Meritus ulaganja d.d. and its subsidiaries

Consolidated annual report for the year that ended on

December 31, 2022

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

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

ANNUAL REPORT

of the company Meritus ulaganja d.d. and its subsidiaries (the Group)

Financial statement for the year that ended December 31, 2022

ZAGREB, April 2023

1. COMMENT OF THE PRESIDENT OF THE MANAGEMENT BOARD

It is my great pleasure to present the audited business results of the Mplus Group for the 2022. Despite all the adverse developments in the spheres of geopolitics and global financial and other markets, the Group's operations in 2022 are characterized by a strategic growth in the volume of operations through further expansion of operations in the region and strengthening of existing market positions. The Group's revenues grew by 72%, to the amount of HRK 1.37 billion. Of the total revenue growth, new sales, i.e. organic growth, was more than 20% of the revenue achieved in 2022 which confirms the correctness of the strategic decisions we made when setting up our business model a few years ago.

Many significant events marked this exciting year, I will reflect on most important ones.

Year began with acquisition of Invitel through which the Mplus Group has gained clients from new sectors in which it has not been present so far, i.e., companies focused on renewable energy sources, carbon management, energy transition, and technological innovations which fits perfectly with the Group's sustainability strategy. In addition, the Group has been joined by a large number of valuable employees and a very experienced management team with excellent contacts in the industry, which contributed to our further growth and development.

As part of the sustainability strategy, mid-year we prepared an absolute novelty on the Croatian capital market, the first Croatian ESG bond. It is a bond linked to the ambitious goals of reducing carbon emissions and the representation of women in management positions as KPIs, on which the interest on the collected funds will depend on.

We recognized the growing need of investors for innovative products on the capital markets and responded to their needs for investment, which will not only be profitable, but will also bring positive business effects to the community in which the issuer operates. Thanks to the extraordinarily well-prepared issue, as well as the reputation that M Plus enjoys among investors, we obtained HRK 301 million in capital with the first Croatian ESG Bond on the Zagreb Stock Exchange.

I am particularly pleased with the fact that Erste&Steiermärkische Bank and the European Bank for Reconstruction and Development (EBRD) were our strategic partners of the issue.

During third quarter we have started the process of rebranding the members of the BPTO sector under the Mplus brand, which includes a new logo, visual identity, redefined service structure and a new website launched in late 2022 in order to provide all clients, users and employees with a harmonized and unique experience.

At the very end of 2022, we made a big step forward in our Human Resources (HR) vertical, concluding an agreement on the purchase and sale of business shares, resulting in an indirect acquisition of a group of companies licensed by the Manpower brand in the region.

The HR industry vertical will continue to operate under the umbrella brand Workplace, under which all Manpower licensed companies in six countries of the region will operate, as well as the three companies for HR processes under the independent brands Smartflex, Integrator and MPS Integration in Serbia and Slovenia. Workplace will operate through 15 companies operating in six countries.

With the expansion of the Human Resources industry vertical, the weakening of inflationary pressures and revised global growth forecasts, we expect that in 2023 we will achieve a significant increase in profitability compared to earlier forecasts.

As always, we put people at the centre of our business. Our employees, clients and investors are the ones to be given the greatest credit for the success of Mplus so far, and I hereby sincerely thank them for their contribution in another year marked by excellent business results.

2. KEY OPERATIONAL FIGURES

1,369 million HRK
revenues in 2022

301million HRK
First ESG bond issued in Croatia

9.3 million
chat interactions

HRK 207 million EBITDA

300+
clients

12.500+
employees

30.7 million
non-voice interactions

149 million
calls

31
average employee age

55
companies are part of the Group

49 locations
16 countries

Revenues: Meritus ulaganja d.d. (the Company) and its subsidiaries (the Group) continued to perform well in 2022. Operating revenues in the year that ended December 31, 2022, amounted to HRK 1,369 million. Compared to the comparable period last year, an increase of HRK 574 million or 72% was achieved. The Group has successfully established new business relationships with clients from various sectors with a special focus on clients from the Deutschland-Austria-Switzerland („DACH") region. Organic revenue growth was achieved through a focus on business operations, increasing service quality, and achieving higher volumes through synergies gained through the integration of new group companies. Of the total revenue growth, new sales, i.e. organic growth, was more than 20% of the revenue achieved in 2021, i.e. around HRK 160 million.

(in HRK thousand)	1-12 2022	1-12 2021	Change	%
Total revenue	1,368,595	794,449	574,146	72%
EBITDA	206,647	149,604	57,043	38%
Adjusted EBITDA*	229,766	159,500	70,266	44%
Profit before tax	68,925	71,174	(2,249)	(3%)

**Adjustments pertain to the impacts that are considered one-off (i.e., they do not have repetitive characteristics or effects on income and costs).*

EBITDA: Stable demand for Business process and Technology Outsourcing ("BPTO") services in all markets and cost optimization resulted in positive effects, and EBITDA amounted to HRK 206.7 million. Relative to the comparable period last year, an increase of HRK 57 million or 38% was achieved. EBITDA growth was mostly driven by the growing volume of business with existing and new clients and the acquisition of Invitel GmbH and its subsidiaries ("Invitel Group" or "Invitel"). The integration process of Invitel into the Group was continuous from the day the Group took control.

During 2022, the Group invested heavily in multiple streams by enlarging and further professionalizing the team and introducing new technology solutions. This move was essential to enable further growth in the following period and ensure that quality and service level will remain as high as it is, especially considering Group growth ambition contrasting the challenges we faced globally during this year. In addition to that, in H2 2022 we were also investing in Information technology ("IT") stream of the Group to facilitate faster delivery and cross sell of existing products to clients. During 2022 the Group invested into increasing the profitability of the German operations, which will also be a 2023 process.

We continued to scale our sales department significantly in all areas, from reporting and presales process to customer success management and activities which will expand client portfolio. Said activities will also allow the Group to fully utilize its unique market position with Invitel as a sourcing pool for the acquisition of additional clients in the DACH region. During this period, we also digitalized our entire sales process by introducing and integrating HubSpot software into our organization, accelerating Group efforts in digital transformation. In addition, the Group marketing department was focused on creating a new brand identity of the Group that will empower existing integration efforts by creating a "one view-one voice" approach while simplifying overall Group brand architecture, making it more appealing to current and future employees as well as to the overall market.

Operationally, the Group enhanced its Human resources ("HR") and Workflow Management ("WFM") process by reorganizing and adding a strategic layer on the Group level while implementing two other solutions covering the end-to-end overall HR process from sourcing to scheduling and forecasting. This will allow the Group to allocate its talent across different geographies more efficiently, resulting in increased employee journey satisfaction and higher profitability in the midterm.

During May and June of 2022, the IT part of the Group enhances the current IT infrastructure by creating redundant solutions that will ensure the highest security level and create a stable baseline for future growth.

Impact on the margins during 2023 will be affected by inflation and increase of minimum wages depending on the countries we operate in. Transfer of increase of minimum wages to clients is done through existing contracts which facilitates transfer in shorter to medium term with some impact on profitability, while inflation impact on other cost structure of Group like electricity, other energy, gas, IT infrastructure, licenses, will have impact on the profitability in the longer period. We keep insisting on working from home for all clients, depending on their approval, to balance possible impact of inflation as much as possible.

Profit before tax: In 2022, the Group generated HRK 68.9 million in profit before tax, which is a decrease of 3% compared to 2021.

(in HRK thousand)	December 31, 2022	December 31, 2021	Change	%
Assets	1,519,581	911,654	607,927	67%
Equity	407,695	409,050	(1,355)	0%
(Net debt)/net cash	(304,544)	44,817	(349,361)	n/a

Assets: On December 31, 2022, the Group's assets amounted to HRK 1,520 million. Compared to December 31, 2021, assets increased for HRK 608 million or 67%. The increase in assets was due to the operating growth of the Group's operations, consolidation of Invitel, issuance of sustainability linked bonds and purchase of real-estate for new corporate headquarters.

Equity: On December 31, 2022, the Group's equity amounted to HRK 408 million, accounting for 27% of the total balance sheet. Equity decreased by HRK 1,4 million.

Net debt: On December 31, 2022, the Group had a strong cash position in the amount of HRK 433 million, able to facilitate future organic growth and growth through acquisitions, while liabilities to financial institutions and liabilities for assets with right of use amounted to HRK 738 million including liabilities from issued bonds and loans for purchase of real-estate for new corporate headquarters. Net debt amounts to HRK 305 million.

Increase in Net debt for HRK 349 million was primarily caused by purchase of non-controlling interests in subsidiaries M Plus Serbia d.o.o. and M+ Deutschland GmbH in the amount of HRK 100 million. Also, in 2022 the Group had net repayment of loans from financial institutions in the amount of HRK 21 million. In 2022 lease and rent payments increased for HRK 13 million, while recognized lease liabilities at year end increased by HRK 51 million. Both, increase of lease payments and increase in recognized lease liabilities at year end is mostly related to M+ Deutschland GmbH and its subsidiaries in Germany which are consolidated from January 1, 2022. Also, increase of net debt was caused by capex and other investments into operations needed to facilitate organic growth and growth through acquisitions. Purchase of real-estate for new corporate headquarters engaged HRK 86 million of debt to financial institutions.

3. SIGNIFICANT EVENTS FOR THE PERIOD UP TO DECEMBER 31, 2022

Acquisition of Invitel

The Group acquired a majority stake in the German company Invitel GmbH and its subsidiaries ("Invitel") and expanded its business to the area of Western Europe. With this acquisition the Group has confirmed its position as the leading independent provider of Business process and Technology Outsourcing ("BPTO") services in Europe in the area that spans from Hannover to Istanbul, with more than 12 thousand employees.

Invitel employs about 1,500 people and generates about 42 million euros in revenue annually.

With the acquisition of Invitel, the Group has gained clients from new sectors in which it has not been present so far, including companies focused on renewable energy sources, carbon management, energy transition, and technological innovations, all key to a successful global transition to a low carbon economy which is aligned with the Group's sustainability strategy.

During 2022 the Group invested into increasing the profitability of the German operations, which will also be a 2023 process.

Following this acquisition, the Group has expanded its operations to 49 locations across Europe and the United States, making Germany the Group's largest revenue-generating market, which is the culmination of a strategy to build a leading BPO provider for the Deutschland-Austria-Switzerland („DACH") market. At the same time, this transaction is a continuation of the Group's acquisition strategy, in which each new takeover strengthens the synergistic effects of all members of the Group.

War in Ukraine

The Group closely monitors developments in Ukraine and assesses short-term and long-term effects on business operations. The Group is not directly exposed to negative business developments, as it does not do business with clients from Ukraine or Russia. The sanctions imposed on Russia do not limit or reduce the contracted volumes of business with our clients.

Indirect negative consequences such as rising energy costs, inflationary pressures, and other negative elements that affected the slowdown of the economies in which our customers operate did not impact our clients' business significantly. In the following period we will monitor impact of global political and economy changes on our clients' business to address potential business risks in timely manner.

Increase in equity of the Group

In 2022, Convex Holding Ltd entered the ownership structure of the subsidiary M Plus Croatia d.o.o. with a 1.8% stake, increasing the Group's equity by HRK 30 million.

Acquisition of non-controlling interests in M Plus Serbia d.o.o.

In 2022, the Group purchased the remaining 49% stake in the subsidiary M Plus Serbia d.o.o., thus acquiring a 100% stake in the said company.

Acquisition of non-controlling interests in the M+ Deutschland GmbH

In Q2 2022, the Group purchased the remaining 44% stake in the subsidiary M+ Deutschland GmbH, thus acquiring a 100% stake in the said company.

Sustainability report

The Group has published its second Group Sustainability Report, which includes information on the Group's economic, environmental, and social performance. The Report covers the period ended on December 31, 2021.

The Report was compiled regarding the consolidated set of GRI standards for 2021 and covers the Group's operations in 2021. The Report also includes information on our work in the context of the United Nations Global Compact (UNGC) principles, along with the UNGC table of contents at the end of the Report.

It presents the Group's activities in the field of sustainability during 2021 and draft plans to encourage improvement, as well as the publication of information on all environmental, social, and governance ("ESG") initiatives of the Group.

The Group transparently communicates its activities and results within the framework of the Sustainability Report. It also intends to continue this practice in the future period by creating and publishing annual sustainability reports. To identify and prioritize material issues to be reported in the Report, a survey was conducted as part of our Materiality Assessment to gather internal and external stakeholders' views on the most prominent ESG topics and their importance to our Group.

More details on ESG topics in the Group can be found in the 2021 Sustainability Report . The Group will publish its third Sustainability report for the period that ended on December 31, 2022, during the second quarter of 2023.

The Sustainability-Linked Bonds Issue

On July 29, 2022, the Company has issued the Sustainability-Linked bonds on the domestic capital market in the nominal amount of EUR 40 million, with a fixed annual interest rate and semi-annual interest payments and one-off maturity of the principal after five years with the ticker MRUL-O-277E and the ISIN HRMRULO277E9 (“**Bonds”**).

The Bonds are issued based on the Decision of the Management Board dated May 31, 2022 and with the consent of the Supervisory Board of the Company dated May 31, 2022.

The Issue Agent is Erste&Steiermärkische Bank d.d., Rijeka, Jadranski trg 3/a, OIB: 23057039320 („**Issue Agent“**).

On 14 July 2022, the Company published on its website the Simplified Prospectus for Public Offering and Listing of Sustainability-Linked Bonds dated July 14, 2022 (“**Prospectus”**). The Prospectus was approved by the Croatian Agency for Supervision of Financial Services (**“HANFA”**) by its Decision, class: UP/I 996-02/22-01/06, ref. no. 326-01-60-62-22-16, dated July 14, 2022.

Introduction of sustainability-linked financing to Group’s toolbox of financial instruments is a natural step in the Group’s growing commitment to sustainability and our transformation aimed at having a greater positive Environmental, Social and Governance (“ ESG”) impact. By issuing Sustainability-Linked Bonds, the Group intends to align its source of financing with its sustainability strategy. Setting ambitious key performance indicators (“KPIs”) based on our identified impacts and reinforcing this commitment through investor engagement will accelerate our journey towards achieving sustainability ambitions. This will support our Group’s journey in unlocking the true potential of sustainable business operations.

Sustainability-Linked Bond Framework

The Group created the Sustainability-Linked Bond Framework aligned with the Sustainability-Linked Bond Principles published by the International Capital Markets Association (“ICMA”) in June 2020 and its core components are:

1. Selection of KPIs;
2. Calibration of Sustainability Performance Targets (“SPTs”);
3. Financial Characteristics;
4. Reporting; and
5. Verification.

The above present a set of guiding principles for Group which are aimed at the achievement of material, quantitative, predetermined, ambitious, regularly monitored and externally verified ESG objectives through KPIs and SPTs.

The KPIs selected are relevant, core and material to our overall business and consistent with the Group’s strategic priority to reduce its greenhouse gas (“GHG”) emissions and achieve a more balanced gender diversity in management teams, both of which form part of our sustainability strategy.

KPI 1	KPI 2
Decreasing Scope 1 and Scope 2 greenhouse gas emissions (GHG)	**Reach a more balanced gender diversity in management teams**

These two KPIs contribute to the achievement of the UN Sustainable Development Goals related to climate change and the promotion of diversity and inclusion, namely SDG 13 (Take urgent action to combat climate change and its impacts), SDG 5 (Achieve gender equality and empower all women and girls) and SDG 10 (Reduce inequality within and among countries), relating to climate change and promoting diversity and inclusion. All the three SDGs are part of the “Spotlight SDGs” group which are in our primary focus.

Climate change is the biggest environmental challenge the world faces, impacting operations as well as our supply chain of companies. The centrality of the issue of climate change is broadly recognized and shared throughout society and by governments worldwide and is therefore considered a central issue for the Group as well. We recognize that our Group has a relatively low impact on climate change since our activities are not overly carbon-intensive, but our commitment to reducing GHG emissions could produce a ripple effect with our stakeholders, and this is also one of our goals in terms of positive impact.

On the other hand, diverse and inclusive workplace is one that makes everyone, regardless of who they are or what they do for the business, feel equally involved in and supported in all areas of the workplace. Our overall sustainability strategy revolves around diverse and inclusive work environment because we believe that a genuinely inclusive organization, here people can work together effectively without fear or discomfort, can proactively accommodate different needs and make sure everyone can thrive professionally.

It has been repeatedly proven that a diverse and inclusive workforce provides different and new views and as such achieves better results, including financial ones.

Second-Party Opinion – SPO - Sustainalytics

The Group has engaged Sustainalytics to review the Group Sustainability-Linked Bond Framework dated June 2022 and provide an opinion on its alignment with the Sustainability-Linked Bond Principles 2020.

Conclusion of the Second-Party Opinion:

The Group Sustainability-Linked Bond Framework defines two KPIs:

KPI power level:
KPI#1: Strong
KPI#2: Strong
Ambitiousness of SPTs:
SPT #1: Very ambitious
SPT #2: Ambitious

(1) To reduce absolute scope 1 and 2 GHG emissions by 25.2% to 2,148 tCO_2e in 2027, against a 2021 baseline;

(2) To achieve 51% representation of women in management teams (including governance bodies) by the end of 2030, against a 2020 baseline

Sustainalytics considers both KPIs to be strong, based on their materiality.

relevance, scope of applicability and adequacy to external benchmarking.

Sustainalytics considers SPT 1 to be highly ambitious based on past performance, peer performance and alignment with science. Sustainalytics considers SPT 2 to be ambitious based on past performance and peer performance.

More details from the Sustainability-Linked Bond Framework and Second-Party Opinion are available on our website.

SUSTAINALYTICS SECOND-PARTY OPINION

The Sustainability-Linked Bond Principles

The framework document is aligned with ICMA's Principles for Bonds Related to Sustainable Business Operations

Rebranding - M+ Group changes its brand name to Mplus

In 2022, the Group introduced a new brand name – Mplus for the segment of BPO operations. After acquiring several companies from the BPO sector, the Group started the process of rebranding its corporate image in 2022. The rebranding process was successfully completed in 2022, uniting BPO operators under the Mplus brand. The goal was achieved, which provides all clients, users and employees with a harmonized and unique experience that comes with a new logo, visual identity, redefined service structure and a new website.

The new brand name and visual identity is a response to the significant growth and expansion of the Group, whose target markets and services have evolved significantly, and reflects the strong synergy of all its members, vision and plans.

The Group remains focused on building a healthy team environment, providing opportunities for growth and development, encouraging inclusion, respecting different cultures, and using its diversity to provide superior services to its clients and their users. With this rebranding process, the Group enters a new phase of growth as one of the leading players in the European BPTO market, with the ambition of conquering the global market.

Acquisition of shares in the company Integrator holding d.o.o.

On December 20, 2022, the Group signed an agreement on the purchase and sale of business shares, which envisages the indirect acquisition of 90% of the shares in the company MPS Integration d.o.o. and a 51% stake in Integrator holding d.o.o., which owns companies that operate under the Manpower brand in the CEE region (Bulgaria, Serbia, Bosnia and Herzegovina, Croatia, Slovenia and Hungary). This represents the beginning of cooperation with Manpower International, USA in the field of Human Resources (HR) services.

Realization of the transaction based on the sales contract, was subject to the approval of the competent authorities of the Republic of Serbia. In March 2023, the Group obtained necessary approvals.

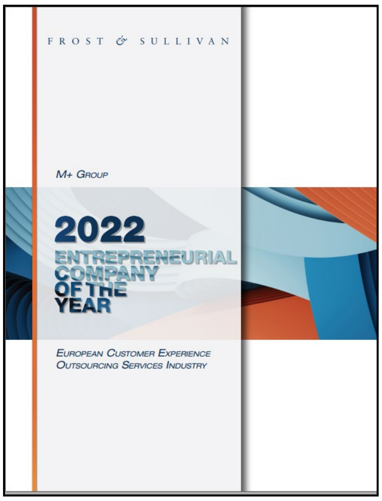
HR vertical of the Group will continue to operate under the umbrella brand Workplace. All Manpower licensed companies in six countries of the region will operate under the Workplace brand, as well as the three HR companies Smartflex, Integrator and MPS Integration in Serbia and Croatia. Workplace will have 15 companies operating in six countries. The new HR Group members achieved EUR 90 million in revenue in 2021 and employed 350 people. Our plan is to develop its business over the next three years to the level which will make it a material industry vertical in the Group through both organic growth and acquisitions.

We have ambitious plans in integrated human resources management services, selection, and employment, in which we will start applying scalable technological solutions, algorithm-driven smart technology, and implement best practices in human resources management.

The investment is estimated at EUR 5.9 million.

Recognitions and awards

Frost & Sullivan's 2022 European Entrepreneurial Company of the Year Award



The Group has been awarded the prestigious Frost & Sullivan's 2022 European Entrepreneurial Company of the Year Award for customer experience in outsourcing services industry. Frost & Sullivan, as a leading research and consulting company, applies an analytical process to evaluate nominees for each award category. The process involves a detailed evaluation of criteria across two dimensions - Entrepreneurial Innovation and Customer impact. The Group has demonstrated excellence in both areas by leveraging its cutting-edge technology and skilled talent pool to meet the rapidly growing demand for BPO delivery in Europe. The recognition by Frost & Sullivan positions the Group as a key player in driving growth and shaping the future of the outsourcing industry.

Zagreb Stock Exchange award for the contribution to the development of capital markets

The Group was awarded the annual award from Zagreb Stock Exchange for contribution to the development of capital markets. We were recognized for our continuous activity, creating value by following corporate governance standards, as well as setting goals of advancing sustainability and social equity.

Sponsorship of the Croatian National Theatre in Zagreb

In line with our values that we incorporate into our daily business operations, we aim to support the development of culture and contribute to the community. By investing funds and implementing modern technologies in culture, from introducing new communication channels to providing professional customer support, we will contribute to bringing the Croatian National Theatre in Zagreb closer to everyone, especially younger audiences who always seek faster and easier access to information.

With this sponsorship, we have brought the Croatian National Theatre in Zagreb closer to numerous European and global theatres that have been developing relationships with corporate companies for years, with the aim of investing in higher-quality theatre productions, richer repertoire, and better relations with the audience.

UN Global Compact

Mplus joined the UN Global Compact, the world's largest corporate sustainability initiative. This voluntary platform gathers more than 20,000 participants in over 160 countries committed to promoting and developing environmental, social, and economic responsibility by utilizing the Ten Principles of the UN Global Compact and the UN Sustainable Development Goals. These principles serve as normative authorities for responsible business conduct in areas such as human rights, labor, the environment, and anti-corruption.

Joining the UN Global Compact is an important step in our long-term strategy in achieving Sustainable Development Goals. With a strong sense of responsibility for the world we live in and generations to come, we are taking this initiative as a foothold for all our future activities.

4. EVENTS AFTER REPORTING DATE

Earthquakes in Turkey and Syria

Strong earthquakes up to magnitude of 7.8 on Richter scale hit Turkey on Monday, February 6, 2023. Malatya and Şanlıurfa, cities in which the Group employs about four thousand people, are situated in a strongly hit area. Ten of our employees have lost their lives in earthquakes, and a large number has lost their homes. The Group became involved in the efforts to help affected areas, and especially our employees and their loved ones. Despite facing numerous challenges, on the first day of the earthquake, Mplus Turkey formed a crisis coordination team to manage all needs and communicate with local administration. In less than 48 hours, we have started supplying food, heating, blankets, clothing, baby food, medicine, and other essentials to those in need. Furthermore, we opened our business premises to provide shelter for over 2,100 earthquake survivors, including our employees and their families, as well as other individuals in need.

The crisis coordination team has formed project teams which will cover the following areas: accelerating post-traumatic recovery, finance, sustainability, logistics and technical support, employment. Project teams will also be supported by professional psychologists and behavioral scientists to provide optimal mental health assistance.

New Mplus website

In February 2023, the new Group's website was published at www.mplusgroup.eu. This continued the rebranding process of the BPO members of the group gathered under the Mplus brand in order to provide all clients, users and employees with a harmonized and unique corporate experience, which, along with the new logo, visual identity, redefined service structure, is now completed by the new website. The emphasis is on functionality and enabling easy access to information about the Group's services and solutions.

Acquisition of non-controlling interests in CDE nove tehnologije d.o.o.

In 2023, the Group purchased the remaining 23% stake in the company CDE nove tehnologije d.o.o. thus acquiring a 100% stake in the said company.

Introduction of Euro as 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. With the decision, the euro becomes the official monetary unit and legal currency in the Republic of Croatia from 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 retroactive changes in our financial statements.

5. MARKETS, CLIENTS, PRODUCTS, AND SERVICES

HRK 1,369 million up to December 31, 2022	In 2022, the Group generated consolidated revenue in the amount of HRK 1,369 million.
12,500+ employees	With more than 12,500 employees, we are the largest employer of customer service agents in Southeast Europe.
Provision of services in 57 countries	We provide services to clients in over 57 countries, with high focus on our premium clients in the European (especially in the DACH region) and North American markets, including the USA, Canada, and Australia.
300+ clients	We provide services from a wide range of activities and from various locations to more than 300 clients. Our clients include both large companies and fast-growing start-up companies.
32 languages	With a language portfolio of 32 languages, we remain one of the few service providers of our size able to truly meet all the language needs of large global clients. Our core competencies still pertain to the languages of the region, as well as to English, German, Turkish, and Italian, with the services in said languages generating most of our revenue.

49 locations

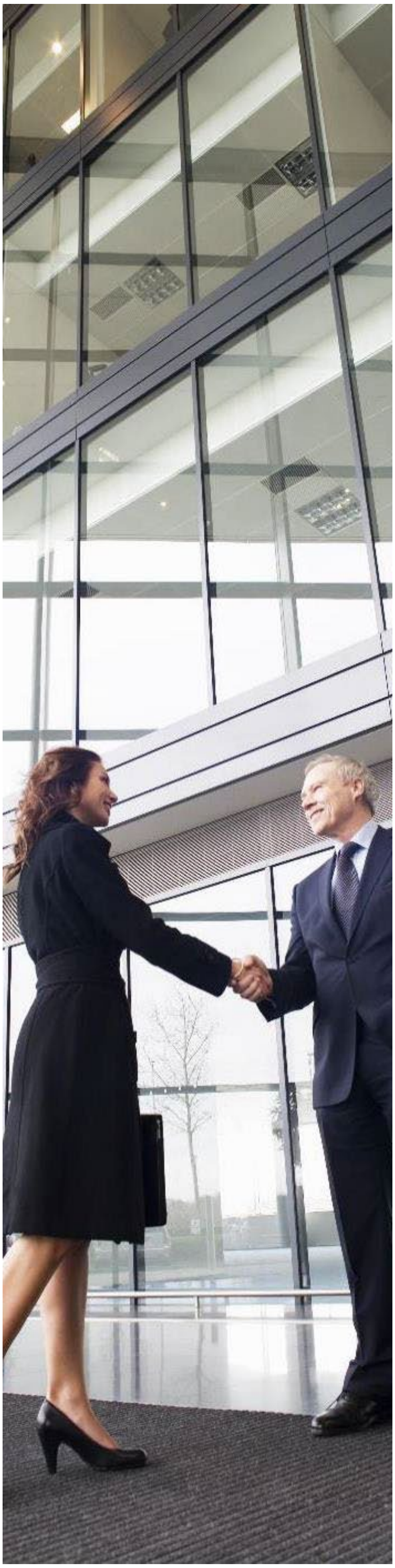
Our offices are located in:

- Ljubljana (Slovenia)
- Koper (Slovenia)
- Vipava (Slovenia)
- Zagorje ob Savi (Slovenia)
- Zagreb (Croatia)
- Osijek (Croatia)
- Sarajevo (BiH)
- Banja Luka (BiH)
- Belgrade (Serbia)
- Niš (Serbia)
- Istanbul (Turkey)
- Malatyi (Turkey)
- Urfa (Turkey)
- Bayburt (Turkey)
- Van (Turkey)
- Rize (Turkey)
- Izmir (Turkey)
- Budapest (Hungary)
- Székesfehérvár (Hungary)
- Segedinu (Hungary)
- Cluj (Romania)
- Helmstedt (Germany)
- Boitzenburg (Germany)
- Prenzlau (Germany)
- Leipzig (Germany)
- Lüneburg (Germany)
- Magdeburg (Germany)
- Potsdamu (Njemačka)
- Sangerh (Germany)
- Halle (Germany)
- Braunschweig (Germany)
- Bielefeld (Germany)
- Bremen (Germany)
- Nordhausen (Germany)
- Maspalomas (Spain)
- Bucharest (Romania)
- Amsterdam (Netherlands)
- Giubiascu (Switzerland)
- Londonu (UK)
- Charlottesvilleu (USA)
- Atlanta (USA)
- Tbilisiju (Georgia)
- Bratislava (Slovakia)
- Riga (Latvia)

Markets

We provide services to clients on 5 continents in 57 countries around the world:

1. Albania
2. Angola
3. Argentina
4. Armenia
5. Australia
6. Azerbaijan
7. The Bahamas
8. Barbados
9. Belgium
10. Belize
11. Bolivia
12. Bosna and Herzegovina
13. Brazil
14. Bulgaria
15. Cape Verde
16. Cameroon
17. Canada
18. Chile
19. Colombia
20. Croatia
21. Cyprus
22. Democratic Republic of the Congo
23. Denmark
24. Ecuador
25. Ethiopia
26. France
27. Germany
28. Greece
29. Guyana
30. Ireland
31. Israel
32. Italy
33. Jamaica
34. Kenya
35. Macedonia
36. Mexico
37. The Netherlands
38. Paraguay
39. Peru
40. Portugal
41. Rwanda
42. Senegal
43. Serbia
44. Slovenia
45. Republic of South Africa
46. Spain
47. Sweden
48. Switzerland
49. Tanzania
50. Trinidad and Tobago
51. Türkiye
52. UAE
53. Uganda
54. UK
55. Uruguay
56. USA
57. Zambia



Clients

The Group was able to impressively maintain and expand its leading market position in the respective local markets. In 2023, the Group is operating out of 49 locations in 16 countries with more than 12,500 employees. Customer base has increased to more than 320 clients in various sectors whereas financial services, e-commerce, technology, and utilities were contributing the strongest growth.

The Group is focused on establishing partnerships with leading clients from various industries by providing end-to-end solutions and sees an opportunity in the acquisition of new international clients with whom activities are underway. A part of the clients has increased their willingness to outsource CRM services, or their current BPTO service providers are unable to respond to their needs.

Thus, the Group was able to run services from existing regions with increasing numbers by the WFH model generating more flexibility for both customers and employees. The strong path of growth with existing customers could be obtained plus efficiently new logos were onboarded in various segments e.g., banking, tech, and mobility. Here, among other things, the complexity of individual customer relationships has increased further by not only increasing the number of services per customer, but also the number of regions from which these services are provided. This interlocking with customers has made the Group a virtually irreplaceable partner.

Concurrently, additional regions and country markets were opened with local operating units, and the Group now welcomes Romania, Slovakia, and the Baltic states.

Besides omnichannel based communication solutions the Group has constantly widened its product portfolio giving raising emphasis to digital interaction solutions, Automation/RPA and process consulting. With the latter, a major German bank was acquired as a customer, whereby a specific outsourcing relationship was further developed from a process optimisation lasting several weeks.

Within the year the Group was able to support an increasing number of existing customers with nearshore and offshore solutions moving to countries such as Turkey, Croatia, Romania and Serbia. This model has developed to a success model showing capabilities and flexibility especially for Groups demanding customers in the e-commerce, logistics and utility sector, fostering relationships, and increasing customer loyalty.

Locations

The Group currently provides contact center services in 34 locations in 9 countries in Southeast Europe, Germany, and Spain.

- Ljubljana (Slovenia)
- Kopar (Slovenia)
- Zagreb (Croatia)
- Osijek (Croatia)
- Sarajevo (Bosnia and Herzegovina)
- Banja Luka (Bosnia and Herzegovina)
- Beograd (Serbia)
- Niš (Serbia)
- Istanbul (Turkey)
- Malatya (Turkey)
- Izmir (Turkey)
- Bayburt (Turkey)
- Van (Turkey)
- Rize (Turkey)
- Urfa (Turkey)
- Helmstedt (Germany)
- Boitzenburg (Germany)
- Tbilisi (Georgia)
- Prenzlau (Germany)
- Leipzig (Germany)
- Lüneburg (Germany)
- Magdeburg (Germany)
- Halle (Germany)
- Sangerh (Germany)
- Braunschweig (Germany)
- Bielefeld (Germany)
- Bremen (Germany)
- Nordhausen (Germany)
- Maspalomas (Spain)
- Bucharest (Romania)

Research and development ("R&D") centers have been established in 5 locations. Their focus is on the development of new technologies, artificial intelligence ("AI"), machine learning, and contact center software:

- Zagreb
- Ljubljana
- Belgrade
- Istanbul
- Budapest

Products and Services

Contact Center Services

The Group is one of the largest providers of **business process and technology outsourcing** ("BPTO") services (BPO) in the region. The Group provides a wide range of BPTO-CRM solutions structured around a multi-channel (telephone, email, chat, and social networks) and multilingual (32 languages) customer experience platform, primarily through the contact center.

In addition to its **contact center** services, the company also offers **IT services** (CEP, CRM, the Buzzeasy contact center software, video identification (SaaS), and the development of specific software solutions), robotic process automation ("RPA"), and **human resource management services** (selection and identification of potential staff and temporary employment), developed as complementary services to said core activities. By merging all three business lines, the Group offers a unique platform for improving the business of its clients.

The provision of contact center services is the core activity of the Group (consisting, among other things, of the provision of inbound and outbound services, insource and outsource models, voice and non-voice services, back-office services, and video identification services).

At the heart of our Group's business lies the provision of customer service on different channels, such as the voice channel (incoming and outgoing calls), email, ticketing systems, chat, and, most importantly, digital contacts, especially on platforms such as Facebook, LinkedIn, WhatsApp, Viber, Social Listening, Twitter, etc. Our contact with customers takes place 24 hours a day, seven days a week.

Corporate clients are also provided with the service of peak capacity management (Overflow handling), where clients have their own call centers, but during peak flow, when their operators cannot answer all inquiries, they can transfer excess calls to the call center of the Group and provide their customers with a prompt and professional response to inquiries. The portfolio also includes customer data verification services, the optimization of the sales and order management process, debt collection, and identity verification via video, a simple and extremely safe security measure for the verification of the identity of online users.

Contact center services are also characterized by the application of high-tech IVR solutions, chat bots, and artificial intelligence robots that always ensure the effectiveness of the offered solutions.

We also provide business support to our clients through business analytics services that include the collection, verification, storage, protection, and processing of data in order to provide reliable and timely operations reports.

IT services

At the Group, we deeply believe that technology is fundamental in providing differentiated, outstanding customer service. We have acquired technology companies that gave us a range of solutions providing the highest levels of digitalization, automation, and self-service without any compromises with respect to quality. Furthermore, we have invested internally to create products and solutions catering to the most advanced customer care scenarios.

The focus when investing into IT companies is to acquire businesses that have products and services that the Group can widely utilize in its daily operations, together with having the portfolio that can be successfully commercialized in the open market. Mplus has acquired the following IT companies: Calyx, Geomant, and Bulb Technologies.

Operating since 2007, Calyx provides tailored software solutions to meet customers' specific needs. The company delivers integration and development services to our clients, helping them solve some of their key challenges.

With offices across the globe and certified by leading technology providers including Avaya, Microsoft, and Cisco, Geomant is a well-established, innovative Software Developer and Systems Integrator specializing in solutions that improve the operations of a contact center. Operating in two business units and being recognized as the prime Contact Center System Integrator, Geomant created Buzzeasy product. Buzzeasy platform is a unique customer interaction platform enabling one to transform a traditional contact center into a customer interaction center. It uses voice, e-mail, SMS, chat, and social networks within a single platform, along with complete business management tools. These tools are used for the creation of advanced segmentation, as well as in every interaction with the target group. On top human customer care interactions, they enable implementation of fully automated BOT omni-channel communication. In December 2022 Geomant received Microsoft product certification for Buzzeasy, making it one of only a handful companies in the world to have it.

Bulb Technologies is a software company focused on the digitalization of customer support and customer engagement through solutions for customer-facing departments and self-service applications. Based on years of experience and proven capabilities to deliver complicated CEM projects, the company has created the Cempresso CEM product suite, a next-generation solution that offers a new approach to automated end-to-end diagnostics, guided troubleshooting, and analytics. The latest development by Bulb Technologies is Digital Self-Service, pioneering the entire Customer Service market, using advanced machine learning / AI to provide self-care scenarios. This solution enables customers to receive support and answers to their simple or complex queries through the automatic, guided interaction via any channel, removing waiting times and delayed responses.

IT Solutions developed by the operational BPO companies

To provide advanced solutions to our BPO customers, increase efficiency of the operations and achieve differentiation in the market, our operational companies have created some outstanding solutions in the IT area.

Mplus Turkiye has developed the multi-channel customer relations management platform Workspace, as well as the interactive Smart Agent knowledge sharing software, which greatly shortens the employee training and education process. Combined, these two solutions create an excellent CRM system, particularly tailored for the Contact Center industry.

Also, Mplus Turkiye created Totti – an RPA (robotic process automation) solution for business process automation. By imitating human actions, this solution masters repetitive tasks such as filling out different forms, retrieving data from the web, creating calculations, etc.

Mplus Serbia has developed the BA Framework, which is used for creating advanced reporting across any line of business and mixing the data from any source. It is a flexible set of interlinked solutions, processes and data models easily adaptable to clients' set of needs and preferences, that can be evolved and/or scaled to accommodate any business environment.

Quality management and information security management

Quality management and information security management are central to the Mplus Group's operations. Accordingly, we continuously set the highest quality standards, investing in quality monitoring and management systems, and monitoring regional and global trends in areas relevant to the quality of services we provide.

To ensure the quality and information security of our business, we have established a system of triple review:

1. Internal audit
2. External audit
3. Customer audit

As a Group, we are committed to continuous assessment and investment in the latest knowledge and technology to maintain the highest data security measures available on the market. We are convinced that we are well equipped to meet all legal and non-legal requirements related to the data security of our clients and users around the world.

Group holds relevant ISO certificates, including but not limited to:

- ISO 27701 Personal Data Management System
- ISO 37001 Anti-Corruption Management System
- ISO 9001 Quality Management
- ISO 27001 Information Security Management System
- ISO 22301 Business Continuity Management System
- ISO 18295-1 Contact Center and Customer Relationship Management Services
- ISO 10002 Multichannel Contact Center and Customer Relationship Management Services
- ISO 20000-1 Information Technology Service Management
- ISO 45001 Occupational Health and Safety Management System

In addition, Geomant's Buzzeasy omni-channel contact centre product was certified by Microsoft in Dec 2022. It is a thorough certification and only 17 companies globally have obtained it.

6. GROUP MEMBER COMPANIES

Contact Center services

- M Plus Croatia d.o.o.
- M+ Agent d.o.o.
- M+ BH d.o.o.
- Trizma d.o.o.
- Trizma GS d.o.o.
- Linea Directa d.o.o.
- CDE Nove tehnologije d.o.o.
- CMC iletişim ve Çağri Merkezi Hizmetleri A.Ş.
- RGN iletişim Hizmetleri A.Ş.
- Meritus Georgia LLC
- Invitel GmbH
- BusinessLine GmbH
- Invitel Halle GmbH
- Invitel Helmstedt GmbH
- Invitel Leipzig GmbH
- Invitel Lünenburg GmbH
- Invitel Magdeburg GmbH
- Invitel Prenzlau GmbH
- ISF MicroUnits GmbH
- SalesKultur GmbH
- Simon & Focken Bielefeld GmbH
- Simon & Focken Braunschweig GmbH
- Simon & Focken Bremen GmbH
- Simon &Focken S.L.U.
- M Plus Smart Hub Romania SRL
- M+ Slovakia, S.R.O.
- SIA M+ Latvia

IT services

- Bulb d.o.o.

- Calyx d.o.o.
- Geomant – Algotech Zrt.
- Geomant Srl
- Geomant UK limited
- Inova Solutions Inc.

- CDE IT d.o.o.

HR services

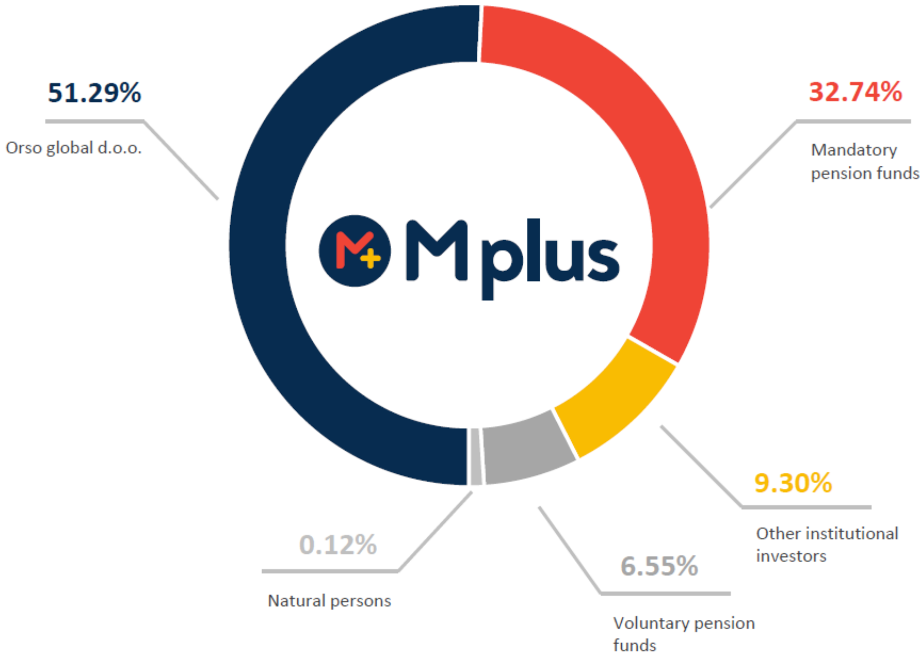
- Smart Flex d.o.o.
- Smart Flex Sourcing d.o.o.

Other Companies

- Technology Services Holdings B.V.
- Meritus Plus Centar d.o.o. Beograd
- Trizma Plus d.o.o. Beograd
- Meritus Global Real Estate Management d.o.o.
- Meritus Global technology d.o.o.
- Meritus Global Strategics d.o.o.
- Geomant Global d.o.o.
- Bulb Upravljanje d.o.o.
- Pit insan Kaynaklari ve Danişmanlik A.Ş.
- ISS Sigorta Acentelik Hizmetleri A.Ş.
- M+ Deutschland BPTO GmbH
- Moderna Ventures B.V.
- Moderna Ventures S.A.
- TVPD Holdings B.V.
- Dvorec Zemono d.o.o.
- Global People Solutions d.o.o.
- Real Estate Development projekti - Projekt Vukovarska d.o.o.
- Go Health d.o.o.

7. OWNERSHIP STRUCTURE

Ownership structure as at December 31, 2022:



The ten largest shareholders of the Company as at December 31, 2022, were:

	Shareholders	Percentage of shares (%)
1	Orso Global d.o.o.	51.29
2	OTP BANKA d.d./ERSTE PLAVI OMF - Category B	9.55
3	ERSTE & STEIERMARKISCHE BANK d.d./PBZ CO OMF – Category B	9.31
4	HPB d.d./Fond za financiranje razgradnje NEK	8.41
5	OTP BANKA d.d./AZ OMF Category B	7.96
6	Raiffeisenbank Austria d.d./Raiffeisen Dobrovoljni Mirovinski Fond	4.16
7	Privredna banka Zagreb d.d./ Raiffeisen OMF Category B	4.10
8	Zagrebačka banka d.d./AZ Profit Otvoreni Dobrovoljni Mirovinski Fond	1.39
9	Privredna banka Zagreb d.d./ Raiffeisen OMF Category - A	0.74
10	ERSTE & STEIERMARKISCHE BANK d.d./PBZ CO OMF – Category - A	0.59

8. ORGANIZATIONAL PROFILE OF THE GROUP

Mplus Group consists of the parent company, Meritus ulaganja d.d. which is listed on the Official Market of the Zagreb Stock Exchange, and 54 subsidiaries in Croatia, Slovenia, Serbia, Bosnia and Herzegovina, Hungary, Netherlands, Switzerland, Romania, Turkey, Germany, Georgia, Slovakia, Latvia, Spain, United Kingdom and USA. The structure of the Group's organization and the list of members can be found in item 6 of the Report.

Name:	Meritus ulaganja d.d. za upravljanje društvima
Address:	Zagreb, Ulica Vjekoslava Heinzela 62A
Date of establishment:	November 28, 2018, Commercial Court in Zagreb
OIB:	62230095889
MBS:	81210030
Activity code:	70.10 Management activities
Share capital:	HRK 98,203,200.00 fully contributed in kind and rights and divided into 982,032 ordinary registered shares without nominal amount.
Listing on the stock exchange:	August 6, 2019, Official Market of the Zagreb Stock Exchange
Share symbol:	MRUL, 982,032 ordinary shares

Management board

The Management Board of the Company consists of two members. The function of the President of the Management Board is held by Mr. Darko Horvat, and the function of a member of the Management Board is performed by Mr. Tomislav Glavaš. In 2022, the composition of the Management Board did not change.

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

The Management Board is appointed and dismissed by the Supervisory Board of the Company. The term of the members of the Management Board is up to five years, with the possibility of reappointment.

Remuneration for work in the Management Board is carried out in accordance with the Remuneration policy for the members of the Management Board approved by the General Assembly on June 30, 2020. Members of the Management Board are entitled to fixed remuneration defined by their employment contract with the Company or an affiliated company of the Company, in accordance with the provisions of the law governing labor relations, other regulations, and internal acts of the Company. In addition to the fixed part of remuneration, members of the Management Board are also entitled to a variable part of remuneration, i.e., bonuses, which will be determined and paid in accordance with the decision of the Supervisory Board and criteria defined by the Supervisory Board.

Following the above, in 2022, the members of the Management Board were paid the following remuneration in gross (I) amounts:

REMUNERATION OF MANAGEMENT BOARD MEMBERS IN 2022						
Member	Fixed remuneration	%	Variable remuneration	%	Total	%
Darko Horvat	HRK 302.030,35	100%	HRK 0,00	0%	HRK 302.030,35	100%
Tomislav Glavaš	HRK 1.045.230,73	100%	HRK 0,00	0%	HRK 1.045.230,73	100%

In addition to the above, the Company or its affiliates paid other payments to the following members of the Management Board during 2022:

- a subsidiary of the Company, M Plus Croatia d.o.o approved and made available a loan in the amount of HRK 932.375,46 to **Tomislav Glavaš**.
- a subsidiary of the Company, M Plus Croatia d.o.o. approved and made available a loan in the amount of HRK 1.007.758,59 to **Darko Horvat**.

Supervisory board

The Supervisory Board consists of five members. At the time of compiling this report, the Supervisory Board consists of the following members:

1) Mrs. 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 from April 17, 2023, where she was appointed as the new President following the resignation of Mr. Sandi Češko, the member and president of the Board, 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.

The Supervisory Board supervises the affairs of the Company in accordance with the Articles of Association, the Policy of operations of the Supervisory Board, and legal regulations. 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. Members of the Supervisory Board are elected for a period of up to four years, starting from the date of the decision on their appointment, and the same persons may be re-appointed.

Remuneration to members of the Supervisory Board is paid in accordance with the decision of the General Assembly of June 30, 2020, which, in addition to the amounts provided for payment, also defines the dynamics of payment, until a different decision of the General Assembly is made.

The remuneration paid to the members of the Supervisory Board does not include variable elements or other elements related to business performance. It is paid in a monthly lump sum, and no payment of remuneration in shares is envisaged.

Following the above, in 2022, the members of the Supervisory Board were paid the following remuneration in gross (I) amounts:

REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD IN 2022		
Member	Fixed remuneration	Note
Sandi Češko	HRK 60.000,00	
Igor Varivoda	HRK 0.00	He waived his right to compensation of a member of the Supervisory Board until the revocation of the Statement on resignation or termination of membership in the Supervisory Board.
Tamara Sardelić	HRK 60.000,00	
Hrvoje Prpić	HRK 60.000,00	
Joško Miliša	HRK 60.000,00	
Ulf Gartzke	HRK 60.000,00	
TOTAL	HRK 300.000,00	

In addition to the above, the Company or its affiliates paid other payments to the following members of the Supervisory Board during 2022:

- - Mr. Sandi Češko, Chairman of the Supervisory Board, is a member of the company Kanatol Holdings Ltd, Cyprus, to which the Company's subsidiary, Meritus Global Strategics d.o.o., paid the gross amount of 4,072,723,78 HRK in 2022 based on the concluded Loan Agreement and the Annex to the Loan Agreement, and based on the invoices of the company Kanatol Holdings Ltd, Cyprus and the corresponding Assignment Agreement, the amount of 98,138.01 HRK was paid in the name and for the account of Kanatol Holdings Ltd, Cyprus to the company TMF Administrative Services Cyprus Ltd.
- In January 2018, Igor Varivoda**,** Deputy President of the Supervisory Board, entered into an Agreement on the provision of consulting services with the Company's subsidiary, Meritus Plus d.o.o., whose legal successor, after the procedure of merging the company with another company, takes over the subsidiary M Plus Croatia d.o.o., where he was paid fees in the gross amount of HRK 211.787,53 based on the said Agreement for the period from 01.01. – February 28, 2022, the date on which the duration of the Agreement ended. In March 2022, he entered into an Agreement on the provision of consulting services with the subsidiary of the Company, Linea Directa d.o.o., Ljubljana, where, based on the Agreement in 2022, he was paid a gross amount of HRK 640.082,45.
- In December 2017, Tamara Sardelić, a Member of the Supervisory Board, entered into a Legal services agreement with the Company's subsidiary, Meritus Plus d.o.o., whose legal successor, after the procedure of merging the company with another company, takes over the subsidiary M Plus Croatia d.o.o., where she was paid a fee in the gross amount of HRK 105.000,00 for 2022, based on the said Agreement.

Existence of branches of the Company

The Company has no established branches and operates only through subsidiaries.

Information on the acquisition of the Company's treasury shares

The Company did not acquire treasury shares in 2022, nor do the members of the Management Board and the Supervisory Board hold shares in the Company.

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

- the total number of the Company's shares acquired pursuant to this Decision, together with the Company's treasury shares already held, may not exceed 10% (ten percent) of the Company's share capital at the time of acquisition;
- the Management Board of the Company must acquire treasury shares on the regulated securities market;
- 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;
- in the business year in which the Company acquired treasury shares, it must enter 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 for the last business year do not become less than the amount of share capital and reserves required by law, Articles of Association, or decision of the General Assembly of the Company, and which may not be used for payments to shareholders and

- 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.

Company activities in the field of research and development

In 2022, the Group invested in research and development in the amount of HRK 33 million. This amount relates to software and application development investments, primarily in companies from the Group's IT segment.

9. RISK MANAGEMENT

Risk factors related to the Company, or its activities or risk factors related to subsidiaries of the Group are presented in abbreviated form. Here are the most significant risks related to the Company and the Group:

Business environment risk

The risk of the Company's business environment is related to the risk of the Republic of Croatia, which is a stable parliamentary democracy, a member of the European Union, Euro zone, and NATO. The Republic of Croatia is considered to be stable political and economic member of the European Union. The credit rating of Republic of Croatia has been increased to BBB (by Fitch) that was also result of the Republic of Croatia entering EURO zone as of 1 January 2023. The more orderly and transparent the market, the greater the opportunity for foreign investors to invest, and the less impact of political and economic crises on the capital market is to be expected.

The business environment risk of subsidiaries is related to the countries in which the subsidiaries operate, i.e., Germany, Republic of Slovenia, Bosnia and Herzegovina, Turkey, Hungary, Republic of Serbia, and others. While business environment risk in countries of European union is considered to be low in some countries like Turkey and Serbia due to the political and economical turmoil that these countries are going through the risk could be considered to be moderate. The current economic and political situation in these countries is stable and both countries are showing positive economic trends and are opened and attractive to investors.

Taking all into the consideration the Group manages the risk of the business environment through regional diversification of the place of doing business.

Price risk

The Group's operations are exposed to price risk related to changes in the prices of services necessary to perform its activities. The Group's procurement function manages strategic procurement categories and key suppliers by developing partnerships with both existing and new suppliers to mitigate these effects. The Group in general manages inflation risk by setting the price of contractual relationships in contracts, in which the price of services or products is indexed to inflation.

The Group is specifically exposed to the price risk fluctuations in relation to the electricity prices as well as to the fluctuations of the telecommunication prices that are affected by the energy crisis. The Group managed to mitigate these risks through its procurement process while in some countries governments have introduced specific energy frameworks that decreased the impacts of the increase of energy prices.

The Group is also exposed to the hyperinflation in Turkey but that risk has also been mitigated. The Group also in accordance with International Financial Reporting Standard implemented International accounting standard 29: Financial reporting in Hyperinflationary Economics (the “IAS 29”) to reflect hyperinflammatory economic environment in its financial statements.

Currency risk

Currency risk includes transactional and balance sheet risk. Transaction risk is the risk that changes in foreign exchange rates will adversely affect cash flows from operating activities. Balance sheet risk is the risk that the value of net monetary assets denominated in foreign currencies will be lower when translated into HRK because of changes in foreign exchange rates.

By Republic of Croatia entering Eur zone on 1 January 2023 the risk due to the changes of Euro exchange rates to HRK has been eliminated so that the Company and Group currency risk has been significantly decreased. Currently Group is exposed due the fluctuation of the exchange rates of Turkish lira as well as in fluctuation of Serbian dinar. The Group is managing this risk through the appropriate currency structure of its balance sheet. The fluctuation of these currencies during 2022 did not have negative impact on the Group operations.

Liquidity and cash flow risk

The Company and the Group manage liquidity risk by setting appropriate frameworks for managing this risk to manage short-term and long-term financing and liquidity requirements and maintain adequate reserves and available borrowing lines.

This is the result of continuous monitoring of planned and realized cash flows and monitoring the maturity of receivables and liabilities of the Company and the Group in relation to their customers and suppliers, banks, and other financial institutions. In addition, cash flows are continuously monitored and analyzed with the aim of optimal liquidity management to ensure a sufficient level of cash for business needs.

Competition-related risk

In the BPTO industry in general and the contact center industry specifically, there is no strong competition in the sales process between BPTO service providers because the greatest growth potential is found in taking over relevant processes that are still handled in-house by clients.

The Group manages the risk of the business environment through the diversification of the customer base and the continuous improvement of the quality management system.

Interest rate risk

Interest rate risk is the risk of negative business effects due to changes in interest rates.

The Group manages the risk of changes in interest rates by contracting borrowings in the currencies of its revenues. While in periods up to end of 2022 the interest rate risk due to the overall credit markets was minimal it is expected that going forward the interest rate risk will increase. The Group has already taken all necessary steps to mitigate that risk going forward by agreeing preferable market conditions on all of its credit lines with its major credit institutions.

Credit risk

Credit risk is reflected in the risk of collection of receivables from customers. The Group manages credit risk through the selection of reputable global and regional companies as clients and continuous monitoring of clients' operations, as well as ensuring that the Group has no other financial assets and, therefore, no additional credit risk that would lead to the increase in provisions for impairment of customers and other receivables. The Group is not significantly exposed to small number of customers so that its credit risk is spread over significant number of customers.

Risk of changes in tax regulations

The Group has, to some extent, protected itself from the risk of changes in tax regulations through geographical diversification of its operations in 16 countries, which significantly reduced the impact of possible changes in tax regulations in any of these countries on the overall business of the Group. The current tax regulations framework in all countries in relation to the Company and its subsidiaries is stable and as such has limited impact on the Group operations.

Risk of losing in litigation disputes

The Company is not at risk of losing in litigation disputes because it is not involved in any material proceedings. Subsidiaries are involved in a few disputes as an active party, primarily in collection proceedings, while as a passive party, they appear in several, primarily labor law, proceedings. However, given the number of such proceedings, the status of such proceedings, and the possible financial exposure, the Group risk of losing in litigation disputes is not material.

Workforce attrition risk

The Group is indirectly exposed to workforce attrition risk due to the fact that contact centers, as a labor-intensive industry, are the main Group business segment. The Group's inability to have and secure a sufficient number of employees might have a negative impact on the business, financial position, and business results of the Group. With the geographical diversification of business operations, especially by expanding to the territory of Turkey and Serbia, the risk of lack of human resources is reduced due to the "nearshoring" strategic business model.

However, if the Group is not able to attract and retain workers with the necessary knowledge and proficiency in foreign languages, the Group will be exposed to the risk of lost profits, increased wage costs, and additional costs in terms of employee training.

Risk of economic cycles

The Group operates mainly within the framework of the BPTO industry and does not suffer from significant cyclicality. At the time of the expansion, the BPTO sales model was focused on quality customer support and sales results. Conversely, in times of recession or contraction, the emphasis is on the cost reductions that BPTO provides to customers. In this sense, the Group manages the risk of economic cycles through the management of diversified commercial supply.

Industry risk

The BPTO industry, as well as customer relationship management, covers a wide range of services that, as such, are not exposed to specific regulatory or legal frameworks that could significantly affect the industry (such as construction, automotive, etc.). Therefore, the industry risk is reflected in the negative trends of business process automation and the use of artificial intelligence (AI), which may take over a part of the market volume in the coming period.

The Group actively manages industry risk by investing in service quality and focusing its sales channels on so-called premium clients who require services of high quality and complexity. By investing in new generation technology, the Group anticipates future trends and provides an adequate level of service with more modern solutions for artificial intelligence and machine learning.

10. EXPECTED FUTURE DEVELOPMENT OF THE COMPANY AND GROUP

The BPTO industry is very dynamic, with stable growth in recent years and great potential for migration of the still largely "in-house" customer support to externalized solutions. Global trends indicate an increasing willingness to outsource customer support due to growing customer expectations in terms of service quality, communication channels, and the necessary capacity management knowledge. The war in Ukraine has a global impact on the economy, economic growth, and decisions of market participants. In the BPTO segment, there is a continued consolidation of the market. It is to be expected that it will continue.

The key trends are increased share of artificial intelligence (AI) in communication with users; b) higher consumer expectations in terms of user experience through different communication channels; c) closure of physical places of business; d) greater intensity and complexity of interactions with users; e) service automation becoming the standard; f) "self-service" solutions such as chatbots and other tools that allow users to choose to interact with clients.

Various business indicators suggest that the BPTO market segment focused on digital solutions growth, artificial intelligence, business automation, with a higher share of high value-added services, has the potential to grow at double-digit rates over the next five years using market opportunities to acquire high-value clients and consolidating companies whose profile complements the development strategy. Investments in new technologies and the development of proprietary software provide a wide range of offers to even the most demanding customers, including process automation, more efficient business operations, and increased customer and employee satisfaction.

The closing of physical businesses is a big trend in the global retail market. This trend is helping to increase the volume of BPTO as reducing the number of retail outlets reduces physical interactions, thereby increasing remote interactions such as voice calls, as well as chat and email services. This is a very strong positive trend for the Group. While part of the physical interactions will become digital and automated, a larger share will go to remote contact via email, chat, and voice calls.

The COVID-19 pandemic has further accelerated cost optimization trends and increased company focus on core business. The need for digitalization of business operations and interaction with customers at a distance further opened the space for the growth of BPTO services. The COVID-19 pandemic also highlighted the importance of Business Continuity Management (BCM) and ensuring business continuity in a variety of crisis situations. As an increasingly present trend, nearshoring allows the clients to incur lower costs, often with minimal cultural and time differences in service delivery - as opposed to offshoring models. In this regard, the Group has positioned itself as one of the leading providers of nearshoring services and will continue to expand its capacity organically and inorganically, especially for the DACH region. Efficient M&A processes with carefully selected target companies, such as the recent acquisition of the Invitel Group in Germany, confirm the strategic direction while increasing nearshoring potential. The Group is considering further expansion in Western Europe, which could potentially lead to significant synergies, more efficient use of capacity, and make up a dominant share in the Group's operations. Considering the war in Ukraine, the Group will make all investment decisions in accordance with the current situation and assess the effects on business operations and macroeconomic opportunities. The growth rates of the BPTO segment are above the GDP growth of all our markets, and the most significant risks are the ability to maintain profitability due to wage growth caused by inflationary pressures. The Group has established successful price management mechanisms to maintain a targeted profitability margin.

The Group pays significant attention to sustainable operations and is in the process of developing a comprehensive sustainability strategy and increasing energy efficiency. Caring for the environment and achieving a positive "carbon footprint" can also be achieved by investing in sustainable energy projects that will provide the Group with long-term value while achieving the ESG goals and reducing energy dependence.
The presented trends and expected trends refer to the trends in the market of services provided by the Group, and the figures are approximate and refer to the expected market trends with regard to current conditions, provided

that there are no unexpected disturbances or changes in the future. However, these figures should in no way be construed as predicting or estimating the profits of the Company or the Group.

The Group at the end of the 2022 has signed an agreement to acquire controlling stake in the Integrator Holding that owns companies in six countries. The companies holds Manpower license to provide Human resource (“HR”) services. The Manpower is one of the biggest HR global companies. By doing this the Group has increased its presence on the HR market in the region and showed that is has significant plans to further develop its HR operations in near future.

The Group also during 2022 entered more significantly real estate market and e-commerce market by acquiring several entities showing its determination to diversify its portfolio of investments and operations. Similar trends are expected also going forward.

11. EMPLOYEES

The Group's results in 2022 are primarily based on employees' commitment, responsibility, and knowledge. Human capital is the Group's key comparative advantage and its most important source of success.

The Group is a diverse working environment with employees of different nationalities, abilities, and ages. In 2022 the focus was to further build company business strategy and culture around employee and customer experience, through revisiting Group values and the employee value proposition in the post-pandemic time.

As the Group switched its working model during and post-pandemic from fully office based (92% prior pandemic) to 90% remote/hybrid in 2022, it is very important to monitor the effects of this change on employee wellbeing and engagement. A company-wide engagement survey was launched in 9 languages with additional sections fully related to self-perceived health and wellbeing to understand how particular engagement factors - such as benefits, pay, working conditions, management, teamwork etc. impact or may impact engagement and what are the action steps to address those particular factors. The insights gained from the survey, together with the employee/candidate journey mapping initiative shaped HR strategy and operations in 2022.

In 2022 the Group revisited its mission and vision and conducted a series of cross-site workshops with employees on all levels to re-build the Group values. This contributed to better understanding of the Group Employee Value Proposition and what differentiates the Group as an Employer, internally and externally. Social media campaigns in close alignment with global rebranding initiative were launched in 2022 across multiple countries to reach new candidate pools, also extended due to remote work opportunities.

New Group values (Unity, Think big, Passion, Respect and Customer Focus) are embedded and will continue to be so in 2023 in all Group HR systems (recruitment, performance management, career development and retention). The Group Employee development strategy's main pillars are: fast-forward development of leaders (in cooperation with renowned universities), internal knowledge sharing through internal academy and cross-border mentorship program.

In 2022 the Group conducted its first Mini-MBA 8-month program in collaboration with KOÇ University with 44 mid-level managers to focus on their leadership skills development and their professional business MBA certification, as the participants received the professional MBA certificates at the end of the program.

In support of a mutual learning culture inside the organization we established a mentoring process by identifying 27 volunteer mentors and providing them with training to share their knowledge and experience to mentees across the organization.

The Group continues to promote internal cross-border mobility for employees as a growth & development opportunity impacting horizontal mobility and cross-border best practice knowledge sharing.

Diversity, Equality, and Inclusion are embedded in The Group HR policies (from recruitment to retention) aimed at promoting equal opportunities and conditions for all employees in a healthy working environment, in accordance with the requirements of our industry.

The Groups' HR function continues to adjust to significant employee growth across multiple countries (see graph below) by introducing an agile HR organization, digitalization of HR processes (one common HR Information System, Applicant Tracking System and Learning Management System) while building HR competencies for a new era.

More details on topics and issues related to employees, their rights, and the cooperation with the local community will be included in a separate Sustainability Report for 2022 for the entire Group. The Report and other important topics mentioned here will be elaborated on and presented in more detail to give stakeholders a broader understanding of the Group's economic and social impacts.

12. SOCIAL RESPONSIBILITY

Considering the central role of people in our values, the Group has made ethical organizational principles, good corporate governance, and professional ethics the pillars on which its activities are based. Our determination to do business in an ethical and honest way makes us work to be as beneficial as possible to our employees and the communities in which we operate. Therefore, we take human rights and the promotion of diversity very seriously. We also work with local communities on issues affecting vulnerable groups and, accordingly, offer employment and training opportunities.

To improve the quality of life in the communities in which we operate, the Group promotes social responsibility, creativity, innovation, and excellence in business.

It places significant emphasis on providing social benefits and respecting the culture of our unique communities while having a zero-tolerance policy for human rights violations. It is committed to promoting diversity. Qualifications, work, knowledge, and experience are the only factors considered when hiring, and they determine salaries and promotions. We are constantly working to further improve working conditions and nurture good relationships with employees, other stakeholders, and the entire community.

Environment, health, and safety are at the top of our priorities, and we are determined to continue working on adjusting our business processes and internal policies in this direction. Therefore, in late 2022 we have launched an additional internal audit of all business processes and internal policies at the Group level, as well as a stakeholder analysis, which will affect the definition of the sustainability orientation of the the Group.

In 2022, the Company prepared and published the second Sustainability Report of Mplus, which includes economic, environmental, and social indicators covering the 2021 period. It provides stakeholders with insight into the Group's efforts in the field of sustainability. By preparing this report, the Company has transparently presented its activities and effects in terms of the Group's social responsibility. We are determined to continue this practice in future periods. Our goal is to make our sustainability reports an example for the industry and demonstrate as transparently as possible the Group's commitment to contributing to the world around us, both through our business's direct and indirect impact. The Company is currently in the process of drafting the Sustainability Report for 2022, which should be published in the first half of 2023.

Environmental notices

At the Group, we have a strong commitment to creating better working conditions for our employees, a cleaner environment, and a reduction of the carbon footprint. Our ambition is to constantly promote greater environmental responsibility and climate mitigation. The Company has adopted a Policy on risks related to environmental and community impacts, which is aimed at understanding, managing, and mitigating risks that could have a negative impact on the environment and community.

The environment will continue to be a high priority for the Company and the Group. As time passes, we will continue to update the business processes and business policies of the Company and the Group and encourage employee awareness of environment-friendly thinking and environment-friendly action. During last quarter the Group started with creation of Group Environmental policy and related frameworks such as: Waste management, Paper management, Facility management, Mobility management. With aim to implement groupwide principles to manage all environmental risks, group polices are precondition for the implementation of strategic initiatives and measures to reduce GHG emissions

More details on environmental topics and issues, including the Group's approach to environmental issues and concrete results, will be included in the already mentioned separate 2022 Sustainability Report for the entire Group.

Taxonomy Regulation

As it is subject to non-financial reporting obligations in accordance with the Accounting Act (Official Gazette NN 78/15, 134/15, 120/16, 116/18, 42/20, 47/20), the Company is also obligated to follow new regulations regarding sustainable finance at the EU level. The Regulation (EU) 2020/852, establishing a framework for the facilitation of sustainable investment (Taxonomy Regulation), and the delegated acts passed and adopted on the basis thereof, define the classification system of economic activities in relation to six environmental objectives. In 2023, reporting entities are obliged to publish data on key performance indicators (revenue, equity, and operating costs), i.e., information on the share of taxonomically acceptable and taxonomically unacceptable economic activities in relation to key performance indicators, namely the first two environmental objectives (mitigation and adaptation to climate change).

In accordance with the obligations and deadlines prescribed by EU legislation, the Accounting Act, and other applicable regulations, the Company will publish the necessary data on key performance indicators and applied methodology within the Sustainability Report for 2022.

Sustainability strategy

Supervisory board gave consent to the proposal of Management Board for the Mplus's Sustainability strategy (ESG strategy). Following our ESG commitment and SLB related KPIs, we are determined to implement robust ESG framework accros the Group and one of the milestones was to define Group ESG strategy. Our ESG strategy defines strategic focuses of each of the segments – Environmental, Socal, Governance, with sets of suporting activites and timelines. Our primary focus is to reduce GHG emissions and increase gender equality, The foundation of Mplus's strategy is summarized in ESG building blocks:

UN Global Compact

Mplus joined UN Global Compact, the world's largest corporate sustainability initiative. This voluntary platform gathers more than 20,000 participants in over 160 countries committed to promoting and developing environmental, social, and economic responsibility by utilizing the Ten Principles of the UN Global Compact and the UN Sustainable Development Goals. These principles serve as normative authorities for responsible business conduct in areas such as human rights, labor, the environment, and anti-corruption. As an innovative company, ready to tackle globalchallenges, we are grateful for the opportunity to mobilize our efforts in making this world a better place.

13. CONTACTS

Investor relations department	+385 (0) 99 3767 083
	investitori@mplusgroup.eu
Head of Investor relations	Ana Babić
Company address	Ulica Vjekoslava Heinzela 62A, 10000 Zagreb, Croatia
Corporate online presentation	www.mplusgroup.eu


Mplus

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;
4) Mr. Hrvoje Prpić, Member of the Supervisory Board;
5) Mr. Joško Miliša, Member of the Supervisory Board;
6) Mr. Ulf Gartzke, Member of the Supervisory Board.

The Supervisory Board is comprised of a majority of independent members of the Supervisory Board, but the Deputy President of the Supervisory Board is non independent member of the Board.
Ms. Tamara Sardelić is new President of the Supervisory Board from April 17, 2023 following resignation of Mr. Sandi Češko as Member of the Supervisory Board and President of the Supervisory board on April 6, 2023. The members of the Supervisory Board in 2022 where Mr. Sandi Češko, Mr. Igor Varivoda, Ms. Tamara Sardelić, Mr. Hrvoje Prpić, Mr. Joško Miliša and Mr. Ulf Gartzke, where composition of the Board has not changed during 2022 as new appoitments in 2022 related to the reappointments of the existing member Ms. Tamara Sardelić and Mr. Igor Varivoda. The General Assemble for these two members on June 7, 2022 made a decision to exend there positions from November 15, 2022. 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

In the Company, there are 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 – 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 in such a way that Mr. Boris Borzić was appointed a new member of the Audit Committee as of June 7, 2022, by the decision of the General Assembly of the Company.

The Audit Committee consists of four members, two of which are not independent members, and of which are independent. The President of the Audit Committee is a member of the Supervisory Board who 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 auditing. The attendance rate of all members of the Committee amounted to 100%.

The Committee held five sessions at which 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;
- Approval of the provision of non-audit services by the external auditor;
- Annual work plan of the internal audit for 2023;
- 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.

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

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.

At the date of issuing this Report, the Nomination Committee consists of 3 members: Mrs. Tamara Sardelić, President of the Committee, Mr. Igor Varivoda, member of the Committee and Mr. Joško Miliša, Board member. 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. Therefore, the members of the Board in 2022 in the year were Mrs. Tamara Sardelić, Mr. Igor Varivoda and Mr. Vanja Vlak, where the composition of the Committee did not change during the year. The Committee is not made up of a majority of independent members, but the President of the Committee is an independent member.

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

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.

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. Therefore, 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 Committee is not made up of a majority of independent members, but the Chairman of the Board is an independent member.

In 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 the 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.

4. REPORT ON THE SUPERVISION OF THE COMPANY'S BUSINESS OPERATIONS IN 2021

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 and legal regulations.

In 2022, a total of 13 sessions of the Supervisory Board were held, which were mostly held by video call or 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 competence 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 2021 (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 2021, 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 around 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, 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

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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 make 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 10,55 (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 2021 in the amount of HRK 7,171,088.23 (EUR 951,766.97) and from net profit from 2022 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 retained earnings 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, 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 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 Company and Group members.

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, Croatian Financial Supervisory Agency ("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.

Sandi Češko, 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 mostly of independent members, but the President and President Chairman of the Supervisory Board of the Company are not independent members of the Board. With the change of the President of the Supervisory Board in April 2023 he also became independent member.

- The President of the Audit Committee is a member of the Supervisory Board who is not independent, and the Audit Committee consists of four members, two of whom are not independent members and two of whom are independent. 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 some 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 they were necessary to be held in a shorter period of time to ensure the orderly execution of the Company's business, which the members of the Supervisory Board agreed to. The Company usually 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 act

- 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 conduct additional training for members of the Supervisory Board in 2022, as it estimated that this was not necessary, given that the members of the Supervisory Board, with their professional skills and knowledge and continuous work, have the experience and ability for their role in the Board.

- The Supervisory Board did not determine the variable part of the annual receipts of each member of the Management Board for 2022, based on the recommendations of the Receipts Committee and in accordance with the approved Receipts Policy, and will do the same when the Receipts Committee and the Supervisory Board make 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 services, 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:

Redni broj	Vlasnik (nositelj) računa / Suovlaštenik (imatelj) VP	Postotak udjela
1	ORSO GLOBAL D.O.O.	51,29 %
2	OTP BANKA D.D./ERSTE PLAVI OMF KATEGORIJE B	9,55 %
3	ADDIKO BANK D.D./PBZ CO OMF – KATEGORIJA B	9,31 %
4	HPB D.D./ FOND ZA FINANCIRANJE RAZGRADNJE NEK	8,41 %
5	OTP BANKA D.D./AZ OMF KATEGORIJE B	7,96 %
6	RAIFFEISENBANK AUSTRIA D.D./RAIFFEISEN DOBROVOLJNI MIROVINSKI FOND	4,16 %
7	PRIVREDNA BANKA ZAGREB D.D./RAIFFEISEN OMF KATEGORIJE B	4,10 %
8	ZAGREBAČKA BANKA D.D./Z PROFIT OTVORENI DOBROVOLJNI MIROVINSKI FOND	1,39 %
9	PRIVREDNA BANKA ZAGREB D.D./RAIFFEISEN OMF KATEGORIJE A	0,74 %
10	ERSTE & STEIERMARKISCHE BANK D.D./PBZ CO OMF - KATEGORIJA A	0.59%
11	OSTALI MANJINSKI DIONIČARI	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 said 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 2021. 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.
6. The Supervisory Board is comprised of five (5) members. At the time of the preparation of this Report, the Supervisory Board comprises of following 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.

Ms. Tamara Sardelić is new President of the Supervisory Board from April 17, 2023 following resignation of Mr. Sandi Češko as Member of the Supervisory Board and President of the Supervisory board on April 6, 2023. The members of the Supervisory Board in 2022 where Mr. Sandi Češko, Mr. Igor Varivoda, Ms. Tamara Sardelić, Mr. Hrvoje Prpić, Mr. Joško Miliša and Mr. Ulf Gartzke, where composition of the Board has not changed during 2022 as new appointments in 2022 related to the reappointments of the existing member Ms. Tamara Sardelić and Mr. Igor Varivoda. The General Assemble for these two members on June 7, 2022 made a decision to exend there positions from 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 committee can have three members, two of whom are appointed from among the members of the Supervisory Board, while one member is appointed from among the top experts in the field. The members of these committees are appointed and recalled by the Supervisory Board or the General Assembly of the Company.

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
- Boris Borzić – Member.

In 2022, the composition of the board 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 Committee 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.

Darko Horvat, President of the Management Board

Tomislav Glavaš, Member of the Management Board

The Management Board's responsibility for the Annual report

The Management Board must ensure that the consolidated 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") and its subsidiaries (the "Group") for the year that ended on December 31, 2022, and for each period presented.

Following examinations, the Management Board has a reasonable expectation that the Group 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 consolidated financial statements.

In preparing consolidated 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 consolidated financial statements; and
- the preparation of consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Management Board is responsible for keeping proper accounting records, which, at any time, disclose with reasonable accuracy the consolidated financial position of the Group and must also ensure that it complies with the Croatian Accounting Act. The Management Board is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Group's Management Board is also responsible for the completeness and accuracy of the consolidated management report in accordance with Articles 21 and 24 of the Accounting Act.

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

Deloitte d.o.o.
ZagrebTower
Radnička cesta 80
10 000 Zagreb
Croatia
OIB: 11686457780

Tel: +385 (0) 1 2351 900
Fax: +385 (0) 1 2351 999
www.deloitte.com/hr

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Meritus ulaganja d.d., Zagreb

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (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 Consolidated Financial Statements* section of our report. We are independent of the Group 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.

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.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Key audit matters

The key audit matters are the issues that were, in our professional judgment, of most importance for our audit of the financial statements for the current period. We have dealt with these issues in the context of our audit of the financial statements as a whole and in forming our opinion on them, and we do not give a separate opinion on these issues.

<table>
<tr><th>Consolidation process</th><th>How we approached the key audit matter during our audit</th></tr>
<tr><td colspan="2">For accounting policies, see the Summary of Accounting Policies, Note 3.3. – Basis for consolidation.</td></tr>
<tr><td>In accordance with the disclosures in Note 3 to the Summary of Accounting Policies, item 3.3, Basis for consolidation, the consolidated financial statements include the financial statements of the Company and its entities, including special purpose entities, and its subsidiaries.

In accordance with IFRS 10, subsidiaries are consolidated if the Company has control in the entity and if the Company is exposed to variable returns or has rights based on its involvement in the entity and is able to influence its returns by virtue of its power.

Recognizing the development of the Group and the acquisition of subsidiaries in previous financial years, the consolidation process, i.e., the accuracy and completeness of the process itself, provides transparency to customers about the consolidated financial position of the Group, its consolidated financial performance, and consolidated cash flows.

Given the possible effect of misstatement of the consolidated financial statements, we concluded that the accuracy and completeness of the consolidation process are the key audit issue.</td><td>We assessed whether the Management Board has properly applied the requirements of IFRS 10 by implementing the following audit procedures:
• Checks of identification of subsidiaries and whether there are facts that confirm that there is control over them,
• Acquiring an understanding of the operations of subsidiaries and transactions between Group members,
• Understanding the process of reconciling gross balance sheet accounts and accounting policies of subsidiaries and the parent company with the Group Chart of Accounts,
• Understanding of consolidation adjustments resulting from:
  o changes in ownership shares of subsidiaries;
  o elimination of transactions between subsidiaries and subsidiaries with the parent company;
  o subsequent corrections of incorrect accounting entries in subsidiaries;
  o Inclusion or exclusion of non-controlling interests in the consolidation process.</td></tr>
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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Key audit matters (continued)

Business Combinations	**How we addressed the key audit matter during our audit:**
For accounting policies, refer to the Summary of Accounting Policies, Note 3.4 - Business Combinations.	
In the current financial year, the Group has completed significant business combinations, as noted in Note 34 to the consolidated financial statements. The application of IFRS 3, "Business Combinations," required the identification and fair valuation of acquired assets and liabilities. The allocation of the purchase price in business combinations is a key audit matter due to the inherent subjectivity in determining the fair value of assets and liabilities and the identification of assets and liabilities, which primarily rely on the use of significant unobservable inputs and management estimates. These valuations require the application of various estimation techniques and assumptions, including future cash flows, discount rates, and growth rates, which are subject to changes in the economy and industry-specific factors.	We assessed whether management appropriately applied the requirements of IFRS 3 by performing the following audit procedures: • Evaluation of the appropriateness of the Group's accounting policy for business combinations under IFRS 3 and assessment of the adequacy of related disclosures in the consolidated financial statements. • Assessing the competence, capabilities, and objectivity of external valuation experts engaged by the Group in determining the fair value of acquired assets and liabilities. • Engaging our internal specialists who reviewed the purchase price allocations, on a business combination-by-business combination basis, and evaluating their conclusions regarding reasonableness. • Analysis of data and assumptions used in valuation models, including testing the appropriateness of applied discount rates and growth rates, comparing them to external market data and our own expectations.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on the Audit of the Consolidated 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 consolidated financial statements and our auditor's report. We obtained other information before the date of the auditor's report, except for the Non-financial report prepared in accordance with the Article 24a of the Accounting Act, which is expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Articles 21 and 24 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in the Articles 22 and 24 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 consolidated financial statements.
2) Management Report has been prepared, in all material respects, in accordance with the Articles 21 and 24 of the Accounting Act.
3) Corporate Governance Statement has been prepared, in all material aspects, in accordance with the Articles 22 and 24 of the Accounting Act,

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT (continued)

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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 consolidated 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 consolidated 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 Group 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 [meritusulaganjagrupa-2022-12-31-en], 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, 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.

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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 Group, 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 consolidated report have been prepared in valid XHTML format;
- Data included in the consolidated 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 Group 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.

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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 Group by the shareholders on General Shareholders' Meeting held on 7 June 2022 to perform audit of accompanying consolidated financial statements. Our total uninterrupted engagement has lasted 5 years and covers period 1 January 2018 to 31 December 2022.
We confirm that:

- our audit opinion on the accompanying consolidated financial statements is consistent with the additional report issued to the Audit Committee of the Group 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.

To the Company and its controlled undertakings, in addition to statutory audit services, we have provided the following other services:

- An independent limited assurance report on the 2022 remuneration report, based on the provisions of Article 272.r, paragraph 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

Consolidated income statement
For the year ended December 31, 2022
(*All amounts are presented in thousands of HRK*)

	Notes	2022	2021
Revenue from contracts with customers	5	1,344,361	786,806
Other revenue	6	24,234	7,643
Total revenue		**1,368,595**	**794,449**
Costs of raw materials and supplies	7	(15,763)	(7,338)
Cost of goods and services sold	8	(16,749)	(11,438)
Expected credit losses (trade receivables)	20	(3,148)	(719)
Costs of services	9	(103,202)	(64,496)
Staff costs	10	(965,566)	(529,128)
Depreciation and amortization	11	(123,956)	(60,255)
Other operating expenses	12	(57,520)	(31,726)
Total operating expenses		**(1,285,904)**	**(705,100)**
Profit from operations		**82,691**	**89,349**
Financial income	13	23,763	3,296
Financial expenses	13	(37,529)	(21,471)
Losses from financial activities		**(13,766)**	**(18,175)**
Profit before taxation		**68,925**	**71,174**
Income tax	14	(21,268)	(6,195)
Profit for the year	13.1	**47,657**	**64,979**
Attributable to:			
To the owners of the Company		30,924	39,243
Non-controlling interests		16,733	25,736
Earnings per share			
Basic and diluted earnings per share (in HRK and lipas)	13.1	48.53	71.33

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

(All amounts are presented in thousands of HRK)

	Notes	2022	2021
Profit for the year	**13.1**	**47,657**	**64,979**
Other comprehensive income			
Items that can later be transferred to profit or loss			
Exchange rate differences from the translation of foreign parts of operations in the current business year		58,388	(25,290)
Items that cannot later be transferred to profit or loss			
Actuarial gains/(losses)		(3,766)	510
Other comprehensive income for the year		**54,622**	**(24,780)**
TOTAL COMPREHENSIVE INCOME FOR THE CURRENT YEAR		**102,279**	**40,199**
Attributable to:			
The owners of the Company		85,546	14,463
Non-controlling interests		16,733	25,736

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

Consolidated statement of financial position

As of December 31, 2022

(All amounts are presented in thousands of HRK)

	Notes	December 31, 2022	December 31, 2021
ASSETS			
Non-current assets			
Goodwill	15	174,304	83,470
Intangible assets	16	298,255	184,672
Right of use assets	17.1	83,220	47,307
Property, plant, and equipment	17	193,070	32,515
Non-current financial assets	18	25,625	7,710
Deferred tax assets	14	22,645	2,997
Total non-current assets		**797,119**	**358,671**
Current assets			
Inventories		1,591	670
Current financial assets	19	1,242	85
Trade receivables	20	214,157	130,775
Other receivables	21	36,788	35,826
Accrued income and prepaid expenses	22	35,279	37,411
Cash and cash equivalents	23	433,405	348,217
Total current assets		**722,462**	**552,984**
TOTAL ASSETS		**1,519,581**	**911,655**

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

(All amounts are presented in thousands of HRK)

	Notes	December 31, 2022	December 31, 2021
Equity			
Share capital	24	98,203	98,203
Reserves	25	9,698	44,740
Other reserves		(42,980)	(42,980)
Capital reserves	25.1	149,060	149,060
Legal reserves	25.2	13,283	5,550
Reserves from foreign exchange differences from investments in foreign operations and differentiation of foreign exchange differences	25.3	14,772	(43,616)
Reserves for actuarial losses		(4,584)	(818)
Other equity items	25.4	(119,853)	(22,456)
Retained earnings and profit for the current year		104,190	93,012
To the parent owners		**212,091**	**235,955**
Non-controlling interests		195,604	173,096
Total equity		**407,695**	**409,051**
Non-current liabilities			
Long term borrowings	26	275,714	187,125
Liabilities arising from issued bonds	26	301,380	-
Long-term lease liabilities	27	56,364	30,885
Deferred tax liability	14	32,250	6,287
Other non-current liabilities	28	30,436	8,211
Total non-current liabilities		**696,144**	**232,508**
Current liabilities			
Trade payables	29	47,906	31,794
Liabilities to employees	30	72,936	40,001
Other current liabilities	31	46,893	32,356
Short term borrowings and accrued interests	26	149,049	109,478
Short-term lease liabilities	27	43,177	17,247
Accrued expenses and deferred Income	32	55,781	39,220
Total current liabilities		**415,742**	**270,096**
Total liabilities		**1,111,886**	**502,604**
TOTAL EQUITY AND LIABILITIES		**1,519,581**	**911,655**

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

(All amounts are presented in thousands of HRK)

	Share capital	Other reserves	Capital reserves	Legal reserves	Reserves from foreign exchange differences from investments in foreign operations	Reserves for actuarial losses	Other equity items	Retained earnings	To the owners of the Company	Non-controlling interests	Total
Balance at December 31, 2020	**85,781**	**(42,980)**	**57,249**	**-**	**(18,326)**	**(1,328)**	**(22,456)**	**67,178**	**125,118**	**147,360**	**272,478**
Profit for the current year	-	-	-	-	-	-	-	**39,243**	**39,243**	**25,736**	**64,979**
Other comprehensive income for the current year less income tax	-	-	-	-	(25,290)	**510**	-		**(24,780)**	-	**(24,780)**
Total comprehensive income for the current year	-	-	-	-	***(25,290)***	***510***	-	***39,243***	***14,463***	***25,736***	***40,199***
Increase in share capital resulting from the issue of new shares (note 24)	**12,422**	-	**91,811**	-	-	-	-		**104,233**	-	**104,233**
Transfer to legal reserves (Note 25.3)	-	-	-	**5,550**	-	-	-	**(5,550)**	-	-	-
Dividend payment	-	-	-	-	-	-	-	**(7,859)**	**(7,859)**	-	**(7,859)**
Balance at December 31, 2021	**98,203**	**(42,980)**	**149,060**	**5,550**	**(43,616)**	**(818)**	**(22,456)**	**93,012**	**235,955**	**173,096**	**409,051**

Consolidated statement of changes in equity
For the year ended on December 31, 2022
(All amounts are presented in thousands of HRK)

	Share capital	**Other reserves**	**Capital reserves**	**Legal reserves**	**Reserves from foreign exchange differences from investments in foreign operations**	**Reserves for actuarial losses**	**Other equity items**	**Retained earnings**	**To the owners of the Company**	**Non-controlling interests**	**Total**
Balance at December 31, 2021.	**98,203**	**(42,980)**	**149,060**	**5,550**	**(43,616)**	**(818)**	**(22,456)**	**93,012**	**235,955**	**173,096**	**409,051**
Profit for the current year (Note 13.1)	-	-	-	-	-	-	-	**30,924**	**30,924**	16,733	**47,657**
Other comprehensive income for the current year less income tax	-	-	-	-	58,388	(3,766)	-	-	54,622	-	54,622
Total comprehensive profit of the current year	**-**	**-**	**-**	**-**	***58,388***	***(3,766)***	**-**	***30,924***	***85,546***	***16,733***	***102,279***
Acquisition of a non-controlling stake in the company M Plus Serbia	-	-	-	-	-	-	(45,994)	-	**(45,994)**	(20,885)	**(66,879)**
Acquisition of the company Moderna	-	-	-	-	-	-	-	-	-	7,764	**7,764**
Acquisition of the company Real-estate development projects - Vukovarska project	-	-	-	-	-	-	-	-	-	5,675	**5,675**
Acquisition of the Invitel Group	-	-	-	-	-	-	-	-		(34,288)	**(34,288)**
Purchase of remaining NCI in Invitel Group	-	-	-	-	-	-	(52,823)	-	**(52,823)**	19,554	**(33,269)**
Acquisition of a non-controlling interest in the company Smartflex	-	-	-	-	-	-	(773)	-	**(773)**	(1,114)	**(1,887)**
Payment by a minority shareholder (Convex holding)	-	-	-	-	-	-	-	-	-	30,000	**30,000**
Transfer to reserves	-	-	-	7,733	-	-	2,193	(9,926)	-	-	-
Dividend payment	-	-	-	-	-	-		(9,820)	**(9,820)**	(931)	**(10,751)**
Balance at December 31, 2022.	**98,203**	**(42,980)**	**149,060**	**13,283**	**14,772**	**(4,584)**	**(119,853)**	**104,190**	**212,091**	**195,604**	**407,695**

Consolidated cash flow statement

For the year ended December 31, 2022

(All amounts are presented in thousands of HRK)

	Notes	December 31, 2022	December 31, 2021
Profit for the current year before taxes		**68,925**	**71,174**
Depreciation of tangible assets, intangible assets, and right of use assets	11	123,956	60,255
Net book value of disposed equipment and intangible assets	16, 17	2,599	403
Other financial income	13	(15,560)	-
Interest expense arising from borrowings		17,609	11,624
Interest income	13	(192)	(1,992)
Exchange rates differences (non-realized)	13	(4,205)	(397)
Expected credit losses on receivables	20	3,148	719
Increases/(decreases) in provisions	28	(11,194)	(1,200)
Cash generated from operating activities before changes in working capital		**185,086**	**140,586**
(Increase) / decrease in inventories		(921)	289
Increase in trade receivables		(59,339)	(42,903)
(Decrease)/ increase in trade payables		(19,916)	7,546
Decrease/ (increase) in other receivables		3,785	(5,409)
Increase / (decrease) in other current liabilities		(10,809)	405
Increase/ (decrease) in non-current liabilities		13,137	(4,600)
Increase in prepaid expenses		(5,411)	(4,172)
Increase of accrued expenses		6,796	8,537
Cash generated in operating activities		**(72,678)**	**(40,307)**
Paid income taxes		(3,071)	(3,163)
Net cash generated from operating activities and changes in working capital		**109,337**	**97,116**
Cash flow from investing activities			
Increase in current financial assets		(31,157)	(247)
Increase in investments in non-current financial assets		(16,483)	(1,116)
Purchase of property, plant and equipment and intangible assets	16, 17	(122,573)	(69,488)
Acquisition of a subsidiary company, less the money acquired	34	(36,852)	(14,296)
Net cash used in investing activities		**(207,065)**	**(85,147)**
Cash flow from financing activities			
Dividends paid		(9,820)	(7,859)
Increase in share capital and reserves	24, 25	-	104,233
Loans received	26	427,633	234,639
Loans repaid	26	(147,126)	(105,711)
Leases repaid		(33,555)	(20,875)
Payments from changes in ownership interests in subsidiaries not resulting in loss of control		(36,879)	(13,820)
Net cash generated/ (used) in financing activities		**200,253**	**190,607**
Net increase in cash and cash equivalents		**102,525**	**202,576**
Exchange rate differences from cash and cash equivalents		(17,337)	(13,630)
Cash and cash equivalents at the beginning of the year	23	**348,217**	**159,271**
Cash and cash equivalents at the end of the year	23	**433,405**	**348,217**

1. GENERAL INFORMATION

Registered activities of Meritus ulaganja d.d. include:

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

(All amounts are presented in thousands of HRK)

1. GENERAL INFORMATION (CONTINUED)

1.1. Company business activity (continued)

Information on the subsidiaries involved in the consolidation:

Company names of subsidiaries	Registered office
M plus Croatia d.o.o.	Heinzelova ulica 62/a, 10000 Zagreb, Croatia
M+ Agent d.o.o.	Heinzelova ulica 62/a, 10000 Zagreb, Croatia
Smartflex d.o.o.	Radnička cesta 39/5, 10000 Zagreb, Croatia
Smartflex sourcing d.o.o.	Heinzelova ulica 62/a, 10000 Zagreb, Croatia
Linea Directa	Podvine 36, 1410 Zagorje ob Savi, Slovenia
CDE nove tehnologije d.o.o.	Šmartinska cesta 52, Ljubljana, 1000 Ljubljana, Slovenia
Trizma d.o.o.	272 Tosin Bunar Street, Novi Beograd, Serbia
Technologies Services Holding B.V.	Naritaweg 165, Telestone 8, Amsterdam, the Netherlands
TVPD Holdings B.V.	Naritaweg 165, Telestone 8, Amsterdam, the Netherlands
Trizma GS d.o.o. Banja Luka	117 Mladena Stojanovica Street, 78000 Banja Luka, Bosnia and Herzegowina
MPLUS BH d.o.o. Sarajevo	Džemala Bijedića 39, Sarajevo, BiH
Calyx d.o.o.	Ulica Vjekoslava Heinzela 62/A, Zagreb, Croatia
MERITUS PLUS CENTAR BEOGRAD d.o.o.	272 Tosin Bunar Street, Novi Beograd, Serbia
CMC İletişim ve Çağrı Merkezi Hizmetleri A.Ş.	Kagithane, Caglayan Mah, Karaagac Sok. ISS No: 2/10, Istanbul, Turkey
RGN İletişim Hizmetleri A.Ş.	Kagithane, Caglayan Mah, Karaagac Sok. ISS No :2/10, Istanbul, Turkey
Pit İnsan Kaynakları ve Danışmanlık A.Ş.	Kagithane, Caglayan Mah, Karaagac Sok. ISS No: 2/10, Istanbul, Turkey
ISS Sigorta Acentelik Hizmetleri A.Ş.	Kagithane, Caglayan Mah, Karaagac Sok. ISS No: 2/10, Istanbul, Turkey
Geomant Global d.o.o.	Heinzelova ulica 62/a, 10000 Zagreb, Croatia
Geomant SRL	Cluj-Nacopa city, Bd-ul 21 Decembrie 1989, no.37, ap.16, Cluj, ROM
Geomant UK limited	Turnpike Gate House, Alcester Heath, Warwickshire, B49 5JG. UK
Inova Solutions Inc	800 Battery Ave SE Ste 100. Atlanta, USA
Geomant Algotech Zrt.	Budapest 1123, Alkotas u. 50. Hungary
Meritus Global Real Estate Management d.o.o.	Heinzelova ulica 62/a, 10000 Zagreb, Croatia
Meritus Global Technology d.o.o.	Heinzelova ulica 62/a, 10000 Zagreb, Croatia
Meritus Global Strategics d.o.o.	Heinzelova ulica 62/a, 10000 Zagreb, Croatia
Invitel Leipzig GmbH	Leipzig, Katharinenstraβe 17, Germany
Invitel Lüneburg GmbH	Lüneburg , Häcklinger Weg 66, Germany
Invitel Magdeburg GmbH	Magdeburg, Schleinufer 16-18, Germany
Sales Kultur GmbH	Büddenstedter Weg 138350 Helmstedt, Germany
BusinessLine GmbH	Büddenstedter Weg 138350 Helmstedt, Germany
Simon & Focken Braunschweig GmbH	Braunschweig, Böcklerstraβe 219 B, Germany
ISF M icroUnits GmbH	Büddenstedter Weg 138350 Helmstedt, Germany
Invitel Halle GmbH	Halle (Saale), Franckestraβe 1, Germany
Simon & Focken Bielefeld GmbH	Bielefeld, Am Ellerbrocks Hof 2-6, Germany
Simon & Focken Bremen GmbH	Bremen, Hutfilterstraβe 24, Germany

(All amounts are presented in thousands of HRK)

1. GENERAL INFORMATION (CONTINUED)

1.1. Company business activity (continued)

Company names of subsidiaries	Registered office
Simon & Focken S.L.	C. Teobaldo Power 1, Maspalomas, Spain
Moderna ventures B.V.	Naritaweg 165, Amsterdam, the Netherlands
Moderna ventures S.A.	Via Industrie 25, 6512 Giubiasco, Switzerland
M Plus Smart Hub Romania SRL	Calea Dorobanti street, 6th floor, 1st District; Bucharest, Romania
Dvorec Zemono d.o.o.	Zemono 07, Vipava, Slovenia
Real Estate Development projekti - Projekt Vukovarska d.o.o.	Ulica grada Vukovara 23, Zagreb, Croatia
SIA M+ Latvia	Muitas iela 1, LV-1010, Riga, Latvia
M+ Slovakia, s.r.o.	Palisády 29A, Bratislava - mestská časť Staré Mesto 811 06, Bratislava, Slovakia
Go Health d.o.o.	Ulica Vjekoslava Heinzela 62A, Zagreb, Croatia

(All amounts are presented in thousands of HRK)

1. GENERAL INFORMATION (CONTINUED)

1.2. Number of employees

The number of employees as at December 31, 2022, amounted to 12,459 employees (it amounted to 9,880 employees at December 31, 2021).

	31. prosinca 2022.	**31. prosinca 2021.**
CMC İletişim ve Çağrı Merkezi Hizmetleri A.Ş.	7,850	6,277
M Plus Serbia d.o.o.	911	1,102
M Plus Croatia d.o.o.	592	530
Smart Flex d.o.o.	484	571
M+ BH d.o.o.	388	683
Trizma GS d.o.o.	365	257
Invitel Magdeburg GmbH	253	-
Invitel Helmstedt GmbH	203	-
Linea Directa d.o.o.	155	120
Invitel Prenzlau GmbH	145	-
Invitel Leipzig GmbH	115	-
Simon & Focken Bremen GmbH	105	-
Smart Flex Sourcing d.o.o.	100	5
Simon & Focken Bielefeld GmbH	100	-
CDE nove tehnologije d.o.o.	98	77
Invitel GmbH	73	-
Geomant Algotech Zrt.	72	69
Bulb d.o.o.	64	60
Simon & Focken Braunschweig GmbH	51	-
Simon & Focken S. L. U.	51	-
Invitel Halle GmbH	48	-
Invitel Lüneburg GmbH	45	-
Meritus Georgia LLC	43	-
Saleskultur GmbH	41	-
Geomant SRL	32	34
ISF MicroUnits GmbH	30	-
RGN İletişim Hizmetleri A.Ş.	9	63
Inova Solutions Inc.	9	15
M Plus Smart Hub Romania SRL	9	-
Geomant UK Limited	8	12
Moderna Ventures SA	3	-
Calyx d.o.o.	2	3
Meritus ulaganja d.d.	2	1
Pit İnsan Kaynakları ve Danışmanlık A.Ş.	1	-
ISS Sigorta Acentelik Hizmetleri A.Ş.	1	-

1. GENERAL INFORMATION (CONTINUED)

1.2. Number of employees (continued)

	31. prosinca 2022.	**31. prosinca 2021.**
M+ Deutschland BPTO GmbH	1	-
CDE IT, poslovne in informacijske rešitve d.o.o.	-	-
M+ Agent d.o.o.	-	1
Global People Solutions d.o.o.	-	-
Meritus Plus Centar Beograd d.o.o.	-	-
Technology Services Holdings B.V.	-	-
Meritus Global Real Estate Management d.o.o.	-	-
Meritus Global Strategics d.o.o.	-	-
Meritus Global Technology d.o.o.	-	-
Geomant Global d.o.o.	-	-
Bulb Upravljanje d.o.o.	-	-
Trizma Plus d.o.o. Beograd	-	-
Go Health d.o.o.	-	-
Real Estate Development projekti - Projekt Vukovarska d.o.o.	-	-
SIA M+ Latvia	-	-
Moderna Ventures B.V.	-	-
TVPD Holdings B.V.	-	-
BusinessLine GmbH	-	-
M+ Slovakia, s.r.o.	-	-
Dvorec Zemono d.o.o.	-	-
Ukupno	**12,459**	**9,880**

1. GENERAL INFORMATION (CONTINUED)

1.3. Management Board of the Company

Darko Horvat – President of the Management Board

Tomislav Glavaš – Member of the Management Board

1.4. Supervisory Board of the Company

Tamara Sardelić – Member of the Supervisor Board with reappoint following expiration of mandate starting from November 15, 2023- President of the Supervisory Board;

Igor Varivoda – Deputy Preseident of the Supervisory Boar, with reappointment following expiration of mandate starting from November 15, 2023;

Hrvoje Prpić – Member of the Supervisory Board;

Joško Miliša - Member of the Supervisory Board;

Ulf Gartzke - Member of the Supervisory Board.

1.5. Audit Committee

Igor Varivoda - President

Ante Vrančić – Member

Joško Miliša – Member

Boris Borzić – New Member from June 7, 2022

Ms. Tamara Sardelić is new President of the Supervisory Board from April 17, 2023 following resignation of Mr. Sandi Češko as Member of the Supervisory Board and President of the Supervisory board on April 6, 2023. The members of the Supervisory Board in 2022 where Mr. Sandi Češko, Mr. Igor Varivoda, Ms. Tamara Sardelić, Mr. Hrvoje Prpić, Mr. Joško Miliša and Mr. Ulf Gartzke, where composition of the Board has not changed during 2022 as new appoitments in 2022 related to the reappointments of the existing member Ms. Tamara Sardelić and Mr. Igor Varivoda. The General Assemble for these two members on June 7, 2022 made a decision to exend there positions from November 15, 2022.

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.

(All amounts are shown in thousands of HRK)

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

Standard	Title
Amendments to IFRS 3	Reference to the Conceptual Framework as amended by 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 - 2018-2020 cycle

Adoption of amendments to existing standards and interpretations of standards are not material to the Group's operations and do not have a material impact on the financial statements.

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

At the date of adoption of these financial statements, the Group 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	New standard IFRS 17 "Insurance contracts" including amendments to IFRS 17 from June 2020 and December 2021.	January 1, 2023
Amendments to IAS 1	Disclosure of accounting policies	January 1, 2023
Amendments to IAS 8	Definition of accounting estimates	January 1, 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023

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

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

2.3. New standards and amendments to existing 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	EU adoption status
Amendments to IAS 1	Classification of liabilities as current or non-current (IASB effective date: 1 January 2023)	Not adopted yet
Amendments to IAS 1	Non-current liabilities with contracts (IASB Effective Date: 1 January 2024)	Not adopted yet
Amendments to IFRS 16	Liability for leasing in sales and "sale and lease back" (Effective Date of OMRS: January 1, 2024)	Not adopted yet
IFRS 14	Regulatory Accruals Accounts (Effective Date of OMRS: January 1, 2016)	The European Commission decided not to initiate the approval procedure for this interim 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 OMRS indefinitely, but earlier application permitted)	The approval process has been delayed indefinitely until the equity method research project is completed

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

3. SUMMARY OF ACCOUNTING POLICIES

3.1. Accounting principle

The financial statements have been prepared in accordance with IFRS as adopted by the European Union (IFRS) and, therefore, the Group's financial statements comply with Article 4 of the Regulation (EU) on International Accounting Standards.

The financial statements have been prepared under the historical cost principle as explained in the accounting policies that follow. The historical cost is based mainly on the fair value of the consideration given in exchange for the goods or services.

Fair value is the price that would be obtained by selling an asset item or paid to transfer a liability in an orderly transaction between market participants at the measurement date, whether directly visible or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group considers those characteristics that would be taken into account by market participants in determining the price of the asset or liability at the measurement date. It is also the basis on which fair value was measured or disclosed in these consolidated financial statements.

The following is a description of the main accounting policies adopted.

3.2. Going concern

At the time of approval of the financial statements, the Management Board has a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. Therefore, it continues to adopt the going concern basis in preparing its financial statements.

3.3. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the companies under its control prepared by December 31 each year. Control is achieved if:

- the Company has power over the entity;
- the Company is exposed, or has rights, to variable returns from its involvement with the entity; and
- is able to influence its returns by virtue of the power it has over the entity.

The Company reassesses the existence of its control when the facts and circumstances indicate that one or more of the above three control elements have changed.

3. SUMMARY OF ACCOUNTING POLICIES

3.3. Basis of consolidation (continued)

When the Company has less than a majority of voting rights in an entity in which it owns a particular interest, it considers that it has exercised control over the entity if the voting rights that the Company has are sufficient to enable it to unilaterally direct the relevant activities of that entity. In assessing the sufficiency of its voting rights for control over an entity, the Company considers all relevant facts and circumstances, including:

- the share of its voting rights in relation to the share and division of voting rights of other persons with the right to vote;
- potential voting rights of the Company, other voting rights holders, or other persons;
- rights arising from other contractual relationships; and
- any additional facts and circumstances that indicate that the Company has or does not have the current ability to direct the relevant affairs at the time when decisions need to be made, which includes the method of voting at previous sessions of shareholders.

The subsidiary is consolidated, i.e., it ceases to consolidate from the moment the Company acquires or loses control over it. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date on which the Company acquires control until the date of loss of control over the subsidiary. The financial statements of subsidiaries have been adjusted as necessary to reconcile their accounting policies with those of the Group. Consolidation eliminates all assets and liabilities, as well as all equity (i.e., all capital), all income, expenses, and cash inflows and outflows related to transactions between Group members.

Non-controlling interests in subsidiaries are determined separately from the Group's ownership interest in them. Non-controlling interests that relate to existing equity rights that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be measured at first posting, either at fair value or at their proportionate share of the calculated and reported net identifiable amounts of assets of the acquiree. The valuation method is chosen for each acquisition individually. The remaining non-controlling interests are measured at fair value the first time. After the acquisition, the carrying amount of non-controlling interests is the amount of the equity at first recognition increased by the non-controlling interest's share in subsequent changes in equity.

Profit and loss and each item of other comprehensive income are divided into the part that belongs to the owners of the Company and the part that belongs to the owners of non-controlling interests. The total comprehensive income of subsidiaries is attributed to the owners of the Company and the owners of non-controlling interests, even if this results in a negative balance of non-controlling interests.

Changes in the Group's interest in a subsidiary that do not result in it losing control of the subsidiary are accounted for as equity transactions, i.e., equity. The carrying amounts of the Group's interests and non-controlling interests are adjusted to reflect the change in their relative interests in the subsidiary. Any difference between the amount of the adjustment of non-controlling interests and the fair value of the consideration paid or received to acquire the interest is recognized directly in equity and attributed to the owners of the Company.

3. SUMMARY OF ACCOUNTING POLICIES

3.3. Basis of consolidation (continued)

The profit or loss associated with the Group's loss of control over the subsidiary is recognized in profit or loss as the difference between i) the total fair value of the consideration received and the fair value of any retained interest and ii) the previous carrying amount of assets (including goodwill) and liabilities of the subsidiary and potential non-controlling interests. All amounts previously recognized in other comprehensive income on a subsidiary basis are accounted for as if the Group had directly disposed of the entity's assets or liabilities, i.e., transferred to profit or loss or to a component of equity in accordance with applicable IFRSs. The fair value of a retained interest in a former subsidiary of the Group at the date of loss of control is subsequently accounted for in accordance with IAS 9 as fair value on initial recognition or, if applicable, as an expense on first recognition of an interest in an associate or jointly controlled entity.

3.4. Business combinations

Acquisitions, i.e., acquisitions of subsidiaries and operations, are accounted for using the acquisition method. Compensation, i.e., performance within a business merger, is measured at fair value, which is the total fair value, at the date of exchange, of the Group's assets being transferred and liabilities of the Group to the former owners of the acquiree and the shares or stock issued by the Company in exchange for control over the acquiree. Acquisition-related costs are recognized in profit or loss as incurred. At the acquisition date, identifiable assets acquired and identifiable liabilities are recognized at their fair value at the acquisition date, except for:

- deferred tax assets or deferred tax liabilities and liabilities and assets related to employee income agreements, which are recognized and measured in accordance with IAS 12 and IAS 19, respectively;
- liabilities or equity instruments relating to the acquiree's or the Group's share-based payment agreements entered into to replace the share-based acquiree's payment agreements and are measured at the acquisition date in accordance with IFRS 2 (see below); and
- assets (or disposal groups) classified as held for sale in accordance with IFRS 5, which are measured in accordance with that standard.

Goodwill is measured as the positive difference between the sum of the transferred consideration for the acquisition, the amount of the non-controlling interest, if any, and the fair value of the acquirer's previous ownership interest in the entity, on the one hand, and the net amount at the date of acquisition of identifiable assets and liabilities, on the other. If a reassessment determines that the Group's share of the fair value of the acquiree's identifiable net assets is higher than the sum of the consideration transferred, the amount of the non-controlling interest, if any, and the fair value of the acquirer's previous ownership interest in the entity, the excess is recognized immediately in profit or loss as profit related to bargain purchase. When the consideration transferred by the Group in a business merger includes a conditional contingency agreement, that consideration is measured at fair value at the acquisition date and included in the consideration transferred in the business merger. Changes in the fair value of the contingent consideration that meet the eligibility criteria as compensation in the valuation period, i.e., measurements, are adjusted retrospectively, together with the corresponding goodwill adjustments. Adjustments in the valuation period are those adjustments that result from additional knowledge of the facts and circumstances that existed at the acquisition date and that were acquired during the valuation or measurement period that may not be longer than one year from the acquisition date.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.4. Business combinations (continued)

The manner in which changes in the fair value of the contingent consideration that do not meet the eligibility criteria as adjustments during the valuation period are subsequently calculated depends on the manner in which the contingent consideration is classified. A contingent consideration recognized in equity is not revalued at later reporting dates and its payment in subsequent periods is calculated and reported in equity. Other contingent (conditional) considerations are measured at fair value at a later date, recognizing changes in fair value in profit or loss.

In a business combination that takes place in phases, the Group's interests previously acquired in the acquiree (including joint management) are remeasured at fair value at the acquisition date, and any profit or loss on remeasurement is recognized in profit or loss. Amounts relating to an interest in the acquiree prior to acquisition and previously recognized in other comprehensive income are transferred to profit or loss if such a process would be appropriate if the interest had been disposed of.

If the first accounting of a business combination has not been completed by the end of the reporting period in which the merger occurred, the Group presents provisional amounts for items that have not been finally accounted for. Provisional amounts are adjusted over the measurement period (see above), or additional assets or liabilities are recognized in accordance with new knowledge of the facts and circumstances that existed at the acquisition date that, if known, would affect the amounts recognized at that date.

3.5. Goodwill

Goodwill is initially calculated and measured as described in the previous chapter. Goodwill is not depreciated but is reviewed for impairment at least once a year. For the purpose of impairment testing, goodwill is allocated to each cash-generating unit of the Group (or groups of such units) that is expected to benefit from the synergies arising from the merger. The cash-generating unit to which the goodwill is allocated is tested for impairment once a year or more frequently if there is an indication of possible impairment. If the recoverable amount of a cash-generating unit is lower than its carrying amount, the impairment loss is allocated first by reducing the carrying amount of goodwill allocated to the unit and then in proportion to the other cash-generating unit's assets based on the carrying amount of each asset in the cash-generating unit. Once recognized, an impairment loss for goodwill is not reversed in the next period. When a cash-generating unit is disposed of, the related amount of goodwill is included in determining the profit or loss on disposal. The Group's policy for accounting for goodwill arising from the acquisition of an associate is described in Note 15.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.6. Revenue from contracts with customers

1. Revenue recognition - Contact centers

Revenue comprises the fair value of the consideration received or receivable for services sold in the ordinary course of doing business.

Revenue is recognized in the period in which the services are rendered. Revenue comes from contact center services. Revenue related to incoming tele-services is recognized at the time of call-based services. Revenues from outgoing tele-services are recognized at the time of service provision either on a call, sale, or charge-based basis on completed contract services, and record revenue reductions for contractual penalties and arrears due to not reaching set goals and other contingent results.

1. Revenue recognition – Agency employment

Revenue comprises the fair value of the consideration received or receivable for services sold in the ordinary course of doing business.

Revenues are stated net of value added tax, estimated refunds, rebates, and discounts. The Group recognizes revenue when the amount of revenue can be measured reliably and when an inflow of economic benefits into the Group is probable.

The Group generates revenue from the sale of temporary staff services, permanent employment services, and other services.

Revenue is recognized because the Group meets its obligations under the contract with the customer, which is when control of the promised services is transferred to the customer and in an amount that reflects the expected payment to which the Company is entitled in exchange for those services.

2. Revenue recognition – Software solutions and sale of hardware

Revenue comprises the fair value of the consideration received or receivable for products or services sold in the ordinary course of the Group's business. Net income represents the amounts generated by selling products and providing services after deducting discounts, VAT, and other taxes directly related to income. The Group recognizes revenue when the amount of revenue can be measured reliably, when the Group will have future economic benefits, and when specific criteria for all the Group's activities are met. Revenue is recognized in the period in which the services are rendered.

The consulting services provided by the Group can be divided into two significant groups of services: services related to contracted projects with customers and consulting services related to customer support based on agreed price lists. Consulting services related to contracted projects (e.g., installation and/or development of various software products for specialized business operations) are reported as a performance fulfilled over time. Revenue is recognized in the financial statements based on the stage of completion of the contract. When contracting projects, the Group defines the budget of the hours needed to implement the projects. Accordingly, the Management and expert services assessed that the stage of completion, which is determined as a part of the time elapsed until the end of the reporting period in relation to the total expected duration of the project, is an appropriate measure of progress in relation to full compliance of performance, in accordance with IFRS 15. Since the projects are of such a nature that they are related to the time spent by each programmer, the passage of time on the project is a presentation of what has been done or delivered.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.6. Revenue from contracts with customers (continued)

3. Revenue recognition - Software solutions and sale of hardware (continued)

Consulting support services mean standard services that are delivered on an hourly basis and are recognized at a particular point in time for the delivery of services based on contracted price lists.

A consulting support service is considered a distinctive service because it is regularly provided by the Group to other consumers on an individual basis and can be provided to consumers by other service providers in the market. Discounts are not taken into account because they are granted only in rare circumstances and are not significant.

The Group sells hardware directly to customers under hardware sales and service agreements or separate hardware sales agreements. Revenue is recognized at the time when control of the equipment is transferred to customers, and the sale of equipment is considered a separate resolvable obligation to deliver. The transfer of control to the customer includes the physical possession and use of the hardware by the customer, the transfer of all rights to use and the risk of using the hardware to the customer, as well as the exercise of collection rights by the Group. The process of selling hardware, in most cases, meets the condition that the transfer of control occurs after the goods are delivered to a specific location of the customer. The transaction prices under these contracts are usually fixed and are generally charged after the delivery of the hardware and the installation services performed.

4. Revenue recognition - Insurance representation

Revenue comprises the fair value of the consideration received or receivable for services sold in the ordinary course of doing business. Revenues from insurance representation are stated at the invoiced value in accordance with the agreed conditions.

5. Revenue recognition – Revenue from the resale of tourist packages

Revenue from the resale of travel packages is recognized as a commission or fee earned for services rendered in the capacity of an agent. Commission or compensation earned is recognized in an amount that reflects the compensation to which the company is entitled in exchange for the services rendered. All costs incurred for the acquisition or fulfillment of the contract are recognized separately and are not included in the measurement of income. Any incentives or bonuses offered to customers are recognized as a reduction of the commission or fee realized when the customer meets the related performance obligation. Taxes collected from customers are excluded from revenue and reported separately, and any refunds or credits provided to customers are recognized as a reduction of commission or fees earned.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.7. Leases

The Group as a lessee

The Group assesses whether a contract is a lease contract or whether it contains a lease at the inception of the contract. The Group discloses right of use assets and the related lease liability in respect of all leases in which it is a lessee, except for short-term 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 Group recognizes lease payments on a straight-line basis over the term of the lease, unless another systematic basis better reflects the timing 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, less the use of the rate arising from the lease. If this rate cannot be determined, the Group 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 subsidies received;
- the cost of executing the purchase option if it is certain 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 Group 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 the 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 Group did not make such adjustments during the periods presented.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.7. Leases (continued)

Right of use assets include the initial measurement of the lease liability in question, lease payments on or before the date of the lease, less any subsidies received to close the operating lease and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation begins on the lease start date. Right of use assets are depreciated over the lease term or useful life, whichever is shorter.

Right of use assets are presented as a separate item in the statement of financial position.

The Group applies IAS 36 to determine whether the value of a right of use asset is impaired or whether any impairment losses have been charged for it, as described in the "Property and equipment" policy.

As a practical solution, IFRS 16 allows a lessee not to separate non-lease components and to account for lease-related components and non-lease components as a single component. The Group did not use this practical solution. For a contract that contains a lease component and one or more non-lease additional components, the Group is required to allocate the fee under the lease to each lease component based on the relative independent price of that component and the total independent price of non-lease components.

(a) The Group as lessor

The Group enters into lease agreements as a lessor with respect to its particular real estate investments. The Group rents business premises.

Leases in which the Group is the lessor are classified as finance or operating leases. A lease is classified as a finance lease if it transfers almost all the risks and rewards incidental to ownership of the related asset to the lessee. All other leases are classified as operating leases.

Lease income from operating leases is recognized on a straight-line basis over the term of the lease. Initial direct costs incurred in the phase of negotiating and contracting operating lease terms are attributed to the carrying amount of the leased item and recognized on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies IFRS 15 for the allocation of fees in accordance with the contract for each component.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.8. Foreign currencies

When preparing the consolidated 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.

When preparing the financial statements of individual entities within the Group, 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.

Exchange rate differences are included in profit or loss in the period in which they arise, except for:

- exchange rate differences on loans and borrowings in foreign currency related to assets under construction intended for future production, which are included in the purchase cost of those assets if viewed as an adjustment to interest expenses on liabilities for these loans and borrowings;
- foreign exchange rate differences arising from monetary receivables or liabilities from foreign operations whose settlement is not planned or expected in the near future, and which therefore form part of the net investment in foreign operations, which are first recognized in other comprehensive income and, when selling the entire or portions of net investment, are transferred from equity to profit or loss.

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

When selling a foreign operation, i.e., selling the entire Group's interest in a foreign operation in which the Group loses control over a subsidiary that has foreign operations or partially selling a share in a joint venture or an associate that has foreign operations, and retained interest in that foreign operation becomes a financial asset, all exchange rate differences accumulated in the foreign currency translation reserve attributable to the owners of the Group are transferred to profit or loss.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.8. Foreign currencies (continued)

In cases where a member of the group is classified as a hyperinflationary economy, indexation is applied in accordance with IAS 29. In 2022, the Republic of Turkey met the requirements of IAS 29 for the above classification, and the corresponding indices were applied to the year 2022.

The methodology used during indexing is as follows:

- From the balance sheet date, all items except those with current purchasing power shown are indexed using the appropriate general price index coefficients;
- Monetary assets and liabilities in the financial statements are not indexed because they are presented with current purchasing power at the balance sheet date. Monetary items are money and those items that are paid or collected in money;
- Non-monetary assets and liabilities in the financial statements are restated by reflecting changes in the general price index to acquisition costs and accumulated depreciation amounts during the period from the date of purchase or initial recognition to the balance sheet date. Therefore, tangible and intangible assets, subsidiaries and similar assets are indexed over their purchase values so as not to exceed their market values. Amounts included in shareholders' equity have been restated as a result of the application of general price indices in the periods when these amounts occurred within the Company;
- All items in the profit and loss account are indexed with coefficients calculated in the periods in which they were create;
- The gain or loss on the net monetary position as a result of general inflation is the difference in adjustments to non-monetary assets, equity and the profit and loss account. That gain or loss calculated on the net monetary position is included in the net profit / (loss) for the period.

(All amounts are shown in thousands of HRK)

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.8. Foreign currencies (continued)

Furthermore, in the case of a partial sale of a subsidiary of the Group that has foreign operations in which the Group does not lose control over the subsidiary, part of the cumulative exchange rate differences is again attributed to non-controlling interests in proportion to the portion sold and not included in profit or loss. In all other partial sales, i.e., partial sales of associates in which the Group does not lose significant influence, part of the cumulative exchange rate differences is transferred to profit or loss in proportion to the part sold.

Goodwill adjustments and adjustments at fair value due to the acquisition of foreign operations are accounted for as assets and liabilities of foreign operations and are translated at the closing rate. The resulting exchange rate differences are recognized in other comprehensive revenue.

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

	December 31, 2022	December 31, 2021
1 EUR	7.5345 HRK	7.5172 HRK
1 BAM	3.8523 HRK	3.8435 HRK
1 RSD	0.0654 HRK	0.0637 HRK
1 TRY	0.3772 HRK	0.5059 HRK
1 USD	7.0640 HRK	6.6436 HRK
1 GBP	8.4950 HRK	8.9586 HRK
1 RON	1.5550 HRK	1.5149 HRK
1 HUF	0.0188 HRK	0.0203 HRK
1 GEL	2.6963 HRK	- HRK
1 CHF	7.6516 HRK	- HRK

3.9. Government grants

State grants are not recognized until the fulfillment of the conditions for receiving state grants and receiving grants become realistically certain.

State grants are recognized in profit or loss on a systematic basis over the period in which the Group recognizes the costs to be covered by the grant as an expense. In particular, state grants that require the Group to acquire, build, or otherwise acquire fixed property, facilities, and equipment (including property and equipment) are recognized in the statement of financial position as deferred income and transferred to profit or loss systematically and rationally over the useful life of the property in question.

Receivables from state grants to recover costs or losses already incurred or to provide current financial support to the Group without future related costs are recognized in profit or loss in the period in which the receivable arises.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.10. Costs of pension benefits and severance pay

Payments to the defined pension benefit plan are recognized as an expense when employees have completed the work on which they are entitled to contributions. Payments to the state pension fund are calculated as payments to defined contribution plans in which the Group's liabilities under the plans are identical to those from defined pension benefits.

3.11. Current and other non-current employee benefits

Benefits that employees accumulate on the basis of salaries, vacation time, and sick leave are recognized as a liability in the period of providing the service in question in the amount of the undiscounted expected amount of compensation that will have to be paid in exchange for that service.

Liabilities related to current benefits are measured in the undiscounted expected amount of compensation that will have to be paid in exchange for the specified service.

3.12. Taxation

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

Current tax

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

The provision is recognized for matters for which the tax calculation is uncertain, but it is very likely that there will be an outflow of funds to the tax authority. Provisions are measured according to the best possible estimate of the amount expected to be paid. The assessment is based on the judgment of tax experts within the Company in accordance with previous experience in such activities and, in some cases, on the basis of tax advice of independent experts.

Deferred tax

Deferred tax is recognized on the basis of the difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used to calculate taxable profit, and is calculated using the balance sheet liability method. Deferred tax liabilities are generally recognized for all temporary tax differences, and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax liabilities and deferred tax assets are not recognized if the temporary difference arises from the initial recognition of other assets and other liabilities (except in the case of a business merger) in a transaction that affects neither taxable nor accounting profit. Deferred tax is also not recognized on temporary differences when the goodwill is first recognized.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.12. Taxation (continued)

Deferred tax liabilities are also recognized on taxable temporary differences arising on investments in subsidiaries and associates, except when the Group is able to influence the reversal of the temporary difference, and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets arising from deductible temporary differences related to investments and interests of this type are calculated and reported only up to the amount of probably available amount of taxable profit that will allow the use of deductible based on deductible temporary differences and if their cancellation is expected in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the tax asset to be utilized.

Deferred tax is calculated according to the tax rates that are expected to apply in the period in which the liability is settled, i.e., the realization of assets based on tax rates and tax laws in force or in the process of adoption at the end of the reporting period.

3.13. Property, plant, and equipment

Buildings and land used in the supply of goods or services or for administrative purposes are presented in the consolidated statement of financial position at cost, less accumulated depreciation and accumulated impairment losses. Depreciation of property, plant, and equipment in preparation, which is calculated on the same basis as for other real estate, begins when the asset is ready for its intended use. Owned land is not depreciated. Equipment is stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated in such a way that the purchase value (cost) or the estimated value of assets, except for owned land and tangible fixed assets in preparation, is written off during the estimated useful life using the straight-line method on the following basis:

Buildings	5% per year
Equipment	15-25% per year

The estimated useful lives, residual values, and depreciation methods are reviewed at the end of each reporting period, and the effects of any changes in estimates are calculated prospectively.

Buildings and equipment cease to be accounted for and reported at the time of sale or when future economic benefits are no longer expected from their continued use. Profit or loss on the sale or disposal of an item is determined as the difference between the proceeds from the sale and the carrying amount of the asset in question, which is recognized in profit or loss.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.14. Separately acquired intangible assets

Separately acquired intangible assets of a certain useful life are stated at cost less accumulated amortization and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful lives specified in Note 16. The estimated useful lives and depreciation methods are reviewed at the end of each reporting period and the effects of any changes in estimates are calculated prospectively.

Depreciation is calculated in such a way that the purchase value (cost) or the estimated value of the asset is written off during the estimated useful life using the straight-line method on the following basis:

Licenses, software, and other intangible assets	25% per annum

The estimated useful lives, residual values, and depreciation methods are reviewed at the end of each reporting period, and the effects of any changes in estimates are calculated prospectively. Separately acquired intangible assets consist of software and other rights and intangible assets in preparation.

3.15. Internally generated intangible assets

Expenditure incurred on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or in the development phase of an internal project) is recognized if and only if it is possible to prove all of the following conditions:

- the technical feasibility of completing intangible assets to make them available for use or sale
- the intention to complete the intangible asset and use or sell it
- the possibility of using or selling intangible assets
- the manner in which tangible assets will generate future probable economic benefits
- the availability of adequate technical, financial, and other resources necessary to complete the development and use or sale of intangible assets; and
- the ability to reliably measure expenses that can be associated with the development of an intangible asset.

The amount initially recognized for internally generated intangible assets is the sum of the expenditures incurred since the date on which the assets first met the aforementioned recognition criteria. If internally generated intangible assets cannot be recognized, development expenses are included in profit or loss in the period in which they are incurred. Subsequent to initial recognition, internally generated intangible assets are stated at cost less accumulated impairment losses and accumulated impairment losses on the same basis as separately acquired intangible assets. Internally generated intangible assets are sold to third parties at the time of activation.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.15. Internally generated intangible assets (continued)

Internally generated intangible assets consist of Software development and Intangible assets in preparation.

Intangible assets acquired through a business merger and recognized separately from goodwill are initially recognized at fair value at the acquisition date (which is considered at cost, i.e., the cost of the asset). Subsequent to initial recognition, internally generated intangible assets are stated at cost less accumulated amortization and accumulated impairment losses on the same basis as separately acquired intangible assets.

3.16. Derecognition of intangible assets

Intangible assets are derecognized upon disposal or when no future economic benefits are expected from their use or sale. Any gain or loss arising from the derecognition of an intangible asset, determined as the difference between the net proceeds from the sale and the net carrying amount of that item, is included in profit or loss in the period in which the item is derecognized.

3.17. Impairment of buildings and equipment and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant, and equipment and intangible assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine any impairment losses. If an asset does not generate cash flows independent of other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If it is possible to determine a realistic and consistent basis for allocation, the assets of companies are also allocated to individual cash-generating units or, if this is not possible, to the smallest group of cash-generating units for which a realistic and consistent allocation basis can be determined.

Intangible assets with indefinite useful lives are tested for impairment on an annual basis and when there is an indication of impairment at the end of the reporting period.

The recoverable amount is the higher between the fair value less costs to sell and value in use. For the purposes of assessing value in use, the estimated future cash flows are reduced to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and asset-specific risks for which future cash flow estimates have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of that asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized immediately in profit or loss, unless the relevant asset is stated at revalued amount, in which case the impairment loss is recognized as an impairment loss from revaluation and if the impairment loss is greater than the related revaluation surplus, impairment losses are recognized in profit or loss.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.17. Impairment of buildings and equipment and intangible assets other than goodwill (continued)

Upon subsequent reversal of an impairment loss, the carrying amount of the asset (cash-generating unit) is increased to its revised estimated recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment losses were recognized for that asset (cash-generating unit) in previous years. A reversal of an impairment loss is recognized immediately in profit or loss if it eliminates the impairment loss recognized for the asset in previous years. Any increase in excess of that amount is considered an increase due to revaluation.

3.18. Financial instruments

Financial assets

Classification and subsequent measurement

The Group classifies its financial assetsat amortized cost.

Classification requirements for debt and equity instruments are described below.

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 Group'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 Group 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.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.18. Financial instruments

Business model: The business model reflects the way in which the Group manages its assets in order to generate cash flows. It determines whether the Group'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 Group 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.

Solely payments of principal and interest (SPPI): When the business model is "holding for collection" or "holding 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

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3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.18. Financial instruments (continued)

Financial assets (continued)

Recognition and derecognition

Recognition of financial assets

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

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 Group estimates expected credit losses for its debt instruments measured at amortized cost. The Group 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 at no significant additional cost or effort, and current economic conditions as well as projections of future economic conditions.

The measurement of expected credit losses is a function of the probability of default (PD), loss given default (LGD, i.e., the amount of loss if default occurs), and exposure at the time of occurrence of the default status (EAD, exposure at default). 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 Group relies on publications of external investment rating agencies;
- For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows maturing under the contract and all expected cash flows, discounted at the original effective interest rate. The Group recognizes a gain or loss on impairment in profit or loss for all financial instruments with an appropriate adjustment to the carrying amount through profit or loss for expected credit losses.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.18. Financial instruments (continued)

Financial liabilities

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.

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

Derecognition of financial liabilities

The Group 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 Group 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.

Measurement of amortized cost

The amortized cost of a financial asset or liability is the amount at which a financial asset or liability 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 in the case of financial assets.

4. KEY ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In applying the Group's accounting policies, which are described in Note 3, the Management Board is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not apparent from other sources. Estimates and associated assumptions are based on historical experience and other relevant factors. Actual results may differ from estimates. The estimates and assumptions on which the estimates are based are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the revision period of the estimate if the change affects only that period or in the revision period of the estimate and in future periods if the change affects both current and future periods. Estimates are used, but not limited to, for depreciation periods and residual values of property, plant, and equipment and intangible assets, impairment of inventories, and impairment of receivables and provisions for litigation. The following is a description of the key judgments of the Management Board in the process of applying the Group's accounting policies that have had the most significant effect on the amounts recognized in the consolidated financial statements.

Impairment of goodwill

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

The Group tests the impairment of goodwill at the level of the lowest cash-generating unit. The Group defined each individual subsidiary as the lowest cash-generating unit, taking into account the diversity of revenue sources and business models of each subsidiary and used the income method, which was based on discounted cash flows, for the purpose of testing goodwill impairment.

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 cash flow risk and time value of money, and estimating the residual value and terminal value.

The Group conducts goodwill reviews for impairment annually or more frequently if there is any indication of impairment.

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

Impairment of goodwill (continued)

Sensitivity analysis

The Group conducted an analysis of the sensitivity of impairment tests to changes in the key assumptions used to determine the recoverable amount for each group of cash-generating units to which goodwill was allocated. The recoverable amount of a cash-generating unit is determined by calculations of value in use or fair value based on cash flow projections based on financial plans approved by the Management Board and covering a five-year period. The impairment test found that there was no indication of impairment of goodwill. According to the Company's calculation, the weighted average cost of capital (debt and equity) (WACC) is 14% (2021: 12%). Key assumptions include the planned growth of sales revenue of 10-16% by 2028, which is also the estimated growth of the market globally.

Impairment of trade receivables

Trade receivables are estimated at each reporting date, and their value is impaired 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.

Useful life of property, plant, and equipment

The Group reviews the estimated useful lives of property, plant, and equipment and intangible assets at the end of each annual reporting period. Property, plant, and equipment are stated at cost less accumulated impairment losses.

Impairment of the intangible assets with indefinite useful life

Intangible assets with indefinite useful life relate to the trademarks and was recognised during the purchase price allocation of the acquired subsidiaries. Impairment assessment is done during the annual assessment of the goodwill impairment.

Income tax

The Company calculates its tax liability in accordance with the tax legislation in the Republic of Croatia. Tax returns are subject to control by the tax authorities, which have the right to carry out ex-post controls of taxpayers. There are different possible interpretations of tax laws, so the amounts in the consolidated financial statements may change subsequently, depending on the decision of the tax authorities.

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

Provisions

A provision is recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the best current estimates. In cases where the effect of the time value of money is significant, the amount of the provision is the present value of the expenditure. Provisions for long-term employee benefits are calculated assuming a real discount rate of 1.82% (2021: 4.81%) calculated using a 10.0% annual inflation rate (2021: 16.4%) and a discount rate of 12% (2021: 22%). The provisions relate to the subsidiary CMC and are in accordance with Turkish legislation.

Financial reporting in hyperinflationary economies

In cases where a member of the group is classified as a hyperinflationary economy, indexation is applied in accordance with IAS 29. In 2022, the Republic of Turkey met the requirements of IAS 29 for the above classification, and the corresponding indices were applied to the year 2022. The indices are determined at the level of the Republic of Turkey.

The Company's management has accepted the interpretations of the Standards Committee, according to which the comparative data for the year 2021 in these financial reports have not been adjusted for the impact of hyperinflation.

4.1. OPERATIONAL SEGMENTS

Basis for segmentation

The Group has the following four divisions, which are its reporting segments. These divisions offer different products and services and are managed separately because different technologies and marketing strategies require such an approach:

Operational segment	**Activities**
Holding companies	Management activities over the subsidiaries in the Group
Contact centers	Business process outsourcing services and contact center services
HR services	Temporary employment, human resources management, selection and recruitment services
IT services	Development of customer center management programs
Other	Real estate management and resale of services from the tourist accommodation segment

Data relating to each segment applied is provided below. Segment revenue is used to measure performance because the Management Board believes that the analysis of this data is most relevant for assessing the performance of individual segments relative to other entities operating in the same industry.

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(All amounts are shown in thousands of HRK)

4.1. OPERATIONAL SEGMENTS

2022	**Holding companies**	**Contact centers**	**HR services**	**IT services**	**Other**	**Eliminations**	**Total**
Sales revenue	1,890	1,388,780	61,757	131,881	19,660	(259,607)	**1,344,361**
Other revenue	4,027	18,665	184	9,751	3,601	(11,994)	**24,234**
Costs of raw materials and supplies	(115)	(14,210)	(38)	(1,239)	(265)	104	**(15,763)**
Cost of goods sold	-	(36)	-	(28,658)	-	11,945	**(16,749)**
Costs of services	(9,512)	(165,215)	(1,718)	(21,338)	(5,600)	100,181	**(103,202)**
Staff costs	(603)	(1,003,066)	(59,744)	(46,290)	(310)	144,447	**(965,566)**
Amortization	(781)	(131,230)	(244)	(17,904)	(756)	26,959	**(123,956)**
Other operating expenses including expected credit losses	(3,866)	(48,377)	(618)	(16,664)	(5,430)	14,287	**(60,668)**
Financial revenue	834	81,803	15	(502)	(12)	(58,375)	**23,763**
Financial expenses	(5,874)	(37,412)	(5)	(1,729)	(826)	8,317	**(37,529)**
Income tax	-	(19,760)	-	(450)	(1,058)	-	**(21,268)**
Profit for the current year	**(14,000)**	**69,942**	**(411)**	**6,858**	**9,004**	**(23,736)**	**47,657**

2022	**Holding companies**	**Contact centers**	**HR services**	**IT services**	**Other**	**Eliminations**	**Total**
Non-current assets	383,665	894,538	431	86,842	137,277	(705,634)	**797,119**
Current assets	459,548	739,723	11,750	121,112	27,408	(637,079)	**722,462**
Equity	238,703	494,049	190	100,403	19,059	(444,709)	**407,695**
Non-current liabilities	489,416	453,292	475	20,403	122,186	(389,628)	**696,144**
Current liabilities	95,094	689,201	11,516	85,038	23,440	(488,367)	**415,742**

(All amounts are shown in thousands of HRK)

4.1. OPERATIONAL SEGMENTS (CONTINUED)

2021	Holding companies	Contact centers	HR services	IT services	Eliminations	Total
Sales revenue	-	787,423	64,549	126,913	(192,079)	**786,806**
Other revenue	2,999	8,327	478	4,831	(8,992)	**7,643**
Costs of raw materials and supplies	(68)	(5,655)	(39)	(1,710)	134	**(7,338)**
Cost of goods sold	-	(30)	-	(16,963)	5,555	**(11,438)**
Costs of services	(4,973)	(128,489)	(1,482)	(21,584)	92,032	**(64,496)**
Staff costs	(707)	(520,321)	(62,378)	(41,148)	95,426	**(529,128)**
Depreciation and amortization	(1,378)	(55,478)	(201)	(13,620)	10,422	**(60,255)**
Other operating expenses including expected credit losses	(1,658)	(22,127)	(615)	(15,969)	7,924	**(32,445)**
Financial revenue	17,524	12,035	46	158	(26,467)	**3,296**
Financial expenses	(1,336)	(24,220)	(9)	(723)	4,817	**(21,471)**
Income tax	(46)	(4,668)	(21)	(1,460)	-	**(6,195)**
Profit for the current year	**10,357**	**46,797**	**328**	**18,725**	**(11,228)**	**64,979**

2021	Holding companies	Contact centers	HR services	IT services	Eliminations	Total
Non-current assets	36,869	565,164	658	71,548	(315,568)	358,671
Current assets	245,561	472,428	11,336	119,008	(295,349)	552,984
Equity	227,361	420,103	2,489	98,558	(339,460)	409,051
Non-current liabilities	14,674	246,960	2,319	22,454	(53,899)	232,508
Current liabilities	40,395	384,353	7,186	66,999	(228,837)	270,096

(All amounts are shown in thousands of HRK)

5. REVENUES FROM CONTRACTS WITH CUSTOMERS

	2022	**2021**
Revenues from contact centers	1,160,300	613,638
Revenues from sales of software solutions	110,004	109,531
Revenues from agency employment and similar services	61,181	63,630
Revenues from the resale of tourist packages	12,875	-
Revenue from insurance intermediation	1	7
	1,344,361	**786,806**

(All amounts are shown in thousands of HRK)

2022:

	Holding companies	**Contact centers**	**HR services**	**IT services**	**Other**	**Eliminations**	**Total**
Revenues from contracts with customers	1,890	1,388,780	61,757	131,881	19,660	(259,607)	**1,344,361**
EU	1,890	674,893	61,757	105,006	808	(128,553)	**715,801**
non-EU	-	713,887	-	26,875	18,852	(131,054)	**628,560**
Total	**1,890**	**1,388,780**	**61,757**	**131,881**	**19,660**	**(259,607)**	**1,344,361**
Point in time	-	-	2,580	-	19,660	(308)	**21,932**
Through time	1,890	1,388,780	59,177	131,881	-	(259,299)	**1,322,429**
Total	**1,890**	**1,388,780**	**61,757**	**131,881**	**19,660**	**(259,607)**	**1,344,361**

2021:

	Holding companies	Contact centers	HR services	IT services	Eliminations	**Total**
Revenues from contracts with customers	-	787,423	64,549	126,913	(192,079)	**786,806**
EU	-	310,295	64,549	90,848	(188,660)	**277,032**
non-EU	-	477,128	-	36,065	(3,419)	**509,774**
Total	**-**	**787,423**	**64,549**	**126,913**	**(192,079)**	**786,806**
Point in time	-	-	2,580	-	(919)	**1,661**
Through time	-	787,423	61,969	126,913	(191,160)	**785,145**
Total	**-**	**787,423**	**64,549**	**126,913**	**(192,079)**	**786,806**

(All amounts are shown in thousands of HRK)

6. OTHER REVENUES

	2022	2021
Revenues from penalties	7,803	-
Revenues from reimbursed expenses	4,293	1,080
Revenues from subsidies	4,200	2,624
Profit from the cancellation of the obligation for the received rent	3,050	615
Revenues from rental	1,613	33
Revenues from canceling reservations	560	602
Revenues from the return of insurance premiums	179	753
Revenues from discounts	69	113
Revenues from liability write-offs	23	223
Other revenues	2,444	1,600
	24,234	**7,643**

Revenues from reimbursed costs refer to the costs of services re-invoiced to third parties.

Revenues from penalties mostly refer to income from the activation of the option for compensation of deviations based on the guarantee from the purchase agreement with the acquisition of Invitel Group.

7. COSTS OF RAW MATERIALS AND SUPPLIES

	2022	2021
Energy cost	9,677	3,352
Cost of office supplies	3,550	2,139
Fuel cost	1,888	506
Other costs of raw materials and supplies	648	1,341
	15,763	**7,338**

8. COSTS OF GOODS AND SERVICES SOLD

The cost of goods and services sold in the amount of HRK 16,749 thousand (2021: HRK 11,438 thousand) relates to equipment and services sold by companies within the Group's IT segment as part of the delivery of their services.

(All amounts are shown in thousands of HRK)

9. COSTS OF SERVICES

	2022	2021
Intellectual costs	44,226	25,381
Maintenance costs	15,300	6,235
Short-term rental costs	9,069	7,748
Insurance costs	4,736	2,009
Intermediation costs	187	537
Other service costs	29,684	22,586
	103,202	**64,496**

Other service costs are mostly related to subcontracting costs and IT support costs. In addition to these, the costs of bookkeeping services, market research services and employment are also significant.

Audit cost for 2022 where HRK 1,887 thousand (2021: HRK 1,101 thousand).

10. COSTS OF STAFF

	2022	2021
Net salary costs	629,764	357,530
Costs of taxes and contributions from salaries	205,819	89,633
Costs of contributions on salaries	75,878	44,159
Costs of external employment	15,478	18,843
Other staff costs	38,627	18,963
	965,566	**529,128**

Other staff costs relate to business travel, transportation, vacation pay, external employment, and other employee benefits.

11. DEPRECIATION AND AMORTIZATION

	2022	2021
Amortization of intangible assets (Note 16)	61,430	34,357
Depreciation of right of use assets (Note 17.1)	43,844	16,766
Depreciation of property, plant and equipment (Note 17)	18,682	9,132
	123,956	**60,255**

(All amounts are shown in thousands of HRK)

12. OTHER OPERATING COSTS

	2022	**2021**
Telecommunication costs	20,840	5,187
Advertising and promotion costs	10,211	2,695
Transport costs	8,736	4,052
Entertainment costs	3,489	1,423
Licensing costs	3,484	2,138
Other tax, liability, and fee costs	2,687	2,095
Education costs	2,649	1,239
Utility costs	2,601	1,680
Bank charges and transaction costs	1,875	1,408
Postal services costs	1,139	208
Unamortized cost of derecognized assets	615	153
Other costs	(806)	9,448
	57,520	**31,726**

Other costs relate primarily to the costs of postal shipments, web hosting, sales promotion, occupational safety, selection, and cleaning.

In 2022, other expenses include the cancellation of reservations for contracts with clients who incurred a loss in the amount of HRK 16,528 thousand.

(All amounts are shown in thousands of HRK)

13. FINANCIAL REVENUE AND EXPENSES

	2022	2021
Financial income		
Interest income	192	1,992
Foreign exchange gains	8,011	1,271
Other financial income	15,560	33
	23,763	**3,296**
Financial expenses		
Interest expenses	31,432	17,106
Exchange rate losses	3,806	875
Other financial expenses	2,291	3,490
	37,529	**21,471**

Other financial income in 2022 mostly consists of monetary gain resulting from the recalculation of foreign operations in accordance with the recalculation rules applicable to hyperinflationary economies.

13.1. EARNINGS PER SHARE

The calculation of earnings per share as at December 31, 2022 based on earnings of HRK 47,657 thousand and the weighted average number of ordinary shares of 982,032 is calculated as follows (on December 31, 2021 based on a profit of HRK 64,979 thousand and a weighted average number of ordinary shares of 910,899):

	December 31, 2022	December 31, 2021
Net profit	47,657	64,979
Weighted average number of shares over the period	982,032	910,899
Basic and diluted earnings per share in HRK	**48.53**	**71.33**

(All amounts are shown in thousands of HRK)

14. INCOME TAX AND DEFERRED TAX ASSETS, NET

	2022	2021
Current tax	12,487	8,632
Deferred tax, net	8,781	(2,437)
	21,268	**6,195**

	2022	2021
Profit before tax	**68,925**	**71,174**
Income tax at a tax rate of 18% (2021: 18%)	12,406	12,811
The effect of non-taxable revenue	(8,283)	(1,400)
The effect of non-tax deductible expenses	2,723	2,896
Unrecognized deferred tax assets on tax losses	3,956	(3,875)
(Use of tax losses previously unrecognized as deferred tax assets)	11,508	(3,202)
The effect of different tax rates	(1,042)	(1,034)
Income tax	**21,268**	**6,195**
Effective tax rate	***30.86%***	***8.70%***

An overview of tax loss carry forwards that have a certain deadline by which they can be used are shown below:

Tax loss that can be used until 2023	253
Tax loss that can be used until 2024	11,752
Tax loss that can be used until 2025	1,061
Tax loss that can be used until 2026	5,593
Tax loss that can be used until 2027	39,029
Total	**57,688**

From total amount of the tax losses carry forward HRK 57,688 relates to the companies in the Group where main source of income are gains from the investments in the subsidiaries and that income is not taxable so no deferred tax asset has been recognises.

The member of Invitel Group also have HRK 98,164 of the tax losses carry forward with no time limitation on their utilisation. The Group from that amount has not recognised deferred tax assets on the amount of HRK 22,133 of tax losses carry forward due to the uncertainty that these tax losses carry forward could be utilised.

(All amounts are shown in thousands of HRK)

14. DEFERRED TAX ASSETS, NET AND INCOME TAX (CONTINUED)

The reconciliation of deferred tax assets and deferred tax liabilities is as follows:

Deferred tax assets

	Tax losses carried forward	Total
January 1, 2021	3,737	3,737
Increase of deferred tax assets recognized in profit or loss	(740)	(740)
December 31, 2021	**2,997**	**2,997**
January 1, 2022	2,997	2,997
Acquisition of subsidiaries (Note 34)	18,726	19,884
Increase in deferred tax assets recognized in profit or loss	922	(182)
December 31, 2022	**22,645**	**22,645**

Deferred tax movement

	2022	2021
January 1	**6,287**	**9,311**
Adjustment of initial conditions for the impact of hyperinflation	10,391	-
Amortization	21,383	-
Effects of purchase price allocation (Note 34)	2,408	(1,250)
Capitalization of development costs	(3,051)	739
Leases	(1,512)	(1,056)
Unused vacations	(940)	123
Provisions for legal disputes	(463)	(235)
Non-current employee benefits	(1,439)	26
Other	(593)	(98)
Exchange rate fluctuations	(221)	(1,273)
December 31	**32,250**	**6,287**

The deferred tax movement is presented netted, considering that a significant part of deferred taxes is related to the members of the Group who present deferred taxes netted.

(All amounts are shown in thousands of HRK)

15. GOODWILL

	December 31, 2022	**December 31, 2021**
Goodwill Real-estate development projekti – projekt Vukovarska (note 34)	45,902	-
Goodwill CMC group	44,500	44,500
Goodwill Invitel group (note 34)	39,112	-
Goodwill Trizma	18,192	18,192
Goodwill Meritus Plus Group	14,700	14,700
Goodwill Smartflex d.o.o.	3,923	3,923
Goodwill Moderna group (note 34)	3,578	-
Goodwill TVPD (note 34)	2,242	-
Goodwill M+ BiH	1,533	1,533
Goodwill Calyx	620	620
Goodwill Sitra management	2	2
	174,304	**83,470**

	2022	**2021**
Cost		
Status at the beginning of the year	**83,470**	**83,470**
Additional amounts recognized from acquisitions of subsidiaries during the year (note 34)	90,834	-
	174,304	**83,470**

The Group performs an impairment test annually to assess whether the recoverable amount of goodwill shows a potential impairment of the carrying amount. The calculation of the recoverable amount of goodwill is based on a five-year business plan taking into account corporate and marketing strategies and relevant market trends.

(All amounts are shown in thousands of HRK)

16. INTANGIBLE ASSETS

	Licenses and software	Other intangible assets	Intangible assets in preparation	Total
Balance as at December 31, 2020				
Purchase value	46,019	147,602	8,393	202,014
Accumulated depreciation	(7,632)	(7,813)	(1,413)	(16,858)
Net book value	**38,387**	**139,789**	**6,980**	**185,156**
Changes during 2021				
Increase	22,832	35,888	471	59,191
Sale/write-off	(104)	-	-	(104)
Transfers	-	4,354	(4,354)	-
Exchange rate differences	(714)	(23,412)	(1,088)	(25,214)
Depreciation expense	(14,073)	(20,284)	-	(34,357)
Net book value	**46,328**	**136,335**	**2,009**	**184,672**
Balance as at December 31, 2021				
Purchase value	65,658	159,793	3,422	228,873
Accumulated depreciation	(19,330)	(23,458)	(1,413)	(44,201)
Net book value	**46,328**	**136,335**	**2,009**	**184,672**
Balance in 2022				
Increase	47,533	30,219	2,666	80,418
Acquisition of subsidiaries (note 34)	348	7,323	-	7,671
Adjustment of initial conditions for the impact of hyperinflation	7,171	101,041	2,467	110,679
Sale/write-off	-	(2,465)	-	(2,465)
Transfers	-	4,254	(4,254)	-
Exchange rate differences	(4,305)	(16,708)	(308)	(21,321)
Depreciation expense	(24,810)	(36,589)	-	(61,399)
Net book value	**72,265**	**223,410**	**2,580**	**298,255**
Balance as at December 31, 2022				
Purchase value	116,436	283,457	3,993	403,886
Accumulated depreciation	(44,171)	(60,047)	(1,413)	(105,631)
Net book value	**72,265**	**223,410**	**2,580**	**298,255**

The most significant item of other intangible assets relates to the client base and is the result of the acquisition of control over the CMC group. In addition to the client base, internal work and development are included in this category.

(All amounts are shown in thousands of HRK)

17. PROPERTY, PLANT, AND EQUIPMENT

	Equipment	Buildings	Assets in preparation and other assets	Total
Balance as at December 31, 2020				
Purchase value	34,705	18,298	1,230	54,233
Accumulated depreciation	(13,561)	(3,752)	(888)	(18,201)
Net book value	**21,144**	**14,546**	**342**	**36,032**
Changes during 2021				
Increase	10,094	-	203	10,297
Sale/write-off	(250)	-	(49)	(299)
Depreciation expense	(7,880)	(1,100)	(152)	(9,132)
Exchange rate differences	(4,383)	-	-	(4,383)
Net book value	**18,725**	**13,446**	**344**	**32,515**
				21.684
Balance as at December 31, 2021				
Purchase value	27,324	18,298	1,384	47,006
Accumulated depreciation	(8,599)	(4,852)	(1,040)	(14,491)
Net book value	**18,725**	**13,446**	**344**	**32,515**
Balance in 2022				
Increase	36,054	2,768	3,333	42,155
Acquisition of subsidiaries (note 34)	4,035	123,742	-	127,777
Adjustment of initial conditions for the impact of hyperinflation	15,595	-	-	15,595
Sale/write-off	(134)	-	-	(134)
Depreciation expense	(16,436)	(2,065)	(181)	(18,682)
Exchange rate differences	(6,202)	34	12	(6,156)
Net book value	**51,637**	**137,925**	**3,508**	**193,070**
Balance as at December 31, 2022				
Purchase value	76,672	144,842	4,729	226,243
Accumulated depreciation	(25,035)	(6,917)	(1,221)	(33,173)
Net book value	**51,637**	**137,925**	**3,508**	**193,070**

The property in Heinzelova 62a, 10000 Zagreb, with a net book value in the amount of HRK 12,675 thousand (December 31, 2021: HRK 13,446 thousand) as at December 31, 2021, is encumbered with a lien in favour of Erste&Steiermärkische Bank d.d ., Rijeka.

(All amounts are shown in thousands of HRK)

17.1. RIGHT OF USE ASSETS

	Business premises	Vehicles	Equipment	Total
Balance as at December 31, 2020				
Purchase value	46,461	9,870	11,448	67,779
Value adjustment	(17,763)	(4,141)	(10,128)	(32,032)
Net book value	**28,698**	**5,729**	**1,320**	**35,747**
Changes during 2021				
Increase	14,487	5,854	12,455	32,796
Repurchase/reduction	(1,269)	(101)	-	(1,370)
Depreciation expense	(11,222)	(3,151)	(2,393)	(16,766)
Exchange rate differences	(1,951)	(1,133)	(16)	(3,100)
Net book value	**28,743**	**7,198**	**11,366**	**47,307**
Balance as at December 31, 2021				
Purchase value	57,728	14,490	23,887	96,105
Accumulated depreciation	(28,985)	(7,292)	(12,521)	(48,798)
Net book value	**28,743**	**7,198**	**11,366**	**47,307**
Balance as at December 31, 2022				
Increase	11,291	5,664	4,756	21,711
Acquisition of subsidiaries (note 34)	39,804	717	17,191	57,712
Adjustment of initial conditions for the impact of hyperinflation	3,971	1,708	-	5,679
Sale/write-off	(3,204)	(619)	-	(3,823)
Depreciation expense	(21,996)	(5,041)	(16,807)	(43,844)
Exchange rate differences	(1,037)	(616)	131	(1,522)
Net book value	**57,572**	**9,011**	**16,637**	**83,220**
Balance as at December 31, 2022				
Purchase value	87,594	16,919	29,027	133,540
Accumulated depreciation	(30,022)	(7,908)	(12,390)	(50,320)
Net book value	**57,572**	**9,011**	**16,637**	**83,220**

The right to use leased property refers to business premises, vehicles, and equipment for the needs of regular business operations.

Amounts recognized in the statement of comprehensive income	**2022**	**2021**
Depreciation expenses on right of use assets (Note 11)	43,844	16,766
Interest on operating leases	809	2,390
Costs related to current leases (Note 9)	9,069	7,748

Lease payments in fixed instalments amount to HRK 33.555 thousand (2021: HRK 20.875 thousand).

(All amounts are shown in thousands of HRK)

18. NON-CURRENT FINANCIAL ASSETS

	December 31, 2022	December 31, 2021
Non-current loans given	20,928	5,950
Non-current deposits	4,040	1,757
Other investments	654	-
Investing in shares	3	3
	25,625	**7,710**

Other deposits in the amount of HRK 4,040 thousand (December 31, 2021: HRK 1,757 thousand) are related on business contracts and do not bear interest. The maturity date of these deposits is after 2023.

Other investments refer to a 1.66% stake in the Bled Business School.

Non-current loans were granted to third parties in the amount of HRK 13,925 thousand (2021: HRK 399 thousand) and to members of the Management Board and employees in the amount of HRK 7,633 thousand (2021: HRK 5,551 thousand), with an average interest rate of 2.68% (31 December 2021: 3%).

19. CURRENT FINANCIAL ASSETS

	December 31, 2022	December 31, 2021
Current loans granted	1,215	58
Current deposits	27	27
	1,242	**85**

The maturity of the granted loans is within one year, with an average interest rate of 2.68% (December 31, 2021: 3%). Current loans have been granted to third parties.

(All amounts are shown in thousands of HRK)

20. TRADE RECEIVABLES

	December 31, 2022	December 31, 2021
Foreign trade receivables	198,525	114,189
Domestic trade receivables	18,453	16,903
Value adjustment of receivables	(2,821)	(317)
	214,157	**130,775**

The average days sales outstanding is 46 days (2021: 60 days). The Group has recorded an allowance for all outstanding receivables that are estimated to be uncertain in terms of collection.

Changes in the allowance for uncertain receivables can be shown as follows:

	2022	2021
Balance at the beginning of the year	317	3.211
Acquisition of subsidiaries (Note 34)	207	-
New allowances during the year	3,148	719
Write-offs	(851)	(3,613)
	2,821	**317**

2022
Expected credit losses

	12-month expected loss	Expected life cycle loss - without credit losses	Expected life cycle loss - credit losses	Total
Balance at January 1	**-**	**-**	**317**	**317**
Acquisition of subsidiaries (note 34)			207	207
Losses recognized in profit or loss	-	-	3,148	3,148
Decrease in the balance of impaired assets	-	-	(851)	(851)
Balance at December 31	**-**	**-**	**2,821**	**2,821**

(All amounts are shown in thousands of HRK)

20. TRADE RECEIVABLES (CONTINUED)

2021

Value adjustment

	12-month expected loss	Expected life cycle loss - without credit losses	Expected life cycle loss - credit losses	**Total**
Balance at January 1	**-**	**-**	**3,211**	**3,211**
Losses recognized in profit or loss	-	-	719	719
Acquisition of subsidiaries			(3,613)	(3,613)
Balance at December 31	**-**	**-**	**317**	**317**

The maturity analysis of trade receivables at December 31, 2022, and 2021 is as follows:

	Undue	**31-60 days**	**61-90 days**	**91-180 days**	**>180 days**	**Total**
December 31, 2022	199,906	6,942	604	3,091	3,614	**214,157**
December 31, 2021	112,717	8,291	5,753	3,621	393	**130,775**

21. OTHER RECEIVABLES

	December 31, 2022	**December 31, 2021**
Receivables from the state	26,713	18,884
Advances given from services	5,713	744
Receivables from employees	1,374	41
Receivables acquired by cession and assignment	747	1,691
Other receivables	2,241	14,466
	36,788	**35,826**

In 2021, other receivables included receivables based on the payment of a guarantee in the tender process on behalf of a third party in the amount of HRK 7,518 thousand.

Advances given in 2022 mostly refer to advances for consulting services.

(All amounts are shown in thousands of HRK)

22. ACCRUED INCOME AND PREPAID EXPENSES

	December 31, 2022	December 31, 2021
Prepaid expenses	26,792	26,707
Accrued income	8,443	10,585
Prepaid rental expenses	44	119
	35,279	**37,411**

Accrued income in 2021 and 2022 mostly refers to income from IT services. Prepaid expenses in 2022 relate to maintenance, insurance, and IT support costs.

Prepaid expenses in 2021 also include payment in the acquisition process prior to the obtaining control in the amount of HRK 14,293 thousand. The Group acquired a majority stake in the German company Invitel GmBH and its subsidiaries. The acquired German company Invitel employs about 1,500 people and generates about EUR 45 million in revenue annually (about HRK 340 million). Following this acquisition, the Group expanded its operations to 35 locations across Europe and North America,.

23. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
Balance on giro accounts in local currency	262,242	126,631
Balance on giro accounts in foreign currency	110,711	221,564
Deposits in banks with a maturity of up to 3 months	60,410	-
Cash on hand	42	22
	433,405	**348,217**

(All amounts are shown in thousands of HRK)

24. 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 as at December 31, 2022, amounts to HRK 98,203 thousand 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 both qualified 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, 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 a 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), corresponding to a total of 51.29% of the total share capital of the Company.

25. RESERVES

25.1. CAPITAL RESERVES

As at December 31, 2022 capital reserves amount to HRK 149,060 thousand (December 31, 2022: HRK 149,060 thousand). During 2023 there were not changes in capital reserves or share capital of the Company. The company Meritus Ulaganja d.d. share capital has been increased for HRK 12,422 thousad and capital increase have been increased for HRK 91,781 thousand following initial registration and payment of new shares. That occurred in 2021.

25.2 LEGAL RESERVES

Legal reserves in 2022 amount to HRK 13,283 thousand (2021: HRK 5,550 thousand) and refer to reserves of the parent company in accordance with the Accounting Act and the Companies Act in the amount of HRK 2,558 thousand (2021: HRK 2,029 thousand) and reserves for capitalized costs development in the amount of HRK 10,725 thousand (2021: HRK 3,521 thousand).

25.2 FOREIGN EXCHANGE RESERVES

Foreign exchange reserves consist of exchange differences from the translation of investments in foreign operations in the amount of up to HRK 33,173 thousand (2021: HRK 32,328 thousand) and reserves from the accrual of exchange differences arising from transactions with subsidiaries in the amount of (18,401) thousand HRK (2021) : HRK (11,288) thousand).

The cumulative inflation rate in Turkey in the three-year period exceeded 100% in the second quarter of 2022, and the conditions based on IAS 29 have been fulfilled and the country should be formally classified as a hyperinflationary economy. Appropriate indexing has been applied in this report.

25.3 OTHER EQUITY COMPONENTS

Other equity items relate to:

a) the difference between the effective liability of the Parent company paid to the remaining non-controlling shareholder of the subsidiary Meritus plus d.do.o. and the net book value of the non-controlling interest at the time of redemption of the described interest in the amount of HRK (22,446) thousand. The aforementioned transaction took place during 2020.

b) the difference between the effective liability of the Parent Company paid to the remaining non-controlling shareholder of the subsidiary Trizma d.o.o. and the net book value of the non-controlling interest at the time of redemption of the described interest in the amount of HRK (45,994) thousand. The aforementioned transaction took place during 2022.

c) the difference between the effective liability of the Parent Company paid to the remaining non-controlling shareholder of the subsidiary M+ GermanyGmbH and the net book value of the non-controlling share at the time of the redemption of the described share in the amount of HRK (52,823) thousand. The aforementioned transaction took place during 2022.

d) the difference between the effective liability of the Parent Company paid to the remaining non-controlling shareholder of the subsidiary Smartflex and the net book value of the non-controlling share at the time of the redemption of the described share in the amount of HRK (773) thousand. The aforementioned transaction took place during 2022.

e) reserves for own shares formed by a subsidiary in accordance with local regulations in the amount of HRK 2,193 thousand.

f) buyout of the non-controlling shareholder in the subsidiary Smartflex Sourcing d.o.o. incurred during previous periods in the amount of HRK (10) thousand.

25. CAPITAL RESERVES (CONTINUED)

26. BORROWINGS

	December 31, 2022	**December 31, 2021**
Obligations for long-term issued bonds	301,380	-
Liabilities for long-term borrowings	275,714	187,125
Liabilities for short-term borrowings and accrued interest	149,049	109,478
	726,143	**296,603**

Long-term borrowings were used to finance capital investments and acquisitions. The average weighted interest rate on long-term borrowings in 2021 was 5.05% (in 2021: 5.57%). The Group regularly fulfills all obligations under these borrowings in compliance with all the terms of the agreement. The table below shows the approved borrowing amounts with the corresponding interest rate and maturity date:

Approved borrowing amount (in thousands)	Currency	Borrowing approval period	Maturity period	Interest rate
3,075	EUR	06/2019	07/2029	3.15% + 3 mon EURIBOR
1,252	EUR	06/2019	07/2024	3.15% + 3 mon EURIBOR
69,000	HRK	07/2021	07/2022	2.40%
2,000	EUR	02/2021	03/2023	3.25% + 3 mon EURIBOR
520	EUR	06/2019	07/2029	3.15% + 3 mon EURIBOR
1,404	EUR	12/2020	03/2025	3.20% + 6 mon EURIBOR
398	EUR	12/2020	03/2026	3.20% + 6 mon EURIBOR
20,000	HRK	11/2021	04/2023	3.40%
1,500	EUR	11/2021	12/2023	1%
4,500	EUR	12/2021	12/2024	1.95%
1,233	EUR	12/2021	06/2024	1.75%
500	EUR	06/2019	07/2024	3.15% + 3 mon EURIBOR
50,000	TL	07/2020	06/2027	Years 0-2 - 12%; years 2-7 TRREF +1.75%
20,000	TL	07/2020	06/2027	16.80%
21,000	TL	10/2022	04/2023	13.45%
13,000	TL	12/2022	03/2023	13.45%
10,000	TL	12/2022	07/2023	17.50%
8,500	EUR	12/2021	12/2029	2.83% + 3 mon EURIBOR
11,440	EUR	07/2022	12/2030	2% + 3 mon EURIBOR
150	EUR	09/2021	08/2026	3.30%
50	GBP	05/2021	05/2026	2.50%
107,584	HUF	06/2021	03/2026	1%
500	CHF	03/2020	03/2025	-

(All amounts are shown in thousands of HRK)

26. BORROWINGS (CONTINUED)

Short-term borrowings were used to finance new projects and working capital. Payment instruments are the collateral provided for short-term borrowings.

The weighted average interest rate on short-term borrowings in 2022 was 4.12% (in 2021: 2.23%).

Changes in borrowings received during the year can be shown as follows:

	2022	2021
Balance as at January 1	**296,603**	**176,241**
New borrowings	427,633	234,639
Accrued interest	17,609	11,624
New borrowings - acquisition of subsidiaries (Note 34)	138,818	-
Repayment of borrowings	(141,110)	(101,269)
Repayment of interest	(6,016)	(4,442)
Exchange rate differences	(7,394)	(20,190)
Balance as at December 31	**726,143**	**296,603**

Interest expense on loans in 2022 amounts to HRK 17,609 thousand (2021: HRK 8,313 thousand). Interest paid amounts to HRK 6,016 thousand (2021: HRK 4,442 thousand).

Issue of bonds

On July 29, 2022, the company issued bonds related to the sustainable 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 and a one-time maturity of the principal after five years, marks MRUL-O-277E and International Identification Number (ISIN) HRMRULO277E9 ("Bonds").

The Group 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.

Detailed information about this issue is published in the Prospectus, which is available at the link The Prospectus was published on July 14, 2022 and is publicly available on the Company's website:

(All amounts are shown in thousands of HRK)

26. BORROWINGS (CONTINUED)

Issue of bonds (continued)

According to the Prospectus, below is a table showing alternative performance indicators:

Name of indicator	Q4 2022	Q4 2021
Operating profit (EBIT)	82,691	89,349
EBITDA	206,647	149,604
EBITDA margin	15.10%	18.83%
Consolidated normalized EBITDA	229,766	159,500
Consolidated net debt	304,544	(44,817)
Consolidated debt	737,950	303,400
Consolidated capital	407,695	409,051
The ratio of Consolidated net debt and Consolidated normalized EBITDA	1.33x	(0.28x)
Ratio of Consolidated Debt and Consolidated Capital	1.81	0.74
Operating profit margin (EBIT margin)	6.04%	11.25%
Net profit margin	3.48%	8.18%
Liabilities for non-current loans received from banks	191,962	145,790
Liabilities for current loans received from banks	133,026	109,478
Liabilities for non-current loans received from shareholders	87,734	41,335
Current liabilities for leases received	43,177	17,247
Non-current liabilities for leases received	56,364	30,885

27. LEASE LIABILITIES

Lease liabilities in the amount of HRK 99,541 thousand (December 31, 2021: HRK 48,132) have the following maturity:

	December 31, 2022	December 31, 2021
Within a year	43,177	17,247
In the second year	23,555	15,841
In the third year	11,645	8,033
In the fourth year	8,412	4,143
In the fifth year	7,049	2,306
After five years	5,703	562
Total	**99,541**	**48,132**

	December 31, 2022	December 31, 2021
Total non-current lease liabilities	56,364	30,885
Total current lease liabilities	43,177	17,247
	99,541	**48,132**

(All amounts are shown in thousands of HRK)

28. OTHER NON-CURRENT LIABILITIES

	December 31, 2022	December 31, 2021
Provisions for long-term employee benefits	12,393	2,153
Liabilities for taxes and contributions	5,923	359
Provisions for taxes	5,658	-
Provisions for loss-bearing contracts	4,215	-
Provisions for legal cases	2,042	1,638
Other non-current liabilities	203	4,061
Total	**30,436**	**8,211**

Provisions for non-current employee benefits are related to CMC and the company Invitel. The movement of these provisions is shown in the following table:

	2022	2021
Balance as at January 1	**2,153**	**3,697**
Acquisition of subsidiaries (note 34)	3,094	-
Service costs	4,433	5,063
Interest expense	840	424
Paid remuneration	(3,857)	(5,098)
Actuarial (losses) / gains recognized in equity	3,429	(510)
Actuarial (losses) / gains recognized in the profit and loss statement	3,766	(125)
Exchange rate differences	(1,465)	(1,298)
Balance as at December 31	**12,393**	**2,153**

The movement of the reservation according to legal disputes is shown in the following table:

	2022	2021
Balance as at January 1	**1,638**	**1,294**
Increase of provisions	882	1,174
Exchange rate differences	(478)	(830)
Balance as at December 31	**2,042**	**1,638**

(All amounts are shown in thousands of HRK)

28. OTHER NON-CURRENT LIABILITIES (CONTINUED)

The movement of other reservations refers to newly acquired companies in 2022 and is shown in the following table:

	Provisions for loss-bearing contracts	Provisions for taxes	Other provisions
Balance as at January 1	**-**	**-**	**-**
Acquisition of subsidiaries (note 34)	19,015	5,045	1,092
Increase of provision	1,538	613	-
Use of the provision – recognized in the statement of comprehensive income	(16,528)	-	-
Use of the provision – cash outflow	-	-	(1,092)
Exchange rate differences	190	-	
Balance as at December 31	**4,215**	**5,658**	**-**

Liabilities for capitalized rights refer to long-term rights to use the software solution.

Provisions for taxes refer to provisions for possible penalties according to the tax regulations of the Federal Republic of Germany, which correspond to the periods before the acquisition of Invitel Group.

29. LIABILITIES TO SUPPLIERS

	2022	2021
Liabilities to foreign suppliers	39,547	20,499
Liabilities to domestic suppliers	8,359	11,295
Total	**47,906**	**31,794**

(All amounts are shown in thousands of HRK)

30. LIABILITIES TO EMPLOYEES

	December 31, 2022	December 31, 2021
Liabilities for net salaries	47,786	25,087
Employee contributions	25,150	14,914
	72,936	**40,001**

31. OTHER CURRENT LIABILITIES

	December 31, 2022	December 31, 2021
Other current liabilities	15,381	16,646
VAT liabilities	11,111	8,496
Liabilities for the acquisition of shares	10,550	-
Income tax liabilities	7,863	7,214
Capitalized rights	1,988	-
	46,893	**32,356**

Other current liabilities in 2022 mostly consist of received advances (HRK 7,144 thousand), accrued discounts (HRK 2,699 thousand) and liabilities for taxes not related to the result (HRK 1,709 thousand).

Other current liabilities for 2021 mostly consist of received advances (HRK 7,649 thousand) and calculated rebates (HRK 2,602 thousand).

32. DEFERRED REVENUE AND ACCRUED EXPENSES

	December 31, 2022	December 31, 2021
Accrued operating expenses	37,138	24,647
Deferred revenue	18,643	14,573
	55,781	**39,220**

Deferred revenues as at December 31, 2021 and 2022 are primarily related to IT and contact center services. The accrued costs are mostly related to the costs of insurance, subcontracting, maintenance, and licenses.

(All amounts are shown in thousands of HRK)

33. RELATED PARTY TRANSACTIONS

Balances and transactions from the relationship between the Company and its subsidiaries, which are its related parties, have been eliminated by consolidation and are not disclosed in this note. The analysis of transactions between the Group and other related parties is presented below. The total remuneration accrued to the members of the Supervisory Board, the Management Board, and the executive directors in 2022 amounted to HRK 1, 947 thousand (in 2021: HRK 1,897 thousand). Total receivables on the basis of borrowing granted to the Management Board and executive directors as at December 31, 2022, amounted to HRK 7,016 thousand (they amounted to HRK 5,331 thousand at December 31, 2021).

	Receivables		**Liabilities**	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
SMART GROUP recruitment d.o.o., Croatia	31	32	-	8
SMART GROUP SERVICES d.o.o. Croatia	-	7	49	80
Consilia Adittio d.o.o., Croatia	74	15	-	81
Pente Asteron d.o.o., Serbia	-	-	766	726
Algotech d.o.o., Serbia	-	-	14	16
CONCENTRIC TECHNOLOGIES Ltd	-	6,411	-	-
	105	**6,465**	**829**	**911**

	Loan receivables		**Loan liabilities**	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Dragon Bidco	-	-	49,923	46,783
Minority shareholders of Invitel Group	-	-	37,277	-
	-	**-**	**87,200**	**46,783**

	Revenue		**Expenses**	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
SMART GROUP recruitment d.o.o., Croatia	-	57	-	-
SMART GROUP SERVICES d.o.o. Croatia	9	6	486	621
SMART GROUP d.o.o., Croatia	-	-	330	280
Consilia Adittio d.o.o., Croatia	64	42	121	462
Pente Asteron d.o.o., Serbia	-	-	3,746	3,652
Algotech d.o.o., Serbia	-	8	80	166
Dragon Bidco	-	-	3,044	3,310
	73	**113**	**7,807**	**8,491**

(All amounts are shown in thousands of HRK)

34. ACQUISITION OF SUBSIDIARIES

a) Moderna ventures

At the beginning of 2022, the company acquired a 51% stake in the company Moderna ventures S.A. through Moderna Ventures B.V. in which it holds a 51% stake. Moderna ventures B.V. holds 100% of shares in Moderna ventures S.A. and has the right to 51% of the votes at the general meeting of the company. The company acquired control over Moderna Ventures on January 1, 2022.

	Book value	Change	Fair value
Deposits	568	-	568
Protected name	-	5,160	5,160
Trade receivables	2,992	-	2,992
Prepaid expenses and accrued income	1,459	-	1,459
Other receivables	117	-	117
Cash and cash equivalents	8,407	-	8,407
Non-current borrowings	(3,638)	-	(3,638)
Liabilities to suppliers	(1,283)	-	(1,283)
Other current liabilities	(376)	-	(376)
Deferred tax liability	-	(1,140)	(1,140)
Identified net assets	**8,246**	**4,020**	**12,266**

The assets identified in the purchase price allocation process refer to the trademarked name MegaBon. MegaBon is a platform that offers tourist arrangements including accommodation, flights and additional activities. The MegaBon name has become recognizable in the tourism industry, known for its competitive prices and variety of offers.

With the acquisition of the subsidiary, goodwill was identified as follows:

	Total
Consideration	8,080
Minority interests created in the transaction	7,764
Fair value of identified net assets	(12,266)
Goodwill	**3,578**

The net cash outflow is shown in the following table:

	Total
Acquisition fee paid	(8,080)
Acquired cash and cash equivalents	8,407
Net cash outflow resulting from the acquisition	327

(All amounts are shown in thousands of HRK)

34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

b) Invitel Group

In January 2022, the company acquired a 75% stake in Invitel GmbH, thereby gaining control over Invitel GmbH and its subsidiaries ("Invitel Group"). through the company Mplus Deutschland over which it had control at the time the transaction was concluded. Control was taken over on January 1, 2022.

	Book value	Change	Fair value
Intangible assets	58,125	1,954	60,079
Property, plant and equipment	4,167	-	4,167
Deferred tax assets	18,726	-	18,726
Trade receivables	28,105	-	28,105
Other receivables	2,042	-	2,042
Prepaid expenses and accrued income	942	-	942
Cash and cash equivalents	1,062	-	1,062
Provisions	(27,282)	-	(27,282)
Deferred tax liability	-	(586)	(586)
Long-term loans received	(33,754)	-	(33,754)
Other non-current liabilities	(41,349)	-	(41,349)
Liabilities to suppliers	(16,049)	-	(16,049)
Other current liabilities	(52,243)	-	(52,243)
Deferred payment of expenses and income of the future period	(2,977)	-	(2,977)
Identified net assets	**(60,485)**	**1,368**	**(59,117)**

The assets identified in the purchase price allocation process refer to the trademarked names 'Invitel' and 'Simon&Focken'. The mentioned registered names are known on the German BPO market in the field of providing BPO services to the energy sector.

With the acquisition of the subsidiary, goodwill was identified as follows: a

	Total
Consideration	14,283
Minority interests created in the transaction	(34,288)
Fair value of identified net assets	59,117
Goodwill	**39,112**

34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

b) Invitel Group (continued)

The net cash outflow is shown in the following table:

	Total
Consideration paid	(14,283)
Acquired cash and cash equivalents	1,062
Net cash outflow resulting from the acquisition	(13,221)

In April 2022, the company acquired the remaining shares in the company Mplus Deutschland and became the 100% owner of the company Mplus Deutschland.

(All amounts are shown in thousands of HRK)

34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

b) TVPD B.V.

On July 28, 2022, Meritus Global Real Estate management d.o.o., a company 100% owned by the Company, concluded the transaction of acquiring a 100% stake in the company TVPD Holding B.V., ("TVPD"). TVPD is the 100% owner of the company Dvorac Zemono, from Slovenia, and thus the Company indirectly acquired a 100% stake in the company Dvorac Zemono. The company acquired sole control over the operations of the TVPD company, and therefore of the Dvorac Zemono company, on January 1, 2022.

	Book value	Change	Fair value
Property	14,632	2,642	17,274
Trade receivables	1,016		1,016
Cash and cash equivalents	635		635
Prepaid expenses and accrued income	21	-	21
Deferred tax liability	-	(682)	(682)
Non-current financial liabilities	(12,141)		(12,141)
Current financial liabilities	(1,899)		(1,899)
Current liabilities	(636)	-	(636)
Identified net assets	**1,628**	**1,960**	**3,588**

Identified assets in the purchase price allocation process refer to the market value of the real estate as assessed by an authorized appraiser.

With the acquisition of the subsidiary, goodwill was identified as follows:

	Total
Consideration paid	5,830
Fair value of identified net assets	(3,588)
Goodwill	**2,242**

The net cash outflow is shown in the following table:

	Total
Consideration paid	(5,830)
Acquired cash and cash equivalents	634
Net cash outflow resulting from the acquisition	(5,196)

(All amounts are shown in thousands of HRK)

34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

b) Real estate development projekti – projekt Vukovarska

Meritus Global Real Estate management d.o.o., a company 100% owned by the Company, in October 2022 concluded the transaction of acquiring a 75% stake in the company REAL ESTATE DEVELOPMENT PROJEKTI - Projekt Vukovarska d.o.o., ("REDP"). REDP is the 100% owner of the company GO Health d.o.o., from Croatia, and thus the Company indirectly acquired 100% of the shares in the company Go Health d.o.o.. The Company acquired sole control over the business operations of the company REDP, and therefore of the company Go Health d.o.o., from November 1 in 2022.

	Book value	Change	Fair value
Property, plant and equipment	106,790	-	106,790
Non-current financial liabilities	23,524	-	23,524
Trade receivables	217	-	217
Prepaid expenses and accrued income	36	-	36
Other receivables	510	-	510
Cash and cash equivalents	1,166	-	1,166
Non-current financial liabilities	(104,326)	-	(104,326)
Current financial liabilities	(4,310)	-	(4,310)
Liabilities to suppliers	(39)	-	(39)
Other current liabilities	(989)	-	(989)
Accrued costs and income of the future period	(516)	-	(516)
Identified net assets	**22,063**	-	**22,063**

With the acquisition of the subsidiary, goodwill was identified as follows:

	Total
Consideration	62,290
Minority interests created in the transaction	5,675
Fair value of identified net assets	(22,063)
Goodwill	**45,902**

The group has prepared the initial calculation of the purchase price for the acquisition of companies in 2022. The group will assess the calculation of the acquisition in the time period in accordance with IFRS 3 Business combinations during 2023.

(All amounts are shown in thousands of HRK)

34. NON-CONTROLLING INTERESTS

Additional information on subsidiaries with material non-controlling interests is presented below:

Subsidiary name	Share of non-controlling interest		Profit intended for non-controlling interests	
M Plus Serbia	**2022**	**2021**	**2022**	**2021**
	-	49%	-	8,087

The financial information on the company M Plus Serbia d.o.o. is abbreviated below.

	2021	**2020**
Current assets	-	118,399
Non-current assets	-	49,842
Current liabilities	-	(26,781)
Non-current liabilities	-	(125,230)
Net assets	**-**	**16,230**
Revenues	-	148,189
Net profit	-	16,285

Subsidiary name	Share of non-controlling interest		Profit intended for non-controlling interests	
Geomant	**2022**	**2021**	**2022**	**2021**
	49%	49%	205	4,043

	2022	**2021**
Current assets	45,583	46,441
Non-current assets	50,035	40,759
Current liabilities	(48,564)	(41,011)
Non-current liabilities	(13,372)	(8,357)
Net assets	**33,682**	**37,832**
Revenues	75,830	67,631
Net profit	419	8,412

(All amounts are shown in thousands of HRK)

35. NON-CONTROLLING INTERESTS (CONTINUED)

The Group acquired a 23% stake in Bulb d.o.o. through the newly established company Bulb upravljanje d.o.o. in which it holds a 51% stake. The company Bulb upravljanje d.o.o. holds a 45% stake in Bulb d.o.o. and is entitled to 51% of the votes at the General Assembly of Bulb d.o.o. The controlling share of Meritus Group in Bulb d.o.o. arises from the said transaction.

Subsidiary name	Share of non-controlling interest		Profit intended for non-controlling interests	
Bulb	**2022**	**2021**	**2022**	**2021**
	77%	77%	1,183	2,570

	2022	**2021**
Current assets	22,557	28,064
Non-current assets	19,180	18,912
Current liabilities	(4,866)	(5,966)
Non-current liabilities	(518)	(4,099)
Net assets	**36,353**	**36,911**
Revenues	25,604	22,600
Net profit	1,537	3,345

Subsidiary name	Share of non-controlling interest		Profit intended for non-controlling interests	
M Plus Croatia	**2022**	**2021**	**2022**	**2021**
	31,26%	30%	6,487	8,386

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

(All amounts are shown in thousands of HRK)

35. NON-CONTROLLING INTERESTS (CONTINUED)

Subsidiary name	Share of non-controlling interest		Profit intended for non-controlling interests	
Invitel GmbH	**2022**	**2021**	**2022**	**2021**
	25%	-	3,020	-

	2022	**2021**
Current assets	43,834	-
Non-current assets	61,393	-
Current liabilities	(52,693)	-
Non-current liabilities	(99,939)	-
Net assets	**(47,405)**	**-**
Revenues	321,916	-
Net profit	12,081	-

Subsidiary name	Share of non-controlling interest		Profit intended for non-controlling interests	
REDP – Projekt Vukovarska	**2022**	**2021**	**2022**	**2021**
	25%	-	11	-

	2022	**2021**
Current assets	275	-
Non-current assets	92,676	-
Current liabilities	(40,070)	-
Non-current liabilities	(30,138)	-
Net assets	**22,743**	**-**
Revenues	345	-
Net profit	45	-

(All amounts are shown in thousands of HRK)

35. NON-CONTROLLING INTERESTS (CONTINUED)

Subsidiary name	Share of non-controlling interest		Profit intended for non-controlling interests	
Moderna ventures	**2022**	**2021**	**2022**	**2021**
	49%	-	4,440	-

	2022	**2021**
Current assets	21,113	-
Non-current assets	13,598	-
Current liabilities	(12,801)	-
Non-current liabilities	(3,826)	-
Net assets	**18,084**	**-**
Revenues	19,830	-
Net profit	9,060	-

Subsidiary name	Share of non-controlling interest		Profit intended for non-controlling interests	
Calyx	**2022**	**2021**	**2022**	**2021**
	49%	49%	357	947

	2022	**2021**
Current assets	3,186	4,270
Non-current assets	262	335
Current liabilities	(215)	(214)
Non-current liabilities	(204)	(301)
Net assets	**3,029**	**4,090**
Revenues	3,590	5,419
Net profit	812	1,932

(All amounts are shown in thousands of HRK)

35. NON-CONTROLLING INTERESTS (CONTINUED)

Subsidiary name	Share of non-controlling interest		Profit intended for non-controlling interests	
CDE nove tehnologije	**2022**	**2021**	**2022**	**2021**
	27%	27%	1,029	2,204

	2022	**2021**
Current assets	37,274	28,727
Non-current assets	9,145	11,541
Current liabilities	(15,752)	(10,117)
Non-current liabilities	(4,091)	(6,820)
Net assets	**26,576**	**23,330**
Revenues	40,727	44,090
Net profit	4,706	8,163

36. FINANCIAL INSTRUMENTS

36.1. Groups and categories of financial instruments and their fair values

The following table provides information on:

- groups of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments;
- the fair value of financial instruments (other than financial instruments when their carrying amount is approximately equal to their fair value); and
- the levels of indicators of the fair value of financial assets and financial liabilities for which fair value has been disclosed.

Levels of fair value indicators 1 to 3 are based on the degree of measurability of fair value:

- Level 1 indicators: fair value indicators are derived from (unadjusted) prices quoted in active markets for the same assets and the same liabilities
- Level 2 indicators: fair value indicators are derived from input variables that do not represent the aforementioned Level 1 prices that are visible for the asset or liability, either directly (e.g., as prices) or indirectly (e.g., derived from prices), and
- Level 3 indicators: fair value indicators are derived using valuation techniques that use data on assets or liabilities that are not based on available market data as input.

(All amounts are shown in thousands of HRK)

36. Financial instruments (continued)

36.1. Groups and categories of financial instruments and their fair values (continued)

December 31, 2022

	Financial assets Depreciated cost	Financial liabilities Depreciated cost
Non-current financial assets (note 18)	25,625	-
Other current financial assets (note 19)	1,242	-
Trade receivables (note 20)	214,157	-
Other receivables (note 21)	36,788	-
Non-current borrowings received (note 26)	-	577,094
Non-current liabilities for leases received (note 27)	-	56,364
Other non-current liabilities (note 28)	-	30,436
Liabilities to suppliers (note 29)	-	47,906
Liabilities to employees (note 30)	-	72,936
Other current liabilities (note 31)	-	46,893
Current borrowings received (note 26)	-	149,049
Current liabilities for leases received	-	43,177

(All amounts are shown in thousands of HRK)

36. Financial instruments (continued)

36.1. Groups and categories of financial instruments and their fair values (continued)

December 31, 2021

	Financial assets Depreciated cost	Financial liabilities Depreciated cost
Non-current financial assets (note 18)	7,710	-
Other current financial assets (note 19)	85	-
Trade receivables (note 20)	130,775	-
Other receivables (note 21)	35,826	-
Non-current borrowings received (note 26)	-	187,125
Non-current liabilities for leases received (note 27)	-	30,885
Other non-current liabilities (note 28)	-	8,211
Liabilities to suppliers (note 29)	-	31,794
Liabilities to employees (note 30)	-	40,001
Other current liabilities (note 31)	-	32,356
Current borrowings received (note 26)	-	109,478
Current liabilities for leases received (note 27)	-	17,247

(All amounts are shown in thousands of HRK)

36. Financial instruments (continued)

36.2. Financial risk management objectives

The Group's treasury function provides services to business segments within the Group, coordinates access to the domestic and international financial markets, monitors financial risks related to the Group's operations, and manages them through internal risk reports in which exposures are analyzed by degree and risk. These include market risk (including currency risk, interest rate risk, and price risk), followed by credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using financial instruments to hedge against these exposures. The Group does not enter into contracts for financial instruments, including derivatives, nor does it participate in the trade of such instruments for speculative purposes.

36.3. Market risk

The Group is primarily exposed to the financial risk of changes in foreign exchange rates and interest rates (see below). There have been no changes in the Group's exposure to market risks or the way in which the Group manages and measures that risk.

36.3.1. Currency risk management

The Group concludes certain transactions in foreign currency and is therefore exposed to the risks of changes in foreign exchange rates. The Group is in the process of developing policies to hedge against exchange rate risk. The Group believes that the risk of exposure in EUR is negligible, taking into account that on January 1, 2023, the Republic of Croatia introduced EUR as the official currency.

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

	December 31, 2022			**December 31, 2021**		
	EUR	**USD**	**GBP**	**EUR**	**USD**	**GBP**
Assets	122,425	19,313	-	134,085	31,010	41
Liabilities	(574,748)	(5,272)	-	(148,483)	(5,465)	
Net balance sheet exposure	(452,323)	14,041	-	(14,398)	25,545	41

Currency risk sensitivity analysis

The Group is primarily exposed to the risk of the EUR currency of various EU countries and the USD currency of the US, predominantly. The following table analyzes the Group's sensitivity to an increase and decrease in the HRK exchange rate of 5% against relevant foreign currencies. A sensitivity rate of 5% is the rate used in internal reports to key executives on currency risk and represents the management's assessment of realistically possible changes in exchange rates. The sensitivity analysis includes only open monetary items in foreign currency, and it recalculates items adjusted for a 5% percent change in exchange rates at the end of the year. The sensitivity analysis includes certain receivables (trade receivables and other receivables) and liabilities (liabilities for borrowings from financial institutions, liabilities to suppliers, and other contractual liabilities) denominated in foreign currency. A positive number indicates an increase in profit and other principal if the value of the HRK increases by 5% against the currency in question. In the event of a fall in the value of the HRK by 5% in relation to the currency in question, the impact on profit or principal would be the same but opposite, i.e., the amounts in the table would be negative.

(All amounts are shown in thousands of HRK)

36. Financial instruments (continued)

36.3.1. Currency risk management (continued)

The following significant rates have been applied:

	2022	2021
EUR	7,53450	7,51717
USD	7,06404	6,64355
GBP	8,49503	8,95862

The effects on balance sheet items are shown in the following table:

	Net balance sheet effects	
	Appreciation	**Depreciation**
December 31, 2022		
EUR (5% change)	22,616	(22,616)
USD (5% change)	(702)	702
GBP (5% change)	-	-
December 31, 2021		
EUR (5% change)	720	(720)
USD (5% change)	(1,277)	1,277
GBP (5% change)	(2)	2

36.3.2. Interest rate risk management

The Group is exposed to interest rate risk due to the fact that its entities borrow funds at fixed and variable interest rates. The Group manages risk by maintaining an appropriate ratio of fixed and variable interest rate borrowings. Interest rate risk on borrowing indebtedness is minimal because the contracted borrowing arrangements are almost entirely made with a fixed interest rate. Nevertheless, the market situation is regularly monitored, and, if necessary, interest rates on existing borrowings are adjusted or refinanced with new borrowings so that the fair value of the interest rate is in line with the most favorable interest rates available on the market.

36. Financial instruments (continued)

36.3.2. Interest rate risk management (continued)

Interest rate risk sensitivity analysis

The sensitivity analyses that follow are 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 under the assumption that the volume of liabilities stated at the date of the statement of financial position was valid throughout the year.

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

Interest rate risk	**2022**	**2021**
Variable interest rate instruments		
Borrowings	1,604	1,224
Total	**1,604**	**1,224**

36. Financial instruments (continued)

36.4. Credit risk management

In order to reduce credit risk, the Group has adopted a policy of dealing exclusively with creditworthy parties and obtaining sufficient collection collateral instruments to mitigate the risk of financial loss due to default. The Group's exposure and the credit rating of the parties with which it does business are continuously monitored, and the total value of concluded transactions is allocated to approved clients.

Before accepting a new customer, the credit limit team uses an external credit rating system to assess the customer's creditworthiness and set a credit limit for each individual customer.

In addition, monitoring procedures have been established to ensure that the actions required to collect overdue debts are carried out. Expected credit losses on trade receivables are estimated using a provisioning matrix based on past experience with outstanding receivables and an analysis of the debtor's current financial position in accordance with the factors specific to the debtor, the general economic conditions in their industry, and the current and projected trend of conditions. No written-off receivable is subject to forced collection. Furthermore, the Group reviews the recoverable amount of debt and debt investment on an individual basis at the end of the reporting period to ensure adequate impairment provisions for non-recoverable amounts. In this regard, the Company's management believes that the Group's credit risk has been significantly reduced. Trade receivables relate to a large number of customers from various economic sectors and regions.

The Group has HRK 25 thousand (2021: -) receivables at the end of the year to biggest Group customer. The Group is not significantly exposed to the credit risk of any counterparty or group of counterparties with similar characteristics. The Group considered counterparties with similar characteristics to be related entities.

36.4.1. Collateral instruments and other credit enhancements

The Group takes collateral as required to cover its credit risk related to its financial assets and continuously monitors customers.

(All amounts are shown in thousands of HRK)

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

36.5. Financing ratio

The Group'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 long-term borrowings (note 26)	498,679	145,790
Liabilities for short-term borrowings (note 26)	139,729	101,833
Non-current liabilities for leases received (note 27)	56,364	12,798
Current liabilities for leases received (note 27)	43,177	5,395
Cash and cash equivalents (Note 23)	(433,405)	(348,217)
Net debt/(cash)	**304,544**	**(82,401)**
Equity (Notes 24, 25)	407,695	409,051
Debt to equity ratio	**74.70%**	**-**

Borrowings include all external financing with the exception of loans from minority shareholders. The amount of loans includes accrued interest.

(All amounts are shown in thousands of HRK)

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

36.6. Liquidity risk management

The Management Board is responsible for liquidity risk management. The Group manages its liquidity through the use of bank funds (overdrafts) and continuous monitoring of planned and realized cash flows, as well as the reconciliation of financial assets and financial liabilities. The following tables analyze the remaining period to the contractual maturity of the Group's non-derivative financial liabilities and assets. The tables have been prepared on the basis of undiscounted cash inflows. The tables include cash inflows by principal and interest.

The following table analyzes the expected maturity of the Group's non-derivative financial assets:

	Weighted average effective interest rate	Up to 1 month	1-3 months	3 months-1 year	1-5 years	After 5 years	Total	Book value
	%							
December 31, 2022								
Interest-free	-	687,163	-	-	-	-	687,163	687,163
Interest-bearing	2.68	106	213	956	22,050	-	23,325	22,170
		687,269	**213**	**956**	**22,050**	**-**	**710,488**	**709,333**
December 31, 2021								
Interest-free	-	516,687	-	-	-	-	516,687	516,687
Interest-bearing	3.00	7	15	66	5,973	-	6,061	5,720
		516,694	**15**	**66**	**5,973**	**-**	**522,748**	**522,407**

(All amounts are shown in thousands of HRK)

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

36.6. Liquidity risk management (continued)

The following table analyzes the expected maturity of the Group's non-derivative financial liabilities. The tables have been prepared on the basis of undiscounted contractual maturities of financial liabilities, including interest to be paid on those assets. Disclosure of information on a non-derivative financial liability is necessary to understand how the Group manages liquidity risk, as liquidity is managed based on the net amount of financial assets and financial liabilities.

	Weighted average effective interest rate	Up to 1 month	1-3 months	3 months-1 year	1-5 years	After 5 years	Total	Book value
	%							
December 31, 2022								
Interest-free	-	156,440	-	-	-	-	156,440	156,440
Interest-bearing	5.36	21,991	33,309	155,225	576,268	121,666	908,459	825,683
		178,431	**33,309**	**155,225**	**576,268**	**121,666**	**1,064,899**	**982,123**
December 31, 2021								
Interest-free	-	107,838	-	-	-	-	107,838	107,838
Interest-bearing	4.99	10,809	21,618	97,282	193,390	49,844	372,943	344,735
		118,647	**21,618**	**97,282**	**193,390**	**49,844**	**480,781**	**452,573**

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be obtained by selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether it would be directly visible or estimated using another valuation technique. As at December 31, 2021, and 2020, the reported amounts of cash, receivables, current liabilities, accrued expenses, current borrowings, and other financial instruments roughly correspond to their market value.

38. SUBSEQUENT EVENTS FOLLOWING THE REPORTING PERIOD

38.1. 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.

38.2. ACQUISITION OF NON-CONTROLLING SHARES IN THE COMPANY CDE NOVE TEHNOLOGIJE D.O.O.

In 2023, the Group bought the remaining 23% stake in the company CDE nove tehnologija d.o.o. and thereby acquired a 100% stake in the said company.

38.3. ACQUISITION OF CONTROL OVER THE COMPANY INTEGRATOR

On December 20, 2022, the Group signed a contract for the purchase of 90% of shares in the company MPS Integration d.o.o. and 51% share in INTEGRATOR HOLDING D.O.O. Realization of the said transaction based on the aforementioned sales contract was subject to the approval of the competent authorities of the Republic of Serbia. The estimated value of the transaction is EUR 5.9 million. In March 2023, after receiving the approval of the competent authorities, the group concluded the transaction of acquiring a controlling stake in the company Integrator from Serbia, which manages companies in six countries that hold a license of the Manpower group to perform operations in the human resources segment. The company is in the process of fair valuation of acquired assets and liabilities, and accordingly also potential intangible assets and goodwill.

39. CONTINGENT LIABILITIES

According to the Management Board's assessment, as at December 31, 2022, and 2021, the Group has no significant contingent liabilities that would require disclosure in the notes to the consolidated financial statements. As at December 31, 2022, there was no material lawsuit against the Group in which a loss is expected, which was not disclosed in the consolidated financial statements.

40. ADOPTION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were adopted and approved for publication by the Company's Management Board on April 28, 2023.

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