Meritus ulaganja d.d., Zagreb

Annual report for the year that ended on

December 31, 2022

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** This format of the Annual Report is not an official ESEF publication of the Annual Report.*

Main business activity

The company Meritus ulaganja d.d., Zagreb (the "Company") was established in Zagreb on November 28, 2018, and registered at the Commercial Court in Zagreb (MBS: 081210030; OIB: 62230095889). The Company started operating in 2018. The Company's main activity is the provision of holding company management services over the subsidiaries in the Group.

Results and position

In 2022, the Company generated a net profit of HRK 11,237 thousand (2021: net profit of HRK 10,584 thousand). The profit was realized from the income from the shares in the subsidiary M Plus Croatia d.o.o.

Risk management

Currency risk

The Company is minimally exposed to currency risk due to the fact that most revenues, expenses, receivables, and liabilities are denominated in local currency.

Credit risk

Financial assets that could potentially expose the Company to credit risk include receivables from customers, which is why these receivables are continuously checked in terms of collectability.

Liquidity risk

Liquidity risk management implies maintaining a satisfactory amount of cash and securing available financial resources through higher quality and better collection of receivables.

Treasury shares

The Company has no treasury shares.

Investments in subsidiaries

As of December 31, 2022, the Company has the following investments in subsidiaries:

Name of subsidiary	Main activity	Location of establishment and business operations	Share in ownership in %	Value of investment
			December 31, 2022	December 31, 2022
M Plus Croatia d.o.o.	Management activities of holding companies	Zagreb, Croatia	68.74%	288,600
Meritus Global Strategics d.o.o.	Management activities of holding companies	Zagreb, Croatia	100.00%	20
Meritus Global Technology d.o.o.	Management activities of holding companies	Zagreb, Croatia	100.00%	20
Meritus Global Real Estate Management d.o.o.	Management activities of holding companies	Zagreb, Croatia	100.00%	20
Global People Solutions, d.o.o.	Management activities of holding companies	Zagreb, Croatia	100.00%	20
				288,680

In 2022, the Company founded Global People Solutions d.o.o. under which the HR business vertical will be formed.

Branches

The Company has no branches.

Research and development activities

The Company did not conduct research and development activities in 2022 and 2021.

Future development

In the future, the Company will continue to invest in existing industry verticals through acquisitions and financing, as well as in other industry verticals that will bring additional investment opportunities. The Company will ensure that investments are directed to sectors and industries that have the potential to increase value and growth. The Company will continue to adhere to its existing investment strategies, whereby the goal will be to achieve the best possible results for the Company, investors, employees and other stakeholders.

Signed on behalf of the Company on April 28, 2023:

President of the Management Board	Member of the Management Board
Darko Horvat	Tomislav Glavaš

Meritus ulaganja d.d.
Ulica Vjekoslava Heinzela 62A
10 000 Zagreb
Republic of Croatia
April 28, 2023

1. INTRODUCTION

The Supervisory Board of MERITUS ULAGANJA d.d., Zagreb, Ulica Vjekoslava Heinzela 62A, registered in the court register of the Commercial Court in Zagreb under the company's (court) registration number (MBS): 081210030, OIB: 62230095889 (the "Company"), delivers to shareholders:

1. The Report on the supervision of the Company's business operations in 2022, as provided for in Article 263, paragraph 3 of the Companies Act (Official Gazette 111/1993, 34/1999, 121/1999, 52/2000, 118/2003, 107/2007, 146/2008, 137/2009, 111/2012, 125/2011, 68/2013, 110/2015, 40/2019, 34/2022, 114/2022, 18/2023; "Companies Act");
2. The Report on the results of the examination of the annual financial statements of the Company and the Group, the Report on the state of the Company and its subsidiaries, and the proposal of the decision on the use of profit in 2022, as provided by Article 300c paragraph 2 of the Companies Act.

2. COMPOSITION OF THE SUPERVISORY BOARD

At the time of the preparation of this Report, the Supervisory Board comprises five (5) members:

1) Ms. Tamara Sardelić, President of the Supervisory Board;

2) Mr. Igor Varivoda, Deputy President of the Supervisory Board;

3) Mr. Hrvoje Prpić, Member of the Supervisory Board;

4) Mr. Joško Miliša, Member of the Supervisory Board;

5) Mr. Ulf Gartzke, Member of the Supervisory Board.

The Supervisory Board is comprised of a majority of independent members of the Supervisory Board, but Deputy President is dependent member of the Board.

Mrs. Tamara Sardelić is the new president of the Supervisory Board as of April 17, 2023, where she was appointed as the new president following the resignation of the member and president of the Board, Mr. Sandi Češko, which he submitted on April 6, 2023. Therefore, the members of the Board in 2022 were Mr. Sandi Češko, Mr. Igor Varivoda, Mrs. Tamara Sardelić, Mr. Hrvoje Prpić, Mr. Joško Miliša and Mr. Ulf Gartzke, where the composition of the Committee did not change during the year, given that the appointments in 2022 were re-appointments of already existing Members of the Supervisory Board, Ms. Tamara Sardelić and Mr. Igor Varivoda, whereas by the decision of the General Assembly of the Company on June 7, 2022, their terms of office, which began on November 15, 2022, were extended.

The position of employee representative in the Supervisory Board is vacant. The employees did not appoint their representative in the Supervisory Board, despite the fact that the vacancy was provided.

3. SUPERVISORY BOARD COMMITTEES

There are several committees of the Supervisory Board operating in the Company, which provide professional support to the Supervisory Board, in accordance with legal regulations and internal rules of the Company – the Audit Committee, the Remuneration Committee, and the Nomination Committee.

3.1. Audit Committee

The Audit Committee was established to ensure the objectivity and credibility of information and reports submitted to the Supervisory Board by monitoring and supervising the areas of existence and operational effectiveness of internal controls, adequacy of risk management processes, reliability of financial reporting, application of legislation and regulations, and relevant areas and issues related to the external and internal audit process.

As of the date of this Report, the Audit Committee comprises four (4) members: Mr. Igor Varivoda, the President of the Committee, Mr. Ante Vrančić, Mr. Joško Miliša, and Mr. Boris Borzić. In 2022, the composition of the Committee changed as follows: Mr. Boris Borzić was elected as a new member of the Audit Committee by the decision of the General Assembly of the Company, with effect from June 7, 2022.

The Audit Committee consists of four members, two of whom are not independent members, and two of whom are independent members. The President of the Audit Committee is the member of the Supervisory Board, which is not independent.

In 2022, the Audit Committee regularly monitored and supervised the Company's operations and achieved exceptional cooperation with the Management Board and the Supervisory Board of the Company and its certified external auditor, as well as internal audit. The attendance rate of all members of the Committee amounted to 100%.

The Committee held five sessions. During these, discussions took place, and decisions were made on the following topics:

- Annual audited financial statements for 2021,
- External auditor's report for 2021,
- Annual Report on the work of the Audit Committee in 2021,
- Recommendations related to the external auditor for 2022,
- Work plan of the external auditor for 2022,
- Quarterly and semi-annual unaudited financial statements,
- Annual work plan of the internal audit for 2023, following to the received report for the year 2022
- Evaluations of the effectiveness of the internal control and risk management system, the effectiveness of the publication and approval of related party transactions, and the effectiveness of the procedure for reporting violations of laws or internal rules.
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3.2. Nomination Committee

The Nomination Committee has the duty to nominate candidates for member positions in the Management Board and the Supervisory Board and supervise the appointment process itself, monitor the progress of achieving the target percentage of female members on the Management Board and the Supervisory Board, as well as other prescribed responsibilities.

3. **SUPERVISORY BOARD COMMITTEES (CONTINUED)**

3.2. Nomination Committee (continued)

At the date of the publication of this Report, the Nomination Committee comprised three (3) members: Ms. Tamara Sardelić, President of the Committee, Mr. Igor Varivoda, Member of the Committee, and Mr. Joško Miliša, Member of the Committee. Mr. Joško Miliša is a new member of the Committee by decision of the Supervisory Board dated February 28, 2023, where he was appointed as a new member following the resignation of member Mr. Vanja Vlak, which he submitted on February 20, 2023. Thus, the members of the Committee in 2022 were Ms. Tamara Sardelić, Mr. Igor Varivoda and Mr. Vanja Vlak, where the composition of the Committee did not change during the year. The Committee was not made up of a majority of independent members in 2022, but the President of the Committee is an independent member. The independence of the Board members increased at the beginning of 2023 with the mentioned change of members.

In 2022, the Nomination Committee held one session at which the Report on the work of the Committee for 2021 was adopted and the proposal to re-appoint the current members of the Supervisory Board was passed. All members were present at the session.

3.3. Remuneration Committee

The Remuneration Committee has the duty to propose the Policy on the remuneration of the members of the Management Board and the Supervisory Board (which is decided on by the General Assembly), to supervise the preparation of the statutory and mandatory annual Report on the remuneration of members of the Management Board and the Supervisory Board, as well as other prescribed responsibilities.

At the date of the publication of this Report, the Remuneration Committee comprises three (3) members: Ms. Tamara Sardelić, President of the Committee, Mr. Igor Varivoda, Member of the Committee, and Mr. Joško Miliša, Member of the Committee.

Mr. Joško Miliša is a new member of the Committee by decision of the Supervisory Board dated February 28, 2023, where he was appointed as a new member following the resignation of member Mr. Vanja Vlak, which he submitted on February 20, 2023. Thus, the members of the Board in 2022 were Mrs. Tamara Sardelić, Mr. Igor Varivoda and Mr. Vanja Vlak, where the composition of the Committee did not change during the year. The Board was not made up of a majority of independent members, but the President of the Committee is an independent member. The independence of the Board members increased at the beginning of 2023 with the mentioned change of members.

During 2022, the Remuneration Committee held two (2) sessions, at which it adopted the Report on the work of the Committee in 2021, analyzed the adopted revised Report on remuneration of members of the Management Board and the Supervisory Board in 2021 and adopted proposals of employment and remuneration contracts for Management Board members. All members were present at the sessions.

REPORT ON THE SUPERVISION OF THE COMPANY'S BUSINESS OPERATIONS IN 2022

In 2022, the Supervisory Board carried out regular supervision over the business operations of the Company and the Group, in accordance with the Company's Articles of Association, the Rules of Procedure of the Supervisory Board, other internal rules of the Company as well as legal regulations.

In 2022, a total of 13 sessions of the Supervisory Board were held, which were mostly held by video call or by correspondence, in accordance with the Rules of Procedure of the Supervisory Board. The total participation rate at the sessions was 98.72%, and the records of the presence of each member of the Supervisory Board and their participation rate at the meetings are as follows:

Member of the Supervisory Board	Participation	Participation rate
Sandi Češko*	12*/13	92.31%
Igor Varivoda	13/13	100%
Tamara Sardelić	13/13	100%
Hrvoje Prpić	13/13	100%
Joško Miliša	13/13	100%
Ulf Gartzke	13/13	100%
	TOTAL	**98.72%**

*Mr. Sandi Česko was not present at one session as he could not vote on the proposed agenda items, in accordance with the Company's internal rules on potential conflict of interest.

The Supervisory Board accepted all proposals of the Management Board submitted in 2022 and made decisions that were not within the jurisdiction of the Management Board and the General Assembly of the Company.

During the supervision, the Supervisory Board paid special attention to examining the legality of operations in terms of compliance with the applicable legislation of the Republic of Croatia, internal legal regulations of the Company, including the Company's Articles of Association and decisions of the General Assembly, and the rules and Code of Corporate Governance of the Zagreb Stock Exchange and the Croatian Financial Services supervisory agency (“HANFA”).

The Supervisory Board conducted an evaluation of its effectiveness and composition in 2022 and the effectiveness and composition of the Supervisory Board committees, including the individual results of the members. The evaluation was led by the President of the Supervisory Board, and all Supervisory Board members participated in the evaluation. No external evaluators were hired to carry out the evaluation process, nor were any consultations conducted with third parties. The Supervisory Board concluded that the Supervisory Board and its committees function well, have a balanced composition, and the necessary expertise that is in line with the requirements of the Company's operations. However, to achieve the planned activities with the aim of equalizing the representation of persons of both genders in the Supervisory Board, appropriate activities will be carried out to realize the mentioned equalization. Furthermore, appropriate activities will be taken to ensure greater representation of independent members in the Audit Committee. The Supervisory Board will continue to apply corporate governance best practices, striving to achieve even greater effectiveness in the future.

4. REPORT ON THE SUPERVISION OF THE COMPANY'S BUSINESS OPERATIONS IN 2022 (CONTINUED)

The Supervisory Board determines that the Company has adopted a Diversity Policy applicable to the members of the Management Board, the Supervisory Board, and the committees of the Supervisory Board in order to establish the standards needed to ensure diversity in terms of gender, age, education, skills and other differences that may help to improve the decision-making process and quality in the Company, with special emphasis on the representation of female members in the Management Board and the Supervisory Board and the Supervisory Board committees. In 2020, the Supervisory Board set the following target percentage of female members on the Management Board and the Supervisory Board for the following five years:

- Supervisory Board - at least 28.57% or at least two members of the currently largest possible number of members of the Supervisory Board (seven);
- Management Board - at least 33.33% or at least one person of the currently largest number of members of the Management Board (three).

The set goals are applied provided that the number of members of the Supervisory Board and the Management Board of the Company remains equal to the number determined by the currently valid Articles of Association of the Company. In the event of an amendment to the Articles of Association that would change the number of members of the Supervisory Board and the Management Board, the Company's Supervisory Board will adopt a new Plan that will be harmonized with such an amendment, respecting the principles and standards prescribed by the Diversity Policy.

In relation to the set Plan and achieved progress, there were no changes in 2022, but the Company will continue to carry out appropriate activities with the aim of making advancements and realizing the set goal. The Group pays great attention to diversity within the Group, as proven by the fact that 60% of the Group's employees are women, and more and more women are being appointed to managerial positions within the Group. At the same time, with the issue of bonds related to sustainable business in 2022 on the Official Market of the Zagreb Stock Exchange d.d., the company set one of the two key performance indicators (KPIs) to promote more balanced gender diversity in management teams, where the goal is to achieve 51% representation women in management teams (including management bodies) by the end of 2030 compared to the base year 2020.

5. REPORT ON THE EXAMINATION OF THE COMPANY'S ANNUAL FINANCIAL STATEMENT AND CONSOLIDATED ANNUAL FINANCIAL STATEMENT OF THE GROUP

The Company's Management Board prepared the annual financial report and the consolidated annual financial report of the Group within the legal deadline. The two reports were audited by the independent auditor Deloitte d.o.o., Zagreb, Radnička cesta 80.

In accordance with the best knowledge of the Supervisory Board and based on the submitted data, the annual financial report of the Company and the consolidated annual financial report of the Group present an objective view of the state and results of operations of the Company and its subsidiaries. It determines that the reported business data correspond to the business status stated in the business books of the Company and its subsidiaries. It also presents an objective, complete, and true presentation of the assets and liabilities of the Company and its subsidiaries.

The Supervisory Board has no objections to the auditor's report on the examination of the annual financial statements for the business year 2022.

The Supervisory Board accepted the annual financial audited reports and gave its consent to the reports. The Management Board was informed of the given consent at the session of the Supervisory Board.

6. SUPERVISORY BOARD OPINION ON THE PROPOSAL OF THE DECISION OF THE MANAGEMENT BOARD ON THE USE OF PROFIT

In accordance with the annual financial report of the Company, the Company made a net profit in the total amount of HRK 11,237,503.08 (EUR 1,491,472,97) in the business year 2022.

In accordance with the powers provided by the applicable legislation of the Republic of Croatia, the Management Board of the Company proposed to the General Assembly to adopt a decision on the use of profits in such a way that it is distributed as follows:

- An amount of HRK 561,875.15 (EUR 74,573.65) is to be allocated into legal reserves
- A dividend payment in the amount of HRK 10.358.768,14 (EUR 1,374,844.80), is determined, which amounts to HRK 10,00 (EUR 1.40) per share, to the Company's shareholders in proportion to the number of shares they hold. The dividend will be paid from the part of the retained earnings of the Company from 2022 in the amount of HRK 7,171,088.23 (EUR 951,766.97) and the profit of the current year in the amount of HRK 3,187,679.91 (EUR 423.077,83). The dividend will be paid to shareholders registered in the depository of the Central Depository and Clearing Company Inc. on the day July 18, 2023 (record date) as holders of MRUL shares, thus acquiring the right to the dividend payment. From July 17, 2023 (ex-date), the stock will be traded without the right to the dividend payment. The dividend payment will be on July 21, 2023 (payment date)
- The remaining amount of HRK 7,487,948.02 (EUR 993,821.49) is retained in the unallocated profit of the Company.

The Supervisory Board has no objections to the proposal of the Management Board's decision on the use of profit and considers that it corresponds to the business results and that it is in the function of the business plan for the current year. The Supervisory Board gives its consent to the proposal of the Decision on the use of profits.

7. EXAMINATION OF THE MANAGEMENT BOARD'S REPORT ON THE STATUS OF THE COMPANY AND ITS SUBSIDIARIES

The Company's Management Board prepared and submitted to the Supervisory Board the Annual report on the status of the Company and the Group, which includes a report on the status of subsidiaries and relations with subsidiaries.

In accordance with the best knowledge of the Supervisory Board, the Annual report on the status of the Company is an objective presentation of the status and results of the operations of the Company, as well as its subsidiaries. The Supervisory Board accepted the report and gave its consent to the report, as the business results are in line with expectations.

7.1. Composition of the Management Board

The Management Board of the Company is composed of two members. The function of the President of the Management Board is performed by Mr. Darko Horvat, and the function of a member of the Management Board is performed by Mr. Tomislav Glavaš, both authorized to represent the Company independently and individually. In 2022, the year to which this report refers, there were no changes in the composition of the members of the Management Board.

The Management Board assessed its own effectiveness and the effectiveness of individual members of the Management Board in 2022 and informed the Supervisory Board thereof. The Management Board comprises of members with different experiences, which include experience in business management, experience in identifying and monitoring risks and crisis management, developed organizational skills, knowledge related to accounting and finance, knowledge related to the Company's business, and knowledge related to the national and international market. They are familiar with good corporate governance practices and have a clear strategic vision. The Management Board determined that it conducted its business independently and at its own risk and made Decisions exclusively at its own discretion, except for those decisions that it could not make without the express prior consent of the Supervisory Board. All decisions were made at the session of the Management Board and are listed in the minutes of the meeting, in accordance with the Rules of Procedure of the Management Board. In conclusion, it is established that the Management Board acted exclusively for the benefit of the Company and its shareholders and that it took into account the interests of employees and all other stakeholders of the Company and the Group.

The Supervisory Board estimates that the Management Board and the Supervisory Board achieved exceptional cooperation in 2022 and that the Management Board provided maximum commitment to the Supervisory Board with the goal of achieving better cooperation and support. It participated in all the meetings of the Supervisory Board, and regularly and timely informed the Supervisory Board on the results and business status of the Company and the Group, corporate strategy and planning, business development, business compliance, risk status and risk management, and organizational and other changes related to the management of the Company and the Group.

8. CONCLUSION OF THE SUPERVISORY BOARD

The Supervisory Board reached the following conclusions:

- the examination of the annual financial report and the consolidated annual financial report of the Group, the Report on the status of the Company and its subsidiaries, and regular monitoring conducted during 2022 established that the Management Board acted in accordance with the applicable legislation of the Republic of Croatia, Zagreb Stock Exchange, HANFA, internal acts of the Company (including the Articles of Association), and decisions of the General Assembly. It respected the guidelines and instructions of the Supervisory Board. Therefore, the Supervisory Board has no objections to the annual financial statements, the Report on the status of the Company and its subsidiaries, and the proposal on the use of profit;
- there are no objections to the Report and the opinion of the independent auditor on the annual financial statements;
- it approves the annual financial statements, the Report on the status of the Company and its subsidiaries, and the proposal of the Decision on the use of profit.

Tamara Sardelić, President of the Supervisory Board

Meritus ulaganja d.d. (hereinafter: the "Company"), in accordance with Article 250b and Article 272p of the Companies Act, issues a Statement of Application of the Code of Corporate Governance.

STATEMENT

of Application of the Code of Corporate Governance

1. In 2022, the Company applied the Code of Corporate Governance of the Zagreb Stock Exchange d.d. and the Croatian Financial Services Supervisory Agency (www.hanfa.hr), which was published on the websites of the Stock Exchange (www.zse.hr) and the Croatian Financial Services Supervisory Agency (www.hanfa.hr) and applied from January 1, 2020.

   In addition to the aforementioned Code of Corporate Governance of the Zagreb Stock Exchange, the Company also applies its own Code of Corporate Governance adopted On October 30, 2020. Its provisions are aimed at upgrading corporate relations arising from applicable legislation and internationally accepted principles and experiences of best corporate governance practices. It is available on the Company's website (www.mplusgroup.com).

2. The Company complies with the provisions of the Code, with the exception of those provisions whose application at a given time is not practically feasible or envisaged given the applicable legal framework. The exceptions mentioned are as follows:

   - The Supervisory Board did not adopt a decision on the categories of decisions of the Management Board that require the prior consent of the Supervisory Board and publish a summary of these decisions on the Company's social networks, as the list of decisions, i.e., actions, of the Management Board that require the prior consent of the Supervisory Board is defined by the Company's Articles of Association and the Rules of Procedure of the Management Board and the Supervisory Board, which are available free of charge on the Company's social networks.
   - The Company has prescribed by its internal Code of Corporate Governance and in accordance with the Companies Act that transactions between members of the Management Board or the Supervisory Board and the Company (or persons related to any party) will require the prior consent of the Company's Supervisory Board if the value of the transaction alone or in combination with other transactions undertaken by the Company with a related party in the last twelve months before the transaction is carried out exceeds 2.25% of the sum of fixed and current assets determined in the last annual financial statements. Therefore, the fair value of transactions is determined by an independent expert only for these transactions, in accordance with the Company's internal Code of Corporate Governance.
   - The Supervisory Board of the Company is composed of a majority of independent members, but the President and Deputy President of the Supervisory board are dependent Company members. With the change of the chairman of the Supervisory Board in April 2023, the new chairman is an independent member of the Board.
   - President of the Audit Committee is a member of the Supervisory Board, that isn't independent and the Audit Committee is made up of four members, two of which are not independent members and two of which are independent members. The Nomination Committee and the Remuneration Committee are not made up of a majority of independent members, but the President of said committees is an independent member. The independence of the Nomination Committee and the Remuneration Committee increased at the beginning of 2023.For certain extraordinary sessions of the Supervisory Board, the Company delivered the invitation and the materials necessary for the Supervisory Board session to the members of the Supervisory Board less than a week before the meeting, given that those were needed to be held in a shorter period of time to insure to the orderly execution of the Company's business, which the members of the Supervisory Board agreed to. The Company normally complies with the obligation to deliver invitations and materials no later than one week before the meeting, and the same is stipulated in the Company's internal acts.

- The company did not conduct introductory training for new members in 2022, given that the appointments in 2022 were re-appointments of already existing members of the Supervisory Board. The Company did not carry out additional training of members of the Supervisory Board in 2022 because it assessed that it was not necessary given that members of the Supervisory Board, with their professional skills and knowledge and continuous work, have the experience and ability required for their role in the Board.
- The Supervisory Board did not determine the variable part of the annual remuneration of each member of the Management Board for 2022, based on the recommendations of the Remuneration Committee and in accordance with the approved remuneration policy and it will do so when the Remuneration Committee and Supervisory Board pass the appropriate decision.
- In accordance with the Code of Corporate Governance and other regulations, the role of the Committees of the Supervisory Board is to make recommendations and proposals and monitor certain processes related to the Company. Therefore, no direct communication of the President of the Committees with key stakeholders, such as customers, suppliers, and others, has been envisaged.

3. Internal supervision is carried out by the controlling function, internal audit, and the Audit Committee. The controlling service informs the Management Board about the performed supervision, the internal audit informs the Audit Committee, and the Audit Committee informs the Supervisory Board. The obligation of internal control is to ensure the objectivity and credibility of information and reports submitted to the Supervisory Board by monitoring and supervising the areas of existence and operational effectiveness of internal controls, adequacy of the risk management process, reliability of financial reporting, application of legislation and regulations, and relevant areas and issues connected to the process of external and internal audit.
4. The Company's shares were listed on the Official Market of the Zagreb Stock Exchange d.d. on August 6, 2019, and they have been traded through the Zagreb Stock Exchange since August 8, 2019. On June 2, 2021, the Group made a decision to increase its capital by issuing shares through a secondary public offering on the Zagreb Stock Exchange. During the period from July 12 to July 26, 2021, through two subscription rounds in which qualified investors and small investors participated, HRK 105,592,950.00 was collected. By the decision of the Management Board dated July 28 and with the consent of the Supervisory Board dated July 28, the paid-in capital was allocated to a total of 124,227 new shares without a nominal amount. Based on the decision of the Zagreb Stock Exchange dated August 3, 2021, these shares were listed on the Official Market under the same symbol and mark as the previously listed shares of the Company (MRUL-R-A, ISIN: HRMRULRA0009), on August 6, 2021, as their first day of trading.

The ownership structure of the Company as of December 31, 2022, was as follows:

Ordinal number	Account owner (holder) / Security co-holder (holder) VP	Percentage
1	ORSO GLOBAL D.O.O.	51,29 %
2	OTP BANKA D.D./ERSTE PLAVI OMF B CATEGORY	9,55 %
3	ADDIKO BANK D.D./PBZ CO OMF – B CATEGORY	9,31 %
4	HPB D.D./ NEK FUND FOR DECOMMISSION FINANCING NEK	8,41 %
5	OTP BANKA D.D./AZ OMF B CATEGORY	7,96 %
6	RAIFFEISENBANK AUSTRIA D.D./RAIFFEISEN VOLUNTARY PENSION FUND	4,16 %
7	PRIVREDNA BANKA ZAGREB D.D./ RAIFFEISEN OMF B CATEGORY	4,10 %
8	ZAGREBAČKA BANKA D.D./AZ PROFIT OPEN VOLUNTARY PENSION FUND	1,39 %
9	PRIVREDNA BANKA ZAGREB D.D./RAIFFEISEN OMF A CATEGORY	0,74 %
10	ERSTE & STEIERMARKISCHE BANK D.D./PBZ CO OMF A CATEGORY	0,59%
11	OTHER MINORITY SHAREHOLDERS	2,50 %

- The Company does not have holders of securities with special control rights, nor holders of securities with restrictions on voting rights to a certain percentage or number of votes.

  The Company has adopted the Procedure for appointing members of the Management Board and the Supervisory Board. The procedure for appointing and recalling members is carried out in accordance with the Companies Act and the Company's Articles of Association.

The Company has no special rules on the powers of members of the Management Board. According to the Companies Act and the Company's Articles of Association, the Management Board conducts business at its own risk. It is obliged and authorized to take all actions and make decisions it deems necessary for the successful conduct of the Company's business, provided that certain issues and decisions require the consent of the Supervisory Board.

The Management Board of the Company was granted the authority to acquire treasury shares by the General Assembly of the Company on June 30, 2020. Authorization to acquire the Company's treasury shares is granted during a period of 5 (five) years from the date of the decision of the General Assembly of the Company, and up to a maximum amount of HRK 75,000,000.00, without the further special consent of the General Assembly, under the following conditions:

1. the total number of shares of the Company acquired pursuant to this Decision, together with treasury shares already held by the Company, may not exceed 10% (ten percent) of the share capital of the Company at the time of acquisition;
2. the Management Board of the Company must acquire treasury shares on the regulated securities market;
3. the price at which treasury shares are acquired may not be above 10% (ten percent) or below 10% (ten percent) of the average market price realized for those shares during the previous trading day;
4. in the business year in which the Company acquired its treasury shares, it must enter a part of the profit in the reserves for those shares in that year and state the amounts corresponding to the amounts paid for the acquisition of treasury shares, so that, due to the acquisition of shares, the Company's net assets shown in the financial statements for the last business year do not become less than the amount of share capital and reserves that the Company must have by law, by the Articles of Association, or by the decision of the General Assembly of the Company, and which may not be used for payments to shareholders;
5. the Management Board of the Company must inform the first following General Assembly of the Company about the reasons and purpose of acquiring shares, their number, and share in the share capital, and the equivalent of what the Company has given for these shares.

The Company's Management Board is authorized, with the consent of the Supervisory Board, to manage treasury shares that it already holds or which it will acquire based on the provisions of the General Assembly decision authorizing the Company's Management Board to acquire treasury shares even outside the regulated market (for example, through disposition within the ESOP program, the program of allotment of option shares, the remuneration program for members of the Management Board, and other programs for the disposition of treasury shares adopted by the Management Board with the prior consent of the Supervisory Board), without the need for a special decision of the General Assembly of the Company – apart from the aforementioned Decision.

Based on the decision of the General Assembly, the Management Board also adopted the Treasury share purchase program with the prior consent of the Supervisory Board on July 31, 2020, which is available free of charge on the Company's website.

In 2022, there was no acquisition of treasury shares.

5. The Management Board of the Company is composed of two members. The function of the President of the Management Board is performed by Mr. Darko Horvat, and Mr. Tomislav Glavaš holds the function of a member of the Management Board. There were no changes in the composition of the Management Board in 2022.

   The Management Board manages the Company's affairs in accordance with the Company's Articles of Association, the Rules of Procedure of the Management Board, and legal regulations.

   The Management Board is appointed and recalled by the Supervisory Board. The term of office of the members of the Management Board lasts up to five years. The members can be reappointed.

   At the time of the preparation of this Report, the Supervisory Board comprises five (5) members:

   1) Ms. Tamara Sardelić , President of the Supervisory Board;
   2) Mr. Igor Varivoda, Deputy President of the Supervisory Board;
   3) Mr. Hrvoje Prpić, Member of the Supervisory Board;
   4) Mr. Joško Miliša, Member of the Supervisory Board;
   5) Mr. Ulf Gartzke, Member of the Supervisory Board.

   Mrs. Tamara Sardelić is the new president of the Supervisory Board as of April 17, 2023, where she was appointed as the new president following the resignation of the member and president of the Board, Mr. Sandija Česko, which he submitted on April 6, 2023. Therefore, the members of the Board in 2022 were Mr. Sandi Česko, Mr. Igor Varivoda, Mrs. Tamara Sardelić, Mr. Hrvoje Prpić, Mr. Joško Miliša and Mr. Ulf Gartzke, where the composition of the Board did not change during the year, given that the appointments in 2022 were re-appointments of already existing members of the Supervisory Board, Mrs. Tamara Sardelić and Mr. Igor Varivoda, where by the decision of the General Assembly of the Company on June 7, 2022, their terms of office were extended, which began to run on November 15, 2022.The Supervisory Board supervises the Company's affairs in accordance with the Company's Articles of Association, the Rules of Procedure of the Supervisory Board, and legal regulations. The members of the Supervisory Board are elected by the General Assembly of the Company. The Supervisory Board, i.e., the Nomination Committee, proposes the candidates of the Supervisory Board to the General Assembly. The members of the Supervisory Board are elected for a period of up to four years, starting from the date of the appointment decision, and the same persons may be re-elected.

   The Company has several committees of the Supervisory Board that provide professional support to the Supervisory Board in accordance with legal regulations and internal rules of the Company. Each board oversees at least three members, who are appointed from among the members of the Supervisory Board and/or members appointed by the General Assembly of the Company, for a mandate period of four years, and the same persons can be re-elected.The Supervisory Board has established an Audit Committee. At the time of the preparation of this Statement, it comprises the following members:

   - Mr. Igor Varivoda – President,
   - Mr. Ante Vrančić – Member,
   - Mr. Joško Miliša – Member,
   - Mr. Boris Borzić – Member.

During 2022, the composition of the Committee changed in such a way that Mr. Boris Borzić was appointed a new member of the Audit Committee by the decision of the General Assembly of the Company from June 7, 2022.

The Supervisory Board has a Nomination Committee and a Remuneration Committee. At the time of the preparation of this Statement, the two committees have the following members:

- Ms. Tamara Sardelić – President of both committees,
- Mr. Igor Varivoda – member of both committees,
- Mr. Joško Miliša – member of both committees.

Mr. Joško Miliša is a new member of both Committees by decision of the Supervisory Board dated February 28, 2023, where he was appointed as a new member following the resignation of member Mr. Vanja Vlak, which he submitted on February 20, 2023. Consequently, the members of the Committees in 2022, they were Ms. Tamara Sardelić, Mr. Igor Varivoda and Mr. Vanja Vlak, where the composition of the Committees did not change during the year.

Darko Horvat, President of the Management Board

Tomislav Glavaš, Member of the Management Board

The Management Board must ensure that the separate financial statements are prepared in accordance with International Financial Reporting Standards, adopted by the European Union ("IFRS"), so as to provide a true and fair view of the financial status and results of operations of Meritus ulaganja d.d., Zagreb (the "Company") for that year.

Following examinations, the Management Board has a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing separate financial statements.

In preparing separate financial statements, the Management Board is responsible for:

- selecting and then consistently applying appropriate accounting policies;
- making sure that judgments and estimates are reasonable and prudent;
- the application of applicable accounting standards and disclosure and explanation of any material departures in separate financial statements; and
- the preparation of separate financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Management Board is responsible for keeping proper accounting records, which, at any time, disclose with reasonable accuracy the separate financial position of the Company and must also ensure that it complies with the Croatian Accounting Act. The Management Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Company's Management Board is also responsible for the completeness and accuracy of the separate management report in accordance with Article 21 of the Accounting Act.

The Management Board is responsible for the preparation and content of the Management report, financial statements, ESEF compliant report and other information, in accordance with the provisions of the Accounting Act (Official Gazette 78/15, 134/15, 120/16, 116/18, 42/20, 47/20).

Signed by members of the Management Board:

President of the Management Board	Member of the Management Board
Darko Horvat	Tomislav Glavaš

Meritus ulaganja d.d.
Ulica Vjekoslava Heinzela 62A
10 000 Zagreb
Republic of Croatia
April 28, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Meritus Ulaganja d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Meritus Ulaganja d.d. (the Company), which comprise the separate statement of financial position as at 31 December 2022, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2022, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2.2. *Basis of preparation*, accompanying the unconsolidated financial statements, which states that the consolidated financial statements, which relate to the Company and its subsidiaries (Meritus ulaganja d.d. Group), have been prepared in accordance with IFRS and published separately on April 28, 2023. In order to get a better general understanding of the Meritus ulaganja d.d. Group, users should read the consolidated financial statements in conjunction with the accompanying unconsolidated financial statements. Our opinion has not been modified in regard to this matter.

This version of our audit 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 report takes precedence over this translation.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matter

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

Investments in subsidiaries	**How we approached the key audit matter during our audit**
For accounting policies, see the Summary of Accounting Policies, Note 2.7. - Investments in subsidiaries. For additional information related to the identified key audit matter, see Note 18 to the unconsolidated financial statements.	
Investments in subsidiaries amount to HRK 288,680 thousand as of December 31, 2022, in the Company's unconsolidated financial statements (December 31, 2021: HRK 288,660 thousand). As required by applicable accounting standards - IAS 36: Impairment of assets, the Management Board conducts annual impairment tests to assess the recoverability of the carrying amount of an investment. The recoverable amount of an investment is determined in accordance with IAS 36 as the value in use and is estimated as the present value of the expected future cash flows that will be generated by the subsidiaries. Significant management judgment is involved in making critical assumptions and shaping expected cash flows, and therefore the impairment test of these assets is considered a key audit matter.	Our audit procedures consisted of: • assessing whether the model used by management to calculate the value in use of individual investments is in accordance with the requirements of IAS 36: Impairment of assets and IFRS 13 Fair Value and whether the assumptions used are reasonable and supported by the current macroeconomic climate and expected future results; • assessing the competence, ability, and objectivity of the independent management expert and verifying the qualifications of the experts. In addition, we talked to the Management Board about the scope of their work. • using our internal experts to assess the appropriateness of the methodology used; • reviewing the contract for the sale of shares in the subsidiary to a third party, by which we confirmed the fair value of part of the investment.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Other Information

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

Our opinion on the separate financial statements does not cover the other information.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. With respect to the Management Report and the Corporate Governance Statement], which are included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include examination of whether the Management Report include required disclosures as set out in the Article 21 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in the Article 22 of the Accounting Act and if Non-financial report includes the information specified in the Article 21a of the Accounting Act.

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

1) Information included in the other information is, in all material respects, consistent with the attached separate financial statements.
2) Management Report has been prepared, in all material respects, in accordance with the Article 21 of the Accounting Act.
3) Corporate Governance Statement has been prepared, in all material aspects, in accordance with the Article 22 of the Accounting Act,

Based on the knowledge and understanding of the Company and its environment, which we gained during our audit of the separate financial statements, we have not identified material misstatements in the other information.

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRSs and for such internal control as Management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Separate Financial Statements

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements

Report based on the requirements of Delegated Regulation (EU) No. 2018/815 amending Directive No. 2004/109/EC of the European Parliament and of the Council as regards regulatory technical standards for the specification of the uniform electronic format for reporting (ESEF)

Auditor’s reasonable assurance report on the compliance of separate financial statements (financial statements), prepared based on the provision of Article 462 (5) of the Capital Market Act by applying the requirements of the Delegated Regulation (EU) 2018/815 specifying for the issuers a single electronic reporting format (“ESEF Regulation”). We conducted a reasonable assurance engagement on whether the financial statements of the Company for the financial year ended 31 December 2022 prepared to be made public pursuant to Article 462 (5) of the Capital Market Act, contained in the electronic file “meritusulaganjadd-2022-12-31-en.xhtml”, have been prepared in all material aspects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the Management and Those Charged with Governance

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

In addition, Management is responsible for maintaining the internal controls system that reasonably ensures the preparation of financial statements without material differences with the reporting requirements from the ESEF Regulation, whether due to fraud or error.

Furthermore, Company Management is responsible for the following:

- public reporting of financial statements presented in the annual report in valid XHTML format
- selection and use of XBRL markups in line with the requirements of the ESEF Regulation.

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

Auditor’s Responsibilities

It is our responsibility to carry out a reasonable assurance engagement and, based on the audit evidence obtained, give our conclusion on whether the financial statements have been prepared without material differences with the requirements from the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with the *International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000). This standard requires that we plan and perform the engagement to obtain reasonable assurance for providing a conclusion.

Quality management

We have conducted the engagement in compliance with independence and ethical requirements as provided by the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants. The code is based on the principles of integrity, objectivity, professional competence and due diligence, confidentiality, and professional conduct. We comply with the *International Standard on Quality Management 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* (ISQM 1) and accordingly maintain an overall management control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and statutory requirements.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements (continued)

Report based on the requirements of Delegated Regulation (EU) No. 2018/815 amending Directive No. 2004/109/EC of the European Parliament and of the Council as regards regulatory technical standards for the specification of the uniform electronic format for reporting (ESEF) (continued)

Procedures performed

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

- We have read the requirements of the ESEF Regulation;
- We have gained an understanding of internal controls of the Company, relevant for the application of the ESEF Regulation requirements;
- We have identified and assessed the risks of material differences with the ESEF Regulation due to fraud or error;
- We have devised and designed procedures for responding to estimated risks and obtaining reasonable assurance in order to give our conclusion.

Our procedures focused on assessing whether:

- Financial statements included in the separate report have been prepared in valid XHTML format;
- Data included in the separate financial statements required by the ESEF Regulation have been marked up and meet all of the following requirements:
    - XBRL has been used for markups.
    - Core taxonomy elements stipulated in the ESEF Regulation with the closest accounting meaning were used unless an extension taxonomy element was created in line with the Annex IV of the ESEF Regulation;
    - Markups comply with the common rules on markups in line with the ESEF Regulation.

We believe the evidence we obtained to be sufficient and appropriate to provide a basis for our conclusion.

Conclusion

We believe that, based on the procedures performed and evidence obtained, the financial statements of the Company presented in the ESEF format, contained in the aforementioned electronic file, and based on the provision of Article 462 (5) of the Capital Market Act, have been prepared to be published for public, in all material aspects in accordance 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 audit opinion contained in this Independent Auditor's Report for the accompanying financial statements and annual report for the year ended 31 December 2022, we do not express any opinion on the information contained in these documents or other information contained in the above mentioned file.

Deloitte.

INDEPENDENT AUDITOR’S REPORT (continued)

Report on Other Legal and Regulatory Requirements (continued)

Other reporting obligations as required by Regulation (EU) No. 537/2014 of the European Parliament and the Council and the Audit Act

We were appointed as the statutory auditor of the Company by the shareholders on General Shareholders’ Meeting held on 07 June 2022 to perform audit of accompanying separate financial statements. Our total uninterrupted engagement has lasted 5 years and covers period January 1 2018 to December 31 2022.

We confirm that:

- our audit opinion on the accompanying separate financial statements is consistent with the additional report issued to the Audit Committee of the Company on 28 April 2023 in accordance with the Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council;
- no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

In addition to the statutory audit services, we provided the following service to the Company and its controlled undertakings:

- Independent limited assurance report on the 2022 remuneration report, based on the provisions of Article 272.r (3) of the Companies Act.

The engagement partner on the audit resulting in this independent auditor’s report is Katarina Kadunc.

Katarina Kadunc
Director and certified auditor

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

Deloitte d.o.o.

28 April 2023
Radnička cesta 80,
10 000 Zagreb,
Croatia

Separate statement of comprehensive income
For the year ended December 31, 2022
(All amounts are presented in thousands of kunas)

	Note	2022	2021
Other revenue	5	4,022	2,999
Total revenue		**4,022**	**2,999**
Costs of raw materials and supplies	6	(115)	(68)
Costs of services	7	(1,700)	(753)
Staff costs	8	(601)	(706)
Other operating expenses	9	(5,376)	(5,068)
Amortization	10	(781)	(1,379)
Total operating expenses		**(8,573)**	**(7,974)**
Loss from operations		**(4,551)**	**(4,975)**
Financial income	11	23,055	16,580
Financial expenses	12	(7,267)	(1,021)
Profit from financial activities		**15,788**	**15,559**
Profit before taxation		**11,237**	**10,584**
Income tax	13	-	-
Profit for the year		**11,237**	**10,584**
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income for the year		**11,237**	**10,584**
Earnings per share			
Basic and diluted earnings per share (in kunas and lipas)	14	**11.44**	**11.62**

The accounting policies and notes that follow form an integral part of these separate financial statements.

Separate statement of financial position
As of December 31, 2022
(All amounts are presented in thousands of kunas)

	Note	December 31, 2022	December 31, 2021
ASSETS			
Non-current assets			
Intangible assets	15	32	53
Right of use assets	16	-	454
Investment property	17	19,648	20,364
Investments in subsidiaries	18	288,680	288,660
Non-current financial assets	19	253,938	95,884
Total non-current assets		**562,298**	**405,415**
Current assets			
Trade receivables	20	1,558	1,018
Other receivables	21	5,167	12,153
Accrued income and prepaid expenses		1,695	42
Cash and cash equivalents	22	271,346	116,074
Total current assets		**279,766**	**129,287**
TOTAL ASSETS		**842,064**	**534,702**
EQUITY AND LIABILITIES			
Equity			
Share capital	23	98,203	98,203
Capital reserves	24	387,630	387,630
Legal reserves		2,558	2,029
Retained earnings		7,171	6,936
Profit for the period		11,237	10,584
Total equity		**506,799**	**505,382**
Non-current liabilities			
Long-term borrowings	29	312,682	12,363
Long-term lease liabilities	28	-	292
Total non-current liabilities		**312,682**	**12,655**
Current liabilities			
Trade payables	25	15,508	14,522
Liabilities to employees	26	27	10
Other current liabilities	27	103	46
Short-term borrowings and short-term part of long-term borrowings	29	6,903	1,959
Short-term lease liabilities	28	-	99
Accrued expenses and deferred income		42	29
Total current liabilities		**22,583**	**16,665**
Total liabilities		**335,265**	**29,320**
TOTAL EQUITY AND LIABILITIES		**842,064**	**534,702**

The accounting policies and notes that follow form an integral part of these separate financial statements.

(All amounts are presented in thousands of kunas)

	Share capital	Capital reserves	Legal reserves	Retained earnings and profit for the year	Total
Balance at December 31, 2020	**85,781**	**295,849**	**-**	**15,625**	**397.255**
Profit for the year (note 14)	-	-	-	10,584	**10,584**
Other comprehensive income for the current year less income tax	-	-	-	-	**-**
Total comprehensive income for the current year	-	-	-	*10,584*	***10,584***
Transfer to legal reserves	-	-	2,029	(2,029)	**-**
Dividend payment	-	-	-	(6,660)	**(6,660)**
Increase in share capital and reserves (note 23,24)	12,422	91,781	-	-	**104,203**
Balance at December 31, 2020	**98,203**	**387,630**	**2,029**	**17,520**	**505,382**
Profit for the year (note 14)	-	-	-	11,237	**11,237**
Other comprehensive income for the current year less income tax	-	-	-	-	**-**
Total comprehensive income for the current year	-	-	-	*11,237*	***11,237***
Transfer to legal reserves	-	-	529	(529)	**-**
Dividend payment	-	-	-	(9,820)	**(9,820)**
Balance at December 31, 2022	**98,203**	**387,630**	**2,558**	**18,408**	**506,799**

The accounting policies and notes that follow form an integral part of these separate financial statements.

Separate statement of cash flows
For the year that ended on December 31, 2022
(All amounts are shown in thousands of HRK)

	Note	2022.	2021.
Profit for the year	14	**11,237**	**10,584**
Income from share in profit	11	(20,000)	(15,000)
Interest expense	12	5,859	476
Interest income	11	(2,956)	(1,487)
Amortization of intangible assets	15	21	159
Depreciation of Investment property	17	721	1,103
Depreciation of right of use assets	16	39	118
Net book value of depreciated right of use assets		(15)	-
Foreign exchange differences		974	62
Net cash used in operating activities before changes in working capital		**(4,120)**	**(3,985)**
(Increase)/ decrease in trade receivables		(3,776)	294
Increase in other receivables		(529)	(363)
Increase in trade payables		4,287	4,521
(Increase)/ decrease in other liabilities		75	(39)
Increase in prepaid expenses		(1,654)	-
Increase in deferred expenses		15	-
Interests paid	29	(502)	(437)
Net cash used in operating activities		**(6,204)**	**(9)**
Cash flow from investing activities			
Purchase of non-current assets	15, 17	(5)	(65)
Founding of a subsidiary	18	(20)	-
Expenses for given deposits	19	(1,501)	(938)
Expenditures foe loans granted	19	(126,083)	-
Net cash used in investing activities		**(127,609)**	**(1,003)**
Cash flow from financing activities			
Dividends paid		(9,820)	(6,660)
Receipts from loans	29	300,435	29,986
Leases repaid		(27)	(97)
Loans repaid	29	(1,503)	(15,764)
Increase in share capital and reserves	23, 24	-	104,203
Net cash generated in financing activities		**289,085**	**111,668**
Net increase in cash and cash equivalents		155,272	110,656
Cash and cash equivalents at the beginning of the year	22	116,074	5,418
Cash and cash equivalents at the end of the year	22	**271,346**	**116,074**

The accounting policies and notes that follow form an integral part of these separate financial statements.

1. GENERAL INFORMATION

The company Orso Plan d.o.o., Zagreb, za komunikacije was established by the decision on establishment of March 14, 2007. Orso Plan d.o.o. implemented a plan of division with establishment, where:

- in addition to its business activities, it also performed the function of a holding company,
- in order to separate the risk from these two different activities, the plan was to separate these two functions in such a way that the holding function is separated from Orso Plan d.o.o. into a new company.

The Division Plan was a division plan with the establishment in the procedure of the so-called separation with establishment. Orso Plan d.o.o. had the role of a company that is being divided and continues to operate even after the division, while the limited liability company that is established during the division process itself, Meritus Upravlenje d.o.o. (M Plus Croatia d.o.o.) has the role of acquiring company.

Orso Plan d.o.o. is hereby divided in such a way that part of its assets, capital, and liabilities, which are further described in detail in the Division Plan, is transferred to Meritus Upravlenje d.o.o. (M Plus Croatia d.o.o.) as the acquiring company. With the rest of its assets, capital, and liabilities (all the assets, capital and liabilities that are not expressly designated as being transferred to Meritus Management d.o.o.), Orso Plan d.o.o. continues to operate properly.

The Commercial Court in Zagreb made a decision on the division of the company Orso Plan d.o.o. and on the founding of the company Meritus Upravlenje d.o.o. (M Plus Croatia d.o.o.) on September 11, 2018.

On November 28, 2018, the commercial court in Zagreb issued a decision on the establishment of the company Meritus ulaganja d.d., and thus the Group completed the legal restructuring and establishment of the company Meritus ulaganja d.d. which is the parent of the Group.

The registered activities of Meritus ulaganja d.d. are:

- management activities of holding companies
- market research and public opinion polls
- advertising activities (advertising and propaganda)
- purchase and sale of goods
- performing trade mediation on the domestic and foreign markets
- representation of foreign companies
- business and management consulting
- real estate business
- accounting and bookkeeping services.

On April 28, 2023, the Company published consolidated financial statements.

1.1. Number of employees

On December 31, 2022, the Company has two (2) employees (December 31, 2021: 1 employee).

1.2. Management Board of the Company

Darko Horvat – President of the Management Board

Tomislav Glavaš – Member of the Management Board

1. GENERAL INFORMATION (CONTINUED)

1.3. Supervisory Board of the Company

1) Mrs. Tamara Sardelić, member of the Supervisory Board, with re-appointment at the end of the mandate, which starts on November 15, 2023, and President of the Supervisory Board, starting on April 17, 2023

2) Mr. Igor Varivoda, Deputy President of the Supervisory Board, with re-appointment at the end of the mandate, which begins on November 15, 2023;

3) Mr. Hrvoje Prpić, Member of the Supervisory Board;

4) Mr. Joško Miliša, Member of the Supervisory Board;

5) Mr. Ulf Gartzke, Member of the Supervisory Board.

Mrs. Tamara Sardelić is the new president of the Supervisory Board as of April 17, 2023, where she was appointed as the new president following the resignation of the member and president of the Board, Mr. Sandi Češko, which he submitted on April 6, 2023. Therefore, the members of the Board in 2022 were Mr. Sandi Češko, Mr. Igor Varivoda, Mrs. Tamara Sardelić, Mr. Hrvoje Prpić, Mr. Joško Miliša and Mr. Ulf Gartzke, where the composition of the Board did not change during the year, given that the appointments in 2022 were re-appointments of already existing members of the Supervisory Board, Mrs. Tamara Sardelić and Mr. Igor Varivoda, where by the decision of the General Assembly of the Company on June 7, 2022, their terms of office were extended, which began to run on November 15, 2022.

The position of employee representative in the Supervisory Board is vacant. The workers did not appoint their representative on the Supervisory Board, even though a vacancy had been provided for the representative.

2. SUMMARY OF ACCOUNTING POLICIES

2.1. Declaration of compliance

The separate financial statements have been prepared in accordance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards, adopted by the European Union (IFRS).

2.2. Basis of preparation

The separate financial statements have been prepared under the historical cost principle as explained in the accounting policies that follow. The Company keeps accounting records in the Croatian language, in HRK, and in accordance with Croatian legal regulations and accounting principles that companies in Croatia adhere to. The preparation of separate financial statements in accordance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards requires the Management Board to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the separate financial statements, as well as the reported income and expenses during the reporting period. Estimates are based on information available at the date of preparation of the separate financial statements, and actual amounts may differ from those estimated. The separate financial statements of the Company represent the aggregate amounts of the Company's assets, liabilities, equity, and reserves on December 31, 2022, and 2021, and the results of operations for the year then ended. The Company also prepared consolidated financial statements for the year ended December 31, 2022, in accordance with IFRS for the Company and its subsidiaries (collectively the "Group"). The users of these separate financial statements should read them together with the consolidated financial statements of the Group issued on April 28, 2023, for the year then ended, for the purpose of obtaining complete information about the Group's financial position, results of operations, and changes in cash flows of the Group in general.

2.3. Interest income and expense

Interest income and expense are recognized in profit or loss by using the effective interest method for all interest-bearing financial instruments, including those measured at amortized cost. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future monetary outflows or inflows through the expected life of the financial instrument or, where appropriate, a shorter period, to the gross carrying amount of the financial asset or to the amortized cost of the financial liability. The calculation of the effective interest rate includes all fees and percentage points paid or received between the parties that are an integral part of the effective interest rate, transaction costs, and any other premiums or discounts. These income and expenses are recognized in profit or loss as interest income or interest expense and similar expenses.

Interest income and expenses also include income and expenses from fees and commissions related to loans taken, borrowings, and leases, which are recognized using the effective interest method.

2.4. Earnings per share in profit

Earnings from shares in profit are recognized when the right to receive a share in profit arises.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.5. Income tax

Income tax is based on taxable profit for the year and consists of current and deferred tax. Income tax is recognized in profit or loss. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous periods. The amount of deferred tax is calculated using the balance sheet liability method. Deferred tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Measurement of deferred tax assets and liabilities shows the tax consequences that would arise from the manner in which the Company expects to realize, or settle, the carrying amount of its assets and liabilities at the reporting date, based on tax rates that have been enacted or substantively enacted on the date of the report.

Deferred tax assets and liabilities are netted when the legal right to net current tax assets and liabilities is established and if they relate to taxes determined by the same tax administration on the same taxable entity, or to different taxable entities that intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets and/or non-current liabilities in the statement of financial position. Deferred tax assets are recognized to the extent to which it is probable that taxable profit will be available and sufficient for it to be utilized. At each reporting date, the Company reassesses unrecognized potential deferred tax assets and the recoverable amount of the carrying amount of recognized deferred tax assets. Additional income tax, resulting from the distribution of dividends, is recognized when the related liability to pay the dividend is recognized.

2.6. Foreign currencies

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

The exchange rate used to convert the separate statement of financial position line items denominated in foreign currencies at the reporting date is:

	December 31, 2022	**December 31, 2021**
1 EUR	7,5345 HRK	7,5172 HRK

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.7. Investments in subsidiaries

Subsidiaries are entities in which the Company has control, directly or indirectly, over company operations. Control is exercised when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Investments in subsidiaries are initially recognized at cost and subsequently at cost less impairment. Testing of investments in subsidiaries for impairment is performed on an annual basis.

2.8. Investment property

Investments in property are stated at historical cost less accumulated depreciation and impairment losses. Depreciation of buildings is calculated using the linear method.

Subsequent expenditure is capitalized only when the Company considers that it is probable it will realize future economic benefits associated with the item, and when the cost can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income when incurred. If the Company begins to use investments in property, it is reclassified to property, plant, and equipment, and its carrying amount at the date of reclassification becomes the amount of the estimated cost that will be subsequently depreciated.

2.9. Leases

Right of use assets

The Company recognizes right of use assets at the time of concluding the lease agreement (i.e., at the time when the subject property is available for use). Right of use assets are measured at cost of procurement less accumulated depreciation and impairment losses and are adjusted for remeasurement of lease obligations. The cost of right of use assets includes the amount of recognized lease obligations, initial direct costs, and lease payments made on or before the date of the contract, less any lease incentives received. Right of use assets are depreciated on a linear basis over the term of the lease.

Right of use assets are disclosed in Note 16 Right of use assets and are subject to impairment, in accordance with the Company's policy.

Lease liabilities

When concluding a lease agreement, the Company recognizes lease liabilities measured at the present value of future payments over the life of the lease agreement. Lease payments include fixed payments (less all incentive claims), variable payments that depend on an index or rate, and amounts expected to be paid on a residual value guarantee basis. Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that conditions the payment occurs.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.9. Leases (continued)

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

Company as a lessee

The Company assesses whether a contract is a lease contract or whether it contains a lease at the inception of the contract. The Company discloses right of use assets and the related lease liability in respect of all leases in which it is a lessee, except for current leases (defined as leases lasting 12 months or less) and leases of low-value assets (such as tablets and personal computers, office furniture, and telephones). For such leases, the Company recognizes lease payments on a straight-line basis over the term of the lease unless another systematic basis better reflects the timing of the use of the economic benefits of the leased asset.

The lease liability is measured for the first time in the amount of the present value of the lease payments that have not been settled at the inception date, reduced by the use of the rate arising from the lease. If this rate cannot be determined, the Company usually uses its borrowing interest rate. Lease payments covered by measuring the lease liability include:

- fixed lease payments (including lease payments that are substantially fixed), less rental incentives received
- the cost of executing the purchase option if it seems that the lessee will use that option as well

Lease liabilities are presented as a separate item in the statement of financial position. A lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability (and makes appropriate adjustments to the related right of use asset) when:

- the lease period changes, or a significant event occurs, or a significant change in circumstances results in a change in the assessment of the execution of the purchase option, in which case the lease liability is remeasured so that the revised lease payments are discounted using the revised discount rate
- lease payments change due to changes in the index or rate or change in the expected payment of the guaranteed residual value, in which case the lease liability is remeasured so that the revised lease payments are discounted using unchanged discount rates (unless the change in lease payments is due to a change in variable interest rates, in which case a revised discount rate applies)
- lease agreements change, and the change in lease is not accounted for as a separate lease, in which case the lease liability is remeasured based on the period of the revised lease so that the revised lease payments are discounted using the revised discount rates at the effective date.

The Company did not make such adjustments during the periods presented. For all leases, except current leases and leases of lower value assets, the Company applies a single approach to recognition and measurement. The Company recognizes lease payments and the right to use the asset, which is the right to use the asset in question.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.10. Financial instruments

2.10.1 Financial assets

Classification and subsequent measurement

The Company classifies its financial assets as measured at amortized cost. Classification requirements for debt and equity instruments are described below.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as borrowings. The classification and subsequent measurement of debt instruments depend on:

(i) the Company's business model for asset management; and

(ii) the cash flow characteristics of the assets.

Based on these factors, unless the fair value through profit or loss option is selected, the Company classifies its debt instruments in the following measurement category:

Amortized cost: Assets are measured at amortized cost when held to collect contractual cash flows; these cash flows represent solely payments of principal and interest ("SPPI"), and when the assets are not classified in fair value through profit or loss. The gross carrying amount of these assets is reduced by the amount of the allowance for expected credit losses. Interest income on these financial assets is stated in "Interest income," recognized using the effective interest method.

Business model: the business model reflects the way in which the Company manages its assets in order to generate cash flows. It determines whether the Company's objective is solely to collect contractual cash flows from assets or whether the objective is both to collect contractual cash flows and cash flows from the sale of assets. If neither is applicable (e.g., financial assets held for trading), financial assets are classified in "other" business models and measured at fair value through profit or loss. Factors considered by the Company in determining the business model for a group of financial assets include previous experience (how cash flows were previously collected for such groups of assets), how the impact of these assets is assessed, and how it is reported to key management personnel, how risks are assessed and how they are managed, and how management compensation is determined.

SPPI: (en. "solely payments of principal and interest - SPPI"). When the business model is "held for collection" or "held for collection and sale," the Group assesses whether the cash flows of the financial instrument are exclusively payments of principal and interest - the "SPPI" test. In making this assessment, the Group considers whether the contractual cash flows are consistent with the underlying borrowing arrangement, i.e., whether the interest includes only the consideration for the time value of money, credit risk, other simple borrowing risks, and the corresponding profit margin. When contractual terms introduce risk or volatility that is not in line with the underlying borrowing arrangement, financial assets are classified and measured at fair value through profit or loss. Financial assets are considered in their entirety in determining whether cash flows represent solely payments of principal and interest.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.10. Financial instruments (continued)

2.10.1 Financial assets (continued)

Recognition and derecognition

Financial assets are initially recognized at fair value plus transaction costs for all financial assets that are not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value and transaction costs are charged to profit or loss immediately.

Measurement of amortized cost

The amortized cost of a financial asset is the amount at which a financial asset is initially recognized, less principal repayments, increased or decreased by cumulative amortization using the effective interest method on any difference between the initially recognized amount and the amount at maturity, less the amount of any impairment.

Impairment

The Company estimates expected credit losses for its debt instruments measured at amortized cost. The Company recognizes an impairment loss for these losses at each reporting date. The measurement of expected credit losses reflects:

- an impartial amount based on probability, determined by estimating the range of possible outcomes;
- the time value of money and
- **reasonable and appropriate information about past events, available for the reporting date**

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

- To assess PD and LGD parameters, the Company relies on publications of external investment rating agencies.
- For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows maturing under the contract and all expected cash flows, discounted at the original effective interest rate. The Company recognizes a gain or loss on impairment of profit or loss for all financial instruments with an appropriate adjustment to the carrying amount through profit or loss for expected credit losses.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.10. Financial instruments (continued)

Classification and subsequent measurement

Financial liabilities are classified and subsequently measured at amortized cost.

Recognition and derecognition

Recognition of financial assets and liabilities

Borrowings and receivables and other financial liabilities of the Group are initially recognized on the date of origination, i.e., when the instruments are placed with customers or received from lenders.

Measurement of amortized cost

The amortized cost of a financial asset is the amount at which a financial asset is initially recognized, less principal repayments, increased or decreased by cumulative amortization using the effective interest method on any difference between the initially recognized amount and the amount at maturity.

Derecognition of financial liabilities

The Company derecognizes a financial liability when the contractual obligation is fulfilled, canceled, or when it expires. If the terms of a financial liability change significantly, the Company will derecognize the liability and at the same time recognize a new financial liability with new terms.

Realized gains and losses from the sale of financial instruments are calculated using the weighted average cost method.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.11. Borrowings taken

Interest-bearing borrowings taken are initially recognized at fair value, net of transaction costs incurred. Subsequent measurement is carried at amortized cost, and any difference between the proceeds (net of transaction costs) and the amount payable on maturity is recognized in profit or loss over the life of the borrowing using the effective interest method.

2.12. Cash and cash equivalents

Cash and cash equivalents are initially recognized at fair value plus transaction costs, and subsequently measured at amortized cost using the effective interest method.

2.13. Share capital

The issued share capital represents the nominal value of paid-in ordinary shares and is denominated in HRK. Dividends are recognized as a liability in the period in which they have been passed via a vote.

2.14. Retained earnings

The part of the profit for the year, which is retained after distribution, is distributed to retained earnings.

2.15. Earnings per share

The Company presents basic and diluted earnings per share for ordinary shares. Basic earnings per share are calculated by dividing the profit or loss for the current period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares, adjusted for the potential effects of the increase in the number of shares.

2.16. Segments

Information on segments are published in consolidated financial statements.

(All amounts are shown in thousands of HRK)

3. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

3.1. First application of new amendments to existing standards in force for the current reporting period

In the current year, the Company applied a series of amendments to international accounting standards published by the International Accounting Standards Board (IASB) and adopted in the European Union ("EU"), which are mandatory for the reporting period starting on January 1, 2022 or after that date:

Standard	Title
Amendments to IFRS 3	References to the Conceptual framework with amendments to IFRS 3
Amendments to IAS 16	Property, plant, and equipment - Revenue before intended use
Amendments to IAS 37	Harmful contracts – Costs of fulfilling contractual obligations
Amendments to various standards (IFRS 1, IFRS 9, IFRS 16, and IAS 41)	Improvements to IFRS – cycle 2018 - 2020

Their adoption did not have any significant impact on the disclosures or on the amounts shown in these financial statements.

3.2. Standards and interpretations published by the Committee on Standards and adopted in the European Union but not yet in force

On the date of approval of these financial statements, the Company has not applied the following new and revised international accounting standards issued and adopted by the EU, but not yet in force:

Standard	Title	EU adoption date
IFRS 17	Novi new IFRS standard 17 “Insurance Contracts” including amendments to IFRS 17 from June 2020 and December 2021	1.1.2023
Amendments to IAS 1	Presentation of Financial Statements	1.1.2023
Amendments to IAS 8	Definition of accounting estimates	1.1.2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1.1.2023

The Company does not expect that the adoption of the above Standards will have a significant impact on the Company's financial statements in future periods.

3. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

3.3. New standards and amendments to standards published by the IASB but not yet adopted in the European Union

Currently, the standards adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board, except for the following new standards and amendments to existing standards, which have not yet been adopted by the EU at the date of issuance of these financial statements:

Standard	Title	Adoption status in the EU
Amendments to IAS 1	Classification of current and non-current liabilities (effective date of the IASB: January 1, 2023)	Not adopted yet
Amendments to IAS 1	Non-current liabilities with contracts (effective date of the IASB: January 1, 2024)	Not adopted yet
Amendments to IFRS 16	Responsibility for leasing in sales and "sale and lease back" (effective date of the IASB: January 1, 2024)	Not adopted yet
IFRS 14	Regulatory deferral accounts (effective date of the IASB: January 1, 2016)	The European Commission decided not to initiate the approval procedure for this temporary standard and to wait for the final standard
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between the investor and its affiliate or joint venture and further amendments (effective date delayed by IASB indefinitely, but earlier application permitted)	The approval process has been delayed indefinitely until the equity method research project is completed

The Company does not expect that the adoption of the above Standards will have a significant impact on the Company's financial statements in future periods.

4. KEY ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In preparing the separate financial statements in accordance with IFRS, the Management Board is required to make judgments, estimates, and assumptions that affect the application of policies and amounts disclosed for assets and liabilities, income, and expenses. Estimates and associated assumptions are based on historical experience and other relevant factors, which are considered reasonable in the specified circumstances, the result of which is the starting point for making estimates of the value of assets and liabilities, which cannot be obtained from other sources. Actual results may differ from such estimates. The estimates and assumptions related to these estimates are reviewed on an ongoing basis. The effect of an adjustment to an estimate is recognized in the period in which the estimate is adjusted if the adjustment affects only the period in which it is made or in the period in which the adjustment is made and future periods if the adjustment affects current and future periods. Judgments made by the Management Board in applying IFRS, which have a significant impact on the financial statements and judgments where the risk of material adjustments in the next year is high, are explained in more detail below.

4.1. Impairment testing of investments in subsidiaries

The Company conducts an annual impairment test of investments in subsidiaries. For investments in subsidiaries, the recoverable amount of the investment is estimated and compared with the carrying amount. The calculation of the recoverable amount is generally based on the subsidiary's five-year business plans. The recoverable amount of an investment in a subsidiary is calculated using a discounted cash flow calculation. The methodology for calculating discounted cash flows consisted of estimating future cash flows for a period of five years, discounting the stated cash flows, applying a discount rate that reflects the cash flow risk and time value of money, estimating the residual value. According to the Company's calculation, the weighted average cost of capital (debt and equity) (WACC) is 14% (2021: 12%). Key assumptions also include planned sales revenue growth of 10-16% by 2028, which is also the estimated growth of different market segments.

4.2. Leases – Estimate of incremental borrowing rate

The Company is not able to easily determine the lease interest rate. Therefore, it uses the incremental borrowing rate to calculate the lease obligations. The incremental borrowing rate is the rate that the Company would pay if, for a similar period, with similar collateral, it borrowed funds required to acquire assets of similar value as the right to use assets in a similar economic environment. The calculation of the incremental borrowing rate requires an assessment of when such rates are not available or need to be adjusted to reflect the terms of the lease. The Company estimates the incremental borrowing rate using a variety of inputs. The data used by the Company to determine the incremental borrowing rate are updated at least once a year or in the event of a significant change in the Company's credit rating.

4. KEY ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY (CONTINUED)

4.3. Income tax

Tax calculations are performed based on interpretations of current tax laws and regulations. Such calculations that support tax refunds must be reviewed and approved by local tax authorities.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the assets can be utilized. At each reporting date, the Company reassesses unrecognized potential deferred tax assets and the recoverable amount of the carrying amount of recognized deferred tax assets. Additional income tax, arising from the distribution of dividends, is recognized when the related dividend liability is recognized.

4.4. Impairment of trade receivables

Trade receivables are estimated at each reporting date, and their value is reduced in accordance with the assessment of the probability of collection of the stated amount. Each customer is considered separately based on the expected date of collection of the receivable amount and the estimated probability of collection of overdue amounts. The Management Board believes that trade receivables are stated in accordance with their recoverable amount at the reporting date.

4.5. Reduction of receivables for given loans

Receivables from given loans are assessed on each reporting date and their value is reduced according to the assessment of the probability of collection of the stated amount. Each debtor is considered separately based on the expected date of collection of the amount demanded and the estimated probability of collection of the amounts due. The management believes that the receivables from the given loans are stated in accordance with their recoverable amount on the reporting date.

4.6. Useful life of intangible assets and right of use assets

The Company reviews the estimated useful life of intangible assets, right to use assets and investment property at the end of each reporting date. Intangible assets and rights to use assets are stated at cost less accumulated amortization.

4.7. Situation in Ukraine

We have assessed the effects of the situation in Ukraine and related sanctions on the Russian Federation, and at this time, the Company does not expect an impact on the value of assets and liabilities. As the situation changes from day to day, the development is continuously monitored, and the potential impact on the Company is assessed.

(All amounts are shown in thousands of HRK)

5. OTHER REVENUE

	2022	2021
Shor-term rental revenue	2,055	2,033
Other revenue	1,155	965
Revenue from providing bookkeeping services	812	-
Revenue from the sale of fixed assets	-	1
Total	**4,022**	**2,999**

Other revenue in the amount of HRK 1,507 thousand (2021: HRK 965 thousand) relates to income from re-invoicing costs related to leasing income.

6. COSTS OF RAW MATERIALS AND SUPPLIES

	2022	2021
Energy costs	97	53
Fuel costs	17	14
Costs of small inventory	1	1
	115	**68**

7. COSTS OF SERVICES

	2022	2021
Consulting costs	1,430	642
Short-term rental costs	236	80
Insurance costs	22	19
Maintenance costs	6	5
Other service costs	6	7
	1,700	**753**

Audit costs in the amount of HRK 538 thousand (2021: HRK 561 thousand) are included in the consulting costs.

8. STAFF COSTS

	2022	2021
Net salaries	348	446
Taxes and contributions from salaries	219	245
Contributions on salaries	2	5
Other staff costs	32	10
	601	**706**

(All amounts are shown in thousands of HRK)

9. OTHER OPERATING COSTS

	2022	2021
Re-invoiced subsidiary costs	4,064	4,400
Advertising and promotion costs	621	19
Utility costs	593	552
Bank charges and transaction costs	43	6
Other costs of taxes, liabilities, and fees	30	16
Telecommunication costs	10	12
Education costs	7	52
Transportation costs	6	9
Entertainment costs	2	2
	5,376	**5,068**

Re-invoiced costs relate to compensation to related companies for the management of the Company.

10. AMORTIZATION

	2022	2021
Amortization of investment property (Note 17)	721	1,103
Amortization of right of use assets (Note 16)	39	118
Amortization of intangible assets (Note 15)	21	159
Total	**781**	**1,379**

11. FINANCIAL INCOME

	2022	2021
Income from share in profit (note 30)	20,000	15,000
Interest income from related parties (Note 30)	2,956	1,487
Income from exchange rate differences	99	93
	23,055	**16,580**

Income from the share in profit refers to the income of the company M Plus Croatia d.o.o.

(All amounts are shown in thousands of HRK)

12. FINANCIAL EXPENSES

	2022	2021
Interest expenses	5,859	476
Expenses from exchange rate differences	1,128	105
Other financial expenses	280	440
	7,267	**1,021**

13. INCOME TAX

	2022	2021
Profit before tax	**11,237**	**10,584**
Income tax at a tax rate of 18%	2,023	1,905
Non-tax-deductible expenses	-	4
The effect of tax reductions	(3,602)	(2,704)
Unrecognized deferred tax assets for tax losses	1,579	795
Income tax	-	-

The Company has carried forward tax losses as follows:

- 2019 – tax loss carried forward in the amount of HRK 11,090 thousand, which expires in 2024.
- 2021 – tax loss carried forward in the amount of HRK 4,435 thousand, which expires in 2026.
- 2022 – tax loss carried forward in the amount of HRK 8,752 thousand, which expires in 2027.

Unrecognized deferred tax assets amount to a total of HRK 4,370 thousand (31 December 2021: HRK 2,795 thousand).

Deferred tax assets are not recognized because the Company derives its income primarily from shares in the profits of subsidiaries that are not subject to income tax.

14. BASIC AND DILUTED EARNINGS PER SHARE

	2022	2021
Profit after tax attributable to shareholders	11,237	10,584
Average weighted number of ordinary shares in issue	982,032	910,899
Basic and diluted earnings per share (expressed in HRK and lipa per share)	**11.44**	**11.62**

(All amounts are shown in thousands of HRK)

15. INTANGIBLE ASSETS

Rights	**2022**	**2021**
Cost at January 1	**372**	**319**
Increase	-	53
Cost at December 31	**372**	**372**
Accumulated amortization at January 1	**(319)**	**(160)**
Amortization expense	(21)	(159)
Accumulated amortization at December 31	**(340)**	**(319)**
Net book value at January 1	**53**	**159**
Net book value at December 31	**32**	**53**

16. RIGHT OF USE ASSETS

Vehicles	**2022**	**2021**
Cost at January 1	**599**	**599**
Decrease	(599)	-
Cost at December 31	**-**	**599**
Accumulated amortization at January 1	**(145)**	**(27)**
Amortization expense	(39)	(118)
Decrease	184	-
Accumulated amortization at December 31	**-**	**(145)**
Net book value at January 1	**454**	**572**
Net book value at December 31	**-**	**454**

Amounts recognized in the income statement	**2022**	**2021**
Costs related to current lease (note 9)	236	80
Amortization expenses on right of use assets	39	118
Interest on leases	2	10
Lease repayment	277	208

(All amounts are shown in thousands of HRK)

17. INVESTMENT PROPERTY

Real-estate	**2022**	**2021**
Cost at January 1	**22,018**	**22,006**
Increase	5	12
Cost at December 31	**22,023**	**22,018**
Accumulated amortization at January 1	**(1,654)**	**(551)**
Amortization expense	(721)	(1,103)
Accumulated amortization at December 31	**(2,375)**	**(1,654)**
Net book value at January 1	**20,364**	**21,455**
Net book value at December 31	**19,648**	**20,364**

According to a certified appraiser, the market value of the building is greater than its net book value by HRK 4,692 thousands.

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(All amounts are shown in thousands of HRK)

18. INVESTMENTS IN SUBSIDIARIES

Name of subsidiary	Main activity	Location of establishment and business operations	Share in ownership in %	Value of investment
			December 31, 2022	December 31, 2022
M Plus Croatia d.o.o.	Management activities of holding companies	Zagreb, Croatia	68.74%	288,600
Meritus Global Strategics d.o.o.	Management activities of holding companies	Zagreb, Croatia	100.00%	20
Meritus Global Technology d.o.o.	Management activities of holding companies	Zagreb, Croatia	100.00%	20
Meritus Global Real Estate Management d.o.o.	Management activities of holding companies	Zagreb, Croatia	100.00%	20
Global People Solutions d.o.o.	Management activities of holding companies	Zagreb, Croatia	100.00%	20
				288,680

Name of subsidiary	Main activity	Location of establishment and business operations	Share in ownership in %	Value of investment
			December 31, 2021	December 31, 2021
M Plus Croatia d.o.o.	Management activities of holding companies	Zagreb, Croatia	70.00%	288,600
Meritus Global Strategics d.o.o.	Management activities of holding companies	Zagreb, Croatia	100.00%	20
Meritus Global Technology d.o.o.	Management activities of holding companies	Zagreb, Croatia	100.00%	20
Meritus Global Real Estate Management d.o.o.	Management activities of holding companies	Zagreb, Croatia	100.00%	20
				288.660

(All amounts are shown in thousands of HRK)

18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The summarized financial data of the most significant subsidiary are presented below:

	2022	**2021**
Current assets	344,278	255,836
Non-current assets	400,880	332,929
Short-term liabilities	(384,089)	(253,948)
Long-term liabilities	(92,521)	(97,410)
Net assets	**268,548**	**237,407**
Revenue	290,401	93,133
Net income	21,624	28,387

(All amounts are shown in thousands of HRK)

19. NON-CURRENT FINANCIAL ASSETS

	2022	2021
Given loans (including accrued interests)	189,817	53,264
Long-term receivables	61,682	41,682
Other deposits	2,439	938
	253,938	**95,884**

Loans given refer to borrowings given to subsidiaries. The total principal as of December 31, 2022 amounts to HRK 183,083 thousand (2021: HRK 49,483 thousand), plus accrued interest in the amount of HRK 6,734 thousand (2021: HRK 3,782 thousand). The annual interest rate is 2.68% (December 31, 2021: 3.00%). The purpose of the loan is business development and new acquisitions. Loans mature within 2 to 5 years.

The movement of loans given is shown in the following table:

Net book value at January 1	**53,264**	**51,780**
Novi dani krediti - odljevi	133.597	-
Prihod od kamata	2,956	1,484
Net book value at December 31	**189,817**	**53,264**

Long-term receivables relate to receivables from the share in profit from the company M Plus Croatia d.o.o.

Other deposits refer to the security deposit for the received loan.

(All amounts are shown in thousands of HRK)

20. TRADE RECEIVABLES

	December 31, 2022	December 31, 2021
Trade receivables	960	146
Receivables from related parties (note 30)	598	872
	1,558	**1,018**

Analysis of the aging structure of trade receivables as of December 31:

	December 31, 2022	December 31, 2021
Undue receivables	478	838
0 – 90 days	851	14
91 – 180 days	24	13
181 – 365 days	108	86
over 365 days	97	67
	1,558	**1,018**

As of December 31, 2022, and 2021, the Company had no impairment on trade receivables.

21. OTHER RECEIVABLES

	December 31, 2022	December 31, 2021
Receivables from the state	5,166	4,634
Receivables from employees	1	1
Other receivables	-	7,518
	5,167	**12,153**

Other receivables in 2021 relate to receivables based on the payment of a guarantee in the tender process on behalf of a third party.

(All amounts are shown in thousands of HRK)

22. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
Cash in giro accounts in local currency	233,442	104,698
Cash in giro accounts in foreign currency	43	11,376
Deposits with 3 months payment terms	37,861	-
	271,346	**116,074**

23. SHARE CAPITAL

		December 31, 2022	
Registered co-owner	**Share**	**Percentage of ownership**	**Number of shares**
Orso global d.o.o.	50,367	51.29%	503,674
Others	47,836	48.71%	478,358
Total:	**98,203**	**100.00%**	**982,032**

		December 31, 2021	
Registered co-owner	**Share**	**Percentage of ownership**	**Number of shares**
Orso global d.o.o.	50,367	51.29%	503,674
Others	47,836	48.71%	478,358
Total:	**98,203**	**100.00%**	**982,032**

The share capital of the Company amounts to HRK 98,203 thousand as of December 31, 2022, and is divided into 982,032 shares (December 31, 2021: HRK 98,203 thousand, divided into 982,032 shares).

On June 2, 2021, the Group made a decision to increase its capital by issuing shares through a secondary public offering on the Zagreb Stock Exchange. During the period from July 12 to July 26, 2021, through two subscription rounds in which qualified investors and small investors participated, HRK 105,593 thousand was collected. By the decision of the Management Board dated July 28 and with the consent of the Supervisory Board dated July 28, the paid-in capital was allocated to a total of 124,227 new shares. After the increase, the share capital of the Issuer amounts to a total of HRK 98,203 thousand and is divided into a total of 982,032 ordinary registered shares without nominal amount.

On November 3, 2021, Mrs. Manica Pirc Orešković and Mr. Stjepan Orešković transferred all 503,674 shares to Orso Global d.o.o. (of which they are the only members, each holding a 50% stake), which corresponds to a total of 51.29% of the total share capital of the Company.

(All amounts are shown in thousands of HRK)

24. CAPITAL RESERVES

After the subscription and payment of the New Shares, the company Meritus ulaganja d.d. increased its share capital by HRK 12,422 thousand, while capital reserves increased by HRK 91,781 thousand. This increase occurred in 2021. In 2022, there were no changes in the Company's capital reserves and share capital.

25. TRADE PAYABLES

	December 31, 2022	**December 31, 2021**
Liabilities to related companies (Note 30)	14,940	13,719
Liabilities to domestic suppliers	568	803
	15,508	**14,522**

Liabilities to related companies relate to support and management services.

26. LIABILITIES TO EMPLOYEES

	December 31, 2022	**December 31, 2021**
Liabilities for net salaries	27	10
	27	**10**

27. OTHER CURRENT LIABILITIES

	December 31, 2022	**December 31, 2021**
Liabilities for assuming payment under assignment agreements	61	8
Liabilities to external members of Supervisory Board	25	33
Liabilities for taxes and contributions	17	5
	103	**46**

(All amounts are shown in thousands of HRK)

28. LEASE LIABILITIES

	December 31, 2022	December 31, 2021
In the first year	-	99
In the second year	-	101
In the third year	-	103
In the fourth year	-	88
In the fifth year	-	-
Total	**-**	**391**

29. BORROWINGS

	December 31, 2022	December 31, 2021
Liabilities for long-term loans	12,809	14,282
Current portion of long-term loans	(1,507)	(1,919)
Long-term liabilities for issued bonds	301,380	-
Total liabilities for long-term borrowings	**312,682**	**12,363**
Liabilities for short-term loans	-	-
Current portion of long-term borrowings	1,507	1,919
Total liabilities for short-term borrowings	**1,507**	**1,919**
Accrued interest liabilities on borrowings	**5,396**	**40**
Total liabilities for borrowings as of December 31	**319,585**	**14,322**

Balance at January 1	**14,322**	**-**
New borrowings – inflow	300,435	29,986
Borrowings repayments	(1,503)	(15,764)
Interest expense	5,855	465
Interests payment	(499)	(425)
Exchange rate differences	975	60
Balance at December 31	**319,585**	**14,322**

29. BORROWINGS (CONTINUED)

On July 29, 2022, the company issued bonds related to sustainable operations on the domestic capital market in the total nominal amount of EUR 40 million, with a fixed annual interest rate of 4.25%, with semiannual interest payments starting on January 29, 2023 and a single principal maturity after five years, designation MRUL-O-277E with international identification number (ISIN) HRMRULO277E9 ("Bonds").

The company has created a Framework document for the issuance of bonds related to sustainable operations, aligned with the Principles of bonds related to sustainable operations published by ICMA (The International Capital Market Association) in June 2020.

The framework document Bonds related to sustainable business defines two key performance indicators:

(1) Reduce absolute Scope 1 and 2 greenhouse gas emissions by 25.2% to 2,148 tCO_2e in 2027 compared to the base year 2021

(2) Achieve 51% representation of women in management teams (including management bodies) by the end of 2030 compared to the base year of 2020.

(All amounts are shown in thousands of HRK)

21. RELATED PARTY TRANSACTIONS

Balances based on related party transactions on December 31, 2021, and December 31, 2020, are presented as follows:

	Receivables		Liabilities	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
M Plus Croatia d.o.o.	67,073	46,228	14,999	13,719
Calyx d.o.o.	2	1	-	-
Smart Flex d.o.o.	22	22	2	-
Brza produkcija d.o.o.	-	-	-	-
Geomant global d.o.o.	5	17	-	-
M+Agent d.o.o.	23	18		
Sitra management d.o.o.	-	-	-	-
Meritus Global Technology	419	10	-	-
Meritus Global Strategics d.o.o.	624	10	-	-
Real Estate Management d.o.o.	591	10	-	-
Smart flex sourcing d.o.o.	23	18	-	-
Global People Solutions d.o.o.	35	-	-	-
Go Health d.o.o.	141	-	-	-
Real Estate Development – Projekt Vukovarska d.o.o.	56	-	-	-
Total	**69,014**	**46,334**	**15,001**	**13,719**

	Loans given		Borrowings received	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
M Plus Croatia d.o.o.	49,483	49,483	-	-
Go Health d.o.o.	1,512	-		
Real Estate Management d.o.o.	51,147	-		
Meritus Global Technology d.o.o.	36,147	-		
Meritus Global Strategics d.o.o.	44,794	-		
Total	**183,083**	**49,483**	**-**	**-**

(All amounts are shown in thousands of HRK)

30. RELATED PARTY TRANSACTIONS (CONTINUED)

	Revenues		Expenses	
	2022	**2021**	**2022**	**2021**
M Plus Croatia d.o.o.	24,416	17,781	3,130	3,658
Bulb upravljanje d.o.o.	4	5	-	-
Calyx d.o.o.	1	1	-	-
Smart Flex d.o.o.	-	-	1	-
Brza produkcija d.o.o.	-	7	-	-
Meritus Global Technology	417	7	-	-
Meritus Global Strategics d.o.o.	623	7	-	-
Real Estate Management d.o.o.	590	7	-	-
Geomant global d.o.o.	4	7	-	-
M+Agent d.o.o.	4	9	-	-
Sitra management d.o.o.	-	7	-	-
Smart flex sourcing d.o.o.	4	7	-	-
Global People Solutions d.o.o.	28	-	-	-
Go Health d.o.o.	24	-	107	-
Real Estate Development Projekti – Vukovarska d.o.o.	18	-	-	-
Dvorec Zemono	-	-	594	-
Ukupno	**26,133**	**19,372**	**3,832**	**3,719**

In 2022, the Company had no transactions with other related parties.

In 2022, the Company paid total fixed compensation to key management in the amount of HRK 1,347 thousand (2021: HRK 972 thousand). In 2022 and 2021, there were no payments of variable compensations.

(All amounts are shown in thousands of HRK)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a. Financing ratio

Equity consists of share capital, reserves, and retained loss. The Company has no net debt on December 31, 2022, and 2021.

The Company's financing ratio, which is determined by the ratio of net debt to equity, can be presented as follows:

	December 31, 2022	December 31, 2021
Liabilities for short-term borrowings	6,903	1,959
Liabilities for long-term borrowings	312,682	12,363
Long-term liabilities for leases	-	292
Short-term liabilities for leases	-	99
Cash and cash equivalents	(271,346)	(116,074)
Net debt/(cash)	**48,239**	**(101,361)**
Equity	506,799	505,382
Debt to equity ratio	**16.99%**	**-**

The equity consists of share capital, reserves, retained earnings, and current year income.

b. Categories of financial instruments

	December 31, 2022	December 31, 2021
Financial assets	**532,009**	**225,129**
Non-current financial assets	253,938	95,884
Trade and other receivables	6,725	13,171
Cash and cash equivalents	271,346	116,074
Financial liabilities	**335,223**	**29,291**
Trade payables	15,508	14,522
Liabilities to employees	27	10
Other current liabilities	103	46
Liabilities for received borrowings and leases	319,585	14,713

(All amounts are shown in thousands of HRK)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

c. Financial risk management objectives

Financial risks are related to financial variables that can cause difficulties in settling financial liabilities, liquidity, debt management, and the like. The Company does not have a formal risk management program, but all risk management is performed by the controlling department. It coordinates access to the domestic and international financial market, monitors financial risks related to operations, and manages them through internal risk reports in which exposures are analyzed by degree and risk. It also undertakes activities with the aim of effective risk management and minimization of the risks.

d. Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is related to changes in the return on assets and liabilities and in the values arising from interest rate movements. Liabilities under borrowings are contracted with a variable interest rate.

The sensitivity analysis that follows is based on the exposure to interest rates on non-derivative instruments at the end of the reporting period. For liabilities related to variable interest rates, the analysis was made assuming that the liability amount stated at the statement of financial position date was valid throughout the year.

If interest rates were 0.5% higher while other variables were constant, the effects on the Company’s profit would be as follows:

Interest rate risk

	2022	**2021**
Variable interest rate instruments		
Borrowings	64	58
Total	**64**	**58**

e. Credit risk management

Credit risk refers to the risk of a party failing to meet its obligations under a financial instrument that results in a financial loss to the other party. The Company’s credit risk assets consist of receivables. The Company's receivables on December 31, 2022, and 2021 relate almost entirely to receivables within the Group.

(All amounts are shown in thousands of HRK)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f. Liquidity risk management (continued)

The Management Board is responsible for liquidity risk management. The Company manages its liquidity by continuously monitoring planned and realized cash flows and adjusting financial assets and financial liabilities. The following tables analyze the remaining period to the contractual maturity of the Company's non-derivative financial liabilities. The tables have been prepared on the basis of undiscounted cash outflows for financial liabilities as of the earliest date on which the Company can be required to make payments. Cash outflows per principal are included in the tables.

Liabilities		**Up to 1 month**	**1-3 months**	**3 months -1 year**	**1-5 years**	**After 5 years**	**TOTAL**	**Net book value**
December 31, 2022								
Interest-bearing	4.57%	1,242	2,484	11,179	353,859	5,403	374,168	319,585
Interest-free	-	15,638	-	-	-	-	15,639	15,638
		16,881	**2,484**	**11,179**	**353,859**	**5,403**	**389,807**	**335,223**
December 31, 2021								
Interest-bearing	3.25%	172	344	1,548	7,620	7,266	16,950	14,322
Interest-free	-	14,532	-	-	-	-	14,532	14,532
		14,704	**344**	**1,548**	**7,620**	**7,266**	**31,482**	**28,854**

(All amounts are shown in thousands of HRK)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f. Liquidity risk management (continued)

The following table analyzes the expected maturity of the Company's non-derivative financial assets. The tables are compiled on the basis of undiscounted contractual maturities of financial assets. Disclosure of non-derivative financial assets is necessary to understand how the Company manages liquidity risk, as liquidity is managed based on the net amount of financial assets and financial liabilities.

Assets		Up to 1 month	1-3 months	3 months -1 year	1-5 years	After 5 years	TOTAL	Net book value
December 31, 2022								
Interest-bearing	2.68%	-	-	-	187,990	-	187,990	189,217
Interest-free	-	240,211	-	-	61,682	-	301,893	301,893
		240,211	**-**	**-**	**249,672**	**-**	**489,883**	**491,110**
December 31, 2021								
Interest-bearing	3.00%	-	-	-	54,751	-	54,751	53,264
Interest-free	-	129,287	-	-	41,682	-	170,969	170,969
		129,287	**-**	**-**	**96,433**	**-**	**225,720**	**224,233**

32. FAIR VALUE

Fair value is the price that would be obtained by selling an asset or paid to transfer a liability in an arms-lenght transaction between market participants at the measurement date, regardless of whether it would be directly visible or estimated using another valuation technique.

The interest rate on the loans given is set at the level of the interest rate for related companies, which is prescribed annually by the Ministry of Finance.

As of December 31, 2022, and 2021, the reported amounts of current receivables and current liabilities roughly correspond to their market value.

33. EVENTS AFTER THE REPORTING PERIOD

Introduction of the euro as the official currency

The Government of the Republic of Croatia adopted the Decision on the announcement of the introduction of the euro as the official currency in the Republic of Croatia (published in the Official Gazette No. 85/22). With the aforementioned decision, the euro becomes the official monetary unit and legal tender in the Republic of Croatia on January 1, 2023. The fixed conversion rate is set at HRK 7.53450 for one euro. The introduction of the euro as the official currency in the Republic of Croatia represents a change in the functional currency that will be calculated prospectively and does not represent an event after the reporting date that requires reconciliation.

34. CONTINGENT LIABILITIES

According to the Management Board's assessment, on December 31, 2022, the Company has no significant contingent liabilities that would require disclosure in the notes to the separate financial statements.

On December 31, 2022, no lawsuit was filed against the Company, which was not disclosed in the separate financial statements.

35. APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS

The separate financial statements were approved by the Management Board of the Company on April 28, 2023.

President of the Management Board	Member of the Management Board
Darko Horvat	Tomislav Glavaš