Granolio d.d., Zagreb

Annual Report

for the year ended

31 December 2022

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

Contents

Management Report

General information

GRANOLIO d.d. ("the Company") is a joint stock company registered at the Commercial Court in Zagreb, Croatia. The Company's personal tax identification number (OIB) is 59064993527, and its company registration number (MBS) is 080111595.
The registered seat of the Company is in Zagreb, Budmanijeva 5.

The Company has a Shareholders' Assembly, a Supervisory Board, and a Management Board.

Members of the Management Board:	Hrvoje Filipović, President Vladimir Kalčić, Member Davor Mitrović, Member
Members of the Supervisory Board:	Franjo Filipović, President Jurij Detiček, Deputy President Davor Štefan, Member Tihomir Osmak, Member

The total amount of the Company's share capital as of 31 December 2022 is HRK 19,016,430 divided into 1,901,643 ordinary shares with a nominal value of HRK 10.00. Since 23 March 2015, the shares have been listed on the official market of the Zagreb Stock Exchange under ticker GRNL.

The majority shareholder of the company is Mr Hrvoje Filipović, who held 58.11% of the ownership capital on 31 December 2022. On the same day, the ten largest shareholders of Granolio held 95.75% of the capital.

The Company's primary activity is the production and trade of agricultural products and livestock. As part of its business system, on 31 December 2022, the Company had five active business units, two of which were production centres: the Farina and Kopanica mills, for the production, packaging, storage and shipping of mill products.
Business unit Bjeliš is a silo used for drying and storing grain.
The business unit in Osijek is responsible for storing, selling and shipping raw materials for sowing, selling grains and oilseeds, and managing sales runways.
The Granolio business unit, located in Zagreb, provides logistical, management, accounting and IT support to the Company's operations.

The Farina and Kopanica mills are subject to IFS standards, which give the Company the opportunity to export flour to European Union countries.
The company markets seven brands of flour: Farina, Farina Speciale, Mlin Kopanica, Ekoklas, Mlineta, No No gluten-free flour and Belje flour. Due to the focus on product quality and delivery and building long-term relationships with customers, Granolio produces private labels for most of the leading retail chains in the Republic of Croatia. The Company currently produces flour for 15 private brands.

Management Report (continued)

General information (continued)

Group's mills production capacities as at 31 December 2022 are shown in the following table.

Mills production capacity as at 31 December 2022:

Mill	Ton / 24 hours
Farina	320
Kopanica	230
	550

Subsidiaries

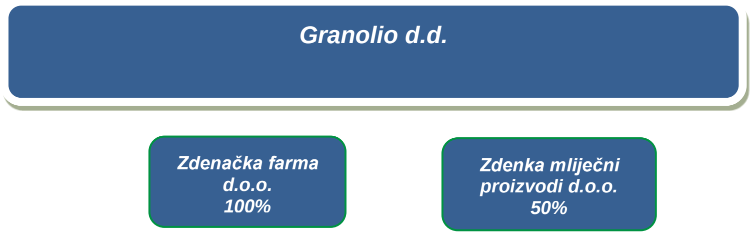
On 31 December 2022, the Company held 100% of the shares in the company Zdenačka farma d.o.o.

The dominant influence in decision-making was exerted in the company Zdenka - mliječni proizvodi d.o.o. which has been consolidated into the Granolio Group since 2011.

The Company has a minority share in the company Žitozajednica d.o.o.

Granolio's ownership shares in these subsidiaries on 31 December 2022 are shown in the following organizational chart:

The organizational structure of the Granolio Group on 31 December 2022



Significant business events in the current accounting period

The Company operates within the economic sector of food production, and despite the Covid-19 pandemic as well as the situation in Ukraine; no significant changes in demand for the Company's products are expected.

The Company's operations will certainly be affected by the movement of interest rates, fiscal policy, purchasing power and other factors.

The Company regularly settles its liabilities to financial institutions and continues to settle its trade payables, in accordance with the pre-bankruptcy settlement.

Management Report (continued)

Significant business events in the current accounting period (continued)

The Company's priorities, even during the uncertain epidemiological situation, remain the maintenance of a positive health bulletin for employees, ensuring the smooth continuation of production and continuous supply of customers and consumers, and social responsibility in the broadest sense.

The company regularly settles its obligations to financial institutions and continues to repay its obligations to suppliers, in accordance with the pre-bankruptcy settlement.

Analysis of the 2022 business performance

Granolio d.d. In '000 HRK

	Jan-Dec 2022	Jan-Dec 2021	Change	
Operating income	**489,526**	**446,417**	**43,109**	**10%**
EBIT	**37,977**	**52,697**	**(14,720)**	**35%**
margin %	7%	12%		
EBITDA	**45,092**	**71,165**	**(26.073)**	**(37%)**
margin %	9%	16%		
Net financial result	**(4.818)**	**(4,438)**	**380**	**9%**
Net result	**27,196**	**42,845**	**(15,648)**	
margin %	5.6%	9.6%		

In 2022, more favourable business income was achieved compared to the previous year.

The net financial result represents the difference between financial income and financial expenses. The net financial result is more favourable than the previous year.

In '000 HRK

Granolio d.d.	31 Dec 2022	31 Dec 2021	Change	
Total debt	**88,213**	**94,518**	**(6,305)**	**(7%)**
Cash and cash equivalents	1,958	1,931	27	1%
Financial assets	14,903	19,427	(4,524)	(23%)
Net debt	**71,353**	**73,160**	**(1,808)**	**(2%)**
EBITDA	45,092	71,165	(26,073)	(37%)
Net debt/ EBITDA	**1,58**	**1,03**		

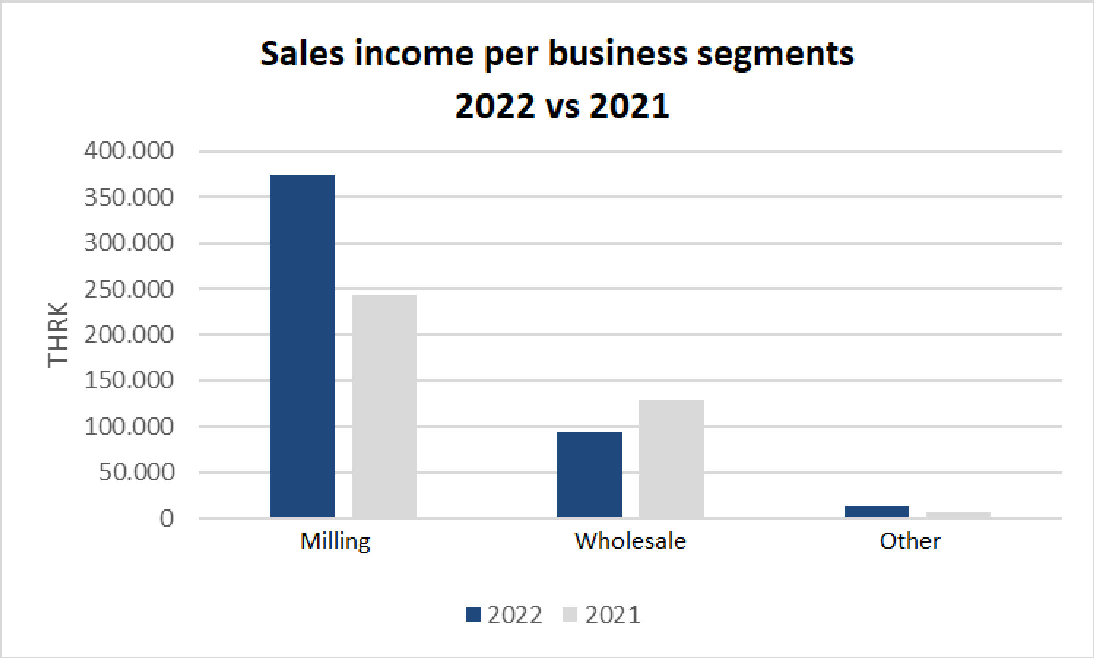
Total debt reported on 31 December 2022 includes all financial liabilities to financial institutions and non-financial entities.

The Company's total debt was reduced based on repayments according to repayment plans in regular operations.

Management Report (continued)

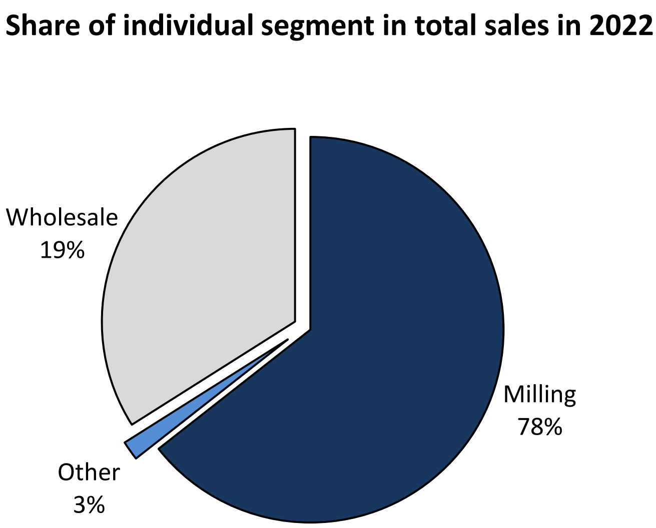
Analysis of the 2022 business performance (continued)

The total revenue from the sale of products and services realized in 2022 is higher than the revenue realized in the previous year by 11%. The largest increase was recorded in the milling segment.



The wholesale segment consists of the sale of raw materials for sowing, the sale of grains and oilseeds, and the sale of bakery products. The volume of business in this segment mostly depends on the availability of financing.

The Other segment mainly represents revenues from the provision of drying services, storage, receiving goods and other services.



Management Report (continued)

Analysis of the 2022 business performance (continued)

The cost of employees is higher than the previous year by 9% as a result of the increase in the part of the salaries and new hires.

Total capital investments in tangible assets in 2022 amounted to HRK 1.7 million (2021: HRK 6.5 million). These refer to the purchase of scales for mills and software upgrades.

The net financial result in 2022 was HRK 1 million (2021: HRK 4 million).

Significant business events after the accounting period and the Company's strategic goals

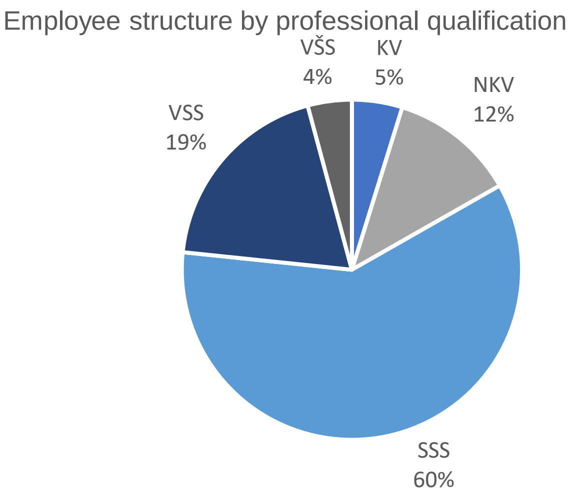
Geopolitical developments in Eastern Europe at the beginning of 2022 caused economic and political uncertainty and instability in the markets of energy sources, raw materials for sowing, grains and, consequently, all other goods and services.

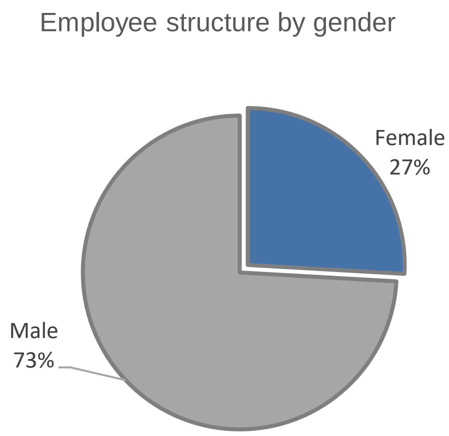
The Company's Management undertakes all necessary actions in order to minimize the newly created risks.
The investment in constructing solar power plants at all major electricity consumers in the Granolio Group has been completed. This investment will make it possible to reduce consumption by about 30 per cent and reduce the impact of a possible further increase in electricity prices on the Company's operations.
The required amount of raw material is secured until the new harvest, and the packaging until the end of the year, reducing the risk of shortages and eventual procurement at high prices.
The Company will respond to the overall increase in operating costs by increasing the prices of its products.

As far as capital investments are concerned, all plants are technologically advanced to the maximum and there is currently no need for capital investments.
The Company expects to continue to operate successfully in 2023 and in future years.

Employees

In 2022, the Company had 159 employees based on working hours (2021: 161 employees). The structure of employees as of 31 December 2022, according to the criterion of professional qualification and gender, is shown in the following graphs:





Management Report (continued)

Research and Development

In the observed period, the Company had no research and development projects.

Purchase of own shares

Until the date of issuance of this Annual Report of the Management Board, the Company did not engage in the activity of repurchasing its own shares.

Environmental Protection

In the area of environmental protection, the Company implements complete and systematic solutions and establishes environmentally friendly production processes.

Risks

The risks faced by the Company are explained in detail in the Notes to the annual financial statements.

Statement on the application of the Corporate Governance Code

The Corporate Governance Statement has been prepared pursuant to the provisions of Article 272.p of the Companies Act.

As a company whose shares are listed in the Official Market of the Zagreb Stock Exchange, in 2022, Granolio d.d. (hereinafter: the Company) applied the recommendations provided in the Code of Corporate Governance developed by the Croatian Financial Services Supervisory Agency and Zagreb Stock Exchange., and in force since 1 January 2020; with departures from certain recommendations and guidelines provided therein.

Departures from the recommendations of the Code are limited to provisions whose application at a given time are not practical or enforceable given the circumstances of the business, or is not foreseen given the legal framework in which the Company operates.

In relation to the recommendations contained in Chapter 1 of the Code, in 2022 the Company published only the Articles of Association on its website and planes to take actions to expand the number of acts published on its website.

In relation to the recommendations contained in Chapter 2 of the Code, in 2022 the Company plans to make the Conflict of Interest Management Policy available on the Company's website during 2023. The Company did not adopt special procedures for approving and publishing transactions between members of the Management Board or Supervisory Board and the Company but planes to adopt them in year 2023.

In relation to the recommendations contained in Chapters 3 and 4 of the Code, the Company’s Supervisory Board has not adopted a formal procedure for the appointment of the Management Board, but plans to adopt it in 2023. The Supervisory Board, which consists of male members in a term that began before 2020, has set a target for the percentage of female members of the Supervisory Board and Management Board to be achieved in the next five years, but the detailed plan is still under development, and the set goal that in the five-year period until 2025 at least one member of the Supervisory Board will be a woman, in 2022 was not achieved. In this regard, considering that all members of the Supervisory Board who were elected to the Supervisory Board of the Company in 2022 were also members of the previous Supervisory Board, data from Art. 16 of the Code were not made available among the materials for the General Assembly and were not published on the Company's website Also; no act was adopted that determined the expected minimum time load of each member of the Supervisory Board at the time of his appointment. The Supervisory Board of the Company has four members, two of whom are independent. The Supervisory Board did not establish a nomination committee and a remuneration committee since it, according to the provisions of the Statute, has from three to five members and performs tasks within the competence of the aforementioned committees. The function of the audit committee, in accordance with the Audit Act, is performed by the established Audit Committee composed of three members, who are also members of the Company's Supervisory Board, of which one member is independent, and the description of the tasks of the established Supervisory Board (Audit Committee) is planned to be published by the Company on its website during 2023. The Supervisory Board did not evaluate its effectiveness and the individual results of its members, as well as the established committees (Audit Committee) in accordance with the Code, but it is preparing to do the same for 2023.

In relation to the recommendations contained in Chapter 5 of the Code, the statute and/or internal acts of the Company do not contain formal rules governing responsibilities and reporting procedures at the level of the parent company and subsidiaries, but the financial managers of the subsidiaries are responsible for reporting. No formal act was adopted on the profile of the administration for the effective execution of the administration's responsibilities, given that the administration has been operating effectively in the majority of its current composition for many years. The Management did not evaluate its own effectiveness and the effectiveness of individual members in 2022, but it is preparing to do the same in relation to its work in 2023.

Statement on the application of the Corporate Governance Code (continued)

In relation to Chapter 6 of the Code, as stated above, the remuneration committee was not established, and the remuneration policy for the members of the Management Board was adopted in 2020 and approved at the Company's General Assembly. The remuneration policy for members of the Company's Management Board stipulates that a member of the Management Board has no legal right to the payment of receipts in shares, nor does it provide for delayed payment of part of the receipts or circumstances in which part of the receipts of a member of the Management Board would be withheld or their return would be requested. The remunerations of the president and members of the Supervisory Board of the Company do not provide for special compensation for membership in the established committees of the Supervisory Board. The Decision on the remuneration of the Supervisory Board has been made available on the Company's website, while the Decision on the remuneration of the Management Board members is planned to be made available in 2023.

Related to the recommendations from Chapter 7 of the Code, internal control and risk management are partly performed through the activities of the Controlling business function, and partly through the activities of the Company's management body and external auditors and certification companies. Also, not all formal policies and procedures from this chapter of the Code were adopted in 2022, but the Company plans to adopt them in 2023.

The Company applies the recommendations from Chapter 8 of the Code, except in terms of Art. 72, as already mentioned, and the Company plans to include information from Article 74 of the Code in its annual report for 2023.

Regarding the recommendations from Chapter 9 of the Code, asking questions directly to the President of the Management Board and the President of the Supervisory Board is possible via the Company's contact email, which is published on the Company's website, while the Company's Statute provides for voting at the Company's Assembly by picking up or submitting ballots. Due to the epidemiological situation in 2022 and the SARS-CoV-2 epidemic, the Deputy Chairman of the Supervisory Board and the Company's external auditor were not present at the General Assembly of the Company.

With regard to the recommendations from Chapter 10 of the Code, in 2023 the Company plans to carry out the activities defined by the adopted policies and carry out the identification of key stakeholders.

Detailed explanations related to the non-application or departures from certain recommendations of the Code in 2022 were presented by the Company in the annual questionnaire, which is an integral part of the Code and which is submitted to the Zagreb Stock Exchange d.d. together with the annual financial statements for public disclosure.

Internal audit and risk management

Although the Company does not have an organized internal audit function, internal business supervision and risk management are partly performed through the activities of the business function of Controlling. Also, the main responsibilities of the Audit Committee of the Supervisory Board include monitoring the financial reporting process and submitting recommendations or proposals to ensure its integrity regarding financial reporting, as well as monitoring the effectiveness of the internal quality control system and risk management system.

In addition to the recommendations of the Code, the Management and the Supervisory Board of the Company increased efforts in order to establish adequate corporate governance and transparent information, respecting the structure and organization of the Company, its strategy and business goals, the distribution of powers and responsibilities with special emphasis on effective procedures for determining, measuring and monitoring and reporting about risks in business, as well as the establishment of appropriate internal control mechanisms.

Statement on the application of the Corporate Governance Code (continued)

The Company has prepared separate and consolidated financial statements for the Granolio Group, which consists of Granolio d.d. and the subsidiary Zdenačka farma d.o.o. which is fully owned by Granolio d.d. and for the subsidiary Zdenka - mliječni proizvodi d.o.o., where the Company is a co-owner.

Significant shareholders and limited shareholders' rights

The majority shareholder, holding over 58% of the Company's share capital and voting rights, is Mr Hrvoje Filipović.
All the shares have been fully paid in, and there are no restrictions to the rights arising from the shares.

Rules for the appointment and revocation of the Supervisory Board

The Supervisory Board of the Company consists of three or five members. The exact number of the Supervisory Board members is determined by the decision of the Company's shareholders at their General Assembly.
As long as there is a prescribed obligation, one member of the Supervisory Board is a representative of employees, who is appointed and revoked as specified in the Labour Act. One member of the Supervisory Board is appointed and revoked directly by Hrvoje Filipović, as long as he holds at least 25% of the total number of issued ordinary shares of the Company.
Other Supervisory Board members are elected and revoked by the Company's General Assembly, based on the proposals of shareholders who individually or collectively represent at least one twentieth of the share capital of the Company at the time of the election.

Rules for the appointment and revocation of the Management Board, amendments to the Statute and special powers of the Management Board

Pursuant to the Statute of Granolio d.d., the Management Board consists of three to seven members, depending on the decision adopted by the Supervisory Board. The members and President of the Management Board are appointed by a decision of the Supervisory Board for a mandate up to five years, with the possibility of re-appointment. The Supervisory Board may issue a decision revoking a member or the President of the Supervisory Board for a relevant reason.
The Statute can be amended only by a decision adopted in the General Shareholders Meeting by majority vote as defined for an amendment in the applicable legislation or the Statute.

The affairs and operations of the Company are managed by the President and members of the Management Board based on the principle of segregation of duties and responsibilities for individual areas of operations or scope of responsibilities. The work and segregation of duties and responsibilities are regulated by the Rules of Procedure for the Management Board, adopted by the Management Board with the consent of the Company's Supervisory Board. The President of the Management Board represents the Company solely, and the Management Board members represent the Company jointly with the President of the Management Board or another Management Board Member. The Company's Management Board must receive a consent from the Supervisory Board for, inter alia, deciding about the overall maximum indebtedness of the Company for a particular business year, maximum exposure on loans granted to related companies, maximum exposure of the Company with respect of guarantees, sureties and other security instruments issued to third legal and natural persons, about establishing and/or discontinuing any directly related companies, branch offices and business units, about purchasing or selling the shares in other companies in Croatia and abroad, about any fixed asset investments in excess of HRK 15,000,000.00, acquisition and sale of real estate with a net book value higher than HRK 5,000,000.00; establishing a charge on the real estate for purposes other than disposal in the ordinary course of business and conclusion of contracts worth in excess of HRK 5,000,000.00, with the exception of product, goods, energy, short-term debt and service sales contracts as part of the Company's ordinary business; decisions that affect the reputation of the Company and in all other cases determined by the Supervisory Board or the Assembly

Statement on the application of the Corporate Governance Code (continued)

Composition and operation of the Supervisory Board

Pursuant to the Companies Act and the Company's Statute, the principal responsibilities of the Supervisory Board comprise permanent supervision of the Company's operations and appointing and revoking the President and members of the Management Board. The composition of the Supervisory Board and changes of its members are presented in the accompanying financial statements.

In 2022, the Supervisory Board held six sessions which were attended by all members of the Supervisory Board. In 2022, the Audit Committee held one meeting attended by all board members.

The Supervisory Board assessed the cooperation between the Supervisory Board and the Management Board, as well as the adequacy of the support and information it received from the Management Board during 2022, as satisfactory.

Composition and operation of the Management Board

Pursuant to the Companies Act, the Company's Statute and the Rules of Procedure for the Management Board, the principal power of the Management Board comprises managing the operations and affairs of the Company and representing the Company before third parties. In addition, the Management Board is charged with the responsibility to undertake, autonomously or with a prior consent of the Supervisory Board, any actions and adopt any decisions it considers necessary for effective management and control of the Company's operations. This, inter alia, implies adopting Company by-laws, decisions on the business and development plans of the Company, reporting to the Supervisory Board about the business performance and position of the Company, establishing bodies or boards of the Company, as well as deciding on all other issues for which the Management Board is responsible according to the Statute or another by-law, and those issues that, under the positive law or Statute, do not fall within the area of responsibilities of another corporate body of the Company.

Description of the work of the General Assembly

At the General Assembly, the Company shareholders may participate and vote themselves or through their proxies, which applies to the shareholders registered at the Central Depositary and Clearing Company 21 days before the Assembly. Each ordinary share entitles to one vote at the General Assembly. The Company shareholders may participate in a General Assembly in person or through their representatives, i.e. proxies. A General Assembly is convened in cases specified by law and the Company's Statute. The Assembly is convened by the Company's Management or Supervisory Board when it is necessary for the benefit of the Company. The invitation and the agenda are published at least one month before the date of the General Assembly. Any propositions of the shareholders which counter those of the Management Board and/or Supervisory Board, containing the full name of the proposing shareholder and his or her explanation, or propositions of the shareholders regarding the appointment of the Company's auditor must be received by the Company at least 14 days prior to the General Assembly, excluding the date of receipt of the counter-proposition. Shareholders representing at least one twentieth of the share capital of the Company may require an issue to be included in the General Assembly agenda, by providing an explanation and the decision proposal. The request must be received by the Company at least 30 days in advance of the General Assembly, excluding the day of the request receipt.

The activities and decisions of the General Assembly are valid if at least 50% of the voting shares are present in a meeting. All decisions under the proposed agenda items are adopted by simple majority, except for those requiring qualified majority, i.e. three-quarters of the share capital being represented in the Assembly. Each share with a nominal amount of HRK 10.00 entitles to one vote in the Assembly.

Statement on the application of the Corporate Governance Code (continued)

Description of the work of the General Assembly (continued)

The General Assembly is chaired by the Chairperson or Deputy Chairperson in case of the Chairperson's absence. The Chairperson and the Deputy Chairperson are elected by the General Assembly for a term of 4 (four) years based on the proposal of the Supervisory Board. The Chairperson chairs the Assembly and, before opening the discussion on the agenda items, determines the validity of proxies and the quorum. The Chairperson determines the sequence of the individual agenda item discussions, the sequence and manner of voting on the individual proposals, as well as on all procedural matters not regulated by law or the Statute. In addition, the Chairperson signs decisions adopted at the Assembly, the list of the present shareholders, the manner of voting and the voting results, makes other required notes, communicates on behalf of the Assembly with other bodies of the Company and third parties in cases stipulated by law and the Statute and performs other tasks, duties and responsibilities specified by law and the Statute.

The Members of the Management Board of Granolio d.d. in 2022 were the following:

President of the Management Board:	Hrvoje Filipović (reappointed on 24 February 2021)
Members of the Management Board:	Vladimir Kalčić (reappointed on 24 February 2021)
	Davor Mitrović (first appointment on 28 April 2022)
	Drago Šurina (reappointed on 24 February 2021); end of mandate on 12 May 2022 by resignation)

The Members of the Supervisory Board of Granolio d.d. in 2022 were the following:

President of the Supervisory Board:	Franjo Filipović (reappointed on 6 June 2022)
Members of the Supervisory Board:	Davor Štefan (reappointed on 6 June 2022)
	Jurij Detiček ((reappointed on 6 June 2022)
	Tihomir Osmak (first appointment on 6 June 2022)

This Corporate Governance Statement forms an integral part of the Company's Annual Report for the year 2022.

Responsibility of the Management for the unconsolidated financial statements

The Management Board of Granolio d.d., Zagreb, Budmanijeva 5, Zagreb (hereinafter: the Company) is obliged to ensure that the annual unconsolidated financial statements of the Company for 2022 are prepared in accordance with the applicable Croatian Accounting Act and International Financial Reporting Standards established by the European commissions and published in the Official Journal of the European Union, so as to provide a true and fair view of the unconsolidated financial position, unconsolidated results of operations, unconsolidated changes in equity and unconsolidated cash flows of the Company for that period.

After making enquiries, the Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to accept the going concern principle when preparing the financial statements.

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

- selecting and then consistently applying suitable accounting policies in accordance with the applicable standards of financial reporting,
- making reasonable and prudent judgments and estimates.
- preparing the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue its business.

The Management Board is responsible for keeping proper accounting records, which disclose, with reasonable accuracy, at any time the unconsolidated financial position, unconsolidated business results, unconsolidated changes in equity and unconsolidated cash flows of the Company and their compliance with the applicable Croatian Accounting Act. Furthermore, the Management Board is responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of and for the Management Board:

28 April 2023

Hrvoje Filipović dipl.oec.
President of the Management Board

Davor Mitrović dipl.oec.
Member of the Management Board

Vladimir Kalčić dipl.oec.
Member of the Management Board

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Granolio d.d., Zagreb:

Report on the audit of the unconsolidated annual financial statements

Opinion

We performed an audit of the annual unconsolidated financial statements of Granolio d.d., Zagreb, Budmanijeva 5 ("the Company"), for the year ended 31 December 2022, which include the Unconsolidated Statement of financial position as at 31 December 2022, Unconsolidated Statement of comprehensive income, the Unconsolidated Statement of cash flows and the Unconsolidated Statement of changes in equity for the year then ended, as well as the accompanying Notes to the unconsolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying annual unconsolidated financial statements present a true and fair view of the Company's financial position as at 31 December 2022 and its financial performance and cash flows for the year then ended, in accordance with the Accounting Act and International Financial Reporting Standards established by the European Commission ("IFRS").

Basis for Opinion

We conducted our audit in accordance with the International Auditing Standards (ISAs). Our responsibilities under those standards are further described in our Independent Auditors' report under section *Auditors' responsibilities for the audit of the unconsolidated annual financial statements*. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants (IESBA Code), as well as in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3.2. "Basis of preparation" to the unconsolidated financial statements, which indicates that, based on the submitted request for pre-bankruptcy proceedings of the Company, the Commercial Court in Zagreb on 28 December 2018 adopted the final Decision on the Company's pre-bankruptcy settlement with its creditors. The Company continues to carry out measures included in the restructuring programme of the Company. The Management Board of the Company believes that the Company can continue its operations assuming a going concern principle. Our opinion is not modified in respect of this matter.

Emphasis of Mater

The Company has prepared the annual consolidated financial statements of the Company, and in order to better understand the operations of the Company as whole, users should read the annual consolidated financial statements of the Company related to these annual unconsolidated financial statements.

Key audit matters

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

Key audit matter

We have determined the matter described below as the key audit matter to be communicated in our Independent Auditor's report:

<table>
<tr><th>Key audit matter</th><th>How we addressed the key audit matter</th></tr>
<tr><td>

Revenue recognition

In 2022, the Company has stated sales revenues in the amount of HRK 470,184 thousand in its Statement of comprehensive income.

Sales revenue includes:

- *Sales revenue - domestic*
- *Sales revenue - foreign*
- *Revenue from services*

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the Company's activities. Revenues are stated in amounts less value added tax, quantity rebates and sales discounts.

The Company recognizes revenue when the amount of revenue can be measured reliably, when the Company will have future economic benefits and when specific criteria for all activities of the Company are met.

In accordance with International Financial Reporting Standard 15, Sales Revenue is recognized when the Company delivers goods to a customer, when it no longer has the influence on the management of the goods and when there is no outstanding liability that could affect the acceptance of the product by the customer.

Delivery is made when the products are shipped to a specific location; the risks of loss are transferred to the customer and when one of the following is determined: the wholesaler accepts the products in accordance with the contract, or the deadline for acceptance of products has expired or the Company has objective evidence that all acceptance criteria are met.

Considering the significance of revenues presented in the Statement of Comprehensive Income and the risk of recognizing them, we concluded that the occurrence, accuracy and completeness of revenues and their distribution in the correct reporting period is a key audit matter.

See notes 3.8 "Revenue Recognition" and 6 "Sales revenue" in the accompanying annual unconsolidated financial statements

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Our audit procedures related to this matter included, but were not limited to:

- Gaining an understanding of the sales process by interviewing key sales personnel;
- Gaining an understanding of key controls related to the recognition of sales revenue;
- Examining the effectiveness of internal controls related to occurrence and accuracy of the revenue recognition;
- Conducting detail tests on the sample in order to identify unusual or irregular items and the correct allocation of revenue between reporting periods;
- Comparison of obtained external confirmations of the amount of outstanding trade receivables at the reporting date and the balances presented in the Company's records on the same date;
- Assessment of the compliance of the sales revenue recognition policy with International Financial Reporting Standard 15 - Revenue from Contracts with Customers;
- Assessing the adequacy of disclosures related to the recognition of sales revenue in accordance with International Financial Reporting Standard 15 - Revenue from Contracts with Customers.

</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT (continued)

Other information

Management Board is responsible for other information. Other information includes the Management Report and the Statement of Application of the Corporate Governance Code, but does not include the annual unconsolidated financial statements and our Independent Auditor's Report thereon. Our opinion on the annual unconsolidated financial statements does not include other information.

In relation to our audit of the annual unconsolidated financial statements, it is our responsibility to read other information and consider whether the other information is materially inconsistent with the annual unconsolidated financial statements or our audit findings or otherwise appear to be materially misstated.

Regarding the Management Report and the Statement on the Application of the Corporate Governance Code, we also carried out the procedures required by the Croatian Accounting Act (the “Accounting Act”). These procedures include considering whether the Company’s Management Report has been prepared in accordance with Article 21 of the Accounting Act and whether the Statement on the Application of the Corporate Governance Code has been prepared in accordance with Article 22 of the Accounting Act.

Based on the procedures required to be performed as part of our audit of the annual unconsolidated financial statements and the above procedures, in our opinion:

1. The information in the attached Management Report and Statement on the Application of the Corporate Governance Code is harmonized, in all significant respects, with the attached financial statements;
2. The attached Management Report is compiled in accordance with Article 21 of the Accounting Act; and
3. The attached Statement on the Application of the Corporate Governance Code includes the information defined in Article 22 of the Accounting Act.

Based on our knowledge and understanding of the Company's operations and the environment in which it operates, which we acquired during our audit, we are required to report whether we have identified material misstatements in the Management Report and Corporate Governance Statement received up to the date of this Independent Auditor's Report. In that sense, we have nothing to re

Responsibilities of the Management Board and those charged with governance for the unconsolidated annual financial statements

Management Board is responsible for the preparation of unconsolidated annual financial statements that give a true and fair view in accordance with IFRSs, and for those internal controls that the Management Board determines are necessary to enable the preparation of unconsolidated annual financial statements that are free from material misstatement due to fraud or error.

In preparing the unconsolidated annual financial statements, Management Board is responsible for evaluation of the Company's ability to continue operations assuming going concern principle, disclosure, if applicable, of issues related to going concern, and using accounting based on going concern principle, unless the Management Board intends to liquidate the Company or discontinue its business or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process established by the Company.

INDEPENDENT AUDITOR'S REPORT (continued)

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

Auditor's Responsibility for the audit of consolidated annual financial statements

Our goals are to obtain reasonable assurance about whether the unconsolidated annual financial statements, as a whole, are free from material misstatement as a result of fraud or error, and to issue an Independent Auditors' Report that includes our opinion. Reasonable assurance is a higher level of assurance, but this is no guarantee that an audit performed in accordance with IAS will always detect a material misstatement when it exists. Misstatements may result from fraud or error and are considered as important, if it can reasonably be expected that, individually or in aggregate, they affect the economic decisions of users made based on these unconsolidated annual financial statements.

As an integral part of the audit report in accordance with ISA, we make professional judgments and maintain professional scepticism throughout the audit process. In addition, we:

- identify and assess the risks of material misstatement of the annual unconsolidated financial statements due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of non-detecting a material misstatement of fraud is greater than the risk of error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or circumvention of internal controls.

- acquire an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.

- assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of the accounting basis used based on the going concern principle used by the Management Board and, based on the obtained audit evidence, we conclude on whether there is significant uncertainty regarding events or circumstances that may create significant doubts about the ability to continue operating for an indefinite period of time. If we conclude that there is significant uncertainty, in our independent auditors' report we are required to call our attention to related disclosures in the unconsolidated annual financial statements or, if these are inappropriate, to modify our opinion.

  Our conclusions are based on the audit evidence obtained up to the date of our independent auditors' report. However, future events or conditions may cause the Company to discontinue its operations on a going concern.

- evaluate the overall presentation, structure and content of the unconsolidated annual consolidated financial statements, including disclosures, as well as whether the annual unconsolidated financial statements reflect the transactions and events which they are based on in a way that achieves a fair presentation.

INDEPENDENT AUDITOR'S REPORT (continued)

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

Auditor's Responsibility for the audit of consolidated annual financial statements (continued)

We communicate with those charged with governance, among other issues, the intended scope and timing of audit and important audit findings, including any significant deficiencies in internal controls identified during our audit.

We also make a statement to those charged with governance that we have complied with the relevant ethical requirements regarding independence and that we will communicate with them any relationship and other matters that may reasonably be considered to affect our independence as well as, where applicable, on related safeguards.

Among the issues communicated to those charged with governance, we identify those issues that are the most important in auditing the annual unconsolidated financial statements of the current period and therefore present the key audit matters.

We describe these matters in our Independent Auditor's Report, unless the law or regulation prevents the matters from being publicly disclosed, or when we decide, in extremely rare circumstances, that the matter should not be reported in our Independent Auditors' Report because the negative consequences of the disclosure could reasonably be expected to outweigh the benefits of public interest from such communication.

Statement on other legal requirements

On 6 June 2021, we were appointed by the General Assembly of the Company to audit the annual unconsolidated financial statements of the Company for 2022.

We are engaged to perform the legal audit of the annual unconsolidated financial statements of the Company for the first time for 2019 until the audit of unconsolidated annual financial statements for 2022, which is a four-year engagement.

In the audit of the annual unconsolidated financial statements of the Company for 2022, we determined the materiality for the unconsolidated financial statements as a whole in the amount of HRK 6,844 thousand, which represents approximately 1.5 % of the realized sales revenue for 2022.

We have chosen sales revenue as a measure of materiality because we believe it is the most appropriate measure given the significant fluctuations in profit before tax in the current and prior periods.

Our audit opinion is consistent with the supplementary report for the Audit committee of the Company prepared in accordance with the provisions of Article 11 of Regulation (EU) no. 537/2014.

During the period between the starting date of the audited annual consolidated financial statements of the Company for 2022 and the date of this Independent Auditor's Report, we did not provide prohibited non-audit services to the Company and did not provide services for the design and implementation of internal control procedures or risk management related to preparation and/or control of financial information or the design and implementation of technological systems for financial information, and we have maintained independence in relation to the Company.

INDEPENDENT AUDITOR'S REPORT (continued)

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

Report based on the requirements of Delegated Regulation (EU) 2018/815 amending Directive 2004/109/EC of the European Parliament and the Council regarding regulatory technical standards for the specification of the European Single Electronic Format

Auditor's assurance report on the compliance of annual unconsolidated financial statements (hereinafter: financial statements), prepared pursuant to the provision of Article 462, paragraph 5 of the Capital Market Act (Official Gazette, nos. 65/18, 17/2, 83/21 and 151/22) by applying the Delegated Regulation (EU) 2018/815 establishing a single electronic reporting format for issuers (hereinafter: the ESEF Regulation).
We conducted the engagement with expressing reasonable assurance as to whether the financial statements prepared for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, which are contained in the electronic file *granoliodd-2022-12-31-en,* in all material aspects prepared in accordance with the requirements of the ESEF Regulation

Responsibilities of Management and those charged with governance

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

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

The Management is also responsible for:

- public disclosure of the financial statements contained in the annual report in a valid XBRL format, and
- selection and use of XBRL codes in accordance with the requirements of the ESEF Regulation.

Those in charge of governance are responsible for overseeing the preparation of financial statements in the ESEF format as part of the financial reporting process.

Auditor's responsibilities

It is our responsibility to express a conclusion, based on the audit evidence gathered, as to whether the financial statements are free from material non-compliance with the requirements of the ESEF Regulation. We conducted this reasonable assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (revised) - Assurance engagements other than audits or reviews of historical financial information.

INDEPENDENT AUDITOR'S REPORT (continued)

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

Report based on the requirements of the ESEF Regulation (continued)

Procedures performed

The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable assurance is a high level of assurance. However, it does not assure that the scope of testing will reveal all significant (material) non-compliance with the ESEF Regulation.

As part of the selected procedures, we have performed the following activities:
- we have read the requirements of the ESEF Regulation,
- we have gained an understanding of the Bank's internal controls relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of material non-compliance with the ESEF Regulation due to fraud or errors; and
- based on that, we have planned and designed procedures for responding to assessed risks and for obtaining reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:
- the financial statements, which are included in the separate and consolidated annual report, are prepared in the valid XHTML format,
- the information contained in the separate and consolidated financial statements required by
- ESEF Regulation, are labelled and all labels meet the following requirements:
- XBRL mark-up language was used,
- the elements of the basic taxonomy listed in the ESEF Regulation with the closest accounting meaning were used, unless an additional element of taxonomy has been created in accordance with Annex IV ESEF Regulations,
- the labels comply with the common labelling rules under the ESEF Regulation.

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

Report based on the requirements of the ESEF Regulation (continued)

Conclusion

In our opinion, based on the procedures performed and the evidence obtained, the financial statements presented in ESEF format, contained in the above-mentioned electronic file and based on the provision of Article 462, paragraph 5 of the Capital Market Act prepared for the purposes of public disclosure, in all material respects are in line with the requirements from articles 3, 4 and 6 of the ESEF Regulation for the year ended 31 December 2022.

In addition, we do not express our assurance in other information published with documents in ESEF formation addition to this conclusion, as well as the opinion contained in this Independent Auditor's Report for the accompanying unconsolidated financial statements and the annual report for the year ended 31 December 2022, we do not express any opinion on the information contained in these statements or other information contained in the file stated above.

The engaged partner involved in the audit of the Company's annual unconsolidated financial statements for 2022 which results in this Independent Auditor's Report, is the certified auditor Vedrana Stipić.

Zagreb, 28 April 2023

BDO Croatia d.o.o.
Radnička cesta 180
10000 Zagreb

Hrvoje Stipić, President of the Management Board

Vedrana Stipić, Certified Auditor

BDO
BDO Croatia d.o.o.
Zagreb, Radnička cesta 180
OIB: 76394522236 2

Unconsolidated Statement of Comprehensive Income
for the year ended 31 Dec 2022

In '000 HRK

	Note	2022	2021
Income			
Sales revenue	6	470,184	377,767
Other operating income	7	19,342	68,650
Total operating income		**489,526**	**446,417**
Changes in inventories	18	1,607	922
Material expenses	8	(416,722)	(351,774)
Staff costs	9	(22,157)	(19,808)
Depreciation and amortisation	15, 16,17	(7,114)	(7,283)
Other costs	11	(3,170)	(2,592)
Value adjustment expenses	10	-	(11,185)
Other operating expenses	12	(3,993)	(1,999)
Total operating expenses		**(451,549)**	**(393,719)**
Operating profit/(loss)		**37,977**	**52,698**
Financial income	13	451	326
Financial expenses	13	(5,269)	(4,764)
Net financial result		**(4,818)**	**(4,438)**
Result before taxation		**33,160**	**48,259**
Income tax	14	(5,964)	(5,415)
Profit/(loss) after taxation		**27,196**	**42,844**
Other comprehensive income		-	-
Total comprehensive income/(loss)		**27,196**	**42,844**
Earnings per share			
Basic and diluted earnings/(loss) per share (in HRK and lipa)	31	**14,30**	**22,53**

*The accompanying notes form an integral part of these financial statements.

Unconsolidated Statement of Financial Position
as at 31 Dec 2022

In '000 HRK

	Note	31 Dec 2022	31 Dec 2021
I NON-CURRENT ASSETS			
Intangible assets			
Software and other intangible assets		347	466
Right of use assets		845	1,167
	15,16	**1,192**	**1,633**
Property, plant and equipment			
Land		9,184	9,184
Buildings		102,605	105,998
Plant, equipment, and tools		7,043	8,919
Other tangible assets		72	72
Investment property		4,615	4,615
Tangible assets under construction		9,402	9,310
	17	**132,921**	**138,098**
Financial assets measured at amortised cost			
Given loans and deposits	18c	115	147
Investments in subsidiaries	18a	70,427	70,427
Fair value shares under profit or loss	18b	1	1,036
		70,543	**71,610**
II CURRENT ASSETS			
Inventories	13	**20,992**	**17,424**
Receivables			
Receivables from related parties	30	10,184	11,823
Trade receivables	20a	69,018	56,381
Receivables from the State and other institutions	20b	1,446	7,066
Other receivables	20c	3,555	3,646
		84,203	**78,916**
Financial assets measured at amortised cost			
Loans given to affiliates	21, 30	6,193	10,672
Given loans and deposits	21b	8,445	8,459
Investment in securities	21a	150	150
		14,788	**19,281**
Cash and cash equivalents	22	1,958	1,931
Prepaid expenses and accrued income	23	387	732
TOTAL ASSETS		**326,984**	**329,625**

Unconsolidated Statement of Financial Position (continued)

as at 31 Dec 2022

In '000 HRK

	Note	31 Dec 2022	31 Dec 2021
I EQUITY AND RESERVES			
Subscribed capital		19,016	19,016
Capital reserves		84,196	84,196
Revaluation reserves		45,669	48,671
Legal reserves		7,268	5,158
Reserves for own shares		800	800
Loss carried forward		(39,192)	(82,929)
Profit or loss for the year		27,196	42,845
	24	**144,953**	**117,757**
II NON-CURRENT LIABILITIES			
Deferred tax liability	14	10,025	10,684
Liabilities to banks and other financial institutions	25	55,653	25,189
Loan liabilities	26	2,000	2,000
Lease liabilities	16	397	650
Trade payables		-	10,955
Liabilities for securities	27	5,013	6,266
		73,088	**55,744**
III CURRENT LIABILITIES			
Liabilities for loans from related companies	30	2,000	2,000
Liabilities to related companies	30	14,910	12,693
Liabilities to banks and other financial institutions	25	8,540	2,644
Loan liabilities	26	12,500	51,665
Lease liabilities	16	253	257
Liabilities for pre-payments		2,705	802
Trade payables	28a	60,733	73,715
Liabilities for securities	27	1,856	3,848
Taxes, contributions and similar duties payable	28b	3,488	6,881
Accrued expenses and deferred income		519	99
Other current liabilities	28c	1,439	1,520
		108,943	**156,124**
TOTAL LIABILITIES		**326,984**	**329,625**

* The accompanying notes form an integral part of these financial statements

Unconsolidated Statement of Changes in Equity
for the year ended 31 Dec 2022

In '000 HRK

	Subscribed capital	Capital reserves	Legal reserves	Reserves for own shares	Revaluation reserves	Loss carried forward	Profit for the current year	Total
As at 1 January 2021	**19,016**	**84,196**	**3,497**	**800**	**51,674**	**(118,158)**	**33,888**	**74,913**
Distribution of results for 2020	-	-	1,661	-	-	32,227	(33,888)	**-**
Revaluation depreciation	-	-	-	-	(3,002)	3,002	-	-
Total transactions with owners	**-**	**-**	***1,661***	**-**	***(3,002)***	**35,229**	**(33,888)**	**-**
Profit of the year	-	-	-	-	-	-	42,844	**42,844**
Total other comprehensive income for the year	-	-	-	-	-	-	**42,844**	**42,844**
As at 31 December 2021	**19,016**	**84,196**	**5,158**	**800**	**48,671**	**(82,929)**	**42,844**	**117,757**
Distribution of results for 2022	-	-	2,109	-	-	40,734	(42,844)	**-**
Revaluation depreciation	-	-	-	-	(3,002)	3,002	**-**	**-**
Total transactions with owners	**-**	**-**	***2,109***	**-**	***(3,002)***	***43,736***	***(42,844)***	**-**
Net profit for the year	-	-	-	-	-	-	27,196	**27,196**
Total other comprehensive income for the year	-	-	-	-	-	-	27,196	**27,196**
As at 31 December 2022	**19,016**	**84,196**	**7,268**	**800**	**45,669**	**(39,192)**	**27,196**	**144,953**

* The accompanying notes form an integral part of these financial statements

Unconsolidated Statement of Cash Flows – indirect method

for the year ended 31 Dec 2022

	In '000 HRK 2022	In '000 HRK 2021
Result before tax	**33,160**	48,260
Adjustment for:		
Depreciation	7,114	7,283
Loss of sales and write-off of fixed assets, net	220	16
Profit from the sale of shares	(3,783)	
Value adjustment of other receivables	-	11,185
Value adjustment of other financial assets	-	-
Write-off of liabilities	-	(61,395)
Write-off of receivables	159	292
Inventory surplus	(8,200)	(5,175)
Loss from other financial activities	-	3,046
Net interest expense	4,442	1,343
Unrealised exchange differences	219	-
Operating result before changes in working capital	**33,331**	**4,855**
Decrease/(increase) in inventories	4,632	1,091
(Increase)/decrease in receivables	(5,748)	(11,771)
(Decrease)/increase in liabilities	(31,332)	19,020
(Paid)/Collected advances	2,722	1,965
Operating result after changes in working capital	**3,605**	**15,160**
Income tax paid	-	-
Interest paid	(4,747)	(1,357)
Cash flow from operating activities	**(1,142)**	**13,802**
Interest collected	66	111
Cash expenditures for the acquisition of property, plant, equipment and intangible assets	(1,715)	(8,518)
Cash expenditures for the purchase of financial assets	-	(6)
Deposits paid	13	(2,313)
Cash expenditures for given loans	(6,679)	(7,336)
Cash receipts from the collection of loans	11,190	6,979
Cash receipts from the sale of shares	4,818	
Cash flow from investing activities	**7,693**	**(11,083)**
Cash expenditures for repaying loans and credits	(57,256)	(47,635)
Cash receipts for received loans	54,233	49,000
Net expenditures for securities	(3,244)	(3,463)
Cash expenditures for the repayment of leases	(257)	(325)
Cash flow from financing activities	**(6,524)**	**(2,423)**
Net changes in cash and cash equivalents	**27**	**296**
Cash at the beginning of the period	1,931	1,635
Cash at the end of the period	**1,958**	**1,931**

*The accompanying notes form an integral part of these financial statements.

Notes to the unconsolidated financial statements (continued)
for the year ended 31 December 2022

1. GENERAL INFORMATION

Granolio d.d. ('the Company') was incorporated as a Croatian joint stock company in December 1996. The registered seat of the Company is in Zagreb and its business units are located in Gornji Draganac, Slavonski Brod, Velika Kopanica and Osijek.

Based on Decision No. 48. St-2021/2017 dated 27 July 2017; Commercial Court in Zagreb has opened a pre-bankruptcy procedure against Granolio d.d. and nominated Nada Reljić for the commissioner. On 6 December 2018, at the hearing for the amended restructuring plan vote at the Commercial Court in Zagreb, the restructuring plan was approved. The Court's Decision confirming the pre-bankruptcy agreement entered into force on 28 December 2018.

The following subsidiaries made up the Granolio Group as at 31 December 2022:

Zdenka - mliječni proizvodi d.o.o., Veliki Zdenci,
Zdenačka farma d.o.o., Veliki Zdenci.

The core activities of the company Granolio d.d. and its subsidiaries comprise the production of food, agricultural production, warehousing of agricultural products and trade in bakery industry products, agricultural products and raw materials for agricultural production.

In mid-2007, the Company acquired the entire share in Zdenačka farma d.o.o., Veliki Zdenci, for HRK 2,820 thousand. The subsidiary produces high-quality milk produced by dairy cows of high genetic potential.

Pursuant to the decision of the Company's General Assembly dated 16 March 2015, the share capital of Zdenačka farma was increased from HRK 13,520 thousand to HRK 29,520 thousand by issuing a new business share in the amount of HRK 16,000 thousand.

Around the middle of 2008 the Company acquired the entire equity share in Prerada žitarica d.o.o., Grubišno Polje, for HRK 5,206 thousand. The subsidiary's activities include grains warehousing and drying. As at 27 November 2017, the share capital of Prerada Žitarica was increased from HRK 23,121 thousand to HRK 63,821 thousand by issuing a new business share in the amount of HRK 40,700 thousand. On 30 April 2018, the Commercial Court in Zagreb adopted the Decision on the Merger, formally ceasing the operations of the company Prerada žitarica.

In 2011, Granolio d.d. acquired a controlling interest in the subsidiary, enabling it to exercise power in making operational decisions of its subsidiaries, as well as to govern the financial and business policies, the appointment of the members of the Management Board or the majority of vote at Zdenka mliječni proizvodi d.o.o. and Žitar d.o.o.

On 4 March 2019, the Company sold its shares in the company Žitar d.o.o. The transaction was entered into the court registry on 14 March 2019.

Management Board of Granolio d.d. on 31 December 2022 consisted of:
Hrvoje Filipović - president (since 23 February 2011),
Vladimir Kalčić - member (since 23 February 2011), and
Davor Mitrović - member (from 28 April 2022).

Supervisory Board of Granolio d.d. on 31 December , 2022, consisted of:
Franjo Filipović – president (since 23 February 2011),
Jurij Deticek – member (since 23 February 2011),
Tihomir Osmak - member (from 13 June 2019), and
Davor Štefan – member (since 16 January 16)

2. ADOPTION OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS“)

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

In the current reporting period, the following amendments to existing standards published by the International Accounting Standards Board ("IASB") and adopted by the European Union are in force:

- **Amendment of IFRS 1 "First-time Adoption of International Financial Reporting Standards"** - Annual revision of IFRS for the period 2018-2020. related to the first-time adoption of IFRS in subsidiaries (effective for annual periods beginning on or after 1 January 2022)
- **Amendment to IFRS 3 "Business Combinations"** - Update of the conceptual framework for financial reporting, adopted by the European Union on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022)
- **Amendment of IFRS 9 "Financial Instruments"** - Annual revision of IFRS for the period from 2018-2020. related to fees for the derecognition of financial liabilities through the "10%" test (effective for annual periods beginning on or after 1 January 2022)
- **Amendment of IFRS 16 "Leases"** - Annual revision of IFRS for the period from 2018-2020 related exclusively for illustrative purposes
- **Amendment to IAS 16 "Property, Plant and Equipment"** - Prohibition of reduction of acquisition cost for inflows realized before the asset is put into its intended use, adopted in the European Union on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022)
- **Amendment of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Interpretation of fulfilment costs related to onerous contracts, adopted in the European Union on 28 June 2021 (effective for annual periods beginning on or after1 January 2022).
- **Amendment of IAS 41 "Agriculture"** - Annual revision of IFRS for the period from 2018 to 2020 related to the taxation of the fair value of biological assets or agricultural products

The adoption of the aforementioned changes to the existing standards did not lead to significant changes in the Company's financial statements.

2.2 Standards and amendments to existing standards published by IASB and adopted in the European Union, but not yet in force

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

- **Amendment to IFRS 17 "Insurance Contracts" -** First-time application of IFRS 17 and IFRS 9 - Comparative information, adopted by the European Union on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023)
- **Amendment of IAS 1 "Presentation of Financial Statements" and IFRS Management Report 2** - Comparative Information, adopted by the European Union on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023)
- **Amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Accounting Estimates, adopted by the European Union on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023)
- **Amendment of IAS 12 "Income Taxes"** - Deferred tax asset and deferred tax liability arising from one transaction, adopted in the European Union on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023)

2. ADOPTION OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS“) (CONTINUED)

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

The IFRSs currently adopted in the European Union do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards and changes to existing standards, on the adoption of which the European Union has not yet made a decision (dates of entry into the force stated below refer to IFRSs issued by IASB):

- **Amendment to IFRS 16 "Leases"** - Lease liability on sale with a leaseback, effective for annual periods beginning on or after 1 January 2024.

- **Amendment of IAS "Presentation of Financial Statements"** - Classification of liabilities into the short-term and long-term, classification of deferred liabilities into short-term and long-term and long-term liabilities related to covenants, effective for annual periods beginning on or after 1 January 2024.

The Company is currently evaluating the impact of new standards and changes to existing standards on its financial statements. The Company expects that the adoption of the mentioned new standards and changes to the existing standards will not lead to significant changes in the Company's financial statements in the period of their first application..

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The unconsolidated financial statements are prepared in accordance with the International Financial Reporting Standards (“the IFRSs”) as adopted by the European Union

3.2 Basis of preparation

The financial statements of the Company have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below, and in line with the International Financial Reporting Standards (“the IFRSs”) as adopted by the European Union, and Croatian laws. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Company maintains its accounting records in the Croatian language, in Croatian Kuna and in accordance with Croatian laws and the accounting principles and practices observed by enterprises in Croatia.

On 6 December 2018, at the hearing for the amended restructuring plan vote at the Commercial Court in Zagreb, the restructuring plan was approved. The Court’s Decision confirming the pre-bankruptcy agreement entered into force on 28 December 2018.

The Company expects to continue its operations as a going concern and to settle all liabilities determined in the pre-bankruptcy settlement procedure. The Company has a sufficient level of liquidity to ensure the fulfilment of obligations to creditors and, in accordance with the business plan, estimates that a positive cash flow will be generated from the core business in future periods.

Throughout 2022, a stable cash flow and funds were provided to meet due liabilities to suppliers, employees, and the state, which was achieved through careful planning and liquidity management. So far, the Company has regularly repaid its liabilities in accordance with the pre-bankruptcy settlement and it is expected that it will continue to operate smoothly and repay its liabilities in accordance with the final settlement in the future. The further investment and business plan will depend on the restructuring plan adopted as part of the pre-bankruptcy settlement.

The Management Board of the Company continues intensively with activities for achieving capital adequacy as an essential condition for ensuring the long-term survival of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Interests in associates and joint ventures

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of associates or joint ventures are reported in these unconsolidated financial statements at cost, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

The requirements of IAS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company’s investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 “Impairment of Assets” as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3.4 Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Company entity undertakes its activities under joint operations, the Company as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses. When a Company entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Company does not recognise its share of the gains and losses until it resells those assets to a third party.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Interests in subsidiaries

Subsidiary is an entity in which the Company has significant influence in making financial and business policy decisions and controlling such policies. The assumption is that control exists when a parent owns, directly or indirectly through a subsidiary, more than half of the voting power of the entity, unless in exceptional cases when can be clearly proven that such ownership is not control. Control also exists when the parent company has half or less than half the voting power of the entity when there is:

a) the power over more than half of the voting rights under agreements with other investors

b) the power to manage the financial and business policies of the entity based on a statute or agreement

c) the power to appoint or dismiss most of the members of the management or equivalent administrative body or

d) the power to give a decisive vote at the meetings of the management or the equivalent administrative body.

Investments in companies over which the Company has control and significant impact in these financial statements are stated at cost, less any impairment losses, if necessary.

3.6 Reporting and functional currency

The financial statements are prepared in the Croatian currency, the Croatian Kuna (HRK), which is also the Company's functional currency, rounded to the nearest thousand.

Transactions denominated in foreign currencies are translated to the Croatian Kuna by applying the exchange rates in effect at the transaction dates. Assets and liabilities denominated in a foreign currency are retranslated at the exchange rates in effect at the reporting date. Gains and losses on the retranslation from transaction dates to the reporting date are included in the statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires from management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. These estimates and the underlying assumptions are based on past experience and various other pertinent factors and are believed to be reasonable under given circumstances and constitute a reliable basis for developing estimates of the carrying amounts of assets and liabilities that are not readily available from other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are regularly reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by the Management Board in applying IFRS that have a significant impact on the financial statements and areas of judgement involving a risk of material adjustment in the following year are presented in Note 4.

3.8 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for products, goods or services sold in the regular course of the Company's operations. Revenues are stated net of value added tax, quantity and sales discounts.

The Company recognises revenue when the amount of the revenue can be measured reliably, when future economic benefits will flow into the Company and when the specific criteria for the entire Company's activities described below are met. Revenues are recognized in accordance with International Financial Reporting Standard 15 - *Revenue from Contracts with Customers.*

(i) Income from the wholesale of products and trade goods

The Company produces and distributes its own products as well as third-party merchandise (wholesale operations). Wholesale revenue is recognised when the Company has delivered the goods to the wholesaler, when it no longer controls the management of the goods and when there is no outstanding liability that could affect the acceptance of the products by the wholesaler.

A delivery is completed when the products are dispatched to a specific location, the risk of loss are transferred to the wholesaler and one of the following is met: the wholesaler has accepted the goods in accordance with the underlying contract; or the acceptance deadline has passed; or the Company has objective evidence that all the acceptance criteria are met.

Products are sold at the agreed volume discounts, with the right of the customers to return faulty goods. Sales revenue is recognised based on the price from the underlying sales contract, less any estimated volume and sales discounts, and returns. The discounts and returns are assessed based on past experience. Volume discounts are assessed based on anticipated annual sales. When sales are made under terms and conditions that involve financing elements, i.e. where the collection period is longer than 60 days, the receivables are classified as short-term financial assets.

(ii) Income from the retail sale of products and merchandise

Retail product and merchandise sales are recognised upon the sale to the customer. Retail sales are generated in cash. The Company does not have specific customer award schemes.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition (continued)

(iii) Sale of services

Service sales are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iv) Financial income

Financial income consists of interest earned on investments and foreign exchange gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised when the right to receive payment has been established.

3.8 Foreign currencies

Foreign-currency transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated into the functional currency at the foreign exchange rate ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary assets and items denominated in foreign currencies that are measured at historical cost are not re-translated.

Foreign-currency denominated non-monetary assets and liabilities measured at historical cost currencies are translated to the functional currency using the exchange rate list in effect at the transaction dates.

At 31 December 2022 the official exchange rate of the Croatian Kuna against 1 euro (EUR) was HRK 7.53450; and at 31 December 2010 it was HRK 7.517174, respectively.

3.9 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset, which is a time-consuming asset that is required to be ready for its intended use or sale, are charged to the cost of the asset until it is largely ready for intended use or sale.

Investment income earned on the temporary investment of earmarked loan funds until the beginning of their spending on a qualifying asset is deducted from borrowing costs whose capitalization is acceptable.

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

3.11 Employee benefits

(i) Pensions 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 Company is not obliged to provide any other post-employment benefits.

(ii) Long-term employee benefits

The Company does not recognise liability for long-term employee benefits (jubilee awards), as they are not included in the employment contracts or defined by other legal acts.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Short-term employee benefits

The Company recognises a provision for bonuses to employees when there is a contractual obligation or a past practice giving rise to a constructive obligation.

(iv) Share-based payments

The Company makes no share-based payments to its employees.

3.12 Dividends

Dividends payable to shareholders are recognized as a liability in the financial statements in the period in which they are approved by the Company's Assembly of Shareholders.

3.13 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Based on the internal reporting structure, the Company monitors the performance of the following segments:

- Milling
- Wholesale
- Other (services, livestock, other activities)

The Company identifies operating segments on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker (Management Board) in order to allocate resources to the segments and to assess their performance. Details about the operating segments are disclosed in Note 5 to the unconsolidated financial statements. Comparative information has been presented on the principle of comparability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Taxation

(i) Profit tax

Profit tax expense comprises current and deferred taxes. Profit tax expense is recognised in profit or loss to the extent of the tax relating to items within equity when the expense is also recognised through other comprehensive profit.

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.

(ii) Deferred tax assets and liabilities

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, as well as differences which refer to investing into subsidiaries and joint undertakings when it is probable that the relevant situation will not change in the near future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are recognised only to the extent that it is probable that they could be utilised as a tax benefit.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and if they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or realise them simultaneously.

(iii) Tax exposure

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(iv) Value added tax (VAT)

The Tax Authorities require that VAT is settled on a net basis. VAT on sale and purchase transactions is recognised in the unconsolidated 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, including VAT.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Property, plant and equipment

Land and buildings used for goods or services production or delivery or administrative purposes are reported in the statement of financial position in revalued amounts, which represent their revaluation date fair value less the value adjustment (accumulated depreciation) and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Every increase resulting from land and building revaluation is reported in the statement of comprehensive income, except if it cancels the decrease resulting from the revaluation of the same asset which has been previously recognised in the statement of profit or loss, and in that case the increase is recorded in the statement of profit or loss up to the amount of the previously stated decrease. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. The purchase cost entails the professional services fee cost, and in case of qualifying assets, borrowing costs capitalised pursuant to the Company's accountancy policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property's revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The following useful lives are used in the calculation of depreciation:

	2022	2021
Buildings	40 years	40 years
Plants and equipment	10 years	10 years
Office equipment	4 years	4 years
Telecommunications equipment	2 years	2 years
Personal cars	2.5 years	2.5 years
Delivery vehicles	4 years	4 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16. Investment property

Investment property refers to property held for the purpose of lease income or increase in property value or both. After initial recognition, the Company chose for its subsequent measurement accounting policy a purchase cost model and applies its policy to all of its investment property.

3.17. Intangible assets

Intangible assets may be acquired in exchange for a non-cash asset or for cash, or a combination of both, where the cost of such an asset is determined at the fair value unless the exchange lacks commercial substance or the fair value of the asset received or disposed of cannot be determined reliably, in which case the cost is determined as the carrying amount of the asset disposed of.

(i) Computer software

Software licences are capitalised based on the cost, which includes 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 software, which has been estimated at 5 years.

3.18 Impairment of property, plant, equipment and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets 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 (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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 intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease, in line with the applicable Standard stipulating the requirements concerning the relevant asset revaluation.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a 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. Impairment loss reversal is immediately recognised as income, unless the relevant asset is not stated as a revalued amount, in which case the reversed impairment loss is stated as an increase due to revaluation in line with the applicable Standard stipulating the requirements concerning the relevant asset revaluation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Leases

All leases are calculated by recognizing the right-of-use asset and the lease liabilities except for:

- Low value leases; and
- Leases whose lease term ends in a period of 12 months from the date of first application or less.

The lease liability is calculated at the present value of the contractual future payments to the lessor over the term of the lease, less the discount rate determined in relation to the rate inherent in the lease, unless it is (as is usually the case) not easy to determine, in which case the Company's incremental borrowing rate at the inception of the lease is used. Variable lease payments are included in the calculation of lease obligations only if they depend on an index or rate. In this case, the initial calculation of the lease liability assumes that the variable element will remain unchanged for the duration of the lease. Other variable lease payments represent an expense in the period to which they relate.

At the date of initial recognition, the carrying amount of the lease liability includes:

- amounts expected to be paid by the lessee under residual value guarantees;
- the cost of executing the purchase option if it is certain that the lessee will use that option; and
- payment of fines for termination of the lease if the lease period reflects that the lessee will take the opportunity to terminate the lease

Right-of-use assets are initially measured at the amount of the lease liability, less all lease incentives received and increased by:

- all lease payments made on or before the start date of the lease;
- all initial direct costs; and
- the amount of the provision recognized in the event that the Company contractually bears the costs of dismantling, removing or rebuilding the location of the property.

Right-of-use assets are reduced by the accumulated depreciation calculated on a straight-line basis over the term of the lease, or the remaining economic life of the asset, if it is considered to be shorter than the lease term.

The useful life of the asset with the right of use is shown as follows:

	2022	2021
Vehicles	5 years	5 years
Equipment	10 years	10 years

After the initial measurement, the lease liability increases to reflect interest on lease obligations and decreases to reflect lease payments made.

The lease liability is subsequently measured when there is a change in future lease payments resulting from a change in the index or rate, or when there is a change in the estimate of the term of any lease.

For financial leases, the Company recognizes right-of- use assets and the lease liability.

3.20 Inventories

Inventories of raw materials and spare parts are stated at the lower of cost and net realizable value, determined using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less all variable selling costs.

The cost of work in progress and finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Trade goods are carried at the lower of purchase cost and selling price (less applicable taxes and margins).

Small inventory and tools are expensed when put into use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Cash and cash equivalents

Cash and cash equivalents consist of balances on accounts with banks and cash in hand. For the purposes of the unconsolidated statement of financial position, outstanding bank overdrafts are included in current liabilities.

3.22 Share capital

The share capital consists of ordinary shares. Amounts recognised in equity as a result of issuing new shares or options are presented net of the related transaction costs and profit tax. Any fair value of the consideration received in excess of the nominal value of issued shares is recognised as capital gains.

3.23 Financial instruments

Financial assets and financial liabilities are recognised when a Company entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.24 Financial assets

Financial assets and financial liabilities are recognised in the statement of financial position of the Company when the Company 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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

All regular purchases or sales represent purchases or sales of financial assets which require delivery in the framework established in regulations or market practice. All recognised financial assets are subsequently entirely measured at depreciated 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.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows; and
- contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24 Financial assets (continued)

(i) Depreciated cost and effective interest method

The effective interest method is a method of calculating the depreciated 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 depreciated cost of financial assets is the amount at which the financial instrument is measured at initial recognition, less of payments of principal and plus accumulated depreciation, 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 depreciated cost of financial assets before adjustments for any loss.

Interest income is recognised by applying the effective interest rate for debt instruments, which are subsequently measured at depreciated cost and FVTOCI.

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 depreciated 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 Company recognises interest income by using the effective interest rate adjusted by the credit risk to the depreciated 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 is recognised in profit or loss.

(ii) Impairment of financial assets

The Company recognises the provisions for expected credit losses from debt instruments measured at depreciated cost and for trade receivables. 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 Company always recognises life-long expected credit losses (ECL) for trade receivables based on a selected simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for debtor-specific factors. The Company 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 all other financial instruments, the Company recognises the lifelong 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 Company 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24 Financial assets (continued)

Significant increase in credit risk

When assessing whether the credit risk for the financial instrument significantly increased since the initial recognition, the Company 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 Company 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, the Company relies on days of default when assessing significant credit risk deterioration. If the debtor is in default more than 360 days, then the Company 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 Company does not currently use the simplification of a low credit risk when assessing the significant increase in credit risk. The Company 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.

(i) Definition of default status

The following facts, which represent a case of default for internal credit risk management purposes are considered by the Company as a historical experience which proves that financial assets meeting any of the following criteria are in general not recoverable:

- if the debtor breached the financial clauses; or
- data developed internally or obtained from external sources point to the fact that it is highly unlikely that the debtor will pay his/her creditors, including the Company, in full (without considering any collateral held by the Company).

Notwithstanding the above analysis, the Company considers that there was a default when the financial assets matured more than 360 days and the liabilities were not paid, unless the Company has reasonable and substantiated information to show a more appropriate delay criterion.

(ii) 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;
- breach of contract, such as a default (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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24 Financial assets (continued)

(i) Write-off policy

The Company 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 or when trade receivables are due more than 3 years, whatever happens first. Written-off financial assets can still be subject to enforcement activities within the Company recovery procedures, with regard to the relevant legal advice, where appropriate. As previously described, revenue from the collection of financial assets is recognised in profit or loss.

(ii) Measurement and recognition of expected credit losses

Measurement of expected credit losses is the function of Probability of Default (PD), Loss Given Default (LGD), i.e. size of loss in case of default, and Exposure at Default (EAD). Assessment of Probability of Default and Loss Given Default is based on historical data and information provided in previous paragraphs. 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. As for the exposure at the time of default, for financial assets it represents the gross carrying amount of the asset at the reporting date.

When assessing the PD and LGD parameters, the Company relies on external investment rating agencies' publications.

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 Company 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 Company 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 Company 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.

(iii) End of financial asset recognition

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

(vii) Measurement and recognition of expected credit losses (continued)

If the Company 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 Company 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 asset received.

in case of financial asset recognition measured at depreciated cost, the difference between the asset's carrying amount and the amount of the consideration received and receivable is recognised in profit or loss. furthermore, in the event that recognition of debt investment measured at FVTOCI ceases, cumulative profit or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss, except in case of equity instruments for which the FVTOCI option has been selected.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24 Financial assets (continued)

Loans and receivables

The Company always reports the provisions for losses of trade receivables in the amount equal to the life-long ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The Company recognised a loss in the amount of 100% of all receivables over 360 days past due as past experience shows that the relevant receivables can usually not be recovered.

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

The Company writes off trade receivables 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 or when trade receivables are due more than 2 years, whatever happens first. None of the trade receivables are subject to enforcement activities. The following table details the risk profile of trade receivables based on the Company's provision matrix. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provisions for loss allowance based on past due status is not further distinguished between the Company's different customer bases.

3.25 Financial liabilities and equity instruments

All financial liabilities are measured subsequently at depreciated cost by using the effective interest rate method or at fair value through profit or loss.

The Company measures all financial liabilities at depreciated cost.

However, for financial liabilities which arise when the transfer of financial assets does not meet the derecognition criteria or when the continued participation approach is applied, and for contracts on financial guarantees issued by the Company, subsequent measurement takes place in line with specific accounting policies provided below.

Financial liabilities subsequently measured at amortised cost

Financial liabilities which are not (i) contingent consideration recognised by an acquirer in a business combination; (ii) held for trading; (iii) measured at fair value through profit or loss; are subsequently measured at depreciated cost, using the effective interest rate method.

The effective interest method is a method of calculating the depreciated cost of a financial liability and of allocating interest cost over the relevant period. 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) through the expected life of the financial liability, or (where appropriate) a shorter period, to the depreciated cost of financial liability

Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or as principal pursuant to the essence of the agreement.

Financial liabilities

Other financial liabilities, including borrowings and loans, as well as bonds, are initially measured at fair value less transaction costs. Other financial liabilities are later measured at depreciated cost by applying the effective interest rate method, and the interest expenses are recognised based on the effective yield.

The effective interest rate method represents a method used for calculating the depreciated cost of the financial liability and distributing the interest expenses throughout the relevant period. The effective interest rate is the rate pursuant to which the estimated future cash flows are discounted during the expected lifetime of the financial liability or, where applicable, during a shorter period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's liabilities are paid, cancelled or expired.

4. KEY ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Company's accounting policies, which are described in Note 3, the Management of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in the application of accounting policies

The following are the critical judgements, apart from those involving estimations, that the Management Board has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the unconsolidated financial statements.

(i) Revenue recognition
In making their judgement, the Management Board considered the individual criteria for the recognition of revenue from the sale of goods set out in IFRS 15 “Revenue from Contracts with Customers” and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods.

(ii) Consequences of certain legal disputes
There are a number of legal actions which have arisen from the regular course of operations of individual companies within the Company. The Management Board makes estimates of probable outcomes of these legal actions and recognises provisions for the Company’s liabilities that may arise from these legal actions on a consistent basis.

(iii) Recoverable amount of trade and other receivables
The recoverable amount of trade and other receivables is determined as the present value of future cash flows, discounted using the market interest rate in effect at the measurement date. Current receivables without the interest rate are measured at the originally invoiced amounts if the discounting effect is not material.

(iv) Useful life of property, plant and equipment
As described in Note 3.15 above, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

5. IMPACT OF GEOPOLITICAL MOVEMENTS IN UKRAINE

Although the Company does not operate directly with companies from Ukraine or Russia, we expect an impact on the further increase in energy prices, the increase in wheat prices, and other inputs in the Company's production that could lead to an increase in the final prices of our products.

The company undertakes all necessary actions to minimize all risks. Given that the Company successfully overcame the challenges related to market trends after the COVID pandemic, it is expected that it will also successfully overcome potential difficulties related to the recent development of the situation in Ukraine through adequate adaptation of the procurement, sales and finance processes.

6. SALES REVENUE

In '000 HRK

	2022	2021
Sales revenue – domestic	394,680	286,909
Sales revenue – foreign	70,172	85,079
Revenue from services	5,332	5,779
	470,184	**377,767**

the reporting segments form a part of the internal financial reporting. the internal reports are reviewed regularly by the company's management board, as the chief decision-maker, which uses them as a basis for assessing the performance of the segments and making operating decisions.

The Company monitors its performance through the following operating segments:

- Milling
- Wholesale
- Other (services, livestock)

Segment information – industry analysis:

The operating income of the Company, analysed by reporting segments presented in accordance with IFRS 8, and the reconciliation of the segment performance with the profit or loss on taxation as reported in the separate statement of comprehensive income.

In '000 HRK

	2022	2021
Milling	373,721	243,281
Wholesale	93,484	128,376
Other	2,979	6,110
	470,184	**377,767**

Territorial analysis of sales

In '000 HRK

	2022	2021
Croatia	399,941	292,655
Serbia	31,692	49,278
Italy	13,472	18,829
Slovenia	13,712	9,130
BIH	6,275	7,607
Austria	5,091	237
Kosovo	-	25
Hungary	1	6
	470,184	**377,767**

7. OTHER OPERATING INCOME

In '000 HRK

	2022	2021
Inventory surplus	8,200	5,175
Income from the sale of shares	3,782	-
Income from subsidies	1,219	10
Income from claims collection	4,117	532
Subsequent credit notes from suppliers	294	84
Other operating income	1,730	62,849
	19,342	**68,650**

Other business income consists of income from rents, claims collection, inventory surpluses, subsequent approvals of suppliers and others..

8. MATERIAL EXPENSES

The structure of material expenses is as follows:

In '000 HRK

	2022	2021
Raw materials and consumables used	282,653	193,256
Energy consumption	15,566	7,916
Inventory spillage, breakage and similar costs	2,291	896
Cost of small inventory	324	235
Cost of inventories for sold livestock	6	131
Other material expenses	150	172
Raw materials and consumables used	**300,991**	**202,607**
Cost of goods sold	**88,392**	**127,417**
Telephone, post and transportation services	14,010	11,811
Maintenance and security services	2,733	2,031
Intellectual services	2,590	1,941
Rental costs	2,173	1,349
Promotions and sponsorships	1,472	836
Quality control services	990	1,235
Selling costs (freight-forwarding, goods handling, etc.)	422	459
Other external costs	2,950	2,087
Other external costs	**27,340**	**21,750**
	416,722	**351,774**

Inventory spillage, breakage and similar costs comprise mostly the standard spillage and breakage in the production in the amount of HRK 2,291 thousand (2021: HRK 896 thousand)

Auditor's fee for 2022 amounts to HRK 125 thousand (2021: HRK 115 thousand): HRK 125 thousand for the audit of the Company (2021: HRK 115 thousand).

9. EMPLOYEE COSTS

		In '000 HRK
	2022	**2021**
Net salaries	14,307	12,962
Taxes and contributions from salaries	5,166	4,463
Contributions on salaries	2,684	2,383
	22,157	**19,808**

As of 31 December 2022, the Company had 166 employees (31 December 2021: 169).

10. VALUE ADJUSTMENTS

		In '000 HRK
	2022	2021
Value adjustment of other receivables (Note 20c)	-	11,185
	-	**11,185**

11. OTHER EXPENSES

		In '000 HRK
	2022	**2021**
Reimbursement of expenses to employees	1,441	1,302
Insurance premiums	487	470
Contributions, membership fees and other compensations	454	458
Business travel expenses	173	132
Banking services and payment costs	244	96
Taxes that do not depend on the result	238	43
Other costs	133	92
	3,170	**2,592**

Reimbursements to employees mostly refer to compensation for transportation costs to work in the amount of HRK 682 thousand (2021: HRK 688 thousand) and Christmas bonuses, severance pay and other employee benefits in the amount of HRK 759 thousand (2021: HRK 614 thousand).

12. OTHER OPERATING EXPENSES

In '000 HRK

	2022	2021
Write-offs of receivables	1,310	292
Entertainment expenses	586	567
Subsequently approved cassa sconto	511	560
Fines, penalties, damages	529	47
Donations and sponsorships	370	125
Waste, breakage and damage to goods	443	125
Other operating expenses	244	284
	3,993	**1,999**

13. FINANCIAL INCOME AND EXPENSES

Financial income

In '000 HRK

	2022	2021
Positive exchange rate differences	274	160
Interest on given loans	135	132
Default interest	42	33
	451	**326**

Financial expenses

In '000 HRK

	2022	2021
Interest on credits and loans	4,112	1,207
Negative exchange rate differences	602	196
Default interest	448	92
Discount interest on promissory notes	59	175
Other financial expenses	48	3,094
	5,269	**4,764**

14. PROFIT TAX

Profit tax comprises:

		In '000 HRK
	2022	**2021**
Current profit tax	6,623	6,074
Deferred tax liability	(659)	(659)
Total profit tax expense	**5,964**	**5,415**

Effective tax rate reconciliation

A reconciliation of tax expense per the statement of comprehensive income and taxation at the statutory rate is detailed in the table below:

		In '000 HRK
	2022	**2021**
Profit/(loss) before taxation	33,160	48,260
Profit tax at a rate of 18%	*5,969*	8,687
Effect of non-taxable income	(2,177)	-
Effect of non-deductible expenses	5,813	8,188
Effect of (reversal)/generating transferred tax losses	-	(22,700)
Profit tax	**6,623**	**6,074**
Effective tax rate	**20%**	**12.58%**

14. PROFIT TAX (CONTINUED)

Unused tax losses

In accordance with tax regulations, as of 31 December 2022, the Company has tax losses carried forward in the amount of zero HRK (as of 31 December 2021, zero HRK).
Deferred tax liabilities arise from changes in the fair value of tangible fixed assets:

In '000 HRK

2022	Opening balance	Through profit or loss	Merger of subsidiary	Closing balance
Revaluation depreciation	10,684	(659)	-	10,025
Deferred tax liability	**10,684**	**(659)**	**-**	**10,025**

In '000 HRK

2021	Opening balance	Through profit or loss	Merger of subsidiary	Closing balance
Revaluation depreciation	11,343	(659)	-	10,684
Deferred tax liability	**11,343**	**(659)**	**-**	**10,684**

Movement of deferred tax liability

In '000 HRK

	31 Dec 2022	31 Dec 2021
Balance at 1 January	10,684	11,343
Decrease	(659)	(659)
	10,025	**10,684**

In accordance with the regulations of the Republic of Croatia, the Tax Administration may at any time inspect the books and records of companies in Croatia for a period of three years after the end of the year in which the tax liability was declared, and may impose additional tax liabilities and fines. The Company's Management is not aware of the circumstances that could lead to potential significant liabilities in this regard.

15. INTANGIBLE ASSETS

Movement of intangible assets in 2022

In '000 HRK

	Customer list	Software	TOTAL
Purchase value			
Balance on 1 January 2022	10,000	3,169	**13,169**
Expense	-	(144)	**(144)**
Balance on 31 December 2022	**10,000**	**3,025**	**13,025**
Value adjustment			
Balance on 1 January 2022	10,000	2,703	**12,703**
Amortisation	-	120	120
Expense	-	(144)	(144)
Balance on 31 December 2022	**10,000**	**2,678**	**12,678**
Present value on 1 January 2022	**-**	**466**	**466**
Present value on 31 December 2022	**-**	**347**	**347**

Movement of intangible assets in 2021.

In '000 HRK

	Customer list	Software	TOTAL
Purchase value			
Balance on 1 of January 2021	10,000	2,669	**12,669**
Increase	-	500	**500**
Balance on 31 December 2021	**10,000**	**3,169**	**13,169**
Value adjustment			
Balance on 1 January 2021	10,000	2,552	**12,552**
Amortisation	-	151	151
Balance on 31 December 2021	**10,000**	**2,703**	**12,703**
Present value on 1 January 2021	**-**	**117**	**117**
Present value on 31 December 2021	**-**	**466**	**466**

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-of-use assets

In '000 HRK

	Vehicles	Equipment	TOTAL
Balance 1 January 2021	**101**	**1,461**	**1,562**
Depreciation	(87)	(308)	(395)
Balance 31 December 2021	**14**	**1,153**	**1,167**
Transfer assets	-	(142)	(142)
Depreciation	(14)	(308)	(322)
Balance 31 December 2022	**-**	**845**	**845**

(b) Lease liabilities

In '000 HRK

	Vehicles	Equipment	TOTAL
Balance 1 January 2021	**104**	**1,221**	**1.325**
Lease payments	(85)	(279)	(364)
Interest expense	(4)	(45)	(49)
Exchange rate difference	(2)	(4)	(6)
Balance 31 December 2021	**13**	**893**	**906**
Lease payment	(12)	(208)	(220)
Interest expense	(1)	(35)	(36)
Balance 31 December 2022	**-**	**650**	**650**

(c) Maturity of liabilities

In '000 HRK

	31 Dec 2022	31 Jan 2021
Lease liability	**650**	**907**
(Current maturity)	(253)	(257)
Long-term lease liability	**397**	**650**

Maturity of lease liabilities is as follows:

In '000 HRK

	31 Dec 2022	2023	2024	2025	2026
Operating lease	650	253	263	134	-
	650	**253**	**263**	**134**	**-**

Interest on operating lease ranges from 4% to 5%.

17. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment in 2022:

In '000 HRK

	Land	Buildings	Plant, equipment, and tools	Other tangible assets	Investment property	Current investments	TOTAL
Purchase value							
Balance 1 January 2022	**9,184**	**182,954**	**98,328**	**196**	**4,615**	**9,310**	**304,587**
Increase	-	1,044	578	-	-	93	1,715
Sale and disposal	-	(3)	(1,476)	-	-	-	(1,480)
Balance 31 December 2022	**9,184**	**183,996**	**97,430**	**196**	**4,615**	**9,402**	**304,822**
Value adjustment							
Balance 1 January 2022	-	**76,956**	**89,409**	**123**	**-**	**-**	**166,489**
Revaluation depreciation	-	2,189	1,472	-	-	-	3,661
Depreciation	-	2,248	762	-	-	-	3,010
Sale and disposal	-	(3)	(1,257)	-	-	-	(1,260)
Balance 31 December 2022	**-**	**81,390**	**90,387**	**124**	**-**	**-**	**171,901**
Carrying value at 1 January 2022	**9,184**	**105,998**	**8,919**	**72**	**4,615**	**9,310**	**138,098**
Carrying value at 31 December 2022	**9,184**	**102,605**	**7,043**	**72**	**4,615**	**9,402**	**132,921**

Tangible assets worth HRK 97,384 thousand (2021: HRK 98,920 thousand) are pledged as collateral or the Company's loan liabilities (Note 26 and Note 25).

If the revalued assets (land and buildings) were subsequently measured at cost, their carrying value would be HRK 56,095 thousand.

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Notes to the unconsolidated financial statements (continued)
for the year ended 31 December 2022

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Movements in property, plant and equipment in 2021:

In '000 HRK

	Land	Buildings	Plant, equipment, and tools	Other tangible assets	Investment property	Current investments	TOTAL
Purchase value							
Balance 1 January 2021	**8,684**	**176,755**	**96,845**	**207**	**4,615**	**9,410**	**296,516**
Increase	500	6,199	1,307	-	-	-	8,006
Transfer	-	-	100	-	-	(100)	-
Sale and disposal	-	-	(171)	(11)	-	-	(182)
Balance 31 December 2021	**9,184**	**182,954**	**98,081**	**196**	**4,615**	**9,310**	**304,340**
Value adjustment							
Balance 1 January 2021	-	**72,655**	**86,893**	**133**	**-**	**-**	**159,681**
Revaluation depreciation	-	2,189	1,472	-	-	-	3,661
Depreciation	-	2,112	966	-	-	-	3,078
Sale and disposal	-		(169)	(9)	-	-	(178)
Balance 31 December 2021	**-**	**76,956**	**89,162**	**123**	**-**	**-**	**166,241**
Carrying value at 1 January 2021	**8,684**	**104,099**	**9,952**	**75**	**4,615**	**9,410**	**136,836**
Carrying value at 31 December 2021	**9,184**	**105,998**	**8,919**	**73**	**4,615**	**9,310**	**138,099**

Tangible assets worth HRK 98,920 thousand (2020: HRK 146,912 thousand) were pledged as collateral for the Company's loan liabilities (Note 25).

18. NON-CURRENT FINANCIAL ASSETS

(a) Investment in subsidiaries

	31 Dec 2022	31 Dec 2021
Zdenka mliječni proizvodi d.o.o., Veliki Zdenci	42,767	42,767
Zdenačka farma d.o.o., Veliki Zdenci	27,660	27,660
	70,427	**70,427**

Shares in the company Zdenka - mliječni proizvodi d.o.o. in the value of HRK 42,767 thousand (December 31, 2021: HRK 42,767) were pledged as collateral for the Company's loan liabilities (Note 25 and Note 26

(b) Shares at fair value through profit or loss

In '000 HRK

	31 Dec 2022	31 Dec 2021
Zagrebačke pekarne Klara d.d., Zagreb	-	500
Prehrana trgovina d.d., Zagreb	-	536
Žitozajednica d.o.o., Zagreb	1	1
	1	**1,037**

Ownership interest

	31 Dec 2022	31 Dec 2021
Zdenačka farma d.o.o., Veliki Zdenci	100,00%	100,00%
Zdenka mliječni proizvodi d.o.o., Veliki Zdenci	50,00%	50,00%
Žitozajednica d.o.o., Zagreb	1.28%	1.28%

Voting rights are the same as ownership rights.

(c) Given loans, deposits and similar

In '000 HRK

	31 Dec 2022	31 Dec 2021
Loans to natural persons	115	147
	115	**147**

Movements in non-current loans for the year are provided in Note 21.

19. INVENTORIES

In '000 HRK

	31 Dec 2022	31 Dec 2021
Raw material	7,685	6,721
Trade goods	9,933	8,867
Finished goods	3,373	1,830
Work in progress	-	6
	20,992	**17,424**

20. TRADE RECEIVABLES, RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS AND OTHER RECEIVABLES

a) Trade receivables

	In '000 HRK	
	31 Dec 2022	**31 Dec 2021**
Domestic sales	89,756	78,403
Subcontractor receivables	5,098	4,831
Foreign sales	6,280	5,732
Expected credit losses	(32,117)	(32,585)
	69,018	**56,381**

Subcontractor receivables refer to commodity loans for intermediate products required for sowing given to farmers who simultaneously supply raw materials for production and trade goods.

Expected credit losses of trade receivables

	In '000 HRK	
	2022	**2021**
Balance at 1 January	**32,585**	**32,074**
Value adjustment of trade receivables	-	1,089
Impaired receivables write-off	(264)	(15)
Recovery of impaired receivables	(203)	(563)
Balance at 31 December	**32,117**	**32,585**

The ageing analysis of outstanding receivables from customers where no impairment has been made is shown in the following table:

	In '000 HRK	
	31 Dec 2022	**31 Dec 2021**
Not yet due	53,178	45,449
0-90 days past due	14,474	9,056
91-180 days past due	1,025	414
181-360 days past due	333	147
> 360 days due	9	1,315
	69,018	**56,381**

20. TRADE RECEIVABLES, RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS AND OTHER RECEIVABLES (CONTINUED)

b) Receivables from the State and other institutions

In '000 HRK

	31 Dec 2022	31 Dec 2021
VAT receivables	1,258	6,918
Profit tax advance payments	110	110
Other receivables from the State and other institutions	78	38
	1,446	**7,066**

c) Other receivables

In '000 HRK

	31 Dec 2022	31 Dec 2021
Prepayments made	2,474	2,566
Interest receivables	979	978
Other receivables	102	102
	3,556	**3,646**

Receivables from recourse factoring in the value of HRK 10,096 thousand were adjusted in value during 2021. Receivables were created on the basis of promissory notes with the right of recourse, discounted with factoring companies. The movement of receivables from recourse factoring is shown in the following table:

Receivables from recourse factoring

In '000 HRK

	2022	2021
Balance at 1 January	**-**	**10,096**
Value adjustment of trade receivables	-	(10,096)
Balance at 31 December	**-**	**-**

21. CURRENT FINANCIAL ASSETS

a) Investment in securities

In '000 HRK

	31 Dec 2022	31 Dec 2021
Investments in bills of exchange	150	150
	150	**150**

b) Given loans, deposits and similar

In '000 HRK

	31 Dec 2022	31 Dec 2021
Loans to legal entities	8,413	8,413
Short-term loans to natural persons	32	32
Given deposits	-	14
	8,445	**8,459**

21. CURRENT FINANCIAL ASSETS (CONTINUED)

Movements of given loans and deposits in 2022:

In '000 HRK

	1 Jan 2022	Increase in loans given	Collection of given loans/deposits	Transfer from non-current to current loans and vice versa	Calculated exchange rate differences	Value adjustment	31 Dec 2022
Given long-term loans							
Given loans to natural persons	147	-	-	(32)	-	-	115
Total long-term loans	**147**	**-**	**-**	**(32)**	**-**	**-**	**115**
Short-term loans							
Given loans to natural persons	32	-	(32)	32	-	-	32
Given loans to related parties	10,672	6,711	(11,190)	-	-	-	6,193
Given loans to companies	8,413	-	-	-	-	-	8,413
Total short-term loans	**19,117**	**6,711**	**(11,222)**	**32**	**-**	**-**	**14,638**
TOTAL	**19,264**	**6,711**	**(11,222)**	**-**	**-**	**-**	**14,753**

Movements of given loans and deposits in 2021

	1 Jan 2021	Increase in loans given	Collection of given loans/deposits	Transfer from non-current to current loans and vice versa	Calculated exchange rate differences	Value adjustment	31 Dec 2021
Given long-term loans							
Given loans to natural persons	144	40	-	(37)	-	-	147
Total long-term loans	**144**	**40**	**-**	**(37)**	**-**	**-**	**147**
Short-term loans							
Given loans to natural persons	24	-	(29)	37	-	-	32
Given loans to related parties	11,396	7,296	(8,020)	-	-	-	10,672
Given loans to companies	8,413	-	-	-	-	-	8,413
Total short-term loans	**19,833**	**7,296**	**(8,049)**	**37**	**-**	**-**	**19,117**
TOTAL	**19,976**	**7,336**	**(8,049)**	**-**	**-**	**-**	**19,264**

22. CASH AND CASH EQUIVALENTS

In '000 HRK

	31 Dec 2022	**31 Dec 2021**
Bank accounts – domestic currency	1,128	1,646
Bank accounts – foreign currency	829	283
Cash in hand	-	2
	1,958	**1,931**

23. PREPAID EXPENSES AND ACCRUED INCOME

In '000 HRK

	31 Dec 2022	**31 Dec 2021**
Prepaid expenses	387	732
	387	**732**

Movements in prepaid expenses during the year were as follows:

In '000 HRK

	2022	**2021**
Balance at 1 January	**732**	**379**
Increase in prepaid expenses	117	4,059
Decrease in prepaid expenses	(462)	(3,706)
Balance at 31 December	**387**	**732**

24. CAPITAL AND RESERVES

Equity represents own permanent sources of funding the operations of the Company. It consists of the share capital, legal reserves, revaluation reserves, retained earnings and the result for the year.

By decision of the Assembly of the Company in 2012 Granolio d.o.o. was transformed into a joint stock company by issuing ordinary shares. The share capital of the Company in the amount of HRK 5,000 thousand has been divided into 500,000 ordinary shares of the "A" series, each with a nominal amount of HRK 10.

The new legal form of the Group was registered at the Commercial Court in Zagreb on 21 February 2012.

Pursuant to the decision of the Assembly, the share capital of the Company was increased from HRK 5,000 thousand to HRK 12,000 thousand by transferring retained earnings in the amount of HRK 7,000 thousand. The share capital was increased through an issue of ordinary shares with a nominal value of HRK 10 per share, subscribed by the shareholders in proportion to their respective shares in the Company's capital as of that date. The share capital increase was registered at the Commercial Court in Zagreb on 28 September 2011.

Pursuant to the decision of the Assembly dated 2 September 2014, the share capital was increased by an additional contribution of HRK 7,016,430.00 from HRK 12,000 thousand to HRK 19,016,430.00. Based on a public invitation to the subscription of the new shares, the share capital was increased by cash contributions made based on an issue of 701,643 new non-materialised shares in the nominal amount of HRK 10 per share at a single final issue price per share of HRK 134.00. The Company made a public invitation to subscribe minimum 671,642 up to maximum 789,157 new shares. The share subscription took place in the period from 25 to 27 November 2014.

As of 31 December 2017, the Company's subscribed capital, as registered in the court registry, amounts to HRK 19,016,430. The total number of shares is 1,901,643, and the nominal value per share amounts to HRK 10. The result of the sale of shares through the public offering is also capital gain amounting to HRK 87,004 thousand, which in the period from 1 January 2014 to 31 December 2015 had been decreased by recapitalization costs incurred in that period of total value of HRK 2,817 thousand.

The ownership structure of the share capital at 31 December 2022 is presented below, with the largest 10 shareholders holding 96.42% of the shares at that date:

	31 Dec 2022		**31 Dec 2021**	
	Number of shares (in thousands)	**Ownership %**	**Number of shares (in thousands)**	**Ownershi p %**
Filipović Hrvoje	1,105	58.11%	1,105	58.11%
HOK - osiguranje d.d.	379	19.90%	379	19.90%
Societe Generale-Splitska banka d.d./Erste plavi OMF kategorija B	149	7.83%	149	7.83%
C.I.M Banque	105	5.52%	105	5.52%
Auctus j.d.o.o.	38	2.00%	38	2.00%
Agram banka d.d. (2021:Capturis d.o.o.)	26	1.11%	26	1.35%
OTP banka d.d./1MO	14	0.74%	14	0.74%
OTP banka d.d./ SZAIF d.d.	6	0.30%	6	0.30%
OTP banka d.d./Generali Victoria fond	-	-	6	0.29%
HITA vrijednosnice d.d./1195	4	0.23%	4	0.23%
Other	76	4,25%	70	3.68%
	1,902	**100.00%**	**1,902**	**100.00%**

25. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

		In '000 HRK
	31 Dec 2022	**31 Dec 2021**
Non-current liabilities		
Bank loans	55,653	25,189
	55,653	**25,189**
Current liabilities		
Bank loans	8,540	2,644
	8,540	**2,644**
	64,193	**27,833**

A brief overview of credit terms

Interest rates range from 1.5% to 3.8%. The value of long-term assets encumbered by mortgages for bank loans as of 31 December 2022 was HRK 92,469 thousand (31 December 2021: HRK zero) because the loan based on which the lien existed was settled during 2021.

25. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

Movement in liabilities to banks and other financial institutions for 2022:

	Opening balance 1 January 2021	Increase in loan liabilities	Payment of loan principal	Transfer to loan liabilities	Transfer from non-current to current and vice versa	FX differences	Closing balance at 31 December 2021
Long-term loans							
Long-term bank loans	25,189	44,433	-	-	(14,152)	183	55,653
Short-term loans							
Short-term bank loans	2,644	-	(8,256)	-	14,152	-	8,540
TOTAL	**27,833**	**54,233**	**(8,256)**	**-**	**-**	**183**	**64,193**

K Movement in liabilities to banks and other financial institutions for 2021:

	Opening balance 1 January 2021	Increase in loan liabilities	Payment of loan principal	Transfer to loan liabilities	Transfer from non-current to current and vice versa	FX differences	Closing balance at 31 December 2021
Long-term loans							
Long-term bank loans	107,139	-	(38,048)	(38,572)	(5,330)	-	25,189
Short-term loans							
Short-term bank loans	3,774	-	(6,460)	-	5,330	-	2,644
TOTAL	**110,913**	**-**	**(44,508)**	**(38,572)**	**-**	**-**	**27,833**

25. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

Bank loans and finance leases' maturity is as follows:

In '000 HRK

	balance 31 Dec 2022	2023	2024	2025	2026	od 2027
Liabilities to banks	64,193	8,540	9,447	9,447	9,447	27,312
	64,193	**8,540**	**9,447**	**9,447**	**9,447**	**27,312**

Foreign-currency loans are detailed in the following table:

	31 Dec 2022	31 Dec 2021
Total liabilities to financial institutions stated in thousands of EUR.	5,146	2

26. LOAN LIABILITIES

	Opening balance at 1 Jan2022	Increase in loan liabilities	Repayment of loan principle	Transfer from current to non-current and vice versa	Write off	Closing balance at 31 Dec 2022
Long-term liabilities						
Long-term liabilities for corporate loans	-	-	-	-	-	-
Short-term liabilities for loans of natural persons	2,000	-	-	-	-	2,000
Total long - term loans	**2,000**	**-**	**-**	**-**	**-**	**2,000**
Short-term liabilities						
Short-term liabilities for corporate loans	49,665	9,800	(49,000)	-	35	10,500
Short-term liabilities for loans of natural persons	2,000	-	-	-	-	2,000
Total short - term loans	**51,665**	**9,800**	**(49,000)**	**-**	**(35)**	**12,500**
TOTAL	**53,665**	**9,800**	**(49,000)**	**-**	**(35)**	**14,500**

The value of fixed assets encumbered by mortgages for loans from non-financial entities as of 31 December 2022 was HRK 4,915 thousand (31 December 2021: HRK 98,920 thousand). The mortgage is based on the loan agreement concluded in 2021 was settled in full in 2022
The long-term liability for personal loans is due by the end of 2024.

26. LOAN LIABILITIES (CONTINUED)

	Opening balance at 1 Jan2021	Increase in loan liabilities	Repayment of loan principle	Transfer from long-term to short-term and vice versa	Write off	Closing balance at 31 Dec 2021
Long-term liabilities						
Long-term liabilities for corporate loans	-	-	-	-	-	-
Short-term liabilities for loans of natural persons	-	-	-	2,000	-	2,000
Total long - term loans	**-**	**-**	-	**2,000**	**-**	**2,000**
Short-term liabilities						
Short-term liabilities for corporate loans	4,700	47,000	(2,000)	-	(35)	49,665
Short-term liabilities for loans of natural persons	5,000	-	(1,000)	(2,000)	-	2,000
Total short - term loans	**9,700**	**47,000**	**(3,000)**	**(2,000)**	**(35)**	**51,665**
TOTAL	**9,700**	**47,000**	**(3,000)**	**-**	**(35)**	**53,665**

The value of fixed assets encumbered by mortgages for loans from non-financial entities as of 31 December 2021 was HRK 98,920 thousand (31 December 2020: HRK -). The mortgage is based on the loan agreement concluded in 2021.
The long-term liability for personal loans is due by the end of 2023.

27. LIABILITIES FROM SECURITIES

In '000 HRK

	31 Dec 2022	31 Dec 2021
Long-term liabilities from securities	5,013	6,266
Short-term liabilities from securities	1,856	3,848
	6,869	**10,114**

Liabilities for securities refer to liabilities for promissory notes to CIM banka in the amount of HRK 6,869 thousand (31 December 2021: HRK 10,114 thousand).

Movement of liabilities from securities in 2022

	Opening balance 1 Jan 2022	Increase in liabilities from securities	Repayment	Write-off	Transfer from long-term to short-term	Closing balance 31 Dec 2022
Long-term liabilities						
Liabilities from securities	6,266	-	-	-	(1,253)	5,013
Short-term liabilities						
Liabilities from securities	3,848	-	(3,244)	-	1,253	1,857
TOTAL	**10,114**	**-**	**(3,244)**	**-**	**-**	**6,870**

27. LIABILITIES FROM SECURITIES (CONTINUED)

Movement of liabilities from securities in 2021

	Opening balance 1 Jan 2021	Increase in liabilities from securities	Repaym ent	Write-off	Transfer from long-term to short-term	Closing balance 31 Dec 2022
Long-term liabilities						
Liabilities from securities	26,983	-	-	(18,232)	(2,485)	6,266
Short-term liabilities						
Liabilities from securities	8,522	-	(3,462)	(3,697)	2,485	3,848
TOTAL	**35,505**	**-**	**(3,462)**	**(21,929)**	**-**	**10,114**

The maturity of the securities is shown as follows:

In '000 HRK

	Balance 31 Dec 2022	2023	2024	2025	2026	from 2027
Long-term liabilities under securities	6,870	1,856	1,253	1,253	1,254	1,254
	6,870	**1,856**	**1,253**	**1,253**	**1,253**	**1,253**

28. CURRENT LIABILITIES

(a) Trade payables

In '000 HRK

	31 Dec 2022	31 Dec 2021
Suppliers in the country	57,299	71,617
Suppliers abroad	3,434	2,097
	60,733	**73,714**

28. CURRENT LIABILITIES (CONTINUED)

Ageing structure of trade payables on 31 December 2022: :

In '000 HRK

	31 Dec 2022	31 Dec 2021
Not yet due	30,275	49,163
0 - 90 days	26,887	22,134
91 - 180 days	1,828	1,015
181 - 360 days	342	737
> 360 days	1,402	666
	60,733	**73,715**

(b) Liabilities for taxes, contributions and similar

In '000 HRK

	31 Dec 2022	31 Dec 2021
Profit tax	2,574	6,074
Taxes and contributions from and on salaries	619	569
Other liabilities for taxes and contributions	295	238
	3,488	**6,881**

(c) Other short-term liabilities

In '000 HRK

	31 Dec 2022	31 Dec 2021
Liabilities to employees	1,234	1,158
Liabilities for interests to financial institutions	205	358
Other short-term liabilities	-	4
	1,438	**1,520**

29. COMMITMENTS

As of 31 December 2021, the Company has liabilities under lease agreements in the total value of HRK 3,559 thousand, which do not meet the recognition requirements in accordance with IFRS 16 and have not yet been realized or disclosed in the statement of financial position.

The contractual commitments under space lease agreements are as follows:

In '000 HRK

	31 Dec 2022	2023	2024	2025	2026	Od 2027
Leases	3,559	2,060	953	547	0	0
	3,559	**2,060**	**953**	**547**	**0**	**0**

30. RELATED-PARTY TRANSACTIONS

In '000 HRK
31 Dec 2022

	Assets		Liabilities	
	Trade and other receivables	Given loans	Non-current liabilities	Current liabilities
Zdenačka farma d.o.o., Veliki Zdenci	5,531	202	-	-
Zdenka- mliječni proizvodi d.o.o., Veliki Zdenci	-	-	2,000	179
Stan arka d.o.o., Zagreb	-	230	-	-
Pet na treću d.o.o.	3,687	-	-	64
SP ONE d.o.o.	-	-	-	14,666
Key management	966	5,761	-	-
	10,184	**6,193**	**2,000**	**14,909**

In '000 HRK
31 Dec 2021

	Assets		Liabilities	
	Trade and other receivables	Given loans	Non-current liabilities	Current liabilities
Zdenačka farma d.o.o., Veliki Zdenci	5,501	481	-	-
Zdenka- mliječni proizvodi d.o.o., Veliki Zdenci	-	-	2,000	101
Stan arka d.o.o., Zagreb	160	4,430	-	-
Pet na treću d.o.o.	5,312	-	-	145
SP ONE d.o.o.	-	-	-	12,447
Key management	851	5,761	-	-
	11,824	**10,672**	**2,000**	**12,693**

Income and expenses for the years 2022 and 2021, resulting from transactions with related parties, are as follows:

In '000 HRK

	2022		2021	
	Income	Expenses	Income	Expenses
Zdenačka farma d.o.o., Veliki Zdenci	7,123	389	4,495	230
Zdenka- mliječni proizvodi d.o.o., Veliki Zdenci	-	124	-	76
SP ONE d.o.o.	71	16,482	-	21,546
Pet na treću d.o.o..	-	2,034	-	1,170
Key management	115	-	115	-
	7,309	**19,029**	**4,610**	**23,022**

The key management of the Company consists of members of the Management Board and the Supervisory Board of Granolio d.d.

Fees paid to key management in 2022 amounted to HRK 2,718 thousand (in 2021: HRK 1,804 thousand).

During 2022, members of the Supervisory Board were paid HRK 209,000 in compensation (in 2021: HRK 133,000).

31. EARNING PER SHARE

		In '000 HRK
	31 Dec 2022	**31 Dec 2021**
Profit/(loss)	27,196	42,845
Profit/(loss) attributable to the shareholders	27,196	42,845
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	1,901,643	1,901,643
Profit/(loss) per share (in HRK and lp)	**14,30**	**22,53**

32. RISK MANAGEMENT

32.1. Financial risk

Equity risk management

Net debt-to-equity (Gearing ratio)

The Company reviews the capital structure annually. As part of this review, the cost of capital and the risks associated with each class of capital are presented.

The gearing ratio at the date of the statement of financial position was as follows:

		In '000 HRK
	31 Dec 2022	**31 Dec 2021**
Debt (long-term and short-term loans and liabilities for securities)	71,063	37,947
Lease liabilities (non-current and current)	650	907
Loan liabilities (non-current and current)	16,500	55,665
Cash and cash equivalents	(1,958)	(1,931)
Net debt	**86,255**	**92,588**
Equity	144,953	117,756
Debt to equity ratio	**0,59**	**0,78**

Debt is defined as long-term and short-term loans, liabilities under securities and lease and loan liabilities. Equity represents the value of capital and reserves.

The Company's capital consists of a debt, which includes received loans and leases, cash and cash equivalents and of the equity attributable to the shareholders comprising share capital, reserves, retained earnings and profit for the year.

32. RISK MANAGEMENT (CONTINUED)

32.1. Financial risk (continued)

Categories of financial instruments

		In '000 HRK
	31 Dec 2022	**31 Dec 2021**
Financial assets		
Cash	1,958	1,931
Loans and receivables	98,047	92,099
Financial liabilities at amortised cost		
Liabilities under loans and securities	71,063	37,947
Trade payables	75,643	97,363
Loan liabilities	16,500	55,665
Lease liabilities	650	907
Other liabilities	4,663	2,422

Financial risk management objectives

The Company finances a part of its operations using foreign-currency denominated borrowings. Therefore, the Company is subject to an impact of changes in the applicable foreign exchange and interest rates. The Company is also exposed to credit risk which arises from the sales it has made with deferred payment.

The Company seeks to reduce the effects of these risks to the lowest possible level.

Price risk management

The largest market on which the Company provides its services is the market of the Republic of Croatia. The Company's Management Board determines the prices of the services based on market prices. The purchase function is centralised, which in itself provides the Company an image of a respectable customer with a good starting negotiating position.

Currency risk

The Company is exposed to the risk of changes in foreign exchange rates. The exchange rate risk arises from the portion of the Company's loan debt tied to the movements in the exchange rate of the Croatian Kuna (HRK) against the euro (EUR). Significant fluctuations in the HRK/EUR exchange rate could affect the value of the Company's foreign-currency denominated assets and liabilities. In addition, according to the 2021 data, the Company generates around 23% of its total revenue on foreign markets and in euros, which is another aspect of the Company's performance being subject to the fluctuations in the EUR/HRK exchange rate.

At the reporting date, the Company did not use any financial instruments to hedge its position from unfavourable exchange rate movements.

The carrying amounts of the Company’s foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows

				In ‘000
	Assets		**Liabilities**	
	31 Dec 2022	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**
European Union (EUR)	697	568	5.610	950

32. RISK MANAGEMENT (CONTINUED)

32.1. Financial risk (continued)

Foreign currency sensitivity analysis

The Company is mainly exposed to the fluctuations in the exchange rate of the Croatian Kuna (HRK) against the euro (EUR) because this is the currency in which the majority of intermediary food product purchase and sale transactions on international markets are carried out.

The following table analyses the Company's sensitivity to a five percent (5%) increase and decrease in the HRK exchange rate against the relevant foreign currencies. A sensitivity rate of 5% is a rate representing management's assessment of realistically possible changes in exchange rates. Sensitivity analysis includes only open monetary items in foreign currency, and it recalculates items adjusted for a 10% change in exchange rates. A positive number indicates an increase in profit or principal when the value of the HRK increases by 5% in relation to the currency in question. In the event of a fall in the value of the HRK by 5% in relation to the currency in question, the impact on profit or principal would be the same but opposite, i.e. the amounts in the table would be negative.

In '000 HRK

	Increase/decrease in exchange rate	**Effect on profit before taxes**
2022		
EUR	+5%	1,851
	-5%	(1,851)
2021		
EUR	+5%	9
	-5%	(9)

32. RISK MANAGEMENT (CONTINUED)

32.1. Financial risk (continued)

Credit risk

The Company is exposed to the risk of default of a portion of its trade receivables. The Company transacts generally with retail chains with which it has a long history of cooperation. As a result, the Company's presents mainly to the extent it reflects potential issues in the retail industry. The Company seeks to minimise its credit risk exposure by monitoring the financial position of its customers, applying strict collection measures and obtaining various instruments of collateral such as promissory notes and bills of exchange.

In addition to credit risk arising from trade debtors, the Company is also exposed to credit risk from dealing with subcontractors in the production of grains and oleaginous plants, as it extends credit to them for required seeds and intermediary products during the sowing season. The subcontractors generally settle the liabilities for the intermediary products and seeds by delivering oleaginous plants and crops if the parties agree on the product price during the harvest season. It is possible and it happens that, in practice, some cooperative farmers fail to produce crops and oleaginous plans in quantities sufficient to settle the commodity loans for a variety of reasons. The Company protects itself from such situations by obtaining additional collateral, such as personal guarantees of the agricultural farm owners, their family members, establishing pledge on the agricultural equipment and facilities, fiduciary title to harvested crops or grains on stock, co-ownership of the crops, and similar. The instruments to secure the settlement are negotiated separately with each individual farmer, depending on the relationship history.

Where an individual subcontractor cannot repay a commodity loan due to unfavourable weather conditions and/or market prices of crops/oleaginous plants, the Company enters into a deferred payment arrangement with such subcontractors at a certain interest rate, a settlement arrangement involving the next season's harvest or settlement in another crop not affected by poor weather conditions (e.g. rain during wheat harvest may reduce the wheat quality, but at the same time improve the quality of crops harvested in the autumn). It is common for subcontractors to sow several different types of crops/plants to reduce the risk of poor weather conditions adversely affecting a particular crop/plant, but also as a safeguard against unfavourable movements in the prices of a particular crop, i.e. to disperse the risk.

During its operations, the Company enters into factoring contracts and/or discounted bills with factoring houses. The ultimate risk arising from the recoverability of the debt from the principal debtor is borne by the Company. At the reporting date, the contingent liabilities of the Company arising from factoring deals with recourse amount to HRK 21.9 million and arose from business operations with Agrokor, which has since 2017 underwent a restructuring and business model change.

Interest rate risk

Given the level of debt owed to financial institutions, which mostly bears interest at a variable rate based on benchmark interest rates (EURIBOR, LIBOR, ZIBOR and interest rates on the treasury bills of the Croatian Ministry of Finance), the Company is exposed to the risk of growth in interest rates. At the reporting date, the Company did not use any financial instruments to hedge its position from unfavourable interest rate movements.

As the Company borrows both at fixed and variable rates, it is exposed to the interest rate risk. A vast majority of the loans raised by the Group bear interest at variable rates.

The sensitivity analysis below is based on the risk of changes in interest rates at the date of the statement of financial position. For variable-rate debt, the analysis is prepared assuming the amount of the liability outstanding at the date of the statement of financial position was outstanding for the whole year. If the interest rates would change by 0.5 percent, and all other variables remained constant, there would be a change in the interest expense of the Company in the amount of HRK 0 at 31 December 2022 (2021: HRK 0).

32. RISK MANAGEMENT (CONTINUED)

32.1. Financial risk (continued)

Liquidity risk

There is a risk that the Company will not be able to fulfil all its obligations in accordance with their maturity, which may be caused by inadequate collection of receivables from customers, an unfavourable time structure of debt maturity or the inability to secure credit financing from financial institutions. In order to reduce the liquidity, the Company continuously implements measures of active collection of receivables from customers and monitoring of their liquidity status, tries to optimize the debt maturity structure and secure free lines of credit with credit institutions so that it can continue servicing its obligations even in unforeseen situations.

However, the Company cannot provide any guarantees that liquidity risk management will be effective and that any liquidity risk will not significantly affect the Company's operations and financial condition

The following tables detail the remaining contractual maturities of the Company's non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities by reference to the earliest date on which the Company can be required to pay. The tables include both principal and interest cash outflows. The non-discounted amount of interest payments has been derived from interest rate curves at the end of the reporting period. The contractual maturity is defined as the earliest date on which the Company can be required to make the payment

	Weighted average effective interest rate %	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 Dec 2022							
Non-interest-bearing		25,583	21,090	32,026	1,402	-	80,101
Interest bearing		1,577	1,583	21,990	45,940	17,123	88,213
		27,160	**22,673**	**54,016**	**47,342**	**17,123**	**168,314**
31 Dec 2021							
Non-interest-bearing		42,659	20,903	25,268	10,955	-	99,785
Interest bearing		2,864	5,603	53,446	20,199	12,406	94,518
		45,523	**26,506**	**78,713**	**31,155**	**12,406**	**194,304**

32. RISK MANAGEMENT (CONTINUED)

32.1. Financial risk (continued)

Liquidity risk (continued)

The following table details the Company’s remaining contractual maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted average effective interest rate %	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 Dec 2022							
Non-interest-bearing		15,887	18,846	44,398	2,647	0	81,778
Interest bearing		324	129	403	15,376	37	16,269
		16,211	**18,975**	**44,801**	**18,023**	**37**	**98,047**
31 Dec 2021							
Non-interest-bearing		14,216	15,605	32,682	7,737	1,365	71,604
Interest bearing		486	433	4,040	9,647	5,798	20,405
		14,702	**16,038**	**36,722**	**17,384**	**7,163**	**92,010**

32. RISK MANAGEMENT (CONTINUED)

32.1. Financial risk (continued)

Fair value measurement

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets and financial liabilities	**Fair value on the day**		**Fair value level**	**Valuation method and main input**	**Relevant unavailable input**	**Unavailable input in relation to fair value**
	31.12.2022.	31.12.2021.				
Shares and units in private equity firms (Note 16).	During 2022, the shares of Zagrebačka pekarna Klara d.d. and Prehrana trgovina d.d. were completely sold.	1% in shares of Zagrebačka pekarna Klara d.d. engaged in the industrial production of bread, pastries and other related food products - HRK 494 thousand; and 11.48% in shares of Prehrana trgovina d.d. engaged in trade - HRK 536 thousand	Level 3	Income (profit) approach - the method of discounted cash flow is used to determine the present value of future economic benefits to be realized on the basis of ownership of the entities in which the investment is made.	Long-term revenue growth rates determined according to management experience and knowledge of market conditions in the above economic segments, which amount to 3% (2020: 3%).	A slight increase in revenue growth rates, observed in isolation, would lead to an increase in fair value (see under 1).
					Long-term operating profit margins before tax determined based on management experience and knowledge of market conditions in the above economic segments, ranging from 8 to 11 percent.	A significant increase in operating profit margin before tax would, in isolation, lead to an increase in fair value.
					The weighted average cost of capital determined by the capital asset valuation model (CAPM) is 12%.	A slight increase in the weighted average cost of capital would, observed in isolation, lead to a decline in fair value.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties under common market conditions.

The Management Board considers that the carrying amounts reported in these financial statements of financial assets and financial liabilities carried at amortised cost approximate their fair values.

32. RISK MANAGEMENT (CONTINUED)

32.2. Industry risk

One of the food industry risks arises from the fact that eating and diet habits of consumers as well as consumer awareness of the impact of the diet on their health have significantly evolved over the past two decades. Such trends pose an imperative for the producers in terms of seeking to expand the existing line of products and further improve the quality of the current products.

Flour production

Flour production could be adversely affected by extraordinary events such as fire, explosions, failure of production equipment, prolonged or unplanned maintenance, construction of roads or closing of main transport routes, flooding, storms, or other extreme weather conditions. Although the Company has arranged an insurance coverage for its facilities, the insurance coverage is inherently limited by caps on insured sums and may not be sufficient to cover all the costs. In addition, the Company may be exposed to costs not covered by insurance.

32.3. Operating risk

Market risk

The food product demand is relatively steady in relation to product prices. Factors impacting the demand are of the following nature: demographic (increase of population), economic (increase in the number of tourists and food consumption at hospitality facilities; higher production volumes in the confectionery and baking industries), political (EU membership that enables seamless export to both EU Member States, but also a higher competition on domestic markets on the part of producers coming from other Member States).

Input commodity and product delivery risks

Wheat, being the key flour production input, has a significant influence on the flour production and prices, both in terms of wheat production and price levels. A key domestic source of the input is represented by a broad base of farmers with whom the Company cooperates by making deliveries of seeds and other intermediate products required for sowing and accepting settlement using mostly offsetting arrangements involving produced wheat/crops at a pre-defined purchase price.

The input commodity purchase risk is mitigated, as the Company has established a sales division that is present on international commodity markets and is currently able to purchase, at a time, sufficient quantities of wheat at the current market price. Croatia's accession to the European Union has lifted all administrative barriers to input commodity purchases from the territory of the European union.

The product delivery risk arises from a potential discontinued production as a result of fault of the milling plant or cancellation of existing contract with the flour transporter.

The Company seeks to mitigate the production downtime risk by hiring staff resident in the vicinity of the mill plants who possess adequate skills to eliminate fault within a reasonable time. As the expansion of the milling operations is expected to bring a higher level of finished product orders, the warehousing capacities are being expanded to accommodate sufficient stock required to make timely deliveries.

The Company seeks to mitigate the product delivery risk arising from the potential cancellation of the contract with the flour transporter by relying on a broad base of transporters without being concentrated to either transporter by the scope of the services used.

Competition risk

The Company sells its products and goods mainly on the domestic market. As a result of Croatia's accession to the European Union, the administrative burden to entering the markets of other Member States has become smaller, which also applies to competitors entering the Croatian market.

32. RISK MANAGEMENT (CONTINUED)

32.3. Operating risk (continued)

The flour market strives for increasing concentration, i.e. reducing the total number of flour producers (by enlarging or shutting down small mills) in order to achieve economies of scale to lower production costs per unit of product and thus strengthen the competitive position in the market. To this end, in May 2014, the Company acquired the milling business of the companies Belje d.d. Darda and PIK Vinkovci d.d. from the Agrokor concern. With Croatia's accession to the European Union, the Company is no longer faced only with domestic competition, which is why the need to strengthen competitiveness is even more pronounced.

Key supplier and key customer concentration risk

The Company's major suppliers are those supplying the raw material and seeds for sowing. The Company seeks to cooperate with as many suppliers as possible to mitigate the risk of discontinued cooperation with a key supplier. Despite this, the Company cannot provide any assurance that a potential termination of cooperation with a key supplier will not have a significant impact on the Company's performance and financial position.

The risk of change in ownership

The majority shareholder of the Company is Mr Hrvoje Filipović, who holds an ownership interest of 58.11%. As the majority shareholder, Mr Hrvoje Filipović has the controlling influence over the shareholders of the Company, by means of the rights and powers pertaining to him as a Company shareholder. The majority share in the Company enables Mr Filipović to exercise his influence in all decisions made in a General Shareholders' Assembly. No assurance can be provided that the influence of Mr Filipović, as the majority shareholder, will not have a significant effect on the performance and financial condition of the Company.

Working capital risk

Managing working capital successfully is a key area of the Company's operations. The Company may become exposed to a pressure both by competitors and key suppliers to reduce the settlement period for purchases, while simultaneously being under pressure from customers to extend the payment periods on sales.

The Company has made significant investments in improving its logistics to improve the inventory turnover ratio and the operational efficiency ratio. Although the Company has been managing its working capital successfully, no assurance can be given that this will continue in the future, and the Company's performance and financial position may become affected.

Input commodity price risk

The operating results are largely influenced by the price of wheat as the key input commodity for the Company's production. Poor weather conditions, diseases and pests, political instability and other external factors may cause the volatility of the wheat prices. Overall economic conditions, unforeseeable demand and problems occurring in the production and distribution, along with potential diseases and pests, as well as weather conditions at the time of harvest may have a negative impact on the wheat prices. Regardless of the Company's ability to satisfy the wheat demand on the domestic market, movements in wheat prices on the domestic market are affected by fluctuations in the wheat prices on global commodity exchanges. The Company's past performance is conclusive of the past wheat purchase price fluctuations positively correlating with historic flour price fluctuations. However, a certain period of time is required for the flour price to become aligned with the wheat price fluctuations, as a result of which there is a short time frame in which the Company's margin becomes negatively impacted where the wheat prices increase. Regardless of the past indications of the correlation between the flour and wheat prices, the Company cannot warrant that a potential future increase in wheat prices will be fully offset with higher flour prices and that the historic margin levels will be preserved.

The Company seeks to mitigate the risk of changes in wheat prices by participating actively on futures markets. Granolio has been managing the risks and input commodity purchase prices actively, by using various future trading techniques on global commodity markets, and without any pronounced open positions.

32. RISK MANAGEMENT (CONTINUED)

32.3. Operating risk (continued)

Dependence on the management and key personnel

The Company relies heavily on its staff as one of its key competitive advantages. This means that the Company should exercise great efforts in an attempt to retain top personnel at all levels in order to preserve its leading position on the market. The Company cannot warrant that it will be able to retain its current management and other leading employees or to attract new top personnel in the future. The potential loss of the current and the inability to attract new key personnel could have a significant impact on the Company's operations.

IT risks

The Company relies on a number of IT systems in support of the efficient management of the distribution capacities, for the purpose of communication with its customers and suppliers, human resource management and performance evaluation and to collect all information for management decision-making purposes. The Company's operations are becoming increasingly dependent on the use of such systems, and any system downtime or failure resulting from malicious codes, hacking attacks, hardware or software issues or otherwise could have a significant impact on the Company's operations and financial position.

Antitrust and competition law non-compliance risk

It is a part of the overall strategy of the Company to become the leading flour producer on the Croatian market and flour supplier in the region, which may render the Company non-compliant with the market competition rules. The Croatian legislation governing market competition, which is aligned with the EU rules, forbids any form of abuse of the dominant position, especially any direct or indirect imposition of purchase or selling prices or other unfair commercial terms and conditions, limiting production, markets or technological progress to the disadvantage of customers, or imposing any unequal conditions for the same type of deals with other enterprises that may bring them in a disadvantaged competitive position, or additional obligations to counterparties as a prerequisite for entering contracts with them that are in their nature and according to the customary commercial practice not directly related to the subject matter of such contracts.

In addition, the legislation forbids any agreements, decisions, associations or joint actions on the part of enterprises aimed at, or resulting in infringing the competition rules on a given market.

Although the Company is not aware of any infringement of competition rules and has never been a respondent in proceedings initiated before the Competition Agency, it cannot warrant that no such proceedings will ever be initiated. Any infringement of the competition rules is subject to significant administrative sanctions. For instance, a fine of up to 10% of the total annual revenue generated in the most recent year for which final financial statements are available may be imposed for entering into non-permissible deals or abuse of the dominant position. Therefore, any administrative sanction could have an adverse impact on the financial position and performance of the Company.

To mitigate this risk, the Company intends to arrange additional education for its employees in the area of market competition rules and implement procedures to be followed in concluding contracts and undertaking other actions that may result in a breach of competition rules and make sure that the procedures are consistently followed.

Furthermore, before undertaking any future acquisition, the Company may have to ask from the Competition Agency to assess the eligibility of the intended concentration. The Company cannot warrant that a concentration will be assessed as permissible or permissible under conditions precedent, such as the disposal of certain assets or certain other steps that might affect the revenue, profit or cash flows of the Company. The concentration eligibility assessment itself could affect the timing of the acquisition.

Litigation risk

As any business entity, so is also the Company exposed to the risk of becoming a counterparty in legal actions initiated before courts, regulatory or other competent authorities that may arise from its ordinary course of business. These include mainly claims involving the Company's debtors or suppliers. The risk of potential future claims raised by customers on the grounds of losses or injuries caused by the consumption of products cannot be excluded. The Company cannot provide any assurance that the outcome of potential future legal and regulatory proceedings or measures will not have a significant impact on its performance and financial condition.

32. RISK MANAGEMENT (CONTINUED)

32.3. Operating risk (continued)

The risk of obligations or losses not covered by insurance

The level of insurance coverage is common for the industry in which the Company operates. The insurance policies of the Company include mainly those providing coverage for occupational injuries, machinery faults, property damage, as well as crop insurance. Still, not all contingent liabilities and losses can be covered by insurance, and the Company cannot warrant that it will not be exposed to situations in which no insurance coverage will be available or that such situations would not have a material impact on the Company's operations and financial condition.

32.4. General risk

Business environment risk

The business environment risk includes political, legal and macroeconomic risks prevailing in the business environment of the Company, which is primarily the Croatian market on which the Company generates almost 87% of its total revenue (data for 2020), followed by the markets of Serbia, Italy, Bosnia and Herzegovina, Slovenia, Hungary and Romania.
The governments in power so far have introduced economic reforms to develop and stabilise free market economy by privatising state-owned companies, attracting foreign direct investments, and implemented reforms required in the pre-accession stage. Despite the significant progress towards establishing a full market economy, reaching the level of infrastructure of West European countries will take several more years and additional investments. The Company cannot warrant that Croatia will fully implement the intended reforms or that the political environment will favour their implementation. In addition, the Company cannot warrant that the Government in power will not introduce new regulations, fiscal or monetary policies, including taxation, environmental and public procurement policy, an indemnity policy for nationalised property or a new foreign exchange policy.
The legal framework of the Republic of Croatia is still evolving, which may give rise to a certain level of legal uncertainty. As a result, the Company may come into a position of not being able to succeed in exercising or protecting some of its rights.

The Company's operations are subject to the impact of the macroeconomic environment, economic conditions and economic activity developments. In the periods of disadvantaged economic conditions, the Company could have problems in expanding its business or meeting its financial obligations. Under such circumstances, the Company's access to financial markets could become more difficult, and its borrowing costs could increase, which would affect the performance and financial position of the Company. If the current economic situation would persist, the Company, its customers and suppliers could face difficulties in accessing capital markets, which could have an adverse impact on the current revenue and profit levels.

The Company is also under the influence of international trends, as wheat, being the Company's key input commodity, is an exchange traded commodity and hence subject to potential political instability in the major wheat producing countries (China, Russia, the USA). Still, as already mentioned above, the Company is able to meet its core input commodity needs entirely from domestic sources, while seeking to neutralise any fluctuations in the commodity price with an active access to futures markets.

32. RISK MANAGEMENT (CONTINUED)

32.4. General risks (continued)

Risk of changes in legal framework

As a food producer, the Company is exposed to strict regulatory requirements applicable to human foods, product safety, occupational health and safety, security and environmental protection (including those applicable to waste waters, sewage, clean air, noise, waste disposal, environmental cleaning and similar), as well as product ingredients and contents, packaging, designation, advertising and market competition. Food production generates waste, emission of hazardous agents into the atmosphere and waters, which is why the Company has the obligation to obtain various licences and adhere to a variety of regulation. Health, safety and environmental regulations in Europe and other developed countries are becoming increasingly stringent, and their implementation is increasingly gaining on importance. The Company seeks to keep pace and anticipate any such changes, as any non-compliance could result in various sanctions. The Company considers being currently compliant with all the applicable regulations and rules as well as deadlines set by different regulators. However, it cannot warrant that it will not incur significant costs to eliminate any potential instances of non-compliance or the resulting negative publicity, or to adapt to amended regulations, as well as that the resulting impact on its operations and financial condition would not be significant. For instance, the Company is the current owner or lessee of a number of properties and facilities, including production plants and distribution centres some of which were previously used for other commercial or industrial purposes. Although the Company is currently not aware of any facts that would give rise to additional obligations regarding the environmental status of the properties and facilities, any contamination identified as a result of current or previous operations and the resulting obligation to eliminate it could cause significant costs to the Company. Additional regulations, or interpretations of current regulations, could be introduced in the future, which may affect the Company's business and products. The Company cannot provide any warranty that any costs of complying with any such future initiatives will not have a significant impact on the performance and financial condition of the Company.

33. CONTINGENT LIABILITIES

	Amount	Balance in original currency on 31 December 2022	Balance in HRK on 31 December 2022	Maturity
Zdenka- mliječni proizvodi d.o.o. credit 1	3,294,190 €	402,513 €	3,032,734	31,12,2024
Zdenka- mliječni proizvodi d.o.o. credit 2	40,000,000 kn	4,309,449 kn	4,309,449	30,4,2024
Zdenka- mliječni proizvodi d.o.o credit 3	1,395,751 €	154,284 €	1,162,453	31,12,2023
Zdenka- mliječni proizvodi d.o.o credit 4	4,617,681 €	2,468,837 €	18,601,452	30,9,2032
Total			**27,106,088**	

Legal disputes

There are no significant legal actions outstanding against the Company. The Management Board of the Company is confident of a successful defence as well as of no losses suffered by the Company. Hence, no provision for legal disputes has been recognised.

34. EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date, in accordance with the Law on the introduction of the euro, the euro was introduced as the official currency in the Republic of Croatia. The financial statements for the year 2022 were drawn up in Croatian Kuna as the reporting currency that was valid until 31 December 2022, while the financial statements of future periods will be drawn up in euros as the new reporting currency.

Besides this, there were no events after the balance sheet date that would significantly affect the Company's annual financial statements for 2022, which should therefore be published.

35. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Management Board and authorized for issue on 28 April 2023

Signed on behalf of and for the Management Board:

Hrvoje Filipović dipl.oec.
President of the Management Board

Davor Mitrović dipl.oec.
Member of the Management Board

Vladimir Kalčić dipl.oec.
Member of the Management Board