Meritus ulaganja d.d., Zagreb

Annual report for the year that ended on

December 31, 2020

The Management Board submits its audited separate financial report for the year that ended on December 31, 2020.

Main business activity

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

Results and position

In 2020, the Company generated a net profit of HRK 7,301 thousand (2019: net profit of HRK 8,329 thousand). The profit was realized from the income from the shares in the subsidiary Meritus Upravljanje d.o.o.

Risk management

Currency risk

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

Credit risk

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

Liquidity risk

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

Own shares

The company has no own shares.

Investments in subsidiaries

As of December 31, 2020, the Company has the following investments in subsidiaries:

Name of subsidiary	**Main activity**	**Location of establishment and business operations**	**Share in ownership in %**	**Value of investment**
			December 31, 2020	**December 31, 2020**
Meritus Upravljanje d.o.o.	Management activities of holding companies	Zagreb, Croatia	70.00%	288,600
Meritus Global Strategics d.o.o.	Management activities of holding companies	Zagreb, Croatia	100.00%	20
Meritus Global Technology d.o.o.	Management activities of holding companies	Zagreb, Croatia	100.00%	20
Meritus Global Real Estate Management d.o.o.	Management activities of holding companies	Zagreb, Croatia	100.00%	20
				288,660

Research and development activities

The Company did not conduct research and development activities in 2020 and 2019.

Signed on behalf of the Company on April 30, 2021:

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

Meritus ulaganja d.d.
Zagreb

Meritus ulaganja d.d.
Heinzelova ulica 62/a
10 000 Zagreb
Republic of Croatia
April 30, 2021

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:

I. The Report on the supervision of the Company's operations in 2020, 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**”);

II. 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 2020, as provided by Article 300c paragraph 2 of the Companies Act.

2. COMPOSITION OF THE SUPERVISORY BOARD

At the time of compiling this Report, the Supervisory Board has 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.

During 2020, the composition of the Supervisory Board changed as follows:

- Mr. Zvonimir Mršić resigned as a member and President of the Supervisory Board, with effect from May 19, 2020.
- Mr. Tomislav Glavaš resigned as a member of the Supervisory Board as a representative of the employees, with effect from May 18, 2020.
- Mr. Sandi Češko was appointed a new member of the Supervisory Board, with effect from June 30, 2020, and appointed President of the Supervisory Board with effect from June 30, 2020.
- Mr. Joško Miliša was appointed a new member of the Supervisory Board, with effect from June 30, 2020.
- Mr. Ulf Gartzke was appointed a new member of the Supervisory Board, with effect from June 30, 2020.

The position of employee representative in the Supervisory Board remained vacant after the resignation of Mr. Tomislav Glavaš. 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, and the Nomination and Remuneration Committee. The latter was divided into two separate committees on July 31, 2020 – the Nomination Committee and the Remuneration 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 consist of three (3) members: Mr. Ivan Štimac, the President of the Committee, Mr. Igor Varivoda, and Mr. Ante Vrančić. In 2020, the composition of the Committee changed as follows: Mr. Tomislav Glavaš resigned as a member of the Audit Committee, effective May 18, 2020, and Mr. Ante Vrančić was appointed in his place, with effect from May 26, 2020.

Two members of the Committee, one of whom is the President of the Committee, are external experts and independent members of the Committee, and the third member is a member of the Supervisory Board.

During 2020, 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 the certified external auditor.

The Committee held eight sessions, where the total attendance of each member was 100%.

During the sessions, discussions took place and decisions were made on the following topics:

- Work plan of the external auditor for 2019 and 2020,
- Annual audited financial statements for 2019,
- External auditor's report for 2019,
- Annual Report on the work of the Audit Committee in 2019,
- Recommendations on the external auditor for 2020,
- Quarterly and semi-annual unaudited financial statements,
- Approval of the provision of non-audit services by the external auditor,
- Approval of the Policy on non-audit services of the external auditor,
- 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.

The Audit Committee concluded that the internal control and risk management system functions effectively, but due to the rapid organizational growth of the Group and with the aim of establishing better control over the entire internal control and risk management system, it assessed that, in addition to internal control and the Audit Committee, there is a need to establish an internal audit system. Therefore, it gave a recommendation to the Supervisory Board and the Management Board of the Company to start the procedure and realization of the establishment of the internal audit system as early as the beginning of 2021.

3. SUPERVISORY BOARD COMMITTEES (CONTINUED)

3.1. Nomination and Remuneration Committee

The Nomination and Remuneration Committee has the duty to nominate candidates for member positions in the Management Board and the Supervisory Board and supervise the appointment process itself, propose the remuneration policy for members of the Management Board and the Supervisory Board, as well as other prescribed responsibilities. On July 31, 2020, the Supervisory Board, in accordance with the Corporate Governance Code, due to the larger number of members in the Supervisory Board (more than five members), divided the Committee into two separate Committees: the Nomination Committee and the Remuneration Committee.

The Committee consisted of three (3) members: Mr. Zvonimir Mršić, President of the Committee, Mr. Igor Varivoda, and Mr. Tomislav Glavaš. The composition of the Committee changed as Mr. Tomislav Glavaš resigned as a member with effect from April 23, 2020. Mr. Zvonimir Mršić resigned as President and Member of the Committee with effect from May 19, 2020, and new members of the Committee were appointed in their place, Ms. Tamara Sardelić and Mr. Vanja Vlak, with effect from May 26, 2020. By the decision of the members of the Committee, Ms. Tamara Sardelić became the President of the Committee on May 29, 2020. All mentioned members of the Committee were appointed from among the members of the Supervisory Board, except for one member, who is an external expert.

During 2020, four (4) sessions of the Committee were held, where the total attendance of each member was 100%. During the sessions, discussions took place, and decisions were made on the following topics:

- Annual report on the work of the Nomination and Remuneration Committee in 2019,
- Proposal of candidates for a new member of the Management Board and for a new President of the Management Board,
- Election of a new President of the Nomination and Remuneration Committee,
- Proposal of candidates for new members of the Supervisory Board.

3.1.1. Nomination Committee

In 2020, the Nomination Committee acted as the Nomination and Remuneration Committee, which was separated into two separate committees on July 31, 2020, in accordance with the Corporate Governance Code, after the Supervisory Board decided on the organization and appointment of members of the Nomination Committee. The three (3) members of the Committee were also members of the Nomination and Remuneration Committee: Ms. Tamara Sardelić, President of the Committee, Mr. Igor Varivoda, and Mr. Vanja Vlak. Two members are members of the Supervisory Board, while the third member is an external expert. The Committee has no independent members.

The Nomination Committee held one session at which a decision was made on the election of the President of the Committee. All members were present at the session. During 2020, the duties of the Nomination Committee were fulfilled through and by the work of the Nomination and Remuneration Committee.

3. SUPERVISORY BOARD COMMITTEES (CONTINUED)

3.1. Nomination and Remuneration Committee (continued)

3.1.1. Remuneration Committee

In 2020, the Remuneration Committee acted as the Nomination and Remuneration Committee, which was separated into two separate committees on July 31, 2020, in accordance with the Corporate Governance Code, after the Supervisory Board decided on the organization and appointment of members of the Remuneration Committee. The three (3) members of the Committee were also members of the Nomination and Remuneration Committee: Ms. Tamara Sardelić, President of the Committee, Mr. Igor Varivoda, and Mr. Vanja Vlak. Two members are members of the Supervisory Board, while the third member is an external expert. The Committee has no independent members.

The Remuneration Committee held one session at which a decision was made on the election of the President of the Committee. All members were present at the session. In 2020, the Remuneration Committee did not adopt a proposal for the Remuneration Policy for the members of the Management Board, nor did it participate in the preparation of the Remuneration Report for 2019, which were approved on June 30, 2020, given that at the time of proposing these documents to the Assembly of the Company, the Committee acted through and by the Nomination and Remuneration Committee, which was, on the other hand, not in function because it had only one member due to the process of changing the composition of its members. After the adoption of the policies, it continued to monitor whether the Company adheres to them.

4. REPORT ON THE SUPERVISION OF THE COMPANY'S OPERATIONS IN 2020

Throughout 2020, the Supervisory Board carried out regular supervision over the operations of the Company and the Group, in accordance with the Company's Articles of Association, the Rules of Procedure of the Supervisory Board, and legal regulations.

In 2020, a total of 11 sessions of the Supervisory Board were held, which, due to the adjustment 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 99%, and the records of the presence of each member of the Supervisory Board and his/her participation rate at the meetings are as follows:

Member of the Supervisory Board	Participation	Participation rate
Sandi Češko[1]	5/5	100%
Igor Varivoda	11/11	100%
Tamara Sardelić	11/11	100%
Hrvoje Prpić	10/11	91%
Joško Miliša[2]	5/5	100%
Ulf Gartzke[3]	5/5	100%
Zvonimir Mršić[4]	4/4	100%
Tomislav Glavaš[5]	4/4	100%
	TOTAL	**99%**

4. REPORT ON THE SUPERVISION OF THE COMPANY'S OPERATIONS IN 2020 (CONTINUED)

[1] Member since June 30, 2020, [2] Member since June 30, 2020, [3] Member since June 30, 2020, [4] Member until May 19, 2020, [5] Member until May 18, 2020.

The Supervisory Board accepted all proposals of the Management Board submitted during 2020, and made decisions that are 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 of the Zagreb Stock Exchange and HANFA, especially with regard to the compliance adjustment of the Company in accordance with the new Corporate Governance Code in force from January 1, 2020.

The Supervisory Board conducted an evaluation of its effectiveness and composition in 2020 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 members of the Supervisory Board 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 concludes that the committees are composed of members of different genders, ages, profiles, and experience in order to ensure diversity of perspectives in decision-making, and that members - with their professional skills and knowledge and continuous work - have the experience and ability necessary for their role in the committees. Therefore, there is no current need to improve the profile, size, or composition of the committees. However, in order 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 with the aim of realizing the mentioned equalization.

When it comes to improving the operations and organization of meetings of the Supervisory Board committees, the Supervisory Board will take measures to adopt the Rules of Procedure of the committees of the Supervisory Board, and appropriate activities will be taken to ensure greater representation of independent members of 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. Therefore, in 2020, the Supervisory Board set the following target percentage of female members of the Management Board and the Supervisory Board for the next five years:

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

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

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 2020.

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 7,301,481.32 in the business year 2020.

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 365.074,07 to be allocated into legal reserves
- The remaining amount of HRK 6.936.407,25 is retained in the unallocated profit of the Company.
- A dividend payment in the amount of HRK 6.659.332,97 is determined, which amounts to HRK 7,76 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 15, 2021 (record date) as holders of MRUL shares, thus acquiring the right to the dividend payment. From June 14, 2021 (ex-date), the stock will be traded without the right to the dividend payment. The dividend payment will be on June 18, 2021 (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 also 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. During 2020, the year to which this report refers, there were changes in the composition of the members of the Management Board. Mr. Ivan Posavec resigned from the position of President of the Management Board, effective May 18, 2020, and was replaced by Mr. Darko Horvat, then a member of the Management Board, who was appointed President of the Management Board. Mr. Tomislav Glavaš was appointed a new member of the Management Board.

The Management Board assessed its own effectiveness and the effectiveness of individual members of the Management Board in 2020, and informed the Supervisory Board thereof. The Management Board consists of members with different experience, which includes 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 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 2020 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:

- that 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 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 on the application of the Corporate Governance Code.

Corporate Governance Code Compliance Statement

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

   In addition to the aforementioned Corporate Governance Code of the Zagreb Stock Exchange, the Company also applies its own Corporate Governance Code adopted in 2019, which was replaced by the adoption of the new internal Corporate Governance Code on October 30, 2020, whose provisions are aimed at developing and upgrading corporate relations arising from applicable legislation and internationally accepted principles and experiences of best corporate governance practice. It is available on the Company's website (www.mplusgrupa.com).

2. The Company complies with the provisions of the Code, with the exception of those provisions whose application at a given time is not practically feasible. The exceptions mentioned are the following:
   - 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 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 Corporate Governance Code 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 Corporate Governance Code.
   - The Audit Committee is composed of a majority of independent members, but the President of the Audit Committee is not a member of the Supervisory Board, but an independent external expert. 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 Corporate Governance Code, the Company is taking the necessary actions to increase the number of independent members.
   - When selecting new members of the Supervisory Board, the Company did not determine the expected minimum time allocation of each member of the Supervisory Board at the time of their appointment. However, at the time of appointment, the Company's internal Corporate Governance Code stated that each member should be able to perform his duties in the Supervisory Board during the time necessary for the correct and quality performance of duties, and the Supervisory Board additionally adopted the work plan of the Supervisory Board. The Company will include this information in the next appointments of new members of the Supervisory Board.
   - The procedure in which the Supervisory Board has the right to receive information or advice from persons outside the Company at the Company's expense, if it deems it necessary for the successful performance of its duties, is not defined by the Company's internal act, as, up to the date of this statement, there was no need to engage persons outside the Company at the expense of the Company for the successful performance of the duties of the Supervisory Board. Notwithstanding the above, the Company is currently preparing an appropriate act that will regulate the procedure in question, which will be carried out when and if there is a need for its implementation.
   - The Company did not conduct additional training of members of the Supervisory Board in 2020 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 experience and ability required for their role in the Board.
   - The Remuneration Committee did not adopt the proposal of the Remuneration Policy for the members of the Management Board nor did it participate in the preparation of the Remuneration Report for 2019, given that the Committee acted as the Nomination Committee and the Remuneration Committee at the time when these were proposed to the General Assembly. Due to the process of changing the composition of its members, the latter was not in function because it had only one member.

- The Supervisory Board did not determine the variable part of the annual remuneration of each member of the Management Board for 2020, based on the recommendations of the Remuneration Committee and in accordance with the approved remuneration policy. It will do so after the publication of the audited financial statements for 2020.
- The Company does not have an established internal audit function, but has received a recommendation from the Audit Committee to establish it. The Company is in the process of selecting the best-qualified candidates to perform internal audit work.
- The Company does not use modern communication technology for the participation and voting at the General Assembly despite the fact that the General Assembly authorized the Management Board and the Supervisory Board to make a decision to enable voting at the General Assembly via the use of electronic voting devices. The Management Board and the Supervisory Board have not yet made that decision because, in practice, the current way of voting has been confirmed as the optimal solution due to the small number of shareholders and the number of shareholders historically present at the sessions.
- The presidents of the Supervisory Board did not participate in the General Assembly sessions, as the Deputy President of the Supervisory Board is a member of all Supervisory Board committees and was able to provide answers to all potential shareholder questions.
- When seeking the prior consent of the Supervisory Board for decisions, the Management Board did not prepare accompanying documents explaining how the recommended measure is in accordance with policies assessing the impact of the Company's activities on the environment and community, policies related to human rights and workers' rights, and measures related to the prevention and sanctioning of bribery and corruption, given the content of the decisions in question conditioned by the core business of the Company.
- In accordance with the Corporate Governance Code and other regulations, the role of the Supervisory Board is to make recommendations and proposals, and monitor certain processes related to the Company. Therefore, no direct communication of the President of the Board with key stakeholders, such as customers, suppliers, and others, has been envisaged.

3. Internal supervision is carried out by the controlling 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 risk management process, reliability of financial reporting, application of legislation and regulations, and relevant areas and issues connected to the process of external and internal audit.

4. The Company's shares were listed on the Official Market of the Zagreb Stock Exchange d.d. on August 6, 2019, and they have been traded through the Zagreb Stock Exchange from August 8, 2019.

   - The ownership structure of the Company as of December 31, 2020, was as follows:

Number	Account owner (holder) / Co-beneficiary (holder) of securities	Number of shares	Percentage of shares
1.	PIRC OREŠKOVIĆ MANICA	250,000	29.14
2.	OREŠKOVIĆ STJEPAN	249,910	29.13
3.	ADDIKO BANK D.D./PBZ CO OMF - CATEGORY B	82,350	9.60
4.	OTP BANKA D.D./ERSTE PLAVI OMF CATEGORY B	80,000	9.33
5.	OTP BANKA D.D./AZ OMF CATEGORY B	65,588	7.65
6.	HPB D.D./FOND ZA FINANCIRANJE RAZGRADNJE NEK	53,154	6.20
7.	ADDIKO BANK D.D./RAIFFEISEN VOLUNTARY PENSION FUND	40,860	4.76
8.	ZAGREBAČKA BANKA D.D./AZ PROFIT OPEN VOLUNTARY PENSION FUND	11,715	1.37
9.	ADDIKO BANK D.D./RAIFFEISEN OMF CATEGORY A	7,250	0.85
10.	HPB D.D.	3,735	0.44
11.	OTHER SHAREHOLDERS	13,243	1.53

- 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.
  On July 31, 2020, the Company adopted the Procedure for appointing members of the Management Board and the Supervisory Board. The procedure for appointing and recalling members is carried out in accordance with the Companies Act and the Company's Articles of Association.

The Company has no special rules on the powers of members of the Management Board. According to the Companies Act and the Company's Articles of Association, the Management Board conducts business at its own risk, and 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.
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 own shares. Authorization to acquire the Company's own 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 further special consent of the General Assembly, under the following conditions:

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

The Company's Management Board is authorized, with the consent of the Supervisory Board, to manage own shares which 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 own 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 own 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 Own 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.

5. The Management Board of the Company is composed of two members. The function of the President of the Management Board is performed by Mr. Darko Horvat, and Mr. Tomislav Glavaš holds the function of a member of the Management Board. During 2020, the composition of the Management Board changed in the following way: Mr. Ivan Posavec resigned from the position of the President of the Management Board, with effect from May 18, 2020, and the then member of the Management Board, Mr. Darko Horvat, was appointed the new President of the Management Board, with effect from May 19, 2020. Mr. Tomislav Glavaš was appointed a new member of the Management Board, with effect from May 19, 2020.

   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 compiling this Report, the Supervisory Board has six (6) members:

   - Mr. Sandi Češko, President of the Supervisory Board;
   - Mr. Igor Varivoda, Deputy President of the Supervisory Board;
   - Ms. Tamara Sardelić, Member of the Supervisory Board;
   - Mr. Hrvoje Prpić, Member of the Supervisory Board;
   - Mr. Joško Miliša, Member of the Supervisory Board;
   - Mr. Ulf Gartzke, Member of the Supervisory Board.

During 2020, the composition of the Supervisory Board changed as follows:

- Mr. Zvonimir Mršić resigned as a member and President of the Supervisory Board, with effect from May 19, 2020.
- Mr. Tomislav Glavaš resigned as a member of the Supervisory Board as a representative of the employees, with effect from May 18, 2020.
- Mr. Sandi Češko was appointed a new member of the Supervisory Board, with effect from June 30, 2020, and appointed President of the Supervisory Board with effect from June 30, 2020.
- Mr. Joško Miliša was appointed a new member of the Supervisory Board, with effect from June 30, 2020.
- Mr. Ulf Gartzke was appointed a new member of the Supervisory Board, with effect from June 30, 2020.

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 day of the decision on appointment, 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. The members of these committees are appointed and recalled by the Supervisory Board.

The Supervisory Board has established an Audit Committee consisting of three members, as follows:

- Mr. Ivan Štimac – President,
- Mr. Igor Varivoda – Member,
- Mr. Ante Vrančić – Member.

During 2020, the composition of the Committee changed as follows: Mr. Tomislav Glavaš resigned as a member of the Audit Committee, with effect from May 18, 2020, and Mr. Ante Vrančić was appointed in his place, with effect from May 26, 2020.

The Supervisory Board has a Nomination Committee and a Remuneration Committee composed of three same members, as follows:

- Ms. Tamara Sardelić – President of both committees,
- Mr. Igor Varivoda – member of both committees,
- Mr. Vanja Vlak – member of both committees.

In 2020, the Nomination Committee and the Remuneration Committee acted as the Nomination and Remuneration Committee, which was separated into two separate committees on July 31, 2020, in accordance with the Corporate Governance Code. During the operation of the Nomination and Remuneration Committee, the composition of the Committee changed as follows: Mr. Tomislav Glavaš resigned as a member with effect from April 23, 2020, and Mr. Zvonimir Mršić resigned as President of the Committee with effect from May 19, 2020, and new members of the Committee were appointed in their place, Ms. Tamara Sardelić and Mr. Vanja Vlak, with effect from May 26, 2020. By the decision of the members of the Committee, Ms. Tamara Sardelić became the President of the Committee on May 29, 2020.

Darko Horvat, President of the Management Board

Tomislav Glavaš, Member of the Management Board

Meritus ulaganja d.d.
Zagreb

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

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

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

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

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

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

Signed by members of the Management Board:

President of the Management Board	Member of the Management Board
	Meritus ulaganja d.d. Zagreb
Darko Horvat	Tomislav Glavaš

Meritus ulaganja d.d.
Heinzelova ulica 62/a
10 000 Zagreb
Republic of Croatia
April 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Meritus ulaganja d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the unconsolidated financial statements of Meritus ulaganja d.d. ("the Company") which comprise unconsolidated statement of financial position as at 31 December 2020, unconsolidated statement of profit or loss, unconsolidated statement of other comprehensive income, unconsolidated statement of changes in shareholders' equity and unconsolidated statement of cash flow for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2020, and its unconsolidated financial performances and its unconsolidated cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How we approached the issue during our audit
Investments in subsidiaries (Note 16) Investments in subsidiaries amount to HRK 288,660 thousand as of December 31, 2020, in the Company's separate financial statements (December 31, 2019: HRK 288,600 thousand). As required by applicable accounting standards - IAS 36: Impairment of assets, the Management Board conducts annual impairment tests to assess the recoverability of the carrying amount of an investment. The recoverable amount of an investment is determined in accordance with IAS 36 as the value in use and is estimated as the present value of the expected future cash flows that will be generated by the subsidiaries. Significant management judgment is involved in making critical assumptions and shaping expected cash flows, and therefore the impairment test of these assets is considered a key audit issue.	Our audit procedures consisted of: • assessing whether the model used by management to calculate the value in use of individual investments is in accordance with the requirements of IAS 36: Impairment of assets and IFRS 13 Fair Value and whether the assumptions used are reasonable and supported by the current macroeconomic climate and expected future results; • assessing the competence, ability, and objectivity of the independent management expert and verifying the qualifications of the experts. In addition, we talked to the Management Board about the scope of his work. • using our internal experts to assess the appropriateness of the methodology used; • reviewing the contract for the sale of shares in the subsidiary to a third party, by which we confirmed the fair value of part of the investment.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Other Information

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

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

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

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

1) Information included in the other information is, in all material respects, consistent with the attached financial statements.
2) Management Report has been prepared, in all material respects, in accordance with the Article 21 of the Accounting Act.
3) Corporate Governance Statement has been prepared, in all material aspects, in accordance with the Article 22, paragraph 1, items 3 and 4 of the Accounting Act, and includes also the information from the Article 22, paragraph 1, point 2, 5, 6 and 7

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

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

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

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

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

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

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

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

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

Report on Other Legal and Regulatory Requirements

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

We were appointed as the statutory auditor of the Company by the shareholders on General Shareholders' Meeting held on 30 June 2020 to perform audit of accompanying separate financial statements. Our total uninterrupted engagement has lasted 3 years and covers period 28 November 2018 to 31 December 2020.

We confirm that:

- our audit opinion on the accompanying financial statements is consistent with the additional report issued to the Audit Committee of the Company on 30 April 2020 in accordance with the Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council;
- no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

There are no services, in addition to the statutory audit, which we provided to the Company and its controlled undertakings, and which have not been disclosed in the Annual Report.

The engagement partner on the audit resulting in this independent auditor's report is Marina Tonžetić.

Marina Tonžetić
Director and certified auditor

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

April 30, 2021

Deloitte d.o.o.
Radnička cesta 80
10 000 Zagreb
Republic of Croatia

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

(All amounts are presented in thousands of kunas)

	Note	2020	2019
Other revenue	4.1	1,094	11
Total revenue		**1,094**	**11**
Costs of raw materials and supplies	5	(27)	(35)
Costs of services	6	(1,814)	(659)
Staff costs	7	(607)	(412)
Depreciation and amortisation	13, 14, 15	(726)	(12)
Other operating expenses	8	(5,212)	(10,177)
Total operating expenses		**(8,386)**	**(11,295)**
Loss from operations		**(7,292)**	**(11,284)**
Financial income	9	14,697	20,940
Financial expenses	10	(104)	(1,327)
Profit from financial activities		**14,593**	**19,613**
Profit before taxation		**7,301**	**8,329**
Income tax	11	**-**	**-**
Profit for the year		**7,301**	**8,329**
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income for the year		**7,301**	**8,329**
Earnings per share			
Basic and diluted earnings per share (in kunas and lipas)	12	**8.51**	**9.71**

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

(All amounts are presented in thousands of kunas)

	Note	December 31, 2020	December 31, 2019
ASSETS			
Fixed assets			
Intangible assets	13	159	319
Right of use assets	14	572	46
Property, plant and equipment	15	21,455	-
Investments in subsidiaries	16	288,660	288,600
Total fixed assets		**310,846**	**288,965**
Current assets			
Other current financial assets	17	49,483	71,481
Trade receivables	18	1,312	6
Other receivables	19	40,807	23,610
Accrued income and prepaid expenses		2	-
Cash and cash equivalents	20	5,418	83,321
Total current assets		**97,022**	**178,418**
TOTAL ASSETS		**407,868**	**467,383**
EQUITY AND LIABILITIES			
Equity			
Share capital	21	85,781	85,781
Capital reserves	22	295,849	295,849
Retained earnings		8,324	(5)
Profit for the period		7,301	8,329
Total equity		**397,255**	**389,954**
Long term liabilities			
Long-term lease liabilities		488	47
Total long-term liabilities		**488**	**47**
Short-term liabilities			
Trade payables	23	10,030	2,905
Liabilities to employees	24	38	28
Other current liabilities	25	57	74,449
Total current liabilities		**10,125**	**77,382**
Total liabilities		**10,613**	**77,429**
TOTAL EQUITY AND LIABILITIES		**407,868**	**467,383**

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

(All amounts are presented in thousands of kunas)

	Share capital	Capital reserves	(Losses carried forward)/ retained earnings	Profit for the year	Total
December 31, 2018	**50,000**	**238,600**	**(5)**	**(5)**	**288,595**
Transfer to losses carried forward	-	-	(5)	5	**-**
Profit for the year	-	-	-	8,329	**8,329**
Other comprehensive income for the year less income tax	-	-	-	-	**-**
Total comprehensive income for the year	-	-	-	*8,329*	***8,329***
Increase in share capital and reserves	35,781	57,249	-	-	**93,030**
December 31, 2019	**85,781**	**295,849**	**(5)**	**8,329**	**389,954**
Transfer to retained earnings	-	-	8,329	(8,329)	**-**
Profit for the year	-	-	-	7,301	**7,301**
Other comprehensive income for the year less income tax	-	-	-	-	**-**
Total comprehensive income for the year	-	-	-	*7,301*	***7,301***
December 31, 2020	**85,781**	**295,849**	**8,324**	**7,301**	**397,255**

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

Separate cash flow statement
For the year ended December 31, 2020
(All amounts are presented in thousands of kunas)

	Note	2020	2019
Profit for the year		**7,301**	**8,329**
Income from share in profit	9	(6,000)	(20,682)
Profit from purchase of receivables	9	(6,650)	-
Interest expense	10	3	2
Interest income	9	(2,048)	(252)
Depreciation of intangible assets	13	160	-
Depreciation of property, plant and equipment	15	551	-
Depreciation of right of use assets	14	6	12
Net book value of depreciated right of use assets		60	-
Accrued income		(2)	-
Changes in working capital		**(6,619)**	**(12,591)**
Increase in trade receivables	18	(1,306)	(6)
Increase in other receivables	19	(2,495)	(2,676)
Increase in trade payables	23	7,125	2,904
Increase in other liabilities	24, 25	32	45
Net cash used in operating activities		**(3,263)**	**(12,324)**
Cash flow from investing activities			
Purchase of property	13, 14, 15	(22,006)	(319)
Investments in subsidiaries		(60)	-
Proceeds from repaid principal of loans given		21,998	-
Given loans		-	(71,481)
Net cash used in investing activities		**(68)**	**(71,800)**
Cash flow from financing activities			
Repayment of borrowings		(74,421)	-
Proceeds from loans		-	74,426
Repayment of lease liabilities		(151)	(11)
Increase in share capital and reserves	21, 22	-	93,030
Net cash (used in)/from financing activities		**(74,572)**	**167,445**
Net increase in cash and cash equivalents		(77,903)	83,321
Cash and cash equivalents at the beginning of the year	20	83,321	-
Cash and cash equivalents at the end of the year	20	**5,418**	**83,321**

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

1. GENERAL INFORMATION

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

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

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

On April 30, 2021, the Company issued consolidated financial statements.

1.1. Number of employees

On December 31, 2020, the Company had 2 employees (December 31, 2019: 2 employees).

1.2. Management Board of the Company

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

1. GENERAL INFORMATION (CONTINUED)

1.3. Supervisory Board of the Company

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

During 2020, the composition of the Supervisory Board changed as follows:

- Mr. Zvonimir Mršić resigned as a member and President of the Supervisory Board, with effect from May 19, 2020.
- Mr. Tomislav Glavaš resigned as a member of the Supervisory Board - employee representative, with effect from May 18, 2020.
- Mr. Sandi Češko was appointed a new member of the Supervisory Board, effective June 30, 2020, and appointed President of the Supervisory Board effective June 30, 2020.
- Mr. Joško Miliša was appointed a new member of the Supervisory Board, effective June 30, 2020.
- Mr. Ulf Gartzke was appointed a new member of the Supervisory Board, effective June 30, 2020.

The position of employee representative in the Supervisory Board remained vacant after the resignation of Mr. Tomislav Glavaš. The workers did not appoint their representative on the Supervisory Board, despite the fact that a vacancy has been provided for the representative.

2. SUMMARY OF ACCOUNTING POLICIES

2.1. Declaration of compliance

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

2.2. Compiling basis

The separate financial statements have been prepared under the historical cost principle as explained in the accounting policies that follow. The Company keeps accounting records in the Croatian language, in HRK, and in accordance with Croatian legal regulations and accounting principles that companies in Croatia adhere to.

The preparation of separate financial statements in accordance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards in force in the European Union (IFRS) requires the Management Board to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the separate financial statements, as well as the reported income and expenses during the reporting period. Estimates are based on information available at the date of preparation of the separate financial statements, and actual amounts may differ from those estimated.

The separate financial statements of the Company represent the aggregate amounts of the Company's assets, liabilities, equity, and reserves on December 31, 2020, and December 31, 2019, and the results of operations for the year then ended.

2.3. Interest income and expense

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

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

2.4. Earnings per share in profit

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

(All amounts are presented in thousands of kunas)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.5. Income tax

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

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

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

2.6. Foreign currencies

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

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

	December 31, 2020	**December 31, 2019**
1 EUR	7.5369 HRK	7.4426 HRK
1 BAM	3.8536 HRK	3.8053 HRK
1 RSD	0.0647 HRK	0.0637 HRK

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.7. Investments in subsidiaries

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

2.8. Leases

Right of use assets

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

Right of use assets are disclosed in *Note 13.1 Right of use assets* and are subject to impairment, in accordance with the Company's policy.

Lease liabilities

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

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

Company as a lessee - operating lease

The Company assesses whether a contract is a lease contract or whether it contains a lease at the inception of the contract. The Company discloses right of use assets and the related lease liability in respect of all leases in which it is a lessee, except for 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 Company recognizes lease payments on a straight-line basis over the term of the lease, unless another systematic basis better reflects the timing of the use of the economic benefits of the leased asset.

2.8. Leases (continued)

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

Lease payments covered by measuring the lease liability include:

- fixed lease payments (including lease payments that are substantially fixed), less rental incentives received
- the cost of executing the purchase option if it 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 Company remeasures the lease liability (and makes appropriate adjustments to the related right of use asset) when:

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

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

For all leases, except short-term leases and leases of lower value assets, the Company applies a single approach to recognition and measurement. The Company recognizes lease payments and the right to use the asset, which is the right to use the asset in question.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.9. Financial instruments

Classification and subsequent measurement

Financial assets

The Company classifies its financial assets as measured at amortized cost.

Classification requirements for debt and equity instruments are described below.

Debt instruments

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

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

(ii) the cash flow characteristics of the assets.

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

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

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

SPPI: (en. "solely payments of principal and interest - SPPI"). When the business model is "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.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.9. Financial instruments (continued)

Classification and subsequent measurement

Financial liabilities

Financial liabilities are classified and subsequently measured at amortized cost.

Recognition and derecognition

Recognition of financial assets and liabilities

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

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

Derecognition of financial liabilities

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

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

Measurement of amortized cost

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

Impairment

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

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

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.9. Financial instruments (continued)

Impairment (continued)

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

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

3.10. Loans taken

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

3.11. Cash and cash equivalents

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

3.12. Share capital

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

3.13. Retained earnings

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

3.14. Earnings per share

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

3. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Adoption of new and amended International Financial Reporting Standards

Standard and interpretations in force in the current period

The following new standards and the amended existing standards issued by the International Accounting Standards Board and interpretations issued by the International Accounting Standards Board ("IASB") and adopted by the European Union are effective in the current reporting period:

- **Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates of errors"** – Definition of materiality, adopted in the European Union on November 29, 2019 (effective for annual periods beginning on or after January 1, 2020)

- **Amendments to IFRS 3 "Business combinations"** – Definition of business, adopted in the European Union on April 21, 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, and for acquisitions of funds that occur on or after the beginning of that period)

- **Amendments to IFRS 9 "Financial Instruments," IAS 39 "Financial Instruments: Recognition and measurement" and IFRS 7 "Financial Instruments: Disclosures"** – Reform of reference interest rates, adopted in the European Union on January 15, 2020 (effective for annual periods beginning on or after January 1, 2020)

- **Amendments to IFRS 16 "Leases"** – Lease relief in the context of the COVID-19 pandemic (adopted in the European Union on October 9, 2020, effective no later than June 1, 2020, for financial years beginning on or after January 1, 2020)*

- **amendments to the Conceptual framework guidance in IFRSs,** adopted in the European Union on November 29, 2019 (effective for annual periods beginning on or after January 1, 2020).

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

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

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

- **Amendments to 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 moved from January 1, 2021, to annual periods beginning on or after January 1, 2023)

- **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"** – Reform of reference interest rates - Phase 2, adopted in the European Union on January 13, 2021 (effective for annual periods beginning on or after January 1, 2021).

The Company expects that the application of these standards and amendments to existing standards will not result in material changes to the financial statements during the period of the First application of the standards.

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

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

- **IFRS 14 "Regulatory deferral accounts" (effective for annual periods beginning on or after January 1, 2016)** – The European Commission has decided to postpone the adoption of this transitional standard until its final version is published

- **IFRS 17 "Insurance contracts",** including amendments to IFRS 17 (effective for annual periods beginning on or after January 1, 2023)

- **Amendments to IAS 1 "Presentation of financial statements"** – Classification of short-term and long-term liabilities (effective for annual periods beginning on or after January 1, 2023)

- **Amendments to IAS 16 "Real-estate, plant and equipment"** – Revenue before intended use (effective for annual periods beginning on or after January 1, 2022)

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

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

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

- **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)

- **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)

- **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 (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).

The Company expects that the first application of these standards and amendments to existing standards will not result in material changes to the consolidated financial statements during the period of the first application.

4. KEY ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

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

4.1. Impairment testing of investments in subsidiaries

The Company conducts an annual impairment test of investments in subsidiaries. For investments in subsidiaries, the recoverable amount of the investment is estimated and compared with the carrying amount. The calculation of the recoverable amount is generally based on the subsidiary's five-year business plans. The recoverable amount of an investment in a subsidiary is calculated using a discounted cash flow calculation. The methodology for calculating discounted cash flows consisted of estimating future cash flows for a period of five years, discounting the stated cash flows, applying a discount rate that reflects the cash flow risk and time value of money, estimating the residual value. According to the Company's calculation, the weighted average cost of capital (debt and equity) (en. WACC) for 2020 is 11.8% (2019: 9.7%). Key assumptions also include planned sales revenue growth of 20% by 2025, which is also the estimated growth of different market segments.

4.2. Leases – Estimate of incremental borrowing rate

The Company is not able to easily determine the lease interest rate. Therefore, it uses the incremental borrowing rate to calculate the lease obligations. The incremental borrowing rate is the rate that the Company would pay if, for a similar period, with similar collateral, it borrowed funds required to acquire assets of similar value as the right to use assets in a similar economic environment. The calculation of the incremental borrowing rate requires an assessment of when such rates are not available or need to be adjusted to reflect the terms of the lease. The Company estimates the incremental borrowing rate using a variety of inputs. The interest rate charged by the Company on contracts is 3.15% for 2019 and best represents the lessee's credit risk, lease term, security, and economic environment. It is determined on the basis of comparable transactions. The data used by the Company to determine the incremental borrowing rate are updated at least once a year or in the event of a significant change in the Company's credit rating.

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

4.3. Income tax

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

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

4.4. Impairment of trade receivables

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

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

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

(All amounts are presented in thousands of kunas)

4.1. OTHER REVENUE

Other revenue in the amount of HRK 1,076 thousand (2019: -) relates to income from the lease of real estate owned by the Company to related companies. The remaining other revenue of HRK 18 thousand (2019: -) relates to income from pre-invoiced costs related to leasing income.

5. COSTS OF RAW MATERIALS AND SUPPLIES

	2020	2019
Fuel costs	17	15
Costs of small inventory	-	16
Other costs of small material	10	4
	27	**35**

6. COSTS OF SERVICES

	2020	2019
Consulting costs	1,597	450
Advertising costs	81	40
Telephone and internet costs	22	13
Transportation costs	12	22
Accommodation costs	10	19
Attorney costs	17	76
Vehicle maintenance costs	-	35
Other costs of services	75	4
	1,814	**659**

7. STAFF COSTS

	2020	2019
Net salaries	380	263
Taxes and contrinutions from salaries	223	147
Contributions on salaries	4	2
	607	**412**

(All amounts are presented in thousands of kunas)

8. OTHER OPERATING EXPENSES

	2020	2019
Re-invoiced subsidiary costs	4,974	10,003
Entertainment costs	57	2
Insurance premiums	39	7
Transportation costs	12	4
Education costs	4	2
Payment transaction costs	2	11
Membership fees to associations and professional chambers	2	3
Costs of notaries and legal drafting services	1	
Other operating expenses	121	145
	5,212	**10,177**

The reduction of re-invoiced subsidiary costs compared to the previous year relates mainly to costs related to the initial public offering, which were significant in 2019. Pre-invoiced costs relate to compensation to associated companies for the management of the Company.

9. FINANCIAL INCOME

	2020	2019
Income from purchase of receivables (Note 26)	6,650	-
Income from share in profit (Note 26)	6,000	20,682
Interest income from related parties (Note 26)	2,046	252
Interest income	1	6
	14,697	**20,940**

Income from the share in profit refers to the company Meritus Upravljanje d.o.o.

10. FINANCIAL EXPENSES

	2020	2019
Other financial expenses	101	1.325
Interest expense	3	2
	104	**1.327**

(All amounts are presented in thousands of kunas)

11. INCOME TAX

	2020	2019
Accounting profit before tax	**7,301**	**8,329**
Income tax at a tax rate of 12%	876	999
Non-tax deductible expenses	2	1
The effect of tax reductions	(727)	(2.482)
Unrecognized deferred tax assets for tax losses	-	1.482
Use of tax losses not previously recognized as deferred tax assets	(151)	-
Income tax	**-**	**-**

The Company has carried forward tax losses from 2018 and 2019 as follows:

2018 – tax loss carried forward in the amount of HRK 5,000, which expires in 2023.

2019 – tax loss carried forward in the amount of HRK 12,348 thousand, which expires in 2024.

12. BASIC AND DILUTED EARNINGS PER SHARE

	2020	2019
Profit after tax attributable to shareholders	7,301	8,329
Average weighted number of ordinary shares issued	857,805	857,805
Basic and diluted earnings per share (expressed in HRK and lipa per share)	**8.51**	**9.71**

(All amounts are presented in thousands of kunas)

13. INTANGIBLE ASSETS

Rights	2020	2019
Cost at January 1	319	-
Increase	-	319
Cost at December 31	319	319
Accunulated depreciation at January 1	-	-
Charge for the year	160	-
Accunulated depreciation at December 31	160	-
Cost at December 31	**319**	**-**
Accumulated depreciation	160	-
Net book value at December 31	**159**	**319**

14. RIGHT OF USE ASSETS

Premises	2020	2019
Cost at January 1	**58**	**-**
Increase	541	58
Cost at December 31	**599**	**58**
Accunulated depreciation at January 1	**(12)**	**-**
Charge for the year	(15)	(12)
Accunulated depreciation at December 31	**(27)**	**(12)**
Cost at December 31	**599**	**58**
Accumulated depreciation	(27)	(12)
Net book value at December 31	**572**	**46**

15. PROPERTY, PLANT AND EQUIPMENT

Property	2020	2019
Cost at January 1	**-**	**-**
Increase	22,006	-
Cost at December 31	**22.006**	**-**
Accunulated depreciation at January 1	**-**	**-**
Charge for the year	(551)	-
Accunulated depreciation at December 31	**(551)**	**-**
Cost at December 31	**-**	**-**
Accumulated depreciation	(551)	-
Net book value at December 31	**21,455**	**-**

(All amounts are presented in thousands of kunas)

16. INVESTMENTS IN SUBSIDIARIES

Name of subsidiary	Main activity	Location of establishment and business operations	Share in ownership in %	Value of investment
			December 31, 2020	December 31, 2020
Meritus Upravljanje d.o.o.	Management activities of holding companies	Zagreb, Croatia	70.00%	288,600
Meritus Global Strategics d.o.o.	Management activities of holding companies	Zagreb, Croatia	100.00%	20
Meritus Global Technology d.o.o.	Management activities of holding companies	Zagreb, Croatia	100.00%	20
Meritus Global Real Estate Management d.o.o.	Management activities of holding companies	Zagreb, Croatia	100.00%	20
				288,660

Name of subsidiary	Main activity	Location of establishment and business operations	Share in ownership in %	Value of investment
			December 31, 2019	December 31, 2019
Meritus Upravljanje d.o.o.	Management activities of holding companies	Zagreb, Croatia	100.00%	288,600
			100.00%	**288,600**

17. OSTALA KRATKOTRAJNA FINANCIJSKA IMOVINA

On December 31, 2020, the Company had a loan granted to a related company in the amount of HRK 49,483 thousand. The annual interest rate is 3.42% (December 31, 2019: HRK 71,481 thousand), (Note 26).

(All amounts are presented in thousands of kunas)

18. TRADE RECEIVABLES

	December 31, 2020	December 31, 2019
Receivables from related parties (Note 26)	1,276	-
Trade receivables	36	6
	1,312	**6**

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

	December 31, 2020	December 31, 2019
Undue receivables	205	-
0 – 90 days	644	6
91 – 180 days	455	-
181 – 365 days	2	-
over 365 days	6	-
	1,312	**6**

As of December 31, 2020 and 2019, the Company had no impairment on trade receivables.

19. OTHER RECEIVABLES

	December 31, 2020	December 31, 2019
VAT receivables from the state	4,077	2,676
Other related party receivables (Note 26)	36,730	20,934
	40,807	**23,610**

20. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019
Cash in giro accounts in local currency	5,418	83,321
	5,418	**83,321**

(All amounts are presented in thousands of kunas)

21. SHARE CAPITAL

		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**

		December 31, 2019	
Registered co-owner	**Share**	**Percentage of ownership**	**Number of shares**
Stjepan Orešković	24,988	29.13%	249,910
Manica Pirc Orešković	24,997	29.14%	250,000
Others	35,796	41.73%	357,895
Total:	**85,781**	**100.00%**	**857,805**

The share capital of the Company amounts to HRK 85,781 thousand as of December 31, 2020, and is divided into 857,805 shares (December 31, 2019: HRK 85,781 thousand, divided into 857,805 shares).

Pursuant to the Decision, for the purpose of subscribing for New shares, the Company addressed potential investors who at the time of subscription met the condition from Article 409, paragraph 1, item 1 of the Capital Market Act (qualified investors) and the condition from Article 409, paragraph 1, item 2 of the Capital Market Act (less than 150 natural or legal persons per Member State, who are not eligible investors), whereby the subscription of New shares was carried out in one round, in the period until January 10, 2019. After the subscription and payment of New shares, a total of HRK 93,030 thousand was paid to the company Meritus ulaganja d.d. at the final issue price of the New share of HRK 260.00 based on the payment of New shares, i.e., a total of 357,805 new shares were issued and the share capital was increased by HRK 35,781 thousand. The capital reserves increased by HRK 57,249 thousand. On December 19, 2018, the General Assembly of Meritus ulaganja d.d. passed the Decision on increasing the share capital of the Company with cash investments, issuing new ordinary shares with the exclusion of pre-emptive rights of existing shareholders, and amendments to the Company's Articles of Association and the Decision on listing the Company's shares on the Zagreb Stock Exchange d.d.

22. CAPITAL RESERVES

After the subscription and payment of New shares, a total of HRK 93,030 thousand was paid to the company Meritus ulaganja d.d. at the final issue price of the New share of HRK 260.00 based on the payment of New shares, i.e., a total of 357,805 new shares were issued and the share capital was increased by HRK 35,781 thousand. Capital reserves increased by HRK 57,249 thousand. This increase occurred during 2019. During 2020, there were no changes in the Company's capital reserves and share capital.

(All amounts are presented in thousands of kunas)

23. TRADE PAYABLES

	December 31, 2020	December 31, 2019
Liabilities to related companies (Note 26)	9,068	2,673
Foreign and domestic trade payables	962	232
	10,030	**2,905**

Liabilities to related companies relate to support and management services.

24. LIABILITIES TO EMPLOYEES

	December 31, 2020	December 31, 2019
Liabilities for net salaries	38	28
	38	**28**

25. OTHER SHORT-TERM LIABILITIES

	December 31, 2020	December 31, 2019
Liability for lending to a related party (Note 26)	-	74,426
Liabilities for taxes and contributions	23	15
Liabilities for assuming payment under assignment agreements	8	8
Liabilities to external members of the Management Board, Supervisory Board	27	-
	58	**74,449**

(All amounts are presented in thousands of kunas)

26. RELATED PARTY TRANSACTIONS

Balances based on related party transactions on December 31, 2020, and December 31, 2019, are presented as follows:

	Receivables		Liabilities	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Meritus Upravljanje d.o.o.	28,918	20,794	8,795	76,955
Meritus plus d.o.o.	1,273	118	273	144
Smart Flex d.o.o.	22	22	-	-
Brza produkcija d.o.o.	7,759	-	-	-
Geomant global d.o.o.	7	-	-	-
M+Agent d.o.o.	9	-	-	-
Sitra management d.o.o.	9	-	-	-
Smart flex sourcing d.o.o.	9	-	-	-
Total	**38,006**	**20,934**	**9,068**	**77,099**

	Loans granted		Loans received	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Meritus Upravljanje d.o.o.	49,483	71,481	-	-
Total	**49,483**	**71,481**	**-**	**-**

	Revenues		Expenses	
	2020	**2019**	**2020**	**2019**
Meritus Upravljanje d.o.o.	8,107	20,794	5,012	10,027
Meritus plus d.o.o.	925	118	105	115
Smart Flex d.o.o.	27	22	-	-
Brza produkcija d.o.o.	7	-	-	-
Geomant global d.o.o.	6	-	-	-
M+Agent d.o.o.	7	-	-	-
Sitra management d.o.o.	7	-	-	-
Smart flex sourcing d.o.o.	7	-	-	-
Total	**15,743**	**20,934**	**5,117**	**10,142**

During 2020, the Company had no transactions with other related parties.

During 2020, the Company paid total fixed compensation to key management in the amount of HRK 714,473 thousand (2019: HRK 422,739 thousand). During 2020 and 2019, there were no payments of variable compensations.

(All amounts are presented in thousands of kunas)

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a. Financing ratio

Equity consists of share capital, reserves, and retained loss. The Company has no net debt on December 31, 2020 and 2019.

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

	December 31, 2020	December 31, 2019
Liabilities for short-term loans	-	-
Liabilities for long-term loans	-	-
Cash and cash equivalents	5,418	83,321
Net debt/(cash)	**5,418**	**83,321**
Equity	397,225	389,954
Debt to equity ratio	**-**	**-**

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

b. Categories of financial instruments

	December 31, 2020	December 31, 2019
Financial assets	**97,020**	**178,422**
Trade receivables and other receivables	42,119	23,620
Loans given	49,483	71,481
Cash and cash equivalents and deposits	5,418	83,321
Financial liabilities	**10,613**	**77,433**
Liabilities to suppliers	10,030	2,905
Liabilities to employees	38	28
Other current liabilities	57	74,453
Liabilities for received loans and leases	488	47

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

c. Financial risk management objectives

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

d. Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is related to changes in the return on assets and liabilities and in the values arising from interest rate movements. The Company's Management Board believes that the Company is not exposed to interest rate risk because there is no credit indebtedness on December 31, 2020, and December 31, 2019.

e. Credit risk management

Credit risk refers to the risk of a party failing to meet its obligations under a financial instrument that results in a financial loss to the other party. The Company’s credit risk assets consist of receivables. The Company's receivables on December 31, 2020 and 2019 relate almost entirely to receivables within the Group.

(All amounts are presented in thousands of kunas)

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f. Liquidity risk management (continued)

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

Liabilities		**Up to 1 month**	**1-3 months**	**3 months-1 year**	**1-5 years**	**After 5 years**	**Total**
December 31, 2020							
Interest-bearing	3.15%	8	17	758	403	-	503
Interest-free	-	**10,125**	-	-	-	-	**10,125**
		10,125	**17**	**75**	**403**	**-**	**10,628**

		Up to 1 month	**1-3 months**	**3 months-1 year**	**1-5 years**	**After 5 years**	**Total**
December 31, 2019							
Interest-bearing	3.15%	2	4	18	26	-	50
Interest-free	-	77,385	-	-	-	-	77,385
		77,387	**4**	**18**	**26**	**-**	**77,435**

(All amounts are presented in thousands of kunas)

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f. Liquidity risk management (continued)

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

Assets		Up to 1 month	1-3 months	3 months-1 year	1-5 years	After 5 years	Total
December 31, 2020							
Interest-bearing	3.42%	141	282	1,269	51,175	-	52,867
Interest-free	-	47.537	-	-	-	-	47,537
		47.678	282	1,269	51,175	-	**100,404**

		Up to 1 month	1-3 months	3 months-1 year	1-5 years	After 5 years	Total
December 31, 2019							
Interest-bearing	3.96%	236	472	2,124	74,313	-	77,145
Interest-free	-	106,941	-	-	-	-	106,941
		107,177	472	2,124	74,313	-	**184,086**

28. FAIR VALUE

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 of December 31, 2020 and 2019, the reported amounts of short-term receivables and short-term liabilities roughly correspond to their market value.

29. EVENTS AFTER THE REPORTING PERIOD

After the reporting date, and until the date of approval of the financial statements, there were no events that would significantly affect the Company's reports for 2020.

30. CONTINGENT LIABILITIES

According to the Management Board's assessment, on December 31, 2020, the Company has no significant contingent liabilities that would require disclosure in the notes to the separate financial statements.
On December 31, 2020, no lawsuit was filed against the Company, which was not disclosed in the separate financial statements.

31. APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS

The separate financial statements were approved by the Management Board of Meritus ulaganja d.d. and authorized for issue on April 30, 2021.

President of the Management Board

Darko Horvat

Member of the Management Board

Meritus ulaganja d.d.
Zagreb

Tomislav Glavaš