credited or charged to the income statement. Changes in exchange rates may affect the profits mainly as a result of foreign exchange gains or losses arising on translation of receivables in foreign currency (EUR) and borrowings and liabilities contracted with a foreign currency clause (EUR). Due to part of its income being earned in foreign markets and liabilities denominated in other currencies, the Company is exposed to foreign exchange risk primarily through EUR and therefore the expected changes are not significant.

Due to part of its income being earned in foreign markets and liabilities denominated in other currencies, the Group is exposed to foreign exchange risk (primarily through EUR) and therefore the expected changes are not significant.

The total exposure of the Company to changes in foreign exchange rates at the reporting date was as follows:

(in thousand HRK)	**Liabilities**		**Assets**	
	2022	**2021**	**2022**	**2021**
The European Union (EUR)	23.650	61.874	2.855	23.932
Bosnia and Herzegovina (BAM)	29	37	162	421
The USA (USD)	560	120	15	54
The Russian Federation (RUB)	31.666	2673	38.676	3.412
Georgia (GEL)	174	3.985	1.165	7.932
Macedonia (MDK)	900	0	3.161	0

Sensitivity analysis to foreign currency risk

The Company and the Group are mainly exposed to fluctuations in the exchange rate of the Croatian Kuna to the Euro, in terms of received loans, suppliers and trade receivables. The Company is additionally exposed to changes in the Croatian Kuna exchange rate relative to the GEL due to the operations of the Georgia subsidiary.

The sensitivity analysis includes only open cash items in foreign currency and their recalculation at the end of the period based on the percentage change in exchange rates. The sensitivity analysis includes monetary assets and monetary liabilities in the currency. A negative number indicates a decrease in profit where the Croatian Kuna changes against the relevant currency by the percentage specified above. In case of a reverse proportional change of the Croatian Kuna against the relevant currency, there would be an equal and opposite impact on the profit.

The depreciation of the Croatian Kuna against the exchange rate of the currencies shown by 1% would have the following effects on profit:

Effect of USD currency		**Effect of GEL currency**		**Effect of MDK currency**	
2022	**2021**	**2022**	**2021**	**2022**	**2021**
(in thousands HRK)		*(in thousands HRK)*		*(in thousands HRK)*	
-6	-1	-5	39	-554	0

Effect of BAM currency		**Effect of RUB currency**	
2022	**2021**	**2022**	**2021**
(in thousands HRK)		*(in thousands HRK)*	
-1	4	-26.338	7

31. Risk management (continued)

The mean exchange rates of currencies to HRK, significant for the Company are as follows:

	31 December 2022	31 December 2021
EUR	7,534500	7,51717
BAM	3,852329	3,84347
USD	7,064035	6,64355
RUB	0,1178	0,0894
GEL	2,6963	2,1191
MKD	0,1244	

d) Interest rate risk

Interest rate risk is the risk of a change in the value of a financial instrument due to changes in market rates in relation to the interest rates applied to the financial instrument.

The Company, i.e. the group use loans with predominantly fixed interest rates and is not exposed to the risk of changing interest rates. The Company does not use active hedging instruments against exposure to interest rate risk.

e) Credit risk

Credit risk is the risk that one party to a financial instrument will cause the other party financial losses due to default, in whole or in part, at the time of maturity. Failure to do so would endanger the liquidity of the Company and reduce the value of its assets. On 31 December 2020 financial assets that could potentially expose the Group to credit risk consist mainly of loans given, trade receivables and other receivables.

The value of financial assets at the reporting date shows the maximum exposure to credit risk. The Group regularly monitors the risk that the other party will not fulfil its obligations.

Trade receivables, other receivables, and receivables from given loans are adjusted for the amount of provisions for doubtful and disputed receivables.

The Group applies a simplified IFRS 9 approach for measuring expected credit losses, using the expected value adjustment for all trade receivables and contract assets. In order to measure expected credit losses, trade receivables and contract assets are grouped based on common credit risk characteristics and maturity dates. In the same types of contracts, contract assets are tied to the same risk characteristics as trade receivables. Therefore, the Company concluded that expected loss rates for trade receivables can also be used to calculate losses for contractual assets.

The expected loss rates are based on collection data for the 24-month period prior to 31 December 2021 and historical credit losses during that period.

Furthermore, the Company and the Group are exposed to credit risk through cash deposits in banks. As of 31 December 2021, the Company and the Group cooperated with eleven banks, while it kept its money and deposits in seven banks. Risk management is focused on doing business with the most respectable foreign and domestic banks in the country and abroad and on daily contacts with banks.

Deposits in banks consist of money on account and deposits with a maturity of up to 3 months, which are charged upon maturity and are therefore classified as held-to-maturity assets in accordance with IFRS 9 and are measured at amortized cost. Credit risk is measured using a general approach. The company uses the daily CDS value, which covers insurance for a period of 5 years. CDS with 5 years insurance has the highest market liquidity and is therefore chosen as the benchmark. CDS is sensitive to an increase in default risk - regardless of whether insurance with a 3-year or 5-year term is selected. Domestic banks do not have a rating or CDS indicator as a risk measure.

The Company took the CDS for the Republic of Croatia to measure the risk, which at 31 December 2021 amounted to 1,11%. Credit risk, calculated according to the formula: amount of deposits * number of days * CDS / 365. For deposits on demand, the Company uses 2 days in calculating the amount of credit risk.

31. Risk management (continued)

f) Solvency risk

Solvency risk is the risk of the Company facing difficulties in settling its liabilities. Solvency risk arises in the general funding activities of the Company and the management of assets. It includes the risk of being unable to fund assets under appropriate maturities and prices and the risk of being unable to sell its assets at a reasonable price and in an appropriate time frame. Financial instruments include investments that may be insolvent and that the Company is unable to turn into cash to meet its solvency requirements.

In order to ensure the necessary solvency, the Management actively monitors and manages the collection of receivables and planned outflows.

Table showing an analysis of the solvency risk

The tables were prepared on the basis of non-discounted cash outflows of financial liabilities at their due date. The tables include both principal and interest cash flows.

Company

	Net book value	Contracted cash flows	Up to 1 year	From 1 to 2 years	From 2 to 5 years
2022 in thousand HRK					
Non-derivate financial liabilities					
Loans received and financial leasing	224.146	224.146	199.391	14.753	10.002
Trade and other payables	47.589	47.589	47.391	198	0
	271.735	**271.735**	**246.782**	**14.951**	**10.002**
2021 in thousand HRK					
Non-derivate financial liabilities					
Loans received and financial leasing	229.910	229.910	206.338	18.156	5.416
Trade and other payables	53.564	53.564	53.366	198	0
	283.474	**283.474**	**259.704**	**18.354**	**5.416**

Group

	Net book value	Contracted cash flows	Up to 1 year	From 1 to 2 years	From 2 to 5 years
2022 in thousand HRK					
Non-derivate financial liabilities					
Loans received and financial leasing	187.287	187.287	162.532	14.753	10.002
Trade and other payables	53.351	53.351	53.152	199	0
	240.638	**240.638**	**215.684**	**14.952**	**10.002**
2021 in thousand HRK					
Non-derivate financial liabilities					
Loans received and financial leasing	192.454	192.454	168.882	23.572	0
Trade and other payables	57.819	57.819	57.631	188	0
	250.273	**250.273**	**226.513**	**23.760**	**0**

31. Risk management (continued)

f) Solvency risk (continued)

Non-interest bearing liabilities payable up to one month mainly consist of trade payables and other current liabilities.

Interest bearing liabilities include short-term and long-term loans, borrowings and bonds.

The tables were prepared on the basis of non-discounted cash inflows of financial assets at their due date. The tables include both principal and interest cash flows.

Company

(in thousand HRK)	Net book value	Contracted cash flows	Up to 1 year	From 1 to 2 years
2022				
Non-derivative financial assets				
Loans given	30.672	30.672	27.322	3.350
Trade and other receivables	37.274	37.274	35.791	1.483
Total	**67.946**	**67.946**	**63.113**	**4.833**
2021				
Non-derivative financial assets				
Loans given	29.132	29.132	25.644	3.488
Trade and other receivables	42.107	42.107	39.911	2.196
Total	**71.239**	**71.239**	**65.555**	**5.684**

Group

(in thousand HRK)	Net book value	Contracted cash flows	Up to 1 year	From 1 to 2 years
2022				
Non-derivative financial assets				
Loans given	27.436	27.436	27.130	306
Trade and other receivables	39.221	39.221	37.720	1.501
Total	**66.657**	**66.657**	**64.850**	**1.807**
2021				
Non-derivative financial assets				
Loans given	27.759	27.759	27.266	493
Trade and other receivables	56.772	56.772	54.559	2213
Total	**84.531**	**84.531**	**81.825**	**2.706**

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 used for trading on active liquid markets are determined on the basis of 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 quotes offered for similar instruments.

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

31. Risk management(continued)

f) Solvency risk (continued)

As at 31 December 2021, the reported amounts of cash, short-term deposits, receivables, current liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their market values due to the current nature of those assets and liabilities.

The Management Board believes that the book value of long-term deposits, receivables and borrowings as at 31 December 2021 approximates their fair value due to the application of variable interest rates on liabilities.

Equity risk management

Net debt-to-equity ratio

The Company monitors capital in line with laws and regulations valid in the Republic of Croatia which require a minimum deposit of HRK 200.000 for joint stock companies. Owners do not require any special measures with regard to management of capital. There are no capital goals internally monitored.

32. Transactions with related parties

The Company, that is the Group consider that their key shareholders and entities under their control or influence (subsidiaries and affiliates), key management (see below), close family members of key management and legal entities that are controlled or significantly influenced by key management personnel and their close family members are directly related parties, in accordance with the provisions set out in International Accounting Standard 24 "*Related Party Disclosures*".

32.1. Transactions with related parties- IGH

	2022	2021
DESCRIPTION	**Thous. HRK**	Thous. HRK
Revenue from sales		
ETZ,EKONOMSKO TEHNIČKI ZAVOD D.D.	**51**	60
IGH BUSINESS ADVISORY SERVICES D.O.O.	**680**	563
IGH PROJEKTIRANJE D.O.O.	**-**	56
Total	**731**	679
Other business revenue		
MARTERRA D.O.O.	**-**	18
RADELJEVIĆ D.O.O.	**-**	3.325
Total	**-**	3.343
Financial revenue		
INCRO D.O.O.	**-**	1
Total	**-**	1
Costs of services		
MARTERRA D.O.O.	**1.171**	787
IGH-MOSTAR D.O.O.	**45**	45
IGH PROJEKTIRANJE D.O.O.	**102**	-
Total	**1.318**	832
Other operating costs		
MARTERRA D.O.O.	**17**	-
Total	**17**	-
Expenditure		
ETZ,EKONOMSKO TEHNIČKI ZAVOD D.D.	**41**	
IGH-MOSTAR D.O.O.		12
RADELJEVIĆ D.O.O.		5
Total	**41**	17
Value adjustments of non-current financial assets		
RADELJEVIĆ D.O.O.	**-**	25.000
IGH CONSULTING D.O.O.	**-**	59
Total	**-**	25.059

32. Transactions with related parties (continued)

32.1. Transactions with related parties IGH (continued)

DESCRIPTION	31 December 2022 Thous. HRK	31 December 2021 Thous. HRK
Receivables from subsidiaries		
DP AQUA D.O.O.	**49**	49
ETZ,EKONOMSKO TEHNIČKI ZAVOD D.D.	**51**	-
FORUM CENTAR d.o.o.	**1**	-
IGH BUSINESS ADVISORY SERVICES D.O.O.	**78**	281
IGH PROJEKTIRANJE D.O.O.	**70**	70
INCRO D.O.O.	**81**	81
MARTERRA D.O.O.	**1.043**	1.043
IGH D.O.O.MOSTAR	**-**	48
Total	**1.373**	**1.572**
Receivables from affiliated companies		
ELPIDA D.O.O.	**5**	41
GEOTEHNIKA-INŽENJERING D.O.O.	**158**	158
IGH LUX ENERGIJA D.O.O.	**13**	13
SPORTSKI GRAD TPN D.O.O.	**475**	475
Total	**651**	687
Total	**2.025**	2.259
Value adjustments of receivables from related entrepreneurs	**(1.800)**	(1.834)
Loans given to subsidiaries		
IGH-MOSTAR D.O.O.	**3.108**	2.989
D.P. AQUA D.O.O	**2**	-
FORUM CENTAR D.O.O.	**5**	1
SLAVONIJA CENTAR, PZ VELIKA KOPAONICA D.D.	**6**	-
RADELJEVIĆ D.O.O.	**135**	-
IGH PROJEKTIRANJE D.O.O.	**-**	33
IGH D.O.O.MOSTAR	**-**	366
Total	**3.256**	3.389

Information on co-debtorships and guarantees issued to affiliated companies are published in Note 33.

DESCRIPTION	31 December 2022 Thous. HRK	31 December 2021 Thous. HRK
Liabilities related to loans given to subsidiaries		
ELPIDA D.O.O.	**22.840**	-
ETZ,EKONOMSKO TEHNIČKI ZAVOD D.D.	**936**	936
IGH PROJEKTIRANJE D.O.O.	**327**	327
RADELJEVIĆ D.O.O.	**49.344**	49.230
Total	**73.447**	50.493
Liabilities to subsidiaries		
IGH CONSULTING D.O.O.	**83**	83
IGH PROJEKTIRANJE D.O.O.	**51**	-
IGH-MOSTAR D.O.O.	**27**	25
MARTERRA D.O.O.	**241**	239
ETZ,EKONOMSKO TEHNIČKI ZAVOD D.D.	**-**	1
IGH D.O.O.MOSTAR	**-**	794
Total	**402**	1.142
Liabilities to affiliated companies		
AVENUE MEHANIZACIJA d.o.o.	**39.933**	0
AVENUE ENGINEERING AND CONSTRUCTION LIMITED	**4.270**	5.342
Total	**44.203**	5.342

32. Transactions with related parties (continued)

32.2. Transactions with related parties IGH Group

	31 December 2022	31 December 2021
DESCRIPTION	Thous. HRK	Thous. HRK
Receivables from affiliated companies		
ELPIDA D.O.O.	5	40
GEOTEHNIKA-INŽENJERING D.O.O.	158	158
IGH D.O.O.MOSTAR	-	48
IGH LUX ENERGIJA D.O.O.	13	13
SPORTSKI GRAD TPN D.O.O.	475	475
Total	**651**	734
Value adjustments of receivables from related entrepreneurs	**(646)**	(681)
Loans given to subsidiaries		
ELPIDA D.O.O.	22.840	-
Total	**22.840**	-
Liabilities to affiliated companies		
AVENUE MEHANIZACIJA d.o.o.	39.933	-
AVENUE ENGINEERING AND CONSTRUCTION LIMITED	4.270	5.342
Total	**44.203**	5.342

32.3. Management Board and Supervisory Board compensation

The total compensation of Management Board and the Supervisory Board members in 2022 amounted to HRK 2.867 thousand (in 2021, this amount was 2.534 thousand).

Supervisory Board compensation

Compensation to Supervisory Board members *(in thousand HRK)*	Salary - **fixed component**	Salary - **variable component**
Žarko Dešković	149	7
Sergej Gladeljkin	75	4
Igor Tkach	75	5
Mariyan Tkach	75	7
Marin Božić	75	7
Total	499	

Compensation to Management Board Members

Compensation to Management Board Members *(in thousand HRK)*	Salary - **fixed component**	Salary - **variable component**
Džajić Igor	587	0
Pauzar Miroslav	590	0
Petrosian Robert	699	0
Tudor Vedrana	542	1
Total	2.418	1

33. Potential liabilities

	2022	2021
	Thous. HRK	Thous. HRK
DESCRIPTION	**25.268**	33.043
Guarantees given - External	**15.680**	15.680
Total	**40.948**	48.723

Litigations

As at 31 December 2022, several legal disputes are in progress against the Group for which potential liabilities have not been recorded in the statement of financial position as at 31 December, due to the Management Board's estimates that, as at 31 December 2022, there is no probability that liabilities will arise for the Company.

The overview of co-debtor relationships in related party loans is as follows:

	2022	2021
DESCRIPTION	**Thous. HRK**	Thous. HRK
Incro d.o.o. Zagreb	**15.680**	15.680
Total	**15.680**	15.680

34. Earnings per share

Basic earnings per share are calculated as follows:

	Group		Company	
	2022	**2021**		**2022**
DESCRIPTION	*Thous. HRK*	*Thous. HRK*	DESCRIPTION	*Thous. HRK*
Profit for the year (in thousands of HRK)	**15.080**	**-56.776**	**16.961**	**-51.075**
Weighted average number of shares	**603.700**	**603.700**	**603.700**	**603.700**
Basic earnings per share (in 000 HRK)	**24,98**	**-94,05**	**28,09**	**-84,6**

As stated in Note 35, a part of the Company's debt can be converted into equity as part of the pre-bankruptcy settlement; 6 years after the settlement will have become legally valid, up to 20% maximum of the share capital at the time of conversion. Due to the uncertainty of significant variables in the calculation, the Company did not calculate diluted earnings per share in the event of conversion of the stated portion of debt into equity.

35. Impact of the pre-bankruptcy settlement

35.1. Impact of the pre-bankruptcy settlement- IGH

On 17 May 2013 the Company submitted a Proposal to initiate pre-bankruptcy settlement proceedings. On 5 December 2013 the Commercial Court in Zagreb accepted the Proposal and approved the settlement. In April 2014, the Court ruled that the pre-bankruptcy settlement became legally valid as of 28 December 2013.

a. Settlement with suppliers

An agreement was reached according to which 30% of claims are converted into the Company's share capital. 20% of claims will be repaid in cash after the share capital increase or the sale of the Company's assets. The remaining 50% of claims will be repaid in 10 equal semi-annual instalments over the period of 5 years. During 2018, the Company settled trade payables totalling HRK 10.041 thousand as prescribed in the provisions of the pre-bankruptcy settlement. During 2019 the Company also settled liabilities to related parties, natural persons for service contracts and royalties, non-financial institutions and the Ministry of Finance in the total amount of HRK 2.912 thousand. During 2020 all remaining obligations were settled amounting to HRK 196 thousand.

35. Impact of the pre-bankruptcy settlement (continued)

35.1. Impact of the pre-bankruptcy settlement- IGH (continued)

b. Settlement with banks- PIK debt

Out of the total debt, 63.6% was converted into the PIK debt during the initiation of pre-bankruptcy settlement procedure. The PIK debt is to be repaid in one instalment 6 years after the pre-bankruptcy settlement became legally valid. Up to the maturity date, a fixed interest rate of 4.5% per annum is included in the calculation, which is also payable in one instalment 6 years after the pre-bankruptcy settlement became legally valid. The PIK debt will be settled through the sale of assets which are pledged as collateral.

Six years after the settlement will have become legally valid, the Company is obliged to proportionally convert the PIK debt to the senior debt until the senior debt reaches the net indebtedness limit which is equal to 3.5 times of the prior year consolidated EBITDA. If the current Senior debt amount exceeds the default ratio, the PIK debt is not converted into the Senior debt. The Company did not make the conversion because the pre-requirement stated in pre-bankruptcy settlement was not fulfilled.

Under the valid pre-bankruptcy settlement, EBITDA is defined as earnings before interest, taxes, depreciation of tangible and in tangible assets and one-off items of income and expenses.

Interest is considered to be the interest expense on the debtor's debts.

One-off income and expenses are those that do not relate to the operating business of the company and are not repetitive. One-off income and expenses relate specifically to, but are not limited to, income and expenses from the sale of fixed assets.

Six years after the settlement has become legally valid and through the process of converting the PIK debt to the senior debt, the creditors had the right to convert their remaining claims into equity at a price of HRK 400 per share, but max. up to 20% of the share capital. If the General Assembly did not invite a creditor to subscribe for the shares, then the outstanding PIK debt is due upon the creditors' call. Creditors did not request the fulfilment of their rights, the deadline was 31 December 2019. Since the PIK debt was not transferred into shares or into Senior debt, the total amount of HRK 211.081 thousand will be returned or settled by income from sale of assets, or acquisition of the mortgaged assets.

If the sale of pledged assets is realised, the PIK debt (including interest) is settled first and the remainder of receipts is used to settle parts of the senior debt which had liens on that particular asset. If the sales result in a surplus of cash over the creditors' claims, then the surplus belongs to the debtor i.e. the Company.

Senior debt

The first instalment of the Senior debt becomes due 24 months from the date the pre-bankruptcy settlement will have become legally valid. The payments fall due 30 June and 31 December of each year. Instalments are paid 2 times a year with a fixed interest rate of 4.5% per annum. Interest are accrued and paid over the entire repayment period.

During 2016, the Company signed an agreement with banks from the creditor category a), whereby the grace period is extended by an additional 18 months, so that the total grace period is 42 months after the pre-bankruptcy settlement becomes legally valid, consequently reducing the repayment period to 6.5 years after the first instalment becomes due.

As a result of the abovementioned facts, the first instalment of the senior debt of creditors from category a) becomes due 42 months from the date the pre-bankruptcy settlement will have become legally valid. The payments fall due 30 June and 31 December of each year, and the first instalment becomes due on the first of the above dates 42 months after the settlement became legally valid, which is on 30 June 2017. Instalments are paid 2 times a year with a fixed interest rate of 4.5% per annum. Interest are accrued and paid over the entire repayment period. Liabilities for interests accrued on the senior debt for 2021 has been settled in the amount of HRK 0 thousand (2020: HRK 0 thousand). Company is late in paying the Senior debt but the creditors, until the date of this Report, have not made claims for payment in the sense of enforcement. In case the negotiations are not successful, creditors can initiate an enforcement procedure.

35. Impact of the pre-bankruptcy settlement (continued)

35.1. Impact of the pre-bankruptcy settlement- IGH (continued)

b. *Settlement with banks PIK debt (continued)*

Junior debt

The Junior debt has the same repayment schedule as the PIK debt the only difference being that junior debt holders have no liens on the Company's assets. Junior debt was due on 31 December 2019. A fixed interest rate of 4,5% p.a. is calculated on the principle amount. The creditors have not activated the rights they have come into on 28 December 2019 and the obligation was written-off in 2020.

Secured creditors

The principal of the debt towards creditors who have not waived their right to separate settlement in the process of the pre-bankruptcy settlement agreement (secured creditors) is classified as short-term and is presented in Note 27 in the principal amount of HRK 8.747 thousand.

Pledged assets are intended to cover the secured debt and are classified non-current assets held for sale as presented in Note 21 in the amount of HRK 12.300 thousand.

A lien was entered over a part of assets of a subsidiary in which the Company owns shares, proportionally to the amount of the claim of the secured creditor in the amount of HRK 16.875 thousand.

The value of non-current tangible assets held for sale for the purpose of settlement of liabilities to creditors who are not dependent on the pre-bankruptcy settlement (secured creditors) is reduced to the amount of liabilities to secured creditors. Since the ownership over these properties has not changed, their value as well as the related liabilities is recorded in the balance sheet.

It should be noted that the Company is not obliged to pay principal or interest from the ordinary course of business, and the settlement is realised solely through the takeover or sale of pledged property.

The effect on the Company's statement of financial position after the settlement of liabilities to secured creditors by transferring assets held for the settlement of these liabilities, is presented in the following table:

(in thousands HRK)	**Balance sheet as at 31 Dec 2022**	**Settlement of liabilities towards secured creditors**	**Balance sheet after settlement of liabilities**
Non-current assets	132.873	-16.875	115.998
Non-current assets held for sale	12.300	-12.300	0
Current assets	77.348	0	77.119
TOTAL ASSETS	**222.521**	**-29.175**	**193.118**
Total equity	-80.409	0	-81.641
Non-current liabilities	44.095	0	45.143
Current liabilities	258.835	-8.747	250.044
TOTAL EQUITY AND LIABILITIES	**222.521**	**-8.747**	**213.546**

(in thousands HRK)	**Balance sheet as at 31 Dec 2022**	**Settlement of liabilities towards secured creditors**	**Balance sheet after settlement of liabilities**
Non-current assets	120.105	-16.875	103.230
Non-current assets held for sale	12.300	-12.300	0
Current assets	87.939	0	87.939
TOTAL ASSETS	**220.344**	**-29.175**	**191.169**
Total equity	-96.874	0	-96.874

Non-current assets	44.216	0	44.216
Current assets	273.002	-25.622	247.380
TOTAL EQUITY AND LIABILITIES	**220.344**	**-25.622**	**194.722**

35. Impact of the pre-bankruptcy settlement (continued)

35.1. Impact of the pre-bankruptcy settlement IGH (continued)

Set out below is a short overview of the effects of the pre-bankruptcy settlement agreement on the statement of financial position:

DESCRIPTION	**2022** **Thous. HRK**	2021 Thous. HRK
PIK debt (Note 25)	**10.650**	32.862
Senior debt (Note 25)	**71.006**	77.176
	81.656	110.038
Secured creditors - principal (note 25)	**8.747**	25.622
	8.747	25.622

Since the legally valid pre-bankruptcy settlement up to 31 December 2022, the Company settled an amount of HKR 369.372 thousand incurred before initiating the pre-bankruptcy settlement, by payments in cash, issuing registered shares, converting a part of receivables of a part of creditors into equity, payment of priority claims and other claims of employees with accompanying taxes and contributions, and write-off in accordance with the provisions of the pre-bankruptcy settlement.

On the Balance Sheet date, the PIK debt amounts to HRK 10.650 thousand, the and current Senior debt maturity amounts to HRK 71.006 thousand while the total Senior debt amounts to HRK 8.747 thousand.
After the balance sheet date, the Company shall continue to cover liabilities towards creditors in part from sale, in part from the acquisition of assets, in order to reduce and settle its obligations from the pre-bankruptcy settlement.
The following was settled in 2022:

- HRK 22.212 thousand PIK debt by transfer of assets of subsidiaries,
- HRK 23.005 of senior debt liabilities, and
- HRK 2.977 thousand of related interest

35. Impact of the pre-bankruptcy settlement (continued)

35.2. Impact of the pre-bankruptcy settlement- IGH Group

The impact on the report on the Company's financial position after payments to creditors with separate satisfaction rights (secured creditors) by transfer of assets meant for the satisfaction of the said rights is given in the following table:

(in thousand HRK)	**Balance sheet as at 31 Dec 2022**	**Settlement of liabilities towards secured creditors**	**Balance sheet after settlement of liabilities**
Non-current assets	81.995	0	86.700
Non-current assets held for sale	12.300	-12.300	0
Current assets	79.722	0	79.582
TOTAL ASSETS	**174.017**	**-12.300**	**166.282**
Total equity	-97.934	0	-93.760
Non-current liabilities	44.418	0	45.254
Current liabilities	227.533	-8.747	218.342
TOTAL EQUITY AND LIABILITIES	**174.017**	**-8.747**	**169.835**

(in thousand HRK)	**Balance sheet as at 31 Dec 2021**	**Settlement of liabilities towards secured creditors**	**Balance sheet after settlement of liabilities**
Non-current assets	69.220	-16.875	52.345
Non-current assets held for sale	12.300	-12.300	0
Current assets	104.602	0	104.602
TOTAL ASSETS	**186.122**	**-29.175**	**156.947**
Total equity	-97.621	0	-97.621
Non-current liabilities	43.996	0	43.996
Current liabilities	239.747	-25.622	214.125
TOTAL EQUITY AND LIABILITIES	**186.122**	**-25.622**	**160.500**

Set out below is a short overview of the effects of the pre-bankruptcy settlement agreement on the statement of financial position:

DESCRIPTION	**2022** tis HRK	2021 tis HRK
PIK debt (note 25)	**10.650**	32.862
Senior debt (note 25)	**71.006**	77.176
	81.656	110.038
Secured creditors - principal (note 25)	**8.747**	25.622
	8.747	25.622

36. The closing of INSTITUT IGH d.d's. Russian subsidiary in Moscow

Impact of the war in Ukraine on the Company's business operations

As a result of the war in Ukraine and the sanctions imposed to Russia, the Company's Russian subsidiary found itself with limited business options. In addition, the subsidiary's access to resources is limited, with uncertain market and other developments. The possibility to implement and set up new projects is also limited. Consequently, during the Management Board session on 2 March 2022, IGH's Management Board decided to close the Company's subsidiary in Russia, Moscow.

On 31 December 2022, as part of the consolidated and separate financial statements of the Company and the Group the following assets, liabilities, equity and expenditure were shown for INSTITUT IGH'S Russian subsidiary:

	31 December 2022	31 December 2021
Position	**tis HRK**	**tis HRK**
Total assets	5.118	5.356
Total liabilities	3.497	6.385
Total income	-	2.784
Total expenditure	-	2.662

37. Events after the balance sheet date

Settlement of obligations from the pre-bankruptcy settlement

At the beginning of 2022, the Company continued negotiations and concluded an agreement with the creditor company B2 KAPITAL d.o.o. , regulating the method of settlement of the company's remaining PIK debt and remaining obligations per Senior debt, all in accordance with the pre-bankruptcy settlement from 2013. According to the subject agreement, the Company settles the entire remaining PIK debt of the Company in the amount of HRK 10.650 thousand and Senior debt of HRK 71.006 thousand. As part of the above stated, the Company is a co-debtor in the issue of annuity bonds of Rakušina d.d. On 08 February 2023, INSTITUT IGH, d.d., as Debtor, and AVENUE MEHANIZACIJA d.o.o., as Creditor entered into a Debt cancellation protocol, confirming that AVENUE MEHANIZACIJA d.o.o., as Creditor, cannot, and will not ask for the fulfilment of the PIK debton the basis of the pre-bankruptcy settlement of the Debtor, INSTITUT IGH, d.d., in the amount of EUR 2.265.239,22.

On 06 February 2023, INSTITUT IGH, d.d., as Debtor, and B2 Kapital d.o.o., as Creditor, signed a Partial Debt Cancellation protocol, confirming that B2 Kapital d.o.o. has cancelled part of the Senior debt on the basis of the pre-bankruptcy agreement of the Debtor, INSTITUT IGH, d.d., in the amount of EUR 5.299.565,98 (which amounts to 39.835.645,05 HRK according to the mean exchange rate of the CNB, on 14 June 2022.), pursuant to the decision of B2 Kapital's management of 14 June 2022, all pursuant to the provisions of the Restructuring Agreement signed between INSTITUT IGH, d.d. and B2 Kapital d.o.o. on 12 March 2021.

38. The approval of financial statements

The financial statements were adopted by the Management Board and their issuing was approved on 9th October, 2023.

Robert Petrosian Director	Željka Sikaček Procurator	Marija Đuroković Procurator
Senka Žaja Procurator	Tatjana Bičanić Procurator	

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