Meritus ulaganja d.d., Zagreb

Annual report for the year that ended on

December 31, 2021

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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The Management Board submits its audited separate financial report for the year that ended on December 31, 2021.

Main business activity

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

Results and position

In 2021, the Company generated a net profit of HRK 10,584 thousand (2020: net profit of HRK 7,301 thousand). The profit was realized from the income from the shares in the subsidiary M Plus Croatia d.o.o.

Risk management

Currency risk

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

Credit risk

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

Liquidity risk

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

Treasury shares

The Company has no treasury shares.

Investments in subsidiaries

As of December 31, 2021, the Company has the following investments in subsidiaries:

Name of subsidiary	Main activity	Location of establishment and business operations	Share in ownership in %	Value of investment
			December 31, 2021	December 31, 2021
M Plus Croatia d.o.o.	Management activities of holding companies	Zagreb, Croatia	70,00%	288.600
Meritus Global Strategics d.o.o.	Management activities of holding companies	Zagreb, Croatia	100,00%	20
Meritus Global Technology d.o.o.	Management activities of holding companies	Zagreb, Croatia	100,00%	20
Meritus Global Real Estate Management d.o.o.	Management activities of holding companies	Zagreb, Croatia	100,00%	20
				288.660

Research and development activities

The Company did not conduct research and development activities in 2021 and 2020.

Signed on behalf of the Company on April 29, 2022:

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

Meritus ulaganja d.d.
Heinzelova ulica 62/a
10 000 Zagreb
Republic of Croatia
April 29, 2022

1. INTRODUCTION

The Supervisory Board of MERITUS ULAGANJA d.d., Zagreb, Heinzelova ulica 62/a, 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 2021, 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; "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 2021, 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 six (6) members:

1) Mr. Sandi Češko, President of the Supervisory Board;

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

3) Ms. Tamara Sardelić, Member 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, and the President is an independent member of the Board.

The composition of the Supervisory Board did not change in 2021.

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 order to ensure the most efficient performance of its tasks, the Supervisory Board established the Audit Committee, the Nomination Committee, and the Remuneration 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 three (3) members: Mr. Igor Varivoda, the President of the Committee, Mr. Ante Vrančić, and Mr. Joško Miliša. In 2021, the composition of the Committee changed as follows: Mr. Ante Vrančić and Mr. Ivan Štimac resigned on April 30, 2021, and were re-appointed members of the Board by the General Assembly of the Company on June 7, 2021, after which Mr. Igor Varivoda was elected the new President of the Committee, with effect from July 30, 2021. Mr. Ivan Štimac resigned on August 30, 2021. Mr. Joško Miliša was appointed in his place, with effect from September 20, 2021.

Two members of the Committee, one of whom is the President of the Committee, are members of the Supervisory Board, and the third member is an external expert. The Committee is composed of a majority of independent members, but the President of the Committee is not an independent member.
In 2021, 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. The attendance rate of all members of the Committee amounted to 100%, except for Mr. Ivan Štimac, who was not present at one session but submitted his vote so that decisions could be made.
The Committee held seven sessions and two instances of voting by correspondence. During these, discussions took place, and decisions were made on the following topics:

- Annual audited financial statements for 2020,
- External auditor's report for 2020,
- Annual Report on the work of the Audit Committee in 2020,
- Recommendations related to the external auditor for 2021,
- Election of a new President of the Committee,
- Work plan of the external auditor for 2021,
- Proposal of the Decision on the establishment of the internal audit function and appointment of the head of the internal audit,
- 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 2022,
- Evaluations of the effectiveness of the internal control and risk management system, the effectiveness of the publication and approval of related party transactions, and the effectiveness of the procedure for reporting violations of laws or internal rules.

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 the publication of this Report, the Nomination Committee comprised three (3) members: Ms. Tamara Sardelić, President of the Committee, Mr. Igor Varivoda, Member of the Committee, and Mr. Vanja Vlak, Member of the Committee. The composition of the Committee did not change in 2021. Two members of the Committee, one of whom is the President of the Committee, are members of the Supervisory Board, while the third member is an external expert. The Committee has no independent members.

In 2021, the Nomination Committee held one session at which the Report on the work of the Committee for 2020 was adopted. All members were present at the session. The Committee did not need to hold additional sessions in 2021 in relation to its powers and responsibilities, as there were no changes in the member composition of the Management Board and/or the Supervisory Board during the year.

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. Vanja Vlak, Member of the Committee. The composition of the Committee did not change in 2021. Two members of the Committee, one of whom is the President of the Committee, are members of the Supervisory Board, while the third member is an external expert. The Committee has no independent members.

In 2021, the Remuneration Committee held three (3) sessions, at which it adopted the Report on the work of the Committee in 2020, analyzed the adopted revised Report on remuneration of members of the Management Board and the Supervisory Board in 2020 and adopted proposals of employment and remuneration contracts for Management Board members. All members were present at the session.

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

In 2021, 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, and legal regulations. In 2021, a total of 10 sessions of the Supervisory Board were held, which, due to the adaptation to the COVID-19 circumstances, were mostly held by correspondence or video call, in accordance with the Rules of Procedure of the Supervisory Board. The total participation rate at the sessions was 100%, and the records of the presence of each member of the Supervisory Board and their participation rate at the meetings are as follows:

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

Member of the Supervisory Board	Participation	Participation rate
Sandi Češko	10/10	100%
Igor Varivoda	10/10	100%
Tamara Sardelić	10/10	100%
Hrvoje Prpić	10/10	100%
Joško Miliša	10/10	100%
Ulf Gartzke	10/10	100%
	TOTAL	**100%**

The Supervisory Board accepted all proposals of the Management Board submitted in 2021 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 HANFA.

The Supervisory Board conducted an evaluation of its effectiveness and composition in 2021 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 Nomination Committee and the Remuneration Committee. The Supervisory Board will continue to apply corporate governance best practices, striving to achieve even greater effectiveness in the future.

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).

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

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 2021, but the Company will continue to carry out appropriate activities with the aim of making advancements and realizing the set goal. The M+ Group pays great attention to diversity within the Group, as proven by the fact that 60% of the Group's employees are women, and more and more women are being appointed to managerial positions within the Group.

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 2021.

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

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

In accordance with the annual financial report of the Company, the Company made a net profit in the total amount of HRK 10,584,211.56 in the business year 2021.

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

- An amount of HRK 529,210.58 is to be allocated into legal reserves
- The remaining amount of HRK 10,055,000.98 is retained in the unallocated profit of the Company.
- A dividend payment in the amount of HRK 9,820,320.00 is determined, which amounts to HRK 10,00 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 previous business years. The dividend will be paid to shareholders registered in the depository of the Central Depository and Clearing Company Inc. on the day June 21, 2022 (record date) as holders of MRUL shares, thus acquiring the right to the dividend payment. From June 20, 2022 (ex-date), the stock will be traded without the right to the dividend payment. The dividend payment will be on June 24, 2022 (payment date).

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 2021, 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 2021 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.

The Supervisory Board estimates that the Management Board and the Supervisory Board achieved exceptional cooperation in 2021 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 2021 established that the Management Board acted in accordance with the applicable legislation of the Republic of Croatia, Zagreb Stock Exchange, HANFA, internal acts of the Company (including the Articles of Association), and decisions of the General Assembly. It respected the guidelines and instructions of the Supervisory Board. Therefore, the Supervisory Board has no objections to the annual financial statements, the Report on the status of the Company and its subsidiaries, and the proposal on the use of profit;
- there are no objections to the Report and the opinion of the independent auditor on the annual financial statements;
- it approves the annual financial statements, the Report on the status of the Company and its subsidiaries, and the proposal of the Decision on the use of profit.

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 2021, 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.mplusgrupa.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 Audit Committee is composed of a majority of independent members, but the President of the Audit Committee is a member of the Supervisory Board, which isn't independent. The Nomination Committee and the Remuneration Committee have no independent members. Given that the Nomination and Remuneration Committee was separated in 2020 into two separate committees with the same members, and in accordance with the provisions of the Code of Corporate Governance, the Company is taking the necessary actions to increase the number of independent members.
   - The Company did not carry out additional training of members of the Supervisory Board in 2021 because it assessed that it was not necessary given that members of the Supervisory Board, with their professional skills and knowledge and continuous work, have the experience and ability required for their role in the Board.

- The Supervisory Board did not determine the variable part of the annual remuneration of each member of the Management Board for 2021, based on the recommendations of the Remuneration Committee and in accordance with the approved remuneration policy. It will do so after the publication of the audited financial statements for 2021.
- In accordance with the Code of Corporate Governance and other regulations, the role 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 Board with key stakeholders, such as customers, suppliers, and others, has been envisaged.

3. Internal supervision is carried out by the controlling function and the Audit Committee. The controlling service informs the Management Board about the performed supervision, 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. At the end of 2021, the Company established an internal audit function responsible for overseeing the effectiveness of the internal control system, including risk management.
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, 2021, was as follows:

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

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

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

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

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

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

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

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

In 2021, 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.

   At the time of the preparation of this Report, the Supervisory Board comprises six (6) members:
   1) Mr. Sandi Češko, President of the Supervisory Board;
   2) Mr. Igor Varivoda, Deputy President of the Supervisory Board;
   3) Ms. Tamara Sardelić, Member of the Supervisory Board;
   4) Mr. Hrvoje Prpić, Member of the Supervisory Board;
   5) Mr. Joško Mililiša, Member of the Supervisory Board;
   6) Mr. Ulf Gartzke, Member of the Supervisory Board.

   There were no changes in the composition of the Supervisory Board in 2021.
   The Supervisory Board supervises the Company's affairs in accordance with the Company's Articles of Association, the Rules of Procedure of the Supervisory Board, and legal regulations. The members of the Supervisory Board are elected by the General Assembly of the Company. The Supervisory Board, i.e., the Nomination Committee, proposes the candidates of the Supervisory Board to the General Assembly. The members of the Supervisory Board are elected for a period of up to four years, starting from the date of the appointment decision, and the same persons may be re-elected.

   The Company has several committees of the Supervisory Board that provide professional support to the Supervisory Board in accordance with legal regulations and internal rules of the Company. Each board 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.

   In 2021, the composition of the Committee changed as follows: Mr. Ante Vrančić and Mr. Ivan Štimac resigned on April 30, 2021, and were re-appointed members of the Board by the General Assembly of the Company on June 7, 2021, after which Mr. Igor Varivoda was elected the new President of the Committee at the constituent session, with effect from July 30, 2021. Mr. Ivan Štimac resigned on August 30, 2021. Mr. Joško Miliša was appointed in his place, with effect from September 20, 2021.

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. Vanja Vlak – member of both committees.

There were no changes in the member composition of the Nomination Committee and the Remuneration Committee in 2021.

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

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

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

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

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

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

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.
Heinzelova ulica 62/a
10 000 Zagreb
Republic of Croatia
April 29, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the unconsolidated financial statements

Opinion

We have audited the unconsolidated financial statements of the company Meritus ulaganja d.d., Zagreb (the "Company"), which comprise the unconsolidated statement of financial position as of December 31, 2021, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Company for the year that ended on December 31, 2021, its unconsolidated financial performance, and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, adopted by the European Union (IFRS).

Basis of opinion

We conducted our audit in accordance with the Audit Act and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 2.2. *Basis of preparation*, accompanying the unconsolidated financial statements, which states that the consolidated financial statements, which relate to the Company and its subsidiaries (Meritus ulaganja d.d. Group), have been prepared in accordance with IFRS and published separately on April 29, 2022. In order to get a better general understanding of the Meritus ulaganja d.d. Group, users should read the consolidated financial statements in conjunction with the accompanying unconsolidated financial statements. Our opinion has not been modified in regard to this issue.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Key audit matter

The key audit matter is the issue that was, in our professional judgment, of most importance for our audit of the unconsolidated financial statements for the current period. We have dealt with this issue in the context of our audit of the unconsolidated financial statements as a whole and in forming our opinion on them, and we do not give a separate opinion on this issue.

Investments in subsidiaries	**How we approached the key audit matter during our audit**
For accounting policies, see the Summary of Significant Accounting Policies, Note 2.7. - investments in subsidiaries. For additional information related to the identified key audit matter, see Note 18 to the unconsolidated financial statements.	
Investments in subsidiaries amount to HRK 288,660 thousand as of December 31, 2021, in the Company's unconsolidated financial statements (December 31, 2020: HRK 288,600 thousand). As required by applicable accounting standards - IAS 36: Impairment of assets, the Management Board conducts annual impairment tests to assess the recoverability of the carrying amount of an investment. The recoverable amount of an investment is determined in accordance with IAS 36 as the value in use and is estimated as the present value of the expected future cash flows that will be generated by the subsidiaries. Significant management judgment is involved in making critical assumptions and shaping expected cash flows, and therefore the impairment test of these assets is considered a key audit matter.	Our audit procedures consisted of: • assessing whether the model used by management to calculate the value in use of individual investments is in accordance with the requirements of IAS 36: Impairment of assets and IFRS 13 Fair Value and whether the assumptions used are reasonable and supported by the current macroeconomic climate and expected future results; • assessing the competence, ability, and objectivity of the independent management expert and verifying the qualifications of the experts. In addition, we talked to the Management Board about the scope of their work. • using our internal experts to assess the appropriateness of the methodology used; • reviewing the contract for the sale of shares in the subsidiary to a third party, by which we confirmed the fair value of part of the investment.

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INDEPENDENT AUDITOR'S REPORT (continued)

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

Other information

The Management Board is responsible for other information. Other information contains information included in the Annual report but does not include the unconsolidated financial statements and our independent auditor's report thereon.

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

In relation to our audit of the unconsolidated financial statements, it is our responsibility to read other information and, in doing so, consider whether other information is materially inconsistent with the unconsolidated financial statements or our audit findings or otherwise appears to be materially misstated. Regarding the Company management report and the Statement on the application of the Code of Corporate Governance, which are included in the Annual report, we also performed the procedures prescribed by the Accounting Act. These procedures include verifying that the Management report and the Statement on the application of the Code of Corporate Governance include the necessary disclosures set forth in Articles 21 and 22 of the Accounting Act.

Based on the procedures performed during our audit, to the extent that we have been able to assess this, we report the following:

1. The information included in other information is consistent, in all material respects, with the accompanying unconsolidated financial statements.
2. The Management Report has been prepared, in all material respects, in accordance with Article 21 of the Accounting Act.
3. The Statement on the application of the Code of Corporate Governance has been prepared, in all relevant respects, in accordance with Article 22, paragraph 1, items 3 and 4 of the Accounting Act and includes the information referred to in Article 22, paragraph 1, items 2, 5, 6, and 7.

Based on our knowledge and understanding of the Company's operations and its environment as part of our audit of the unconsolidated financial statements, we have not identified any material misstatements in other information.

Responsibilities of the Management Board and those in charge of management for the unconsolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with IFRS, and for those internal controls that the Management Board determines are necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement due to fraud or error.

In preparing the unconsolidated financial statements, the Management Board is responsible for assessing the Company's ability to continue doing business as a going concern, disclosing, if applicable, matters relating to doing business as a going concern, and using an accounting basis based on the going concern assumption, unless the Management Board intends to liquidate the Company or discontinue business or if there is no realistic alternative than to do so.

Those in charge of management are responsible for overseeing the financial reporting process established by the Company.

INDEPENDENT AUDITOR'S REPORT (continued)

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

Auditors' responsibilities for the audit of unconsolidated financial statements

Our objectives are to obtain reasonable assurance as to whether the unconsolidated financial statements as a whole are free from material misstatement due to fraud or error and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit performed in accordance with ISA will always detect material misstatement when it exists. Misstatements may result from fraud or error and are considered material if they can reasonably be expected to influence, individually or collectively, the economic decisions of users made on the basis of those unconsolidated financial statements. As an integral part of auditing in accordance with ISA, we make professional judgments and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is greater than the risk arising from error, as fraud may involve collusion, forgery, willful omission, misrepresentation, or circumvention of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the specific circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Reach conclusions on the appropriateness of the accounting basis used based on the going concern assumption used by the Management Board and, based on the audit evidence obtained, we conclude whether there is significant uncertainty about events or circumstances that may cast significant doubt on the Company's ability to continue doing business under the going concern assumption. If we conclude that there is significant uncertainty, we are required to draw attention in our independent auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are not appropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to discontinue operations as a going concern.
- Evaluate the overall presentation, structure, and content of the unconsolidated financial statements, including disclosures, as well as whether the unconsolidated financial statements reflect the transactions and events on which they are based in a way that achieves a fair presentation.

We communicate with those in charge of management in relation to, among other matters, the planned scope and timing of the audit and important audit findings, including those related to significant deficiencies in internal controls identified during our audit. We also issue a statement to those in charge of management that we have complied with the relevant ethical requirements regarding independence and that we will communicate with them on issues related to all relationships and other matters that may reasonably be considered to affect our independence, as well as, where applicable, on related protections. Among the issues communicated to those in charge of management, we identify those issues that are of the highest importance in the audit of the current period's unconsolidated financial statements and are, therefore, key audit matters. We describe these issues in our independent auditor's report unless the law or regulation prevents the issue from being made public or when we decide, in extremely rare circumstances, that the issue should not be disclosed in our independent auditor's report because it can reasonably be expected that the negative consequences of disclosure would outweigh the benefits of the public interest from such a disclosure.

INDEPENDENT AUDITOR'S REPORT (continued)

Reporting in accordance with other legal or regulatory requirements

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

Report on the auditor's reasonable assurance on the compliance of unconsolidated financial statements prepared pursuant to Article 462 (5) of the Capital Market Act applying the requirements of Delegated Regulation (EU) 2018/815 specifying a single electronic reporting format for issuers ("ESEF Regulation"). We conducted the engagement and expressed reasonable assurance that the unconsolidated financial statements of Meritus ulaganja d.d. for the financial year that ended on December 31, 2021, prepared for public disclosure pursuant to Article 462 (5) of the Capital Market Act, contained in the electronic file meritusulaganjadd-2021-12-31-en.xhtml, were prepared in all material respects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the Management Board and those in charge of management

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

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

The Management Board of the Company is also responsible for:

- Public disclosure of unconsolidated financial statements contained in the annual report in the current XHTML format.
- Selection and use of XBRL language codes in accordance with the requirements of the ESEF Regulation.

Those in charge of management are responsible for overseeing the preparation of non-consolidated financial statements in ESEF format as part of the financial reporting process.

Auditor's responsibility

It is our responsibility to carry out the reasonable assurance engagement and draw a clear conclusion, based on the audit evidence gathered, as to whether the unconsolidated financial statements are free from material non-compliance with the requirements of the ESEF Regulation. We conducted this reasonable assurance engagement in accordance with the *International Standard for Assurance Engagements 3000 (revised) - Assurance Engagements other than audits or reviews of historical financial information* ("MSIU 3000"). In accordance with the stated standard, we are required to plan and perform the engagement in order to gain reasonable assurance for reaching a conclusion.

Quality control

We conducted our engagement in accordance with the independence and ethical requirements of the Code of Ethics for Professional Accountants (including International Standards of Independence) issued by the International Ethics Standards Board for Accountants. The Code is based on the principles of integrity, objectivity, expertise and due diligence, confidentiality, and professional conduct. We comply with the *International Standard on Quality Control, Auditing, Insight, Other Assurance, and Related Services* (ISQC 1) and maintain a comprehensive quality control system, including documented policies and procedures for compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

INDEPENDENT AUDITOR'S REPORT (continued)

Reporting in accordance with other legal or regulatory requirements (continued)

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

Procedures performed

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

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

The aim of our procedures was to assess whether:

- Unconsolidated financial statements, which are included in the annual report, were prepared in the current XHTML format.
- The information contained in the non-consolidated financial statements required by the ESEF Regulation is marked, and all markings meet the following requirements:
- Use of the XBRL markup language.
    - The basic taxonomy elements listed in the ESEF Regulation with the closest accounting significance were used unless an additional taxonomy element was created in accordance with Annex IV of the ESEF Regulation.
    - The labeled elements comply with the common labeling rules under the ESEF Regulation.

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

Conclusion

In our opinion, based on the conducted procedures and obtained evidence, the unconsolidated financial statements of the Company presented in ESEF format, contained in the abovementioned electronic file, and prepared for public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, comply with the requirements of Articles 3, 4, and 6 of the ESEF Regulation in all material respects for the year ended December 31, 2021.

We do not express any opinion on the information contained in these statements or other information contained in the abovementioned file aside from this conclusion, as well as the opinions contained in this Independent Auditor's Report for the accompanying unconsolidated financial statements and the annual report for the year that ended on December 31, 2021.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Reporting in accordance with other legal or regulatory requirements

Other reporting obligations prescribed by EU Regulation no. 537/2014 of the European Parliament and of the Council and the Audit Act

The General Assembly of the Company appointed us as the Group's auditor on June 7, 2021, for the purpose of auditing the accompanying unconsolidated financial statements. Our uninterrupted engagement lasts a total of four (4) years and covers the period from January 1, 2018, to December 31, 2021.

We confirm the following:

- Our audit opinion on the accompanying unconsolidated financial statements is consistent with the supplementary report issued to the Company's Audit Committee on April 29, 2022, in accordance with Article 11 of Regulation (EU) no. 537/2014 of the European Parliament and of the Council;
- No unauthorized non-audit services referred to in Article 5 (1) of Regulation (EU) no. 537/2014 of the European Parliament and of the Council were provided during the audit.

In addition to the services of legal audit, we provided the following other services to the Company and the companies under its control:

- Independent report expressing a limited assurance for the income statement for 2021, based on the provisions of Article 272r paragraph 3 of the Companies Act.

The partner responsible for the audit engagement on the basis of which this independent auditor's report was compiled is Marina Tonžetić.

Marina Tonžetić

Director and certified auditor

Deloitte d.o.o.

April 29, 2022

Radnička cesta 80

10 000 Zagreb

Republic of Croatia

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

Separate statement of comprehensive income
For the year ended December 31, 2021
(All amounts are presented in thousands of kunas)

	Note	2021	2020
Other revenue	5	2,999	1,094
Total revenue		**2,999**	**1,094**
Costs of raw materials and supplies	6	(68)	(27)
Costs of services	7	(753)	(1,557)
Staff costs	8	(706)	(634)
Depreciation and amortization	10	(1,379)	(725)
Other operating expenses	9	(5,068)	(5,443)
Total operating expenses		**(7,974)**	**(8,386)**
Loss from operations		**(4,975)**	**(7,292)**
Financial income	11	16,580	14,697
Financial expenses	12	(1,021)	(104)
Profit from financial activities		**15,559**	**14,593**
Profit before taxation		**10,584**	**7,301**
Income tax	13	-	-
Profit for the year		**10,584**	**7,301**
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income for the year		**10,584**	**7,301**
Earnings per share			
Basic and diluted earnings per share (in kunas and lipas)	14	**11.62**	**8.51**

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

Separate statement of financial position
As of December 31, 2021
(All amounts are presented in thousands of kunas)

	Note	December 31, 2021	December 31, 2020
ASSETS			
Non-current assets			
Intangible assets	15	53	159
Right of use assets	16	454	572
Investment property	17	20,364	21,455
Investments in subsidiaries	18	288,660	288,660
Non-current financial assets	19	95,884	78,462
Total non-current assets		**405,415**	**389,308**
Current assets			
Trade receivables	20	1,018	1,312
Other receivables	21	12,153	11,828
Accrued income and prepaid expenses		42	2
Cash and cash equivalents	22	116,074	5,418
Total current assets		**129,287**	**18,560**
TOTAL ASSETS		**534,702**	**407,868**
EQUITY AND LIABILITIES			
Equity			
Share capital	23	98,203	85,781
Capital reserves	24	387,630	295,849
Legal reserves		2,029	-
Retained earnings		6,936	8,324
Profit for the period		10,584	7,301
Total equity		**505,382**	**397,255**
Non-current liabilities			
Long-term borrowings	29	12,363	-
Long-term lease liabilities		292	488
Total non-current liabilities		**12,655**	**488**
Current liabilities			
Trade payables	25	14,522	10,030
Liabilities to employees	26	10	38
Other current liabilities	27	46	57
Short-term borrowings	29	1,959	-
Short-term lease liabilities		99	-
Accrued expenses and deferred income		29	-
Total current liabilities		**16,665**	**10,125**
Total liabilities		**29,320**	**10,613**
TOTAL EQUITY AND LIABILITIES		**534,702**	**407,868**

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

(All amounts are presented in thousands of kunas)

	Share capital	Capital reserves	Legal reserves	Retained earnings and profit for the year	Total
Balance at December 31, 2019	**85,781**	**295,849**	**-**	**8,324**	**389,954**
Profit for the year	-	-	-	7,301	**7,301**
Other comprehensive income for the current year less income tax	-	-	-	-	**-**
Total comprehensive income for the current year	-	-	-	*7,301*	***7,301***
Balance at December 31, 2020	**85,781**	**295,849**		**15,625**	**397,255**
Profit for the year	-	-	-	10,584	**10,584**
Other comprehensive income for the current year less income tax	-	-	-	-	**-**
Total comprehensive income for the current year	-	-	-	*10,584*	***10,584***
Transfer to legal reserves	-	-	2,029	(2,029)	**-**
Dividend payment	-	-	-	(6,660)	**(6,660)**
Increase in share capital and reserves (note 23,24)	12,422	91,781	-	-	**104,203**
Balance at December 31, 2021	**98,203**	**387,630**	**2,029**	**17,520**	**505,382**

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

Separate statement of cash flows
For the year that ended on December 31, 2021
(All amounts are shown in thousands of HRK)

	Note	2021	2020
Profit for the year		**10,584**	**7,301**
Income from share in profit	11	(15,000)	(6,000)
Profit from purchase of receivables	11	-	(6,650)
Interest expense	12	476	3
Interest income	11	(1,487)	(2,047)
Amortization of intangible assets	15	159	160
Depreciation of Investment property	17	1,103	551
Depreciation of right of use assets	16	118	15
Net book value of depreciated right of use assets		-	60
Other cash flows		62	(12)
Net cash used in operating activities before changes in working capital		**(3,985)**	**(6,619)**
Decrease/(increase) in trade receivables	20	294	(1,306)
Increase in other receivables		(363)	(2,495)
Increase in trade payables		4,521	7,125
Decrease/(increase) in other liabilities		(39)	32
Interests paid	29	(437)	-
Net cash generated/(used in) operating activities		**(9)**	**(3,263)**
Cash flow from investing activities			
Purchase of non-current assets	15, 17	(65)	(22,006)
Investments in subsidiaries		-	(60)
Proceeds from given loans		-	21,998
Given deposits	19	(938)	-
Net cash used in investing activities		**(1,003)**	**(68)**
Cash flow from financing activities			
Given loans		-	(74,421)
Dividends paid		(6,660)	-
Loans received	29	29,986	-
Leases repaid		(97)	(151)
Loans repaid	29	(15,764)	-
Increase in share capital and reserves	23, 24	104,203	-
Net cash generated in financing activities		**111,668**	**(74,572)**
Net increase/(decrease) in cash and cash equivalents		110,656	(77,903)
Cash and cash equivalents at the beginning of the year	22	5,418	83,321
Cash and cash equivalents at the end of the year	22	**116,074**	**5,418**

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

1. GENERAL INFORMATION

On November 28, 2018, the Commercial Court in Zagreb issued a decision on the establishment of Meritus ulaganja d.d. Permanent court expert for finance and accounting Lara Franulović assessed the market value of business shares in the company Meritus Upravljanje d.o.o., and the members of Meritus Upravljanje d.o.o. entered their shares in the Company in the capital of Meritus ulaganja d.d.

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

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

On April 29, 2022, the Company published consolidated financial statements.

1.1. Number of employees

On December 31, 2021, the Company had one (1) employee (December 31, 2020: 2 employees).

1.2. Management Board of the Company

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

1. GENERAL INFORMATION (CONTINUED)

1.3. Supervisory Board of the Company

1) Mr. Sandi Češko, President of the Supervisory Board;

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

3) Ms. Tamara Sardelić, Member 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 composition of the Supervisory Board did not change in 2021.

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

2. SUMMARY OF ACCOUNTING POLICIES

2.1. Declaration of compliance

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

2.2. Basis of preparation

The separate financial statements have been prepared under the historical cost principle as explained in the accounting policies that follow. The Company keeps accounting records in the Croatian language, in HRK, and in accordance with Croatian legal regulations and accounting principles that companies in Croatia adhere to. The preparation of separate financial statements in accordance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards requires the Management Board to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the separate financial statements, as well as the reported income and expenses during the reporting period. Estimates are based on information available at the date of preparation of the separate financial statements, and actual amounts may differ from those estimated. The separate financial statements of the Company represent the aggregate amounts of the Company's assets, liabilities, equity, and reserves on December 31, 2021, and December 31, 2020, and the results of operations for the year then ended. The Company also prepared consolidated financial statements for the year ended December 31, 2021, in accordance with IFRS for the Company and its subsidiaries (collectively the "Group"). The users of these separate financial statements should read them together with the consolidated financial statements of the Group issued on April 29, 2022, for the year then ended, for the purpose of obtaining complete information about the Group's financial position, results of operations, and changes in cash flows of the Group in general.

2.3. Interest income and expense

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

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

2.4. Earnings per share in profit

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

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.5. Income tax

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

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

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

2.6. Foreign currencies

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

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

	December 31, 2021	**December 31, 2020**
1 EUR	7,5172 HRK	7,5369 HRK

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.7. Investments in subsidiaries

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

2.8. Investment property

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

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

2.9. Leases

Right of use assets

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

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

Lease liabilities

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

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.9. Leases (continued)

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

Company as a lessee

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

Company as a lessee

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

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

A lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability (and makes appropriate adjustments to the related right of use asset) when:

- the lease period changes, or a significant event occurs, or a significant change in circumstances results in a change in the assessment of the execution of the purchase option, in which case the lease liability is remeasured so that the revised lease payments are discounted using the revised discount rate

- lease payments change due to changes in the index or rate or change in the expected payment of the guaranteed residual value, in which case the lease liability is remeasured so that the revised lease payments are discounted using unchanged discount rates (unless the change in lease payments is due to a change in variable interest rates, in which case a revised discount rate applies)

- lease agreements change, and the change in lease is not accounted for as a separate lease, in which case the lease liability is remeasured based on the period of the revised lease so that the revised lease payments are discounted using the revised discount rates at the effective date.

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

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.10. Financial instruments

Classification and subsequent measurement

Financial assets

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

Debt instruments

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

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

(ii) the cash flow characteristics of the assets.

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

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

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

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

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.10. Financial instruments (continued)

Classification and subsequent measurement

Financial liabilities

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

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

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.

Impairment

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

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

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.10. Financial instruments (continued)

Impairment (continued)

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

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

2.11. Borrowings taken

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

2.12. Cash and cash equivalents

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

2.13. Share capital

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

2.14. Retained earnings

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

2.15. Earnings per share

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

3. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

The Company has adopted the following new standards and amendments to existing standards and new interpretations published by the International Accounting Standards Board (IASB) and adopted in the European Union, which came into force for the current reporting period:

- **Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7: Financial Instruments: Disclosures, IFRS 4 Insurance Contracts, and IFRS 16: Leases - Interest Rate Benchmark Reform – Phase 2** (effective for annual periods beginning on or after January 1, 2021).
- **Amendments to IFRS 16 Leases** - Leases related to COVID-19 after June 30, 2021 (effective from April 1, 2021, for annual periods beginning on or after January 1, 2021)
- **Amendments to IFRS 4 Insurance contracts** – Extension of the temporary exemption from the application of IFRS 9, adopted in the European Union on December 16, 2020 (the expiry date of the temporary exemption from the application of IFRS 9 has been extended to annual periods beginning on or after January 1, 2023)

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

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

At the date of publication of the financial statements, the following new standards and amendments to existing standards, published by the IASB and adopted by the European Union, were published but not in force:

- **Amendments to IAS 1 Presentation of Financial Statements** – Publication of accounting policies (effective for annual periods beginning on or after January 1, 2023)
- **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** – Definition of accounting estimates (effective for annual periods beginning on or after January 1, 2023),
- **Amendments to IAS 16 Property, plant, and equipment** – Revenue before intended use (effective for annual periods beginning on or after January 1, 2022)
- **Amendments to IAS 37 Provisions, contingent liabilities, and contingent assets** – Harmful contracts – Costs of fulfilling contractual obligations (effective for annual periods beginning on or after January 1, 2022)
- **Amendments to IFRS 3 Business combinations** – References to the Conceptual framework with amendments to IFRS 3 (effective for annual periods beginning on or after January 1, 2022)
- **IFRS 17 Insurance Contracts,** including amendments to IFRS 17 issued by the IASB on June 25, 2020 - adopted by the European Union on November 19, 2021 (effective for annual periods beginning on or after January 1, 2023)
- **amendments to various standards due to the Revision of IFRS from the 2018-2020 cycle**, resulting from the project of annual revision of IFRSs (IFRS 1, IFRS 9, IFRS 16, and IAS 41), primarily to eliminate inconsistencies and clarify the text – adopted by the EU on June 28, 2021 (Amendments IFRS 1, IFRS 9, and IAS 41 are effective for annual periods beginning on or after January 1, 2022. The amendment to IFRS 16 is for illustrative purposes only and does not specify the effective date).

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

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

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

- **IFRS 14 Regulatory deferral accounts** (effective for annual periods beginning on or after January 1, 2016) – The European Commission has decided to postpone the adoption of this transitional standard until its final version is published
- **Amendments to IAS 1 Presentation of financial statements –** Classification of current and non-current liabilities (effective for annual periods beginning on or after January 1, 2023)
- **Amendments to IAS 12 Income taxes** – Deferred tax relating to assets and liabilities arising from a single transaction (effective for annual periods beginning on or after January 1, 2023)
- **Amendments to IFRS 10 Consolidated financial statements and IAS 28 Shares in associates and joint ventures** – Sale or investment of assets between an investor and its associate or joint venture and further amendments (the initial effective date is deferred until the completion of a research project on the application of the equity method)
- **IFRS 17 Insurance contracts,** First application of IFRS 17 and IFRS 9 - Comparative Information (effective for annual periods beginning on or after January 1, 2023)

The Company expects that the adoption of these new standards and amendments to existing standards will not lead to significant changes in the financial statements of the Company in the period of the first application of the standards. Hedge accounting for the financial assets and liabilities portfolio, whose principles have not yet been adopted by the European Union, remains unregulated. The Group estimates that applying hedge accounting to a portfolio of financial assets or liabilities in accordance with **IAS 39 Financial Instruments: Recognition and Measurement** would not result in a material change in the financial statements if applied at the balance sheet date.

4. KEY ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

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

4.1. Impairment testing of investments in subsidiaries

The Company conducts an annual impairment test of investments in subsidiaries. For investments in subsidiaries, the recoverable amount of the investment is estimated and compared with the carrying amount. The calculation of the recoverable amount is generally based on the subsidiary's five-year business plans. The recoverable amount of an investment in a subsidiary is calculated using a discounted cash flow calculation. The methodology for calculating discounted cash flows consisted of estimating future cash flows for a period of five years, discounting the stated cash flows, applying a discount rate that reflects the cash flow risk and time value of money, estimating the residual value. According to the Company's calculation, the weighted average cost of capital (debt and equity) (en. WACC) is 12% (2020: 11.8%). Key assumptions also include planned sales revenue growth of 20-25% by 2026, which is also the estimated growth of different market segments.

4.2. Leases – Estimate of incremental borrowing rate

The Company is not able to easily determine the lease interest rate. Therefore, it uses the incremental borrowing rate to calculate the lease obligations. The incremental borrowing rate is the rate that the Company would pay if, for a similar period, with similar collateral, it borrowed funds required to acquire assets of similar value as the right to use assets in a similar economic environment. The calculation of the incremental borrowing rate requires an assessment of when such rates are not available or need to be adjusted to reflect the terms of the lease. The Company estimates the incremental borrowing rate using a variety of inputs. The interest rate charged by the Company on contracts is 3.15% and represents the lessee's credit risk best, lease term, security, and economic environment. It is determined on the basis of comparable transactions. The data used by the Company to determine the incremental borrowing rate are updated at least once a year or in the event of a significant change in the Company's credit rating.

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

4.3. Income tax

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

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

4.4. Impairment of trade receivables

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

4.5. Useful life of intangible assets and rights to use assets

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

(All amounts are shown in thousands of HRK)

5. OTHER REVENUE

Other revenue in the amount of HRK 2,033 thousand (2020: HRK 1,076 thousand) relates to income from the lease of real estate owned by the Company, to related companies. The remaining other revenue of HRK 966 thousand (2020: HRK 18 thousand) relates to income from re-invoicing costs related to leasing income.

6. COSTS OF RAW MATERIALS AND SUPPLIES

	2021	2020
Energy costs	53	-
Fuel costs	14	17
Costs of small inventory	1	-
Other costs of small material	-	10
	68	**27**

7. COSTS OF SERVICES

	2021	2020
Consulting costs	642	1,447
Rental costs	80	66
Insurance costs	19	39
Maintenance costs	5	5
Other service costs	7	-
	753	**1,557**

8. STAFF COSTS

	2021	2020
Net salaries	446	380
Taxes and contributions from salaries	245	223
Contributions on salaries	5	4
Other staff costs	10	27
	706	**634**

(All amounts are shown in thousands of HRK)

9. OTHER OPERATING COSTS

	2021	2020
Re-invoiced subsidiary costs	4,400	5,266
Utility costs	552	-
Education costs	52	57
Advertising and promotion costs	19	81
Other costs of taxes, liabilities, and fees	16	1
Telecommunication costs	12	18
Transportation costs	9	14
Bank charges and transaction costs	6	4
Entertainment costs	2	2
	5,068	**5,443**

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

10. DEPRECIATION AND AMORTIZATION

	2021	2020
Amortization of investment property (Note 17)	1,103	551
Amortization of intangible assets (Note 15)	159	159
Amortization of right of use assets (Note 16)	117	15
Total	**1,379**	**725**

11. FINANCIAL INCOME

	2021	2020
Income from share in profit	15,000	6,000
Interest income from related parties (Note 11)	1.487	2,047
Income from exchange rate differences (Note 11)	93	-
Income from purchase of receivables (Note 11)	-	6.650
	16,580	**14,697**

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

(All amounts are shown in thousands of HRK)

12. FINANCIAL EXPENSES

	2021	2020
Interest expenses	476	3
Expenses from exchange rate differences	105	1
Other financial expenses	440	100
	1,021	**104**

13. INCOME TAX

	2021	2020
Profit before tax	10,584	7,301
Income tax at a tax rate of 18%	1,905	876
Non-tax-deductible expenses	4	2
The effect of tax reductions	(2,704)	(727)
Unrecognized deferred tax assets for tax losses	795	-
Utilization of tax losses not previously recognized as deferred tax assets	-	(151)
Income tax	-	-

The Company has carried forward tax losses as follows:

2019 – tax loss carried forward in the amount of HRK 11,090 thousand, which expires in 2024.

2021 – tax loss carried forward in the amount of HRK 4,435 thousand, which expires in 2026.

14. BASIC AND DILUTED EARNINGS PER SHARE

	2021	2020
Profit after tax attributable to shareholders	10,584	7,301
Average weighted number of ordinary shares in issue	910,899	857,805
Basic and diluted earnings per share (expressed in HRK and lipa per share)	**11.62**	**8.51**

(All amounts are shown in thousands of HRK)

15. INTANGIBLE ASSETS

Rights	**2021**	**2020**
Cost at January 1	**319**	**319**
Increase	53	-
Cost at December 31	**372**	**319**
Accumulated amortization at January 1	**(160)**	**-**
Amortization expense	(159)	(160)
Accumulated amortization at December 31	**(319)**	**(160)**
Net book value at January 1	**159**	**319**
Net book value at December 31	**53**	**159**

16. RIGHT OF USE ASSETS

Vehicles	**2021**	**2020**
Cost at January 1	**599**	**58**
Increase	-	541
Cost at December 31	**599**	**599**
Accumulated amortization at January 1	**(27)**	**(12)**
Amortization expense	(118)	(15)
Accumulated amortization at December 31	**(145)**	**(27)**
Net book value at January 1	**572**	**46**
Net book value at December 31	**454**	**572**

Amounts recognized in the income statement	**2021**	**2020**
Amortization expenses on right of use assets	118	15
Interest on leases	10	3
Costs related to current lease (note 9)	80	66
Lease repayment	132	84

(All amounts are shown in thousands of HRK)

17. INVESTMENT PROPERTY

Real-estate	**2021**	**2020**
Cost at January 1	**22,006**	**-**
Increase	12	22,006
Cost at December 31	**22,018**	**22,006**
Accumulated amortization at January 1	**(551)**	**-**
Amortization expense	(1,103)	(551)
Accumulated amortization at December 31	**(1,654)**	**(551)**
Net book value at January 1	**21,455**	**-**
Net book value at December 31	**20,364**	**21,455**

According to a certified appraiser, the market value of the building is greater than its net book value.

(All amounts are shown in thousands of HRK)

18. INVESTMENTS IN SUBSIDIARIES

Name of subsidiary	Main activity	Location of establishment and business operations	Share in ownership in %	Value of investment
			December 31, 2021	December 31, 2021
M Plus Croatia d.o.o.	Management activities of holding companies	Zagreb, Croatia	70,00%	288.600
Meritus Global Strategics d.o.o.	Management activities of holding companies	Zagreb, Croatia	100,00%	20
Meritus Global Technology d.o.o.	Management activities of holding companies	Zagreb, Croatia	100,00%	20
Meritus Global Real Estate Management d.o.o.	Management activities of holding companies	Zagreb, Croatia	100,00%	20
				288.660

Name of subsidiary	Main activity	Location of establishment and business operations	Share in ownership in %	Value of investment
			December 31, 2020	December 31, 2020
Meritus Upravljanje d.o.o.	Management activities of holding companies	Zagreb, Croatia	70,00%	288.600
Meritus Global Strategics d.o.o.	Management activities of holding companies	Zagreb, Croatia	100,00%	20
Meritus Global Technology d.o.o.	Management activities of holding companies	Zagreb, Croatia	100,00%	20
Meritus Global Real Estate Management d.o.o.	Management activities of holding companies	Zagreb, Croatia	100,00%	20
				288.660

(All amounts are shown in thousands of HRK)

19. NON-CURRENT FINANCIAL ASSETS

	2021	2020
Given loans	53,264	51,780
Long-term receivables	41,682	26,682
Other deposits	938	-
	95,884	**78,462**

As at 31 December 2021, the Company has a loan given to an affiliated company in the amount of HRK 49,483 thousand plus accrued interest. The annual interest rate is 3.00% (31 December 2020: HRK 49,483 thousand, 3.42%), (Note 30). Interest receivables as at 31.12.2021. amount to HRK 3,781 thousand (2020: HRK 2,297 thousand).

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

Long-term financial assets in the amount of HRK 938 thousand (2020: -) relate to the security deposit under the loan agreement.

(All amounts are shown in thousands of HRK)

20. TRADE RECEIVABLES

	December 31, 2021	December 31, 2020
Receivables from related parties (note 30)	872	1,276
Trade receivables	146	36
	1,018	**1,312**

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

	December 31, 2021	December 31, 2020
Undue receivables	838	205
0 – 90 days	14	644
91 – 180 days	13	455
181 – 365 days	86	2
over 365 days	67	6
	1,018	**1,312**

As of December 31, 2021, and 2020, the Company had no impairment on trade receivables.

21. OTHER RECEIVABLES

	December 31, 2021	December 31, 2020
Other receivables	7,518	7,750
Receivables from the state	4,634	4,077
Receivables from employees	1	1
	12,153	**11,828**

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

(All amounts are shown in thousands of HRK)

22. CASH AND CASH EQUIVALENTS

	December 31, 2021	December 31, 2020
Cash in giro accounts in local currency	104,698	5,418
Cash in giro accounts in foreign currency	11,376	-
	116,074	**5,418**

23. SHARE CAPITAL

		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	49.71%	478,358
Total:	**98,203**	**100.00%**	**982,032**

		December 31, 2020	
Registered co-owner	**Share**	**Percentage of ownership**	**Number of shares**
Stjepan Orešković	24,988	29.13%	249,910
Manica Pirc Orešković	24,997	29.14%	250,000
Others	35,796	41.73%	357,895
Total:	**85,781**	**100.00%**	**857,805**

The share capital of the Company amounts to HRK 98,203 thousand as of December 31, 2021, and is divided into 982,032 shares (December 31, 2020: HRK 85,781 thousand, divided into 857,805 shares).

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

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

(All amounts are shown in thousands of HRK)

24. CAPITAL RESERVES

After the subscription and payment of the New Shares, the company Meritus ulaganja d.d. increased its share capital by HRK 12,422 thousand, while capital reserves increased by HRK 91,781 thousand. This increase occurred in 2021. In 2020, there were no changes in the Company's capital reserves and share capital.

25. TRADE PAYABLES

	December 31, 2021	December 31, 2020
Liabilities to related companies (Note 30)	13,719	9,068
Liabilities to domestic suppliers	803	962
	14,522	**10,030**

Liabilities to related companies relate to support and management services.

26. LIABILITIES TO EMPLOYEES

	December 31, 2021	December 31, 2020
Liabilities for net salaries	10	38
	10	**38**

27. OTHER CURRENT LIABILITIES

	December 31, 2021	December 31, 2020
Liabilities to external members of Supervisory Board	33	27
Liabilities for assuming payment under assignment agreements	8	8
Liabilities for taxes and contributions	5	22
	46	**57**

(All amounts are shown in thousands of HRK)

28. LEASE LIABILITIES

Lease liabilities in the amount of HRK 391 thousand (December 31, 2020: HRK 488 thousand) will mature as follows:

	December 31, 2021	December 31, 2020
In the first year	99	97
In the second year	101	99
In the third year	103	101
In the fourth year	88	103
In the fifth year	-	88
After five years	-	-
Total	**391**	**488**

29. BORROWINGS

	December 31, 2021	December 31, 2020
Liabilities for long-term borrowings	14,282	-
Current portion of long-term borrowings	(1,959)	-
Total liabilities for long-term borrowings	**12,363**	**-**
Liabilities for short-term borrowings	-	-
Current portion of long-term borrowings	1,919	-
Total liabilities for short-term borrowings	**1,919**	**-**
Accrued interest liabilities on borrowings	**40**	**-**
Total liabilities for borrowings as of December 31	**14,322**	**-**

Balance at January 1	**-**	**-**
New loans	29,986	-
Loan repayments	(15,764)	-
Interest expense	465	
Interests payment	(425)	
Exchange rate differences	60	
Balance at December 31	**14,322**	**-**

(All amounts are shown in thousands of HRK)

30. RELATED PARTY TRANSACTIONS

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

	Receivables		Liabilities	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
M Plus Croatia d.o.o.	46,228	28,918	13.719	8.795
Meritus plus d.o.o.	-	1,273	-	273
Calyx d.o.o.	1	-	-	-
Smart Flex d.o.o.	22	22	-	-
Brza produkcija d.o.o.	-	7,759	-	-
Geomant global d.o.o.	17	7	-	-
M+Agent d.o.o.	18	9		-
Sitra management d.o.o.	-	9	-	-
Meritus Global Technology	10	-	-	-
Meritus Global Strategics d.o.o.	10	-	-	-
Real Estate Management d.o.o.	10	-	-	-
Smart flex sourcing d.o.o.	18	9	-	-
Total	**46,334**	**38,006**	**13.719**	**9.068**

	Loans given		Borrowings received	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
M Plus Croatia d.o.o.	49,483	49,483	-	-
Total	**49,483**	**49,483**	**-**	**-**

(All amounts are shown in thousands of HRK)

30. RELATED PARTY TRANSACTIONS (CONTINUED)

	Revenues		Expenses	
	2021	**2020**	**2021**	**2020**
M Plus Croatia d.o.o.	17,781	8,107	3,658	5,012
Meritus plus d.o.o.	1,527	925	61	105
Bulb upravljanje d.o.o.	5	-	-	-
Calyx d.o.o.	1	-	-	-
Smart Flex d.o.o.	-	27	-	-
Brza produkcija d.o.o.	7	7	-	-
Meritus Global Technology	7	-	-	-
Meritus Global Strategics d.o.o.	7	-	-	-
Real Estate Management d.o.o.	7	-	-	-
Geomant global d.o.o.	7	6	-	-
M+Agent d.o.o.	9	7	-	-
Sitra management d.o.o.	7	7	-	-
Smart flex sourcing d.o.o.	7	7	-	-
Total	**19,372**	**9,093**	**3,719**	**5,117**

In 2021, the Company had no transactions with other related parties.

In 2021, the Company paid total fixed compensation to key management in the amount of HRK 971,715 thousand (2020: HRK 714,473 thousand). In 2021 and 2020, there were no payments of variable compensations.

(All amounts are shown in thousands of HRK)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a. Financing ratio

Equity consists of share capital, reserves, and retained loss. The Company has no net debt on December 31, 2021, and 2020.

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

	December 31, 2021	December 31, 2020
Liabilities for short-term borrowings	1,959	-
Liabilities for long-term borrowings	12,363	-
Cash and cash equivalents	(116,074)	5,418
Net debt/(cash)	**(101,752)**	**5,418**
Equity	505,382	397,225
Debt to equity ratio	**-**	**-**

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

b. Categories of financial instruments

	December 31, 2021	December 31, 2020
Financial assets	**225,129**	**97,020**
Non-current financial assets	95,884	78,462
Trade and other receivables	13,171	13,140
Cash and cash equivalents	116,074	5,418
Financial liabilities	**29,291**	**10,613**
Trade payables	14,522	10,030
Liabilities to employees	10	38
Other current liabilities	46	57
Liabilities for received borrowings and leases	14,713	488

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

c. Financial risk management objectives

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

d. Interest rate risk management

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

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

If interest rates were 1% higher while other variables were constant, the effects on the Group's profit would be as follows:

Interest rate risk

	2021	**2020**
Variable interest rate instruments		
Borrowings	58	-
Total	**58**	**-**

e. Credit risk management

Credit risk refers to the risk of a party failing to meet its obligations under a financial instrument that results in a financial loss to the other party. The Company’s credit risk assets consist of receivables. The Company's receivables on December 31, 2021, and 2020 relate almost entirely to receivables within the Group.

(All amounts are shown in thousands of HRK)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f. Liquidity risk management (continued)

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

Liabilities		**Up to 1 month**	**1-3 months**	**3 months-1 year**	**1-5 years**	**After 5 years**	**Total**
December 31, 2021							
Interest-bearing	3,25%	172	344	1,548	7,620	7,266	16,950
Interest-free	-	14,532	-	-	-	-	14,532
		14,704	**344**	**1,548**	**7,620**	**7,266**	**31,482**

		Up to 1 month	**1-3 months**	**3 months-1 year**	**1-5 years**	**After 5 years**	**Total**
December 31, 2020							
Interest-bearing	3,15%	8	17	75	403	-	503
Interest-free	-	10,125	-	-	-	-	10,125
		10,133	**17**	**75**	**403**	**-**	**10,628**

(All amounts are shown in thousands of HRK)

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f. Liquidity risk management (continued)

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

Assets

		Up to 1 month	1-3 months	3 months-1 year	1-5 years	After 5 years	Total
December 31, 2020							
Interest-bearing	3%				54,751	-	54,751
Interest-free	-	129,287	-	-	41,682	-	170,969
		129,287	**-**	**-**	**96,433**	**-**	**225,720**

		Up to 1 month	1-3 months	3 months-1 year	1-5 years	After 5 years	Total
December 31, 2020							
Interest-bearing	3,42%				52,867	-	52,867
Interest-free	-	20,675	-	-	26,862	-	47,537
		20,675	**-**	**-**	**79,729**	**-**	**100,404**

(All amounts are shown in thousands of HRK)

32. FAIR VALUE

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

As of December 31, 2021, and 2020, the reported amounts of current receivables and current liabilities roughly correspond to their market value.

33. EVENTS AFTER THE REPORTING PERIOD

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

34. CONTINGENT LIABILITIES

According to the Management Board's assessment, on December 31, 2021, the Company has no significant contingent liabilities that would require disclosure in the notes to the separate financial statements.
On December 31, 2021, no lawsuit was filed against the Company, which was not disclosed in the separate financial statements.

35. APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS

The separate financial statements were approved by the Management Board of the Company on April 29, 2022.

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