

**AUCTOR HOLDING, a.s. and its subsidiaries**

**CONSOLIDATED ANNUAL REPORT  
TOGETHER WITH AUDITORS' REPORT  
for the year ended 31 December 2021**

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**MANAGEMENT BOARD REPORT  
FOR 2021**

**1. INTRODUCTION**

Auctor Holding, a.s. (hereinafter: "Company") is the parent holding company of the Auctor Group (hereinafter: "Group" or "Auctor Group"). Its main activities consist of holding shares in its subsidiary companies and activities relating to financing of the Auctor Group companies.

The Auctor Group is active mainly in the tourism/hospitality business via its share in Aminess d.d, (former name Laguna Novigrad d.d.) and in distribution of pharmaceuticals and medical supplies through its holdings in Medika d.d.

In the period from 1 January to 31 December 2021 the Auctor Group generated consolidated revenue of HRK 4,364 million with a consolidated profit in amount of HRK 64 million. The Group is active solely in Croatia, only the holding company, Auctor Holding, a.s. and its subsidiary Auctor Alfa a.s. are located in the Czech Republic and its subsidiary Auctor Finance, s.r.o. is located in Slovak Republic.

Unless stated otherwise data regarding key performance indicators were based on management reporting of respective Group companies.

In the year 2021, the Auctor Group companies employ over 1.400 employees, whereas Auctor Holding, a.s. itself does not have any employees. Main employers are Medika d. d. with more than 900, and Aminess d. d. with nearly 300 employees.

## **2. COMPANY INFORMATION**

### **Basic information:**

Business Company: Auctor Holding, a.s.  
Registration No: 083 64 028  
Registered office: Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic  
Legal form: Joint stock company

### **Place of registration and Registration Number:**

The Company is registered by Commercial register maintained by Municipal court in Prague, file No. B 24583.

### **Date of establishment:**

The Company was founded on 18th July 2019. The Founder simultaneously issued the Articles of association and member of Board of Directors and member of Supervisory Board were appointed. The Company was registered by Commercial register on 24th July 2019.

### **Scope of business and activity:**

Scope of business of the Company: Manufacturing, business and services not included in the Annexes 1 to 3 of the Trade Licensing Act.

Scope of activity of the Company: Own property management.

### **Board of Directors of the Company as at 31st December 2021:**

Members of Management Board: Oleg Uskoković (from 24 July 2019)  
Josef Pilka (from 16 September 2020)

### **Supervisory Board of the Company as at 31st December 2021:**

Members of Supervisory Board: Tanja Kragulj Mežnarić  
Libor Kaiser (from 14 October 2021)

### **Registered capital and shares**

The Company's registered capital as at 31 December 2021 amounts to CZK 2,000,000 (two million Czech Crowns) and is distributed into:

- Global Share No. 001, with nominal value of the global share CZK 100 000, which replaces 100 000 pieces of certificated registered shares of the Company, with numerical code 1 to 100 000, nominal value CZK 1 each;
- Global Share No. 002, with nominal value of the global share CZK 800 000, which replaces 800 000 pieces of certificated registered shares of the Company, with numerical code 1 200 001 to 2 000 000, nominal value CZK 1 each;
- Global Share No. 003, with nominal value of the global share CZK 20 000, which replaces 20 000 pieces of certificated registered;

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- Global Share No. 004, with nominal value of the global share CZK 20 000, which replaces 20 000 pieces of certificated registered shares of the Company, with numerical code 120 001 to 140 000, nominal value CZK 1 each;

- Global Share No. 005, with nominal value of the global share CZK 20 000, which replaces 20 000 pieces of certificated registered shares of the Company, with numerical code 140 001 to 160 000, nominal value CZK 1 each;

- Global Share No. 006, with nominal value of the global share CZK 20 000, which replaces 20 000 pieces of certificated registered shares of the Company, with numerical code 160 001 to 180 000, nominal value CZK 1 each;

Global Share No. 008, with nominal value of the global share CZK 20 000, which replaces 20 000 pieces of certificated registered shares of the Company, with numerical code 180 001 to 200 000, nominal value CZK 1 each;

Global Share No. 009, with nominal value of the global share CZK 100 000, which replaces 100 000 pieces of certificated registered shares of the Company, with numerical code 200 001 to 300 000, nominal value CZK 1 each;

Global Share No. 010, with nominal value of the global share CZK 100 000, which replaces 100 000 pieces of certificated registered shares of the Company, with numerical code 300 001 to 400 000, nominal value CZK 1 each;

Global Share No. 011, with nominal value of the global share CZK 200 000, which replaces 200 000 pieces of certificated registered shares of the Company, with numerical code 400 001 to 600 000, nominal value CZK 1 each;

Global Share No. 012, with nominal value of the global share CZK 200 000, which replaces 200 000 pieces of certificated registered shares of the Company, with numerical code 600 001 to 800 000, nominal value CZK 1 each;

Global Share No. 013, with nominal value of the global share CZK 200 000, which replaces 200 000 pieces of certificated registered shares of the Company, with numerical code 800 001 to 1 000 000, nominal value CZK 1 each;

Global Share No. 014, with nominal value of the global share CZK 200 000, which replaces 200 000 pieces of certificated registered shares of the Company, with numerical code 1 000 001 to 1 200 000, nominal value CZK 1 each.

**Ownership structure**

Auctor Prime d.o.o. with 55% share and JTPEG Croatia Investments, a.s. with 45% share.

On 30 December 2020 shareholders concluded shareholders agreement. According this agreement the Company is under joint control of Shareholders.

**Expected development of the entity's activities**

In 2022, the Group will continue to focus its activities on the management of its own assets through the ownership of a shareholding in subsidiaries.

**Expenditure on research and development**

The Group did not incur any research and development expenses during the reporting period.

**Environmental protection activities**

The Group did not carry out any environmental protection activities in the monitored accounting period.

**Acquisition of own shares**

During the year Auctor d.o.o. acquired 1.700 shares from Medika's own shares, representing 5.63% share in the share capital of Medika. The Group did not acquired any other own shares.

**Data on organizational units of the Company in abroad**

The Group did not have any organizational units in abroad.

### **3. HISTORY AND DEVELOPMENT**

Auctor Holding, a.s., together with all its subsidiaries (the **Auctor Group**) is the holding company of the Auctor Group. Auctor Holding, a.s. was established as a joint-stock company by the Memorandum of Association dated 18 July 2019 under the laws of the Czech Republic and subsequently incorporated on 24 July 2019 based on its entry in the Commercial Register maintained by the Municipal Court in Prague. On 18 July 2019, Auctor Holding, a.s. adopted Articles of Association. Auctor Holding, a.s. became the parent company of the Auctor Group following the acquisitions in 2019. As part of the restructuring, the former owners of three Auctor Group holding companies - Auctor d.o.o. (**Auctor**), Lipa-Promet d.o.o. (**Lipa-Promet**) and Auctor Kapital d.o.o. (**AK**), sold their shares in the companies. Auctor Group is under joint control of shareholders AUCTOR PRIME d.o.o. and JTPEG Croatia Investments, a.s.

The Auctor Group is a financial group with activities located in Croatia. It consists of two non-operating holding companies (Auctor and AK; Lipa-Promet was merged to Auctor during 2021) holding shares in two main operating companies of the Auctor Group – Medika d.d. (**Medika**) and Amines d.d., formerly named Laguna Novigrad d.d. (**Aminess**), Slovak company Auctor Finance s.r.o. which is Bond Issuer, company for financing of Auctor group business activities and Auctor Alfa a.s, newly incorporated entity used for acquisition of Romana d.o.o.

Medika is primarily engaged in the wholesale, storage and distribution of human and veterinary drugs, medicinal products, equipment and dental supplies, dietetic, cosmetic, hygienic and other healthcare related products. Medika also operates the largest chain of pharmacies in Croatia via its subsidiary ZU Ljekarne Prima Pharme and its associate ZU Ljekarne Jagatić with a total of 87 pharmacies.

Aminess d.d. is the fifth biggest hotel and leisure company in Istria (after Valamar, Maistra, Plava Laguna and Arena Hospitality Group), and overall sixth in Croatia (behind UGO Group). Its portfolio consists of hotels camp sites, mobile homes and various other amenities (restaurants, pools, soccer pitches, souvenir shops, bars, etc.). Aminess markets its leisure facilities under own brand Aminess, and full capacities are listed in following chapter. During 2020, the tourism business grew by acquisition of majority share in HTP Korčula d.d. (**HTP Korčula**) and HTP Orebić d.d. (**HTP Orebić**) with these acquisitions Aminess increased its presence on Pelješac Peninsula and Korčula Island.

In 2020 the Company Auctor Finance s.r.o. (Issuer) became a part of the Auctor Group. Auctor Finance s.r.o. with registered seat in Slovak republic at 24 November 2020 issued bonds under Bonds Programme. As of 31.12.2021 the total amount of bonds issued were 80 000 thousand EUR.

The obligations of the Issuer under the Bonds are secured by a guarantee (the Guarantee) issued in favour of the Security Agent by Auctor Holding, a.s., (Guarantor).

Pursuant to the guarantee, the Guarantor undertakes, that if, for any reason, the Issuer or any Pledgor fails to fulfil any of the Secured Obligations when it becomes due and such failure is not remedied within 10 days, the Guarantor shall, upon written request of the Security Agent, pay such amount unconditionally and without any delay instead of the Issuer or relevant Pledgor in accordance with the Guarantee.

The purpose of using the net proceeds from the Issue, after payment of all remunerations, costs and expenses, is funding of general corporate purposes of the Issuer and Auctor Group, including refinancing of existing debt obligations and financing of new projects via providing loan to Auctor Holding.

#### **4. PRINCIPAL MARKETS**

Relevant markets for the Auctor Group are the markets of its two core companies – i.e. the Croatian tourism/hospitality market for Aminess and pharmaceutical and medicinal supplies market for Medika. The description of each of the mentioned relevant markets is provided below.

Further comments relating to Aminess and Medika describe their performance for the whole year 2021 based on their statutory (consolidated) financial statements and annual reports.

##### **AMINESS d.d.**

Aminess has long been a leading player in the development of tourism offer of the Istrian town of Novigrad and the Smokvica Municipality on Korčula, and also one of the leading tourism companies in the town of Orebić on the Pelješac Peninsula.

Aminess has been conducting its business operations under a new umbrella brand “Aminess Hotels & Campsites” (abbreviated “Aminess”).

Aminess owns 795 accommodation units in four hotels:

- Aminess Maestral Hotel\*\*\*\*, Novigrad
- Aminess Lume Hotel\*\*\*\*, Brna, island of Korčula
- Aminess Grand Azur Hotel\*\*\*\*, Orebić
- Aminess Laguna Hotel\*\*\*, Novigrad

In addition to the above facilities, Aminess owns 1,700 accommodation units in the following campsites:

- Aminess Sirena Campsite\*\*\*\*, Novigrad
- Aminess Maravea Camping Resort\*\*\*\*, Novigrad

During 2020, Aminess acquired majority share in company HTP Korčula d.d. and HTP Orebić d.d., thus growing its presence on Pelješac Peninsula and Korčula Island, adding some 902 units to its portfolio structured as:

506 units in HTP Korčula d.d. hotels and 142 units in camp:

- Aminess Korčula Heritage Hotel\*\*\*\*, Korčula
- Aminess Liburna Hotel\*\*\*\*, Korčula
- Aminess Marco Polo Hotel\*\*\*\*, Korčula
- Aminess Port 9 Hotel\*\*\*\*, Korčula
- Aminess Port 9 Residence\*\*\*\*, Korčula
- Port 9 Holiday Homes by Aminess, Korčula

255 units in HTP Orebić d.d.:

- Aminess Bellevue Hotel\*\*\*\*, Orebić
- Aminess Casa Bellevue\*\*\*\*, Orebić
- Aminess Bellevue Village\*\*\*\*, Orebić
- Orsan Hotel by Aminess\*\*\*, Orebić

The Company bases its steady growth on a continuous service and product quality improvement strategy, expansion of the offer and investments in the existing and new capacities.



***Significant business events during 2021***

*Step-up acquisitions in HTP Korčula and HTP Orebić*

During 2021, Aminess increases its share in HTP Korčula d.d. and HTP Orebić d.d., directly through acquisition additional shares following the mandatory takeover bids. Acquired shares were as follows:

- 803,582 shares or 32.56% of the subscribed capital of company HTP Korčula d.d., thus resulting with total number of shares 2,225,822 shares or 90.07% of the share capital; and
- 124,646 shares or 26.20% of the subscribed capital of company HTP Orebić d.d., thus resulting with total number of shares 424,646 shares or 89.25% of the share capital.

*Sale of company Adriatic Kampovi d.o.o.*

During the September 2021, Aminess sold its 100% share in the company Adriatic Kampovi d.o.o., which was acquired during December 2020 with the aim of resale.

***2021 performance***

The operations of Aminess, HTP Korčula and HTP Orebić, during 2021, were still negatively affected by the Covid-19 pandemic in the pre-season through a reduction in business volume.

*Aminess*

During 2021, Aminess generated a total of HRK 208.5 million in operating revenues, which is an increase of about 122% compared to 2020, when Aminess generated HRK 93.8 million in operating revenues.

During 2021, 594,339 overnight stays were realized, while during 2020, 247,978 overnight stays were realized, which is an increase of approximately 140% compared to 2020.

In 2021, Aminess generated about 90% of revenue from 2019, which implies that the Company has successfully implemented austerity measures and increased efficiency despite the negative COVID-19 environment.

In total, net profit in the observed period amounted to HRK 14.9 million, while in the same period last year a loss of HRK 26.3 million was realised.

*HTP Korčula*

In 2021, HTP Korčula realized a total of 90,176 overnight stays, which is more than the same period in 2020 (53,423 overnight stays), given that 2020 was strongly influenced by COVID-19.

Regardless of the above, during 2021 the strong impact of the COVID-19 pandemic is still visible, primarily through the later opening of capacities than planned or not opening part of the capacity (Hotel Marco Polo) and the fact that in 2019 over 178,000 overnight stays were realized.

Total revenues in 2021 amounted to HRK 42.72 million compared to the same period in 2020 when they amounted to HRK 23.3 million. Despite higher revenues, they are still significantly lower than in 2019.

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*HTP Orebić*

In 2021, the Company realized a total of 33,217 overnight stays, which is more than the same period in 2020 (18,095 overnight stays) due to the fact that 2020 was strongly influenced by COVID-19.

Regardless of the above, during 2021 the strong impact of the COVID-19 pandemic is still visible, primarily through the later opening of capacities than planned or not opening part of the capacity (Hotel Orsan) or the fact that in 2019 there were over 73,000 overnight stays.

Total revenues in 2021 amounted to HRK 15.3 million compared to the same period in 2020 when they amounted to HRK 11.1 million. Despite higher revenues, they are still significantly lower than in 2019.

**MEDIKA d.d.**

Medika d.d. (hereinafter "Medika" or "the Company"), established in 1922, is the oldest and leading wholesaler in Croatia, whose primary activity is the sale and storage and also the distribution of human and veterinary drugs, medical products, equipment and dental supplies, dietetic, cosmetic, hygienic and other products intended for the healthcare market.

The Company supplies pharmacies, healthcare facilities, hospitals, health centres, outpatient facilities, doctors' offices, wholesalers and specialized stores with the widest range of products.

The Company owns 100% shares in Zdravstvena ustanova (ZU) Ljekarne Prima Pharme and in the company Primus nekretnine d.o.o.

ZU Ljekarne Prima Pharme has the following fully owned subsidiary ZU Ljekarne Delonga and also has an associate, ZU Ljekarne Jagatić, in which it holds a share of 49%.

The Medika Group makes sales revenue through wholesale and retail channels, which are further detailed below. The wholesale sales revenue is made in the Company, and the retail sales revenue through the Prima Pharme Group.

***Wholesale***

Within the wholesale channel, Medika's customers are divided into several following segments:

- pharmacies
- hospitals
- other (health centres, polyclinics, dental clinics and polyclinics, veterinary clinics and farms, other wholesalers).

In its sales programme, Medika holds a wide range of products divided into several lines of products like pharmaceuticals, Medicinal Products and Special Products, Dietetics and cosmetics, Dental Department, Veterinary.

The wholesale pharmaceutical and medical supplies market in Croatia is dominated by four players: Medika, Phoenix Farmacija, Medical Intertrade and Oktal Pharma. Besides the so-called big four, there are other wholesalers or distributors with smaller product portfolios (e.g. Pharma-net d.o.o., Kajfešpharm d.o.o., Tomi pharm d.o.o., Medicina promet d.o.o., Hospitalija trgovina d.o.o.) or supplying exclusively a small range of specialised products, such as Naturprodukt d.o.o.

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### **Logistics**

Storage, goods manipulation and distribution services to customers are the primary activity of Medika, where it has been continuously invested in new technologies and work processes.

The total storage spaces is 18,550 m<sup>2</sup> (corresponding land plots not included). Zagreb Logistics Center is a place where the decisions on the procurement and distribution are made, while in modernly structured distribution and storage centers in Osijek, Rijeka and Split has been organized storage and distribution.

### **Retail**

Sales in the retail channel takes place through the operations of 87 Prima Pharne Group pharmacies.

### **Significant business events during 2021**

During 2021, Medika, indirectly through Ljekarne Prima Pharne acquired two new pharmacies (Ljekarna Draženka Novoselac and Ljekarna Jasminka Mišković). Both these entities have been merged into Ljekarne Prima Pharne.

### **2021 performance**

In 2021, the Medika Group (the "Group") generated a consolidated revenue in the amount of HRK 4,130,394 thousand, HRK 140,797 thousand more than the prior year's figure. The consolidated operating profit amounts to HRK 111,883 thousand, which is by HRK 14,632 thousand higher than the prior year's figure.

The consolidated profit before tax amounts to HRK 120,856 thousand, and the consolidated net profit amounts to HRK 99,509 thousand, which is HRK 22,635 thousand more than the 2020 figure.

By analysing the individual operating segments, 50.2% of the total consolidated revenue was generated by pharmacies (2020: 49.3%), of which 11.8% by own pharmacies (2020: 11.2%). At the same time, 37.0% of the total consolidated revenue was generated from hospitals (2020: 36.3%).

Total consolidated assets amount to HRK 2,329,076 thousand, representing a decrease of 10.2% from the prior year. The amount of consolidated non-current assets increased by 11.3% compared to the prior year, which was most significantly affected by the purchase of land for the construction of the new logistics and business centre in Zagreb. The amount of current assets decreased by 15.2%. The consolidated current assets account for 76.5% of the total assets. Trade and other receivables represent the most significant item of the total consolidated assets and decreased by 18.7% from the prior year.

The total consolidated loan debt amounts to HRK 51,580 thousand, of which HRK 34,378 thousand relates to a long-term borrowing, and HRK 17,202 thousand to a short-term portion of the long-term borrowing.

The equity-to-assets ratio is 27%, showing that the Group finances 27% of its total assets from own sources.

## 5. RISK FACTORS RELATING TO THE GROUP

Risk factors relating to the Issuer have been classified into the following categories:

- risk factors associated with the business and financial situation of the Group;
- legal, regulatory and macroeconomic risk factors affecting the Group; and
- risk factors associated with the Group's operation and internal control.

### **Risk factors associated with the business and financial situation of the Group:**

#### ***Competition***

The Group's principal activities are concentrated in Croatia, in the segments of pharmaceutical distribution, hotel and hospitality segment.

In the pharmaceutical distribution business, the Group's principal subsidiary Medika competes with other three main wholesalers while having the biggest market share of all. Medika as well as the other competitors are well established companies with long term presence on the market. The market shares of the "big 4" are historically relatively stable and the Group does not face imminent increased competition in this area. However, change in legislation or loss of key personnel could cause Medika to lose important supply contracts which in turn would negatively impact Medika's business and its results of operations.

In respect of hotel business, there are some big hotel operators (such as Valamar, Maistra, Plava Laguna or Arena Hospitality Group) as well as large number of private owners of properties offering accommodation in Croatia. The market is therefore highly competitive, on the other hand, large demand for accommodation services from incoming tourists historically kept the occupancy rates elevated during the high season and even in pre-season. COVID-19 pandemic caused significant decrease of tourists coming to Croatia in 2020 which to certain extent translated into increased competition between providers of accommodation services. However, the overall 2020 results for the industry players in terms of fall in revenues were similar with the only difference depending on the type of accommodation and product offering whereby companies with higher share of camp operations or luxury products had lower drop in revenues compared to other players.

#### ***Credit risk and counterparty default***

Group companies enter into contracts with a range of counterparties, including state institutions (such as hospitals) as well as private companies. Group is subject to the risk that a counterparty will default or be delayed in performing its contractual obligations and that any guarantee or performance bond in respect of such obligations will not be honoured. Group's counterparties may default or delay the performance of their obligations for a number of reasons, including as a result of their bankruptcy, lack of liquidity or operational failure. Any default or delay in the performance of contractual obligations by Group's counterparties may expose the Group to reputational risk, business continuity risk, risk of loss of important contracts or risk of increased costs of financing. In addition, the Group may be required to pay contractual penalties or find alternative counterparties.

Long collection period of trade receivables represents a significant market risk for the Group. This is especially the case for Medika's trade receivables towards HZZO (Croatian State Health Insurance). Therefore, a significant amount of working capital of the Group has to be deployed, affecting the Group's cash flow. Any delay in payments means additional costs of financing to Medika. While the risk of default is relatively low in case of state or municipality-owned entities, the risk of late payments or default remains higher with privately owned counterparties.

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There is no or minimum counterparty default risk in hospitality business as Aminesse's share of individual guests is continuously growing with agency business being structured via upfront guarantee deposits.

### ***Risk of geographical concentration and foreign currency***

The Group concentrates its business activities in Croatia. Therefore, it is dependent on Croatia's macroeconomic and political situation. Because Croatia is not a member of the euro area, the Group is also exposed to the risk of fluctuations in the HRK exchange rate, especially in relation to the CZK and EUR, as Auctor Holding, a.s. is a Czech joint-stock company. The Group generates most of its revenue on the domestic market and in Croatian kuna (HRK), however, part of Group's revenue is in other currencies, namely Euro. On the liability side, all loans of the Group are denominated either in Euro or in Kuna. Therefore, any adverse changes in foreign currency exchange rates may adversely affect the value of investments and cash flow generated by the Group companies.

The Croatian kuna joined ERM II on 10 July 2020 and observes a central rate of 7.53450 to the euro with a standard fluctuation band of  $\pm 15\%$ . The consequence of this is that Croatia, as any other euro area Member State, can no longer recourse to currency appreciation or depreciation to manage its economy and respond to economic shocks. For example, it can no longer devalue its currency to slow import and encourage export. Instead, country must use budgetary and structural policies to manage own economy prudently which should improve future prospect of Croatian economy on long run and bring currency stability on short run during convergence period. Especially it should affect Medika in positive way.

### ***Interest rate risk***

The Group's interest rate risk arises from its short-term and long-term borrowings at both fixed and variable rates. The risk associated with a change in the market interest rates mainly relates to the Group companies' long-term liabilities with a variable interest rate. The Group does not use derivative instruments to actively hedge its cash flow and fair value interest rate risk exposure.

Despite all the measures taken, it is impossible to rule out losses due to adverse interest rate movements which may have an adverse impact on the business of Group companies, their economic results, and financial position.

### ***Risk related to traded shares (Medika, HTP Korčula and HTP Orebić)***

As the most risky asset class, the market value of shares can be extremely volatile especially if the capital market is volatile, changes in macroeconomic environment are present, there are gaps in financial analysts' expectations and achieved/published results, there is an unstable dividend policy, activities in the segment of mergers, acquisitions, alliances, instability of the company's business model, as well as fluctuations in the financial results of company. Decline of value of shares in Medika can significantly and negatively impact the value of the assets of the Group.

### ***The Group may not be able to successfully implement its strategy or achieve its financial targets or investment objectives***

The Group implements strategies, estimates and valuations that affect the reported results, including valuation of selected assets and liabilities, determination of measures to mitigate losses from provided credits, litigations, regulatory measures, goodwill accounting, value adjustments, intangible assets, evaluation of the ability to realise deferred tax assets and the evaluation of net assets-based compensations. These estimates are based on an assessment and availability of information, and Group's actual results may differ materially from the original estimates. Group's estimates and

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valuations are based on models and procedures to predict economic conditions and market and other events that may affect the ability of counterparties to meet their respective obligations to the Group or affect the value of assets. The meaningfulness of individual models and procedures may be limited to the extent of unexpected market conditions in the area of liquidity and volatility and the ability to make accurate estimates and valuations.

### ***The Group faces risks associated with strategic transactions, such as mergers, acquisitions and investments***

From time to time, the Group evaluates potential strategic acquisitions or investment opportunities, and from time to time the Group pursues and undertakes certain of those opportunities. Due to its continuous growth, the Group intends to continue or accelerate its investments mainly in hotels/leisure sector. Any significant transactions that the Group enters into could be material to its financial condition and results of operations. The process of acquiring an assets and/or integrating another company or technology could create unforeseen operating difficulties and expenditures and could entail unforeseen liabilities that are not recoverable under the relevant transaction agreements or otherwise.

### **Legal, regulatory and macroeconomic risk factors affecting the Group**

#### ***The outbreak of COVID-19 in 2020 adversely affected the Group's business***

The outbreak of the coronavirus COVID-19 and its development into a global pandemic in 2020 had major economic consequences for the Croatian economy, as it damped economic activity and eroded financial conditions across European countries, including Croatia.

Measures implemented by state and local authorities of Croatia to discourage or prohibit the movement of people, such as closing of public services, travel restrictions, border controls and other measures severely affected many sectors and largely contributed to the negative impact on financial markets and level of economic activity in Croatia.

This economic downturn had especially negative effect on the hotels/leisure sector in Croatia, including the Group, as it adversely affected the source of income of the Group from that part of the business and, as a result, affected the overall Group's business and economic situation.

Even though vaccination process is widely ongoing in the whole Europe and Croatia even have little better statistics on vaccination, further pandemics or outbreaks can't be excluded in the future, which may result in similar or more adverse effects as the COVID-19 pandemic, and could result in similar or further adverse effects on the Croatian economy.

#### **Impact of COVID-19 on business operations in 2020**

##### **Medika**

The pandemic caused by the Covid-19 virus that appeared in the Republic of Croatia in March 2020, did not have a significant impact on the company's operations and Medika d.d. did not use any government subsidy to companies whose business was affected by the pandemic.

In 2020, the Medika Group (the "Group") generated a consolidated revenue in the amount of HRK 3,989,597 thousand, HRK 342,596 thousand more than the prior year. The consolidated operating profit amounts to HRK 97,251 thousand, which is by HRK 4,381 thousand higher than the prior year.

The consolidated profit before tax amounts to HRK 93,762 thousand, and the consolidated net profit amounts to HRK 76,874 thousand, which is HRK 4,094 thousand more than in 2019.

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Medika Group established the Crisis Staff. Carefully monitoring the situation caused by the epidemic and following the guidelines of the National Civil Protection Headquarters, and with the goal of preserving employee health and ensuring the further course of business, the Crisis Staff issued a series of guidelines that largely protected employee health and enabled regular operation of the Group.

Adopted guidelines:

- general recommendations for all employees,
- guidelines for employees in warehousing and transportation,
- guidelines for office workers,
- guidelines for pharmacy employees,
- guidelines for employee nutrition,
- guidelines for partners / cleaners,
- guidelines for partners / suppliers of goods.

The Crisis Staff includes the Management Board, directors, director of the Health Institution and heads of individual departments whose mobile phone numbers were available to all employees from 0-24h.

On a weekly basis, and more often if necessary, telephone conferences were held at which the guidelines were revised and new ones were proposed in order to maximize health protection and improve business in the changed circumstances.

### **Aminess**

The operations of Aminess d.d. during 2020 were significantly negatively impacted by the Covid-19 pandemic after the record 2019.

During 2020, the Company generated a total of HRK 93.8 million in operating revenues, which is a decrease of about 60% compared to 2019.

The facilities of the Company that were opened in the pre-season period were closed on March 13, 2020 and were partly reopened at the end of May (camps) or during June (hotels). Hotel Laguna and Hotel Lume were not open to guests during 2020. Further, with the outbreak of the second wave in key emitting markets in late August and early September, business activity of the Company decreased significantly during that period.

In view of the above, the Management Board of the Company has during 2020 continuously implemented and further implement all necessary measures in order to maintain the continuity of operations in the following periods, such as:

- Stopping all current capex investments and focusing on ongoing facility maintenance,
- Optimization of operating costs with the new situation,
- Use of all available grants,
- Moratorium on credit obligations for a period of 12 months,
- Agreement with the Trade Union of Istria, Kvarner and Dalmatia on salary reduction in the period of income reduction,
- Reduction of all other costs through negotiations with suppliers and local/public authorities related to public benefits.

Regardless of the decrease in operating revenues and costs associated with the acquisition of shares in Dalmacija Hoteli d.o.o. and Adriatic Kampovi d.o.o., the Company achieved a positive EBITDA contribution of around HRK 10 million (HRK 73.8 million in 2019) through savings measures and increased efficiency in demanding negative circumstances.

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In total, the net loss in the observed period amounted to HRK 26.3 million, while in the same period last year a profit of HRK 24.3 million was recorded.

***Government provided job preservation subsidy***

During 2020, Aminess received government provided job preservation subsidies provided for reduction of the impact of COVID-19 pandemic, which amounted to around HRK 12,1 million in 2020.

***Moratorium on financial liabilities***

Given the COVID-19 situation, similar to other companies in the industry, Aminess has entered into a moratorium agreements with all its bank creditors where the beginning of the repayment of the loan principal over a period of one year has been approved. Following the expiration of the moratorium, the first repayment of the principal begins in June 2021.

Despite the COVID-19 pandemic and the reduction in business volume, in 2020 the Company regularly repaid interest on all its loans. Also, during 2020, the Company did not take new loans for liquidity and daily operations, except in the part related to the financing of the acquisition of shares in Dalmacija hoteli d.o.o. and Adriatic Kampovi d.o.o.

***Capital expenditures***

Considering the COVID-19 situation, the Company's capital investments were minimal and mostly related to the completion of the started investment in employee accommodation - Hotel Novigrad, while investments in new and capacity renovation were postponed for the upcoming period.

**Impact of COVID-19 on business operations in 2021**

**Medika**

During the 2021, the pandemic caused by the Covid-19 virus also didn't affect significantly company's operations and Medika d.d. did not use any government subsidies to companies whose business was jeopardized by Covid-19 pandemic.

In 2021, the Medika Group continued to grow and generated a consolidated revenue in the amount of HRK 4,130,394 thousand, HRK 140,797 thousand more than the prior year. The consolidated operating profit amounts to HRK 111,883 thousand, which is by HRK 14,632 thousand higher than the prior year.

The consolidated profit before tax amounts to HRK 120,856 thousand, and the consolidated net profit amounts to HRK 99,509 thousand, which is HRK 22,635 thousand more than in 2020.

**Aminess**

Operations in 2021 are still marked by the COVID-19 pandemic, primarily through continued travel restrictions and lock-down measures in the Aminess's key emission markets.

A strong vaccination campaign against COVID-19 that began in 2021 both in Croatia and in key markets, had a positive impact and increases the level of vaccination that had direct impact on tourist season.

Aminess opened its facilities s earlier than in 2020 and realised positive business results in 2021.

During 2021, Aminess generated a total of HRK 208.5 million in operating revenues, which is an increase of about 122% compared to 2020, when Aminess generated HRK 93.8 million in operating revenues.

During 2021, 594,339 overnight stays were realized, while during 2020, 247,978 overnight stays were realized, which is an increase of approximately 140% compared to 2020.



## MANAGEMENT REPORT

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In 2021, Aminess generated about 90% of revenue from 2019, which implies that the Company has successfully implemented austerity measures and increased efficiency despite the negative COVID-19 environment.

In total, net profit in the observed period amounted to HRK 14.9 million, while in the same period last year a loss of HRK 26.3 million was realised.

Similar pattern is noted in HTP Korčula and HTP Orebić who also realised improvement in business operations in comparison to 2020.

### ***Government provided job preservation subsidy***

As in previous year, Aminess received government provided job preservation subsidies provided for reduction of the impact of COVID-19 pandemic, which amounted to around HRK 8.8 million in 2021.

During the year HTP Korčula received subsidy in the amount of HRK 4.1 million, while HTP Orebić received subsidy in the amount of HRK 1.4 million.

### **The impact of the war between Ukraine and Russia**

The ongoing war conflict in Ukraine may also have an impact on the development of the Group companies from several perspectives.

In hospitality it affects guests' behaviour and their willingness to travel in this tense situation (risk of further escalation of the conflict beyond Ukraine, sharp increase in fuel prices due to sanctions). Due to the introduction of sanctions and the sharp depreciation of the rouble, a decrease in tourists from Russia can also be expected, but the share of Russian tourists is insignificant in the context of the number of tourists from other European countries.

On the other hand, there is potential to cover the labour shortage from Ukrainian citizens fleeing the war once they are integrated into the working and social environment. The shortage of workers on the Croatian market has been a problem for the Croatian economy for a long time, mainly due to the departure of Croatian citizens to Western European countries in search of work.

In relation with pharmaceutical part of the group Medika Regarding EU does not have a direct business relationship with entities from Russia or Ukraine, nor is it otherwise directly exposed to those entities in its business.

The Company's management has concluded that there is no material uncertainty regarding the Company's continued operations.

### **Going concern**

Aminess Subgroup core activity is the tourism and hospitality sector, which is strongly influenced by the COVID-19 pandemic. Based on the information available on the date of publication of these financial statements, the Company's Management Board considered the potential development of COVID-19 and the expected impact on the Company's operations, as well as overall economic environment in which it operates, including measures taken by the government to mitigate the effects of the crisis.

Aminess actively monitors and applies all prescribed measures in the current COVID-19 situation, and is ready to adapt to all necessary epidemiological regulations and measures. On the date of publication of these financial statements, Aminess opened all of its facilities, and actively monitors all events and measures in key emission markets.

Liquidity is maintained by strict control and planning of all costs. Given that the measures taken have ensured Aminess's liquidity in the forthcoming period, the Management Board considers that the

## MANAGEMENT REPORT

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preparation of financial statements and the assessment of the Aminess's continuing operations on the assumptions of indefinite operation are appropriate.

### ***Macroeconomic and political conditions in Croatia and Europe***

The Group's principal business activities are located in Croatia, however, notably tourism is highly dependent on economic conditions in the whole Europe as Croatia's main business partners are Germany, Slovenia and Austria. These countries are also the countries where most of Croatia's visitors come from. As a result, the Group's results of operations are affected by economic and political conditions in those countries, which in turn can be affected by developments including, but not limited to:

- macroeconomic events, including external economic shocks;
- economic difficulties in European economic area;
- increasing levels of unemployment;
- a governmental budget deficit or other fiscal difficulties (namely applies to Medika);
- instability in the national banking systems; and
- social or political instability in Croatia and neighbouring countries.

In addition, political developments in the EU, including any future integration or withdrawal of European countries into or from the EU or changes in the economic policy, currency union, executive authority or composition of the EU and its institutions, may have an adverse effect on the overall economic stability of the EU, including Croatia. Any changes in the political or economic stability of Croatia or other European countries, as well as any political, economic, regulatory or administrative developments in these countries, could have a material adverse effect on the Group's business, results of operations and financial condition.

If any of these risks materialise, they could have a material adverse effect on the Group's business, results of operations and financial condition.

### ***Government policy risk***

Government policy risks mostly relate to changes in the tax environment. Frequent changes in fiscal and para-fiscal regulations in recent years negatively affected business in Croatia, especially regarding VAT and constant changes of intermediate rates inside of hospitality industry (several changes in few years: 25% - 10% - 25% - 13%). These frequent changes regarding fiscal and para-fiscal contributions after the companies already implement changes in their policies and budgets may deteriorate companies' financial position and financial planning.

On positive side, corporate tax rate was shortened from 20% to 18% in 2017. and it's still kept. For small enterprises up to approximately one million euro of revenues, it was shortened further to 12%, and from 01.01.2021. it's shortened additionally to 10%.

### ***Regulatory risk in pharmaceutical sector***

The sector of wholesale drugs and pharmacies are subject to high and strict regulation where inadequate compliance with regulatory requirements would severely affect business. The Croatian Agency for Medicinal Products and Medical Devices ("HALMED" or "Agency") or the European Commission grants marketing authorizations for medicinal products in Croatia. For the purpose of placing a medicinal product on the market, its quality, safety and efficacy have to be determined. The Agency grants marketing authorizations for medicinal products through the national procedure, the mutual recognition procedure and the decentralized procedure by means of the decision which marks the completion of the authorization procedure carried out in accordance with Medicinal Products Act

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and ensuing regulations. Croatia can be either the reference state or the concerned state in the mutual recognition procedure and decentralized procedure.

The bylaw regulates the detailed criteria for determining the maximum permitted wholesale price of prescription medicinal products in Croatia and the calculation of such prices by HALMED. Clear and transparent criteria for determining the wholesale price of a medicinal product, in accordance with the requirements of Directive 89/105 / EEC, are laid down in the Ordinance on criteria for determining the maximum permitted wholesale price and exceptionally higher than the maximum permitted wholesale price and annual calculation of the medicinal product price (Official Gazette, No. 33/19). Generally, the calculation by HALMED is mandatory and is carried out: (i) when the products are being first placed on the Croatian market; and (ii) for the medicinal products that are already available on the market the maximum permitted wholesale prices are periodically regulated by the annual price calculation procedure carried out by HALMED, starting on the first working Monday in February, in the process called IRP = international referencing procedure, where reference countries for Croatia are primary Italy, Slovenia and Czech Republic, secondary Spain and France. The wholesale prices of the products that are above the new maximum prices calculated by HALMED (will) need to be reduced to the new prices determined by HALMED, while the prices that are below the new prices calculated by HALMED (will) remain the same. The bylaw also provides for the possibility, in specific cases and under specific conditions, to request from HALMED permission to have/set the prices of the products higher than the new maximum permitted wholesale prices, with the prior consent of the Minister of Health.

The highest permitted wholesale price of a medicinal product, ie exceptionally higher than the maximum permitted wholesale price of a medicinal product, represents the highest possible price at which wholesalers and marketing authorization holders may sell a medicinal product, as well as the highest possible price set by the Croatian Health Insurance Institute (HZZO) in the procedure of inclusion in the Reimbursement lists of medicinal products of the Institute, ie in the procedure of adjusting the prices of medicinal products that have already been placed on the Reimbursements lists of medicinal products of the Institute.

Further, a continuing decrease in the prices of prescription medicinal products on the HZZO list and the HZZO administrative approach in determining the prices and margins can have negative impact on the Group's financial performance.



**STATEMENT OF RESPONSIBILITIES OF MANAGEMENT AND SUPERVISORY BOARD**

**STATEMENT OF THE MANAGEMENT BOARD'S RESPONSIBILITIES**

The Group's Management Board must make sure that the 2021 financial statements were drafted in accordance with the Accounting Act and International Financial Reporting Standards, approved by the European Union, so as to give a true and fair view of the Group's financial position, business performance, and changes in equity and cash flows for the period.

Based on the conducted analysis, the Management Board has a reason to believe that the Group possesses adequate resources to continue its operations. In the light of the above, the Management Board prepared the financial statements on a going concern basis.

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

- Selecting and consistently applying appropriate accounting policies;
- Making reasonable and prudent judgements and estimates;
- Implementing applicable financial reporting standards, and disclosing and providing explanations in the financial statements of any material departures; and
- Preparing financial statements on a going concern basis, unless such a premise is inappropriate.

The Management Board is responsible for keeping correct accounting records, which disclose the Group's financial position and business performance with reasonable accuracy at any time, and which must comply with the Accounting Act and the International Financial Reporting Standards applicable in the European Union.

The Management Board is responsible for safeguarding the Group's assets and also for taking reasonable steps to prevent and detect fraud and other irregularities. Furthermore, the Management Board is responsible for the preparation and content of management reports, in accordance with the Czech Act No. 563/1991 Coll., on Accounting. The Management Board approved the Management Report for publication.

The financial statements set out on pages 23 to 96 were authorised by the Management Board for submission to the Supervisory Board on 30 June 2022, in witness whereof they have been signed below.

Signed on behalf of the Management Board on 30 June 2022 by:



**Oleg Uskoković**  
Member of the Board of Directors



**Josef Pilka**  
Member of the Board of Directors





**KPMG Česká republika Audit, s.r.o.**

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This document is an English translation of the Czech auditor's report.  
Only the Czech version of the report is legally binding.

**Independent Auditor's Report to the Shareholders of  
Auctor Holding, a.s.**

***Opinion***

We have audited the accompanying consolidated financial statements of Auctor Holding, a.s. ("the Company") and its subsidiaries (together "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Group is set out in Note 1 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

***Basis for Opinion***

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs), which may be supplemented and amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.







### ***Other Information***

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the consolidated annual report other than the consolidated financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e., whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

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

- the other information describing matters that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

### ***Responsibilities of the Statutory Body and Supervisory Board the Consolidated Financial Statements***

The statutory body is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Supervisory Board is responsible for overseeing the Group's financial reporting process.





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

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

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

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

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





***Statutory Auditor Responsible for the Engagement***

Ondřej Fikrle is the statutory auditor responsible for the audit of the consolidated financial statements of Auctor Holding, a.s. as at 31 December 2021, based on which this independent auditor's report has been prepared.

Prague  
30 June 2022

*KPMG Česká republika Audit*

KPMG Česká republika Audit, s.r.o.  
Registration number 71

*Ondřej Fikrle*

Ondřej Fikrle  
Partner  
Registration number 2525



**AUCTOR HOLDING, a.s. and its subsidiaries**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE PERIOD ENDED 31 DECEMBER 2021**

<i>(in thousands of HRK)</i>	<b>Note</b>	<b>2021</b>	<b>2020</b>
Revenue	5	4,364,432	4,065,408
Other income	6	29,172	36,221
Cost of goods sold		(3,789,100)	(3,674,207)
Staff expenses	7	(226,178)	(172,268)
Depreciation and amortisation		(108,420)	(92,635)
Other expenses	8	(167,994)	(105,582)
<b>Profit from operations</b>		<b>101,912</b>	<b>56,937</b>
Finance income	9	16,375	5,603
Finance costs	9	(43,002)	(52,629)
<b>Net finance gain/(loss)</b>		<b>(26,627)</b>	<b>(47,026)</b>
Share in profits of associates	14	2,837	2,532
Gain on disposal of associate	20	2,726	468
Loss on disposal of subsidiaries	20	(4,811)	(2,002)
Gain from bargain purchase	26	762	20,091
<b>Profit before tax</b>		<b>76,799</b>	<b>31,000</b>
Income tax expense	10	(17,202)	(2,961)
<b>Profit for the period from continuing operations</b>		<b>59,597</b>	<b>28,039</b>
Profit from discontinued operation	20	5,382	3,806
<b>Profit for the period</b>		<b>64,979</b>	<b>31,845</b>
<b>Other comprehensive income for the period</b>			
Equity securities – at FVOCI - net of tax		117	(13,608)
FX translation reserve		2,509	(362)
<b>Other comprehensive income for the period</b>		<b>2,626</b>	<b>(13,970)</b>
<b>Total comprehensive income for the period</b>		<b>67,605</b>	<b>17,875</b>

**AUCTOR HOLDING a.s. and its subsidiaries**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AT 31 DECEMBER 2021**

<i>(in thousands of HRK)</i>	<b>Note</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	1,335,805	1,022,698
Right-of-use assets	12	55,277	62,530
Intangible assets	13	258,451	252,587
Investments in associates	14	25,856	24,195
Other investments	15	1,189	2,309
Trade and other receivables	17	29,727	42,460
Deferred tax assets	24	14,343	9,922
<b>Total non-current assets</b>		<b>1,720,648</b>	<b>1,416,701</b>
<b>Current assets</b>			
Inventories	18	359,212	375,268
Trade and other receivables	17	1,383,011	1,696,661
Income tax receivable		1,114	2,725
Cash and cash equivalents	19	252,515	264,918
		<b>1,995,852</b>	<b>2,339,572</b>
Assets held for sale	20	-	51,078
<b>Total current assets</b>		<b>1,995,852</b>	<b>2,390,650</b>
<b>Total assets</b>		<b>3,716,500</b>	<b>3,807,351</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued capital	21	568	568
Capital reserves	21	86,608	86,608
Fair value reserve		77	8
Transaltion reserve		2,130	(379)
Retained earnings		13,513	11,360
<b>Equity attributable to owners of the Company</b>		<b>102,896</b>	<b>98,165</b>
Non-controlling interest	27	629,248	684,442
<b>Total equity</b>		<b>732,144</b>	<b>782,607</b>
<b>Non-current liabilities</b>			
Borrowings	23	877,972	802,673
Lease liabilities	12	41,092	49,721
Trade and other payables	22	28,438	-
Provisions	25	13,438	10,520
Deferred tax liabilities	24	83,375	74,128
		<b>1,044,315</b>	<b>937,042</b>
<b>Current liabilities</b>			
Borrowings	23	308,746	332,261
Lease liabilities	12	17,726	17,611
Trade and other payables	22	1,598,603	1,724,667
Income tax payable		14,624	10,482
Provisions	25	342	2,681
		<b>1,940,041</b>	<b>2,087,702</b>
<b>Total equity and liabilities</b>		<b>3,716,500</b>	<b>3,807,351</b>



**AUCTOR HOLDING a.s. and its subsidiaries**

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**FOR THE PERIOD ENDED 31 DECEMBER 2021**

<i>(in thousands of HRK)</i>	Issued capital	Capital reserves	Fair value reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at the beginning of prior period	568	-	3,021	(17)	66,125	69,697	505,421	575,118
Total comprehensive income for the period								
Profit for the period	-	-	-	-	1,757	1,757	30,088	31,845
Other comprehensive income for the period	-	-	(9,380)	(362)	-	(9,742)	(4,228)	(13,970)
	-	-	(9,380)	(362)	1,757	(7,985)	25,860	17,875
Transfer of gain on disposal of equity instruments at FVOCI	-	-	(574)	-	574	-	-	-
Contributions and distributions								
Capital contributions	-	86,608	-	-	-	86,608	-	86,608
Dividends	-	86,608	-	-	-	86,608	(24,568)	(24,568)
	-	-	-	-	-	-	(24,568)	62,040
Changes in ownership interests								
Acquisition of subsidiaries	-	-	-	-	-	-	110,611	110,611
Disposal of subsidiaries	-	-	6,941	-	(6,941)	-	(13,222)	(13,222)
Acquisition of NCI without change in control	-	-	-	-	2,040	2,040	(4,046)	(2,006)
Disposal of interest without loss of control	-	-	-	-	(52,195)	(52,195)	84,386	32,191
	-	-	6,941	-	(57,096)	(50,155)	177,729	127,574
Balance at the end of prior period	568	86,608	8	(379)	11,360	98,165	684,442	782,607
Balance at the beginning of current period	568	86,608	8	(379)	11,360	98,165	684,442	782,607
Total comprehensive income for the period								
Profit for the period	-	-	-	-	8,996	8,996	55,983	64,979
Other comprehensive income for the period	-	-	69	2,509	-	2,578	48	2,626
	-	-	69	2,509	8,996	11,574	56,031	67,605
Contributions and distributions								
Dividends	-	-	-	-	-	-	(26,057)	(26,057)
	-	-	-	-	-	-	(26,057)	(26,057)
Changes in ownership interests								
Acquisition of subsidiaries	-	-	-	-	-	-	9,240	9,240
Disposal of subsidiaries	-	-	-	-	25,459	25,459	(12,670)	12,789
Acquisition of NCI without change in control	-	-	-	-	(32,302)	(32,302)	(81,738)	(114,040)
	-	-	-	-	(6,843)	(6,843)	(85,168)	(92,011)
Balance at the end of current period	568	86,608	77	2,130	13,513	102,896	629,248	732,144

**AUCTOR HOLDING a.s. and its subsidiaries**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE PERIOD ENDED 31 DECEMBER 2020**

		<b>2021</b>	<b>2020</b>
<b>Cash flow from operations</b>			
<b>Profit for the period</b>		<b>64,979</b>	<b>31,845</b>
Adjustments for:			
Income tax	10	17,202	2,961
Depreciation and amortisation	11, 12, 13	108,420	92,635
Gain on disposal of property, plant and equipment	6	(3,290)	(320)
Impairment loss on intangible assets		(396)	7
Lease agreement termination	12	71	275
Impairment loss on receivables	8	(711)	(134)
Impairment loss on inventories	18	8,484	6,352
Impairment of asstes held for sale		2,457	(2,969)
Interest expense	9	40,445	37,085
Interest income	9	(12,162)	(2,453)
Change in fair value of investments		(257)	881
Unrealised exchange differences		977	4,493
Change in provisions		579	2,489
Income from termination of liability	6	-	(15,934)
Share of profit of equity-accounted investees, net of tax	14	(2,837)	(2,532)
Gain from bargain purchase	26	(762)	(20,091)
Loss on disposal of subsidiaries	27	4,811	2,002
Gain on disposal of associate	27	-	(468)
Gain on disposal of asset held for sale	27	(2,726)	(609)
<b>Cash flow from operating activities before changes in net working capital</b>		<b>225,284</b>	<b>135,515</b>
<i>Changes in:</i>			
Inventories		9,583	7,495
Trade and other receivables		359,587	471,323
Trade and other payables		(124,810)	198,460
<b>Cash generated from operating activities</b>		<b>469,644</b>	<b>812,793</b>
Interest paid		(36,996)	(41,343)
Income taxes paid		(19,019)	(13,584)
<b>Net cash from operating activities</b>		<b>413,629</b>	<b>757,866</b>

**AUCTOR HOLDING a.s. and its subsidiaries**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE PERIOD ENDED 31 DECEMBER 2020**

		<b>2021</b>	<b>2020</b>
<b>Cash flow from investing activities</b>			
Acquisition of property, plant and equipment		(77,670)	(30,091)
Proceeds from government grants for purchases of property, plant and equipment		1,011	-
Acquisition of intangible assets		(8,901)	(8,932)
Proceeds from sale of property, plant and equipment		5,977	1,055
Aquisition of NCI	27	(114,040)	(2,006)
Acquisition of subsidiaries, net of cash acquired	27	(18,105)	(230,780)
Disposal of subsidiaries, net of cash disposed		2,955	(507)
Disposal of associates		-	874
Disposal of asset held for sale		64,707	15,808
Funds deposited on escrow account		752	-
Proceeds from sale of other investments		1,494	19,234
Loans given		(7,517)	(850,100)
Proceeds from repayment of given loans		8,587	83,736
Interest received		-	3,174
Dividends from equity-accounted investees	14	1,176	147
<b>Net cash outflow from investment activities</b>		<b>(139,574)</b>	<b>(998,388)</b>
<b>Cash flow from financial activities</b>			
Loans received	23	608,366	1,597,124
Repayment of loans	23	(848,655)	(1,213,888)
Repayment of leases	12	(19,101)	(14,879)
Disposal of NCI		-	32,191
Dividends paid		(26,057)	(24,568)
<b>Net cash inflow from financial activities</b>		<b>(285,447)</b>	<b>375,980</b>
Net cash inflow		(11,392)	135,458
Cash and cash equivalents at the beginning of year		264,918	129,460
<b>Cash and cash equivalents at the end of year</b>	19	<b>253,526</b>	<b>264,918</b>

**NOTE 1 – GENERAL DATA**

<b>Name of the issuer:</b>	<b>Auctor Holding a.s.</b>
<b>Registered office:</b>	<b>Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic</b>
<b>Legal form:</b>	<b>joint stock company</b>
<b>Registration No:</b>	<b>083 64 028</b>
<b>Registered by:</b>	<b>Commercial Register maintained by Municipal court in Prague, file No. B 24583</b>

Auctor Holding, a.s. was established by notarial deed NZ 893/2019 as a Joint stock company on 18th July 2019 and was registered by Commercial register in Prague on 24th July 2019. The Company changed its registered office in 2021 from Pobřežní 297/14 to Sokolovská 700/113a.

In July 2019, Company acquired subsidiaries in Croatia listed in the table below. The principal activities of the Company and its subsidiaries in Croatia is the wholesale and retail distribution of pharmaceutical products, hospitality services and investment funds. The Company is headquartered in Prague.

Control over acquired companies was established on 25 July 2019 by gaining ownership and changing of management board members in holding companies Auctor d.o.o., Auctor Kapital d.o.o. and Lipa-Promet d.o.o., as well as changes made in Supervisory Boards of subsidiaries.

In 2020, subsidiary Aminess d.d. (former name: Laguna Novigrad d.d.) acquired 100% shares in Dalmacija hoteli d.o.o., an SPV holding company, holding a stake in hospitality companies HTP Korčula d.d. and HTP Orebić d.d., as well as Adriatic kampovi d.o.o., tourist agency operating in lease of mobile homes in several camp sites in Croatia.

In 2021, a newly incorporated subsidiary Auctor Alfa a.s. acquired 51% shares in Romana d.o.o., a hospitality company with hotel under construction.

The Group is comprised of the Company and the subsidiaries listed in following table. The Group also holds associates listed below. Percentages listed reflect ownership of the intermediary company in case there is intermediary company between subsidiary and ultimate parent.

# AUCTOR HOLDING a.s. and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

#### NOTE 1 – GENERAL DATA (continued)

The ownership structure of the Group with indicated relevant shares in the registered capital and the voting rights is shown below:

GROUP STRUCTURE	2020		2021		Consolidation scope	Principal market
	Equity share	Voting rights	Equity share	Voting rights		
<b>SUBSIDIARIES</b>						
Auctor Holding a.s.						
Medika d.d. with subsidiaries*	28.60%	46.99%	35.03%	50.10%	Consolidation	Pharmaceutical supplies
ZU Ljekarne Prima Pharme	100.00%	100.00%	100.00%	100.00%	Consolidation	Pharmaceutical supplies
ZU Ljekarne Delonga	100.00%	100.00%	100.00%	100.00%	Consolidation	Pharmaceutical supplies
ZU Ljekarne Ines Škoko **	100.00%	100.00%	0.00%	0.00%	Consolidation	Pharmaceutical supplies
Primus Nekretnine d.o.o.	100.00%	100.00%	100.00%	100.00%	Consolidation	Other
ZU Ljekarne Pirović **	100.00%	100.00%	0.00%	0.00%	Consolidation	Pharmaceutical supplies
Ljekarna Zrinka Kujundžić Bubalo **	100.00%	100.00%	0.00%	0.00%	Consolidation	Pharmaceutical supplies
Ljekarna Draženka Novoselac ***	-	-	0.00%	0.00%	Consolidation	Pharmaceutical supplies
Ljekarna Jasminka Mišković ***	-	-	0.00%	0.00%	Consolidation	Pharmaceutical supplies
Aminess d.d. with subsidiaries*	83.49%	84.15%	83.49%	84.15%	Consolidation	Tourism/hospitality
Litmus d.o.o.	100.00%	100.00%	100.00%	100.00%	Consolidation	Tourism/hospitality
Aminess hospitality d.o.o.	100.00%	100.00%	100.00%	100.00%	Consolidation	Tourism/hospitality
Adriatic Kampovi d.o.o.*****	100.00%	100.00%	0.00%	0.00%	Consolidation	Tourism/hospitality
Dalmacija hoteli d.o.o.	100.00%	100.00%	100.00%	100.00%	Consolidation	Tourism/hospitality
HTP Korčula d.d.	57.52%	57.52%	90.08%	90.08%	Consolidation	Tourism/hospitality
HTP Orebić d.d.	63.05%	63.05%	89.25%	89.25%	Consolidation	Tourism/hospitality
Auctor d.o.o. with subsidiaries*	100.00%	100.00%	100.00%	100.00%	Consolidation	Other
Max Pharma	0.00%	0.00%	-	-	Consolidation	Other
Carsi d.o.o. - u likvidaciji	100.00%	100.00%	0.00%	0.00%	Consolidation	Other
Lipa promet****	100.00%	100.00%	0.00%	0.00%	Consolidation	Other
Auctor Kapital	58.50%	58.50%	58.50%	58.50%	Consolidation	Other
Auctor Finance	100.00%	100.00%	100.00%	100.00%	Consolidation	Other
SZAIIF *****	44.08%	44.08%	0.00%	0.00%	Consolidation	Other
Auctor Alfa	-	-	100.00%	100.00%	Consolidation	Other
Romana d.o.o.	-	-	51.00%	51.00%	Consolidation	Tourism/hospitality

\* Equity share and voting rights in subsidiaries are shown from the perspective of immediate owner, while Auctor Holding total share and voting rights could be different because of the indirect ownership.

\*\* Merged into ZU Ljekarne Prima Pharme during 2021.

\*\*\* Acquired 100% share and merged into ZU Ljekarne Prima Pharme during 2021.

\*\*\*\* Merged into Auctor during 2021.

\*\*\*\*\* Sold during 2021.

ASSOCIATES	2020		2021		Consolidation scope	Principal market
	Equity share	Voting rights	Equity share	Voting rights		
Zdravstvena ustanova Ljekarne Jagatić,	49.00%	49.00%	49.00%	49.00%	Equity method	Pharmaceutical supplies
Elektroda Zagreb d.d.	0.00%	0.00%	-	-	Equity method	Other

The notes on pages 28 to 96 form an integral part of these consolidated financial statements.

**NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES**

Set out below are the principal accounting policies adopted in the preparation of these consolidated financial statements.

**2.1 Basis of preparation**

*(i) Statement of compliance*

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards adopted by the European Union ("EU IFRS"). Financial statements are presented for the Group. The financial statements of the Group comprise the consolidated financial statements of the Company and its subsidiaries.

*(ii) Basis of measurement*

The consolidated financial statements have been prepared under the historical cost convention except for the following items which are measured on an alternative basis on each reporting date.

<i><b>Items</b></i>	<i><b>Measurement bases</b></i>
Financial instruments at FVTPL	Fair value
Debt and equity instruments at FVOCI	Fair value

Methods used for fair value measurement are explained in note 3.3.

*(iii) Functional and presentation currency*

Items included in the financial statements of each individual member of the Group are presented in the currency of the primary economic environment in which the Group member operates (functional currency). The consolidated financial statements are presented in the Croatian kuna ("HRK"), which is presentation currency of the Group rounded to the nearest thousand.

*(iv) Use of estimates and judgements*

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

***New standards and amendments to existing not yet adopted***

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 Consolidation**

The consolidated financial statements of the Group incorporate the financial statements of Auctor Holding a.s. and entities controlled by Auctor Holding a.s. (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

*(i) Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also considered contractual rights in determining control over certain subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

*(ii) Associates (equity accounted investees)*

Associates are all entities over which the Group has significant influence but not control or joint control, over the financial and operating policies. The Group accounts for investments in associates using the equity method.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit and loss statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are been changed where necessary to ensure consistency with the policies adopted by the Group.

*(iii) Business combinations*

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed in the statement of comprehensive income as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 Consolidation (continued)**

*(iii) Business combinations (continued)*

The excess of consideration transferred, the amount of any non-controlling interest in the acquiree and acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

*(iv) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**2.3 Foreign currencies**

*(i) Foreign currency transactions*

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

*(ii) Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Croatian kuna at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Croatian kuna at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.



**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4 Property and equipment**

Property and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes costs directly attributable to the acquisition of an asset.

Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group, and the cost of the asset can be measured reliably. The carrying amount of a replaced part is derecognised. All other investment and maintenance costs are charged to the profit and loss account in the financial period they incurred in.

Land and assets under development are not depreciated. Depreciation of other assets is provided using the straight-line method so as to write down the cost of an asset over its estimated useful life. Depreciation is provided on an individual asset basis until the asset is fully written off or written down.

The estimated useful lives are as follows:

Buildings	10–40 years
Equipment	2–20 years

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset, less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

If the carrying amount of an asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses arisen on disposal are determined by comparing the proceeds with carrying amount, and are recognised within "Other gains/(losses) – net" in the income statement.

**2.5 Intangible assets**

*(i) Goodwill*

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business, less accumulated impairment loss, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 Intangible assets (continued)**

*(ii) Licences*

Licenses represent valuable intangible asset primarily in the subsidiary Medika d.d. with its subsidiaries PrimaPharme and other health institutions, as they grant permission to operate pharmacies in Croatia. The licenses are granted by Ministry of Health without any fee, when certain criteria are met by the applicant. The licenses can also be purchased either separately or as a part of an asset deal and have indefinite useful life.

Cost incurred by the Group in obtaining pharmacy operation licences, without which no pharmacy activities can be performed, are capitalised to the extent that future economic activities are probable. Impairment testing is made on an annual basis.

No similar or particular licences are needed in the hospitality sector.

*(iii) Software*

Software licences are capitalised based on the cost of purchase and costs incurred in bringing software into a working condition for its intended use. The cost is amortised over the useful life of the assets, which ranges from 5 to 10 years.

*(iv) Other rights*

Other rights are shown at historical cost, they have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of other rights over their estimated useful lives (5 years).

**2.6 Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (apart from inventories and deferred taxes) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and other intangible assets are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is expensed immediately.

**NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES (continued)****2.6 Impairment of non-financial assets (continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as an income immediately.

**2.7 Financial instruments**

Financial assets and financial liabilities are recognised in the statement of financial position of the Group when the Group becomes a party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs which may be directly attributed to the acquisition or issuing the financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value of financial assets and financial liabilities at initial recognition, where appropriate. Transaction costs which may be directly attributed to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in profit and loss.

**Financial assets**

In line with IFRS 9, all recognised financial assets are subsequently entirely measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, depending on the business model and characteristics of contracted cash flows of financial assets.

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividends clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The Group classifies its financial assets in a category measured at amortised cost, using the effective interest rate method, within a business model whose aim is to collect contracted cash flows and according to which the cash inflow is made solely for payments of principal and interest on the principal amount outstanding (IFRS 9).

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.7 Financial instruments (continued)**

**Financial assets (continued)**

The Group classifies a debt instrument as FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the instrument give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group has elected to classify its equity instruments that are not held for trading as FVOCI.

All other financial assets that are classified as amortised cost or FVOCI are measured at FVTPL.

At each reporting date the Group performs a review to identify any objective evidence that a financial asset may be impaired. Impairment testing of trade and loan receivables is described in note 2.8.

Financial assets are reported in the current assets, except for non-trading equity investments and debt instruments which mature more than 12 months after the date of statement of financial position. Such assets are classified as non-current assets.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognised in profit or loss.

*Amortized cost and effective interest rate method*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, aside from purchased or incurred credit-impaired financial assets (i.e. assets which were credit-impaired during the initial recognition), the effective interest rate is a rate that accurately discounts the estimated future cash inflow (including all fees and points paid or received, which constitute an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding the expected credit losses, during the expected life of a debt instrument or, where appropriate, during a shorter period, to gross carrying amounts of the debt instrument at initial recognition. For purchased or incurred credit-impaired financial assets, the effective interest rate adjusted to the loan is calculated by discounting estimated future cash flows, including expected credit losses, to the depreciated cost of the debt instrument at initial measurement.

The amortized cost of financial assets is the amount at which the financial instrument is measured at initial recognition, less of payments of principal and plus accrued interest, using the effective interest rate method for any difference between the opening amount and amount at maturity, adjusted for any loss. Gross carrying amount of financial assets is the amortized cost of financial assets before adjustments for any loss.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.7 Financial instruments**

**Financial assets (continued)**

*Amortized cost and effective interest rate method (continued)*

Interest income is recognised by applying the effective interest rate for debt instruments, which are subsequently measured at amortized cost. For financial assets, other than purchased or incurred credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, aside for the financial assets which subsequently became credit-impaired.

For financial assets which subsequently became credit-impaired, interest income is recognised by applying the effective interest rate to the amortized cost of financial assets.

If, in the following reporting periods, the credit risk for the credit-impaired financial instrument improves in the way that the financial instrument is no longer credit-impaired, the interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial assets.

For the purchased or incurred credit-impaired financial assets, the Group recognises interest income by using the effective interest rate adjusted by the credit risk to the amortized cost of financial assets at initial recognition. The calculation is not returned to a gross basis, even if the credit risk of the financial assets subsequently improves so that the financial assets are no longer credit-impaired.

Interest income are recognised in the profit and loss account, and are included in the item “Financial income – interest income”

*Impairment of financial assets*

The Group recognises the provisions for expected credit losses of trade receivables and debt instruments measured at amortized cost. The amount of expected credit losses is calculated at every reporting date in order to reflect the changes in the credit risk since the initial recognition of an individual financial instrument.

The Group always recognises life-long expected credit losses (ECL) for trade receivables based on a selected simplified approach. The expected credit losses for these financial assets are described in note 2.8. The Group currently does not adjust the loss rate for future macroeconomic conditions, since it has not performed an analysis of the impact of macroeconomic factors on historical loss rates, including the time value of money, where appropriate.

For the given loans, the Group recognises the life-long ECL in case of a significant increase in credit risk since initial recognition. However, if the credit risk for the financial instrument has not significantly increased since the initial recognition, the Group measures the loss for this financial instrument in the amount equal to a 12-month ECL.

Life-long ECL represents expected credit losses resulting from all potential cases of default during the expected lifetime of the financial instrument. By contrast, a 12-month ECL represents a part of the life-long ECL, on account of the probability of a default status in the 12 months following the reporting date.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.7 Financial instruments**

**Financial assets (continued)**

*(i) Significant increase in credit risk*

When assessing whether the credit risk for the financial instrument significantly increased since the initial recognition, the Group compares the risk of default on the reporting date to the risk of default of the financial instrument on the date of initial recognition. During the assessment, the Group considers both quantitative and qualitative information which are reasonable and available, including the historical experience, which can be accessed without unnecessary costs or engagements.

In particular, for the loans given, the Group relies on days of default when assessing significant credit risk deterioration. If the debtor is in default more than 30 days, then the Group assumes that there is a significant increase in credit risk.

Despite the aforementioned, we assume that the credit risk for the financial instrument has not significantly increased since the initial recognition if we determine that the financial instrument has a low credit risk at the reporting date. We conclude that the financial instrument has a low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong ability to settle his/her contractual obligations in the short term; and
- Adverse changes in economic and business conditions in the long term may, but do not necessarily have to, decrease the lessee's ability to meet his/her contractual cash flow obligations.

However, the Group does not currently use the simplification of a low credit risk when assessing the significant increase in credit risk.

The Group regularly monitors the efficiency of criteria used to determine whether there has been a significant increase in credit risk and reviews them so that the criteria may identify a significant increase in credit risk before any default occurs.

*(ii) Definition of default status*

The following facts, which represent a case of default for internal credit risk management purposes are data that are internally developed or obtained from external sources, indicating that it is unlikely that the debtor will pay his/her creditors, including the Group, in full (without considering any collateral held by the Group).

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.7 Financial instruments**

**Financial assets (continued)**

*(iii) Credit-impaired financial assets*

Financial assets are credit-impaired when one or more events with an adverse effect on estimated future cash flows and financial assets occurred. Proof of credit impairment of the financial asset includes data available on the following events:

- Significant financial difficulties of the issuer or debtor;
- Default status (as defined above);
- When the issuer, due to the debtor's financial difficulties, grants the debtor a concession, which he would otherwise not consider;
- It becomes probable that the debtor will go into bankruptcy or undertake another type of financial restructuring;
- The disappearance of an active market for a specific financial asset because of financial difficulties.

*(iv) Write-off policy*

The Group writes off financial assets when there are data pointing to the fact that the debtor is in serious financial difficulties and that there is no real chances of return, for example when the debtor has gone into liquidation or bankruptcy. Written-off financial assets can still be subject to enforcement activities within the Group recovery procedures, with regard to the relevant legal advice, where appropriate. Recovery is recognised in the profit or loss account.

*(v) Measurement and recognition of expected credit losses*

Measurement of expected credit losses represents a loss rate function, calculated in line with the model described in note 2.8. In terms of exposure in the moment of default, for the financial assets it represents a gross carrying amount of the assets at the reporting date.

For the financial assets, the expected credit loss is assessed as the difference between all contractual cash flows maturing in line with the contract and all expected cash flows, discounted at the original effective interest rate.

If the Group measured provisions for expected loan losses for financial instruments in the amount equal to life-long ECL in the previous reporting period, but at the current reporting date it determined that the life-long ECL conditions are no longer met, the Group measures the loss in the amount equal to a 12-month ECL at the current reporting date, except for the assets for which a simplified approach was used (trade receivables).

The Group recognises impairment gains and losses in the profit and loss account for all financial instruments with the appropriate adjustment of the carrying amount through the loss provisions account.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.7 Financial instruments**

**Financial liabilities**

Financial liabilities recognized by the Group are trade payables and borrowings.

The Company measures all financial liabilities at depreciated cost.

*(a) Trade payables*

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

*(b) Borrowings*

Borrowings are recognized initially at fair value, net of transaction costs incurred. In future periods, borrowings are reported at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of a derecognised financial liability and paid fee per liability fee are calculated into profit or loss.

**2.8 Trade receivables**

The Group always reports the provisions for expected credit losses of trade receivables in the amount equal to the life-long ECL.

Trade receivables without a significant financing component are recognised initially at the transaction price and subsequently measured at amortised cost.

The impairment loss is assessed based on the customer's activity, i.e. the borrower's activity, and based on historical data, the current and expected liquidity of the Health System of the Republic of Croatia, as well as specific assessments of the Sales Sector, depending on the current state of the market and the inability to collect them.

There were no changes in the assessment techniques or material assumptions during the current reporting period.

The impairment losses on trade receivables are recognised in the income statement within "Other operating expenses".

Loans and receivables with maturities greater than 12 months after the reporting date are classified as non-current assets.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.9 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid instruments with original maturities of three months or less. Bank overdrafts are included within current liabilities on the consolidated statement of financial position.

**2.10 Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost includes all costs attributable to the purchase of goods and is calculated based on the weighted average purchase price. Net realisable value represents the estimated selling price in the ordinary course of business less all variable selling costs. Examination of damaged and/or obsolete inventories is performed continuously and for all such inventories write down to net realisable value is charged to cost of goods sold.

**2.11 Assets held for sale**

Assets are classified as held for sale when carrying value is expected to be recovered primarily through sale rather than through continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell. Assets held for sale are not depreciated and are presented separately.

**2.12 Share capital**

Share capital consists of ordinary shares.

**2.13 Employee benefits**

*(i) Obligations in respect of retirement and other post-employment benefits*

In the normal course of business the Group makes payments, through salary deductions, to mandatory pension funds on behalf of its employees, as required by law. All contributions paid to the mandatory pension funds are recognised as salary expense when accrued. The Group does not have any other pension scheme and consequently, has no other obligations in respect of employee pensions. In addition, the Group is not obliged to provide any other post-retirement benefits.

*(ii) Long-term employee benefits*

The Group recognises a liability for long-term employee benefits (jubilee awards and retirement benefits for full-age retirement) over the period the benefit is earned based on actual years of service. The long-term employee benefit obligation is determined using assumptions regarding the likely number of staff to whom the benefit will be payable, estimated benefit cost and the discount rate. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.13 Employee benefits (continued)**

*(iii) Short-term employee benefits*

The Group recognises a provision for bonuses, unused annual leave and other benefits when there is a contractual obligation or a past practice giving rise to a constructive obligation.

Short-term liabilities for termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Short-term employee benefits include termination benefits and jubilee awards (stated in paragraph (b) above), which will be paid within a period of 12 months after the reporting date.

**2.14 Provisions**

Provisions are recognised if the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The amount of provision increases in each period to reflect the passage of time. This increase is presented as interest expense.

**2.15 Borrowings and borrowing costs**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are charged to profit or loss in the period in which they are incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.16 Revenue recognition**

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following text provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers.

*(a) Medika CGU - Sales of goods*

Sales of goods revenue is recognized when the control of goods is transferred to the the customer, i.e. when the goods are delivered to the customer. The delivery is performed when the goods have been dispatched to a specific location, risk of obsolescence and loss is transferred to the customer, the customer received the goods pursuant to the contract, and the Company has objective proof that all of the conditions for the receipt of goods have been met.

Retail revenue is recognized at the time of sale of goods to the buyer. Retail revenue is mostly made in cash or through credit cards. Reported revenue includes credit card fees that are included in other operating expenses.

*(b) Aminess CGU and other CGU's-Service revenue*

Service revenue is recognized in the accounting period in which service is performed.

Hotel and tourism services are provided based on fixed-price contracts. Revenues from hotel and tourism services are recognised over time when the services are provided. Price lists include the quantities and types of accommodation units and other services and are defined by the period to which service relates. All discounts calculated on the price list represent a decrease in the selling price.

Commission fees to booking agencies represent an additional cost of contract acquisition and are recognized as an expense by the Company at the time of their occurrence and are disclosed within other operating expenses.

*(c) All CGU's- Financial income*

Financial income represents interest income earned on term deposits with banks and on given loans and is recognised on a time proportion basis using effective interest rate method.

Transactions denominated in foreign currencies are translated into functional currency using the foreign exchange rate valid on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the official foreign exchange rate at the reporting date. Any gains or losses arising from change in applicable exchange rates subsequent to the date of transaction are included in the income statement as part of financial income or financial expense.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.17 Income tax**

Current tax is determined on the basis of the tax laws in effect in the Republic of Croatia and Czech Republic at the balance sheet date. From time to time, the Management reviews individual items declared in the tax returns where such items might be subject to various tax interpretations and considers forming provisions, where necessary, based on the amount expected to be paid to the Tax Administration.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the date of the financial statements, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the liability method, whilst taking into account the temporary differences between the tax bases of assets and liabilities and their carrying amounts in financial reports. However, deferred taxes are not recognised if it derives from the initial recognition of assets or liabilities within a transaction which is not a business merger and which has no bearing on the accounting profit or taxable profit (tax loss). Deferred tax assets and liabilities are determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised up to the amount of the future taxable profit which is likely to be available for the use of temporary differences.

**2.18 Value added tax**

The Tax Authorities require that VAT is settled on a net basis. VAT on sale and purchase transactions is recognised in the statement of financial position on a net basis. Where an amount receivable is impaired, the impairment loss is recognised in the gross amount of the receivable, i.e. including VAT.

**2.19 Dividends payable**

Dividends payable to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved in the General Meeting of the Company's shareholders.

**2.20 Leases**

Subsidiaries in the Group, like Medika d.d. and Aminess d.d. leases certain properties and vehicles. The contracts are concluded for a period of 3 years to 10 years and have the possibility of extension. Contracts may contain lease and non-lease components, allocation of consideration between components is based on their relative stand-alone prices.

Leased property is classified as a right-of-use. At the same time, a lease liability is recognized on the date the underlying asset is available for use. Assets and liabilities from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments: fixed payments less any incentives, variable lease payments that are based on index, initially measured using the index as at commencement date, amounts expected to be payable by the Group under residual value guarantees. Lease payment to be made under reasonably certain extension options are also included in the measurement of the liability.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.20 Leases (continued)**

Lease liabilities are discounted using the interest rates implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated into the principal and the cost of financing. Financing expense is recognized in the income statement over the term of the lease.

Right-of-use assets are recognized using the cost method consisting of: the amount of the initial measurement of the lease liability, all payments made before the lease commences and direct costs. Right of use assets are depreciated over the useful life or lease term, whichever is shorter.

All leases that with a remaining lease term of less than 12 months and leases of assets with low value are recognized in the income statement on a straight-line basis over the term of the lease.

**2.21 Government grants**

Government grants are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs.

Grants related to property, plant and equipment are recognised in profit or loss over the periods and in the proportions in which depreciation on those assets is recognised. In the statement of financial position, government grant is deducted in arriving at the carrying amount of the underlying asset and is recognised in the profit or loss over the useful life of depreciable asset by way of a reduced depreciation charge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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NOTE 3 - FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to various financial risks: market risk (which includes foreign exchange risk, fair value interest rate risk, interest rate cash flow risks and investment in securities risk), credit risk and liquidity risk.

Medika d.d. as the pharmaceuticals wholesale and pharmacy industry in the Republic of Croatia is highly influenced by the state which plays its role by imposing strict legislation and the health system funding. As the dynamic of funding by the state is beyond control or prediction and given the inability to predict financial market trends, the overall risk management of the Group is focused on reducing the potential adverse impact on the Group's financial position. Risk management within the Group is the responsibility of the Finance Division that, in cooperation with other divisions within the Group, identifies, assesses the risks and proposes risk protection measures.

Aminess and other subsidiaries are actively monitoring credit exposure. The entities are applying a conservative approach when investing (e.g. money market funds, equity instruments). Management considers that the entities are not currently significantly exposed to credit risk due to the low level of trade receivables and sales revenue at the reporting date as most of the properties are closed during the winter season. Within creditworthiness assessments, the entities need to adhere to certain minimum creditworthiness requirements. A maximum individual exposure is also determined. Trade receivables are monitored on a regular basis, i.e. at least once a week.

**(a) Market risk**

**(i) Foreign exchange risk**

The Group generates most of its revenue in Croatian kuna (HRK) and EUR. However, the Group purchases a part of goods denominated in euro, which exposes it to the currency risk arising from changes in foreign exchange rates mostly against the EUR which may affect future operating results and cash flows. The Finance Division of the Group seeks to manage the foreign exchange risk by reducing the balance of foreign-currency denominated financial liabilities. This mainly relates to borrowings, which are almost entirely denominated in the Croatian kuna and EUR, and hence the exposure to the foreign exchange risk is currently regarded as low based on an assessment that HRK is not expected to fluctuate significantly against EUR, as HRK is "semi-pegged" to EUR under the European Exchange Rate Mechanism. The Purchase Division reduced the foreign exchange risk arising from liabilities owed to foreign suppliers by agreeing the Croatian kuna as the payment currency. It is the tendency in the future to agree payments in Croatian kuna with as many existing foreign suppliers as possible so as to minimise the risk arising from transactions with foreign suppliers.

As at 31 December 2021, (Notes 17, 19, 22, 23), if the euro would weaken/strengthen against the Croatian kuna by 1.0%, with all other variables held constant, the net profit for the reporting period would have been HRK 14,649 thousand (2020: HRK 14,372 thousand) higher/lower mainly as a result of foreign exchange gains/losses on translation of euro-denominated trade payables.

**NOTE 3 - FINANCIAL RISK MANAGEMENT (continued)**

**3.1 Financial risk factors (continued)**

**(a) Market risk (continued)**

**(ii) Cash flow and fair value interest rate risk**

The Group's interest rate risk arises from its borrowings, which expose the Group to cash-flow interest rate risk. Fixed-rate borrowings expose the Group to the interest-rate fair value risk.

The Group does not use derivative instruments to actively hedge its cash flow and fair value interest rate risk exposure. However, the Group continuously monitors changes in interest rates. Various scenarios are simulated taking into account refinancing, renewal of existing positions and alternative financing.

As at 31 December 2021, if the effective interest rate on borrowings (issued at variable rate) would be 10 bps higher/lower on an annual level, the net profit for the reporting period would be HRK 141 thousand (2020: HRK 317 thousand) lower/higher.

**(b) Credit risk**

Current assets that expose the Group to credit risk consists mainly of cash and cash equivalents, given loans, long-term deposits, receivables from associates and trade and other receivables. The Group has no significant concentrations of credit risk to an individual customer or group. The Group has sales policies in place to ensure that credit sales are made to customers with an appropriate credit history. With respect to credit risk exposure, customers are grouped into three categories: pharmacies, hospitals and other customers. A higher credit risk is found among pharmacies since they have a potential going concern issue. However, collection period for hospitals is longer, but there is low risk that the receivables will not be recovered, i.e. there is low going concern issue. Other customers are not significant because of dispersion over a large number of customers and individually small balances. A detailed credit risk analysis is presented in Note 17.

For trade receivables, the Group applied a simplified approach to measuring loss for the life-long ECL.

The Group is exposed to one customer from the hospital segment, accounting for 23% (2020: 27%) of total trade receivables.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

## NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

## 3.1 Financial risk factors (continued)

## (c) Liquidity risk

Prudent liquidity risk management implies the maintenance of a sufficient cash level, ensuring the availability of financial assets due to adequate amounts of contracted credit lines and the ability to settle all liabilities. It is the objective of the Group to maintain flexibility in funding, by ensuring availability of the agreed credit lines. The Finance Department of the Company regularly monitors the level of available sources of cash funds. Customers consist largely of those owned by, or dependent of, the Republic of Croatia. Hence, the Group's liquidity risk level also depends on the state. The insufficient level of cash from period to period is a direct consequence of the schedule of payments received from the state in settling the state's liabilities concerning the health system. Where the payment periods are extended by the state, the Group negotiates extended payment deadlines with its suppliers. This reciprocity of terms from the state to suppliers has been the approach and normal practice within the industry and is expected to continue as such in the foreseeable future. Any shortfall is covered using lines of credit available at commercial banks.

At 31 December 2021, the balance of cash and cash equivalents amounts to HRK 252,515 thousand (2020: HRK 264,918 thousand), and the Group had free credit lines in the amount of HRK 382,335 thousand (2020: HRK 273,679 thousand) available at demand for liquidity risk management purposes.

The table below analyses financial liabilities of the Group by contractual maturities. The amounts presented below represent undiscounted cash flows.

<i>(in thousands of HRK)</i>	Up to one month	From one month to one year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
<b>31 December 2021</b>						
Borrowings	356	309,816	54,796	708,942	114,234	1,188,144
Lease liabilities	1,089	17,097	18,563	19,812	2,717	59,278
Trade and other payables	579,511	1,019,092	5,882	22,556	-	1,627,041
	<u>580,956</u>	<u>1,346,005</u>	<u>79,241</u>	<u>751,310</u>	<u>116,951</u>	<u>2,874,463</u>
 <i>(in thousands of HRK)</i>						
<b>31 December 2020</b>						
Other investments	244	333,794	53,980	748,693	-	1,136,711
Lease liabilities	1,155	18,118	27,489	20,655	3,792	71,209
Trade and other payables	608,749	1,115,918	-	-	-	1,724,667
	<u>610,148</u>	<u>1,467,830</u>	<u>81,469</u>	<u>769,348</u>	<u>3,792</u>	<u>2,932,587</u>



**NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)**

**3.2 Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to ensure returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a ratio of Loan to Value, where Loan refers to liabilities of Auctor Holding excluding shareholder loans and Value refers to the fair value of assets owned by Auctor Holding. The Group aims to keep Loan to Value ratio below 80%.

**3.3 Fair value measurement**

The Group applies a number of accounting policies and disclosures requiring the measurement of fair value of financial and non-financial assets and liabilities.

Fair values are classified into different levels in the fair value hierarchy based on the input variables used in valuation techniques:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (as the price) or indirectly (derived from prices);
- Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is considered active if the quoted prices are known thanks to the activities of a stock exchange, brokers, an industry group or a regulatory agency, and if they represent actual and regular market transactions under normal trading conditions.

Fair value of financial instruments that are not traded in an active market (e.g. an OTC derivatives market) is determined by way of valuation techniques. These valuation techniques require maximum use of observable market data where possible, and rely as little as possible on entity-specific estimates. If all significant input variables required for fair valuation are observable, a fair value estimate is classified as level 2.

If one or more significant input variables are not based on observable market data, a fair value estimate is classified as level 3.

**NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)**

***Valuation of FVPL and FVOCI investments***

During the reporting period, no transfers from Level 1 to Level 2 or from Level 2 to Level 1 occurred, as there were no changes to the methodology used in determining levels of the fair value hierarchy, while the market activity of financial instruments in the Group's portfolios remained unchanged.

The existence of published prices quotations in an active market is the best evidence of fair value and these quoted prices (Effective Market Quotes) shall therefore be used as the primary method for measuring financial assets and liabilities in the trading portfolio. If the market for a financial instrument is not active, the Group determines the fair value by using a valuation technique. Valuation techniques include:

- using market values which are indirectly connected to the instrument being measured, deriving from products with similar risk characteristics (Comparable Approach);
- valuations conducted using (even only in part) inputs not deriving from parameters observable on the market, for which estimates and assumptions formulated by the assessor are used (Mark-to-Model).

Given the uncertainties of the domestic market, primarily characterised by low liquidity where market conditions do not show active trading but rather inactive, the Group primarily uses valuation techniques based on the following principles:

- Used yield curves are created from interest rate quotations observed on the market;
- An appropriate yield curve (the one that is associated with the same currency in which the security, whose price is modelled, is denominated) is used in discounting of all the security's cash flows in order to determine its present value;
- In determining the fair value of bonds issued by corporate issuers and municipality bonds, the Group additionally uses the spreads associated with the internal credit rating of the issuer, which is then added to the yield curve for valuation thus capturing credit risk and various other counterparty related risks. Estimates for unobservable input was 3.9%. Significant increases in those inputs would result in lower fair values, while significant reduction would result in higher fair values. Considering the relatively small size of the financial instruments classified as Level 3, changing one or more of the assumptions would have insignificant effects on the overall financial statements.

**NOTE 4 - KEY ACCOUNTING ESTIMATES**

The Group makes estimates that are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Fair valuation of assets and liabilities in business combination*

The Group acquired subsidiaries listed in Note 1 during 2019, 2020 and 2021. Valuation was based on the prevailing economic, market and other conditions as of the valuation date. Information about how fair values were measured at the date of acquisition is provided in note 26.

*Pharmaceutical licenses impairment*

The pharmaceutical licenses with indefinite useful life impairment testing is performed once a year during the reporting period in accordance with the accounting policy explained in notes.

Licenses were tested for impairment at an individual level based on estimated future cash flows. The recoverable amount of an asset or cash generating unit is its value in use. In assessing value in use the estimated future cash flows are discounted to their present values which are based on financial projections for the period of five years approved by the Management.

Management Board set the planned growth rates and gross margins based on past experience and expected market development for individual pharmacies. Terminal growth rate of 2.5% and pre-tax discount rate reflecting specific risks related to relevant business segments, were used in discounted cash flow model. The sensitivity analysis indicates if discount rate is increased by 0.5% (assuming an unchanged terminal growth rate) or terminal growth rate is decreased by 0.5% (assuming an unchanged discount rate), there would be no impairment of other rights.

*Control over Medika*

Auctor Holding acquired additional 8 shares in mandatory takeover bid and, after takeover bid, in total directly and indirectly held 12.814 of shares, representing 42,44% of share capital and 47,02% of voting rights of Medika d.d. (Medika has 2.940 of treasury shares, representing 9.74% of share capital).

In July 2020, Auctor d.o.o. signed Share purchase and transfer agreements for total 4.172 shares of Medika d.d., designation MDKA-R-A, ISIN: HRMDKARA0000, representing in total 13,82% of share capital and 15,31% of voting rights, with 5 key employees/managers and member of Supervisory board as new equity partners, but nevertheless, non-economic rights pertaining to purchased shares (i.e. 15,31% of voting rights) remained on Auctor for the whole time, as all new equity partners first gave Auctor long term Power of Attorney for participating and voting on General Assembly meetings in their names, and later Agreement on securing the monetary claim by transferring ownership of shares (fiduciary ownership transfer agreement) was signed between Auctor and each of new equity partner. Shares are registered in Central Clearing and Depository agency (SKDD) on Auctor name with non-monetary rights, i.e., voting rights are registered on Auctor.

**NOTE 4 - KEY ACCOUNTING ESTIMATES (continued)**

During 2021, Auctor acquired 1.700 shares from Medika's treasury shares and 243 shares from Medika's Supervisory board member.

Thus, on 31 December 2021, Auctor Holding, directly and indirectly holds 10.585 shares of Medika d.d., representing 35,06% of share capital and 50,13% of voting rights.

Management has concluded that Auctor d.o.o. controls Medika based on the considerations below:

- Following the acquisition of shares in 2021, Auctor holds more than 50% of the voting rights.
- The majority of the members of the Supervisory Board of Medika (4 out of 7) are recently appointed representatives from the Auctor Group and, under Croatian legislation can only be removed before the end of their term (4 years) with a vote of 75% of the shareholders (which cannot be achieved without the votes of Auctor d.o.o.). Further, under the Croatian legislation, the Supervisory Board of Medika has the sole authority to appoint and remove members of the management board (by simple majority) and through this has power over the relevant activities of Medika.
- In addition, even prior to having more than 50% of the voting rights, voting patterns from past General Assemblies have consistently shown that Auctor d.o.o. has historically had more than 50% of the voting rights in attendance.

Judging control in this situation requires management to exercise judgement in reaching a conclusion of control. Considering all facts and circumstances, management believes that there is sufficient evidence to support a conclusion of control.

*Control over Auctor Kapital*

On 25 July 2019 and Auctor Holding a.s. acquired 33.5% of the voting shares of Auctor Kapital and since all legal requirements were fulfilled and competent court approvals obtained, Transfer Agreement regarding sale of the 25% of the shares in Auctor Kapital held by the other, at the time, minor, owner to Auctor Holding was executed.

Thus Auctor Holding holds 58,5% of shares and voting rights in Auctor Kapital, while Oleg Uskoković acts as single director, representing solely and individually.

No shareholders or similar agreements, nor any special rights are agreed or existing between Auctor Holding or other shareholder Mr. Nenad Pavletić, holding 41,5% of shares and voting rights.

*Income tax*

Tax calculations are performed based on the Company's interpretation of current tax laws and regulations, these calculations which support the tax return may be subjected to review and approval by the local tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 5 – REVENUE

<i>(in thousands of HRK)</i>	2021	2020
Revenue from sales of goods	4,039,658	3,911,428
Revenue from sales of goods – related parties	64,314	59,292
Revenue from sale of services	260,460	92,952
Revenue from sale of services – related parties	-	1,736
	<b>4,364,432</b>	<b>4,065,408</b>

The Group generates revenue primarily from sale of pharmaceutical goods and provision of tourism services through its hotels and campsites.

<i>(in thousands of HRK)</i>	2021	2020
Wholesale of pharmaceutical goods		
Hospitals	1,527,226	1,449,936
Pharmacies	1,587,769	1,517,247
Other	506,899	557,437
	3,621,894	3,524,620
Retail of pharmaceutical goods - own pharmacies	482,078	446,100
<b>Revenue from sale of goods</b>	<b>4,103,972</b>	<b>3,970,720</b>
Revenues form hotels	152,293	40,371
Revenues from campsites	87,388	37,463
Other services	20,779	16,854
<b>Revenue from sale of services</b>	<b>260,460</b>	<b>94,688</b>
	<b>4,364,432</b>	<b>4,065,408</b>

Revenue from other services includes revenues from marketing and distribution services.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 6 – OTHER INCOME**

<i>(in thousands of HRK)</i>	<b>2021</b>	<b>2020</b>
Government grants	14,296	12,104
Rent income	7,777	5,641
Income from insurance claims	130	61
Gain/(loss) on disposal of property and equipment	3,290	320
Gain/(loss) on disposal of intangibles	396	-
Other	3,283	18,095
	<b>29,172</b>	<b>36,221</b>

Other income relates mostly to the income from organized trips and transportation services provided to the tourists in the amount of HRK 1,035 thousand (2020: other income relates mostly to the termination of a short-term liability in the amount of HRK 15.934 thousand based on a confirmation from the business partner of the absence of debt).

**NOTE 7 - STAFF EXPENSES**

<i>(in thousands of HRK)</i>	<b>2021</b>	<b>2020</b>
Net salaries	128,391	98,918
Contributions from and on salaries	56,176	45,739
Taxes and surtaxes	13,438	12,520
Management bonuses	8,525	3,121
Other employee benefits	11,656	4,941
Employee transportation costs	6,297	5,352
Termination benefits	1,695	1,677
	<b>226,178</b>	<b>172,268</b>

At 31 December 2021, there were 1,432 (2020: 1,329) persons employed at the Group.

Pension contributions recognised by the Group as payable to mandatory pension funds during 2021 amount to HRK 30,823 thousand (2020: HRK 25,955 thousand).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 8 – OTHER EXPENSES**

<i>(in thousands of HRK)</i>	<b>2021</b>	<b>2020</b>
Materials and energy	55,387	27,894
Maintenance, security services and insurance	31,958	25,545
Donations	4,260	3,223
Entertainment	2,605	670
Marketing and promotion	5,608	3,276
Professional training and consultancy services	12,492	8,252
Taxes and contributions unrelated to the result	5,591	4,456
Rental costs	2,312	1,578
Bank and payment operation charges	3,744	4,377
Commision fees	11,238	2,838
Telephone, postal and utility services	10,609	8,683
Road tolls and transportation costs	1,482	1,211
Provisions for litigations	2,154	1,566
Impairment of trade and other receivables, net	(711)	(134)
Other costs	19,265	12,147
	<b>167,994</b>	<b>105,582</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 9 - NET FINANCIAL LOSS

<i>(in thousands of HRK)</i>	<b>2021</b>	<b>2020</b>
<b>Finance income</b>		
<b>Interest income</b>		
Interest income	1,898	1,196
Penalty interest	9,998	1,055
Interest income – related parties	266	202
	<b>12,162</b>	<b>2,453</b>
<b>Foreign exchange gains – net</b>		
Foreign exchange gains	2,113	1,902
	<b>2,113</b>	<b>1,902</b>
<b>Other finance income</b>		
Dividend income	34	-
Financial assets at FVTPL	2,066	1,248
	<b>2,100</b>	<b>1,248</b>
	<b>16,375</b>	<b>5,603</b>
<b>Finance costs</b>		
<b>Interest expense</b>		
Bank loans	(38,869)	(29,465)
Loans from related parties	-	(6,124)
Penalty interest	(27)	-
Leases	(1,549)	(1,496)
	<b>(40,445)</b>	<b>(37,085)</b>
<b>Foreign exchange losses – net</b>		
Foreign exchange losses	(748)	(13,415)
	<b>(748)</b>	<b>(13,415)</b>
<b>Other finance costs</b>		
Financial assets at FVTPL	(1,809)	(2,129)
	<b>(1,809)</b>	<b>(2,129)</b>
	<b>(43,002)</b>	<b>(52,629)</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 10 – INCOME TAX**

<i>(in thousands of HRK)</i>	<b>2021</b>	<b>2020</b>
Current tax expense	26,185	15,316
Over provision in previous year	(768)	-
Deferred tax (benefit) / expense	(8,215)	(12,355)
	<b>17,202</b>	<b>2,961</b>

Reconciliation of the Group's tax expense as per income statement and the tax at the statutory tax rate is presented in the table below:

<b>Profit before taxation</b>	<b>76,799</b>	<b>31,000</b>
Income tax at a statutory tax rate	13,824	5,580
Effect of non-taxable income	(1,012)	(7,249)
Effect of tax incentives	(61)	(47)
Effect of non-deductible expenses	10,327	4,631
Over provision in previous year	(768)	-
Tax loss for which deferred tax asset has not been recognised	20	46
Previously unrecognized deferred tax assets	(97)	-
Utilisation of tax losses for which deferred tax asset had not been recognised	(765)	-
Recognition of deferred tax asset on tax losses from previous years	(3,791)	-
Impact of different tax rates	(475)	-
<b>Income tax</b>	<b>17,202</b>	<b>2,961</b>
<b>Effective tax rate</b>	<b>22.40%</b>	<b>9.55%</b>

Under the local regulations in Croatia, the Tax Authority may at any time inspect the books and records of the Group companies within 3 years following the end of the year in which the tax liability is reported and may impose additional tax assessments and penalties. The Management is not familiar with any circumstances which may lead to contingent liabilities in that respect.

**AUCTOR HOLDING a.s. and its subsidiaries**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 11 – PROPERTY, PLANT AND EQUIPMENT**

<i>(in thousands of HRK)</i>	<b>Land</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Biological and other assets</b>	<b>Assets under construction and prepayments</b>	<b>Total</b>
<b>Cost</b>						
Balance at beginning of prior period	120,978	509,755	88,272	4,086	34,762	757,853
Acquisitions through business combinations	94,745	198,468	42,885	192	-	336,290
Additions	-	1,880	2,242	160	25,809	30,091
Transfer from assets under construction	-	26,927	10,674	229	(37,830)	-
Transfer to assets available for sale	-	(13,172)	(562)	-	-	(13,734)
Transfer from assets available for sale	6,994	8,380	3	-	-	15,377
Transfer from right-of-use assets	-	-	112	-	-	112
Disposal of subsidiaries	-	-	(469)	-	-	(469)
Disposals and write offs	-	(470)	(281)	-	-	(751)
<b>Balance at the end of prior period</b>	<b>222,717</b>	<b>731,768</b>	<b>142,876</b>	<b>4,667</b>	<b>22,741</b>	<b>1,124,769</b>
Balance at beginning of current period	222,717	731,768	142,876	4,667	22,741	1,124,769
Acquisitions through business combinations	82,670	7,244	9,108	-	217,168	316,190
Additions	4	(637)	3,206	4,538	70,559	77,670
Transfer from assets under construction	3,481	14,037	3,221	-	(20,739)	-
Transfer from right-of-use assets	-	-	1,004	-	-	1,004
Disposals and write offs	(1,449)	(1,370)	(11,936)	-	(142)	(14,897)
<b>Balance at the end of current period</b>	<b>307,423</b>	<b>751,042</b>	<b>147,479</b>	<b>9,205</b>	<b>289,587</b>	<b>1,504,736</b>
<b>Accumulated amortisation and impairment</b>						
Balance at beginning of prior period	-	18,024	16,894	261	-	35,179
Charge for the year	-	42,966	23,660	627	-	67,253
Transfer from right-of-use assets	-	-	112	-	-	112
Disposal of subsidiaries	-	-	(457)	-	-	(457)
Disposals and write offs	-	(10)	(6)	-	-	(16)
<b>Balance at the end of prior period</b>	<b>-</b>	<b>60,980</b>	<b>40,203</b>	<b>888</b>	<b>-</b>	<b>102,071</b>
Balance at beginning of current period	-	60,980	40,203	888	-	102,071
Charge for the year	-	49,741	27,554	771	-	78,066
Transfer from right-of-use assets	-	-	1,004	-	-	1,004
Disposals and write offs	-	(1,003)	(11,207)	-	-	(12,210)
<b>Balance at the end of current period</b>	<b>-</b>	<b>109,718</b>	<b>57,554</b>	<b>1,659</b>	<b>-</b>	<b>168,931</b>
<b>Carrying amount</b>						
Balance at beginning of prior period	120,978	491,731	71,378	3,825	34,762	722,674
<b>Balance at the end of prior period</b>	<b>222,717</b>	<b>670,788</b>	<b>102,673</b>	<b>3,779</b>	<b>22,741</b>	<b>1,022,698</b>
Balance at beginning of current period	222,717	670,788	102,673	3,779	22,741	1,022,698
<b>Balance at the end of current period</b>	<b>307,423</b>	<b>641,324</b>	<b>89,925</b>	<b>7,546</b>	<b>289,587</b>	<b>1,335,805</b>

Loans (note 23) have been secured by pledges over property and equipment with a carrying amount of HRK 330,237 thousand as at 31 December 2021 (2020: HRK 310,275 thousand).

Assets under construction relate to investment in infrastructure in tourist segment in the amount of HRK 209,974 thousand (2020: HRK 18,965 thousand) and investment in the new headquarter and distribution centre in pharma segment in the amount of HRK 47,090 thousand (2020: 3,776 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 12 – LEASES

The Group leases vehicles, business premises and other assets under lease agreements.

/i/ The balance sheet shows the following amounts relating to leases:

**Right-of-use assets**

	31 December 2021	31 December 2020
<i>(in thousands of HRK)</i>		
<b>Right-of-use assets:</b>		
Vehicles	11,161	12,532
Business premises	38,916	42,435
Concessions and mobile homes	5,200	7,563
	<b>55,277</b>	<b>62,530</b>

**Lease liabilities**

	31 December 2021	31 December 2020
<i>(in thousands of HRK)</i>		
<b>Lease liabilities:</b>		
Current	17,726	17,611
Non-current	41,092	49,721
	<b>58,818</b>	<b>67,332</b>

/ii/ Non-current lease liabilities:

	31 December 2021	31 December 2020
<i>(in thousands of HRK)</i>		
From 1-2 years	18,563	25,274
From 2-5 years	19,812	20,655
More than 5 years	2,717	3,792
	<b>41,092</b>	<b>49,721</b>

/iii/ Lease liabilities are denominated in the following currencies:

	31 December 2021	31 December 2020
<i>(in thousands of HRK)</i>		
HRK	12,322	15,637
EUR	46,496	51,695
	<b>58,818</b>	<b>67,332</b>

**NOTE 12 – LEASES (continued)**

/iv/ The statement of profit or loss shows the following amounts relating to leases:

<i>(in thousands of HRK)</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Depreciation	18,261	17,204
Interest expense	1,549	1,496
Rental costs related to short-term leases and low value leases	1,960	1,151
Rental costs related to low value leases	352	427
	<b>22,122</b>	<b>20,278</b>

Average interest rate amounts to 2.60-3.40%.

/v/ Movement of lease liabilities is as following:

<i>(in thousands of HRK)</i>	<b>2021</b>	<b>2020</b>
<b>Balance at beginning of the period</b>	67,332	61,462
<b>Cash transactions</b>		
Leases repaid	(19,101)	(14,879)
Interest repaid	(1,549)	(1,496)
<b>Total cash transactions</b>	<b>(20,650)</b>	<b>(16,375)</b>
<b>Non-cash transactions</b>		
Acquired in business combinations	-	1,035
Disposal of subsidiaries	-	(73)
The effect of changes in foreign exchange rates	173	-
New leases	11,515	19,732
Remeasurement of lease	-	55
Termination of lease	(1,101)	-
Interest expense	1,549	1,496
<b>Total non-cash transactions</b>	<b>12,136</b>	<b>22,245</b>
<b>Balance at end of the period</b>	<b>58,818</b>	<b>67,332</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 12 – LEASES (continued)

/vi/ Movement of right-of-use assets is as following:

<i>(in thousands of HRK)</i>	<b>Vehicles</b>	<b>Business premises</b>	<b>Other</b>	<b>Total</b>
<b>Cost</b>				
Balance at beginning of prior period	13,689	41,382	12,034	67,105
Additions	5,932	13,800	-	19,732
Acquisitions through business combinations	-	238	774	1,012
Remeasurement of lease	2	-	53	55
Transfers to property and equipment	(112)	-	-	(112)
Disposal of subsidiaries	(192)	-	-	(192)
Disposals and write offs	(59)	(2,406)	-	(2,465)
<b>Balance at the end of prior period</b>	<b>19,260</b>	<b>53,014</b>	<b>12,861</b>	<b>85,135</b>
Balance at beginning of current period	19,260	53,014	12,861	85,135
Additions	4,351	7,164	-	11,515
Transfers to property and equipment	(1,044)	-	-	(1,044)
Disposals and write offs	(682)	(2,364)	-	(3,046)
<b>Balance at the end of current period</b>	<b>21,885</b>	<b>57,814</b>	<b>12,861</b>	<b>92,560</b>
<b>Accumulated depreciation</b>				
Balance at beginning of prior period	2,210	3,658	1,956	7,824
Charge for the year	4,810	9,052	3,342	17,204
Transfers to property and equipment	(112)	-	-	(112)
Disposals through business combinations	(121)	-	-	(121)
Disposals and write offs	(59)	(2,131)	-	(2,190)
<b>Balance at the end of prior period</b>	<b>6,728</b>	<b>10,579</b>	<b>5,298</b>	<b>22,605</b>
Balance at beginning of current period	6,728	10,579	5,298	22,605
Charge for the year	5,409	9,824	2,363	17,596
Transfers to property and equipment	(1,044)	-	-	(1,044)
Disposals and write offs	(369)	(1,505)	-	(1,874)
<b>Balance at the end of current period</b>	<b>10,724</b>	<b>18,898</b>	<b>7,661</b>	<b>37,283</b>
<b>Carrying amount</b>				
Balance at beginning of prior period	11,479	37,724	10,078	59,281
<b>Balance at the end of prior period</b>	<b>12,532</b>	<b>42,435</b>	<b>7,563</b>	<b>62,530</b>
Balance at beginning of current period	12,532	42,435	7,563	62,530
<b>Balance at the end of current period</b>	<b>11,161</b>	<b>38,916</b>	<b>5,200</b>	<b>55,277</b>

The notes on pages 28 to 96 form an integral part of these consolidated financial statements.

**AUCTOR HOLDING a.s. and its subsidiaries**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**
**NOTE 13 – INTANGIBLE ASSETS**

<i>(in thousands of HRK)</i>	<b>Goodwill</b>	<b>Brand</b>	<b>Licences, concessions, patents, softwares</b>	<b>Assets under construction</b>	<b>Total</b>
<b>Cost</b>					
Balance at beginning of prior period	-	7,651	230,877	740	239,268
Acquisitions through business combinations	7,090	-	8,821	14	15,925
Additions	-	-	4,246	4,686	8,932
Transfer from assets under construction	-	-	3,541	(3,541)	-
Transfer to assets available for sale	-	-	(61)	-	(61)
Transfer from assets available for sale	-	-	848	-	848
Disposal of subsidiaries	-	-	(920)	-	(920)
Disposals and write offs	-	-	(82)	-	(82)
<b>Balance at the end of prior period</b>	<b>7,090</b>	<b>7,651</b>	<b>247,270</b>	<b>1,899</b>	<b>263,910</b>
Balance at beginning of current period	7,090	7,651	247,270	1,899	263,910
Acquisitions through business combinations	1,655	-	9,376	-	11,031
Additions	639	-	756	7,506	8,901
Transfer from assets under construction	-	-	4,092	(4,092)	-
Disposals and write offs	-	-	(1,852)	-	(1,852)
<b>Balance at the end of current period</b>	<b>9,384</b>	<b>7,651</b>	<b>259,642</b>	<b>5,313</b>	<b>281,990</b>
<b>Accumulated amortisation and impairment</b>					
Balance at beginning of prior period	-	797	2,524	-	3,321
Charge for the year	-	1,913	6,265	-	8,178
Disposal of subsidiaries	-	-	(101)	-	(101)
Disposals and write offs	-	-	(75)	-	(75)
<b>Balance at the end of prior period</b>	<b>-</b>	<b>2,710</b>	<b>8,613</b>	<b>-</b>	<b>11,323</b>
Balance at beginning of current period	-	2,710	8,613	-	11,323
Charge for the year	-	4,941	7,817	-	12,758
Disposals and write offs	-	-	(542)	-	(542)
<b>Balance at the end of current period</b>	<b>-</b>	<b>7,651</b>	<b>15,888</b>	<b>-</b>	<b>23,539</b>
<b>Carrying amount</b>					
Balance at beginning of prior period	-	6,854	228,353	740	235,947
<b>Balance at the end of prior period</b>	<b>7,090</b>	<b>4,941</b>	<b>238,657</b>	<b>1,899</b>	<b>252,587</b>
Balance at beginning of current period	7,090	4,941	238,657	1,899	252,587
<b>Balance at the end of current period</b>	<b>9,384</b>	<b>-</b>	<b>243,754</b>	<b>5,313</b>	<b>258,451</b>

**Licences**

At the reporting date, pharmacy licences with an indefinite useful life amount in total to HRK 219,541 thousand (2020: HRK 210,347 thousand). Pharmacy activities cannot be undertaken without pharmacy licences.

**Impairment test of licences**

The Group calculated recoverable amount using value-in-use method. Value in use cash flow projections were based on 5 year business plan. Discount rate of 5.58% (2020: 5.85%) and terminal growth rate of 2.5% (2020: 2.5%) were used for discounting the projected cash flow.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 13 – INTANGIBLE ASSETS (continued)

**Brand**

Brand Laguna Novigrad d.d. was fair valued at acquisition date. The value of brand was estimated at HRK 7,653 thousand with useful life of four years. During 2021 there was the change in estimate of useful life of the brand. Laguna Novigrad changed its name and decided not use brand name in 2022 so the brand was fully amortised in 2021. The effect of change in estimate is additional amortization of HRK 3.028 thousand.

NOTE 14 – INVESTMENTS IN ASSOCIATES

The Group Medika holds a 49% share in the associate Zdravstvena ustanova Ljekarne Jagatić. During 2020, 41,79% investment (43.86 % voting rights) in Elektroda Zagreb d.d. that Lipa-promet and Auctor held together was sold.

<i>(In thousands of HRK)</i>	Interest in %, 31 December 2021	Interest in %, 31 December 2020	31 December 2021	31 December 2020
Zdravstvena ustanova Ljekarne Jagatić	49.00%	49.00%	25,856	24,195
			<b>25,856</b>	<b>24,195</b>
			<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Balance at the beginning of the period</b>			24,195	22,216
Share of profit (dividend) recieved			(1,176)	(147)
Share of profits realised in period			2,837	2,532
Sale of associate			-	(406)
<b>Balance at the end of the period</b>			<b>25,856</b>	<b>24,195</b>

Financial information on share in associates is summarised below:

	Non current assets	Current assets	Non current liabilities	Current liabilities	Net assets	Revenues	Nat profit
<b>31 December 2021</b>							
Ljekarne Jagatić	8,994	14,413	624	13,851	8,932	48,438	2,837
	<b>8,994</b>	<b>14,413</b>	<b>624</b>	<b>13,851</b>	<b>8,932</b>	<b>48,438</b>	<b>2,837</b>
<b>31 December 2020</b>							
Elektroda Zagreb d.d.	-	-	-	-	-	12,711	233
Ljekarne Jagatić	9,211	12,162	624	13,468	7,281	44,696	2,299
	<b>9,211</b>	<b>12,162</b>	<b>624</b>	<b>13,468</b>	<b>7,281</b>	<b>57,407</b>	<b>2,532</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 15– OTHER INVESTMENTS

<i>(in thousands of HRK)</i>	31 December 2021	31 December 2020
<b>Non-current investments:</b>		
Equity securities – at FVOCI	845	662
Equity securities – at FVTPL	344	1,647
	<b>1,189</b>	<b>2,309</b>

NOTE 16 – FINANCIAL INSTRUMENTS-FAIR VALUES

The following table shows the carrying amounts and fair values of financial instruments, including their levels in the fair value hierarchy. It does not include fair value information for financial instruments not measured at fair value if the carrying amount is a reasonable approximation of fair value.

<i>(in thousands of HRK)</i>	Level 1	Level 2	Level 3	Total at 31 December 2021
<b>Financial assets measured at fair value</b>				
Equity securities – at FVOCI	805	40	-	845
Equity securities – at FVTPL	86	258	-	344
	<b>891</b>	<b>298</b>	<b>-</b>	<b>1,189</b>

<i>(in thousands of HRK)</i>	Level 1	Level 2	Level 3	Total at 31 December 2020
<b>Financial assets measured at fair value</b>				
Equity securities – at FVOCI	622	40	-	662
Equity securities – at FVTPL	738	909	-	1,647
	<b>1,360</b>	<b>949</b>	<b>-</b>	<b>2,309</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 17 – TRADE AND OTHER RECEIVABLES

<i>(in thousands of HRK)</i>	31 December 2021	31 December 2020
<b>Non-current receivables</b>		
Loans given	24,284	36,541
Trade receivables	39	498
Long-term deposits	5,404	5,421
	<b>29,727</b>	<b>42,460</b>
<b>Current receivables</b>		
Trade receivables	1,337,013	1,635,047
Other current receivables	21,649	44,166
Short-term deposits	-	6,776
Loans given	17,112	3,759
Loans given – current portion of non-current loans	7,237	6,913
	<b>1,383,011</b>	<b>1,696,661</b>
	<b>1,412,738</b>	<b>1,739,121</b>

Non-current loans given, as reported in the statement of financial position as at 31 December, are as follows:

<i>(in thousands of HRK)</i>	Effective interest rate	31 December 2021	31 December 2020
Loans given	2.0-5.0%	31,521	43,454
Current portion of non-current loans		(7,237)	(6,913)
		<b>24,284</b>	<b>36,541</b>

The maturity of long-term loans is as follows:

<i>(in thousands of HRK)</i>	31 December 2021	31 December 2020
From 1 to 2 years	3,808	6,505
From 2 to 5 years	20,476	30,011
Over 5 years	-	25
	<b>24,284</b>	<b>36,541</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 17 – TRADE AND OTHER RECEIVABLES (continued)

Trade receivables, as reported in the statement of financial position at 31 December, are as follows:

<i>(in thousands of HRK)</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Domestic trade receivables	1,318,500	1,620,406
Trade receivables – related parties	25,464	23,698
Foreign trade receivables	4,667	3,861
	<b>1,348,631</b>	<b>1,647,965</b>
Expected credit losses	(11,579)	(12,420)
	<b>1,337,052</b>	<b>1,635,545</b>

Ageing structure of receivables:

<i>(in thousands of HRK)</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Not yet due	629,687	557,821
0-180 days past due	700,078	824,209
181-360 days past due	7,837	256,950
Over 360 days past due	11,029	8,985
	<b>1,348,631</b>	<b>1,647,965</b>

Movements in impairment allowance for trade receivables:

<i>(in thousands of HRK)</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Balance at start of the period	12,420	10,925
Increase / (decrease )	(841)	1,547
Write-off	-	(52)
<b>Balance at 31 December</b>	<b>11,579</b>	<b>12,420</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 17 – TRADE AND OTHER RECEIVABLES (continued)**

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

<i>(in thousands of HRK)</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
HRK	1,397,736	1,705,912
EUR	15,000	33,207
GBP	2	2
	<b><u>1,412,738</u></b>	<b><u>1,739,121</u></b>

Other receivables, as reported in the statement of financial position as at reporting date, are as follows:

<i>(in thousands of HRK)</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
VAT receivable	9,376	6,343
Prepaid expenses	3,027	3,392
Other	9,246	34,431
	<b><u>21,649</u></b>	<b><u>44,166</u></b>

As at 31 December 2020, under other receivables the most significant part relates to assets on escrow account which were transferred to the previous owner. As at 31 December 2020, there is a liability in same amount presented in financial statements. The liability was settled during 2021.

Current loans reported in the statement of financial position as at reporting date are as follows:

<i>(in thousands of HRK)</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Given loans	17,112	3,759
	<b><u>17,112</u></b>	<b><u>3,759</u></b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 17 – TRADE AND OTHER RECEIVABLES (continued)

Financial assets by category include the following:

<i>(in thousands of HRK)</i>	31 December 2021	31 December 2020
Trade receivables	1,337,052	1,635,545
Deposits	5,404	12,197
Given cash loans	45,532	43,631
Given commodity loans	3,101	3,582
	<b>1,391,089</b>	<b>1,694,955</b>

Receivables per type of customers are as follows:

<i>(in thousands of HRK)</i>	31 December 2021	31 December 2020
Wholesale pharma customers		
Hospitals	750,745	1,164,698
Pharmacies	383,828	316,981
Other	91,685	73,541
Retail pharma customers	100,178	78,562
Tourism customers	10,524	1,666
Other	92	97
Total	<b>1,337,052</b>	<b>1,635,545</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 18 – INVENTORIES

<i>(in thousands of HRK)</i>	31 December 2021	31 December 2020
Trade goods	352,704	370,592
Prepayments made	3,601	2,816
Materials	2,574	1,311
Finished goods	333	549
	<b>359,212</b>	<b>375,268</b>

During the year the Group recognised write-down in the amount of HRK 8,434 thousand (2020: HRK 6,352 thousand) as an expense, which relates to damaged, expired inventories and inventories withdrawn from the market which is included in the cost of goods sold.

Inventories in the amount of HRK 130,000 thousand (2020: HRK 130,000 thousand ) have been pledged as collateral for borrowings (note 23).

During the year total amount of inventories recognised as expense amounted to HRK 3,789,100 thousand (2020: HRK 3,674,207 thousand).

NOTE 19 - CASH AND CASH EQUIVALENTS

<i>(in thousands of HRK)</i>	31 December 2021	31 December 2020
Cash at banks	233,856	250,481
Cash in hand	26	39
Deposits	18,633	14,398
	<b>252,515</b>	<b>264,918</b>

Cash on HRK and foreign-currency denominated accounts is held with commercial banks in Croatia, Slovakia and Czech Republic.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 20 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

There are no assets held for sale as at 31 December 2021.

Assets held for sale as at 31 December 2020 were as follows:

<i>(in thousands of HRK)</i>	<b>SZAIF</b>	<b>Adriatic kampovi</b>	<b>Total</b>
<b>Non-current assets</b>			
Property, plant and equipment	-	13,734	13,734
Intangible assets	-	61	61
Investments in associates	29,549	-	29,549
Deferred tax assets	-	88	88
	<b>29,549</b>	<b>13,883</b>	<b>43,432</b>
<b>Current assets</b>			
Trade and other receivables	-	8,231	8,231
Income tax receivable	-	144	144
Cash and cash equivalents	-	53	53
	<b>-</b>	<b>8,428</b>	<b>8,428</b>
<b>Current liabilities</b>			
Trade and other payables	-	782	782
	<b>-</b>	<b>782</b>	<b>782</b>
<b>Assets held for sale</b>	<b>29,549</b>	<b>21,529</b>	<b>51,078</b>

Both investment in SZAIF and Adriatic Kampovi d.o.o. were sold during 2021.

Shares of Slavonski Zatvoreni Alternativni Investicijski Fond d.d., designation SLPF-R-A, ISIN: HRSLPFRA0004, were sold by three companies of Auctor Group for HRK 22.20 per share with all net proceedings transferred to sinking fund for bond repayment purposes:

- I. Auctor Holding a.s. sold all 194,204 shares, representing 6.37% of share capital and voting rights, for total amount HRK 4,311 thousand.
- II. Lipa Promet d.o.o. sold all 917,058 shares, representing 30.10% of share capital and voting rights, for total amount HRK 20,359 thousand.
- III. Auctor d.o.o. sold 101,871 shares, representing 3.34% of share capital and voting rights, for total amount HRK 2,262 thousand and 130.000 shares representing 4.27% of share capital and voting rights for total amount HRK 2,886 thousand.

Adriatic Kampovi d.o.o. is sold at the end of September 2021 for the total amount od HRK 22,100 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 20 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The effect of disposal of assets held for sale is as follows:

	SZAIF	Adriatic kampovi	Total
Sale price	29,818	22,100	51,918
Net assets disposed	27,092	26,911	54,003
Gain/(loss) on disposal	2,726	(4,811)	(2,085)

Overview of the net assets disposed and business operations of the disposed entities is as follows:

(in thousands of HRK)	SZAIF	Adriatic kampovi	Total
<b>Non-current assets</b>			
Property, plant and equipment	-	11,166	11,166
Intangible assets	-	60	60
Investments in associates	27,092	-	27,092
Deferred tax assets	-	71	71
	<b>27,092</b>	<b>11,297</b>	<b>38,389</b>
<b>Current assets</b>			
Trade and other receivables	-	1,249	1,249
Income tax receivable	-	-	-
Cash and cash equivalents	-	22,706	22,706
	<b>-</b>	<b>23,955</b>	<b>23,955</b>
<b>Current liabilities</b>			
Borrowings	-	6,555	6,555
Trade and other payables	-	1,196	1,196
Income tax payable	-	590	590
	<b>-</b>	<b>8,341</b>	<b>8,341</b>
<b>Assets held for sale</b>	<b>27,092</b>	<b>26,911</b>	<b>54,003</b>
<b>(in thousands of HRK)</b>	<b>SZAIF</b>	<b>Adriatic kampovi</b>	<b>Total</b>
Revenue	-	19,471	19,471
Other income	-	159	159
Staff expenses	-	(2,345)	(2,345)
Depreciation and amortisation	-	(2,608)	(2,608)
Other expenses	-	(8,687)	(8,687)
<b>Profit from operations</b>	<b>-</b>	<b>5,990</b>	<b>5,990</b>
Finance income	-	1	1
Finance costs	(2,457)	(2)	(2,459)
<b>Net finance gain/(loss)</b>	<b>(2,457)</b>	<b>(1)</b>	<b>(2,458)</b>
<b>Profit before tax</b>	<b>(2,457)</b>	<b>5,989</b>	<b>3,532</b>
Income tax expense	-	(607)	(607)
<b>Profit for the period</b>	<b>(2,457)</b>	<b>5,382</b>	<b>2,925</b>

The notes on pages 28 to 96 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

**NOTE 21 - ISSUED CAPITAL**

Issued capital of Auctor Holding, Czech Republic amounts to HRK 568 thousand (CZK 2.000 thousand)

Shareholders structure as at 31 December 2021 and 31 December 2020 is as follows:

1. JTPEG CI is the owner of 900.000 pcs of regular shares, with nominal value 1,- CZK each, which represents 45 % of the share capital of Auctor Holding, together with all rights attached thereto;
2. AUCTOR PRIME is the owner of 1.100.000 pcs of regular shares, with nominal value 1,- CZK each, together with all rights attached thereto, which represents 55 % of the share capital of Auctor Holding, together with all rights attached thereto.

During 2021 there were no changes in ownership structure.

In 2020 Mr. Oleg Uskoković sold and transferred 1.200.000 pcs of the ordinary certificated registered shares, with nominal value 1,- CZK, issued by Auctor Holding a.s. which represents 60% of the share capital of Auctor Holding a.s. to Auctor Prime d.o.o. - a company incorporated and existing under Croatian law, with its registered office in Zagreb, Dežmanova 5, OIB: 40970538952, registered in court register of Commercial Court in Zagreb under MBS: 081274801, 100% owned by Mr. Oleg Uskoković (no change of beneficial owner).

Auctor Prime as the Seller further sold and transferred 100.000 pcs of the ordinary certificated registered shares, with nominal value 1,- CZK, issued by Auctor Holding a.s., which represents 5% of the share capital of Auctor Holding a.s., together with all rights attached thereto to the other shareholder JTPEG CI as the Purchaser.

Shareholders concluded on 30 December 2020 Shareholders agreement which sets new basic principles of relation among the parties which will result in joint control of two legal entities. After conclusion of Shareholder Agreement there isn't another entity which has control over Auctor Holding (Auctor Holding is joint venture).

**NOTE 22 – TRADE AND OTHER PAYABLES**

	31 December 2021	31 December 2020
<i>(in thousands of HRK)</i>		
<b>Non-current liabilities</b>		
Trade payables	28,194	-
Other liabilities	244	-
	<b>28,438</b>	<b>-</b>
<b>Current liabilities</b>		
Trade payables	1,518,128	1,634,880
Other liabilities	80,475	89,787
	<b>1,598,603</b>	<b>1,724,667</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 22 – TRADE AND OTHER PAYABLES (continued)**

Trade payables recognised as at 31 December are as follows:

<i>(in thousands of HRK)</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Foreign trade payables	1,093,544	1,139,615
Domestic trade payables	452,485	494,222
Trade payables - related parties	293	1,043
	<b>1,546,322</b>	<b>1,634,880</b>

The carrying amounts of the Company's trade payables are denominated in the following currencies:

<i>(in thousands of HRK)</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
HRK	939,607	935,102
EUR	606,533	699,579
GBP	51	-
USD	48	-
DKK	-	161
CZK	83	38
	<b>1,546,322</b>	<b>1,634,880</b>

Other payables recognised as at 31 December are as follows:

<i>(in thousands of HRK)</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
VAT payable	17,059	13,219
Salaries payable	21,728	14,030
Unused annual leave	5,106	4,349
Other taxes and contributions payable	6,730	1,647
Liabilities for acquisitions of shares in subsidiaries	9,597	35,195
Other	20,499	21,347
	<b>80,719</b>	<b>89,787</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 23 – BORROWINGS

<i>(in thousands of HRK)</i>	31 December 2021	31 December 2020
<b>Long-term:</b>		
Long-term bank loans	279,800	272,392
Bonds	598,172	530,281
	<b>877,972</b>	<b>802,673</b>
<b>Short-term:</b>		
Short-term bank loans	275,516	329,018
Short term bonds	3,090	2,743
Short term loans from unrelated companies	-	500
Short-term loans from related parties	30,140	-
	<b>308,746</b>	<b>332,261</b>
<b>Total borrowings</b>	<b>1,186,718</b>	<b>1,134,934</b>

The long-term portion is due and payable as follows:

<i>(in thousands of HRK)</i>	31 December 2021	31 December 2020
1 to 2 years	54,796	53,980
2 to 5 years	708,942	748,693
Over 5 years	114,234	-
	<b>877,972</b>	<b>802,673</b>

The effective interest rates at the reporting date are as follows:

<i>(in thousands of HRK)</i>	31 December 2021	31 December 2021	31 December 2020	31 December 2020
	HRK %	EUR %	HRK %	EUR %
<b>Long-term borrowings</b>				
Bonds	-	5.1%	-	5.2%
Long-term bank loans	0.3%-2.9%	1.3%-4.5%	2.9%	1.8%-3.0%
<b>Short-term borrowings</b>				
Short-term bank loans	-	1.3%-4.5%	1.3%-2.9%	1.3%-3.0%
Short-term loans from related and unrelated parties	-	-	3.4%	-

Short-term loans relate to financing from various banks for working capital purposes. They are denominated in Croatian kunas (HRK), with maturities ranging from three to eleven months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 23 – BORROWINGS (continued)

The Company's exposure to changes in the interest rates on the borrowings and the contractual repricing dates at the reporting date is as follows:

<i>(in thousands of HRK)</i>	31 December 2021	31 December 2020
<b>Variable-rate borrowings</b>		
Up to 3 months	-	246
3 to 12 months	19,890	169,679
Over 1 year	121,310	207,274
	<b>141,200</b>	<b>377,199</b>
<b>Fixed-rate borrowings</b>		
Fixed-rate borrowings	1,045,518	757,735
	<b>1,045,518</b>	<b>757,735</b>
<b>Total borrowings</b>	<b>1,186,718</b>	<b>1,134,934</b>

Given that borrowings in the amount of HRK 1,045,518 thousand (2020: HRK 757,735 thousand) bear interest at fixed rates, there is no exposure to interest rate changes on this part of borrowings.

The carrying amounts of the Group's borrowings were translated from the following currencies:

<i>(in thousands of HRK)</i>	31 December 2021	31 December 2020
HRK	229,245	317,552
EUR	957,473	817,382
	<b>1,186,718</b>	<b>1,134,934</b>

Loans received are secured by registered lien over the Group's property and equipment (note 12), inventories (note 19) as well as bills of exchange and promissory notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 23 – BORROWINGS (continued)

Reconciliation of borrowings with cash flows from financing activities is as follows:

<i>(in thousands of HRK)</i>	<b>2021</b>	<b>2020</b>
<b>Balance at beginning of the period</b>	1,134,934	830,274
<b><i>Cash transactions</i></b>		
Loans received	608,366	1,597,124
Loans repaid	(848,655)	(1,213,888)
Interest paid	(35,447)	(34,241)
<b><i>Total cash transactions</i></b>	<b>(275,736)</b>	<b>348,995</b>
<b><i>Non-cash transactions</i></b>		
Acquired in business combinations	281,264	82,214
Exchange rate effect	(1,705)	4,855
Interest expense	38,869	29,983
Compensated	9,092	(58,845)
Income from termination of liability	-	(15,934)
Transfer to reserves	-	(86,608)
<b><i>Total non-cash transactions</i></b>	<b>327,520</b>	<b>(44,335)</b>
<b>Balance at end of the period</b>	<b>1,186,718</b>	<b>1,134,934</b>

AUCTOR HOLDING a.s. and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

**NOTE 24 – DEFERRED TAX**

Pursuant to the income tax legislation, deferred tax assets and deferred tax liabilities are measured at the prevailing tax rate of 18%.

**Deferred tax assets**

<i>(in thousands of HRK)</i>	Inventories	Provisions for employee benefits	Tax incentives	Trade receivables	Property, plant and equipment	Tax loss	Right-of-use assets and lease liability	Other	Total
<b>Balance at beginning of prior period</b>	296	148	1,414	23	-	-	85	227	2,193
Acquired in business combinations	-	-	-	-	642	-	-	-	642
Transfer to assets held for sale	-	-	-	-	(88)	-	-	-	(88)
Tax charged to profit or loss	(135)	-	(1,414)	(18)	-	-	(37)	-	(1,604)
Tax credited to profit or loss	-	157	-	-	-	7,793	-	747	8,697
Tax credited to other comprehensive income	-	-	-	-	-	-	-	82	82
<b>Balance at the end of prior period</b>	<b>161</b>	<b>305</b>	<b>-</b>	<b>5</b>	<b>554</b>	<b>7,793</b>	<b>48</b>	<b>1,056</b>	<b>9,922</b>
<b>Balance at beginning of current period</b>	161	305	-	5	554	7,793	48	1,056	9,922
Acquired in business combinations	-	-	-	-	-	-	-	1,754	1,754
Tax charged to profit or loss	-	-	-	(4)	(163)	(3,492)	-	(725)	(4,384)
Tax credited to profit or loss	27	45	-	-	44	6,685	120	212	7,133
Tax credited to other comprehensive income	-	-	-	-	-	-	-	(82)	(82)
<b>Balance at the end of current period</b>	<b>188</b>	<b>350</b>	<b>-</b>	<b>1</b>	<b>435</b>	<b>10,986</b>	<b>168</b>	<b>2,215</b>	<b>14,343</b>

The subsidiary Medika d.d. was granted tax incentives related to capital expenditure projects. Incentive was fully utilized during 2020.

The notes on pages 28 to 96 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 24 – DEFERRED TAX (continued)

Deferred tax liabilities

(in thousands of HRK)

	Licences	Brand	Property, plant and equipment	Equity securities – at FVOCI	Inventories	Total
<b>Balance at beginning of prior period</b>	34,121	1,234	36,987	351	383	73,076
Acquired in business combinations	1,149	-	5,363	-	-	6,512
Tax credited to profit or loss	(517)	(344)	(4,018)	-	(383)	(5,262)
Tax charged to other comprehensive income	-	-	-	33	-	33
Tax credited to other comprehensive income	-	-	-	(231)	-	(231)
<b>Balance at the end of prior period</b>	<b>34,753</b>	<b>890</b>	<b>38,332</b>	<b>153</b>	<b>-</b>	<b>74,128</b>
<b>Balance at beginning of current period</b>	34,753	890	38,332	153	-	74,128
Acquired in business combinations	1,654	-	12,401	-	-	14,055
Tax credited to profit or loss	-	(890)	(3,983)	-	-	(4,873)
Tax charged to other comprehensive income	-	-	-	65	-	65
<b>Balance at the end of current period</b>	<b>36,407</b>	<b>-</b>	<b>46,750</b>	<b>218</b>	<b>-</b>	<b>83,375</b>

The deferred tax liability arose at the acquisition of the subsidiaries as a result of the difference arising from the measurement of assets and liabilities of subsidiaries in consolidation at fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 25 – PROVISIONS

<i>(in thousands of HRK)</i>	Employee benefits	Legal disputes	Concession	Other	Total
Long-term portion	2,287	-	8,233	-	10,520
Short-term portion	1,424	976	-	281	2,681
<b>Balance at the beginning of the period</b>	<b>3,711</b>	<b>976</b>	<b>8,233</b>	<b>281</b>	<b>13,201</b>
Increase in provision	219	438	2,154	142	2,953
Utilisation of provision	(1,445)	(593)	(55)	(281)	(2,374)
<b>Balance at the end of the period</b>	<b>2,485</b>	<b>821</b>	<b>10,332</b>	<b>142</b>	<b>13,780</b>
Long-term portion	2,250	714	10,332	142	13,438
Short-term portion	235	107	-	-	342

*Employee benefits*

This provision comprises estimated long-term employee benefits relating to retirement benefits and jubilee awards, as defined by the Collective Agreement. The non-current portion of the provision relates to the rights estimated to become vested with respect to retirement benefits and jubilee awards that will be paid one year after the date of the statement of financial position. The current portion includes jubilee awards and retirement benefits which will be paid within 12 months after the date of the statement of financial position.

*Legal disputes*

Provisions are based on assessments of lawyers who represent the Group entities in legal disputes and key management of the Company.

*Concession*

The Group provides for concession fees on tourist land based on its best estimate and interpretation of current and expected laws and regulations. As there are uncertainties in respect of the ultimate fees and concession arrangements Management did not account for it under lease.

**NOTE 26 – ACQUISITION OF SUBSIDIARIES**

During 2021 the Company indirectly or directly acquired three subsidiaries.

The acquisition cost was formed based on the fair value of consideration transferred. The Company incurred acquisition relating cost of HRK 349 thousand (2020: HRK 2,325 thousand) of legal fees and due diligence costs. These cost have been included in other operating expenses.

An entity consolidates an investee from the date on which it obtains control over the investee until the date on which it loses control over the investee. An entity is also required to consolidate a subsidiary even if it is acquired exclusively with a view to its subsequent disposal. However, the disposal group - comprising the assets that are to be disposed of and directly related liabilities - is presented in the consolidated financial statements as held-for-sale or discontinued operations if certain criteria are met.

The significant acquisitions include:

**Acquisitions in tourism – Aminess Group**

**Romana d.o.o.**

- 17<sup>th</sup> December 2021 – acquisition of 51% shares and change of management (Ivica Sulje, Member of the Management Board of Aminess d.d. appointed as Member of the Management Board of Romana, from 10<sup>th</sup> march 2022 President of the Management Board of Romana);
- Acquisition was made through fully owned subsidiary of Auctor Holding a.s., Auctor Alfa a.s.

**Acquisitions in pharma – Medika Group**

**Ljekarna Draženka Novoselac**

- 1<sup>st</sup> April 2021 - acquisition of 100% shares.

**Ljekarna Jasminka Mišković**

- 1 August 2021 - acquisition of 100% shares.

**Step-up acquisitions**

During the year the Company increased its equity holding in an already existing subsidiaries.

In March 2021, through mandatory takeover bids Aminess d.d. acquired additional 32.56% of HTP Korčula d.d. (total 90.07% with initial SPA acquired) and 26.20% of HTP Orebić d.d. (total 89.25% with initial SPA acquired).

In May 2021, Auctor Holding a.s. acquired 23,132 shares of Aminess d.d. representing 2.64% of share capital. Including previously acquired shares, after this transaction Auctor Holding a.s. and Auctor Kapital d.o.o. together hold 764,304 shares representing 87.15% of share capital.

In June 2021, Auctor d.o.o. acquired 243 shares of Medika d.d. from Medika's Supervisory Board member. As voting rights for acquired shares were already held by Auctor Group, there were no implications regarding voting rights participation.

Auctor d.o.o. also acquired 1.700 shares of Medika d.d., that Medika held as treasury shares, representing 5.63% of share capital and 6.24% of voting rights. Including previously acquired shares, after this transaction Auctor Holding a.s. and Auctor d.o.o. together hold 14.514 shares (including shares in fiduciary ownership owned by managers and Supervisory board member) of Medika d.d., representing 48.07% of share capital and 50.13% of voting rights.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 26 – ACQUISITION OF SUBSIDIARIES

Acquisitions in 2021 and 2020 are as follows:

<i>(in thousands of HRK)</i>	<u>Aminess Group</u>	<u>Medika Group</u>	<u>Total</u>
<b>Identifiable assets acquired and liabilities assumed</b>			
<b>Non-current assets</b>			
Property, plant and equipment	316,005	186	316,191
Intangible assets	42	9,334	9,376
Deferred tax assets	1,754	-	1,754
<b>Total non-current assets</b>	<b>317,801</b>	<b>9,520</b>	<b>327,321</b>
<b>Current assets</b>			
Inventories	866	1,145	2,011
Trade and other receivables	12,741	6,199	18,940
Cash and cash equivalents	2,051	1,576	3,627
	<b>15,658</b>	<b>8,920</b>	<b>24,578</b>
Assets held for sale	-	-	-
<b>Total current assets</b>	<b>15,658</b>	<b>8,920</b>	<b>24,578</b>
<b>Total assets</b>	<b>333,459</b>	<b>18,440</b>	<b>351,899</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	12,401	1,654	14,055
	<b>12,401</b>	<b>1,654</b>	<b>14,055</b>
<b>Current liabilities</b>			
Borrowings	280,757	507	281,264
Trade and other payables	21,444	5,713	27,157
Income tax payable	-	95	95
	<b>302,201</b>	<b>6,315</b>	<b>308,516</b>
<b>Total liabilities</b>	<b>314,602</b>	<b>7,969</b>	<b>322,571</b>
<b>Total identifiable net assets acquired</b>	<b>18,857</b>	<b>10,471</b>	<b>29,328</b>
<b>Share of net assets acquired</b>	<b>9,617</b>	<b>10,471</b>	<b>20,088</b>
<b>Purchase consideration</b>			
Cash paid	10	12,126	12,136
Liabilities for acquisitions of shares in subsidiaries	9,597	-	9,597
<b>Total purchase consideration</b>	<b>9,607</b>	<b>12,126</b>	<b>21,733</b>
<b>Gain from bargain purchase</b>	<b>(10)</b>	<b>-</b>	<b>(10)</b>
<b>Goodwill</b>	<b>-</b>	<b>1,655</b>	<b>1,655</b>

The notes on pages 28 to 96 form an integral part of these consolidated financial statements.

**AUCTOR HOLDING a.s. and its subsidiaries**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 26 – ACQUISITION OF SUBSIDIARIES (continued)**

<i>(in thousands of HRK)</i>	<b>Laguna Novigrad Group</b>	<b>Medika Group</b>	<b>Total</b>
<b>Identifiable assets acquired and liabilities assumed</b>			
<b>Non-current assets</b>			
Property, plant and equipment	322,513	42	322,555
Right-of-use assets	1,012	-	1,012
Intangible assets	2,262	6,511	8,773
Deferred tax assets	554	-	554
<b>Total non-current assets</b>	<b>326,341</b>	<b>6,553</b>	<b>332,894</b>
<b>Current assets</b>			
Inventories	453	1,261	1,714
Trade and other receivables	9,713	6,766	16,479
Income tax receivable	1,069	-	1,069
Cash and cash equivalents	25,191	772	25,963
	<b>36,426</b>	<b>8,799</b>	<b>45,225</b>
Assets held for sale	21,529	-	21,529
<b>Total current assets</b>	<b>57,955</b>	<b>8,799</b>	<b>66,754</b>
<b>Total assets</b>	<b>384,296</b>	<b>15,352</b>	<b>399,648</b>
<b>Non-current liabilities</b>			
Borrowings	70,751	-	70,751
Lease liabilities	841	-	841
Deferred tax liabilities	5,363	1,149	6,512
	<b>76,955</b>	<b>1,149</b>	<b>78,104</b>
<b>Current liabilities</b>			
Borrowings	11,363	100	11,463
Lease liabilities	194	-	194
Trade and other payables	2,849	11,638	14,487
Income tax payable	-	137	137
Provisions	1,483	-	1,483
	<b>15,889</b>	<b>11,875</b>	<b>27,764</b>
<b>Total liabilities</b>	<b>92,844</b>	<b>13,024</b>	<b>105,868</b>
<b>Total identifiable net assets acquired</b>	<b>291,452</b>	<b>2,328</b>	<b>293,780</b>
<b>Share of net assets acquired</b>	<b>180,841</b>	<b>2,328</b>	<b>183,169</b>
<b>Purchase consideration</b>			
Cash paid	160,750	3,300	164,050
Liabilities for acquisitions of shares in subsidiaries	-	6,118	6,118
<b>Total purchase consideration</b>	<b>160,750</b>	<b>9,418</b>	<b>170,168</b>
<b>Gain from bargain purchase</b>	<b>(20,091)</b>	<b>-</b>	<b>(20,091)</b>
<b>Goodwill</b>	<b>-</b>	<b>7,090</b>	<b>7,090</b>
<b>Purchase consideration – cash outflow/(inflow)</b>			
Purchase consideration paid in cash	160,750	3,300	164,050
Consideration paid for prior year acquisitions	92,693	-	92,693
Cash and cash equivalents acquired	(25,191)	(772)	(25,963)
<b>Acquisition of subsidiaries, net of cash acquired</b>	<b>228,252</b>	<b>2,528</b>	<b>230,780</b>

The notes on pages 28 to 96 form an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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**NOTE 26 – ACQUISITION OF SUBSIDIARIES (continued)**

**Measurement of fair values**

The fair value of land plots was estimated by market approach. External appraisers performed market research to find land plots with close proximity to locations and similar intended usage. The fair value of buildings is determined utilising discounted cashflow approach. The DCF model for each hotel and camping site was based on ten year business plans. Period after ten years represents perpetuity period. Free Cash flow in individual years were discounted to present value using the mid-discounting convention. Fair values of all other assets (including brand) were deducted to arrive at the residual fair value of buildings.

The fair value of plant and equipment were appraised by external appraiser using the indirect method of a cost approach. The fair value of vehicles was estimated under the market approach in case sufficient relevant information from the market was available.

Pharmacy licenses (rights to operate pharmacies) are granted by Ministry of Health without any fee, when certain criteria regarding premises, employees and equipment are met and the maximum number of issuable licences in the area is not exceeded. The licenses can also be purchased either separately or as a part of running business from private owners or institutions. As long as the owner meets the given criteria, the licenses have indefinite useful life. The value of the individual licences was calculated using discounted cash flow method. The DCF model was based on five year business plan per pharmacy. Period after five years represents perpetuity period. Free Cash Flow in individual years were discounted using the mid-discounting convention.

For all fair value adjustments deferred tax assets and liabilities using statutory tax rate of 18% were recognised.

**AUCTOR HOLDING a.s. and its subsidiaries**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 27 – NON-CONTROLLING INTERESTS**

The following tables summarise the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations.

31 December 2021

<i>(in thousands of HRK)</i>	Medika Group	Aminess Group	HTP Korčula	HTP Orebić	Romana	Auctor Kapital	Disposed subsidiaries	Intra-group eliminations	Total
% of non-controlling interest (%)	63.44%	47.08%	52.33%	52.77%	49.00%	41.50%			
Non-current assets	567,987	494,905	240,036	78,293	317,800	9,766			
Current assets	1,782,273	120,383	19,748	11,368	15,660	15			
Non-current liabilities	(137,752)	(230,755)	(51,861)	(13,849)	(12,401)	(6,080)			
Current liabilities	(1,568,984)	(236,229)	(15,777)	(3,116)	(302,201)	(22)			
Net assets	643,524	148,304	192,146	72,696	18,858	3,679			
Net assets attributable to non-controlling interest:	408,252	69,822	100,550	38,361	9,240	1,526	-	1,497	629,248
Revenues	4,124,530	192,617	36,349	12,610	-	-			
Profit	97,946	6,038	(4,502)	(1,186)	-	(355)			
OCI	-	117	-	-	-	-			
Total comprehensive income	97,946	6,155	(4,502)	(1,186)	-	(355)			
Profit allocated to NCI	63,568	(3,020)	(3,573)	(852)	-	(147)	2,534	(2,527)	55,983
OCI allocated to NCI	-	48	-	-	-	-	-	-	48

Medika Group includes Medika and all entities fully owned by Medika.

Aminess Group includes Aminess and all entities fully owned by Aminess. Entities which are not fully owned by Aminess are shown separately as there is additional non-controlling interest (HTP Korčula and HTP Orebić).

The notes on pages 28 to 96 form an integral part of these consolidated financial statements.

**AUCTOR HOLDING a.s. and its subsidiaries**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 27 – NON-CONTROLLING INTERESTS**

31 December 2020

*(in thousands of HRK)*

	Medika Group	Aminess Group	HTP Korčula	HTP Orebić	Auctor Kapital	Disposed subsidiaries	Intra-group eliminations	Total
% of non-controlling interest (%)	68.29%	50.14%	71.31%	68.56%	41.50%			
Non-current assets	514,844	545,785	246,735	79,606	-	-		
Current assets	2,101,321	177,297	26,086	10,340	9,763			
Non-current liabilities	(78,578)	(262,618)	(62,014)	(14,941)	-			
Current liabilities	(1,985,399)	(235,146)	(14,159)	(1,730)	(5,729)			
<b>Net assets</b>	<b>552,188</b>	<b>225,318</b>	<b>196,648</b>	<b>73,275</b>	<b>4,034</b>			
<b>Net assets attributable to non-controlling interest:</b>	<b>377,089</b>	<b>112,974</b>	<b>140,230</b>	<b>50,237</b>	<b>1,674</b>	<b>-</b>	<b>2,238</b>	<b>684,442</b>
Revenues	3,985,303	80,292	-	-	-			
Profit	72,902	(25,916)	-	-	(190)			
OCI	-	(67)	-	-	-			
<b>Total comprehensive income</b>	<b>72,902</b>	<b>(25,983)</b>	<b>-</b>	<b>-</b>	<b>(190)</b>			
<b>Profit allocated to NCI</b>	<b>44,421</b>	<b>(13,462)</b>	<b>-</b>	<b>-</b>	<b>(79)</b>	<b>(808)</b>	<b>16</b>	<b>30,088</b>
<b>OCI allocated to NCI</b>	<b>-</b>	<b>(34)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,194)</b>	<b>-</b>	<b>(4,228)</b>

Medika Group includes Medika and all entities fully owned by Medika.

Aminess Group includes Aminess and all entities fully owned by Aminess. Entities which are not fully owned by Aminess are shown separately as there is additional non-controlling interest (HTP Korčula and HTP Orebić).

The notes on pages 28 to 96 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 27 – NON-CONTROLLING INTERESTS (continued)

*Acquisition of NCI*

As of 24 March 2021, Aminess increases its share in HTP Korčula d.d. and HTP Orebić d.d., directly through acquisition additional shares following the mandatory takeover bids. Acquired shares were as follows:

- 803,582 shares or 32.56% of the subscribed capital of company HTP Korčula d.d., thus resulting with total number of shares 2,225,822 shares or 90.07% of the share capital; and
- 124,646 shares or 26.20% of the subscribed capital of company HTP Orebić d.d., thus resulting with total number of shares 424,646 shares or 89.25% of the share capital.

During May 2021 Auctor Holding a.s. acquired 23,132 shares of Amines d.d. representing 2.64% of share capital and 2.66% of voting rights. Including previously acquired shares, after this transaction Auctor Holding a.s. and Auctor Kapital d.o.o. together hold 764,304 shares of Amines, representing 87.14% of share capital and 87.84% of voting rights.

In the beginning of June 2021, Auctor d.o.o. acquired 243 shares of Medika d.d. from Medika's Supervisory Board member and 1.700 shares of Medika d.d., that Medika held as treasury shares. Including previously acquired shares, after this transaction Auctor Holding a.s. and Auctor d.o.o. together hold 14,514 shares (including shares in fiduciary ownership owned by managers and Supervisory board member) of Medika d.d., representing 48.07% of share capital and 50.13% of voting rights.

<i>(in thousands of HRK)</i>	Medika	Aminess	HTP Korčula	HTP Orebić	Total
Carrying amount of NCI acquired	28,530	5,837	36,002	11,369	81,738
Consideration paid to NCI	(29,910)	(11,839)	(53,093)	(19,198)	(114,040)
<b>Change in equity attributable to the owners of the Company</b>	<b>(1,380)</b>	<b>(6,002)</b>	<b>(17,091)</b>	<b>(7,829)</b>	<b>(32,302)</b>

**AUCTOR HOLDING a.s. and its subsidiaries**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

**NOTE 27 – NON-CONTROLLING INTERESTS (continued)**

The Company acquired 8 shares of Medika in January 2020 following the mandatory public offering and 8,954 shares of Aminess in December 2020 from former Management Board member of Aminess.

<i>(in thousands of HRK)</i>	Medika	Laguna Novigrad	Total
Carrying amount of NCI acquired	155	3,891	4,046
Consideration paid to NCI	(62)	(1,944)	(2,006)
<b>Change in equity attributable to the owners of the Company</b>	<b>93</b>	<b>1,947</b>	<b>2,040</b>

**Disposal of NCI**

The Company sold total of 4.172 shares of Medika in July 2020 and September 2020 to the members of Management and Supervisory Board of Medika.

<i>(in thousands of HRK)</i>	Disposal in July 2020	Disposal in September 2020	Total
Carrying amount of NCI disposed	(64,639)	(19,747)	(84,386)
Consideration received for share disposed	24,691	7,500	32,191
<b>Change in equity attributable to the owners of the Company</b>	<b>(39,948)</b>	<b>(12,247)</b>	<b>(52,195)</b>

The notes on pages 28 to 96 form an integral part of these consolidated financial statements.

**NOTE 28 - SUBSEQUENT EVENTS AFTER REPORTING DATE**

January 2022

Acquisition of 55% share in Sea Heaven Camps & Resorts. The goal of this acquisition is operational and legal connection of Aminess d.d. and Hoteli Niivice d.o.o., the company controlled by the Sea Heaven Camps & Resorts. Following the acquisition, the Aminess indirectly holds a 31.39% share in Hoteli Njivice d.o.o.

February 2022

On 4 February 2022, Mr Libor Kaiser was appointed chairman of the Company's Supervisory Board. This change was recorded in the Commercial Register on 24 March 2022.

May 2022

Acquisition of 50% share in Hotel Romana d.o.o. The business operations of the acquired entity are fully related to the project of construction of an aparthotel in the area of Makarska.

As at 4 May 2022 Medika d.d. declared dividend in the amount of HRK 1,400 per share.

June 2022

On 23 June 2022, a shareholder of Auctor Prime d.o.o. exercised the option to purchase 5% of the shares in the Company and the shares were transferred to Auctor Prime d.o.o.

On 23 June 2022, a shareholder of JTPEG Croatia Investments, a.s. purchased 10% of the shares in the Company from the shareholder of Auctor Prime d.o.o., and the shares were transferred to JTPEG Croatia Investments, a.s.

After the above transactions, the shareholder structure is as follows:

Shareholder	Registered office	Share as at 23 <sup>rd</sup> June 2022
JTPEG Croatia Investments, a.s.	Sokolovská 700/113 a, 186 00 Praha 8 Praha - Karlín, Česká republika	50%
AUCTOR PRIME d.o.o.	Dežmanova 5, Zagreb, Chorvatská republika	50%
		100%

Acquisition of 75% share in NOVA CAMPING d.o.o. by Auctor Alfa, a.s.. The objective of this acquisition is expand in the hospitality segment via operation of new camp in island Pag on 285 thousand m2.



**Impact of the war between Ukraine and Russia**

The ongoing war in Ukraine may also have an impact on the development of the Group companies from several perspectives. On the one hand, it affects guest behaviour and their willingness to travel in this tense situation (risk of further escalation of the conflict beyond Ukraine, sharp increase in fuel prices due to sanctions). Due to the introduction of sanctions, a decrease in tourists from Russia can also be expected, but the share of Russian tourists is insignificant in the context of the number of tourists from other European countries.

On the other hand, there is potential to cover the labour shortage by Ukrainian citizens fleeing the war once they have been integrated into the working and social environment. The shortage of workers on the Croatian market has been a problem for the Croatian economy for a long time, mainly due to the departure of Croatian citizens to Western European countries in search of work.

The Company's management has concluded that the above matters do not affect the going concern basis on which these financial statements have been prepared.

**NOTE 29 – RELATED-PARTY TRANSACTIONS**

Related parties are those companies, which have the power to exercise control over the other party or are under common control or which have a significant influence on the other party in doing business or making financial decisions or is directly or indirectly involved in the management or supervision.

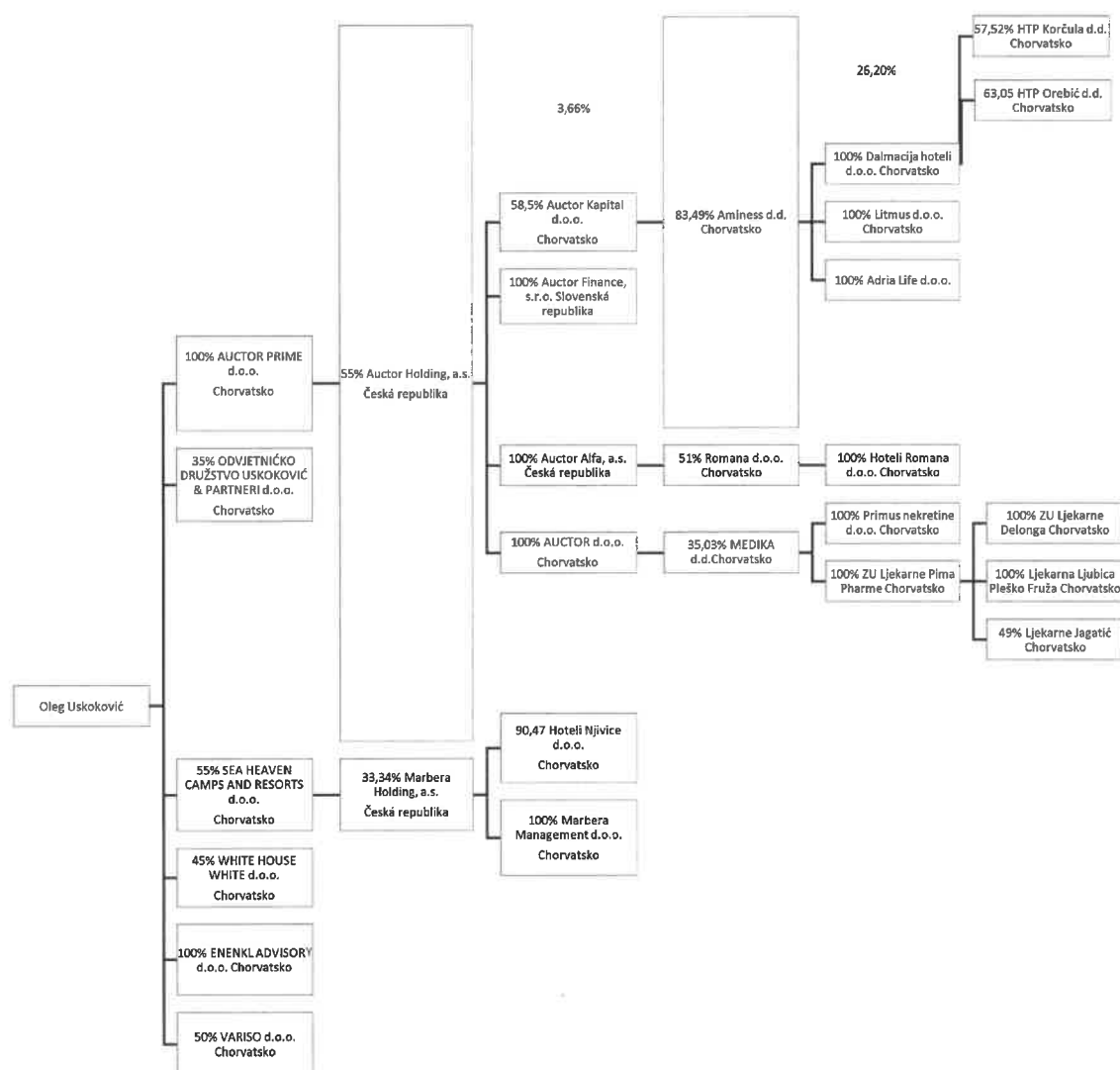
According to the shareholders concluded on 30 December 2020 between Auctor Prime. d.o.o. and JTPEG Croatia Investments, a.s. the Company is under joint control of Shareholders.

As at 31 December 2021 following Entities are the Controlling Entities over the Company:

1. Oleg Uskoković, Krešimira Filića 39/B, 42000 Varaždin Croatia
2. J&T PRIVATE EQUITY GROUP LIMITED, registered office: Klimentos, 41-43, KLIMENTOS TOWER, 2<sup>nd</sup> floor, Flat 22, 1061 Nicosia, Republic of Cyprus

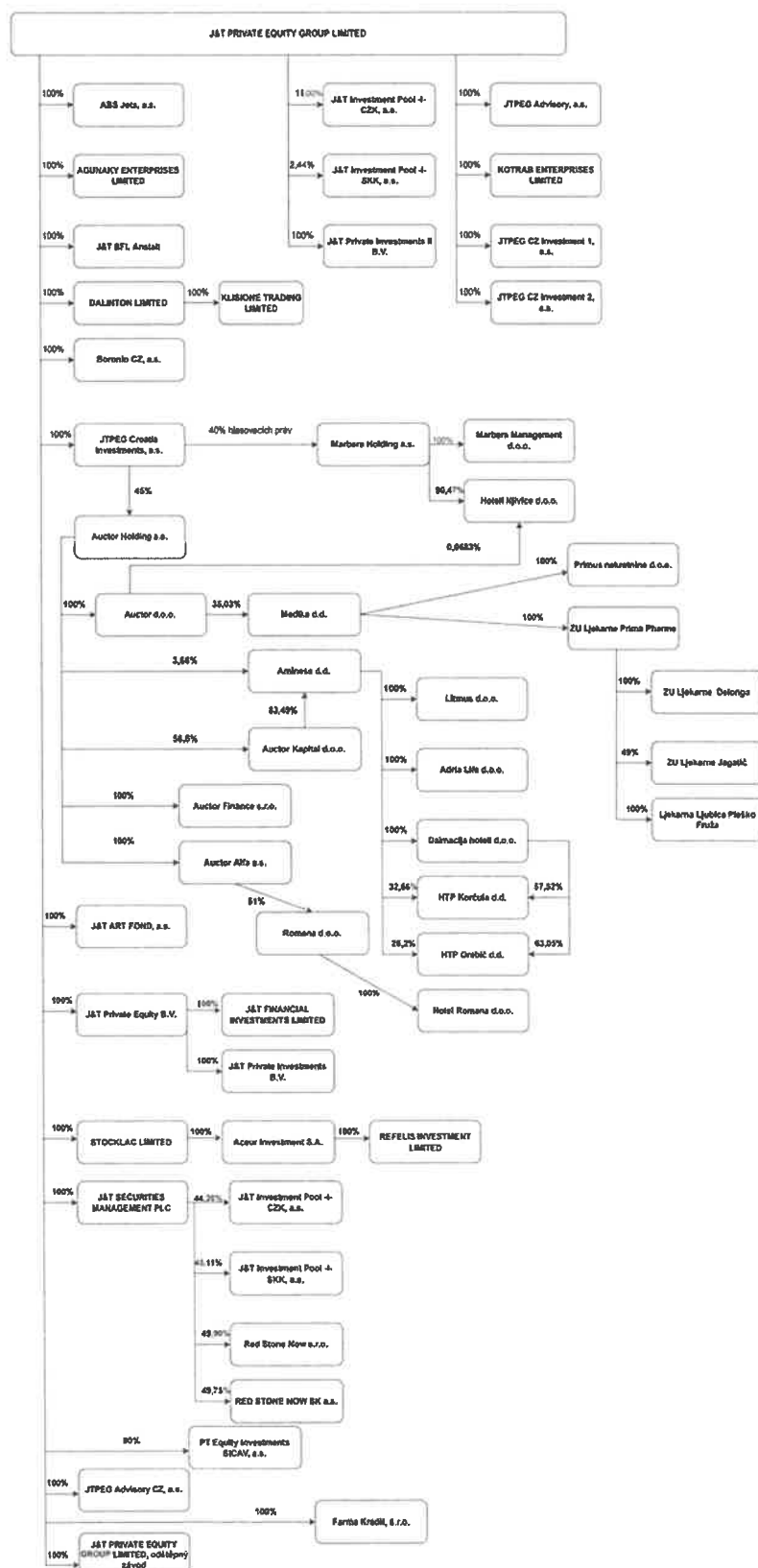
In accordance with the provisions of relevant Business Corporation Laws in Czech Republic and Republic of Croatia, Auctor Holding a.s. as Controlled Entity presented relationship structure:

Controlling Entities directly by Oleg Uskoković:



NOTE 29 – RELATED-PARTY TRANSACTIONS (continued)

Controlling Entities directly by J&T PRIVATE EQUITY GROUP LIMITED:



**NOTE 29 – RELATED-PARTY TRANSACTIONS (continued)**

During 2021, the Group undertook the following activities:

- made amendments to the Loan Agreement with Mr. Oleg Uskoković concluded during 2020 with following conditions: principal in amount EUR 450.000, interest 6,5% p.a. and maturity 31.3.2022
- concluded Loan Agreements (via subsidiary Litmus d.o.o.) with Mr. Oleg Uskoković with following conditions:
  - principal in amount of HRK 2,260,000, interest 3% p.a. and maturity 28.2.2022
  - principal in amount of HRK 3,000,000, interest 3% p.a. and maturity 28.2.2022
  - principal in amount EUR 300,000, interest 3% p.a. and maturity 13.3.2022

The following contracts were concluded between Controlling Entities or Entities controlled by the same Controlling Entity:

Controlling Entities or Entity	Contract:
Oleg Uskoković	Loan contracts Subject of Agreement – Providing of loan by the Company as described above
USKOKOVIĆ & PARTNERI d.o.o.	Agreement on provision of legal services – due diligence od EMMEZETA
J&T Private Equity B.V	Loan Agreement conditions: received principal in amount EUR 4.000.000,-, increased by Amendment to final amount EUR 5.000.000,- interest 8% p.a. maturity 30.6.2022

Contracts were executed pursuant to usual business terms and conditions and under the Contract, the Company suffered no harm.

**NOTE 29 – RELATED-PARTY TRANSACTIONS (continued)**

The Group enters into transactions with the following related parties.

1. Associate – ZU Ljekarne Jagatić
2. Auctor Prime
3. JTPEG Croatia Investment a.s.
4. Oleg Uskoković
5. USKOKOVIĆ & PARTNERI d.o.o.
6. Dubrovački zalasci sunca d.o.o.
7. Hoteli Njivice d.o.o.
8. J&T PRIVATE EQUITY GROUP LIMITED odštěpný závod
9. J&T Private Equity B.V

Balances resulting from transactions with the related parties and included in the statement of financial position at 31 December as well as the financial performance amounts for the years then ended were as follows:

NOTE 29 – RELATED-PARTY TRANSACTIONS (continued)

(in thousands of HRK)

	2021	2020
<b>Assets under construction</b>		
Hoteli Njivice d.o.o.	11	-
	<u>11</u>	<u>-</u>
<b>Trade and other receivables</b>		
Associate – ZU Ljekarne Jagatić	25.143	23.693
USKOKOVIĆ & PARTNERI d.o.o.	1	-
Hoteli Njivice d.o.o.	161	5
	<u>25.305</u>	<u>23.698</u>
<b>Trade and other payables</b>		
USKOKOVIĆ & PARTNERI d.o.o.	506	448
Oleg Uskoković	4	-
Hoteli Njivice d.o.o.	2	-
Dubrovački zalasci sunca d.o.o.	211	13
J&T PRIVATE GROUP LIMITED odštepny závod	105	542
JTPEG Advisory, a.s.	53	40
	<u>881</u>	<u>1.043</u>
<b>Loans to related parties</b>		
Oleg Uskoković	11.321	3.595
	<u>11.321</u>	<u>3.595</u>
<b>Loans from related parties</b>		
J&T Private Equity B.V	30.144	-
	<u>30.144</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 29 – RELATED-PARTY TRANSACTIONS (continued)

(in thousands of HRK)

	2021	2020
<b>Revenue from sale of goods</b>		
Associate – ZU Ljekarne Jagatić	64.314	59.288
Hoteli Njivice d.o.o.	11	-
	<u>64.325</u>	<u>59.288</u>
<b>Revenue from sale of services</b>		
USKOKOVIĆ & PARTNERI d.o.o.	3	-
Hoteli Njivice d.o.o.	1.557	774
Auctor Prime	1	-
	<u>1.561</u>	<u>774</u>
<b>Other revenue</b>		
Hoteli Njivice d.o.o.	8	-
	<u>8</u>	<u>-</u>
<b>Other expenses</b>		
USKOKOVIĆ & PARTNERI d.o.o.	1.032	461
Hoteli Njivice d.o.o.	13	32
Dubrovački zalasci sunca d.o.o.	18	10
J&T PRIVATE GROUP LIMITED odštepny závod	1.234	542
JTPEG Advisory, a.s.	173	63
	<u>2.470</u>	<u>1.108</u>
<b>Interest income</b>		
Oleg Uskoković	272	-
	<u>272</u>	<u>-</u>
<b>Interest expense</b>		
J&T Private Equity B.V	75	-
	<u>75</u>	<u>-</u>





**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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**NOTE 29 – RELATED-PARTY TRANSACTIONS (continued)**

<b>Key management compensation</b> – salaries and bonuses for Management (2021: nine members of key management; 2020: eight members of key management)	11,014	9,681
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More detailed information about related party transactions is in Report on Relations which is annex to Consolidated annual report.

**NOTE 30 - CONTINGENT LIABILITIES AND CONTINGENCIES**

Capital commitments as at 31 December 2021 of HRK 21,319 thousand relate to construction contracts signed (2020: HRK 39 thousand).

**NOTE 31 - APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements set out on pages 28 to 96 were approved by the Management Board of the Company on 30 June 2022.

  
Oleg Uskoković  
Member of the Board of Directors

  
Josef Pilka  
Member of the Board of Directors

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The notes on pages 28 to 96 form an integral part of these consolidated financial statements.



## REPORT ON RELATIONS

Prepared by Board of Directors of Controlled company in accordance with the provisions of Section 82 of Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (Act on Business Corporations), as amended (hereinafter referred to as "BCA") for the year 2021  
(hereinafter „Report on relations“)

### I. Relationship Structure

#### 1. Controlled Entity

Business Company: Auctor Holding, a.s.  
Registered office: Sokolovská 700/113a,  
Karlín, 186 00 Praha 8,  
Czech republic  
Registration No.: 083 64 028  
Registered by: Commercial Register  
maintained by Municipal  
court in Prague, file No. B  
24583

(hereinafter „Company“ or „Controlled Entity“)

#### 2. Controlling Entities

For the period from 1.1.2021 to 31.12.2021:

Name: Oleg Uskoković  
Registered office: Krešimira Filića street 39B,  
42000 Varaždin, Croatia  
Date of birth: 7.5.1966

Business Company: J&T PRIVATE EQUITY  
GROUP LIMITED  
Registered office: Klimentos, 41-43,  
KLIMENTOS TOWER,  
2nd floor, Flat/Office 22,  
1061 Nicosia, Republic of  
Cyprus

## ZPRÁVA O VZTAZÍCH

Zpracovaná statutárním orgánem Ovládané osoby v souladu s ustanovením § 82 zákona č. 90/2012 Sb., o obchodních společnostech a družstvech (zákon o obchodních korporacích), ve znění pozdějších předpisů (dále jen „ZOK“) za účetní období roku 2021

(dále jen „Zpráva o vztazích“)

### I. Struktura vztahů

#### 1. Ovládaná osoba

Obchodní firma: Auctor Holding, a.s.  
Sídlo: Sokolovská 700/113a, Karlín,  
186 00 Praha 8, Česká republika  
IČO: 083 64 028  
Rejstříkový zápis: Obchodní rejstřík vedený Městským  
soudem v Praze, sp. Zn. B 24583

(dále jen „Společnost“ nebo „Ovládaná osoba“)

#### 2. Ovládající osoby

V období od 1.1.2021 do 31.12.2021:

Jméno: Oleg Uskoković  
Bydliště: Krešimira Filića street 39B, 42000  
Varaždin, Chorvatsko  
Datum narození: 7.5.1966

Obchodní firma: J&T PRIVATE EQUITY GROUP  
LIMITED  
Sídlo: Klimentos, 41-43, KLIMENTOS  
TOWER, 2nd floor, Flat/Office 22,  
1061 Nikósie, Kyperská republika  
Registrační číslo: HE 327810  
Zapsaná v: Oddělení zápisů společností  
Ministerstvem energetiky, obchodu,

Registration No.: HE 327810

Registered by: Ministry of Energy, Commerce, Industry and Tourism, Department of Registrar of Companies and Official Receiver Nicosia

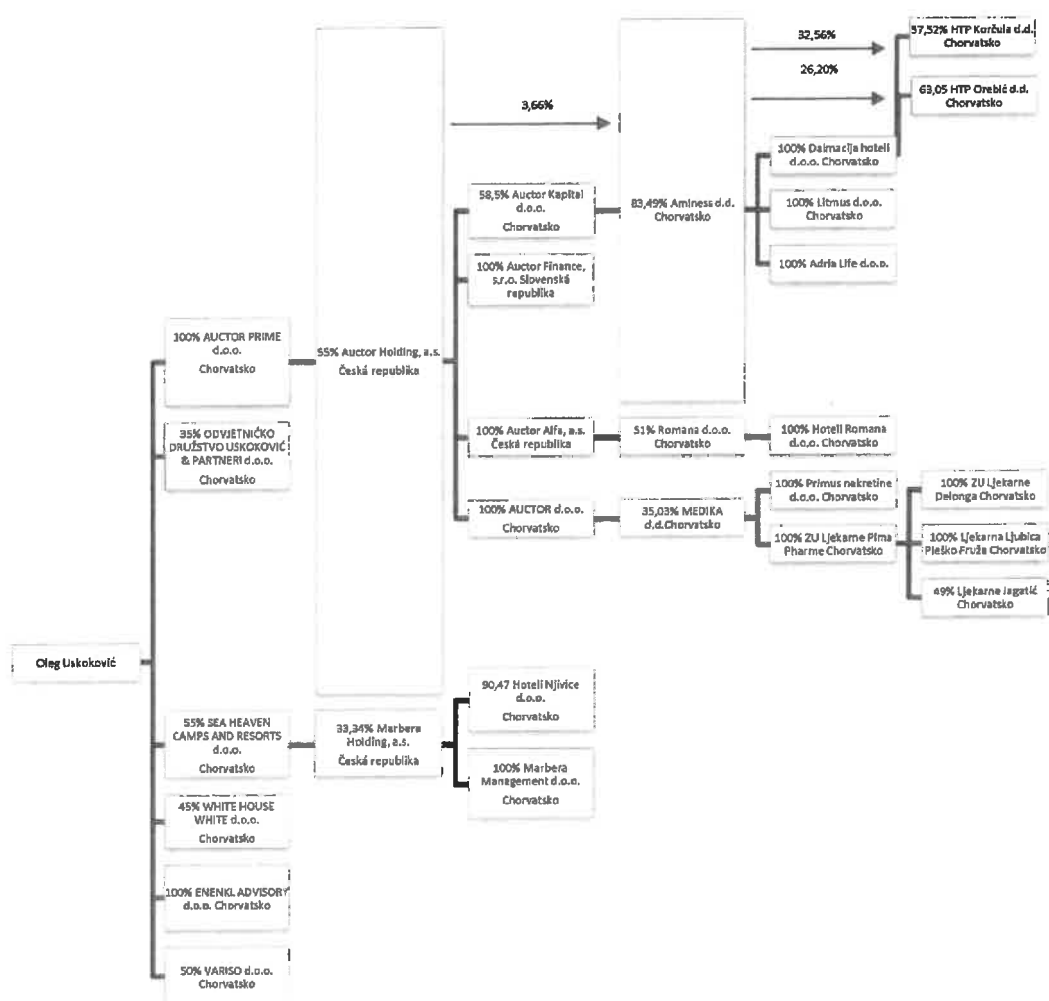
průmyslu a turistického ruchu,  
Oddělení registrátora společností a  
úředního likvidátora Nikósie

### 3. Companies controlled by the same Controlling Entities

### 3. Osoby ovládané stejnými Ovládajícími osobami

Entities controlled by Oleg Uskoković for the period from 1.1.2021 to 31.12.2021:

Osoby ovládané Olegem Uskokovićem v období od 1.1.2021 do 31.12.2021:



Entities controlled by J&T PRIVATE EQUITY GROUP LIMITED for the period from 1.1.2021 to 31.12.2021:

Osoby ovládané J&T PRIVATE EQUITY GROUP LIMITED v období od 1.1.2021 do 31.12.2021:



## **II. Role of the Controlled Company**

The Company is an independent and highly autonomous company, which is a controlled entity only in a definitional meaning. The company's role is to search for and implement investment opportunities in the field of tourism, distribution drug and operation of pharmacies in Croatia.

## **III. Way and means of control**

The Company is controlled through decisions of General meeting of the Company. On December 30, 2020 Shareholders of the Company concluded Shareholder agreement under which Shareholders have joint control over the Company. No other special Contract has been concluded between Company, Controlling Entities and Entities controlled by the same Controlling Entity and these Entities did not jointly pursue any business and non-business activity.

## **IV. List of activities according to § 82 par. d) BCA**

On August 25, 2020, Shareholder Oleg Uskoković sold 60% shares of the Company to Auctor Prime d.o.o.. Mr. Uskoković is sole Shareholder of Auctor Prime d.o.o.. On September 25, 2020 Auctor Prime sold to JTPEG Croatia Investments, a.s. 5% of shares of the Company. On December 30, 2020 Shareholders of the Company concluded Shareholder agreement under which Shareholders have joint control over the Company.

During the relevant period, the Company did undertake following activities:

- concluded Loan Agreement with Mr. Uskoković with following conditions: principal in amount EUR 450.000,-, interest 6,5% p.a. maturity 30.9.2021
- issued Guarantee related to Bonds issued by subsidiary Auctor Finance, s.r.o.. The Company in Guarantee undertakes that in

## **II. Úloha Ovládané osoby**

Společnost je nezávislá a vysoce autonomní společnost, která je pouze definičně ovládanou osobou. Úlohou společnosti je vyhledávat a realizovat investiční příležitosti v oblasti turizmu, distribuce léčiv a provoz lékáren v Chorvatsku.

## **III. Způsob a prostředky ovládaní**

Společnost není ovládaná jinak než prostřednictvím rozhodnutí Valné hromady Společnosti. Dne 30.12.2020 akcionáři uzavřeli akcionářskou smlouvu na jejichž základě vykonávají společnou kontrolu nad Společností. Mezi Společností, Ovládajícími osobami a/nebo Osobami ovládanými stejnou ovládající osobou není uzavřena žádná jiná speciální smlouva ve vztahu ke způsobům a prostředkům ovládaní a tyto osoby společně nevyvíjeli žádnou podnikatelskou či nepodnikatelskou činnost.

## **IV. Přehled jednání dle § 82 odst. 2 písm. d) ZOK**

Dne 25.8.2020 akcionář Společnosti Oleg Uskoković prodal 60% akcií Auctor Holding, a.s. Společnosti Auctor Prime d.o.o. Pan Uskoković je zároveň jediným vlastníkem Auctor Prime d.o.o.. Dne 25.9.2020 Auctor Prime d.o.o. prodal JTPEG Croatia Investments, a.s. 5% akcií Společnosti. Dne 30.12.2020 akcionáři uzavřeli akcionářskou smlouvu na jejichž základě vykonávají společnou kontrolu nad Společností.

Společnost v relevantním období učinila následné jednání:

- uzavřela smlouvu o poskytnutém úvěru s panem Uskokovićem na sumu jistiny EUR 450.000,- úrokem 6,5% p.a. a splatností 30.9.2021
- učinila Ručitelské prohlášení ve vztahu k Dluhopisům vydaným dceřinou společností Auctor Finance, s.r.o..

case that Issuer (Auctor Finance, s.r.o.) fails to fulfil any of the Secured Obligation towards Bondholders, Company shall pay such amount instead of the Issuer

- concluded Subscription fee Agreement with subsidiary Auctor Finance, s.r.o. for re-invoicing of fees related to the issue of the Bonds
- Entered into a loan agreement with Auctor Finance, s.r.o. for loan received in the amount of principal up to EUR 80.000.000,- with an interest of 5.8% p.a. and maturity 9.11.2025
- provided loan to company LAGUNA NOVIGRAD, d.d. with following conditions: principal in amount EUR 23.500.000,-, interest 8% p.a. maturity 1.4.2021
- concluded Agreement on provision of contributions and set-off of mutual receivables for providing of monetary contribution into the capital of the Company outside the registered capital of the Company from Shareholder Auctor Prime d.o.o. in the amount of EUR 6.898.263,66 and from the Shareholder JTPG Croatia Investments, a.s. in the amount of EUR 4.598.263,66 and set-off the receivable of the Company for payment of contribution against receivable of Shareholders for repayment of loan
- concluded Business Consulting and Mandate agreement with J&T PRIVATE EQUITY GROUP LIMITED odštěpný závod

During the relevant period, the Company did not undertake any other activities that would have been made at the interest of the Controlling Entities or the Entities controlled by the same Controlling Entity relating to assets exceeding 10% of the Company's equity as determined by the most recent financial statements of period from 1.1.2020 to 31.12.2020.

#### V.

##### List of mutual contracts

During the relevant period following contracts were concluded between Controlling Entities or Entities controlled by the same controlling Entity:

Společnost se v Ručitélském prohlášení zavázala že v případě že Emitent (Auctor Finance, s.r.o.) nebude z jakéhokoliv důvodu plnit jakýkoliv zajištěný závazek související s vydanými dluhopisy, Společnost zaplatí jakoukoliv částku namísto Emitenta.

- Uzavřela smlouvu s dceřinou společností Auctor Finance, s.r.o. na přefakturaci poplatků souvisejících s emisí dluhopisů
- Uzavřela smlouvu o přijatém úvěru se společností Auctor Finance, s.r.o. na sumu jistiny až do výše EUR 80.000.000,- úrokem 5,8% p.a. a splatností 9.11.2025
- uzavřela smlouvu o poskytnutém úvěru se společností LAGUNA NOVIGRAD d.d. na sumu jistiny EUR 23.500.000,- úrokem 8% p.a. a splatností 1.4.2021
- uzavřela Dohodu o poskytnutí příplatku a započtení vzájemných pohledávek s akcionáři Společnosti na sumu příplatku do vlastního kapitálu mimo základní kapitál od akcionáře Auctor Prime d.o.o. v sumě 6.898.263,66 EUR a od akcionáře JTPG Croatia Investments, a.s. na sumu 4.598.263,66 EUR a na zápočet pohledávky Společnosti na příplatek proti pohledávkám akcionářů z titulu poskytnutých úvěrů.
- uzavřela smlouvu o poskytování konzultačních služeb se společností J&T PRIVATE EQUITY GROUP LIMITED odštěpný závod

Společnost v relevantním období neučinila žádná jiná jednání, která by byla učiněna na popud nebo v zájmu Ovládajících osob nebo Osob ovládaných stejnou ovládající osobou, týkající se majetku, který přesahuje 10% vlastního kapitálu Společnosti zjištěného podle poslední účetní závěrky, t.j. v účetním období od 1.1.2020 do 31.12.2020.

#### V.

##### Přehled vzájemných smluv

V relevantním období byly uzavřeny následující smlouvy s Ovládajícími osobami nebo Osobami ovládanými stejnou osobou:



Ovládající osoby nebo Společnost ovládaná stejnou ovládající osobou:/Controlling Entities or Entity controlled by the same Controlling Entity:	Smlouva/Contract:
Oleg Uskoković	Dodatek 2 k Smlouvě o úvěru/Amendment 2 to Credit contract Předmět plnění/ Subject of Agreement – Prolongace splatnosti do 31.3.2022/Prolongation of maturity of loan till 31.3.2022
USKOKOVIĆ & PARTNERI d.o.o.	Smlouva o poskytování právních služeb due diligence společnosti EMMEZETA/Agreement on provision of legal services due diligence of EMMEZETA
AUCTOR d.o.o.	Dodatek k Smlouvě o úvěru/Amendment to Credit contract Předmět plnění/ Subject of Agreement – Prolongace splatnosti do 30.6.2023/Prolongation of maturity of loan till 30.6.2023
LIPA-PROMET d.o.o.	Dodatek k Smlouvě o úvěru/Amendment to Credit contract Předmět plnění/ Subject of Agreement – Prolongace splatnosti do 30.6.2023/Prolongation of maturity of loan till 30.6.2023 Společnost LIPA-PROMET d.o.o. byla k 30.11.2021 sloučena s AUCTOR d.o.o./LIPA PROMET d.o.o. was 30.11.2021 merged with AUCTOR d.o.o.
AUCTOR KAPITAL d.o.o.	Dodatek k Smlouvě o úvěru/Amendment to Credit contract Předmět plnění/ Subject of Agreement – Prolongace splatnosti do 30.6.2023/Prolongation of maturity of loan till 30.6.2023
Auctor Finance, s.r.o.	Dodatek 1 k Smlouvě o úvěru/Amendment 1 to Credit contract Předmět plnění/ Subject of Agreement – Změna úrokové sazby/Change of interest
Auctor Finance, s.r.o.	Dodatek 2 k Smlouvě o úvěru/Amendment 2 to Credit contract Předmět plnění/ Subject of Agreement – Změna úrokové sazby/Change of interest
Aminess d.d. (Laguna Novigrad d.d.)	Dodatek 2 k Smlouvě o úvěru/Amendment 2 to Credit contract Předmět plnění/ Subject of Agreement – Prolongace splatnosti do 31.12.2021/Prolongation of maturity of loan till 31.12.2021
Aminess d.d. (Laguna Novigrad d.d.)	Dodatek 3 k Smlouvě o úvěru/Amendment 3 to Credit contract Předmět plnění/ Subject of Agreement – Prolongace splatnosti do 31.12.2022/Prolongation of maturity of loan till 31.12.2022
Auctor Alfa, a.s.	Smlouva o postoupení pohledávky/Assignment agreement

	Předmět plnění/Subject of agreement – Postoupení pohledávky z titulu poskytnuté půjčky společnosti ROMANA d.o.o. v hodnotě jistiny 3 meur spolu s příslušenstvím na Auctor Alfa, a.s./Assignment of receivables from provided loan to ROMANA d.o.o. in amount of principal 3 meur together with all rights to Auctor Alfa, a.s.
Auctor Alfa, a.s.	Dodatek 1 k Smlouvě o postoupení pohledávky/Amendment 1 to Assignment agreement Předmět plnění/ Subject of Agreement – Prolongace splatnosti do 30.6.2022/Prolongation of maturity of loan till 30.6.2022
Auctor Alfa, a.s.	Smlouva o úvěru/Credit contract Předmět plnění/Subject of Agreement – Poskytnutí finančních prostředků Společnosti Auctor Alfa, a.s. až do výše 1.350.000,- EUR/Providing of loan to the Company Auctor Alfa, a.s. up to the amount EUR 1.350.000,-
Auctor Alfa, a.s.	Dodatek 1 k Smlouvě o úvěru/Amendment 1 to Credit contract Předmět plnění/ Subject of Agreement – Prolongace splatnosti do 30.6.2022/Prolongation of maturity of loan till 30.6.2022
Auctor Alfa, a.s.	Smlouva o úvěru/Credit contract Smlouva o úvěru/Credit contract Předmět plnění/Subject of Agreement – Poskytnutí finančních prostředků Společnosti Auctor Alfa, a.s. až do výše 250.000,- EUR/Providing of loan to the Company Auctor Alfa, a.s. up to the amount EUR 250.000,-

Contracts were executed pursuant to usual business terms and conditions and under the Contract, the Company suffered no harm.

Smlouvy byly uzavřeny za obvyklých obchodních podmínek a z titulu smluv Společnosti nevznikla žádná újma.

## VI.

### Assessment of the occurrence of detriment to the Controlled Entity

Due to the conclusion of the above mentioned Contracts, no detriment incurred to the Controlled Entity, that should be a subject to settlement pursuant to section 71 or 72 of BCA.

## VI.

### Posouzení vzniku újmy Ovládané osobě

Z titulu uzavření výše uvedených smluv nevznikla Ovládané osobě žádná újma, která by měla být předmětem vyrovnání dle ustanovení § 71 či § 72 ZOK.

## VII.

### Conclusion

The Board of Directors of the Company has assessed, on the basis of the available information, the advantages and disadvantages of the above relations and has concluded that the Company has not received any particular advantages and / or disadvantages from it, in

## VII.

### Závěr

Představenstvo Společnosti vyhodnotilo na základě dostupných informací výhody a nevýhody plynoucí z výše uvedených vztahů a dospělo k závěru, že Společnosti z něj neplynuly žádné zvláštní výhody a/nebo nevýhody, a to zejména s ohledem na minimální

particular with regard to the minimum connection with the Controlling Entities or Persons controlled by the same Controlling Entity.

The Board of Directors of the Company therefore, after careful consideration, declares that it is not aware of any risks arising from the relations between the Company and the persons described above.

The Board of Directors further declares that this Report on Relations is complete and true and has been prepared on the basis of all available information.

The Report on Relations was submitted to the Supervisory Board for review under Section 83 (1) of the BCA.

provázanost s Ovládajícími osobami či Osobami ovládanými stejnou ovládající osobou.

Představenstvo Společnosti po důkladném zvážení proto s péčí řádného hospodáře prohlašuje, že si není vědomo žádných rizik vyplývajících ze vztahů mezi Společností a výše popsanými osobami.

Představenstvo dále prohlašuje, že tato Zpráva o vztazích je úplná a pravdivá a byla vypracována na základě veškerých dostupných informací.

Zpráva o vztazích byla předložena dozorčí radě k přezkumu ve smyslu ustanovení § 83 odst. 1 ZOK.

V Praze dne/ In Prague on: 25.3.2022



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**Oleg Uskoković,**  
Member of Board of Directors



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**Josef Pilka,**  
Member of Board of Directors



**REPORT OF THE BOARD OF  
DIRECTORS ON THE BUSINESS  
ACTIVITIES AND STATE OF ASSETS FOR  
THE YEAR 2021**

**Auctor Holding, a.s.**

Registered office: Sokolovská 700/113a,  
Karlín, 186 00 Praha 8,  
Czech republic  
Registration No.: 083 64 028  
Registered by: Commercial Register  
maintained by Municipal  
court in Prague, file No.  
B 24583

(hereinafter „Company“)

**I.**

**Bodies of the Company in the year 2021**

**Board of Directors**

Member of Board of Directors  
Oleg Uskoković (from July 24, 2019)  
Josef Pilka (from September 16, 2020)

**Supervisory Board**

Member of Supervisory Board  
Tanja Kragulj Mežnarić (from July 24, 2019)  
Libor Kaiser (from October 14, 2021)

Board of Directors and Supervisory Board regularly reviewed the Company's financial results and financial position at its meetings in 2021 and adopted the necessary decisions in the course of carrying out business activities and disposing of the Company's assets.

**II.**

**Business activities and liabilities of the  
Company**

The Company's activities in 2021 focused on the development of its business and asset management. In 2021, the company consolidated the structure of its subsidiaries, focusing on key sectors, ie tourism and drug distribution / pharmacy operation.. These activities were covered mostly by external financing.

The Company's solvency was stabilized in 2021 and liabilities were paid on an ongoing basis.

As of the date of this report, the Company is not a party to any litigation, arbitration or administrative proceedings that could have a

**ZPRÁVA PŘEDSTAVENSTVA  
O PODNIKATELSKÉ ČINNOSTI A STAVU  
MAJETKU SPOLEČNOSTI ZA ROK 2021**

**Auctor Holding, a.s.**

Sídlo: Sokolovská 700/113a,  
Karlín, 186 00 Praha 8, Česká  
republika  
IČO: 083 64 028  
Rejstříkový zápis: Obchodní rejstřík  
vedený Městským soudem  
v Praze, sp. Zn. B 24583

(dále jen „Společnost“)

**I.**

**Orgány Společnosti v roce 2021**

**Představenstvo Společnosti**

Člen představenstva  
Oleg Uskoković (od 24.7.2019)  
Josef Pilka (od 16.9.2020)

**Dozorčí rada Společnosti**

Člen dozorčí rady  
Tanja Kragulj Mežnarić (od 24.7.2019)  
Libor Kaiser (od 14.10.2021)

Představenstvo i Dozorčí rada na svých zasedáních v roce 2021 pravidelně hodnotily hospodářské výsledky a finanční situaci Společnosti a přijímaly potřebná rozhodnutí v rámci realizace podnikatelské činnosti a nakládání s majetkem Společnosti.

**II.**

**Podnikatelská činnost a stav závazků  
Společnosti**

Činnost Společnosti v roce 2021 byla zaměřena zejména na vývoj své podnikatelské činnosti a správy majetku. Společnost v roce 2021 konsolidovala strukturu dceřiných společností se zaměřením se na klíčová odvětví, tj. turismus/cestovní ruch a distribuce léčiv/provoz lékáren. V této souvislosti bylo zabezpečeno financování akvizice převážně formou cizích zdrojů.

Platební schopnost Společnosti byla v roce 2021 stabilizovaná a závazky byly hrazeny průběžně.

negative impact on the Company's assets. The Company's Board of Directors is not aware of any claim by third parties in relation to the Company's assets.

The Company's own shares were not acquired during the accounting period.

Ke dni vyhotovení této zprávy není Společnost účastníkem jakýchkoliv soudních sporů, arbitrážního řízení ani správního řízení, které by mohly mít negativní dopad na majetek Společnosti. Představenstvu Společnosti není známo, že by ze strany třetích osob byl vznesen jakýkoli nárok ve vztahu k majetku Společnosti.

V průběhu účetního období nedošlo k nabytí vlastních akcií Společnosti.

### **III. Business results**

The Company's assets are presented in the financial statements prepared as of 31/12/2021, including its annex, which specifies the details of each item. Profit and loss of the Company for the year 2021 is loss in the amount CZK 19.917.220,17.

### **IV. Ownership interests**

The Company has direct ownership interests in these business entities:

Obchodní firma/Company	Sídlo/Office	Identifikační číslo/Registration No.	Výše podílu/Share
AUCTOR d.o.o.	Dežmanova 5, 10000 Zagreb Croatia	080081289	100%
AUCTOR KAPITAL d.o.o.	Dežmanova 5, 10000 Zagreb Croatia	080420313	58,5%
Medika d.d.	Capraška 1, 10000 Zagreb Croatia	080027531	0,03%
Auctor Finance, s.r.o.	Dvořákovo nábrežie8, 811 02 Bratislava, Slovakia	51901811	100%
Aminess d.d.	Škverska 8, Novigrad Croatia	040060543	3,66%
Auctor Alfa, a.s.	Sokolovská 700/113a Prague Czech republic	117 62 543	100%

### **V. Employees**

The company has no employees on 31.12.2021.

### **VI. Company's plan for the year 2022**

Board of Directors of the Company recommend to continue in business activities of the Company with consolidation of structure of its subsidiaries and focus on key industries i.e. tourism and drug distribution/pharmacy.

### **III. Ekonomické výsledky**

Stav majetku Společnosti zobrazuje účetní závěrka sestavená ke dni 31.12.2021 včetně její přílohy, která specifikuje podrobnosti k jednotlivým položkám. Hospodářským výsledkem za rok 2021 je ztráta ve výši 19.917.220,17 Kč.

### **IV. Majetkové účasti**

Společnost má přímou majetkovou účast v těchto dalších podnikatelských subjektech:

### **V. Zaměstnanci**

Společnost nemá ke dni 31.12.2021 žádné zaměstnance.

### **VI. Záměr Společnosti pro rok 2022**

Představenstvo Společnosti doporučuje pokračovat v činnosti Společnosti, konsolidací struktury nabyté skupiny, se zaměřením na rozvoj klíčových odvětví tj. turismus/cestovní ruch a distribuce léčiv/provoz lékáren.

The Company monitors the market for possible further investments.

Společnost monitoruje trh pro případné další investice.

## **VII.**

### **Important decisions of the Company's bodies**

The decisions of the Company's bodies related to the ordinary agenda connected with the Company's activities performed and to the fulfilment of obligations set forth by the Czech Republic's current legislation and the Company's Articles of Association.

## **VII.**

### **Důležitá rozhodnutí orgánů Společnosti**


Rozhodnutí orgánů Společnosti se týkala běžné agendy spojené s vykonávanou činností Společnosti a plněním povinností stanovených těmto orgánům platnou právní úpravou České republiky a stanovami Společnosti.

Dne / on: 30. 6. 2022



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Oleg Ushokovič  
Member of Board of Directors



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Josef Pilka  
Member of Board of Directors

