Meritus ulaganja d.d. and its subsidiaries

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

M+GRUPA

PEOPLE INSPIRED BY PEOPLE

ANNUAL REPORT

of the Company Meritus ulaganja d.d. and its subsidiaries (M+ Group/Group)

Report for the period January 1, 2021 - December 31, 2021

ZAGREB, April 2022

1. COMMENT OF THE PRESIDENT OF THE MANAGEMENT BOARD

It is my pleasure to present the business results that the M+ Group achieved in 2021. The Group has achieved notable organic growth, which is largely related to doing business with international clients. In the last quarter, the increase in the number of agents intensified through the so-called "nearshoring" model of service provision. Total revenues increased by 12%, with a significant increase in profitability of all business segments.

The Group continues to make notable investments in customer support software development, automation, and customer support improvement, with an additional focus on the development of artificial intelligence and machine learning tools. Doing business within the framework of the COVID-19 pandemic has permanently contributed to our business approach in terms of agility and our adjustment of business operations at an operational level. Therefore, the pandemic no longer poses a logistical or managerial challenge to the business. The Group will closely monitor the impact of the war in Ukraine on business circumstances, and although there are currently no direct negative consequences, indirect negative effects on customers and end-users are possible. In 2021, the Group paid significant attention to corporate social responsibility by implementing strategic and operational activities within the ESG (Environment, Social, Governance) guidelines. In addition to the primary goals of caring for our employees and the community, the Group's goal is to fully adjust its business to environmental standards in order to achieve a neutral "carbon footprint," which will be reflected in the annual report on business sustainability.

At the end of the year, the Group prepared activities for entering the German market. At the beginning of 2022, it completed the transaction of acquiring a majority stake in the Invitel Group. The Invitel Group is strongly positioned in the energy, carbon management, and new technologies sectors, which complements the M+ Group's customer structure and sustainability strategy.

In the 4th quarter, the status restructuring of operating companies in Croatia was successfully completed under a new name, M+ Croatia. The rebranding of the BPTO segment continues as planned.

It is important to point out that, in 2021, the M+ Group received a number of recognitions and awards from financial institutions and professional organizations that place a strong focus on transparency, innovation, quality of services, and investments in employee development. The M+ Group has thus confirmed its deep integration into global economic trends, and its recognition on the international scene continues to grow. I would like to congratulate all the employees of the Group on the results and thank all the clients and investors for their trust.

Darko Horvat, President of the Management Boar

2. KEY OPERATIONAL FIGURES

794 million HRK
revenues in 2021

109 million
calls

HRK 150 million EBITDA

17 sites in 9 countries

8.6 million
chat interactions

14.4 million
e-mails answered

29
companies are part of the Group

9.500+
employees

260+
clients

31
average employee age

58 countries

Revenues: The M+ Group continued to perform well in 2021 despite the risks and uncertainties caused by the COVID-19 pandemic. Operating revenues in the period ended December 31, 2021, amounted to HRK 794 million. Compared to the comparable period last year, an increase of HRK 87 million or 12% was achieved, based almost entirely on organic growth. The Group has successfully established new business relationships with clients from various sectors, with a special focus on clients from the DACH region. Organic revenue growth was achieved through a focus on business operations, increasing service quality, and achieving higher volumes through synergies gained through the integration of new Group members.

(in HRK thousand)	*1-12 2021*	*1-12 2020*	*Change*	*%*
Operating income	794,449	706,933	87,516	12%
EBITDA	149,604	127,152	22,452	18%
Profit before tax	71,174	67,121	4,053	6%

EBITDA Stable demand for BPTO services in all markets and cost optimization resulted in positive effects, and EBITDA amounted to HRK 150 million. Relative to the comparable period last year, an increase of HRK 22.4 million or 18% was achieved. EBITDA growth was mostly influenced by the increase in efficiency in the Group's business, driven by the growing volume of business with existing and new clients.

Profit before tax: In 2021, the Group generated HRK 71.1 million in profit before tax, which is an increase of 6% compared to the same period in 2020, when it amounted to HRK 67.1 million.

(in HRK thousand)	*December 31, 2021*	*December 31, 2020*	*Change*	*%*
Assets	911,655	641,782	269,873	42%
Equity	409,051	272,478	136,573	50%
Net cash	82,401	15,142	67,259	444%

Net cash: On December 31, 2021, the Group had HRK 348.2 million on its accounts, while liabilities to financial institutions amounted to HRK 265,8 million. Net cash amounted to HRK 82.4 million, which indicates a significant ability to generate positive cash flows and a favorable position for regular payment of borrowing liabilities. The high level of funds is also the result of the secondary public offering of shares, which raised HRK 105 million, and of the securing of borrowing funds to finance further investment needs.

Assets: On December 31, 2021, the Group's assets amounted to HRK 911,6 million. Compared to December 31, 2020, an increase of HRK 269,8 million or 42% was realized. The increase in assets was due to the operating growth of the Group's operations and the raising of capital through a public offering of shares.

Equity: On December 31, 2021, the Group's equity amounted to HRK 409 million, accounting for 45% of the total balance sheet. Equity growth was affected by the secondary public offering of shares on the Zagreb Stock Exchange and the profit in 2021.

3. SIGNIFICANT EVENTS FOR THE PERIOD UP TO DECEMBER 31, 2021

Secondary offering of shares on the Zagreb Stock Exchange

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. The prospectus was approved by the HANFA on July 8, 2021. The Public Call was issued on July 9, 2021. Both invited existing and new shareholders to subscribe for 122,000 to 140,000 new shares.

During the period from July 12 to July 26, 2021, through two subscription rounds in which both qualified 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.

Raising capital through the secondary offering of shares on the Zagreb Stock Exchange is also important for the further development of the capital market in the Republic of Croatia.

The raised capital will be used by the M+ Group for growth and acquisitions in developed markets, infrastructure and technological equipment needed for further business development, and continued strong positioning as a technological leader in the BPTO sector, capable of providing technological support to the most demanding clients in the banking and finance, telecommunications, technology, e-commerce, and logistics sectors. The capital will also be used to acquire real estate needed for the company's operations, as well as to reduce the need for borrowing from borrowing institutions, especially since the Company already has a very low level of indebtedness and significant stocks of cash in accounts.

On August 6, 2021, the Central Depository and Clearing Company d.d., Zagreb ("CDCC"), carried out the corporate action of increasing the share capital in accordance with the Decision of the Commercial Court business no. Tt-2021/35087-2 dated July 29, 2021, which entered an increase in share capital and changes in the provisions of the Issuer's Articles of Association in the Court Register, based on the Decision of the Issuer's Management Board dated June 2, 2021, on increasing share capital through cash investments and the issuance of shares (authorized capital). The CDCC assigned the same symbol and mark to the newly issued shares as to the previously listed shares of the Issuer (MRUL-R-A, ISIN: HRMRULRA0009). A total of 124,227 new ordinary registered shares were issued without a nominal amount. As the Issuer has already announced, after the increase, the share capital of the Issuer amounts to a total of HRK 98,203,200.00 and is divided into a total of 982,032 ordinary registered shares without a nominal amount.

Restructuring of several companies based in Croatia

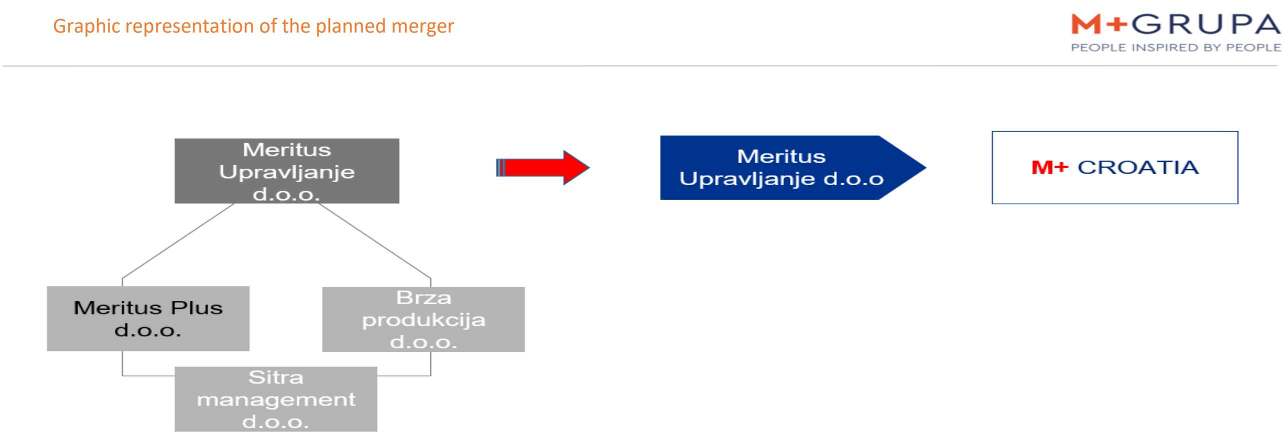
In line with the achieved results, on the basis of which we plan an even stronger positioning in the BPTO industry, the M+ Group has made changes related to companies in the Republic of Croatia. Through a merger process, Meritus Upravljanje d.o.o. (acquiring company) merged the following companies (merging companies):

MERITUS PLUS d.o.o., OIB: 30746232536.

SITRA management d.o.o., OIB: 97941031988.

Brza produkcija d.o.o., OIB: 77230765666.

The merger process was initiated on the basis of an assessment based on the need to optimize existing business processes. Accordingly, we expect an increase in internal organizational efficiency and organizational efficiency in the entire M+ Group under which these companies operate. The merger procedure was completed on November 2, 2021.



Meritus Upravljanje to operate under a single brand name – M Plus Croatia!

In order to achieve greater recognition at the local and market, and thus global level, and consolidate processes within the M+ Group, from November 26, Meritus Upravljanje will present itself through a new brand name - M Plus Croatia. This is the first step in the process of rebranding the M+ Group and its even stronger positioning as the leading BPTO company in the outsourcing industry. The rebranding process will continue in other countries where the M+ Group operates.

M+ Group shortlisted for 2021 European Small and Mid-Cap Awards

Due to impressive results in the field of international sales, profits, and increased overall market share, the M+ Group was shortlisted (among 27 nominees from 17 countries listed on various European exchanges) for the prestigious 2021 European Small and Mid-Cap Awards in the International Star category, in which the European Commission, together with EuropeanIssuers and the Federation of European Securities Exchanges (FESE), acknowledges small and medium-sized European companies for their exceptional efforts, commitment, and success. One of the conditions for the nomination is that the organizations have developed and implemented a sustainable strategy regarding the use of business opportunities outside their home country.

The M+ Group, as one of the three shortlisted companies, has once again confirmed its deep integration into global economic trends and capital raising trends. The achievements of the M+ Group prove that the efficiently designed geographical diversity of financial institutions is the leading guideline for further corporate growth.

GSA – M+ Group named Challenger Provider of the Year

The M+ Group has been named the Challenger Provider of the Year by the international non-profit association Global Sourcing Association (GSA).

The GSA is a business association and professional body in the global procurement industry. It is the founder of the Global Sourcing Standards, the first global portfolio of best practice methodologies and accreditation programs supported by customers and suppliers in procurement. With this recognition, the M+ Group has been recognized alongside other laureates – successful global companies – that have won awards for technology (NNT), automation (Royal Mail Group), excellence (Bank of Ireland), and digitalization (Volkswagen Group UK).

HANFA – M+ Group among only two issuers on the Official Market that have shown full compliance

The Croatian Financial Services Supervisory Agency (HANFA) has published its Annual Corporate Governance Report for companies whose shares are listed on the Regulated Market of the Zagreb Stock Exchange for 2020.

M+ Group is one of only two issuers on the Official Market that have shown full compliance.

Since 2020 was a year of more complex business conditions and adaptation process to the new Code of Corporate Governance of the HANFA and the Zagreb Stock Exchange, this is an important recognition that the M+ Group is working on improving the sustainability of its business and quality corporate governance with the utmost care and focus.

COPC certification of management initiated

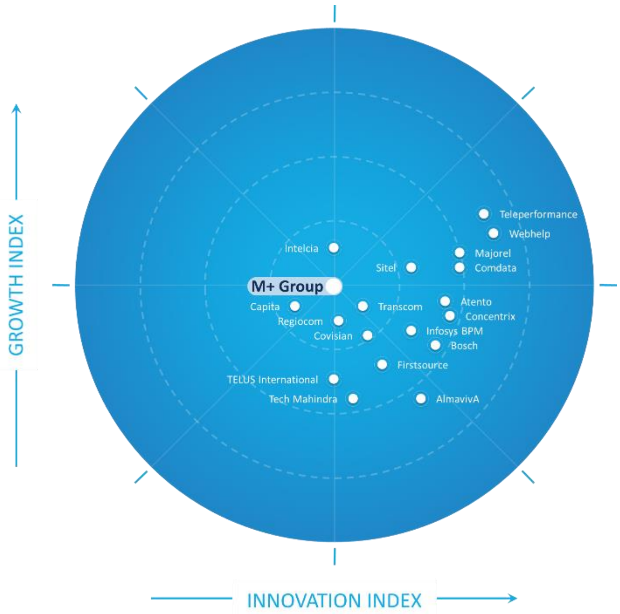
The M+ Group continuously invests in the development and growth of its employees through education and training for the purpose of lifelong education and training. Managers responsible for managing contact centers and those in charge of customer relations in Croatia and BiH are certified as **COPC Customer Experience Performance Leaders**. In 2022, the process will continue in other M+ Group countries. The COPC certification is one of the most prestigious recognitions in the customer support industry. By following the highest standards in customer experience management, the M+ Group directly influences the quality of services it provides to its clients around the world.

Strategic strengthening of the Management Board as a contribution to the even more successful positioning of the M+ Group on the international market

New strategic reinforcements, Christoph R. Giese as Chief Commercial Officer (CCO) and Simone Olivo as Chief Operating Officer (COO), will help the M+ Group more effectively connect the company's global resources with a focus on growth, innovation, and an even stronger position in the international market.

Christoph R. Giese has more than 20 years of international experience working in large global companies. He will focus on business development by connecting the go-to-market strategy, marketing activities, and business plans, while Simone Olivo, who has many years of experience in the BPO industry and strategic management, will be in charge of optimizing the Group's internal processes with an emphasis on operating systems and human resources management.

In its Frost RadarTM report for 2021, Frost & Sullivan has placed the M+ Group among the top 7 companies in Europe with continuous growth



In its Frost Radar™: CX OUTSOURCING SERVICES MARKET report for 2021, leading research and consulting company Frost & Sullivan ranked the M+ Group among the top seven BPTO companies with continuous growth and generally among the most innovative CX companies in Europe, with great potential for further development and growth.

Frost Radar™ measures growth rates and absolute revenues and combines them with factors that include scalability of innovation, research and development, product portfolio, and customer orientation. In addition to the M+ Group, the report singled out a total of 19 companies with the best ratings among more than 250 BPTO industry respondents across Europe. This is the first time that a company from Croatia has been recognized by Frost Radar. It is yet another independent and objective international recognition of the successful business operations of the M+ Group.

4. EVENTS AFTER THE REPORTING DATE

Acquisition of Invitel

The M+ Group acquired a majority stake in the German company Invitel GmBH and its subsidiaries. By expanding its business to the geographical area that spans from Hanover to Istanbul, the M+ Group has confirmed its position as the leading independent provider of BPTO services in Europe, with more than ten thousand employees. The acquired German company Invitel employs about 1,500 people and generates about 45 million euros in revenue annually. If we look at the business results for 2021, with the new acquisition, the M+ Group‘s annual revenues exceed HRK 1 billion.

With the acquisition of Invitel, the M+ Group has gained clients from new sectors in which it has not been present so far, i.e., companies focused on renewable energy sources, carbon management, energy transition, and technological innovations, all key to a successful global transition to a low carbon economy.

This fits perfectly into the company’s sustainability strategy. In addition, the company gained a large number of valuable employees and a very experienced management team with excellent contacts in the industry, which will certainly contribute to its further growth and development.

Following this acquisition, the M+ Group has expanded its operations to 35 locations across Europe and the United States, making Germany the Group's largest revenue-generating market, which is the culmination of a strategy to build a leading BPO provider for the DACH market, i.e., the German-speaking area. At the same time, this transaction is a continuation of the Group’s acquisition strategy, in which each new takeover strengthens the synergistic effects of all members of the M+ Group.

War in Ukraine

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

Indirect negative consequences such as rising energy costs, inflationary pressures, and other negative elements that may affect the slowdown of the economies in which our customers operate can not be estimated at the moment.

Increase in Group equity

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

Acquisition of non-controlling interests in the company Agencija za privremeno zapošljavanje Trizma d.o.o.

In 2022, the Group acquired remaining 49% stake in the company Agencija za privremeno zapošljavanje Trizma d.o.o. and thus acquired a 100% stake in the company

5. MARKETS, CLIENTS, PRODUCTS, AND SERVICES

HRK 794 million up to December 31, 2021

In 2021, the M+ Group generated consolidated revenue in the amount of HRK 794 million.

9.500+

employees

With more than 9.500 employees, we are the largest employer of customer service agents in Southeast Europe and Asia Minor.

provision of services in 58 countries

Although we provide services to clients in over 58 countries, our focus remains on our premium clients in the European (especially in the DACH region) and North American markets, including the US, Canada, and Australia.

260+

clients

We provide services from a wide range of activities and from various locations to more than 260 clients. Our clients include both large companies and fast-growing start-up companies.

32 languages

With a language portfolio of 32 languages, we remain one of the few service providers of our size able to truly meet all language needs of large global clients. Our core competencies still pertain to the languages of the region, as well as to English, German, Turkish and Italian, with the services in said languages bringing in most of our revenues.

17

locations

Our offices are located in:

- Ljubljana (Slovenia)
- Koper (Slovenia)
- Zagreb (Croatia)
- Sarajevo (Bosnia and Herzegovina)
- Banja Luka (Bosnia and Herzegovina)
- Belgrade (Serbia)
- Niš (Serbia)
- Istanbul (Turkey)
- Malatya (Turkey)
- Sanliurfa (Turkey)
- Bayburt (Turkey)
- Van (Turkey)
- Rize (Turkey)
- Budapest (Hungary)
- Cluj (Romania)
- London (UK)
- Charlottesville (USA)

Markets

We provide our services to clients on five continents in 58 countries worldwide.

*As of 31.12.2021 The group had 4 agents providing customer support in Russian language and at the time of issuing this report 6 agents. Further dynamics of support in Russian depends on the decision of our client - a global company to continue to provide customer support to its customers in Russian language. As these are a total of 6 agents, the impact on the M + Group's operations is insignificant.

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

Clients

The M+ Group has consolidated its leading position in local markets and provides services to more than 260 clients, mainly from industries that have shown high resilience to the crisis, such as the financial services, e-commerce, telecom, and technology sectors. Leading clients from these industries increased their demand for BPTO services, which increased the profitability of the M+ Group.

The M+ Group is focused on establishing partnerships with leading clients from various industries by providing "end to end" solutions and sees an opportunity in the acquisition of new international clients. Some of the clients have increased their willingness to outsource CRM services, or their current BPTO service providers cannot respond to their needs.

A significant part of existing clients is expanding its cooperation with the M+ Group, which leads to an increase in revenue and profitability. The wide geographical coverage of BPTO service deliveries has been further increased with the "WFH" business model. A significant number of clients have increased demand for communication segments such as webchat, digital onboarding, and omnichannel services. At the same time, we pay special attention to the development of client needs in the segment of artificial intelligence and process automation.

The development of the COVID-19 pandemic indicates that the trend of growth in demand for BPTO services among most of our clients will persist. Migration to digital channels and the need to provide services to customers/partners remotely will remain present for a longer period of time, perhaps even permanently.

During the year, the Group started, and in the third quarter, it further increased cooperation with clients from the e-commerce sector and the fashion segment and expanded the provision of services from additional countries.

The Group secured another long-term contract for the provision of digital back-office services in an official tender from a leader in the global logistics and transport market. Digital back-office services are complex in their scope, and IT companies within the Group participated in designing and implementing the necessary solutions. It is worth mentioning that the Group has initiated cooperation with one of the largest global e-learning platforms, which covers a wide range of processes globally, with great potential for additional growth during the second half of 2021 and beyond.

During the 3rd quarter of 2021, the Group further increased its business volume with one of the global leaders in the tobacco products market. Within the scope of this cooperation, the Group will provide services to a number of different markets in the region.

We have continued to expand our portfolio of services with an existing technology client in the field of e-commerce deliveries, and preparations are underway for covering new markets.

During the 4th quarter, the Group participated in the final phase of the tender for the provision of services to a large European group in the transport and logistics segment.

The Group sees an additional opportunity in the potential of cooperation with a digital bank in the DACH market, and the completion of the international tender is expected during the first quarter of 2022.

During the 4th quarter, the number of international agents in the so-called "nearshoring model" of service provision has increased significantly, especially in Turkey, largely for e-commerce clients.

Locations

The M+ Group currently provides contact center services in five countries of Southeast Europe:

- Ljubljana (Slovenia)
- Koper (Slovenia)
- Zagreb (Croatia)
- Sarajevo (Bosnia and Herzegovina)
- Banja Luka (Bosnia and Herzegovina)
- Belgrade (Serbia)
- Niš (Serbia)
- Istanbul (Turkey)
- Malatya (Turkey)
- Sanliurfa (Turkey)
- Bayburt (Turkey)
- Van (Turkey)
- Rize (Turkey)

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

- Zagreb
- Ljubljana
- Belgrade
- Istanbul
- Budapest

Products and services

Contact center services

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

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

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

The provision of customer service on different channels, such as the voice channel (incoming and outgoing calls), email, ticketing systems, chat, and, most importantly, digital contacts, especially on platforms such as Facebook, LinkedIn, WhatsApp, Viber, Social Listening, Twitter, etc., is at the heart of our Company's business.

Our contact with customers takes place 24 hours a day, seven days a week.

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

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

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

IT services

With the integration of the Geomant Group, IT operations are gaining in importance, and the ability to provide even better services through the vertical connection of IT solutions and services as part of providing key services to our customers in the segments of contact center and HR services.

The Geomant Group is a leading provider of services and solutions for customer interaction and integration of customer experience solutions. It has been developing its business for years in various markets, including the United Kingdom, the United States, Hungary, and Romania. Geomant offers a unique combination of software solutions, Cloud technologies, and the possibility of system integration through long-term partnerships with leading service providers such as Avaya, Microsoft, and Verint.

By acquiring a majority stake in Bulb d.o.o., the range of IT technology is further expanded, which complements business solutions in the segments of process optimization and user experience in the best possible way. The Cempresso platform is a software solution that fully automates operational processes in all interactions – from contact centers to solving user requirements by using artificial intelligence (AI) and machine learning. Key features of the Cempresso platform include service activation, service configuration, fault identification and removal, quality assurance, and data analysis.

As IT service providers, CMC, Calyx d.o.o. and CDE nove tehnologije d.o.o., as subsidiaries of the M+ Group, have over 20 years of experience in developing solutions for the largest telecommunications operators, financial institutions, and fast-moving consumer goods distribution companies (FMCG). Along with their thorough knowledge of the business area, fast and efficient adaptation and the integration of existing solutions are notable competitive advantages of CMC, Calyx d.o.o., and CDE nove tehnologije d.o.o. Their references include a large number of successfully implemented projects of high complexity, namely entirely tailored to the client's need, from consultations to the implementation, all with the participation of experienced designers and engineers.

Information technology services focus on the development and integration of advanced information and telecommunications technologies, with an emphasis on customer service solutions, customer relations management, and customer engagement management. The proprietary Buzzeasy platform is a unique customer interaction platform enabling one to transform a traditional contact center into a customer interaction center. It uses voices, e-mail, SMS, chat, and social networks within a single platform, along with complete business management tools. These tools are used for the creation of advanced segmentation, as well as in every interaction with the target group.

In addition, CMC has developed the multi-channel customer relations management platform Workspace, as well as the interactive SMART AGENT knowledge sharing software, which greatly shortens the employee training and education process. Within the CMC R&D center, what stands out is an internally developed RPA (robotic process automation) solution for business process automation. By imitating human actions, the solution mentioned above masters repetitive tasks such as filling out different forms, retrieving data from the web, creating calculations, etc.

The product portfolio also offers a video identification tool that complies with KYC and ALM regulations, which can be adapted to all business needs and is fully harmonized with the client's processes.

Human resource management

As a provider of human resources management services, the temporary employment agency Smart Flex is a leading agency when it comes to experience in large projects employment for clients operating throughout Croatia. Smart Flex has a unique experience in finding, recruiting, and selecting workers during the season, holidays, and other periods of increased customer demand. In recent years, the demand for temporary employment services in Croatia has constantly been growing. Labor market flexibility is considered key to economic growth.

Business success is based on internal professional teams of recruitment and selection consultants who are in daily contact with candidates of various profiles, which allows Smart Flex to recruit and select a large number of employees for its clients in a short time.

Quality management and information security management

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

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

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

Recognizing the risks of the COVID-19 pandemic in 2020, the Group continued to conduct a series of internal audits in 2021, focusing on the risks of organizing and managing work from home to ensure continued monitoring of system efficiency at all our locations.

As a Group, we are committed to continuous assessment and investment in the latest knowledge and technology to maintain the highest data security measures available on the market. We paid particular attention to organizing all work from home operations during this reporting period amid the COVID-19 pandemic. We are convinced that we are well equipped to meet all legal and non-legal requirements related to the data security of our clients and users around the world.

6. ORGANIZATIONAL PROFILE OF THE GROUP

The M+ Group is a leading independent BPTO company in Southeast Europe and Asia Minor. It successfully integrates the dynamic industries of contact center activities, information technology, and employment services into a cohesive portfolio of services tailored to address global customer experience challenges.

For more than a decade, the Group has been interacting with customers with an approach that is always based on continuous learning and understanding of the needs of global customers.

M+ Group consists of the parent company, Meritus ulaganja d.d. which is listed on the Official Market of the Zagreb Stock Exchange, and 30 subsidiaries in Croatia, Slovenia, Serbia, Bosnia and Herzegovina, Hungary, the Netherlands, Romania, Turkey, Germany, the United Kingdom, and the United States. Within the Group, 20 companies are operating companies based in Croatia, Slovenia, Serbia, Bosnia and Herzegovina, Hungary, Romania, Turkey, the United Kingdom, and the United States. Non-operating companies within the Group are either holding companies, newly established companies, or otherwise existing companies that are not engaged in business activities. The structure of the Group's organization and the list of members can be found in item 8 of the Report.

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

6.1. The Management Board of the Company

The Management Board of the Company consists of two members. The function of the President of the Management Board is held by Mr. Darko Horvat, and the function of a member of the Management Board is performed by Mr. Tomislav Glavaš. In 2020, the composition of the Management Board did not change.

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

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

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

Following the above, in 2021, the members of the Management Board were paid the following remuneration in gross amounts:

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD IN 2021						
Member	*Fixed receipts*	*%*	*Variable receipts*	*%*	*Total*	*%*
Darko Horvat	*HRK 295,990.41*	*100%*	*HRK 0.00*	*0%*	*HRK 295,990.41*	*100%*
Tomislav Glavaš	*HRK 675,724.54*	*100%*	*HRK 0.00*	*0%*	*HRK 675,724.54*	*100%*

In addition to the above, the Company or its affiliates made other payments to the following members of the Management Board in 2021:

- A subsidiary of the Company, Meritus Plus d.o.o., approved and made available a loan in the amount of HRK 751,030.90 to Mr. Tomislav Glavaš. A subsidiary of the Company, M Plus Croatia d.o.o, also approved and made available a loan in the amount of HRK 304,722.90 to Mr. Glavaš.
- A subsidiary of the Company, Meritus Plus d.o.o., approved and made available a loan in the amount of HRK 751,200.00 to Mr. Darko Horvat. A subsidiary of the Company, M Plus Croatia d.o.o., also approved and made available a loan in the amount of HRK 584,240.31 to Mr. Horvat.

6.2. Supervisory Board of the Company

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

1) Mr. Sandi Češko, President of the Supervisory Board;
2) Mr. Igor Varivoda, Deputy President of the Supervisory Board;
3) Mrs. 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.

In 2021, the composition of the Supervisory Board did not change.

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

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

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

Following the above, in 2021, the members of the Supervisory Board were paid the following remuneration in gross amounts:

REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD IN 2021		
Member	*Fixed remuneration*	*Note*
Sandi Češko	*HRK 60,000.00*	
Igor Varivoda	*HRK 0.00*	*He waived his right to compensation as a member of the Supervisory Board until the revocation of the Statement on resignation or termination of membership in the Supervisory Board.*
Tamara Sardelić	*HRK 60,000.00*	
Hrvoje Prpić	*HRK 60,000.00*	
Joško Miliša	*HRK 60,000.00*	
Ulf Gartzke	*HRK 60,000.00*	
TOTAL	*HRK 300,000.00*	

In addition to the above, the Company or its affiliates made other payments to the following members of the Supervisory Board in 2021:

- In January 2018, Igor Varivoda, Deputy President of the Supervisory Board, entered into an Agreement on the provision of consulting services with the Company's subsidiary, Meritus Plus d.o.o., whose legal successor, after the procedure of merging the company with another company, took over the subsidiary M Plus Croatia d.o.o., where Mr. Varivoda was paid a fee in the gross amount of HRK 535,203.58 pursuant to the said Agreement for 2021. In January of 2020, Mr. Varivoda entered into an Agreement on the sale and transfer of business shares of Meritus Plus d.o.o. with the subsidiary of the Company, M Plus Croatia d.o.o., where, based on the said Agreement, he was paid the gross amount of HRK 10,050,774.09 in 2021.
- In December 2017, Tamara Sardelić, a Member of the Supervisory Board, entered into a legal services agreement with the Company's subsidiary, Meritus Plus d.o.o., whose legal successor, after the procedure of merging the company with another company, took over the subsidiary M Plus Croatia d.o.o., where she was paid a fee in the gross amount of HRK 90,000.00 pursuant to the said Agreement for 2021.

6.3. Existence of branches of the Company

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

6.4. Information on the acquisition of the Company's treasury shares

The Company did not acquire treasury shares in 2021, nor do the members of the Management Board and the Supervisory Board hold shares in the Company.

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

1. the total number of the Company's shares acquired pursuant to this Decision, together with the Company's treasury shares already held, may not exceed 10% (ten percent) of the Company's share capital at the time of acquisition;
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 treasury shares, it must enter part of the profit in the reserves for those shares in that year and state the amounts corresponding to the amounts paid for the acquisition of treasury shares so that, due to the acquisition of shares, the Company's net assets for the last business year do not become less than the amount of share capital and reserves required by law, Articles of Association, or decision of the General Assembly of the Company, and which may not be used for payments to shareholders;
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.

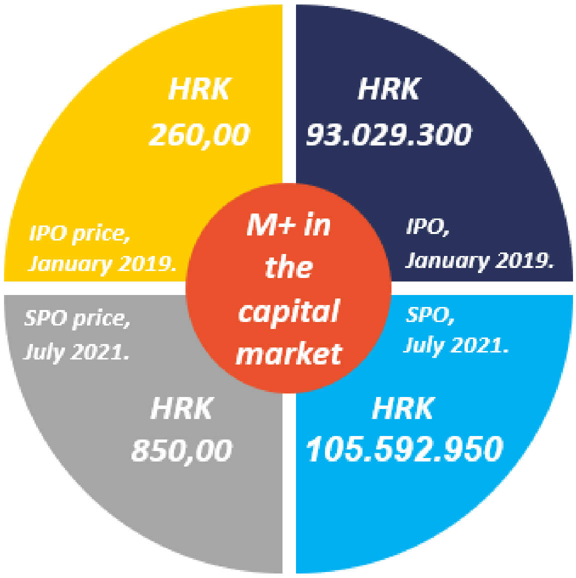
6.5. Company activities in the field of research and development

In 2021, the Group invested in research and development in the amount of HRK 14 million. This amount relates to software and application development investments, primarily in companies from the Group's IT segment.

7. INVESTOR INFORMATION

Strong growth in the market value of shares since the listing on the Zagreb Stock Exchange

With its initial public offering of shares in January 2019, when HRK 93 million of capital was raised, the M+ Group finalized the first public offering of shares by a Croatian domestic company since 2017 and became one of the few Croatian companies to whose shares all four mandatory pension fund subscribed. In July of 2021, its secondary public offering of shares became the only public offering in the technology sector in the history of the domestic capital market. The offering involved a large number of institutional investors and small investors and raised more than HRK 105 million.



During the initial public offering in January 2019, the share price of the M+ Group was HRK 260.00. During the secondary public offering, it amounted to HRK 850.00, which means that the share price more than tripled. A total of 124,227 new shares were issued at a price of HRK 850.00, making the new shareholders the owners of 12.65% of the company Meritus ulaganja. In the overall structure of investors, mandatory pension funds were the most prominent, with 65.02% of the total number of new shares, 3.58% were subscribed by voluntary pension funds, 24.80% by investment funds, 2.37% by insurers, 3.83% by shares were acquired by natural persons, while legal entities subscribed 0.40% of shares. At December 31, 2021, the share price amounted to HRK 1,000.00.

Ownership structure

The Company is directly owned and controlled by its shareholders. The share capital of the Company is HRK 98,203,200.00 and is divided into 982,032 ordinary shares without a nominal amount.

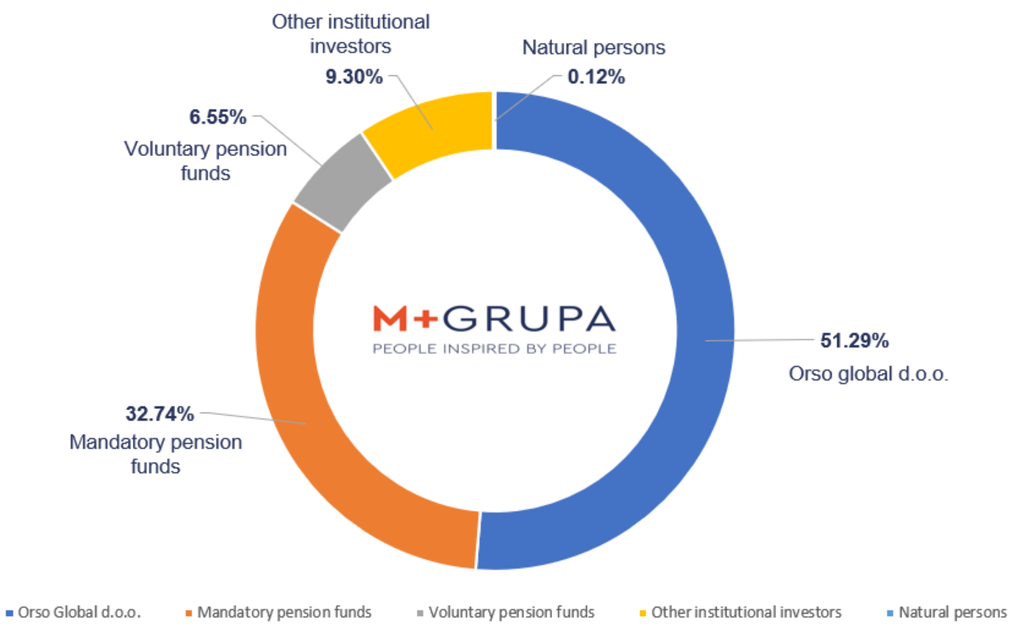
All shares of the Company give equal voting rights and therefore the shareholders of the Company do not have different voting rights.

In November of 2021, the Company received a notice of changes in voting rights. In accordance with the Capital Market Act, the Company informed the public that Mrs. Manica Pirc Orešković and Mr. Stjepan

Orešković entered into an Agreement on the sale and transfer of shares, pursuant to which they transferred all 503,674 shares of the Company in the name without a nominal amount to Orso Global d.o.o. (of which they are the only members, each holding a 50% stake). Each transferred 251,837 shares, corresponding to a total of 51.29% of the total share capital of the Company. Given the size of its stake, Orso Global d.o.o. has a certain influence on the decision-making of the Company to the extent provided by applicable regulations (including, but not limited to, the Companies Act) and the Articles of Association.

The Company did not acquire treasury shares in 2021, nor do the members of the Management Board and the Supervisory Board hold shares in the Company.

The ownership structure of the Company at December 31, 2021, was as follows:



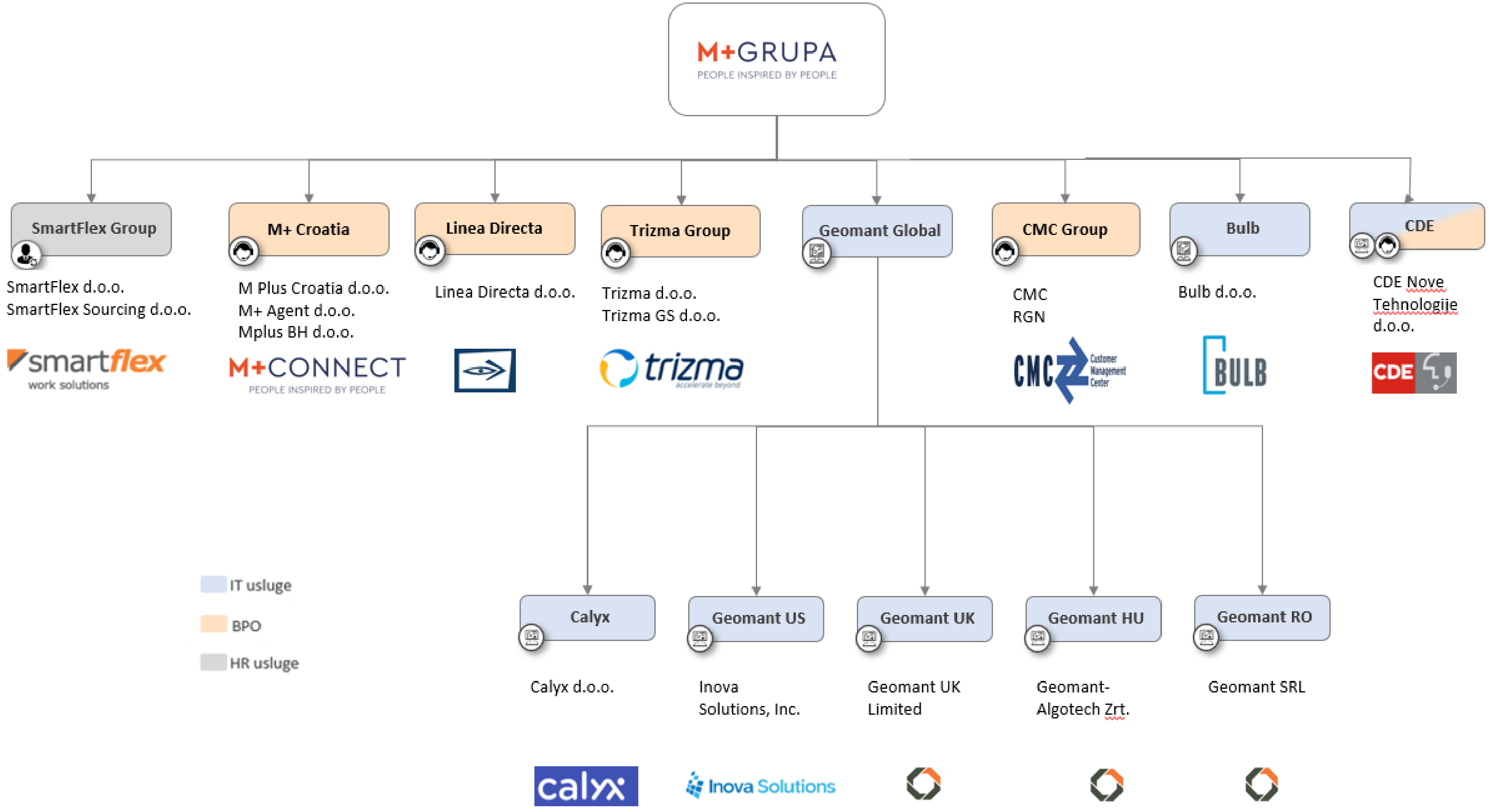
The ten largest shareholders of the Company as at December 31, 2021, were:

	Shareholders	Percentage of shares (%)
1	Orso Global d.o.o.	51,29
2	OTP BANKA d.d./ERSTE PLAVI OMF (Category B)	9,55
3	ERSTE & STEIERMARKISCHE BANK d.d./PBZ CO OMF – (Category B)	9,31
4	HPB d.d./Fond za financiranje razgradnje NEK	8,41
5	OTP BANKA d.d./AZ OMF (Category B)	7,96
6	Raiffeisenbank Austria d.d./Raiffeisen Dobrovoljni Mirovinski Fond	4,16
7	Privredna banka Zagreb d.d./ Raiffeisen OMF (Category B)	4,10
8	Zagrebačka banka d.d./AZ Profit Otvoreni Dobrovoljni Mirovinski Fond	1,39
9	Privredna banka Zagreb d.d./ Raiffeisen OMF (Category A)	0,74
10	ERSTE & STEIERMARKISCHE BANK d.d./PBZ CO OMF – (Category A)	0,59

Dividend payment in 2021 for the financial year 2020

On June 7, 2021, the General Assembly of the Company approved the payment of a dividend in the amount of HRK 6,659,332.97, which amounts to HRK 7.76 per share, to the Company's shareholders in proportion to the number of shares they hold. The dividend was paid from the retained earnings of the Company from previous business years.

8. GROUP ORGANIZATION



8.1. GROUP MEMBER COMPANIES

Contact center services

- Meritus Plus Croatia d.o.o.
- M+ Agent d.o.o.
- M+ BH d.o.o.
- Trizma d.o.o.
- Trizma GS d.o.o.
- Linea Directa d.o.o.
- CDE Nove tehnologije d.o.o.
- CMC İletişim ve Çağrı Merkezi Hizmetleri A.Ş.
- RGN İletişim Hizmetleri A.Ş.
- Meritus Georgia LLC

IT services

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

Human resource management services

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

Holding companies, other companies

- Technology Services Holdings B.V.
- Meritus Plus Centar d.o.o. Beograd
- Trizma Plus d.o.o. Beograd
- Meritus Global Real Estate Management d.o.o.
- Meritus Global Technology d.o.o
- Meritus Global Strategics d.o.o.
- Geomant Global d.o.o.
- Bulb Upravljanje d.o.o.
- Pit İnsan Kaynakları ve Danışmanlık A.Ş.
- ISS Sigorta Acentelik Hizmetleri A.Ş.
- M+ Deutschland BPTO GmbH

9. RISK MANAGEMENT

Risk factors related to the Company or its activities or risk factors related to subsidiaries of the Group are presented in abbreviated form.

Here are the most significant risks related to the Company and the Group:

Business environment risk

The risk of the company's business environment is related to the risk of the Republic of Croatia, which is a stable parliamentary democracy, a member of the European Union and NATO. Countries in transition, such as the Republic of Croatia, are characterized by increased political and economic risk, which depends on the policy of the Government of the Republic of Croatia and economic trends in imports and exports. The more orderly and transparent the market, the greater the opportunity for foreign investors to invest, and the less impact of political and economic crises on the capital market is to be expected. The business environment risk of subsidiaries is to some extent related to the countries in which the subsidiaries operate, i.e., the Republic of Slovenia, Bosnia and Herzegovina, Turkey, Hungary, and the Republic of Serbia. The M+ Group manages the risk of the business environment through regional diversification of the place of doing business.

Price risk

The Group's operations are exposed to price risk related to changes in the prices of services necessary to perform its activities.

The Group's procurement function manages strategic procurement categories and key suppliers by developing partnerships with both existing and new suppliers to mitigate these effects.

Currency risk

Currency risk includes transactional and balance sheet risk. Transaction risk is the risk that changes in foreign exchange rates will adversely affect cash flows from operating activities. Balance sheet risk is the risk that the value of net monetary assets denominated in foreign currencies will be lower when translated into HRK as a result of changes in foreign exchange rates. The Group operates in an international environment and is largely exposed to changes in the euro exchange rate.

Liquidity and cash flow risk

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

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

Competition-related risk

In the BPTO industry in general and the contact center industry specifically, there is no strong competition in the sales process between BPTO service providers because the greatest growth potential is found in taking over relevant processes that are still handled in-house by clients. The M+ Group manages the risk of the business environment through the diversification of the customer base and the continuous improvement of the quality management system.

Interest rate risk

Interest rate risk is the risk of negative business effects due to changes in interest rates. The M+ Group manages the risk of changes in interest rates by contracting borrowings in the currencies of its revenues and mainly with a fixed interest rate.

Settlement risk and other parties to the contract

The M+ Group's exposure to the risk of settlement from another contract is reflected in the exposure to negative effects that could occur due to non-payment of contractual obligations by the client of subsidiaries. The M+ Group manages settlement risk through the selection of reputable global and regional companies as clients and the monitoring of clients' operations.

Inflation risk

The Company's exposure to inflation risk from the other parties is indirect, i.e., it is reflected in the exposure of subsidiaries. The M+ Group manages inflation risk by setting the price of contractual relationships in contracts, in which the price of services or products is indexed to inflation.

Credit risk

Borrowing risk is reflected in the risk of collection of receivables from customers. The M+ Group manages settlement risk through the selection of reputable global and regional companies as clients and continuous monitoring of clients' operations, as well as ensuring that the Group has no other financial assets and, therefore, no additional credit risk that would lead to the increase in provisions for impairment of customers and other receivables.

Risk of changes in tax regulations

The M+ Group has, to some extent, protected itself from the risk of changes in tax regulations through geographical diversification of its operations in 9 countries, which significantly reduced the impact of possible changes in tax regulations in any of these countries on the overall business of the Company and the Group.

Risk of losing in litigation disputes

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

Workforce attrition risk

The M+ Group is indirectly exposed to workforce attrition risk due to the fact that contact centers, as a labor-intensive industry, are the main business segment of subsidiaries. The Company's inability to have and secure a sufficient number of employees might have a negative impact on the business, financial position, and business results of the Company and the Group. With the geographical diversification of business operations, especially by expanding to the territory of Turkey and Serbia, the risk of lack of human resources is reduced due to the "nearshoring" strategic business model. However, if the Company and its subsidiaries are not able to attract and retain workers with the necessary knowledge and proficiency in foreign languages, the Company and its subsidiaries will be exposed to the risk of lost profits, increased wage costs, and additional costs in terms of employee training.

Risk of economic cycles

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

Industry risk

The BPTO industry, as well as customer relationship management, covers a wide range of services that, as such, are not exposed to specific regulatory or legal frameworks that could significantly affect the industry (such as construction, automotive, etc.). Therefore, the industry risk is reflected in the negative trends of business process automation and the use of artificial intelligence (AI), which may take over a part of the market volume in the coming period. The M+ Group actively manages industry risk by investing in service quality and focusing its sales channels on so-called premium clients who require services of high quality and complexity. By investing in new generation technology, the Group anticipates future trends and provides an adequate level of service with more modern solutions for artificial intelligence and machine learning.

10. EXPECTED FUTURE DEVELOPMENT OF THE COMPANY AND GROUP

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

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

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

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

The COVID-19 pandemic has further accelerated cost optimization trends and increased company focus on core business. The need for digitalization of business operations and interaction with customers at a distance further opened the space for the growth of BPTO services. The COVID-19 pandemic also highlighted the importance of Business Continuity Management (BCM) and ensuring business continuity in a variety of crisis situations. As an increasingly present trend, nearshoring allows the clients to incur lower costs, often with minimal cultural and time differences in service delivery - as opposed to offshoring models. In this regard, the M+ Group has positioned itself as one of the leading providers of nearshoring services and will continue to expand its capacity organically and inorganically, especially for the DACH region. Efficient M&A processes with carefully selected target companies, such as the recent acquisition of the Invitel Group in Germany, confirm the strategic direction while increasing nearshoring potential.

The Group is considering further expansion in Western Europe, which could potentially lead to significant synergies, more efficient use of capacity, and make up a dominant share in the Group's operations. Considering the war in Ukraine, the Group will make all investment decisions in accordance with the current situation and assess the effects on business operations and macroeconomic opportunities. The growth rates of the BPTO segment are above the GDP growth of all our markets, and the most significant risks are the ability to maintain profitability due to wage growth caused by inflationary pressures. The Group has established successful price management mechanisms to maintain a targeted profitability margin.

The Group pays significant attention to sustainable operations and is in the process of developing a comprehensive sustainability strategy and increasing energy efficiency. Caring for the environment and achieving a positive "carbon footprint" can also be achieved by investing in sustainable energy projects that will provide the Group with long-term value while achieving the ESG goals and reducing energy dependence.

The presented trends and expected trends refer to the trends in the market of services provided by the Group, and the figures are approximate and refer to the expected market trends with regard to current conditions, provided that there are no unexpected disturbances or changes in the future. However, these figures should in no way be construed as predicting or estimating the profits of the Company or the Group.

11. EMPLOYEES

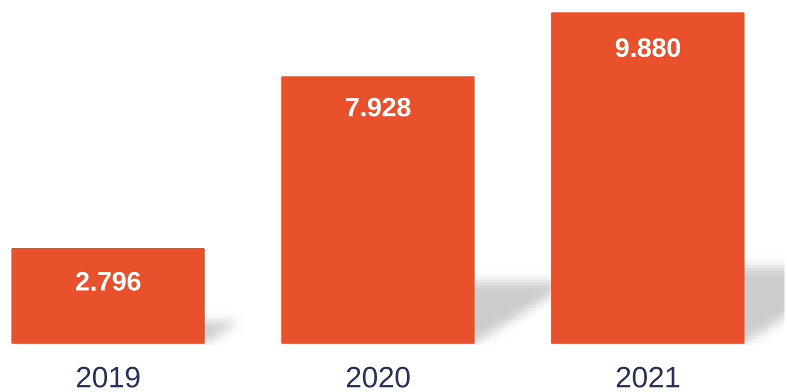
The Group's results in 2021 are primarily based on employees' commitment, responsibility, and knowledge. Human capital is the Group's key comparative advantage and its most important source of success.

The M+ Group consists of employees of different nationalities, abilities, and generations. The Group has an inclusive policy of selection and management of human resources that promotes equal opportunities and conditions for all employees in a healthy working environment, in accordance with the requirements of our industry. The diversity of our workforce is the secret to our success, and we truly believe that differences make us stronger.

In 2021, we continued to take preventive measures to protect our employees and protect their health and well-being in the fight against the COVID-19 pandemic while retaining access to the flexibility needed to maintain a healthy business climate - all the while complying with pandemic epidemiological measures. Overall, the mission of the M+ Group in the middle of the pandemic was to support our employees as much as necessary, which also proved to be useful based on our financial results.

Our employee development policy encourages us to further improve our own human resources management model, which includes all important areas - recruitment, job classification and organization, staff development, education, rewards, and quality of work. The model is, among other things, based on the recruitment and employment of promising people regardless of age, which we continuously support in training and advanced training.

Our progress in this area is confirmed by the constant growth in the number of our employees:



More details on topics and issues related to employees, their rights, and the cooperation with the local community will be included in a separate Sustainability Report for 2021 for the entire M+ Group. The Report and other important topics mentioned here will be elaborated on and presented in more detail to give stakeholders a broader understanding of the Group's economic and social impacts.

12. SOCIAL RESPONSIBILITY

Considering the importance of people for our daily business, the M+ Group has made organizational ethical principles, good corporate governance, and professional ethics the pillars on which its activities are based. Our determination to do business in an ethical and honest way makes us work to be as good as possible when it comes to our employees and the communities in which we operate. Therefore, we take human rights and the promotion of diversity very seriously. We also work with local communities on issues affecting vulnerable groups and, accordingly, offer employment and training opportunities.
To improve the quality of life in the communities in which we operate, the Group promotes social responsibility, creativity, innovation, and excellence in its business.

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

Environment, health, and safety are at the top of our list of priorities, and it is our strong intention to continue working to adjust our business processes and internal policies in this direction. Therefore, at the Group level, at the end of 2021, the Company launched an additional internal audit of all business processes and internal policies, as well as a stakeholder analysis, which will affect the definition of the sustainability orientation of the M+ Group.

In 2021, the Company prepared and published the first Sustainability Report of the M+ Group, which includes economic, environmental, and social indicators covering the 2020 period. It provides stakeholders with insight into the Group's efforts in the field of sustainability. By preparing this report, the Company has transparently presented its activities and effects in terms of the Group's social responsibility. It intends to continue this practice in future periods. Our goal is to make our sustainability reports an example for the industry and demonstrate as transparently as possible the M+ Group's commitment to contributing to the world around us, both through our business's direct and indirect impact. The Company is currently in the process of drafting the Sustainability Report for 2021, which should be published in the first half of 2022.

12.1. Environmental notices

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

The environment will continue to be a high priority for the Company and the Group. As time passes, we will continue to update the business processes and business policies of the Company and the Group and encourage employee awareness of environmental-friendly thinking and environmental-friendly action. The first step in this direction is to undertake a comprehensive analysis of the Group in relation to environmental criteria in order to identify areas for growth and further progress. We launched these activities at the end of 2021, and our plan for 2022 is to set expectations and goals at the level of the entire M+ Group.

More details on environmental topics and issues, including the Group's approach to environmental issues and concrete results, will be included in the already mentioned separate 2021 Sustainability Report for the entire M+ Group.

12.2. Taxonomy Regulation

As it is subject to non-financial reporting obligations in accordance with the Accounting Act (Official Gazette NN 78/15, 134/15, 120/16, 116/18, 42/20, 47/20), the Company is also obligated to follow new regulations regarding sustainable finance at the EU level. The Regulation (EU) 2020/852, establishing a framework for the facilitation of sustainable investment (Taxonomy Regulation), and the delegated acts passed and adopted on the basis thereof, define the classification system of economic activities in relation to six environmental objectives. In 2022, reporting entities are obliged to publish data on key performance indicators (revenue, equity, and operating costs), i.e., information on the share of taxonomically acceptable and taxonomically unacceptable economic activities in relation to key performance indicators, namely the first two environmental objectives (mitigation and adaptation to climate change).

In accordance with the obligations and deadlines prescribed by EU legislation, the Accounting Act, and other applicable regulations, the Company will publish the necessary data on key performance indicators and applied methodology within the Sustainability Report for 2021.

13. CONTACTS

Investor relations service	+385 (0) 99 3767 083
	investitori@mpluscc.com
Head of Investor Relations	Ana Babić
Company address	Heinzelova 62a, 10000 Zagreb, Croatia
Corporate online presentation	www.mplusgrupa.com
Contact center services	contact-center@mpluscc.com
IT services	it-services@mpluscc.com
Human resource management services	hr-services@mpluscc.com


M+GRUPA
PEOPLE INSPIRED BY PEOPLE

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 the 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.

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

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:

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:

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

Supervisory Board - at least 28.57% or at least two members of the currently largest possible number of members of the Supervisory Board (seven);

Management Board - at least 33.33% or at least one person of the currently largest number of members of the Management Board (three).

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

In relation to the set plan and achieved progress, there were no changes in 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 make 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 2020 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).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.
- Nadzorni odbor nije odredio varijablini dio godišnjih primitaka svakog člana Uprave za 2021. godinu, utemeljene na preporukama odbora za primitke i u skladu s odobrenom politikom primitaka, te će isto učiniti nakon objave revidiranih financijskih izvještaja za 2021. godinu.

- n 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.

2. Internal supervision is carried out by the controlling services 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.
3. 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:

Redni broj	Vlasnik (nositelj) računa / Suovlaštenik (imatelj) VP	Postotak udjela
1	ORSO GLOBAL D.O.O.	51,29 %
2	OTP BANKA D.D./ERSTE PLAVI OMF KATEGORIJE B	9,55 %
3	ADDIKO BANK D.D./PBZ CO OMF – KATEGORIJA B	9,31 %
4	HPB D.D./ FOND ZA FINANCIRANJE RAZGRADNJE NEK	8,41 %
5	OTP BANKA D.D./AZ OMF KATEGORIJE B	7,96 %
6	RAIFFEISENBANK AUSTRIA D.D./RAIFFEISEN DOBROVOLJNI MIROVINSKI FOND	4,16 %
7	PRIVREDNA BANKA ZAGREB D.D./RAIFFEISEN OMF KATEGORIJE B	4,10 %
8	ZAGREBAČKA BANKA D.D./Z PROFIT OTVORENI DOBROVOLJNI MIROVINSKI FOND	1,39 %
9	PRIVREDNA BANKA ZAGREB D.D./RAIFFEISEN OMF KATEGORIJE A	0,74 %
10	ERSTE & STEIERMARKISCHE BANK D.D./PBZ CO OMF - KATEGORIJA A	0.59%
11	OSTALI MANJINSKI DIONIČARI	2,50 %

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

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

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

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

6. 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;
7. the Management Board of the Company must acquire treasury shares on the regulated securities market;
8. 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;
9. 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;
10. 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.

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:

7) Mr. Sandi Češko, President of the Supervisory Board;
8) Mr. Igor Varivoda, Deputy President of the Supervisory Board;
9) Ms. Tamara Sardelić, Member of the Supervisory Board;
10) Mr. Hrvoje Prpić, Member of the Supervisory Board;
11) Mr. Joško Miliša, Member of the Supervisory Board;
12) 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 committee can have three members, two of whom are appointed from among the members of the Supervisory Board, while one member is appointed from among the top experts in the field. The members of these committees are appointed and recalled by the Supervisory Board or the General Assembly of the Company.

The Supervisory Board has established an Audit Committee. At the time of the preparation of this Statement, it comprises the following members:

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

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 must ensure that the consolidated financial statements are prepared in accordance with International Financial Reporting Standards, adopted by the European Union ("IFRS"), so as to provide a true and fair view of the financial status and results of operations of Meritus ulaganja d.d., Zagreb (the "Company") and its subsidiaries (the "Group") for the year that ended on December 31, 2021, and for each period presented.

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group at December 31, 2021, its consolidated financial performance, and its consolidated 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 Law on Auditing and International Standards on Auditing (ISAs). Our responsibilities under these standards are described in more detail in our independent auditor's report in the section *Auditors' Responsibilities for the Audit of Financial State*ments. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants (including the International Standards of Independence*) (IESBA Code) and 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 audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on the audit of the 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 financial statements for the current period. We have dealt with this issue in the context of our audit of the financial statements as a whole and in forming our opinion on them, and we do not give a separate opinion on this issue.

Consolidation process	**How we approached the key audit matter during our audit**
For accounting policies, see the Summary of Significant Accounting Policies, Note 3.3. – Basis for consolidation.	

In accordance with the disclosures in Note 3 to the Summary of Accounting Policies, item III, Basis for consolidation, the consolidated financial statements include the financial statements of the Company and its entities, including special purpose entities, and its subsidiaries.
In accordance with IFRS 10, subsidiaries are consolidated if the Company has control in the entity and if the Company is exposed to variable returns or has rights based on its involvement in the entity and is able to influence its returns by virtue of its power.
Recognizing the development of the Group and the acquisition of subsidiaries in previous financial years, the consolidation process, i.e., the accuracy and completeness of the process itself, provides transparency to customers about the consolidated financial position of the Group, its consolidated financial performance, and consolidated cash flows.
 	
Given the possible effect of misstatement of the consolidated financial statements, we concluded that the accuracy and completeness of the consolidation process are the key audit issue.
	We assessed whether the Management Board has properly applied the requirements of IFRS 10 by implementing the following audit procedures:
	• Checks of identification of subsidiaries and whether there are facts that confirm that there is control over them,
	• Acquiring an understanding of the operations of subsidiaries and transactions between Group members,
	• Understanding the process of reconciling gross balance sheet accounts and accounting policies of subsidiaries and the parent company with the Group Chart of Accounts,
	• Understanding of consolidation adjustments resulting from:
	  o changes in ownership shares of subsidiaries;
	  o elimination of transactions between subsidiaries and subsidiaries with the parent company;
	  o subsequent corrections of incorrect accounting entries in subsidiaries;
	  o Inclusion or exclusion of non-controlling interests in the consolidation process.

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INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of the 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 financial statements and our independent auditor's report thereon.

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

In relation to our audit of the financial statements, it is our responsibility to read other information and, in doing so, consider whether other information is materially inconsistent with the financial statements or our audit findings or otherwise appears to be materially misstated. Regarding the Group 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, 22, and 24 of the Accounting Act, and that the Statement on the application of the Code of Corporate Governance includes the information set forth in Articles 21, 22, and 24, 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 financial statements.
2. The Management Report has been prepared, in all material respects, in accordance with Articles 21 and 24 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 and Article 24, paragraph 2.

Based on our knowledge and understanding of the Group's operations and its environment as part of our audit of the 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 financial statements

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

In preparing the financial statements, the Management Board is responsible for assessing the Group'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 Group 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 financial statements (continued)

Auditors' responsibilities for the audit of financial statements

Our objectives are to obtain reasonable assurance as to whether the 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 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 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 Group'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 Group'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 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 Group to discontinue operations as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including disclosures, as well as whether the financial statements reflect the transactions and events on which they are based in a way that achieves a fair presentation.
- Obtain sufficient and appropriate audit evidence about the financial information of entities or business activities within the Group to express an opinion on these consolidated financial statements. We are responsible for directing, overseeing, and conducting the Group's audit. We are solely responsible for our audit opinion.

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 matters 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 financial statements and are, therefore, key audit matters. We describe these matters 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 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 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 meritusulaganjagrupa-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 financial statements in accordance with the ESEF Regulation.

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

The Management Board of the Group is also responsible for:

- Public disclosure of 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 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 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.

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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 Group'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:

- The financial statements, which are included in the annual report, were prepared in the current XHTML format.
- The information contained in the 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 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 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 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 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, paragraph 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

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

Deloitte d.o.o.

April 29, 2022

Radnička cesta 80

10 000 Zagreb

Republic of Croatia

Consolidated income statement
For the year ended December 31, 2021
(*All amounts are presented in thousands of HRK*)

	Notes	2021	2020
Revenue from contracts with customers	5	786,806	686,631
Other revenue	6	7,643	20,302
Total revenue		**794,449**	**706,933**
Costs of raw materials and supplies	7	(7,338)	(5,318)
Cost of goods sold	8	(11,438)	(15,952)
Expected credit losses (trade receivables)	20	(719)	(2,037)
Costs of services	9	(64,496)	(46,775)
Staff costs	10	(529,128)	(475,410)
Depreciation and amortization	11	(60,255)	(53,087)
Other operating expenses	12	(31,726)	(34,290)
Total operating expenses		**(705,100)**	**(632,869)**
Profit from operations		**89,349**	**74,064**
Financial income	13	3,296	20,004
Profit from bargain purchase of Bulb and Geomant	13	-	5,336
Financial expenses	13	(21,471)	(32,283)
Losses from financial activities		**(18,175)**	**(6,943)**
Profit before taxation		**71,174**	**67,121**
Income tax	14	(6,195)	1,007
Profit for the year	13.1	**64,979**	**68,128**
Attributable to:			
To the owners of the Company		39,243	51,155
Non-controling interests		25,736	16,973
Earnings per share			
Basic and diluted earnings per share (in HRK and lipas)	13.1	71.33	79.42

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

(All amounts are presented in thousands of HRK)

	Notes	2021	2020
Profit for the year		**64,979**	**68,128**
Other comprehensive income			
Items that can later be transferred to profit or loss			
Exchange rate differences from the translation of foreign parts of operations in the current business year		(24,780)	(17,735)
Other comprehensive income for the year		(24,780)	(17,735)
TOTAL COMPREHENSIVE INCOME FOR THE CURRENT YEAR		**40,199**	**50,394**
Attributable to:			
The owners of the Company		14,463	33,420
Non-controling interests		25,736	16,973

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

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

	Notes	December 31, 2021	December 31, 2020
ASSETS			
Non-current assets			
Goodwill	15	83,470	83,470
Intangible assets	16	184,672	185,156
Right of use assets	17.1	47,307	35,747
Property, plant, and equipment	17	32,515	36,032
Non-current financial assets	18	7,710	3,996
Deferred tax assets	14	2,997	3,737
Total non-current assets		**358,671**	**348,138**
Current assets			
Inventories		670	959
Other current financial assets	19	85	444
Trade receivables	20	130,775	86,773
Other receivables	21	35,826	27,254
Accrued income and prepaid expenses	22	37,411	18,943
Cash and cash equivalents	23	348,217	159,271
Total current assets		**552,984**	**293,644**
TOTAL ASSETS		**911,655**	**641,782**

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

Consolidated statement of financial position (continued)
As of December 31, 2021
(All amounts are presented in thousands of HRK)

	Notes	December 31, 2021	December 31, 2020
Equity			
Share capital	24	98,203	85,781
Other reserves		(42,980)	(42,980)
Capital reserves	25	149,060	57,249
Legal reserves		5,550	-
Reserves from foreign exchange differences from investments in foreign operations and diferentiation of foreign exchange differences	25.2.	(43,106)	(18,326)
Reserves for actuarial losses		(818)	(1,328)
Other equity items	25.1	(22,456)	(22,456)
Retained earnings and profit for the current year		92,502	67,178
To the parent owners		**235,955**	**125,118**
Non-controlling interests		173,096	147,360
Total equity		**409,051**	**272,478**
Non-current liabilities			
Long-term borrowings	26	187,125	140,498
Long-term lease liabilities	27	30,885	28,097
Deferred tax liability	14	6,287	9,311
Other non-current liabilities	28	8,211	14,010
Total non-current liabilities		**232,508**	**191,916**
Current liabilities			
Trade payables	29	31,794	24,248
Liabilities to employees	30	40,001	36,223
Other current liabilities	31	32,356	42,381
Short-term borrowings	26	109,478	35,740
Short-term lease liabilities	27	17,247	8,113
Accrued expenses and Deferred Income	32	39,220	30,683
Total current liabilities		**270,096**	**177,388**
Total liabilities		**502,604**	**369,304**
TOTAL EQUITY AND LIABILITIES		**911,655**	**641,782**

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

Consolidated statement of changes in equity
For the year ended on December 31, 2021
(All amounts are presented in thousands of HRK)

	Share capital	Other reserves	Capital reserves	Legal reserves	Reserves from foreign exchange differences from investments in foreign operations	Reserves for actuarial losses	Other equity items	Retained earnings	To the owners of the Comapny	Non-controlling interests	Total
Balance at December 31, 2019	**85,781**	**(42,980)**	**57,249**	**-**	**(591)**	**-**	**(10)**	**14,695**	**114,144**	**1,456**	**115,600**
Profit for the current year (Note 13.1)	-	-	–	–	-	-	-	51,155	51,155	16,973	68,128
Other comprehensive income for the current year less income tax	-	-	–	–	(17,735)	(1,328)	-	1,328	(17,735)	-	(17,735)
Total comprehensive income for the current year	-	–	–	–	*(17,735)*	*(1,328)*	–	*52,483*	*33,420*	*16,973*	*50,393*
Acquisition of Geomant, Bulb (Note 34)	-	–	–	–	-	-	-	-	–	131,347	131,347
Payment to minority interests	-	-	-	-	-	-	(22,446)	-	(22,446)	(2,416)	(24,862)
Balance at December 31, 2020	**85,781**	**(42,980)**	**57,249**	**-**	**(18,326)**	**(1,328)**	**(22,456)**	**67,178**	**125,118**	**147,360**	**272,478**
Profit for the current year (Note 13.1)	-	–	–	–	–	–	–	39,243	39,243	25,736	64,979
Other comprehensive income for the current year less income tax	-	-	–	–	(24,780)	510	–	(510)	(24,780)	–	(24,780)
Total comprehensive income for the current year	-	-	–	–	*(24,780)*	*510*	–	*38,733*	*14,463*	*25,736*	*40,199*
Increase in share capital resulting from the issue of new shares	12,422	–	91,811	–	–	–	–		104,233	–	104,233
Transfer to legal reserves	-	–	–	5,550	–	–	–	(5,550)	–	–	–
Dividend payment	-	-	-	-	-	-	-	(7,859)	(7,859)	-	(7,859)
Balance at December 31, 2021	**98,203**	**(42,980)**	**149,060**	**5,550**	**(43,106)**	**(818)**	**(22,456)**	**92,502**	**235,955**	**173,096**	**409,051**

Consolidated cash flow statement

For the year ended December 31, 2021

(All amounts are presented in thousands of HRK)

	Notes	December 31, 2021	December 31, 2020
Profit for the current year before taxes		**71,174**	**67,121**
Depreciation of tangible assets, intangible assets, and right of use assets	11	60,255	53,087
Net book value of disposed equipment and intangible assets	16, 17	403	159
Expected credit losses on receivables	20	719	2,037
Profit from bargain purchase	34	-	(5,336)
Decrease in provisions	28	(1,200)	-
Cash generated from operating activities before changes in working capital		**131,351**	**117,068**
Decrease in inventories		289	970
(Increase) / decrease in trade receivables		(43,299)	24,563
Increase / (decrease) in trade payables		7,546	(13,531)
((Increase) / other receivables		(5,409)	(792)
Increase / (decrease) in other current liabilities		1,380	(27,271)
(Decrease) / increase in non-current liabilities		(4,600)	3,536
Increase in prepaid expenses		(4,172)	(11,951)
Decrease of accrued expenses		8,536	8,545
Cash generated in operating activities		**(39,729)**	**(15,931)**
Paid income taxes		(3,163)	(2,957)
Net cash generated from operating activities and changes in working capital		**88,459**	**98,180**
Cash flow from investing activities			
(Increase) / decrease in current financial assets		(2,239)	1,510
Increase in investments in non-current financial assets		(1,116)	(507)
Purchase of non-current assets	16, 17	(69,488)	(38,913)
Payments in the acquisition process prior to gaining control	22	(14,296)	-
Net cash used in investing activities		**(87,139)**	**(37,910)**
Cash flow from financing activities			
Dividends paid		(7,859)	-
Increase in share capital and reserves	24, 25	104,223	-
Loans received	26	234,069	55,054
Loans repaid	26	(95,062)	(63,365)
Leases repaid		(20,875)	(20,839)
Payments from changes in ownership interests in subsidiaries not resulting in loss of control		(13,820)	(14,872)
Net cash generated/ (used) in financing activities		**201,256**	**(44,022)**
Net increase in cash and cash equivalents		**202,576**	**16,248**
Cash gained by acquiring Bulb, Geomant, and CMC	34	-	32,718
Exchange rate differences from cash and cash equivalents		(13,630)	-
Cash and cash equivalents at the beginning of the year	23	**159,271**	**110,305**
Cash and cash equivalents at the end of the year	23	**348,217**	**159,271**

1. GENERAL INFORMATION

The company Orso Plan d.o.o., Zagreb, za promidžbu was established by the decision on the establishment of the Company dated March 14, 2007. Orso Plan d.o.o. implemented a Division Plan with the formation, where:

- in addition to its business activities, it also performed the function of a holding company,
- in order to separate the risks from these two different activities, the plan was to separate these two functions by separating the holding function from Orso Plan d.o.o. into a new company.

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

Through the procedure, Orso Plan d.o.o. was divided in such a way that part of its assets, equity, and liabilities, which are further described in the Division Plan, were transferred to Meritus upravljanje d.o.o. (M Plus Croatia d.o.o.) as the acquiring company. Orso Plan d.o.o. continues its regular operations with the remainder of its assets, equity, and liabilities (all those assets, equity, and liabilities that are not explicitly marked as those transferred to Meritus upravljanje d.o.o.).

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

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

Registered activities of Meritus ulaganja d.d. include:

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

1. GENERAL INFORMATION (CONTINUED)

1.1. Company business activity (continued)

Information on the subsidiaries involved in the consolidation:

i. Meritus Plus Centar d.o.o. Beograd

The company Meritus Plus Centar d.o.o. Beograd, MB: 21096121, was established according to the laws and regulations of the Republic of Serbia as a limited liability company, on April 6, 2015.

Registered office of the Company: Beograd, Novi Beograd, Tošin bunar 272.

Company Management Board: Marija Radovanović, Director of the Company.

The main business activities of the company are call center activities.

ii. M+ Agent d.o.o.

The company M + AGENT d.o.o. za zastupanje u osiguranju, ZAGREB, OIB: 46516232433, was established according to the laws and regulations of the Republic of Croatia as a limited liability company by the decision on the establishment of the Company dated March 24, 2016.

Registered office of the Company: ZAGREB, Heinzelova ulica 62a

Company Management Board: Andrej Jaić, Director of the Company.

The main business activity of the company is insurance representation.

iii. Smart Flex Sourcing d.o.o.

The company SMART FLEX sourcing d.o.o., ZAGREB, OIB: 65865639964, was established according to the laws and regulations of the Republic of Croatia as a limited liability company on February 16, 2016.

Registered office of the Company: ZAGREB, Heinzelova ulica 62a.

Company Management Board: Tomislav Glavaš, Director of the Company.

The main business activities of the company are business and other types of management consulting.

iv. Meritus plus d.o.o.

The company Meritus plus d.o.o. za promidžbu, ZAGREB, OIB: 30746232536, was established according to the laws and regulations of the Republic of Croatia as a limited liability company by the decision on the establishment of the Company dated March 14, 2007.

Registered office of the Company: ZAGREB, Heinzelova ulica 62a.

Company Management Board: Darko Horvat, Director of the Company.

The main business activities of the company are call center activities.

On November 2, 2021, by the decision of the Commercial Court in Zagreb, the company was merged with its associated company M Plus Croatia d.o.o. (OIB: 45680057371).

1. GENERAL INFORMATION (CONTINUED)

1.1. Company business activity (continued)

v. Smart Flex d.o.o.

The company SMART FLEX d.o.o. za privremeno zapošljavanje, ZAGREB, OIB: 48625549392 was established according to the laws and regulations of the Republic of Croatia as a limited liability company with a statement of establishment dated November 4, 2004.
Registered office of the Company: Zagreb, Radnička cesta 39.
Company Management Board: Kristijan Došen, President of the Management Board, Srđan Janićijević, Member of the Management Board.
The main business activity of the company is the activity of temporary employment.

vi. Linea Directa, center za dialog s kupci, d.o.o.

The company Linea Directa d.o.o. centar za korisnike, Ljubljana, MB: 2168235000, was established according to the laws and regulations of the Republic of Slovenia as a limited liability company on December 22, 2005.
Registered office of the Company: Podvine 36, 1410 Zagorje ob Savi.
Company Management Board: Tomislav Glavaš, Director of the Company, Igor Varivoda, Director of the Company.
The main business activities of the company are call center activities.

vii. CDE, nove tehnologije, d.o.o.

The company CDE nove tehnologije d.o.o. centar za korisnike, Ljubljana, MB: 2168235000, was established according to the laws and regulations of the Republic of Slovenia as a limited liability company on February 28, 2006.
Registered office of the Company: Ljubljana, Šmartinska cesta 52.
Company Management Board: Matej Žvan, Director of the Company, Igor Varivoda, Director of the Company.
The main business activity of the company is the provision of computer and software solutions.

viii. Calyx d.o.o.

The company Calyx d.o.o. za računalne i srodne djelatnosti, Zagreb, OIB: 97538399819, was established according to the laws and regulations of the Republic of Croatia as a limited liability company on March 30, 2007.
Registered office of the Company: Zagreb, Heinzelova ulica 62.
Company Management Board: Velimir Gašparović, Director of the Company, Vladimir Prenner, Director of the Company.
The main business activities of the company are computer programming and programming of software.

ix. M+ BH d.o.o.

The company Mplus BH d.o.o. Sarajevo, JIB:4202281210005, was established according to the laws and regulations of the Republic of Bosnia and Herzegovina as a limited liability company on November 4, 2016.
Registered office of the Company: Sarajevo, Ulica Džemala Bijedića 39.
Company Management Board: Tomislav Glavaš, Director of the Company, Damir Kučinar, Executive Director.
The main business activities of the company are call center activities.

1. GENERAL INFORMATION (CONTINUED)

1.1. Company activity (continued)

x. Sitra management d.o.o.

The company Sitra management d.o.o., Zagreb, OIB:97941031988, was established according to the laws and regulations of the Republic of Croatia as a limited liability company on August 28, 2018.

Registered office of the Company: Zagreb, Heinzelova ulica 62a.

Company Management Board: Darko Horvat, Director of the Company.

The main business activities of the company are business and other types of management consulting.

On November 2, 2021, by the decision of the Commercial Court in Zagreb, the company was merged with its associated company M Plus Croatia d.o.o. (OIB: 45680057371).

xi. Brza produkcija d.o.o.

The company Brza produkcija d.o.o., Zagreb, OIB:77230765666, was established according to the laws and regulations of the Republic of Croatia as a limited liability company on December 24, 2010.

Registered office of the Company: Zagreb, Heinzelova ulica 62a.

Company Management Board: Igor Varivoda, Director of the Company.

The main business activity of the company is book publishing.

On November 2, 2021, by the decision of the Commercial Court in Zagreb, the company was merged with its associated company M Plus Croatia d.o.o. (OIB: 45680057371).

xii. M Plus Croatia d.o.o.

M Plus Croatia d.o.o. za usluge, Zagreb, OIB: 45680057371, was established according to the laws and regulations of the Republic of Croatia as a limited liability company by the decision on the establishment of the Company dated September 11, 2018.

Registered office of the Company: Zagreb, Heinzelova ulica 62a.

Management Board: Darko Horvat, Director of the Company, Tomislav Glavaš, Director of the Company, Cemile Banu Hizli, Director of the Company, Domagoj Karadjole, Director of the Company.

The main business activities of the company are management activities.

xiii. Technology Services Holdings B.V.

The company Technology Services Holdings B.V., AMSTERDAM, registration number: 34234601, was established under the laws and regulations of the Netherlands as a limited liability company by the decision to on the establishment of the Company dated October 6, 2005.

S Registered office of the Company: Naritaweg 165, Telestone 8, Amsterdam.

Company Management Board: Trast International Management (T.I.M.) B.V., Directors of the Company.

The main business activities of the company are management activities of holding companies.

GENERAL INFORMATION (CONTINUED)

1.1. Company activity (continued)

xiv. Agencija za privremeno zapošljavanje Trizma d.o.o.

The company Agencija za privremeno zapošljavanje Trizma d.o.o., Belgrade, registration number: 17409042, was established according to the laws and regulations of the Republic of Serbia as a limited liability company by the decision on the establishment of the company dated July 15, 2002.

Registered office of the Company: Novi Beograd, Tošin bunar 272.

Company Management Board: Eldar Banjica, Director of the Company, Tomislav Glavaš, Director of the Company, Igor Varivoda, Director of the Company, Darko Horvat, other representative of the Company, Marija Radovanović, other representative of the Company, Marko Martinović, other representative of the Company.

The main business activity of the company is the provision of human resources.

xv. Trizma GS d.o.o.

The company Trizma GS d.o.o., Banja Luka, registration number: 11133991, was established according to the laws and regulations of the Republic of Srpska as a limited liability company by the decision on the establishment of the Company dated July 7, 2015.

Registered office of the Company: Mladena Stojanovića 117, Banja Luka, Republic of Srpska.

Company Management Board: Miloš Miljković, Director, Boris Vitas, Procurator.

The main business activities of the company are business and other management consulting activities.

xvi. Meritus Global Real Estate Management d.o.o.

The company Meritus Global Real Estate Management d.o.o. za usluge Zagreb, OIB: 66927368969, was established according to the laws and regulations of the Republic of Croatia as a limited liability company on December 2, 2020.

Registered office of the Company: Zagreb, Heinzelova ulica 62a.

Company Management Board: Darko Horvat i Srđan Janičijević, Directors.

The main business activities of the company are management activities.

xvii. Meritus Global Technology d.o.o

The company Meritus Global Technology d.o.o. za usluge, Zagreb, OIB: 77921680046, was established according to the laws and regulations of the Republic of Croatia as a limited liability company on December 2, 2020.

Registered office of the Company: Zagreb, Heinzelova ulica 62a.

Company Management Board: Darko Horvat i Srđan Janičijević, Directors.

The main business activities of the company are management activities.

xviii. Meritus Global Strategics d.o.o.

The company Meritus Global Strategics d.o.o. za usluge, Zagreb, OIB: 98101291899, was established according to the laws and regulations of the Republic of Croatia as a limited liability company on December 2, 2020.

Registered office of the Company: Zagreb, Heinzelova ulica 62a.

Company Management Board: Darko Horvat i Srđan Janičijević, Directors.

The main business activities of the company are management activities.

1. GENERAL INFORMATION (CONTINUED)

1.1. Company activity (continued)

xix. Geomant Global d.o.o.

The company Geomant Global društvo za usluge, Zagreb, OIB: 04216249823, was established according to the laws and regulations of the Republic of Croatia as a limited liability company on June 24, 2020.

Registered office of the Company: Zagreb, Heinzelova ulica 62a.

Company Management Board: Darko Horvat, Director, Eldar Banjica, Director, Farkas Ákos Vécsei, Director, Viktor Gajódi, Director

The main business activities of the company are the activities of holding companies.

xx. Bulb Upravljanje d.o.o.

The company Bulb Upravljanje društvo za ulaganja, Zagreb, OIB: 12665348733, was established under the laws and regulations of the Republic of Croatia as a limited liability company on December 23, 2020.

Registered office of the Company: Zagreb, Heinzelova ulica 62a.

Company Management Board: Darko Horvat, Director, Neven Stipčević, Director

The main business activities of the company are management activities.

xxi. Bulb d.o.o.

The company Bulb d.o.o., Zagreb, OIB: 84622104798, was established according to the laws and regulations of the Republic of Croatia as a limited liability company on June 12, 2006.

Registered office of the Company: Zagreb, Ulica Damira Tomljanovića-Gavrana 11.

Company Management Board: Vedran Rezar, Director, Neven Stipčević, Director, Jure Mikuž, Procurator.

The main business activity of the company is computer programming.

xxii. CMC İletişim ve Çağrı Merkezi Hizmetleri A.Ş.

The company CMC İletişim ve Çağrı Merkezi Hizmetleri A.Ş., Istanbul, registration number: 984359, was established under the laws and regulations of the Republic of Turkey as a joint stock company with limited liability on July 24, 2015.

Registered office of the Company: Istanbul, Çağlayan Mah. Karaağaç Sok. ISS No:2 İÇ KAPI NO:10 Kağıthane.

Company Management Board: Songül Demìr, Director, Bariş Şanlioğlu, Director, Enìs Arabacioğlu, Director, Murat Teber, Director, Cemile Banu Hizli, Director, Tomislav Glavaš, Director.

The main business activities of the company are call center services.

xxiii. RGN İletişim Hizmetleri A.Ş.

The company RGN İletişim Hizmetleri A.Ş., Istanbul, registration number: 687716, was established under the laws and regulations of the Republic of Turkey as a joint stock company with limited liability on January 13, 2009.

Registered office of the Company: Istanbul, Çağlayan Mah. Karaağaç sok. ISS blok no:2 İç Kapı No:10 Kağıthane.

Company Management Board: Cemile Banu Hızlı, Director, Hakan Saran, Director, Barış Şanlıoğlu, Director.

The main business activities of the company are call center services and collection.

1. GENERAL INFORMATION (CONTINUED)

1.1. Company activity (continued)

xxiv. Pit İnsan Kaynakları ve Danışmanlık A.Ş.

The company Pit İnsan Kaynakları ve Danışmanlık A.Ş., Istanbul, registration number: 207694-5, was established under the laws and regulations of the Republic of Turkey as a joint stock limited liability company on September 11, 2019.

Registered office of the Company: Istanbul, Çağlayan Mah. Karaağaç Sok. ISS No:2 İÇ KAPI NO:10 Kağıthane.

Company Management Board: Cemile Banu Hizli, Director, Barış Şanlıoğlu, Director, Hakan Saran, Director.

The main business activity of the company is human resources consulting.

xxv. ISS Sigorta Acentelik Hizmetleri A.Ş.

The company ISS Sigorta Acentelik Hizmetleri A.Ş., Istanbul, registration number: 927293, was established under the laws and regulations of the Republic of Turkey as a joint stock company with limited liability on June 12, 2014.

Registered office of the Company: Istanbul, Çağlayan Mah. Karaağaç Sok. ISS No:2 İÇ KAPI NO:10 Kağıthane.

Company Management Board: Mehtap Bostan, Director, Enis Arabacıoğlu, Director, Songül Demir, Director, Cemile Banu Hizli, Director.

The main business activity of the company is insurance agent activity.

xxvi. Geomant SRL

The company Geomant SRL, Cluj-Nacopa, registration number: 27738876, was established under the laws and regulations of Romania as a limited liability company on November 23, 2010.

Registered office of the Company: Cluj-Nacopa, b-dul 21 Decembrie 1989 nr. 37, ap. 16, jud. Cluj.

Company Management Board: Hunor Kovács, Director.

The main business activity of the company is consulting related to information technology.

xxvii. Geomant UK limited

The company Geomant UK limited, Alcester, registration number: 05323859, was established under the laws and regulations of the United Kingdom as a limited liability company on January 5, 2005.

Registered office of the Company: Turnpike Gate House, Alcester Heath, Alcester, Warwickshire, B49 5JG.

Company Management Board: Kevin Ross, Director, Farkas Ákos Vécsei, Director.

The main business activities of the company are other service activities related to information technology.

xxviii. Geomant Algotech Zrt.

The company Geomant Algotech Zrt., Budapest, registration number: 01-10-048136, was established according to the laws and regulations of Hungary as a limited liability company on April 10, 2014.

Registered office of the Company: Budapest, Alkotas u. 50.

Company Management Board: Viktor Gajodi, Director, Farkas Ákos Vécsei, Director, Adorján Bortnyák, Director.

The main business activity of the company is consulting related to information technology.

1. GENERAL INFORMATION (CONTINUED)

1.1. Company activity (continued)

xxix. Inova Solutions Inc.

The company Inova Solutions Inc., Charlotteswille, was incorporated under the laws and regulations of the United States as a limited liability company on March 28, 2019.

Registered office of the Company: Charlotteswille, 971 Second street, VA 22902, USA.

Company Management Board: Mari Mitchell, Director, Farkas Ákos Vécsei, Director.

The main business activity of the company is consulting related to information technology.

xxx. Meritus Georgia LLC

The company Meritus Georgia LLC, Tbilisi, registration number: 405483007, was established under the laws and regulations of Georgia as a limited liability company on September 16, 2021.

Registered office of the Company: Ilia Chavchavadze Avenue 60b, Floor 16, Office 65, Tbilisi, Georgia.

Company Management Board: Damir Kučinar, Director, Ogan Atasagun, Director.

The main business activity of the company is the activity of call centers.

xxxi. M+ Deutschland BPTO GmbH

The company M+ Deutschland BPTO GmbH, Berlin, registration number: HRB 235298 B, was established under the laws and regulations of the Federal Republic of Germany as a limited liability company on November 4, 2021.

Registered office of the Company: c/o Cormoran GmbH, Am Zirkus 2, 10117 Berlin.

Company Management Board: Darko Horvat, Executive Director, Thomas Wolfgang Hohlfeld, Executive Director.

The main activities of the company are the management of treasury shares and other own assets as well as the operation of digital business process externalization services (BPTO), contact center services, and customer relationship management services, information technology, automation, procurement and training.

xxxii. Trizma Plus d.o.o. Beograd

The company Trizma Plus d.o.o, Belgrade, registration number: 21737330, was established according to the laws and regulations of the Republic of Serbia as a limited liability company by the decision on the establishment of the company dated November 23, 2021.

Registered office of the Company: Novi Beograd, Tošin bunar 272.

Company Management Board: Marija Radovanović, Director.

The main business activities of the company are consulting activities related to business and other management.

xxxiii. CDE IT, poslovne in informacijske rešitve d.o.o.

The company CDE IT, poslovni in informacijske rešitve d.o.o., Ljubljana, registration number: 8911193000, was established according to the laws and regulations of the Republic of Slovenia as a limited liability company by the decision on the establishment of the company dated July 8, 2021.

Registered office of the Company: Ljubljana, Šmartinska cesta 52.

Company Management Board: Matej Žvan, Director, Igor Varivoda, Director.

The main business activities of the company are other activities related to information technology and computer services.

(All amounts are presented in thousands of HRK)

1. GENERAL INFORMATION (CONTINUED)

1.2. Number of employees

The number of employees as at December 31, 2021, amounted to 9,880 employees (it amounted to 7,928 employees at December 31, 2020).

	December 31, 2021	December 31, 2020
CMC İletişim ve Çağrı Merkezi Hizmetleri A.Ş.	6.277	5.027
Trizma d.o.o.	1.102	960
M+ BH d.o.o.	683	219
Smart Flex d.o.o.	571	694
M Plus Croatia d.o.o.	530	25
Trizma GS d.o.o.	257	236
Linea Directa d.o.o.	120	67
CDE nove tehnologije d.o.o.	77	75
Geomant Algotech Zrt.	69	58
RGN İletişim Hizmetleri A.Ş.	63	69
Bulb d.o.o.	60	60
Geomant SRL	34	25
Inova Solutions Inc.	15	13
Geomant UK Limited	12	9
Smart Flex Sourcing d.o.o.	5	4
Calyx d.o.o.	3	3
Meritus ulaganja d.d.	1	2
M+ Agent d.o.o.	1	6
Meritus Plus d.o.o.	-	373
Meritus Plus Centar Beograd d.o.o.	-	-
Sitra management d.o.o.	-	-
Technology Services Holdings B.V.	-	-
Brza produkcija d.o.o.	-	-
Meritus Global Real Estate Management d.o.o.	-	-
Meritus Global Strategics d.o.o.	-	-
Meritus Global Technology d.o.o.	-	-
Geomant Global d.o.o.	-	-
Bulb Upravljanje d.o.o.	-	-
Pit İnsan Kaynakları ve Danışmanlık A.Ş.	-	1
ISS Sigorta Acentelik Hizmetleri A.Ş.	-	2
Meritus Georgia LLC	-	-
M+ Deutschland BPTO GmbH	-	-
Trizma Plus d.o.o. Beograd	-	-
CDE IT, poslovne in informacijske rešitve d.o.o.	-	-
Total	**9.880**	**7.928**

1. GENERAL INFORMATION (CONTINUED)

1.3. Management Board of the Company

Darko Horvat – President of the Management Board

Tomislav Glavaš – Member of the Management Board

1.4. Supervisory Board of the Company

Sandi Češko – President of the Supervisory Board

Igor Varivoda – Deputy President of the Supervisory Board

Tamara Sardelić – Member of the Supervisory Board

Hrvoje Prpić – Member of the Supervisory Board

Joško Mililša - Member of the Supervisory Board

Ulf Gartzke - Member of the Supervisory Board

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

The Group 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 Group's operations and do not have a material impact on the financial statements.

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

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

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

- **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).

2.3. 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 as of the time of publication of these financial statements (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 Group 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 Group in the period of the first application of the standards.

3. SUMMARY OF ACCOUNTING POLICIES

3.1. Accounting principle

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

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

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

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

3.2. Going concern

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

3.3. Basis of consolidation

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

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

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

3. SUMMARY OF ACCOUNTING POLICIES

3.3. Basis of consolidation (continued)

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

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

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

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

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

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

3. SUMMARY OF ACCOUNTING POLICIES

3.3. Basis of consolidation (continued)

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

3.4. Business combinations

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

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

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

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.4. Business combinations (continued)

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

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

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

3.5. Goodwill

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

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.6. Revenue from contracts with customers

1. Revenue recognition - Contact centers

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

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

2. Revenue recognition - Agency employment

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

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

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

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

3. Revenue recognition – software solutions

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

The consulting services provided by the Group can be divided into two significant groups of services: services related to contracted projects with customers and consulting services related to customer support based on agreed price lists. Consulting services related to contracted projects (e.g., installation and/or development of various software products for specialized business operations) are reported as a performance fulfilled over time. Revenue is recognized in the financial statements based on the stage of completion of the contract. When contracting projects, the Group defines the budget of the hours needed to implement the projects. Accordingly, the Management Board and the professional

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.6. Revenue from contracts with customers (continued)

3. Revenue recognition - Software solutions (continued)

services assessed that the stage of completion, which is determined as a part of the time elapsed until the end of the reporting period in relation to the total expected duration of the project, is an appropriate measure of progress in relation to full compliance of performance, in accordance with IFRS 15. Since the projects are of such a nature that they are related to the time spent by each programmer, the passage of time on the project is a presentation of what has been done or delivered.

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

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

Hardware sales

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

4. Revenue recognition - Insurance representation

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

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.7. Leases

The Group as a lessee

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

The lease liability is measured for the first time in the amount of the present value of the lease payments that have not been settled at the inception date, less the use of the rate arising from the lease. If this rate cannot be determined, the Group usually uses its borrowing interest rate.

Lease payments covered by measuring the lease liability include:

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

Lease liabilities are presented as a separate item in the statement of financial position.

A lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes appropriate adjustments to the related right of use asset) when:

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

The Group did not make such adjustments during the periods presented.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.7. Leases (continued)

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

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

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

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

(a) The Group as lessor

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

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

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

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

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.8. Foreign currencies

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

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

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

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

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

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

(All amounts are shown in thousands of HRK)

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.8. Foreign currencies (continued)

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

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

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

	December 31, 2021	**December 31, 2020**
1 EUR	7.5172 HRK	7.5369 HRK
1 BAM	3.8435 HRK	3.8536 HRK
1 RSD	0.0637 HRK	0.0647 HRK
1 TRY	0.5059 HRK	0.8043 HRK
1 USD	6.6436 HRK	6.1390 HRK
1 GBP	8.9586 HRK	8.3539 HRK
1 RON	1.5149 HRK	1.5612 HRK
1 HUF	0.0203 HRK	0.0207 HRK

3.9. Government grants

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

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

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

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.10. Costs of pension benefits and severance pay

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

3.11. Current and other non-current employee benefits

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

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

3.12. Taxation

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

Current tax

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

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

Deferred tax

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

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.12. Taxation (continued)

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

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

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

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.13. Property, plant, and equipment

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

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

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

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

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

3.14. Separately acquired intangible assets

Separately acquired intangible assets of a certain useful life are stated at cost less accumulated amortization and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful lives specified in Note 18. The estimated useful lives and depreciation methods are reviewed at the end of each reporting period and the effects of any changes in estimates are calculated prospectively.

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

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

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

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.15. Internally generated intangible assets

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

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

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

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

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

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

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.16. Derecognition of intangible assets

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

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

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

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

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

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

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

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.18. Financial instruments

Classification and subsequent measurement

Financial assets

The Group classifies its financial assets in the following category:

- 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 Group's business model for asset management; and

(ii) the cash flow characteristics of the assets.

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

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

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

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

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.18. Financial instruments (continued)

Classification and subsequent measurement (continued)

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

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

Measurement of amortized cost

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

Impairment

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

- an impartial amount based on probability, determined by estimating the range of possible outcomes;
- the time value of money; and
- reasonable and appropriate information about past events, available for the reporting date at no significant additional cost or effort, and current economic conditions as well as projections of future economic conditions.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.18. Financial instruments (continued)

Impairment (continued)

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

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

4. KEY ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

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

Impairment of goodwill

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

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

The methodology for calculating discounted cash flows consisted of estimating future cash flows for a period of five years, discounting the stated cash flows, applying a discount rate that reflects cash flow risk and time value of money, and estimating the residual value and terminal value.

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

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

Impairment of goodwill (continued)

Sensitivity analysis

The Group conducted an analysis of the sensitivity of impairment tests to changes in the key assumptions used to determine the recoverable amount for each group of cash-generating units to which goodwill was allocated. The recoverable amount of a cash-generating unit is determined by calculations of value in use or fair value based on cash flow projections based on financial plans approved by the Management Board and covering a five-year period. The impairment test found that there was no indication of impairment of goodwill. According to the Company's calculation, the weighted average cost of capital (debt and equity) (WACC) is 12% (2020: 11.8%). Key assumptions include the planned growth of sales revenue of 20-25% by 2026, which is also the estimated growth of the market globally.

Impairment of trade receivables

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

Useful life of property, plant, and equipment

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

Income tax

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

Provisions

A provision is recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the best current estimates. In cases where the effect of the time value of money is significant, the amount of the provision is the present value of the expenditure. Provisions for long-term employee benefits are calculated assuming a real discount rate of 4.81% (2020: 3.01%) calculated using a 16.4% annual inflation rate (2020: 9.5%) and a discount rate of 22% (2020: 12.80%). The provisions relate to the subsidiary CMC and are in accordance with Turkish legislation.

4.1. Operational segments

Basis for segmentation

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

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

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

(All amounts are shown in thousands of HRK)

4.1. OPERATIONAL SEGMENTS

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

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

(All amounts are shown in thousands of HRK)

4.1. OPERATIONAL SEGMENTS (CONTINUED)

2020

	Holding companies	**Contact centers**	**HR services**	**IT services**	**Eliminations**	**Total**
Sales revenue	15,411	599,414	71,800	89,807	(89,801)	**686,631**
Other revenue	1,730	35,668	500	6,344	(23,940)	**20,302**
Costs of raw materials and supplies	(135)	(4,158)	(33)	(1,110)	118	**(5,318)**
Cost of goods sold				(17,023)	1,071	**(15,952)**
Costs of services	(11,051)	(78,399)	(1,225)	(11,977)	55,877	**(46,775)**
Costs of staff	(15,043)	(392,295)	(70,238)	(24,294)	26,460	**(475,410)**
Depreciation	(1,015)	(56,378)	(233)	(9,471)	14,010	**(53,087)**
Other operating expenses including expected credit losses	(1,387)	(43,681)	(737)	(13,630)	23,108	**(36,327)**
Financial revenue	28,153	14,635	189	(32)	(17,605)	**25,340**
Financial expenses	(6,602)	(30,134)	(327)	258	4,522	**(32,283)**
Income tax	(76)	2,216	(5)	(1,128)	-	**1,007**
Profit for the current year	**9,985**	**46,888**	**(309)**	**17,744**	**(6,180)**	**68,128**

2020	**Holding companies**	**Contact centers**	**HR services**	**IT services**	**Eliminations**	**Total**
Non-current assets	176,509	431,491	605	47,742	(308,209)	348,138
Current assets	255,417	272,562	13,442	95,954	(343,730)	293,645
Equity	159,261	354,999	2,161	79,625	(323,568)	272,478
Non-current liabilities	56,604	112,244	3,254	12,124	7,690	191,916
Current liabilities	209,611	238,168	8,627	49,862	(328,880)	177,388

(All amounts are shown in thousands of HRK)

5. REVENUES FROM CONTRACTS WITH CUSTOMERS

	December 31, 2021	**December 31, 2020**
Revenues from contact centers	613,638	535,180
Revenues from sales of software solutions	109,531	80,519
Revenues from agency employment and similar services	63,630	70,900
Revenue from insurance intermediation	7	32
	786,806	**686,631**

2021:

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

2020:

	Holding companies	Contact centers	HR services	IT services	Eliminations	**Total**
Revenues from contracts with customers	15,411	599,413	71,800	89,807	(89,800)	**686,631**
EU	15,411	168,296	71,800	54,787	(89,329)	**220,965**
non-EU	-	431,117	-	35,020	(471)	**465,666**
Total	**15,411**	**599,413**	**71,800**	**89,807**	**(89,800)**	**686,631**
Point in time	-	-	3,357	-	(631)	**2,726**
Through time	15,411	599,413	68,443	89,807	(89,169)	**683,905**
Total	**15,411**	**599,413**	**71,800**	**89,807**	**(89,800)**	**686,631**

(All amounts are shown in thousands of HRK)

6. OTHER REVENUES

	December 31, 2021	December 31, 2020
Revenues from subsidies	2,624	14,660
Profit from sale of non-current assets	615	122
Rental income	33	31
Other income	4,371	5,489
	7,643	**20,302**

Other income in 2021 in the amount of HRK 4,371 thousand (2020: HRK 5,489 thousand) relate mainly to write-offs of liabilities, reversal of long-term provisions, and re-invoiced costs.

7. COSTS OF RAW MATERIALS AND SUPPLIES

	December 31, 2021	December 31, 2020
Energy cost	3,352	3,449
Cost of office supplies	2,139	561
Fuel cost	506	284
Other costs of raw materials and supplies	1,341	1,024
	7,338	**5,318**

8. COSTS OF GOODS AND SERVICES SOLD

The cost of goods and services sold in the amount of HRK 11,438 thousand (2020: HRK 15,952 thousand) relates to equipment and services sold by companies within the Group's IT segment as part of the delivery of their services.

(All amounts are shown in thousands of HRK)

9. COSTS OF SERVICES

	December 31, 2021	December 31, 2020
Intellectual costs	25,381	16,520
Rental costs	7,748	9,226
Maintenance costs	6,235	6,365
Insurance costs	2,009	1,506
Intermediation costs	537	352
Other service costs	22,586	12,806
	64,496	**46,775**

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

10. COSTS OF STAFF

	December 31, 2021	December 31, 2020
Net salary costs	357,530	294,589
Costs of taxes and contributions from salaries	89,633	94,051
Costs of contributions on salaries	44,159	47,979
Other staff costs	37,806	38,791
	529,128	**475,410**

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

11. DEPRECIATION AND AMORTIZATION

	December 31, 2021	December 31, 2020
Amortization of intangible assets (Note 16)	34,357	24,182
Depreciation of right of use assets (Note 17.1)	16,766	14,716
Depreciation of property and equipment (Note 17)	9,132	14,189
	60,255	**53,087**

(All amounts are shown in thousands of HRK)

12. OTHER OPERATING COSTS

	December 31, 2021	December 31, 2020
Telecommunication costs	5,187	8,043
Transport costs	4,052	6,396
Advertising and promotion costs	2,695	2,317
Licensing costs	2,138	1,872
Other tax, liability, and fee costs	2,095	1,244
Utility costs	1,680	1,591
Entertainment costs	1,423	444
Bank charges and transaction costs	1,408	984
Education costs	1,239	382
Unamortized cost of derecognized assets	153	327
Other costs	9,656	10,690
	31,726	**34,290**

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

(All amounts are shown in thousands of HRK)

13. FINANCIAL REVENUE AND EXPENSES

	December 31, 2021	December 31, 2020
Financial income		
Interest income	1,992	1,218
Foreign exchange gains	1,271	9
Other financial income	33	243
Income from write-off of liabilities	-	18,534
Profit from bargain purchase - Bulb and Geomant (Note 34)	-	5,336
	3,296	**25,340**
Financial expenses		
Interest expenses	17,106	21,437
Exchange rate losses	875	10,450
Other financial expenses	3,490	396
	21,471	**32,283**

Income from the write-off of liabilities in 2020 relates to the write-off of liabilities to non-financial creditors in the amount of HRK 9,755 thousand, and liabilities to the former owner of subsidiaries in the amount of HRK 8,779 thousand.

13.1. EARNINGS PER SHARE

The calculation of earnings per share as at December 31, 2021, based on earnings of HRK 64,979 thousand and the weighted average number of ordinary shares of 910,899 is calculated as follows (as at December 31, 2020, it was based on earnings of HRK 68,128 thousand and the weighted average number of ordinary shares of 857,805):

	December 31, 2021	December 31, 2020
Net profit	64,979	68,128
Weighted average number of shares over the period	910,899	857,805
Basic and diluted earnings per share in HRK	71.33	79.42

(All amounts are shown in thousands of HRK)

14. DEFERRED TAX ASSETS, NETT AND INCOME TAX

	2021	2020
Current tax	8,632	4,234
Deferred tax	(2,437)	(5,241)
	6,195	**(1,007)**

	2021	2020
Profit before tax	**71,174**	**67,121**
Income tax at a tax rate of 18% (2020: 18%)	12,811	12,082
The effect of non-taxable revenue	(1,400)	(4,568)
The effect of non-tax deductible expenses	2,896	1,852
(Use of tax losses previously unrecognized as deferred tax assets) and unrecognized deferred tax assets on tax losses	(7,078)	(7,149)
The effect of different tax rates	(1,034)	(3,224)
Income tax	**6,195**	**(1,007)**
Effective tax rate	***8.70%***	**-**

The effects of different tax rates in 2020 also includes the effect in the amount of HRK 3,467 thousand, which relates to the profit from the bargain purchase and the effect of the difference between the accounting and tax base of the customer list resulting from the acquisition of CMC.

(All amounts are shown in thousands of HRK)

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

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

Deferred tax assets

	Tax losses carried forward	Total
January 1, 2020	3,703	3,703
Increase of deferred tax assets recognized in profit or loss	34	34
December 31, 2020	**3,737**	**3,737**
January 1, 2021	3,737	3,737
Increase in deferred tax assets recognized in profit or loss	(740)	(740)
December 31, 2021	**2,997**	**2,997**

Deferred tax movement

	2021	2020
January 1	**9,311**	**520**
Acquisition of subsidiaries (Note 34)	-	12,515
Effects of purchase price allocation (Note 34)	(1,250)	1,549
Capitalization of development costs	739	(520)
Leases	(1,056)	(68)
Unused vacations	123	(200)
Investment subsidies	-	(1,014)
Provisions for legal disputes	(235)	159
Non-current employee benefits	26	(453)
Other	(98)	-
Exchange rate fluctuations	(1,273)	(3,177)
December 31	**6,287**	**9,311**

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

(All amounts are shown in thousands of HRK)

15. GOODWILL

	December 31, 2021	December 31, 2020
Goodwill CMC group	44,500	44,500
Goodwill Meritus Plus d.o.o.	14,700	14,700
Goodwill Trizma d.o.o.	18,192	18,192
Goodwill Smartflex d.o.o.	3,923	3,923
Goodwill M+ BiH d.o.o.	1,533	1,533
Goodwill Calyx d.o.o.	620	620
Goodwill Sitra management d.o.o.	2	2
	83,470	**83,470**

	December 31, 2021	December 31, 2020
Cost		
Status at the beginning of the year	83,470	38,970
Additional amounts recognized from acquisitions of subsidiaries during the year (note 34)	-	44,500
	83,470	**83,470**

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

When estimating the goodwill acquired by the acquisition of the CMC Group in 2020, a WACC of 18.9% was applied in the calculation. WARA is equal to WACC and is also 18.9%. In 2021, the Group applied the final calculation of the purchase price of the CMC Group for the current and comparative periods.

(All amounts are shown in thousands of HRK)

16. INTANGIBLE ASSETS

	Intangible assets in preparation	Other intangible assets	Licenses and software	Total
Balance as at January 1, 2020				
Purchase value	4,354	20,036	15,094	39,484
Accumulated depreciation	-	(7,821)	(7,245)	(15,066)
Net book value	**4,354**	**12,215**	**7,849**	**24,418**
Changes during 2020				
Increase	3,477	10,873	11,096	25,446
Increase through acquisition of control of Geomant, CMC, Bulb (Note 34)	2,042	153,179	26,429	181,650
Sale/write-off	-	(18)	-	(18)
Transfers	(68)	68	-	-
Exchange rate differences	1,373	(20,474)	(312)	(22,159)
Depreciation expense	(1,452)	(16,054)	(6,675)	(24,181)
Net book value	**6,980**	**139,789**	**38,387**	**185,156**
Balance as at December 31, 2020				
Purchase value	8,393	147,602	46,019	202,014
Accumulated depreciation	(1,413)	(7,813)	(7,632)	(16,858)
Net book value	**6,980**	**139,789**	**38,387**	**185,156**
Changes during 2021				
Increase	471	35,888	22,832	59,191
Sale/write-off	-	-	(104)	(104)
Transfers	(4,354)	4,354	-	-
Exchange rate differences	(1,088)	(23,412)	(714)	(25,214)
Depreciation expense	-	(20,284)	(14,073)	(34,357)
Net book value	**2,009**	**136,335**	**46,328**	**184,672**
Balance as at December 31, 2021				
Purchase value	3,422	159,793	65,658	228,873
Accumulated depreciation	(1,413)	(23,458)	(19,330)	(44,201)
Net book value	**2,009**	**136,335**	**46,328**	**184,672**

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

(All amounts are shown in thousands of HRK)

17. PROPERTY, PLANT, AND EQUIPMENT

	Equipment	Buildings	Assets in preparation and other assets	Total
Balance as at January 1, 2020				
Purchase value	21,341	18,287	1	39,629
Accumulated depreciation	(15,157)	(2,788)	-	(17,945)
Net book value	**6,184**	**15,499**	**1**	**21,684**
Changes during 2020				
Increase	12,168	-	1,299	13,467
Increase through acquisition of Geomant, CMC, Bulb (Note 34)	24,545	-	5,056	29,601
Sale/write-off	(141)	-	-	(141)
Depreciation expense	(11,144)	(964)	(2,081)	(14,189)
Exchange rate differences	(10,468)	11	(3,933)	(14,390)
Net book value	**21,144**	**14,546**	**342**	**36,032**
Balance as at December 31, 2020				
Purchase value	34,705	18,298	1,230	54,233
Accumulated depreciation	(13,561)	(3,752)	(888)	(18,201)
Net book value	**21,144**	**14,546**	**342**	**36,032**
Changes during 2021				
Increase	10,094	-	203	10,297
Sale/write-off	(250)	-	(49)	(299)
Depreciation expense	(7,880)	(1,100)	(152)	(9,132)
Exchange rate differences	(4,383)	-	-	(4,383)
Net book value	**18,725**	**13,446**	**344**	**32,515**
Balance as at December 31, 2021				
Purchase value	27,324	18,298	1,384	47,006
Accumulated depreciation	(8,599)	(4,852)	(1,040)	(14,491)
Net book value	**18,725**	**13,446**	**344**	**32,515**

The property in Heinzelova 62a, 10000 Zagreb, with a net book value in the amount of HRK 13,446 thousand (December 31, 2019: HRK 14,564 thousand) as at December 31, 2021, is encumbered with a lien in favor of Erste banka d.d., Rijeka. According to a certified appraiser's estimate from 2019, the market value of the building is higher than its net book value.

(All amounts are shown in thousands of HRK)

17.1. RIGHT OF USE ASSETS

	Real-estate	Vehicles	Equipment	Total
Balance as at January 1, 2020				
Purchase value	30,920	3,224	9,820	43,964
Accumulated depreciation	(11,468)	(944)	(4,903)	(17,315)
Net book value	**19,452**	**2,280**	**4,917**	**26,649**
Changes during 2020				
Increase	2,731	1,576	1,428	5,735
Increase through acquisition of Geomant, CMC, Bulb (Note 34)	15,129	5,768	438	21,335
Sale/write-off			(279)	(279)
Depreciation expense	(6,294)	(3,197)	(5,225)	(14,716)
Exchange rate differences	(2,320)	(698)	41	(2,977)
Net book value	**28,698**	**5,729**	**1,320**	**35,747**
Balance as at December 31, 2020				
Purchase value	46,461	9,870	11,448	67,779
Value adjustment	(17,763)	(4,141)	(10,128)	(32,032)
Net book value	**28,698**	**5,729**	**1,320**	**35,747**
Changes during 2021				
Increase	14,487	5,854	12,455	32,796
Repurchase/reduction	(1,269)	(101)	-	(1,370)
Depreciation expense	(11,222)	(3,151)	(2,393)	(16,766)
Exchange rate differences	(1,951)	(1,133)	(16)	(3,100)
Net book value	**28,743**	**7,198**	**11,366**	**47,307**
Balance as at December 31, 2021				
Purchase value	57,728	14,490	23,887	96,105
Accumulated depreciation	(28,985)	(7,292)	(12,521)	(48,798)
Net book value	**28,743**	**7,198**	**11,366**	**47,307**

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

Amounts recognized in the statement of comprehensive income	**2021**	**2020**
Depreciation expenses on right of use assets	16,766	14,716
Interest on operating leases	2,390	3,490
Costs related to current leases (Note 9)	7,748	9,226
Lease repayment	20,875	20,839

(All amounts are shown in thousands of HRK)

18. NON-CURRENT FINANCIAL ASSETS

	December 31, 2021	December 31, 2020
Non-current loans given	5,950	3,349
Investing in shares	3	3
Other non-current deposits	1,757	644
	7,710	**3,996**

Other deposits in the amount of HRK 1,757 thousand (December 31, 2020: HRK 644 thousand) are related on business contracts and do not bear interest. The maturity date of these deposits is after 2022.

Non-current loans were given to third parties and members of the Management Board, with an average interest rate of 3% (December 31, 2020: 3.42%).

19. OTHER CURRENT FINANCIAL ASSETS

	December 31, 2021	December 31, 2020
Current loans granted	58	417
Current deposits	27	27
	85	**444**

The maturity of the granted loans is within one year, with an average interest rate of 3% (December 31, 2020: 3,42%). Current loans have been granted to third parties.

(All amounts are shown in thousands of HRK)

20. TRADE RECEIVABLES

	December 31, 2021	December 31, 2020
Domestic trade receivables	16,903	16,867
Foreign trade receivables	114,189	73,117
Value adjustment of receivables	(317)	(3,211)
	130,775	**86,773**

The average days sales outstanding is 60 days (2020: 47 days). The Group has recorded an allowance for all outstanding receivables that are estimated to be uncertain in terms of collection.

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

	December 31, 2021	December 31, 2020
Balance at the beginning of the year	3,211	132
Acquisition of subsidiaries	-	1,042
New allowances during the year	719	2,037
Write-offs	(3,613)	-
	317	**3,211**

2021
Expected credit losses

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

(All amounts are shown in thousands of HRK)

20. TRADE RECEIVABLES (CONTINUED)

2020

Value adjustment

	12-month expected loss	Expected life cycle loss - without credit losses	Expected life cycle loss - credit losses	**Total**
Balance at January 1	**-**	**-**	**132**	**132**
Losses recognized in profit or loss	-	-	2,037	2,037
Acquisition of subsidiaries			1,042	1,042
Balance at December 31	**-**	**-**	**3,211**	**3,211**

The maturity analysis of trade receivables at December 31, 2020, and 2021 is as follows:

	Undue	**31-60 days**	**61-90 days**	**91-180 days**	**>180 days**	**Total**
December 31, 2021	112,717	8,291	5,753	3,621	393	**130,775**
December 31, 2020	75,215	3,965	4,335	353	2,905	**86, 773**

21. OTHER RECEIVABLES

	December 31, 2021	**December 31, 2020**
Receivables from the state	18,884	16,036
Receivables acquired by cession and assignment	1,691	1,695
Advances given	744	798
Receivables from employees	41	103
Other receivables	14,466	8,622
	35,826	**27,254**

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

As at December 31, 2020, within other receivables, the most significant item refers to receivables from the state, i.e., receivables for pre-tax and advance income tax advances, as well as state aid of the Republic of Hungary for technology development and internationalization of business.

(All amounts are shown in thousands of HRK)

22. ACCRUED INCOME AND PREPAID EXPENSES

	December 31, 2021	December 31, 2020
Accrued income	10,585	8,602
Prepaid expenses	26,707	9,977
Prepaid rental expenses	119	364
	37,411	**18,943**

Accrued income in 2020 and 2021 mostly refers to income from IT services. Prepaid expenses in 2021 relate to maintenance, insurance, and IT support costs.

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

23. CASH AND CASH EQUIVALENTS

	December 31, 2021	December 31, 2020
Balance on giro accounts in local currency	126,631	19,206
Balance on giro accounts in foreign currency	221,564	140,051
Cash on hand	22	14
	348,217	**159,271**

(All amounts are shown in thousands of HRK)

24. 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 as at December 31, 2021, amounts to HRK 98,203 thousand 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 both qualified and small investors participated, HRK 105,593 thousand was collected. By the decision of the Management Board dated July 28 and with the consent of the Supervisory Board, the paid-in capital was allocated to a total of 124,227 new shares. After the increase, the share capital of the Issuer amounts to a total of HRK 98,203 thousand and is divided into a total of 982,032 ordinary registered shares without a nominal amount.

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

25. CAPITAL RESERVES

After the subscription and payment of New shares, the share capital of the company Meritus ulaganja d.d. was increased by HRK 12,422 thousand. Capital reserves increased by HRK 91,781 thousand. This change occurred in 2021. There were no changes in capital reserves and share capital during 2020.

25.1 OTHER EQUITY COMPONENTS

Other equity items relate to the difference between the parent company's performance liability paid to the remaining non-controlling shareholder of the subsidiary Meritus plus d.o.o. and the net carrying amount of the non-controlling interest at the time of redemption of the described interest. This transaction occurred in 2020.
The remaining part is related to the redemption of a non-controlling shareholder in the subsidiary Smartflex Sourcing d.o.o. which took place during previous periods.

25. CAPITAL RESERVES (CONTINUED)

25.2 FOREIGN EXCHANGE RESERVES

Foreign exchange reserves consist of foreign exchange differences from the translation of investments in foreign operations (HRK 31,818 thousand) and reserves from foreign exchange differences arising from transactions with subsidiaries (HRK 11,288 thousand).

26. BORROWINGS

	December 31, 2021	December 31, 2020
Liabilities for long-term borrowings	187,125	140,498
Liabilities for short-term borrowings and accrued interest	109,478	35,740
	296,603	**176,238**

Long-term borrowings were used to finance capital investments and acquisitions. The average weighted interest rate on long-term borrowings in 2021 was 5.57% (in 2020: 6%). The Group regularly fulfills all obligations under these borrowings in compliance with all the terms of the agreement. The table below shows the approved borrowing amounts with the corresponding interest rate and maturity date:

Approved borrowing amount (in thousands)	Currency	Borrowing approval period	Maturity period	Interest rate
3,075	EUR	06/2019	07/2029	3,15% + 3 mon EURIBOR
1,252	EUR	06/2019	07/2024	3,15% + 3 mon EURIBOR
69,000	HRK	07/2021	07/2022	2,40%
2,000	EUR	02/2021	03/2031	3,25% + 3 mon EURIBOR
520	EUR	06/2019	07/2029	3,15% + 3 mon EURIBOR
1,404	EUR	12/2020	03/2025	3,20% + 6 mon EURIBOR
398	EUR	12/2020	03/2026	3,20% + 6 mon EURIBOR
25,000	HRK	11/2021	10/2022	3,20%
1,500	EUR	12/2021	12/2022	1%
,,4,500	EUR	12/2021	12/2022	1,95%
1,233	EUR	12/2021	06/2024	1,75%
500	EUR	06/2019	07/2024	3,15% + 3 mon EURIBOR
50,000	TL	07/2020	06/2027	Years 0-2 - 12%; years 2-7 TRREF +1,75%
20,000	TL	07/2020	06/2027	13,8%
3,588	TL	12/2020	01/2022	Interest-free
50	GBP	06/2020	06/2026	2,50%
107,584	HUF	06/2021	03/2026	1%
1,650	EUR	06/2018	06/2022	2,60%
200	EUR	06/2021	06/2022	5,25%
8,500	EUR	12/2021	12/2029	2,83% + 3 mon EURIBOR

(All amounts are shown in thousands of HRK)

26. BORROWINGS (CONTINUED)

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

The weighted average interest rate on short-term borrowings in 2021 was 2.23% (in 2020: 4.69%).

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

	2021	2020
Balance as at January 1	**176,241**	**79,698**
New borrowings	234,639	55,054
New borrowings - acquisition of subsidiaries (Note 34)	-	131,970
Repayment of borrowings	(95,062)	(63,365)
Exchange rate differences	(19,215)	(27,119)
Balance as at December 31	**296,603**	**176,238**

27. LEASE LIABILITIES

Lease liabilities in the amount of HRK 48,132 thousand (December 31, 2020: HRK 28,097) have the following maturity:

	December 31, 2021	December 31, 2020
Within a year	17,247	8,113
In the second year	15,841	5,612
In the third year	8,033	9,312
In the fourth year	4,143	6,851
In the fifth year	2,306	3,887
After five years	562	2,435
Total	**48,132**	**36,210**

(All amounts are shown in thousands of HRK)

28. OTHER NON-CURRENT LIABILITIES

	December 31, 2021	December 31, 2020
Provisions for legal cases	1,638	1,294
Provisions for long-term employee benefits	2,153	3,697
Liabilities for taxes and contributions	359	4,734
Other non-current liabilities	4,061	4,285
Total	**8,211**	**14,010**

Provisions for non-current employee benefits are related to CMC, and benefits are calculated in accordance with Turkish law. The movement of these provisions is shown in the following table:

	2021	2020
Balance as at January 1	**3,697**	**2,635**
Service costs	5,063	5,060
Interest expense	424	72
Paid remuneration	(5,098)	(4,850)
Actuarial (losses) / gains	(635)	1,980
Exchange rate differences	(1,298)	(1,200)
Balance as at December 31	**2,153**	**3,697**

Liabilities for taxes and contributions are related to the measure of mitigating the effects of the COVID-19 pandemic by prolonging the maturity of obligations to pay taxes and contributions based on employment contracts in the Republic of Serbia.

29. LIABILITIES TO SUPPLIERS

	2021	2020
Liabilities to foreign suppliers	20,499	19,581
Liabilities to domestic suppliers	11,295	4,667
Total	**31,794**	**24,248**

30. LIABILITIES TO EMPLOYEES

	December 31, 2021	December 31, 2020
Liabilities for net salaries	25,087	24,300
Employee contributions	14,914	11,923
	40,001	**36,223**

(All amounts are shown in thousands of HRK)

31. OTHER CURRENT LIABILITIES

	December 31, 2021	December 31, 2020
Other current liabilities and liabilities for the acquisition of shares	16,647	28,027
VAT liabilities	8,495	10,911
Income tax liabilities	7,214	3,443
	32,356	**42,381**

Other current liabilities in 2021 mostly consist of received advances (HRK 7,649 thousand) and accrued discounts (HRK 2,602 thousand).

Other current liabilities for 2020 relate mainly to the acquisition of shares in Bulb d.o.o. and minority shareholder payments in Meritus Plus d.o.o. (HRK 14,872 thousand) and received advances (HRK 8,149 thousand).

32. DEFERRED REVENUE AND ACCRUED EXPENSES

	December 31, 2021	December 31, 2020
Accrued operating expenses	24,647	22,588
Deferred revenue	14,573	8,095
	39,220	**30,683**

Deferred revenues as at December 31, 2020 and 2021 are primarily related to IT and contact center services. The accrued costs are mostly related to the costs of insurance, subcontracting, maintenance, and licenses.

(All amounts are shown in thousands of HRK)

33. RELATED PARTY TRANSACTIONS

Balances and transactions from the relationship between the Company and its subsidiaries, which are its related parties, have been eliminated by consolidation and are not disclosed in this note. The analysis of transactions between the Group and other related parties is presented below. The total remuneration accrued to the members of the Supervisory Board, the Management Board, and the executive directors in 2021 amounted to HRK 1,897 thousand (in 2020: HRK 2,034 thousand). Total receivables on the basis of borrowing granted to the Management Board and executive directors as at December 31, 2021, amounted to HRK 5.331 thousand (they amounted to HRK 3,196 thousand at December 31, 2020).

	Receivables		**Liabilities**	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
SMART GROUP recruitment d.o.o., Croatia	32	29	8	-
SMART GROUP SERVICES d.o.o. Croatia	7	-	80	66
SMART GROUP d.o.o., Croatia	-	-	-	-
Consilia Adittio d.o.o., Croatia	15	2	81	78
Pente Asteron d.o.o., Serbia	-	-	726	363
Algotech d.o.o., Serbia	-	-	16	-
Dragon Bidco	-	-	46,783	43,581
CONCENTRIC TECHNOLOGIES Ltd	6,411	6,411	-	-
	6,465	**6,442**	**47,694**	**44,088**

	Revenue		**Expenses**	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
SMART GROUP recruitment d.o.o., Croatia	57	5	-	18
SMART GROUP SERVICES d.o.o. Croatia	6	-	621	572
SMART GROUP d.o.o., Croatia	-	-	280	185
Consilia Adittio d.o.o., Croatia	42	31	462	486
Pente Asteron d.o.o., Serbia	-	-	3,652	2,494
Algotech d.o.o., Serbia	8	-	166	145
Dragon Bidco	-	-	3,310	2,230
	113	**36**	**8,491**	**6,130**

(All amounts are shown in thousands of HRK)

34. BUSINESS COMBINATIONS

In 2020, the Company acquired a 51% stake in the Geomant Group and thus gained control. The Company gained control over the members of the Geomant Group on January 1, 2020.

The identified value of the acquired net assets is as follows:

	Book value	Change	Fair value
2019			
Intangible assets	11,679	5,042	16,721
Property, plant, and equipment	754	-	754
Non-current financial assets	32	-	32
Inventory	1,832	-	1,832
Other current financial assets	1,980	-	1,980
Trade receivables	21,976	(472)	21,504
Accrued income and prepaid expenses of future period	1,170	-	1,170
Cash and cash equivalents	5,274	-	5,274
Liabilities to suppliers	(5,589)	(201)	(5,790)
Liabilities to employees	(2,013)	-	(2,013)
Other current liabilities	(1,436)	-	(1,436)
Non-current borrowings	(1,939)	-	(1,939)
Accrued expenses and deferred income	(13,588)	-	(13,588)
Long-term borrowings	(2,071)	-	(2,071)
Other non-current liabilities	(953)	-	(953)
Deferred tax liability	-	(305)	(305)
Identified net assets	**17,112**	**4,063**	**21,175**

The acquisition of the subsidiary identified bargain purchase gain as follows:

	Total
Consideration	10,079
Minority interests based on proportional amounts	9,684
Fair value of identified net assets	(21,175)
Bargain purchase gain	**(1,412)**

In 2020, the Group paid an acquisition liability in the amount of HRK 3,747 thousand.

(All amounts are shown in thousands of HRK)

34. BUSINESS COMBINATIONS (CONTINUED)

At the end of 2020, the Company acquired a 23% stake in Bulb d.o.o. for HRK 3,768 thousand through the newly established company Bulb upravljanje d.o.o. in which it holds a 51% stake. The company Bulb upravljanje d.o.o. holds a 45% stake in Bulb d.o.o. and is entitled to 51% of the votes at the General Assembly of Bulb d.o.o. The company acquired control of the members of Bulb d.o.o. on December 23, 2020.

2020	**Book value**	**Change**	**Fair value**
Intangible assets	8,771	-	8,771
Right of use assets	3,093	-	3,093
Property, plant, and equipment	396	-	396
Non-current financial assets	53	-	53
Inventory	9	-	9
Other current financial assets	6,451	-	6,451
Trade receivables	6,526	-	6,526
Other receivables	537	-	537
Cash and cash equivalents	14,778	-	14,778
Liabilities to suppliers	(874)	-	(874)
Liabilities to employees	(1,877)	-	(1,877)
Other current liabilities	(1,032)	-	(1,032)
Other non-current liabilities	(3,093)	-	(3,093)
Deferred payment of expenses and revenue of future period	(222)	-	(222)
Identified net assets	**33,516**	**-**	**33,516**

The acquisition of the subsidiary identified bargain purchase gain as follows:

	Total
Consideration	3,768
Minority interests based on proportional amounts	25,824
Fair value of identified net assets	(33,516)
Bargain purchase gain	**(3,924)**

In 2021, the Group paid an acquisition liability in the amount of HRK 3,723 thousand.

(All amounts are shown in thousands of HRK)

34. BUSINESS COMBINATIONS (CONTINUED)

In 2020, the Company acquired a 100% stake in CMC İletişim ve Çağrı Merkezi Hizmetleri A.Ş., Istanbul, Turkey.

The Company gained control over the members of the Geomant Group on January 1, 2020. The Company gained control over the members of the CMC Group on January 1, 2020. The transaction envisages an increase in the share capital of Meritus Upravljanje d.o.o. through deposit payments for new business shares, taken over by Dragon Bidco and paid by contribution in items and rights, i.e., by entering 100% of shares held by Dragon Bidco in CMC İletişim ve Çağrı Merkezi Hizmetleri A.Ş., Istanbul, Turkey, and indirectly of shares in its subsidiaries (CMC). Following the share capital increase, Dragon Bidco holds 30% of business shares in the company Meritus upravljanje d.o.o.

	Book value	**Change**	**Fair value**
2019			
Intangible assets	132,663	23,497	156,160
Right of use assets	18,242	-	18,242
Property, plant, and equipment	28,278	-	28,278
Current assets	66,900	-	66,900
Current liabilities	(184,448)	-	(184,448)
Non-current liabilities	(16,087)	-	(16,087)
Deferred tax liability	(12,551)	(5,169)	(17,720)
Identified net assets	**32,997**	**18,328**	**51,325**

The acquisition of the subsidiary identified goodwill as follows:

	Total
Acquisition fee	268,090
Other reserves	(268,090)
Minority interests created in the transaction	(95,825)
Fair value of identified net assets	51,325
Goodwill	**44,500**

Taking into account the accounting complexity and judgments related to the acquisition of the CMC Group, the Management Board completed the process of allocating the purchase price in 2021. In order to best reflect the economic essence of the acquisition, the calculation of goodwill arising in the transaction was updated so that the reserves generated in the transaction within the consolidated statement of changes in equity were eliminated, which was reflected in the final calculation of goodwill.

	Previously reported	**Change**	**Modified**
Non-current assets			
Goodwill CMC Group	312,590	(268,090)	44,500
Equity			
Other reserves	(268,090)	268,090	-

(All amounts are shown in thousands of HRK)

35. NON-CONTROLLING INTERESTS

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

Subsidiary name	Share of non-controlling interest		Profit intended for non-controlling interests	
Trizma	**2021**	**2020**	**2021**	**2020**
	49%	49%	8,087	6,527

The financial information on the company Trizma Beograd d.o.o. is abbreviated below.

	2021	**2020**
Current assets	118,399	39,538
Non-current assets	49,842	22,323
Current liabilities	(26,781)	(20,434)
Non-current liabilities	(125,230)	(15,107)
Net assets	**16,230**	**26,320**
Revenues	148,189	127,773
Net profit	16,285	13,320

Subsidiary name	Share of non-controlling interest		Profit intended for non-controlling interests	
Geomant	**2021**	**2020**	**2021**	**2020**
	49%	49%	4,043	8,125

	2021	**2020**
Current assets	53,123	48,888
Non-current assets	51,976	28,881
Current liabilities	(47,547)	(36,262)
Non-current liabilities	(8,357)	(3,121)
Net assets	**49,155**	**38,386**
Revenues	67,631	67,948
Net profit	8,412	16,581

(All amounts are shown in thousands of HRK)

35. NON-CONTROLLING INTERESTS (CONTINUED)

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

Subsidiary name	Share of non-controlling interest		Profit intended for non-controlling interests	
Bulb	**2021**	**2020**	**2021**	**2020**
	77%	77%	2.570	-

	2021	**2020**
Current assets	28,064	28,301
Non-current assets	18,912	13,124
Current liabilities	(5,966)	(4,004)
Non-current liabilities	(4,099)	(3,903)
Net assets	**36,911**	**33,518**
Revenues	22,600	21,596
Net profit	3,345	3,487

Subsidiary name	Share of non-controlling interest		Profit intended for non-controlling interests	
M Plus Croatia	**2021**	**2020**	**2021**	**2020**
	30%	30%	8,386	1,819

	2021	**2020**
Current assets	255,836	129,981
Non-current assets	332,929	118,774
Current liabilities	(253,948)	(109,279)
Non-current liabilities	(97,410)	(111,879)
Net assets	**237,407**	**27,597**
Revenues	93,133	16,045
Net profit	28,387	6,063

36. FINANCIAL INSTRUMENTS

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

The following table provides information on:

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

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

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

(All amounts are shown in thousands of HRK)

36. Financial instruments (continued)

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

December 31, 2021

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

(All amounts are shown in thousands of HRK)

36. Financial instruments (continued)

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

December 31, 2020

	Financial assets	Financial liabilities
	Depreciated cost	**Depreciated cost**
Non-current financial assets (note 18)	3,996	-
Other current financial assets (note 19)	444	-
Trade receivables (note 20)	86,773	-
Other receivables (note 21)	27,254	-
Non-current borrowings received (note 26)	-	140,498
Non-current liabilities for leases received (note 27)	-	28,097
Other non-current liabilities (note 28)	-	14,010
Liabilities to suppliers (note 29)	-	24,248
Liabilities to employees (note 30)	-	36,223
Other current liabilities (note 31)	-	42,381
Current borrowings received (note 26)	-	35,740
Current liabilities for leases received	-	8,113

(All amounts are shown in thousands of HRK)

36. Financial instruments (continued)

36.2. Financial risk management objectives

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

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

36.3. Market risk

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

36.3.1. Currency risk management

The Group concludes certain transactions in foreign currency and is therefore exposed to the risks of changes in foreign exchange rates. The Group is in the process of developing policies to hedge against exchange rate risk. The following table shows the carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currencies at the reporting date**:**

	December 31, 2021			December 31, 2020		
	EUR	**USD**	**GBP**	**EUR**	**USD**	**GBP**
Assets	134,085	31,010	41	88,339	24,211	85
Liabilities	(148,483)	(5,465)		(103,072)	(2,879)	(8)
Net balance sheet exposure	(14,398)	25,545	41	(14,733)	21,332	77

Currency risk sensitivity analysis

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

(All amounts are shown in thousands of HRK)

36. Financial instruments (continued)

36.3.1. Currency risk management (continued)

The following significant rates have been applied::

	2021	2020
EUR	7.51717	7.53690
USD	6.64355	6.13904
GBP	8.95862	8.35391

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

	Net balance sheet effects	
	Appreciation	**Depreciation**
December 31, 2021		
EUR (5% change)	720	(720)
USD (5% change)	(1,277)	1,277
GBP (5% change)	(2)	2
December 31, 2020		
EUR (5% change)	737	(737)
USD (5% change)	(1,073)	1,073
GBP (5% change)	(4)	4

36.3.2. Interest rate risk management

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

36. Financial instruments (continued)

36.3.2. Interest rate risk management (continued)

Interest rate risk sensitivity analysis

The sensitivity analyzes that follow are based on the exposure to interest rates on non-derivative instruments at the end of the reporting period. For liabilities related to variable interest rates, the analysis was made under the assumption that the volume of liabilities stated at the date of the statement of financial position was valid throughout the year.

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

Interest rate risk

	2021	**2020**
Variable interest rate instruments		
Borrowings	1,224	250
Total	**1,224**	**250**

36. Financial instruments (continued)

36.4. Credit risk management

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

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

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

In the total balance of trade receivables at the end of the year there, are no outstanding receivables from the largest customer of the Group (2020: HRK 15 thousand). The Group is not significantly exposed to the credit risk of any counterparty or group of counterparties with similar characteristics. The Group considered counterparties with similar characteristics to be related entities.

36.4.1. Collateral instruments and other credit enhancements

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

(All amounts are shown in thousands of HRK)

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

36.5. Financing ratio

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

	December 31, 2021	**December 31, 2020**
Liabilities for short-term borrowings (note 26)	101,833	33,508
Liabilities for long-term borrowings (note 26)	145,790	99,045
Short-term lease liabilities to financial institutions	5,395	2,927
Long-term lease liabilities to financial institutions	12,798	8,647
Cash and cash equivalents (Note 23)	(348,217)	(159,271)
Net debt/(cash)	**(82,401)**	**(15,144)**
Equity (Notes 24, 25)	409,051	272,478
Debt to equity ratio	**-**	**-**

Borrowing liabilities include all external financing except for the convertible loan of a minority shareholder.

(All amounts are shown in thousands of HRK)

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

36.6. Liquidity risk management

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

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

	Weighted average effective interest rate	Up to 1 month	1-3 months	3 months-1 year	1-5 years	After 5 years	Total
	%						
December 31, 2021							
Interest-free		516,687	-	-	-	-	516,687
Interest-bearing	3,00	7	15	66	5,973	-	6,061
		516,694	**15**	**66**	**5,973**	**-**	**522,748**
December 31, 2020							
Interest-free	-	273,298	-	-	-	-	273,298
Interest-bearing	3,42	38	76	342	3,550		4,006
		273,336	**76**	**342**	**3,550**	**-**	**277,304**

(All amounts are shown in thousands of HRK)

36.6. Liquidity risk management (continued)

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

	Weighted average effective interest rate	Up to 1 month	1-3 months	3 months-1 year	1-5 years	After 5 years	Total
	%						
December 31, 2021							
Interest-free		107,838	-	-	-	-	107,838
Interest-bearing	4,99	10,809	21,618	97,282	193,390	49,844	372,943
		118,647	**21,618**	**97,282**	**193,390**	**49,844**	**480,781**
December 31, 2020							
Interest-free	-	106,573	-	-	-	-	106,573
Interest-bearing	5,73	5,580	11,160	50,222	162,939	22,061	251,962
		112,153	**11,160**	**50,222**	**162,939**	**22,061**	**385,535**

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

38. SUBSEQUENT EVENTS

38.1. SITUATION IN UKRAINE

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

38.2. INVITEL ACQUISITION

The M+ Group acquired a majority stake in the German company Invitel GmBH and its subsidiaries and acquired control in January 2022. By expanding its business locations to the geographical area from Hanover to Istanbul, the M+ Group has reaffirmed its position as the leading independent provider of BPTO services in Europe, with more than ten thousand employees. The acquired German company Invitel employs about 1,500 people and generates about EUR 45 million in revenue annuall..

With the acquisition of Invitel, the M+ Group has gained clients from new sectors in which it has not been present so far, i.e., companies focused on renewable energy sources, carbon management, energy transition, and technological innovations, all key to a successful global transition to a low carbon economy.

This fits in perfectly with the Group's sustainability strategy. In addition, the Group has been joined by a large number of valuable employees and a very experienced management team with excellent contacts in the industry, which will certainly contribute to the further growth and development of the Group.

Following this acquisition, the M+ Group has expanded its business to 35 locations across Europe and North America, and Germany is becoming the Group's largest market by revenue, which is the culmination of a strategy to build a leading BPO provider for the German-speaking world. At the same time, this transaction is a continuation of the acquisition strategy, in which each new takeover strengthens the synergy between all members of the M+ Group.

(All amounts are shown in thousands of HRK)

38. SUBSEQUENT EVENTS (CONTINUED)

38.3. INCREASE IN GROUP EQUITY

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

38.4. ACQUISITION OF NON-CONTROLLING INTERESTS IN THE COMPANY AGENCIJA ZA PRIVREMENO ZAPOŠLJAVANJE TRIZMA D.O.O.

In 2022, the Group acquired remaining 49% stake in the company Agencija za privremeno zapošljavanje Trizma d.o.o. and thus acquired a 100% stake in the company

39. CONTINGENT LIABILITIES

According to the Management Board's assessment, as at December 31, 2021, and 2020, the Group has no significant contingent liabilities that would require disclosure in the notes to the consolidated financial statements. As at December 31, 2021, there was no material lawsuit against the Group in which a loss is expected, which was not disclosed in the consolidated financial statements.

40. ADOPTION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were adopted and approved for publication by the Company's Management Board on April 29, 2022.

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