

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

**CONSOLIDATED ANNUAL REPORT  
TOGETHER WITH AUDITORS' REPORT  
for the period from 24 July 2019 to 31 December 2019**

## CONTENT

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	<b>Page</b>
Management Report	1
Statement of the Responsibility of the Management and Supervisory Boards	14
Independent Auditor's Report to the shareholders of Auctor Holding	15
Consolidated statement of comprehensive income	19
Consolidated statement of financial position	29
Consolidated statement of changes in shareholders' equity	21
Consolidated statement of cash flows	22
Notes to the consolidated financial statements	24
Report on Relations	82
Report of the Board of Directors on the Business Activities and State of Assets for the year 2019	88

**MANAGEMENT BOARD REPORT  
FOR 2019.**

**1. INTRODUCTION**

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

The Auctor Group is active mainly in the tourism/hospitality business via its share in Laguna Novigrad d.d. and in distribution of pharmaceuticals and medical supplies through its holdings in Medika d.d. Apart from these two core activities, the Group's holdings also include Elektroda Zagreb d.d., a manufacturer of welding materials and Auctor invest d.o.o., a Zagreb-based investment fund management company managing two investment funds. The welding business and the fund investment company business are a result of the historical development of the Group. It is the intention of the Group's management to sell these businesses and develop further focusing solely on the hospitality and medical distribution business.

In the period from 24 July to 31 December 2019 the Auctor Group generated consolidated revenue of HRK 1,662 million with a consolidated profit from operations in amount of HRK 29 million. The Group is active solely in Croatia, only the holding company, Auctor Holding, a.s., is located in the Czech Republic.

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

In the period from 24 July 2019 to 31 December 2019, the Auctor Group companies employ over 1200 employees, whereas Auctor Holding, a.s. itself does not have any employees. Main employers are Medika d. d. with more than 800, and Laguna Novigrad d. d. with more than 300 employees.

## **2. COMPANY INFORMATION**

### **Basic information:**

Business Company: Auctor Holding, a.s.  
Registration No: 083 64 028  
Registered office: Pobřežní 297/14, Karlín, 186 00 Prague 8, Czech Republic  
Legal form: Joint stock company

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

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

### **Date of establishment:**

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

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

Scope of business of the Company:

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

Scope of activity of the Company:

Own property management.

### **Board of Directors of the Company as at 31<sup>st</sup> December 2019:**

Member of Board: Oleg Uskoković

### **Supervisory Board of the Company as at 31<sup>st</sup> December 2019:**

Member of Supervisory Board: Tanja Kragulj Mežnarić

### **Registered capital and shares**

The Company's registered capital as at 24<sup>th</sup> July 2019 amounts to CZK 2,000,000 (two million Czech Crowns) and is distributed into 2,000,000 (two million) common shares, each of nominal value of CZK 1 (one Czech Crowns).

The Company's registered capital as at 31<sup>st</sup> December 2019 amounts to CZK 2,000,000 (two million Czech Crowns) and is distributed into Global Share No. 001, with nominal value of the global share CZK 1 200 000, which replaces 1 200 000 pieces of certificated registered shares of the Company, with numerical code 1 to 1 200 000, nominal value CZK 1 each; and Global Share No. 002, with nominal value of the global share CZK 800 000, which replaces 800 000 pieces of certificated registered shares of the Company, with numerical code 1 200 001 to 2 000 000, nominal value CZK 1 each.

MANAGEMENT REPORT

Ownership structure

Shareholder	Registered office	Share as at 31 <sup>st</sup> December 2019	Share as at 24 <sup>th</sup> July 2019
Oleg Uskoković	Ulica Krešimira Filića 39/B, Varaždin, Croatia	60,00%	100,00%
JTPEG Croatia Investments, a.s.	Pobřežní 297/14, PSČ 186 00 Prague 8- Karlín, Czech republic	40,00%	
		100,00%	100,00%

In August 2020 Mr. Oleg Uskoković transferred his share to Auctor Prime d.o.o., a company incorporated in September 2019 in Zagreb, Dežmanova 5, fully owned by Oleg Uskoković. (Note: 28)

Expected development of the entity's activities

In 2020, the Group will continue to focus its activities on the management of its own assets through the ownership of a shareholding in subsidiaries.

Expenditure on research and development

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

Environmental protection activities

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

Acquisition of own shares

During the accounting period, Laguna Novigrad d.d. within the Group, in which the Company has an indirect ownership interest, acquired 6,659 own shares, representing 0.76% share in the share capital and a 0.77% share in voting rights. The Group did not acquired any other own shares.

Data on organizational units of the company in abroad

The Group did not have any organizational units in abroad.

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

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

The Auctor Group is a financial group with activities located in Croatia. It consists of three non-operating holding companies (Auctor, Lipa-Promet and AK) holding shares in two main operating companies of the Auctor Group – Medika d.d. (**Medika**) and Laguna Novigrad d.d. (**Laguna**).

Medika is primarily engaged in the wholesale, storage and distribution of human and veterinary drugs, medicinal products, equipment and dental supplies, dietetic, cosmetic, hygienic and other healthcare related products. Medika also operates the largest chain of pharmacies in Croatia via its subsidiary ZU Ljekarne Prima Pharmer and its associate ZU Ljekarne Jagatić with a total of 81 pharmacies.

Laguna Novigrad d.d. is the fifth biggest hotel and leisure company in Istria (after Valamar, Maistra, Plava Laguna and Arena Hospitality Group), its portfolio consists of three 4\* hotels (located in Istria, Korčula and the Pelješac peninsula), one 3\* hotel (Istria) and two 4\* camps in Istria translating into 820 rooms, 1,354 pitches, 346 mobile houses and various other amenities (restaurants, pools, soccer pitches, souvenir shops, bars, etc.). Laguna markets its leisure facilities under own brand Aminess.

The Auctor Group also included Auctor Invest d.o.o, a fund management company and Elektroda Zagreb d.d., a Croatian manufacturer of welding materials with a focus on coated electrodes, wires and rods. These entities were divested in 2020.

### **4. PRINCIPAL MARKETS**

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

Auctor Group obtained control over its subsidiaries Auctor (with its main operating company Medika), Lipa-Promet and AK (with its main operating company Laguna) on 25 July 2019. Further comments relating to Laguna and Medika describe their performance for the whole year 2019 based on their statutory (consolidated) financial statements and annual reports.

## MANAGEMENT REPORT

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### LAGUNA NOVIGRAD D.D.

Given that Laguna has rather small market share in hotels segment, it can be considered an advantage for future growth given that any acquisitions of competitors could be subject to approval from Antimonopoly office.

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

In order to keep pace with current trends and market requirements, since late 2015, Laguna has been conducting its business operations under a new umbrella brand "Aminess Hotels & Campsites" (abbreviated "Aminess"), under the slogan of "Lasting relations".

The Company owns 795 accommodation units in four hotels:

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

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

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

All Company facilities can host up to 6,500 guests simultaneously.

The Company bases its steady growth on a continuous service and product quality improvement strategy, expansion of the offer and investments in the existing and new capacities. This is why the Company has recorded a significant increase in all business indicators in the past ten-year business cycle.

### 2019 performance

In 2019, Laguna reached a record-high business result.

The number of overnight stays totalled 749,944, or 2.4% more than in the previous year. Of the total number of overnight stays, 304,325 of them were recorded in the hotels, which is an increase of 1.5% compared to the previous year.

A total of 445,619 overnight stays were recorded at the campsites, or 3.1% more than in the previous year.

Total operating revenue based on individual financial statements amounted to HRK 234.58 million, or 3% more than in 2018.

Such an increase was mostly influenced by continued multi-year investments in campsites, resulting in a distinguished high-quality product and a high level of services provided.

**MANAGEMENT REPORT**

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Total revenue generated in 2019 amounted to HRK 236.38 million, or 2.2% more compared to the previous year.

The Company generated EBITDA in the amount of HRK 74.58 million, or 10% more than in the preceding year. In addition to an increase in operating revenues, such a rise in EBITDA was also influenced by efficient cost management, which boosted business profitability.

The 2019 EBITDA margin was also affected by the application of IAS 16 as of 1 January 2019, since from that date on operating lease expenses have been recognised as a non-current liability of the Company.

Profit before tax amounted to HRK 30.38 million, i.e. 1.3% more than in the previous year.

The Company's net profit amounted to HRK 24.24 million, i.e. 10.9% less than in the previous year.

It should be noted that a reduced income tax rate was applied in 2018 in accordance with the Investment Promotion Act, which was not the case for the calculation of income tax in 2019.

An investment cycle totalling HRK 39 million was approved for the 2019 season. The construction of a hotel in Novigrad, intended for accommodating seasonal workers, was the biggest one-off investment. The completion of works was planned for May 2020, but was postponed due to the Covid-19 pandemic and is now expected by the end of 2020. Other investments were focused on maintaining and developing the product quality, and continuing the digitalisation of business processes needed to ensure successful future development.

The Company ended the 2019 financial year with a current indebtedness level of the net debt-to-EBITDA ratio of 1.99x, which is very favourable for self-financing the next investment cycle. However, further investments will greatly depend on the future course of events related to the Covid-19 pandemic.

**MEDIKA d.d.**

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

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

Medika owns 100% shares in Zdravstvena ustanova Ljekarne Prima Pharme (ZU Prima Pharme) and in the SPV company Primus nekretnine d.o.o. ZU Ljekarne Prima Pharme has the following fully owned subsidiaries: ZU Ljekarne Delonga and ZU Ljekarne Ines Škoko; it also has an associate, ZU Ljekarne Jagatić, in which it holds a share of 49%. All these creates the Medika Group.

The Medika Group makes sales revenue through wholesale and retail channels, which are further detailed below.

**Wholesale**

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

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



**MANAGEMENT REPORT**

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

The wholesale pharmaceutical and medical supplies market in Croatia is dominated by four players: Phoenix Farmacija, Medika, Medical Intertrade and Oktal Pharma.

Besides the so-called big four, there are other wholesalers or distributors with smaller product portfolios (e.g. Pharma-net d.o.o., Kajfešpharm d.o.o., Tomi pharm d.o.o., Medicina promet d.o.o., Hospitalija trgovina d.o.o.) or supplying exclusively a small range of specialised products, such as Naturprodukt d.o.o.

**Logistics**

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

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

**Retail**

Sales in the retail channel takes place through the operations of 81 Prima Pharme Group pharmacies.

**2019 performance**

In 2019, the Medika Group generated a consolidated revenue in the amount of HRK 3,647,001 thousand, HRK 568,723 thousand above the prior year's figure. The consolidated operating profit amounts to HRK 92,870 thousand, which is by HRK 50,852 thousand higher than the prior year's figure.

The consolidated profit before tax amounts to HRK 90,017 thousand, and the consolidated net profit amounts to HRK 72,780 thousand, which is HRK 39,096 thousand more than the 2018 figure.

Increase in the consolidated operating profit and consolidated profit before tax was mostly influenced by the increase in sales and the decrease in other operating expenses (note 9 in the consolidated financial statements of Medika d.d.), i.e. impairment of receivables for loans given to Agrokor d.d. in the amount of HRK 50,006 thousand.

By analysing the individual operating segments (note 6 in the consolidated financial statements of Medika d.d.), 47.7% of the total consolidated revenue was generated by pharmacies (2018: 50.9%), of which 10.9% by own pharmacies (2018: 11.8%). At the same time, 37.0% of the total consolidated revenue was generated from hospitals (2018: 32.4%).

Total consolidated assets amount to HRK 2,340,729 thousand, representing a increase of 17.6% from the prior year. The amount of consolidated non-current assets decreased by 4.8% from the prior year, whereas the amount of non-consolidated current assets increased by 21.2%. The consolidated current assets account for 80.4% of the total assets. Trade and other receivables represent the most significant item of the total consolidated assets and are increased by 21.3% from the prior year. In addition, due to the sales growth, inventories rose by 10.8% compared with the prior year.

## MANAGEMENT REPORT

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The total consolidated loan debt amounts to HRK 315,717 thousand, comprising of short-term loans (note 27 in the consolidated financial statements of Medika d.d.). On 31 December 2019 Medika had no long-term loans.

The equity-to-assets ratio is 22%, showing that the Medika Group finances 22% of its total assets from own sources.

### 5. RISK FACTORS RELATING TO THE GROUP

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

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

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

##### ***Competition***

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

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

In respect of hotel business, there are some big hotel operators (such as Valamar, Maistra, Plava Laguna or Arena Hospitality Group) as well as large number of private owners of properties offering accommodation in Croatia. The market is therefore highly competitive, on the other hand, large demand for accommodation services from incoming tourists historically kept the occupancy rates elevated during the high season and even in pre-season. COVID-19 pandemic caused significant decrease of tourists coming to Croatia which translated into increased competition between providers of accommodation services. Tightening of measures taken against COVID-19 could mean larger number of hotels and other accommodation providers competing over smaller number of tourists, leading to Laguna's lower profitability.

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

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

Long collection period of trade receivables represents a significant market risk for the Group. This is especially the case for Medika's trade receivables towards HZZO (Croatian State Health Insurance).

## MANAGEMENT REPORT

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Therefore, a significant amount of working capital of the Group has to be deployed, affecting the Group's cash flow. Any delay in payments means additional costs of financing to Medika. While the risk of default is relatively low in case of state or municipality-owned entities, the risk of late payments or default remains higher with privately owned counterparties.

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

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

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

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

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

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

### ***Risk related to traded shares (Medika and SZAIF)***

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

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

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

## MANAGEMENT REPORT

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

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

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

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

#### ***The recent outbreak of COVID-19 could adversely affect the Group's business***

The recent outbreak of the coronavirus COVID-19 and its development into a global pandemic will certainly have major economic consequences for the Croatian economy. Even though the full impact of the COVID-19 outbreak is, at the moment, very difficult to assess, it has already damped economic activity and eroded financial conditions across European countries, including Croatia. Measures implemented by state and local authorities of Croatia to discourage or prohibit the movement of people, such as closing of public services, travel restrictions, border controls and other measures to discourage or prohibit the movement of people, are severely affecting many sectors and also largely contributes to the negative impact that the COVID-19 outbreak has on financial markets and level of economic activity in Croatia. If the impact is severe or prolonged, it may result in reduced income of the Group due to, *inter alia*, vacancy of the hotels and camps owned and operated by the Group.

The possible economic downturn can have a significant negative effect on the hotels/leisure sector in Croatia, including the Group. This may take the form of a reduction in the income generated from rents or reduction of profit due to increased vacancy in the hotels and camps operated by the Group, therefore adversely affect the source of income of the Group and, as a result, adversely affect the Group's business and economic situation.

Besides that, further pandemics or outbreaks may occur in the future or that the effects of the current global pandemic may deteriorate further (e.g. second wave of the COVID-19).

If such pandemics or outbreaks occur in the future, these may result in similar or more adverse effects as the COVID-19 pandemic, and could result in similar or further adverse effects on the Croatian economy.

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

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

- macroeconomic events, including external economic shocks;
- economic difficulties in European economic area;

## MANAGEMENT REPORT

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- increasing levels of unemployment;
- a governmental budget deficit or other fiscal difficulties (namely applies to Medika);
- instability in the national banking systems; and
- social or political instability in Croatia and neighbouring countries.

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

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

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

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

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

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

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

The bylaw regulates the detailed criteria for determining the maximum permitted wholesale price of prescription medicinal products in Croatia and the calculation of such prices by HALMED. Generally, the calculation by HALMED is mandatory and is carried out: (i) when the products are being first placed on the Croatian market; and (ii) on an annual basis, once a year, starting on the first working Monday in February. The wholesale prices of the products that are above the new maximum prices calculated by HALMED (will) need to be reduced to the new prices determined by HALMED, while the prices that are below the new prices calculated by HALMED (will) remain the same. The bylaw also provides for the possibility, in specific cases and under specific conditions, to request from HALMED permission to have/set the prices of the products higher than the new maximum permitted wholesale prices.

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

## MANAGEMENT REPORT

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### ***Regulatory risk in hospitality sector***

Companies active in the hospitality sector are exposed to the risk related to concessions and concession grants, i.e. concession fees for use of maritime property or land. To this date, this area is still not fully regulated by law. Given the core business of hotel and leisure companies, the right to use maritime domain and/or tourist land is very essential, especially regarding camps. If any concession hikes or restrictions on use of land/ beaches materialise in any sites in which Laguna operates, these could have a material adverse effect on the Group's business, results of operations and financial condition.

### ***The Group may be subject to litigation claims, liability claims and other disputes***

The Group may face disputes with business partners and may be forced to devote considerable time and attention to managing the successful resolution of these disputes. Any such resolution may involve the payment of significant damages or expenses by the Group. In addition, any such resolution could involve the Group agreeing to terms that would restrict the operation of the Group's business. The Group is currently facing no litigation that could have a significant negative impact on the Group's operations.

### ***The Group is exposed to health, safety and environment protection risks***

Any breach of health, safety and environment protection requirements, including any delay in responding to changes in health, safety and environment protection regulations, particularly in light of evolving European Union (the EU) standards and potential new implementing legislation, may result in penalties for noncompliance. Monitoring and ensuring health, safety and environment protection best practices may become increasingly expensive for the Group in the future, and health, safety and environment protection risks may become more acute. All of these risks could have a material adverse effect on the Group's business, financial situation, prospects and/or results of operations.

### **Risk factors associated with the Group's operation and internal control**

#### ***The Group depends upon its senior management team and on the expertise of its key personnel and may be unable to hire and retain a highly skilled and experienced workforce***

The risk of loss of the key personnel represents the risk that the Group would not be able to sufficiently motivate and retain the persons who are key to the Group's ability to create and implement key strategies. The loss of key personnel is also associated with the risk of possible leakage of information about the Group's strategy, its projects or other aspects of its activities. The quality of management and key employees, as well as the protection of information, are crucial for the fulfilment of the Group's strategic goals. The ability to retain existing employees and hire new ones plays an important role in this regard. Departures of key employees could adversely affect the business activities, financial position and results of operations of the Group.

#### ***If the Group fails to maintain an effective system of internal controls, it may not be able to accurately determine financial results or adequately prevent fraud***

Effective internal controls are necessary for the Group to provide reliable financial reports and effectively prevent fraud. Furthermore, as the Group grows its business, its internal controls become more complex, and it will require significantly more resources to ensure its internal controls remain effective. The existence of any material weakness in the Group's internal control over financial reporting could also result in errors in the Group's financial statements that could require it to restate its financial statements.

**MANAGEMENT REPORT**

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**Subsequent events**

The year 2020 was significantly affected by the sudden spread of the COVID-19 viral disease, which the World Health Organization (WHO) called a global pandemic on 11th March 2020. The Group's management is taking all measures to reduce and suppress the negative effects caused by the COVID-19 pandemic.

Management is aware of its responsibility for assessing the Group's ability to continue as going concern.

Management has summarized a list of key activities after report date that show

- (i.) commenced restructuring of Auctor group in order to streamline group structure and focus on core businesses in drug wholesale and tourism as per original acquisition plans
- (ii.) emphasis of the management on collection of funds from divestments and dividends to cover operational expenses and secure cash flow for debt service and overall liquidity of the group
- (iii.) improvements in organizational efficiency and financial stability

**Key activities:**

- Subsidiary Auctor d.o.o. decided to pay out dividend in amount of 400,000.00 kn from Auctor invest d.o.o..
- Subsidiary Auctor d.o.o. and Lipa-promet in 2020 sold shares in their subsidiaries SZAIF d.d., Auctor Invest d.o.o. and Elektroda Zagreb d.d. for remuneration in total amount 18,151,000.00 kn, out of which 15.7 million kn was deposited on a restricted account for Auctor Holding's debt service at the end of 2020
- Final dividend is declared at Medika d.d. annual general assembly in amount of 1,320.00 kn per share. Total amount for Auctor d.o.o. and Auctor Holding, a.s. is 16,914,480.00 kn, pay-out is expected until end of September 2020.
- As for Laguna the business operation went better than planned in scenario developed during lockdown in 2Q2020. Due to the new increase in the number of population infected by COVID-19, Austria, Slovenia and Italy put Croatia on the red list, resulting in high number of early departures and significant decrease in booking numbers. It is now difficult to predict what will happen by the end of season. The numbers will be closely monitored and the decisions on closing the properties will be made accordingly. The company has a strong liquidity position and with low leverage and modern facilities requiring only limited capex in the near future it is well prepared for further operations.
- On the contrary, Medika group recorded in 1H2020 growth in consolidated revenues by 13.7% compared to 1H2019 according to unaudited financial report published on Zagreb Stock Exchange.

Management final conclusion is that there is no material uncertainty related to going concern.

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

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

The Group's Management Board must make sure that the 2019 financial statements were drafted in accordance with the Accounting Act and International Financial Reporting Standards, approved by the European Union, so as to give a true and fair view of the Group's financial position, business performance, and changes in equity and cash flows for the period.

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

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

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

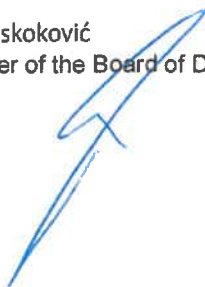
The Management Board is responsible for keeping correct accounting records, which disclose the Group's financial position and business performance with reasonable accuracy at any time, and which must comply with the Accounting Act and the International Financial Reporting Standards applicable in the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

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

The financial statements set out on pages 19 to 84 were authorised by the Management Board for submission to the Supervisory Board on 25 September 2020, in witness whereof they have been signed below.

Signed on behalf of the Management Board on 25 September 2020 by:

Oleg Uskoković  
Member of the Board of Directors



Josef Pilka  
Member of the Board of Directors







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

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

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

***Opinion***

We have audited the accompanying consolidated financial statements of Auctor Holding, a.s. ("the Company") and its subsidiaries ("the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the period from 24 July 2019 till 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Group is set out in Note 1 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the period from 24 July 2019 till 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the European Union.

***Basis for Opinion***

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



### ***Other Information***

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

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

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

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

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

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

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

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

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



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

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

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

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

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



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

Jindřich Vašina is the statutory auditor responsible for the audit of the consolidated financial statements of Auctor Holding, a.s. as at 31 December 2019, based on which this independent auditor's report has been prepared.

Prague  
25 September 2020

*KPMG Česká republika Audit*

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

A handwritten signature in blue ink, appearing to read 'Ondřej Fikrle'.

Ondřej Fikrle  
Partner

A handwritten signature in blue ink, appearing to read 'Jindřich Vašina'.

Jindřich Vašina  
Partner  
Registration number 2059

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE PERIOD ENDED 31 DECEMBER 2019**

<i>(in thousands of HRK)</i>	Note	<b>24 Jul to 31 Dec 2019</b>
Revenue	5	1,662,026
Other income	6	10,882
Cost of goods sold		(1,430,957)
Staff expenses	7	(90,657)
Depreciation and amortisation		(41,585)
Other expenses	8	(80,272)
<b>Profit from operations</b>		<b>29,437</b>
Finance income	9	2,304
Finance costs	9	(19,517)
<b>Net finance gain/(loss)</b>		<b>(17,213)</b>
Share in profits of associates	14	537
Gain from bargain purchase	26	76,668
<b>Profit before tax</b>		<b>89,429</b>
Income tax expense	10	(9,863)
<b>Profit for the period from continuing operations</b>		<b>79,566</b>
Profit from discontinued operation	20	(7,086)
<b>Profit for the period</b>		<b>72,480</b>
<b>Other comprehensive income for the period</b>		
Debt securities – at FVOCI - net of tax		(15)
Equity securities – at FVOCI - net of tax		4,513
FX translation reserve		(17)
<b>Other comprehensive income for the period</b>		<b>4,481</b>
<b>Total comprehensive income for the period</b>		<b>76,961</b>
<b>Profit attributable to:</b>		
Owners to the Company		66,125
Non-controlling interests	27	6,355
		<b>72,480</b>
<b>Total comprehensive income for the period is attributable to:</b>		
Owners to the Company		69,129
Non-controlling interests		7,832
		<b>76,961</b>
<b>Total comprehensive income for the period attributable to owners from:</b>		
Continuing operations		70,555
Discontinued operations		(1,426)
		<b>69,129</b>

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AT 31 DECEMBER 2019**

<i>(in thousands of HRK)</i>	<b>Note</b>	<b>31 December 2019</b>	<b>24 July 2019</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	722,674	-
Right-of-use assets	12	59,281	-
Intangible assets	13	235,947	-
Investments in associates	14	22,216	-
Other investments	15	2,839	-
Trade and other receivables	17	25,273	-
Deferred tax assets	24	2,193	-
<b>Total non-current assets</b>		<b>1,070,423</b>	<b>-</b>
<b>Current assets</b>			
Inventories	18	387,836	-
Other investments	15	19,932	-
Trade and other receivables	17	1,465,634	399
Income tax receivable		395	-
Cash and cash equivalents	19	129,460	170
		<b>2,003,257</b>	<b>568</b>
Assets held for sale	20	81,418	-
<b>Total current assets</b>		<b>2,084,675</b>	<b>568</b>
<b>Total assets</b>		<b>3,155,098</b>	<b>568</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued capital	21	568	568
Reserves		3,004	-
Retained earnings		66,125	-
<b>Equity attributable to owners of the Company</b>		<b>69,697</b>	<b>568</b>
Non-controlling interest	27	505,421	-
<b>Total equity</b>		<b>575,118</b>	<b>568</b>
<b>Non-current liabilities</b>			
Borrowings	23	436,695	-
Lease liabilities	12	44,677	-
Provisions	25	7,263	-
Deferred tax liabilities	24	73,076	-
		<b>561,711</b>	<b>-</b>
<b>Current liabilities</b>			
Borrowings	23	393,579	-
Lease liabilities	12	16,785	-
Trade and other payables	22	1,598,592	-
Income tax payable		7,347	-
Provisions	25	1,966	-
		<b>2,018,269</b>	<b>-</b>
<b>Total equity and liabilities</b>		<b>3,155,098</b>	<b>568</b>

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

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

**FOR THE PERIOD ENDED 31 DECEMBER 2019**

<i>(in thousands of HRK)</i>	<u>Issued capital</u>	<u>Reserves</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
<b>Balance at the beginning of the period</b>	568	-	-	568	-	568
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	66,125	66,125	6,355	72,480
Other comprehensive income for the period	-	3,004	-	3,004	1,477	4,481
	-	<u>3,004</u>	<u>66,125</u>	<u>69,129</u>	<u>7,832</u>	<u>76,961</u>
<b>Changes in ownership interests</b>						
Acquisition of subsidiaries	-	-	-	-	503,062	503,062
Acquisition of NCI without change in control	-	-	-	-	(5,473)	(5,473)
	-	-	-	-	<u>497,589</u>	<u>497,589</u>
<b>Balance at the end of period</b>	<u>568</u>	<u>3,004</u>	<u>66,125</u>	<u>69,697</u>	<u>505,421</u>	<u>575,118</u>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE PERIOD ENDED 31 DECEMBER 2019**

		<b>24 Jul to 31 Dec 2019</b>
<b>Cash flow from operations</b>		
<b>Profit for the period</b>		<b>72,480</b>
Adjustments for:		
Income tax	10	9,863
Depreciation and amortisation	11, 12, 13	41,584
Gain on disposal of property, plant and equipment		(2,477)
Impairment loss on property, plant and equipment		555
Impairment loss on intangible assets		160
Impairment loss on receivables	8	232
Impairment loss on inventories	18	5,181
Impairment of asstes held for sale		7,218
Interest expense	9	10,668
Interest income	9	(1,487)
Increase in fair value of investments		(62)
Unrealised exchange differences		1,234
Increase in provisions		855
Share of profit of equity-accounted investees, net of tax	14	(537)
Gain from bargain purchase	26	(76,668)
<b>Cash flow from operating activities before changes in net working capital</b>		<b>68,799</b>
<i>Changes in:</i>		
Inventories		(2,027)
Trade and other receivables		(16,804)
Trade and other payables		30,878
<b>Cash generated from operating activities</b>		<b>80,846</b>
Interest paid		(6,987)
Income taxes paid		(3,261)
<b>Net cash from operating activities</b>		<b>70,598</b>



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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE PERIOD ENDED 31 DECEMBER 2019**

		<b>24 Jul to 31 Dec 2019</b>
<b>Cash flow from investing activities</b>		
Acquisition of property, plant and equipment		(25,018)
Acquisition of intangible assets		(3,621)
Proceeds from sale of property, plant and equipment		3,591
Aquisition of NCI		(4,749)
Acquisition of subsidiaries, net of cash acquired	27	37,535
Funds deposited on escrow account		(26,793)
Proceeds from sale of other investments		2,111
Loans given		(1,926)
Proceeds from repayment of given loans		3,468
Interest received		1,476
<b>Net cash outflow from investment activities</b>		<b>(13,926)</b>
<b>Cash flow from financial activities</b>		
Loans received	23	468,909
Repayment of loans	23	(388,974)
Repayment of leases	12	(7,317)
<b>Net cash inflow from financial activities</b>		<b>72,618</b>
Net cash inflow		129,290
Cash and cash equivalents at the beginning of year		170
<b>Cash and cash equivalents at the end of year</b>	19	<b>129,460</b>

**NOTE 1 – GENERAL DATA**

<b>Name of the issuer:</b>	<b>Auctor Holding a.s.</b>
<b>Registered office:</b>	<b>Pobřežní 297/14, 186 00 Praha 8</b>
<b>Legal form:</b>	<b>joint stock company</b>
<b>Registration No:</b>	<b>083 64 028</b>
<b>Registered by:</b>	<b>Commercial Register maintained by Municipal court in Prague, file No. B 24583</b>

Auctor Holding, a.s. was established by notarial deed NZ 893/2019 as a Joint stock company on 18th July 2019 and was registered by Commercial register in Prague on 24th July 2019.

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

On 25 July 2019, the Agreement regarding the purchase and transfer of two holding companies of the Group - Auctor d.o.o. 100% shares and of Lipa promet d.o.o. 100% shares was concluded between former owner, the seller, and Auctor Holding a.s. Czech Republic as a buyer. The Company acquired 100% shares of mentioned companies for the agreed amount of HRK 33,635 thousand. Auctor d.o.o. holds 46.99% voting rights in Medika d.d. (see note 26 for discussion regarding control assessment), 100% in Auctor invest d.o.o and Carsi d.o.o., 60% in Maxpharma and 32,56% in Slavonski zatvoreni alternativni investicijski fond s javnom ponudom d.d. (hereinafter "SZAIF d.d.") Lipa-promet d.o.o. holds investments in SZAIF d.d. and Elektroda Zagreb d.d. Based on transaction mentioned above followed by acquired shares in mandatory bid, the Company acquired 69,03% of SZAIF d.d. shares and 34,22% shares, representing 35,92% of voting rights in Elektroda Zagreb d.d.

By the same Agreement, Auctor Holding a.s. additionally acquired 33,5% shares in Auctor kapital d.o.o. for the agreed amount of HRK 128,585 thousand and concluded agreement to purchase additional 25% shares in mentioned company for an additional payment of 93,033 HRK. Control in managing and operations in Auctor kapital was established immediately (see note 26 for discussion regarding control assessment). Auctor kapital d.o.o. holds 83,49% shares representing 84,13% of voting rights in company Laguna Novigrad d.d., Novigrad in Istria.

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

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

**AUCTOR HOLDING a.s. and its subsidiaries****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019****NOTE 1 – GENERAL DATA (continued)****Subsidiaries:**

	<b>Equity share</b>	<b>Voting rights</b>	<b>Consolidation scope</b>
Medika d.d. with subsidiaries:	42.41%	46.99%	Full consolidation
- Zdravstvena ustanova Ljekarne Prima Pharme	100.00%	100.00%	Full consolidation
- Zdravstvena ustanova Ljekarne Delonga	100.00%	100.00%	Full consolidation
- Zdravstvena ustanova Ljekarne Ines Škoko	100.00%	100.00%	Full consolidation
- Primus nekretnine d.o.o.	100.00%	100.00%	Full consolidation
Laguna Novigrad d.d. with subsidiaries:	83.49%	84.13%	Full consolidation
-Litmus d.o.o.	100.00%	100.00%	Full consolidation
-Adria life d.o.o.	100.00%	100.00%	Full consolidation
Auctor d.o.o. with subsidiaries:	100.00%	100.00%	Full consolidation
-Auctor invest d.o.o.	100.00%	100.00%	Full consolidation
-Maxpharma d.o.o.	60.00%	60.00%	Full consolidation
-Carsi d.o.o.	100.00%	100.00%	Full consolidation
Lipa-promet d.o.o.	100.00%	100.00%	Full consolidation
Slavonski zatvoreni alternativni investicijski fond d.d.	69.03%	69.03%	Full consolidation
Auctor kapital d.o.o.	58.50%	58.50%	Full consolidation

**Associates:**

	<b>Equity share</b>	<b>Voting rights</b>	<b>Consolidation scope</b>
Zdravstvena ustanova Ljekarne Jagatić, Zagreb	49%	49%	Equity method
Elektroda Zagreb d.d.	41.79%	43.86%	Equity method

The ownership structure of the Group with indicated relevant shares in the registered capital and the voting rights is shown below for both acquisition date and reporting date.

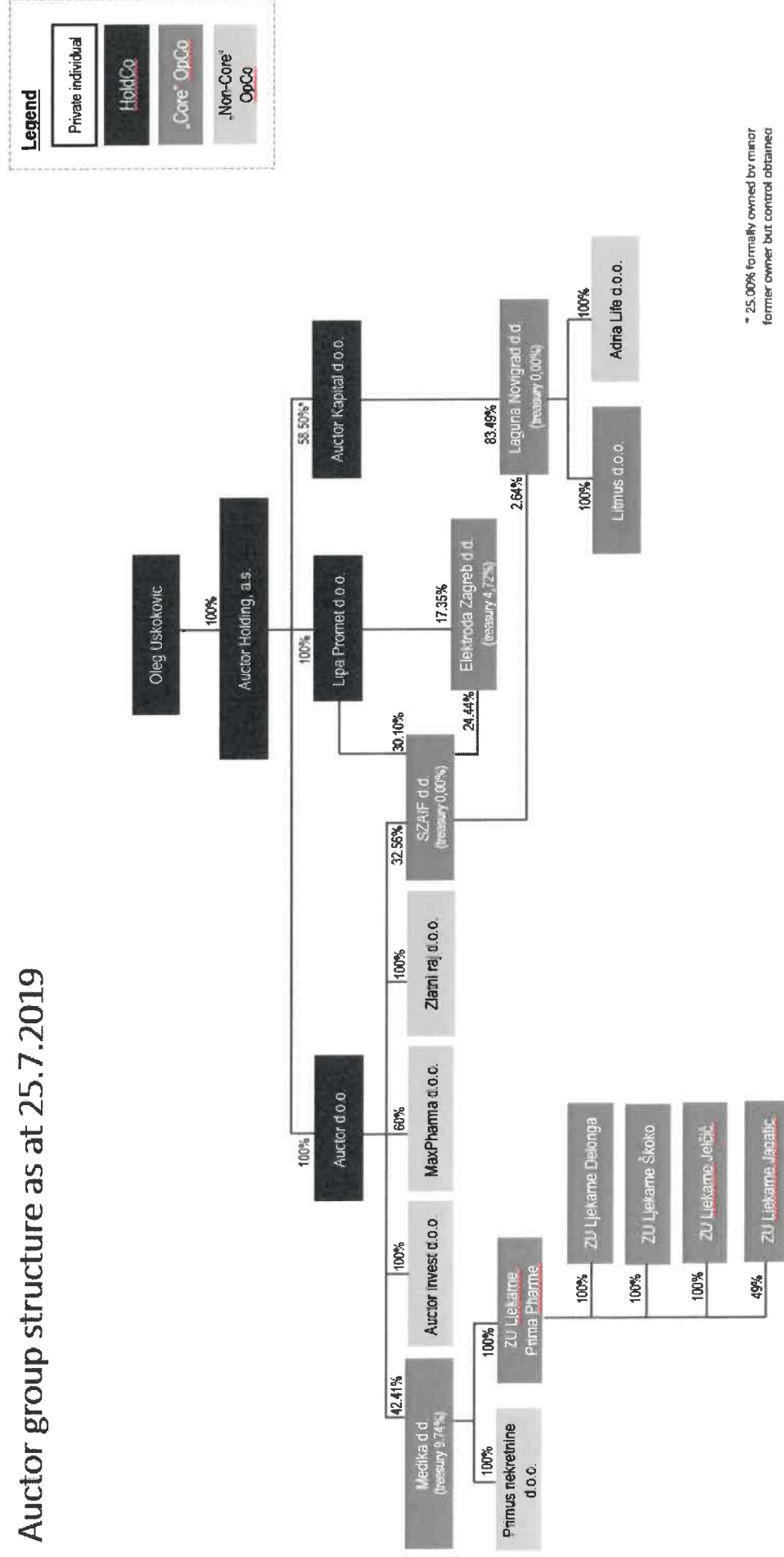
The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

# AUCTOR HOLDING a.s. and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019

### Auctor group structure as at 25.7.2019



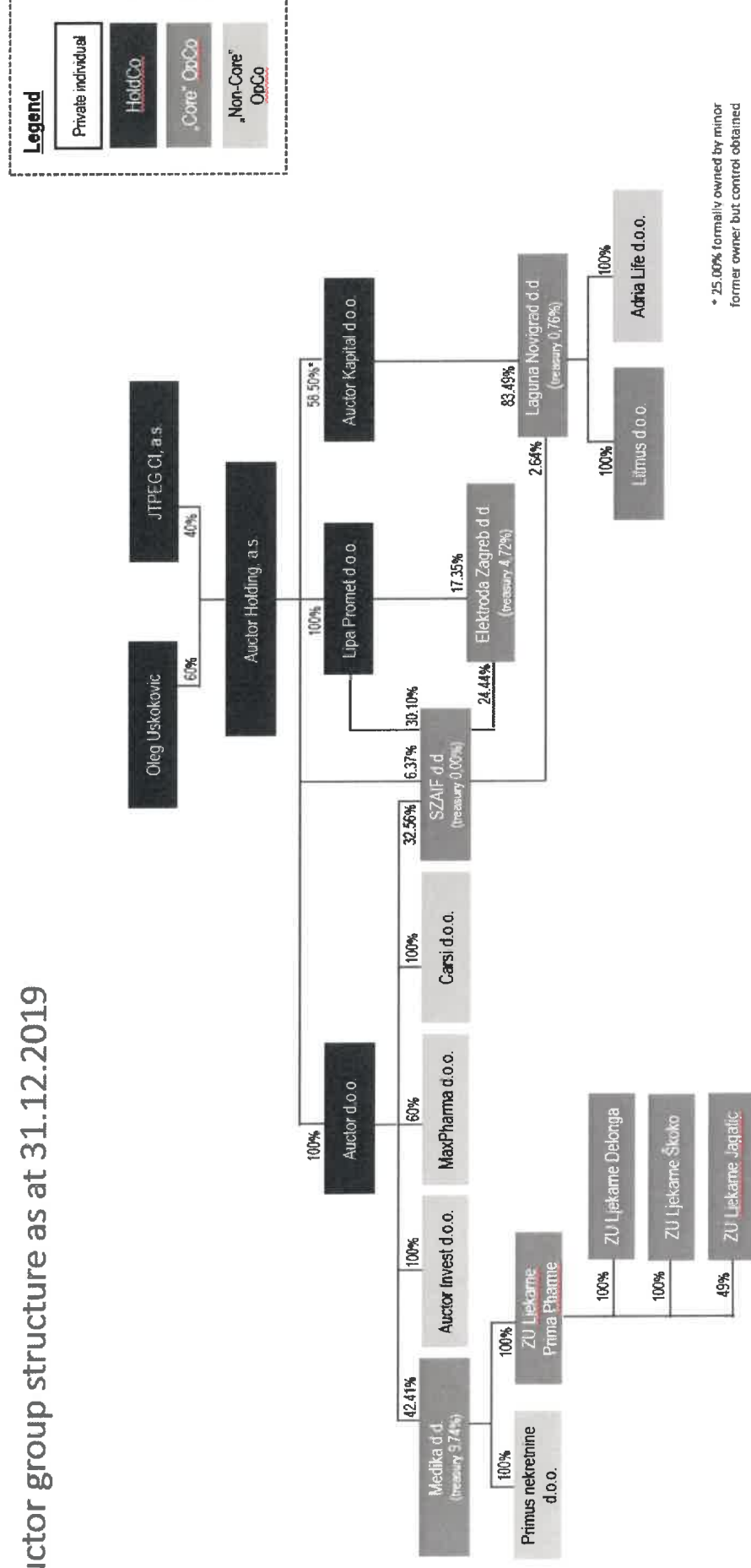
The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

# AUCTOR HOLDING a.s. and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019

### Auctor group structure as at 31.12.2019



The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

**NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES**

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

**2.1 Basis of preparation**

*(i) Statement of compliance*

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

This is the first set of consolidated financial statements prepared by the Group. The Group was formed on 25 July 2019. Consolidated financial statements have been prepared for the period from 24 July 2019 up to 31 December 2019.

*(ii) Basis of measurement*

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

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

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

*(iii) Functional and presentation currency*

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

*(iv) Use of estimates and judgements*

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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

**2.2 Consolidation**

The consolidated financial statements of the Group incorporate the financial statements of Auctor Holding a.s. and entities controlled by Auctor Holding a.s.. (its subsidiaries) as at and for the period ended 31 December 2019. Control is achieved where the Company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

*(i) Subsidiaries*

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

*(ii) Associates (equity accounted investees)*

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

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

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

*(iii) Business combinations*

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

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

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

**2.2 Consolidation (continued)**

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

*(iv) Transactions eliminated on consolidation*

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

**2.3 Foreign currencies**

*(i) Foreign currency transactions*

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

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

*(ii) Foreign operations*

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

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

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



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

**2.4 Property and equipment**

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

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

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

The estimated useful lives are as follows:

Buildings	10–40 years
Equipment	2–20 years

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

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

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

**2.5 Intangible assets**

*(i) Goodwill*

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

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

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

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

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

**2.5 Intangible assets (continued)**

*(ii) Licences*

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

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

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

*(iii) Software*

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

*(iv) Other rights*

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

**2.6 Impairment of non-financial assets**

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is expensed immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as an income immediately.

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The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

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

**2.7 Financial instruments**

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

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

**Financial assets**

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

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

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

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

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

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

**2.7 Financial instruments**

**Financial assets (continued)**

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

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

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

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

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

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

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

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

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

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

**2.7 Financial instruments**

**Financial assets (continued)**

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

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

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

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

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

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

*Impairment of financial assets*

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

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

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

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

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

**2.7 Financial instruments**

**Financial assets (continued)**

*(i) Significant increase in credit risk*

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

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

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

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

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

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

*(ii) Definition of default status*

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

*(iii) Credit-impaired financial assets*

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

- Significant financial difficulties of the issuer or debtor;
- Default status (as defined above);
- When the issuer, due to the debtor's financial difficulties, grants the debtor a concession, which he would otherwise not consider;

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

**2.7 Financial instruments**

**Financial assets (continued)**

*(iii) Credit-impaired financial assets*

- It becomes probable that the debtor will go into bankruptcy or undertake another type of financial restructuring;
- The disappearance of an active market for a specific financial asset because of financial difficulties.

*(iv) Write-off policy*

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

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

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

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

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

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

**Financial liabilities**

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

The Company measures all financial liabilities at depreciated cost.

*(a) Trade payables*

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

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The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

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

**2.7 Financial instruments**

**Financial liabilities (continued)**

*(b) Borrowings*

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

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

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

**2.8 Trade receivables**

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

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

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

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

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

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

**2.9 Cash and cash equivalents**

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



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

**2.10 Inventories**

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

**2.11 Assets held for sale**

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

**2.12 Share capital**

Share capital consists of ordinary shares.

**2.13 Employee benefits**

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

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

*(ii) Long-term employee benefits*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Employee benefits (continued)

(iii) *Short-term employee benefits*

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

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

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

2.14 Provisions

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

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

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

2.15 Borrowings and borrowing costs

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

**2.16 Revenue recognition**

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

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

*(i) Medika CGU - Sales of goods*

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

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

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

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

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

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

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

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

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

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

**2.17 Income tax**

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

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

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

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

**2.18 Value added tax**

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

**2.19 Dividends payable**

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

**2.20 Leases**

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

All subsidiaries and associates adopted IFRS 16 Leases on 1 January 2019.

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

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

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

**2.20 Leases (continued)**

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

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

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

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

**NOTE 3 - FINANCIAL RISK MANAGEMENT**

**3.1 Financial risk factors**

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

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

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

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

**3.1 Financial risk factors (continued)**

*(a) Market risk*

*(i) Foreign exchange risk*

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

As at 31 December 2019, (Notes 17, 19, 22, 23), if the euro would weaken/strengthen against the Croatian kuna by 1.0%, with all other variables held constant, the net profit for the reporting period would have been HRK 10,081 thousand higher/lower mainly as a result of foreign exchange gains/losses on translation of euro-denominated trade payables.

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

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

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

As at 31 December 2019, if the effective interest rate on borrowings (issued at variable rate) would be 10 bps higher/lower on an annual level, the net profit for the reporting period would be HRK 416 thousand lower/higher

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

**3.1 Financial risk factors (continued)**

*(b) Credit risk*

Current assets that expose the Group to credit risk consists mainly of cash and cash equivalents, given loans, long-term deposits, receivables from associates and trade and other receivables. The Group has no significant concentrations of credit risk to an individual customer or group. The Group has sales policies in place to ensure that credit sales are made to customers with an appropriate credit history. With respect to credit risk exposure, customers are grouped into three categories: pharmacies, hospitals and other customers. A higher credit risk is found among pharmacies since they have a potential going concern issue. However, collection period for hospitals is longer, but there is low risk that the receivables will not be recovered, i.e. there is low going concern issue. Other customers are not significant because of dispersion over a large number of customers and individually small balances. A detailed credit risk analysis is presented in Notes 18 and 19.

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

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

*(c) Liquidity risk*

Prudent liquidity risk management implies the maintenance of a sufficient cash level, ensuring the availability of financial assets due to adequate amounts of contracted credit lines and the ability to settle all liabilities. It is the objective of the Group to maintain flexibility in funding, by ensuring availability of the agreed credit lines. The Finance Department of the Company regularly monitors the level of available sources of cash funds. Customers consist largely of those owned by, or dependent of, the Republic of Croatia. Hence, the Group's liquidity risk level also depends on the state. The insufficient level of cash from period to period is a direct consequence of the schedule of payments received from the state in settling the state's liabilities concerning the health system. Where the payment periods are extended by the state, the Group negotiates extended payment deadlines with its suppliers. This reciprocity of terms from the state to suppliers has been the approach and normal practice within the industry and is expected to continue as such in the foreseeable future. Any shortfall is covered using lines of credit available at commercial banks. At 31 December 2019, the balance of cash and cash equivalents amounts to HRK 129,460 thousand, and the Group had free credit lines in the amount of HRK 577,150 thousand available at demand for liquidity risk management purposes. Subsequent to year end, the state injected budget funds into the health system. The table below analyses financial liabilities of the Group by contractual maturities. The amounts presented below represent undiscounted cash flows.

<i>(in thousands of HRK)</i>	Up to one month	From one month to one year	Between 1 and 3 years	More than 3 years	Total
<b>31 December 2019</b>					
Borrowings	126,957	376,966	81,731	401,690	<b>987,344</b>
Leases	1,073	16,372	27,588	18,462	<b>63,495</b>
Trade and other payables	498,839	1,099,753	-	-	<b>1,598,592</b>
	<b>626,869</b>	<b>1,493,091</b>	<b>109,319</b>	<b>420,152</b>	<b>2,649,431</b>

The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

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

**3.2 Capital management**

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

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

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

**3.3 Fair value measurement**

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

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

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

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

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

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



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

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

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

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

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

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

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

**NOTE 4 - KEY ACCOUNTING ESTIMATES**

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

***Fair valuation of assets and liabilities in business combination***

The Group acquired subsidiaries listed in Note 1 on 25 July 2019. Valuation was based on the prevailing economic, market and other conditions as of the valuation date. Information about how fair values were measured at the date of acquisition is provided in note 26.

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The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

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

*Pharmaceutical licenses impairment*

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

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

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

*Income tax*

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

*Control over Medika*

On 25 July, through its acquisition of 100% of Auctor d.o.o., Auctor Holding acquired 12.806 of shares, representing 42,41% of share capital and 46,99% of voting rights of Medika d.d. (Medika has 2.940 of treasury shares, representing 9.74% of share capital). Despite holding less than 50% of the outstanding share of Medika, management has concluded that Auctor d.o.o. controls Medika based on the considerations below.

The majority of the members of the Supervisory Board of Medika (4 out of 7) are recently appointed representatives from the Auctor Group and can only be removed before the end of their term (4 years) with a vote of 75% of the shareholders (which cannot be achieved without the votes of Auctor d.o.o.). The Supervisory Board of Medika has the sole authority to appoint and remove members of the management board (by simple majority) and through this has power over the relevant activities of Medika.

In addition, voting patterns from past General Assemblies have consistently shown that Auctor d.o.o. has historically had more than 50% of the voting rights in attendance and this pattern is expected to continue.

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

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

*Control over Auctor Kapital*

On 25 July 2019 and Auctor Holding a.s. acquired 33.5% of the voting shares of Auctor Kapital. At the same time it entered into an Agreement on Acting in Concert (the "Agreement") with the owner of 25% of the shares in Auctor Kapital (who is a minor represented by their legal guardian in these matter). By the Agreement, the parties agreed on the intent to jointly, unitedly and co-ordinately act during voting on the general assembly of AUCTOR KAPITAL d.o.o. The Agreement was entered into until the competent court grants its approval for transfer of the 25% shares of the other party. At the same time, another agreement (the "Transfer Agreement") was entered for the forward sale of the 25% of the shares in Auctor Kapital held by the other owner to Auctor Holding, subject to approval by the court. By Power of Attorney, the controlling shareholder of Auctor Holding was given the power to vote the rights of the 25% owner under the Agreement. In general, the Croatian Family Act protects rights of minors and, amongst other, prescribes certain restrictions with respect of disposal of property. Management consulted with legal advisers and concluded that in the Agreement and the power or attorney that grant voting rights to the controlling shareholder of Auctor Holding was in accordance legal requirement and, thus control of the votes was legally obtained.

Based on the above, management has concluded that, through the voting shares it holds in Auctor Kapital in combination with the voting shares held by its controlling shareholder (which management has judged are exercised on behalf of Auctor Holding), Auctor Holding has the power to control Auctor Kapital.

In addition, management has assessed, in consultation with its legal advisors, the Transfer Agreement is also legally enforceable and has accounted for this agreement as a forward purchase agreement with a non-controlling shareholder entered into as part of the business combination described in note 26. Management has applied the anticipated-acquisition method to account for the forward purchase. Under this approach Auctor Holding has recognised a liability for the purchase price under the agreement and recognised an additional 25% of the net assets of Auctor Kapital as part of the business combination (i.e. as if the forward agreement had already been exercised).

**AUCTOR HOLDING a.s. and its subsidiaries****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019****NOTE 5 – REVENUE**

	24 Jul to 31 Dec 2019
<i>(in thousands of HRK)</i>	
Revenue from sales of goods	1,534,097
Revenue from sales of goods – related parties	18,724
Revenue from sale of services	108,915
Revenue from sale of services – related parties	290
	<u>1,662,026</u>

The Group generates revenue primarily from sale of pharmaceutical goods and provision of tourism services through its hotels and campsites. Other sources of revenue include revenues from marketing and distribution services.

	24 Jul to 31 Dec 2019
<i>(in thousands of HRK)</i>	
Wholesale of pharmaceutical goods	
Hospitals	569,867
Pharmacies	574,525
Other	237,574
	<u>1,381,966</u>
Retail of pharmaceutical goods - own pharmacies	170,805
Sale of other goods	50
<b>Revenue from sale of goods</b>	<u><b>1,552,821</b></u>
Revenues form hotels	60,056
Revenues from campsites	41,108
Other services	8,041
<b>Revenue from sale of services</b>	<u><b>109,205</b></u>
	<u><b>1,662,026</b></u>

**NOTE 6 – OTHER INCOME**

	24 Jul to 31 Dec 2019
<i>(in thousands of HRK)</i>	
Government grants	26
Rent income	2,621
Income from insurance claims	158
Gain/(loss) on disposal of property and equipment	2,477
Other	5,600
	<u><b>10,882</b></u>

The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

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

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

**AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019**

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**NOTE 7 - STAFF EXPENSES**

	<b>24 Jul to 31 Dec 2019</b>
<i>(in thousands of HRK)</i>	
Net salaries	50,808
Contributions from and on salaries	21,790
Taxes and surtaxes	6,910
Management bonuses	4,156
Other employee benefits	4,185
Employee transportation costs	2,330
Termination benefits	478
	<u><b>90,657</b></u>

At 31 December 2019, there were 1.206 persons employed at the Group.

/i/ Pension contributions recognised by the Group as payable to mandatory pension funds in respect of the 160 day period ended 31 December 2019 amount to HRK 11,995 thousand.

**NOTE 8 – OTHER EXPENSES**

	<b>24 Jul to 31 Dec 2019</b>
<i>(in thousands of HRK)</i>	
Materials and energy	22,991
Maintenance, security services and insurance	14,502
Donations	2,432
Entertainment	1,665
Marketing and promotion	3,711
Professional training and consultancy services	11,324
Taxes and contributions unrelated to the result	2,172
Rental costs	1,374
Bank and payment operation charges	5,109
Telephone, postal and utility services	5,504
Road tolls and transportation costs	552
Provisions for litigations	831
Impairment of trade and other receivables, net	232
Other costs	7,873
	<u><b>80,272</b></u>

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The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

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

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

**AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019**

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**NOTE 9 - NET FINANCIAL LOSS**

	<b>24 Jul to 31 Dec 2019</b>
<i>(in thousands of HRK)</i>	
<b>Finance income</b>	
<b>Interest income</b>	
Interest income	1,487
	<u>1,487</u>
<b>Foreign exchange gains – net</b>	
Foreign exchange gains	(30)
	<u>(30)</u>
<b>Other finance income</b>	
Financial assets at FVTPL	847
	<u>847</u>
	<u>2,304</u>
<b>Finance costs</b>	
<b>Interest expense</b>	
Bank loans	(8,797)
Loans from related parties	(1,261)
Leases	(610)
	<u>(10,668)</u>
<b>Foreign exchange losses – net</b>	
Foreign exchange gains	1,151
Foreign exchange losses	(9,215)
	<u>(8,064)</u>
<b>Other finance costs</b>	
Financial assets at FVTPL	(785)
	<u>(785)</u>
	<u>(19,517)</u>

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The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

**AUCTOR HOLDING a.s. and its subsidiaries****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019**

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**NOTE 10 – INCOME TAX**

	<b>24 Jul to 31 Dec 2019</b>
<i>(in thousands of HRK)</i>	
Current tax	5,726
Deferred tax expense	4,137
	<u>9,863</u>

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

	<b>24 Jul to 31 Dec 2019</b>
<b>Profit/(loss) before taxation</b>	<b>89,429</b>
Income tax at a statutory tax rate	16,097
Effect of non-taxable income	(13,801)
Effect of tax incentives	(171)
Effect of non-deductible expenses	6,292
Tax loss for which deferred tax asset has not been recognised	1,482
Utilisation of tax losses for which deferred tax asset had not been recognised	(36)
<b>Income tax</b>	<b>9,863</b>
<b>Effective tax rate</b>	<b>11.03%</b>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

<i>(in thousands of HRK)</i>	Land	Buildings	Plant and equipment	Biological and other assets	Assets under construction and prepayments	Total
<b>Cost</b>						
Balance at beginning of current period	-	-	-	-	-	-
Acquisitions through business combinations	127,972	497,435	73,647	3,637	42,052	744,743
Additions	-	-	260	-	24,758	25,018
Transfer from assets under construction	-	21,710	9,888	449	(32,047)	-
Transfer to assets available for sale	(6,994)	(8,380)	(3)	-	-	(15,377)
Transfer from right of use assets	-	-	4,678	-	-	4,678
Disposals and write offs	-	(1,010)	(198)	-	(1)	(1,209)
<b>Balance at the end of current period</b>	<b>120,978</b>	<b>509,755</b>	<b>88,272</b>	<b>4,086</b>	<b>34,762</b>	<b>757,853</b>
<b>Accumulated depreciation and impairment</b>						
Balance at beginning of current period	-	-	-	-	-	-
Charge for the year	-	17,510	12,570	261	-	30,341
Impairment loss	-	555	-	-	-	555
Transfer from right-of-use assets	-	-	4,378	-	-	4,378
Disposals and write offs	-	(41)	(54)	-	-	(95)
<b>Balance at the end of current period</b>	<b>-</b>	<b>18,024</b>	<b>16,894</b>	<b>261</b>	<b>-</b>	<b>35,179</b>
<b>Carrying amount</b>						
Balance at beginning of current period	-	-	-	-	-	-
<b>Balance at the end of current period</b>	<b>120,978</b>	<b>491,731</b>	<b>71,378</b>	<b>3,825</b>	<b>34,762</b>	<b>722,674</b>

Loans (note 24) have been secured by pledges over property and equipment with a carrying amount of HRK 557,518 thousand as at 31 December 2019. Assets under construction relate mainly to investment in infrastructure in tourist segment

The notes on pages 24 to 81 form an integral part of these consolidated financial statements.



**AUCTOR HOLDING a.s. and its subsidiaries****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019**

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**NOTE 12 – LEASES**

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

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

	31 December 2019	24 July 2019
<i>(in thousands of HRK)</i>		
<b>Right-of-use assets:</b>		
Vehicles	11,479	-
Business premises	37,724	-
Concessions and mobile homes	10,078	-
	<u>59,281</u>	<u>-</u>

	31 December 2019	24 July 2019
<i>(in thousands of HRK)</i>		
<b>Lease liabilities:</b>		
Current	16,785	-
Non-current	44,677	-
	<u>61,462</u>	<u>-</u>

/ii/ Non-current lease liabilities:

	31 December 2019	24 July 2019
<i>(in thousands of HRK)</i>		
From 1-2 years	14,965	-
From 2-5 years	25,019	-
More than 5 years	4,693	-
	<u>44,677</u>	<u>-</u>

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The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

**AUCTOR HOLDING a.s. and its subsidiaries****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019****NOTE 12 – LEASES (continued)**

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

<i>(in thousands of HRK)</i>	<b>31 December 2019</b>	<b>24 July 2019</b>
Depreciation	7,916	-
Interest expense	856	-
Rental costs related to short-term leases and low value leases	904	-
	<b>9,676</b>	<b>-</b>

Average interest rate amounts to 2.68-3.43%.

*(in thousands of HRK)*

<b>Balance as at 24 July 2019</b>	-
<b>Cash transactions</b>	
Leases repaid	(7,317)
Interest repaid	(610)
<b>Total cash transactions</b>	<b>(7,927)</b>
<b>Non-cash transactions</b>	
Acquired in business combinations	64,294
Purchase of assets under lease	4,485
Interest expense	610
<b>Total non-cash transactions</b>	<b>69,389</b>
<b>Balance as at 31 December 2019</b>	<b>61,462</b>

The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019

NOTE 12 – LEASES (continued)

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

<i>(in thousands of HRK)</i>	<u>Vehicles</u>	<u>Business premises</u>	<u>Concessions and mobile homes</u>	<u>Total</u>
<b>Cost</b>				
Balance at beginning of current period	-	-	-	-
Acquisitions through business combinations	10,762	40,297	12,034	63,093
Additions	3,400	1,085	-	4,485
Transfer to property and equipment	(300)	-	-	(300)
Disposals and write offs	(173)	-	-	(173)
<b>Balance at the end of current period</b>	<b>13,689</b>	<b>41,382</b>	<b>12,034</b>	<b>67,105</b>
<b>Accumulated depreciation and impairment</b>				
Balance at beginning of current period	-	-	-	-
Charge for the year	2,302	3,658	1,956	7,916
Disposals and write offs	(92)	-	-	(92)
<b>Balance at the end of current period</b>	<b>2,210</b>	<b>3,658</b>	<b>1,956</b>	<b>7,824</b>
<b>Carrying amount</b>				
Balance at beginning of current period	-	-	-	-
<b>Balance at the end of current period</b>	<b>11,479</b>	<b>37,724</b>	<b>10,078</b>	<b>59,281</b>

The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019

NOTE 13 – INTANGIBLE ASSETS

<i>(in thousands of HRK)</i>	Brand	Licences, concessions, patents, softwares	Assets under construction	Ukupno
<b>Cost</b>				
Balance at beginning of current period	-	-	-	-
Acquisitions through business combinations	7,651	228,731	198	236,580
Additions	-	2,538	1,083	3,621
Transfer from assets under construction	-	541	(541)	-
Transfer to assets available for sale	-	(848)	-	(848)
Disposals and write offs	-	(85)	-	(85)
<b>Balance at the end of current period</b>	<b>7,651</b>	<b>230,877</b>	<b>740</b>	<b>239,268</b>
<b>Accumulated amortisation and impairment</b>				
Balance at beginning of current period	-	-	-	-
Charge for the year	797	2,530	-	3,327
Disposals and write offs	-	(6)	-	(6)
<b>Balance at the end of current period</b>	<b>797</b>	<b>2,524</b>	<b>-</b>	<b>3,321</b>
<b>Carrying amount</b>				
Balance at beginning of current period	-	-	-	-
<b>Balance at the end of current period</b>	<b>6,854</b>	<b>228,353</b>	<b>740</b>	<b>235,947</b>

The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019

**NOTE 13 – INTANGIBLE ASSETS**

**Licences**

At the reporting date, pharmacy licences with an indefinite useful life amount in total to HRK 196,929 thousand. Pharmacy activities cannot be undertaken without pharmacy licences.

*Impairment test of licences*

The Group calculated recoverable amount using value-in-use method. Value in use cash flow projections were based on 5 year business plan. Discount rate of 7.01% and terminal growth rate of 2.5% were used for discounting the projected cash flow.

**Brand**

Brand Laguna Novigrad d.d. was fair valued at acquisition date. The value of brand was estimated at HRK 7,653 thousand with useful life of four years-

**NOTE 14 – INVESTMENTS IN ASSOCIATES**

The Group Medika holds a 49% share in the associate Zdravstvena ustanova Ljekarne Jagatić and Lipa-promet and Auctor through SZAIF hold together 41,79% investment (43.86 % voting rights) in Elektroda Zagreb d.d.

	Interest in %, 24						
(In thousands of HRK)	Interest in %, 31 December 2019	July 2019	31 December 2019	24 July 2019			
Zdravstvena ustanova Ljekarne Jagatić	49.00%	0.00%	22,043	-			
Elektroda Zagreb d.d.	41.79%	0.00%	173	-			
			<b>22,216</b>	<b>-</b>			
			<b>31 December 2019</b>	<b>24 July 2019</b>			
Acquired through business combinations			21,679	-			
Share of profits realised in period			537	-			
Balance at the end of the period			<b>22,216</b>	<b>-</b>			
	Non current assets	Current assets	Non current liabilities	Current liabilities	Net assets	Revenues	Net profit/(loss)
2019							
Elektroda Zagreb d.d.	1,880	7,470	1,759	7,419	173	7,869	(156)
Ljekarne Jagatić	24,717	9,600	624	11,649	22,043	13,796	693
Total	<b>26,597</b>	<b>17,070</b>	<b>2,383</b>	<b>19,068</b>	<b>22,216</b>	<b>21,665</b>	<b>537</b>

The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

**AUCTOR HOLDING a.s. and its subsidiaries****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019****NOTE 15– OTHER INVESTMENTS**

	31 December 2019	24 July 2019
<i>(in thousands of HRK)</i>		
<b>Non-current investments:</b>		
Equity securities – at FVOCI	708	-
Equity securities – at FVTPL	2,131	-
	<u>2,839</u>	<u>-</u>
<b>Current investments:</b>		
Investments in cash funds at FVTPL	19,932	-
	<u>19,932</u>	<u>-</u>

**NOTE 16 – FINANCIAL INSTRUMENTS-FAIR VALUES**

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

<i>(in thousands of HRK)</i>	Level 1	Level 2	Level 3	Total at 31 December 2019
<b>Financial assets measured at fair value</b>				
Equity securities – at FVOCI	668	40	-	708
Equity securities – at FVTPL	738	1,393	-	2,131
Investments in cash funds at FVTPL	19,932	-	-	19,932
	<u>21,338</u>	<u>1,433</u>	<u>-</u>	<u>22,771</u>

The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019

NOTE 17 – TRADE AND OTHER RECEIVABLES

<i>(in thousands of HRK)</i>	31 December 2019	24 July 2019
<b>Non-current receivables</b>		
Loans given	16,891	-
Trade receivables	1,830	-
Long-term deposits	6,552	-
	<b>25,273</b>	<b>-</b>
<b>Current receivables</b>		
Trade receivables	1,415,867	-
Other current receivables	40,678	399
Given loans	912	-
Given loans – current portion of non-current loans	8,177	-
	<b>1,465,634</b>	<b>399</b>
	<b>1,490,907</b>	<b>399</b>

/i/ Given loans, as reported in the statement of financial position as at 31 December, are as follows:

<i>(in thousands of HRK)</i>	Effective interest rate	31 December 2019	24 July 2019
Other loans given	3.0-5.0%	25,068	-
Current portion of non-current loans		(8,177)	-
		<b>16,891</b>	<b>-</b>

The maturity of long-term loans is as follows:

<i>(in thousands of HRK)</i>	31 December 2019	24 July 2019
From 1 to 2 years	6,753	-
From 2 to 5 years	9,966	-
Over 5 years	172	-
	<b>16,891</b>	<b>-</b>

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

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

**AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019**

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

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

<i>(in thousands of HRK)</i>	<b>31 December 2019</b>	<b>24 July 2019</b>
Domestic trade receivables	1,402,278	-
Trade receivables – related parties	22,139	-
Foreign trade receivables	4,205	-
	<b>1,428,622</b>	<b>-</b>
Expected credit losses	(10,925)	-
	<b>1,417,697</b>	<b>-</b>

Ageing structure of receivables:

<i>(in thousands of HRK)</i>	<b>31 December 2019</b>	<b>24 July 2019</b>
Not yet due	467,282	-
0-180 days past due	695,347	-
181-360 days past due	199,342	-
Over 360 days past due	66,651	-
	<b>1,428,622</b>	<b>-</b>

Movements in impairment allowance for trade receivables:

<i>(in thousands of HRK)</i>	<b>31 December 2019</b>	<b>24 July 2019</b>
Balance at start of the period	-	-
Increase / (decrease )	10,925	-
Write-off	-	-
<b>Balance at 31 December</b>	<b>10,925</b>	<b>-</b>

Increase in impairment losses does not reflect the amount of expected credit losses presented in the note 8 as it has been presented together with the impairment gains arising on subsequent cash receipts from the improvement in the debtor's credit quality of the assets fair valued at the date of acquisition.

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

<i>(in thousands of HRK)</i>	<b>31 December 2019</b>	<b>24 July 2019</b>
HRK	1,441,320	-
EUR	49,293	399
DKK	18	-
CZK	276	-
	<b>1,490,907</b>	<b>399</b>

The notes on pages 24 to 81 form an integral part of these consolidated financial statements.



**AUCTOR HOLDING a.s. and its subsidiaries****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019****NOTE 17 – TRADE AND OTHER RECEIVABLES (continued)**

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

<i>(in thousands of HRK)</i>	<b>31 December 2019</b>	<b>24 July 2019</b>
VAT receivable	5,655	-
Prepaid expenses	1,907	-
Other	34,887	399
	<b>42,449</b>	<b>399</b>

Under other receivables the most significant part relates to assets on escrow account. There is a liability in same amount presented in financial statements. It is payment for the purchase of subsidiaries, it has deferred payment date, therefore there is no credit risk.

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

<i>(in thousands of HRK)</i>	<b>31 December 2019</b>	<b>24 July 2019</b>
Given loans	912	-
	<b>912</b>	<b>-</b>

Financial assets by category include the following:

<i>(in thousands of HRK)</i>	<b>31 December 2019</b>	<b>24 July 2019</b>
Trade receivables	1,417,697	-
Given cash loans	18,890	-
Given commodity loans	7,090	-
	<b>1,443,677</b>	<b>-</b>

Receivables per type of customers are as follows:

<i>(in thousands of HRK)</i>	<b>31 December 2019</b>	<b>24 July 2019</b>
Wholesale pharma customers		
Hospitals	1,075,481	-
Pharmacies	211,481	-
Other	71,867	-
Retail pharma customers	56,580	-
Tourism customers	1,172	-
Other	1,116	-
Total	<b>1,417,697</b>	<b>-</b>

The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019

NOTE 18 – INVENTORIES

<i>(in thousands of HRK)</i>	31 December 2019	24 July 2019
Trade goods	378,811	-
Prepayments made	6,549	-
Materials	2,286	-
Finished goods	190	-
	<b>387,836</b>	<b>-</b>

In the 160 day period ended 31 December 2019 the Group recognised write-down in the amount of HRK 5,181 thousand as an expense, which relates to damaged, expired inventories and inventories withdrawn from the market which is included in the cost of goods sold.

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

During 160 day period ended total amount of inventories recognised as expense amounted to HRK 1,430,957 thousand.

NOTE 19 - CASH AND CASH EQUIVALENTS

<i>(in thousands of HRK)</i>	31 December 2019	24 July 2019
Cash at banks	113,714	170
Cash in hand	42	-
Deposits	15,704	-
	<b>129,460</b>	<b>170</b>

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

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

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

**AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019**

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

<i>(in thousands of HRK)</i>	<b>SZAIF</b>	<b>Primus nekretnine</b>	<b>Total</b>
<b>Non-current assets</b>			
Property, plant and equipment	-	15,377	15,377
Intangible assets	-	848	848
Other investments	46,460	-	46,460
	<b>46,460</b>	<b>16,225</b>	<b>62,685</b>
<b>Current assets</b>			
Other investments	15,705	-	15,705
Trade and other receivables	285	-	285
Cash and cash equivalents	6,530	-	6,530
	<b>22,520</b>	<b>-</b>	<b>22,520</b>
<b>Current liabilities</b>			
Trade and other payables	3,787	-	3,787
	<b>3,787</b>	<b>-</b>	<b>3,787</b>
<b>Assets held for sale</b>	<b>65,193</b>	<b>16,225</b>	<b>81,418</b>

<i>(in thousands of HRK)</i>	<b>SZAIF</b>	<b>Primus nekretnine</b>	<b>Total</b>
Other expenses	(7,334)	-	(7,334)
Finance income	612	-	612
Finance costs	(364)	-	(364)
<b>Loss from discontinued operations</b>	<b>(7,086)</b>	<b>-</b>	<b>(7,086)</b>
Other comprehensive income net of tax	3,840	-	3,840
<b>Total comprehensive income</b>	<b>(3,246)</b>	<b>-</b>	<b>3,840</b>

In 2019, the subsidiary Medika entered into a contract with the buyer for the transfer of a business share in its 100% owned subsidiary Primus nekretnine d.o.o. The subsidiary is dormant and comprises one property with carrying value of HRK 16,225 thousand which has been reclassified to assets held for sale.

SZAIF is a 69.03% owned fund of the Group which is intended to be disposed of along with the Auctor Invest d.o.o. Management of the Group is actively looking for a buyer. Auctor Invest d.o.o. is required to be disposed of as required by market regulator.

**NOTE 21 - ISSUED CAPITAL**

At 31 December 2019, issued capital of the ultimate parent Auctor Holding, Czech Republic is amounted to HRK 568 thousand and consists of 2 stakes. The owner of the 60% stake is Mr. Oleg Uskoković and the remaining 40% is owned by JTPEG Croatia Investments a.s. domiciled in Prague, Czech Republic.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019

NOTE 22 – TRADE AND OTHER PAYABLES

	31 December 2019	24 July 2019
<i>(in thousands of HRK)</i>		
Trade payables	1,427,784	-
Other liabilities	170,808	-
	<u>1,598,592</u>	<u>-</u>

/i/ Trade payables recognised as at 31 December are as follows:

	31 December 2019	24 July 2019
<i>(in thousands of HRK)</i>		
Foreign trade payables	948,533	-
Domestic trade payables	428,516	-
Trade payables - related parties	50,735	-
	<u>1,427,784</u>	<u>-</u>

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

	31 December 2019	24 July 2019
<i>(in thousands of HRK)</i>		
HRK	849,040	-
EUR	575,900	-
DKK	2,141	-
CZK	703	-
	<u>1,427,784</u>	<u>-</u>

/ii/ Other payables recognised as at 31 December are as follows:

	31 December 2019	24 July 2019
<i>(in thousands of HRK)</i>		
VAT payable	11,395	-
Salaries payable	16,269	-
Unused annual leave	4,535	-
Other taxes and contributions payable	6,583	-
Liabilities for acquisitions of shares in subsidiaries	119,826	-
Other	12,200	-
	<u>170,808</u>	<u>-</u>

The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

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

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

**AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019**

**NOTE 23 – BORROWINGS**

	31 December 2019	24 July 2019
<i>(in thousands of HRK)</i>		
<b>Long-term:</b>		
Long-term bank loans	375,599	-
Long-term loans from related parties	61,096	-
	<b>436,695</b>	<b>-</b>
<b>Short-term:</b>		
Short-term bank loans	368,504	-
Short term loans from unrelated companies	16,525	-
Short-term loans from related parties	8,550	-
	<b>393,579</b>	<b>-</b>
<b>Total borrowings</b>	<b>830,274</b>	<b>-</b>

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

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

	31 December 2019	24 July 2019
<i>(in thousands of HRK)</i>		
1 to 2 years	36,113	-
2 to 5 years	302,957	-
Over 5 years	97,625	-
	<b>436,695</b>	<b>-</b>

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

	31 December 2019	31 December 2019	24 July 2019	24 July 2019
<i>(in thousands of HRK)</i>				
	<b>HRK</b>	<b>EUR</b>	<b>HRK</b>	<b>EUR</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Long-term borrowings</b>				
Long-term bank loans	2.90%	2%-5.2%	-	-
Long-term loans from related parties	-	8.10%	-	-
<b>Short-term borrowings</b>				
Short-term bank loans	1,31%-5,5%	4,25%-6,9%	-	-
Short-term loans from related and unrelated parties	3%-4%	-	-	-

The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

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

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

**AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019**

**NOTE 23 – BORROWINGS (continued)**

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

<i>(in thousands of HRK)</i>	<b>31 December 2019</b>	<b>24 July 2019</b>
<b>Variable-rate borrowings</b>		
Up to 3 months	69,621	-
3 to 12 months	144,586	-
Over 1 year	202,078	-
	<b>416,285</b>	<b>-</b>
<b>Fixed-rate borrowings</b>		
Fixed-rate loans	413,989	-
	<b>413,989</b>	<b>-</b>
<b>Total borrowings</b>	<b>830,274</b>	<b>-</b>

Given that borrowings in the amount of HRK 413,898 thousand bear interest at fixed rates, there is no exposure to interest rate changes on this part of borrowings.

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

<i>(in thousands of HRK)</i>	<b>31 December 2019</b>	<b>24 July 2019</b>
HRK	407,377	-
EUR	422,897	-
	<b>830,274</b>	<b>-</b>

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

*(in thousands of HRK)*

<b>Balance as at 24 July 2019</b>	<b>-</b>
<b>Cash transactions</b>	
Loans received	468,909
Loans repaid	(388,974)
Interest repaid	(6,377)
<b>Total cash transactions</b>	<b>73,558</b>
<b>Non-cash transactions</b>	
Acquired in business combinations	795,158
Exchange rate effect	1,234
Interest expense	10,058
Compensated with trade receivables	(49,734)
<b>Total non-cash transactions</b>	<b>756,716</b>
<b>Balance as at 31 December 2019</b>	<b>830,274</b>

The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019

NOTE 24 – DEFERRED TAX

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

Deferred tax assets

<i>(in thousands of HRK)</i>	Inventories	Provisions for employee benefits	Tax incentives	Trade receivables	Tax loss	Right-of-use assets and lease liability	Other	Total
Balance at beginning of current period	-	-	-	-	-	-	-	-
Acquired in business combinations	288	189	5,981	35	4,172	85	139	10,889
Tax charged to profit or loss	-	(41)	(4,567)	(12)	(4,172)	-	-	(8,792)
Tax credited to profit or loss	8	-	-	-	-	-	88	96
Balance at the end of current period	296	148	1,414	23	-	85	227	2,193

The subsidiary Medika d.d. was granted tax incentives for eligible employment related to capital expenditure projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019

NOTE 24 – DEFERRED TAX (continued)

Deferred tax liabilities

<i>(in thousands of HRK)</i>	Licences	Brand	Property, plant and equipment	Equity securities – at FVOCI	Inventories	Total
<b>Balance at beginning of current period</b>	-	-	-	-	-	-
Acquired in business combinations	34,341	1,377	39,098	263	2,556	77,635
Tax charged to profit or loss	-	-	-	88	-	88
Tax credited to profit or loss	(220)	(143)	(2,111)	-	(2,173)	(4,647)
<b>Balance at the end of current period</b>	<b>34,121</b>	<b>1,234</b>	<b>36,987</b>	<b>351</b>	<b>383</b>	<b>73,076</b>

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

The notes on pages 24 to 81 form an integral part of these consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019

NOTE 25 – PROVISIONS

<i>(in thousands of HRK)</i>	Employee benefits	Legal disputes	Concession	Total
<b>Balance at the beginning of the period</b>	-	-	-	-
Acquired through business combinations	1,042	1,055	6,277	8,374
Increase in provision	154	420	414	988
Utilisation of provision	(133)	-	-	(133)
Release of provision	-	-	-	-
<b>Balance at the end of the period</b>	<b>1,063</b>	<b>1,475</b>	<b>6,691</b>	<b>9,229</b>
Long-term portion	572	-	6,691	7,263
Short-term portion	491	1,475	-	1,966

*Employee benefits*

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

*Legal disputes*

Based on an off-court settlement, the Group increased provisions for legal cases and related interest in the amount of HRK 420 thousand during 2019.

*Concession*

The Group provides for concession fees on tourist land based on its best estimate and interpretation of current and expected laws and regulations.

As there are uncertainties in respect of the ultimate fees and concession arrangements Management did not account for it under lease.

NOTE 26 – ACQUISITION OF SUBSIDIARIES

As at 25 July 2019, Auctor Holding directly and indirectly acquired 17 companies.

The acquisition cost was formed based on the fair value of consideration transferred in the amount of HRK 225,619 thousand. The Company incurred acquisition relating cost of HRK 2,325 thousand of legal fees and due diligence costs. These cost have been included in other operating expenses.

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

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

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

**AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019**

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

**Acquisition of holding companies in Croatia**

**Auctor d.o.o.**

- July 25th 2019 – acquisition of 100% shares and voting rights and change of management (Oleg Uskoković appointed as President of the Management Board)

**Lipa-promet d.o.o.**

- July 25th 2019 – acquisition of 100% shares and voting rights and change of management (Oleg Uskoković as sole director)

**Auctor Kapital d.o.o.**

- July 25th 2019 – acquisition of 25,5% of share capital and voting rights from former owner.
- July 25th 2019 – acquisition of 8% of share capital and voting rights from Auctor d.o.o.
- July 25th 2019 – Agreement on joint action former owner (minor under guardianship) who holds 25% of share capital resulting in control over 58,5% of share.
- July 26th 2019 change of management (sole director Oleg Uskoković).
- December 5th 2019 - Agreement with former owner (minor under guardianship) for 25% of share capital signed after obtaining formal court approval for such transaction,

Another shareholder, Mr. Nenad Pavletić, has 41,5% of share capital. Management concluded that the Group has control over Auctor Kapital from 25 July 2019 (see note 4 for discussion on control assessment).

**Acquisition of operational companies in Croatia**

**Medika d.d.**

Management concluded that the Group has control over Medika from 25 July 2019 (see note 4 for discussion on control assessment).

**Laguna Novigrad d.d.**

- July 25th 2019 –acquiring control indirectly via above agreements
- July 26th 2019 change of management in Auctor Kapital d.o.o. (sole director Oleg Uskoković)

Auctor Group. has 732.218 shares, representing 83,49% of share capital in Laguna Novigrad d.d.

**SZAIF d.d.**

- July 25th 2019 – Auctor Group holds 1.908.929 of shares, representing 62,66% of share capital and voting rights.
- December 04th 2019 (fully paid on December 16th 2019) – after mandatory takeover offer, Auctor Holding directly holds 194.204 of shares, representing additional 6,37% of share capital and voting rights.

After mandatory takeover offer process ending in December 2019, Auctor Holding directly and indirectly holds 2.103.133 of shares, representing 69,03% of share capital and voting rights in SZAIF d.d.

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

**Auctor invest d.o.o.**

- July 25th 2019 - indirectly (by acquiring Auctor d.o.o.) – 100% of shares in Auctor Invest.

On October 17<sup>th</sup> 2019, Auctor Holding was ordered by financial regulator to release the acquired qualifying stake in Auctor invest in the next 9 months. Auctor invest d.o.o. was sold in July 2020.

**Elektroda Zagreb d.d.**

- July 25th 2019 - indirectly (by acquiring Lipa-promet d.o.o.) holds 14.550 of shares, representing 17,32% of share capital and 18,21% of voting rights, since the company has 3.956 of treasury shares, representing 4,72% of share capital;
- July 25th 2019 - indirectly (by acquiring SZAIF including direct acquiring of additional shares of SZAIF in mandatory takeover offer, as described above under SZAIF d.d.) holds 20.500 of shares, representing 24,44% of share capital and 25,65% of voting rights since the company has 3.956 of treasury shares, representing 4,72% of share capital.

**Acquisition of other spv companies**

**Carsi d.o.o.**

The company was included in transaction as part of the overall acquisitions above. The company is dormant and liquidation was initiated in June 2020.

**MaxPharma d.o.o.**

- July 25th 2019 – Auctor Group acquired 60% of share capital and voting rights.

Negotiations regarding transfer of shares to other shareholders was initiated in June 2020.

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

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

**AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019**

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

	Laguna				
(in thousands of HRK)	Novigrad Group	Medika Group	Other	Carsi	Total
Identifiable assets acquired and liabilities assumed					
Non-current assets					
Property, plant and equipment	556,831	187,912	-	-	744,743
Right-of-use assets	15,187	47,906	-	-	63,093
Intangible assets	9,018	227,562	-	-	236,580
Investments in associates	-	21,350	329	-	21,679
Other investments	585	2,187	-	-	2,772
Trade and other receivables	5,269	19,550	-	-	24,819
Deferred tax assets	-	10,889	-	-	10,889
Total non-current assets	586,890	517,356	329	-	1,104,575
Current assets					
Inventories	2,891	388,099	-	-	390,990
Other investments	19,911	-	-	-	19,911
Trade and other receivables	69,597	1,396,070	5,246	2,677	1,473,590
Income tax receivable	1,699	132	-	-	1,831
Cash and cash equivalents	69,766	73,522	32	8	143,328
	163,864	1,857,823	5,278	2,685	2,029,650
Assets held for sale	-	-	70,067	-	70,067
Total current assets	163,864	1,857,823	75,345	2,685	2,099,717
Total assets	750,754	2,375,179	75,674	2,685	3,204,292
Non-current liabilities					
Borrowings	197,036	50,000	2,825	-	249,861
Lease liabilities	10,224	37,528	-	-	47,752
Provisions	6,277	740	-	-	7,017
Deferred tax liabilities	40,613	36,216	806	-	77,635
	254,150	124,484	3,631	-	382,265
Current liabilities					
Borrowings	20,553	510,026	14,624	94	545,297
Lease liabilities	5,032	11,510	-	-	16,542
Trade and other payables	49,307	1,393,994	4,587	-	1,447,888
Income tax payable	-	6,305	-	13	6,318
Provisions	-	1,357	-	-	1,357
	74,892	1,923,192	19,211	107	2,017,402
Total liabilities	329,042	2,047,676	22,842	107	2,399,667
Total identifiable net assets acquired	421,712	327,503	52,832	2,578	804,625
Share of net assets acquired	206,389	66,651	26,669	2,578	302,287
Purchase consideration					
Cash paid					105,793
Liabilities for acquisitions of shares in subsidiaries					119,826
Total purchase consideration					225,619
Gain from bargain purchase					(76,668)
Purchase consideration – cash outflow/(inflow)					
Purchase consideration paid in cash					105,793
Cash and cash equivalents acquired					(143,328)
Acquisition of subsidiaries, net of cash acquired					(37,535)

The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

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

**Measurement of fair values**

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

For valuation of pharmaceutical distribution centers (including land) and warehouse the external appraiser utilized the yield capitalization method within the income approach. The yield capitalization method is based on the capitalization of permanently achievable net operating income. The fair value of the distribution centers (excluding land) was calculated by subtracting the value of land (using market approach) from the value arising from the capitalization method. The following key assumptions were considered within the valuation of the building and land plots: market rent of warehouse and office premises, vacancy rates, operating costs, capitalization rate and market price of the land.

For the valuation of brand, the income approach, specifically the Relief-from-royalty method ("RRM"), was used. Remaining useful life is the period of time over which an asset is expected to provide an economic benefit to its owner. Based on the discussions with Management the external appraiser have assumed remaining useful life until 2023 for all respective brands/trademarks.

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

For all fair value uplifts deferred tax liability using statutory tax rate of 18% were recognised.

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

Fair value is estimated as the retail selling price for the inventories less the sum of the expected cost to sell the inventories and reasonable profit margin on the selling effort.

For all fair value uplifts deferred tax liability using statutory tax rate of 18% were recognised.

Fair values of assets and liabilities acquired in business combinations correspond to their carrying values except for assets in SZAIF which were classified as held for sale and written down to the market value per share at the date of acquisition.

**AUCTOR HOLDING a.s. and its subsidiaries****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019****NOTE 26 – ACQUISITION OF SUBSIDIARIES (continued)**

The former owner is the widow of the founder of Auctor who intended to sell the Group after the founder passed away in 2014. After the biggest Croatian conglomerate Agrokor, to which Auctor Group had considerable exposure towards, collapsed in 2017., the sale of Group was accelerated.

For many reasons, including its complex structure of 17 entities, the need of strategic decisions regarding future CAPEX cycles, strict operating and reporting regulations of Medika, Auctor Invest and SZAIF, the fact that Medika and SZAIF are publicly traded on the stock exchange, resulting into the obligation of a new owner to submit a mandatory take over bid for the shares of minority shareholders in these companies, and some others, the selling process of the Group as a whole, was unsuccessful for several years.

Although the focus of Auctor Holding in the acquisition was on Laguna Novigrad d.d. the former owner was reluctant to dispose only one part of Auctor Group and was keen on divesting the portfolio as a whole.

Therefore, given high complexity of Auctor Group limiting the number of interested parties, existing financial status requiring immediate actions and overall willingness of former owner to sell all shares, the parties agreed on the total purchase price of 30.5 MEUR which might have been considered as a “bargain” taking into account asset valuations at the time of acquisition by Auctor Holding.

**NOTE 27 – NON-CONTROLLING INTERESTS**

The following table summarises the information relating to each of the Group’s subsidiaries that has material NCI, before any intra-group eliminations.

31 December 2019

<i>(in thousands of HRK)</i>	Medika Group	Laguna Group	SZAIF	Auctor Kapital	Intra-group eliminations	Total
<b>% of non-controlling interest (%)</b>	<b>53.01%</b>	<b>51.16%</b>	<b>30.97%</b>	<b>41.50%</b>		
Non-current assets	484,509	598,595	-	-		
Current assets	1,884,765	141,425	65,193	20,302		
Non-current liabilities	(69,614)	(250,518)	-	-		
Current liabilities	(1,782,133)	(60,994)	-	(16,079)		
<b>Net assets</b>	<b>517,527</b>	<b>428,508</b>	<b>65,193</b>	<b>4,223</b>		
<b>Net assets attributable to non-controlling interest</b>	<b>274,341</b>	<b>219,218</b>	<b>20,190</b>	<b>1,753</b>	<b>(10,081)</b>	<b>505,421</b>
Revenues	1,560,420	101,606	-	-		
Profit	23,181	(5,146)	(8,714)	(105)		
OCI	-	84	4,414	-		
<b>Total comprehensive income</b>	<b>23,181</b>	<b>(5,062)</b>	<b>(4,300)</b>	<b>(105)</b>		
Profit allocated to NCI	12,280	(2,633)	(3,254)	(44)	6	6,355
OCI allocated to NCI	-	43	1,434	-	-	1,477

The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

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

**COVID-19**

Operations of the Group members after the balance sheet date were significantly affected by the COVID-19 pandemic, which the World Health Organization declared on 11 March 2020. However, Management believes that it will be able to maintain the Group's liquidity in the upcoming period.

Laguna Novigrad tourist facilities that opened during the pre-season were closed on 13 March 2020 due to the border closure and the implementation of strict state measures to control the disease. Certain facilities were reopened for summer season. From that moment on, the Company's management:

- suspended all current and planned investments and non-critical maintenance and supplies;
- All overhead expenses have been reduced to a minimum;
- A 12-month payment moratorium on all Company's credit obligations was requested and approval obtained;
- All available state support schemes were used (state subsidies for salaries, write-offs, and tax and contribution deferrals etc.);
- The Company reached an agreement with the Trade Union of Istria, Kvarner and Dalmatia on the reduction of salaries during the period of lockdown and initiated negotiations and agreements with suppliers, reducing certain costs and extending due date of liabilities;
- The Company initiated discussions with county and local self-government bodies regarding a reduction and deferrals of local taxes and rates.

With an increasingly favourable epidemiological situation during May 2020 both campsites were opened in late May, while Aminess Maestral Hotel and Aminess Grand Azur Hotel opened in mid-June. The rest of the facilities (Aminess Laguna and Aminess Lume hotel) remained closed. The business operation were better than expected at the outbreak of COVID 19. Until mid-September the total revenue reached 33% of the last year's total revenue. Loan payment moratorium was agreed to the middle of 2021. It is difficult to predict what will occur by the end of next 2021 season. Laguna Novigrad has sufficient cash and loan deferrals to meet financial obligations in the foreseeable future. Even in a severe scenario assuming no business in 2021 due to pandemic and debt service payment to senior banks without continuation of agreed moratoria, the management estimates that liquidity position as at the end of 2020 will allow company to continue business in 2021. In addition, unfavorable development would prompt management to enter into further negotiations with financing banks, state authorities and other stakeholders to mitigate detrimental effect on company's liquidity.

Medika noted that the Covid-19 pandemic has caused changes in consumer behaviour in the health sector, with an increase in demand.

**NOTE 28 - SUBSEQUENT EVENTS AFTER REPORTING DATE (continued)**

In March 2020, there was a big increase in the consumption of medicines and medical products due to the creation of household stocks-piles by residents. The growth of sales revenue and business operations continued during the upcoming months but with lower rates than those at the beginning of the pandemic. During the time of the pandemic Medika has experienced changes in relation to business activities in the same months of previous years in such a way that customers of the pharmacies began to look for assortments for protection and prevention of diseases (protective masks, gloves, disinfectants, etc.), and sale of the so-called lifestyle products fell. Although, in 2020 trade receivables have increased in hospital sector (hospitals are state owned), it is important to note that payment days by hospitals decreased compared to the previous year (2019). Increase in receivables is related to growth of market as whole.

During 2020, there were two large financial payments made by the state (out of the regular state budget plan) and a third is now being negotiated. This liquidity situation repeats every 2-3 years and it has been always resolved by new financial injection made by the state. During the negotiation time Medika, (like majority of wholesalers) covers liquidity gap using commercial bank loans and negotiating extension of payment terms with some suppliers. This strategy will be applied for following period. In addition, Medika has limited delivery to all hospitals whose payment days are over one year.

Since Medika is part of the health care system and did not experience downturn in its operations both in respect of revenues and business activities, management believes that COVID 19 will not have a significant negative impact. Management expects to continue with current revenue growth trend in the future but it will focus more on products with exclusive distribution.

Other subsidiaries either don't have operations (Auctor, Auctor kapital, Lipa-promet, MaxPharma, Carsi), either are not impacted (Auctor invest) or they were impacted slightly with short term recovery (SZAIF, Elektroda). Furthermore, some operations of these subsidiaries are not significant on Group level and were also disinvested in 2020, so focus regarding COVID 19 impact is mainly on Medika and Laguna.

Management final conclusion is that there is no material uncertainty related to going concern (due to COVID 19 or other reasons).

**OTHER SUBSEQUENT EVENTS INCLUDING ACQUISITIONS AND DISPOSALS**

**January 2020**

Mandatory takeover bid for shares of Medika d.d. ended in January 2020. Auctor Holding a.s. acquired 8 shares representing 0,03% of share capital and voting rights. After mandatory takeover bid Auctor Holding a.s. and Auctor d.o.o. together hold 12.814 shares of Medika d.d., designation MDKA-R-A, ISIN: HRMDKARA0000, representing 42,44% of share capital and 47,02% of voting rights.

During January the Group repaid loans in the amount of HRK 17.1 million.



**NOTE 28 - SUBSEQUENT EVENTS AFTER REPORTING DATE (continued)**

March 2020

On December 5th 2019 share transfer Agreement with minor former owner for 25% of share capital in Auctor Kapital d.o.o. for the purchase price of EUR 12.5 million was signed after obtaining court approval for such transaction, following by Annex of the Agreement on March 09 2020. Since Croatian Competition Agency approval of concentration was not needed for the execution of this

Agreement with former owner ( a minor with a guardian) for 25% of share capital, acquisition of 25% in Auctor Kapital d.o.o. was formally registered in Commercial Court in Zagreb thus increasing legal ownership to 58.5%.

During March the Group repaid loans in the amount of HRK 59.8 million.

May 2020

On May 6th 2020, 760.000 shares in SZAI F d.d., were sold for a total value of 15.808.000,00 kn.

July 2020

Subsequent to approval from the Croatian capital market regulator (HANFA), 100,00% of shares in Auctor invest d.o.o. was sold for 1.470.000,00 kn.

During July 2020 Auctor Group signed a Share purchase and transfer agreements for 3.200 shares of Medika d.d. to 5 key employees/managers. Voting rights remain with Auctor Group.

August 2020

Auctor Prime d.o.o. purchased 60% shares from Mr. Oleg Uskoković in Auctor Holding a.s. Auctor Prime d.o.o. is SPV 100% owned by Oleg Uskoković.

A final dividend is declared at Medika d.d. annual general assembly in amount of 1.320,00 kn per share. Total dividend amount for Auctor Group is 16.914.480,00 kn and payment is expected by the end of September.

On 3 August 2020 Mr Josef Pilka was appointed as a board member of Auctor d.o.o. and Lipa Promet d.o.o. representing both companies jointly with Mr Oleg Uskokovic.

September 2020

During September 2020 the Auctor Group signed Share purchase and transfer agreements for 972 shares of Medika d.d. to a Supervisory Board member. Voting rights remain with Auctor Group.

On 16 September 2020 Mr Josef Pilka was appointed as a board member of Auctor Holding, a.s. representing the company jointly with Mr Oleg Uskokovic.

**AUCTOR HOLDING a.s. and its subsidiaries****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019**

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**NOTE 29 – RELATED-PARTY TRANSACTIONS**

Related parties are those companies, which have the power to exercise control over the other party or are under common control or which have a significant influence on the other party in doing business or making financial decisions or is directly or indirectly involved in the management or supervision. In accordance with the provisions of relevant Business Corporation Laws in Czech Republic and Republic of Croatia, Auctor Holding a.s. as Controlled Entity presented relationship structure:

Controlling Entities by Oleg Uskoković:

Business name	Registered office	Registration No.	The amount of the share
AUCTOR PRIME d.o.o.	Dežmanova 5, 10000 Zagreb, Croatia	081274801	100%
USKOKOVIĆ & PARTNERI d.o.o.	Aleja kralja Zvonimira 1, 42000 Varaždin, Croatia	070048767	35%
DUBROVAČKI ZALASCI SUNCA d.o.o.	Dubrovnik, Šetalište kralja Zvonimira 17, Croatia	060302522	63,94%

On October 17, 2019, sole shareholder Oleg Uskoković sold 40% shares of the Company to JTPEG Croatia Investments, a.s.. From this time, JTPEG and parties controlled or under common control with JTPEG Croatia Investments a.s. are related parties of the Group.

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

- concluded Loan Agreement with company AUCTOR PRIME d.o.o. with following conditions: principal in amount EUR 10.080.000,-, interest 8,1% p.a. maturity 31.1.2025
- concluded Agreement on provision of legal services with company USKOKOVIĆ & PARTNERI d.o.o.

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

Controlling Entities or Entity	Contract:
AUCTOR PRIME d.o.o.	Credit contract Subject of Agreement – Providing of loan to the Company
USKOKOVIĆ & PARTNERI d.o.o.	Agreement on provision of legal services Subject of Agreement – Providing of legal services

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

The Group enters into transactions with the following related parties.

1. Zdravstvena ustanova Ljekarne Jagatić
2. Auctor Prime
3. JTPEG Croatia Investment a.s.

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The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

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

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

**AS AT AND FOR THE PERIOD ENDED 31 DECEMBER 2019**

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

Balances resulting from transactions with the related parties and included in the statement of financial position at 31 December 2019 as well as the financial performance amounts for the five months period then ended are as follows:

<i>(in thousands of HRK)</i>	<u>2019</u>
<b>Trade and other receivables</b>	
Associate – ZU Ljekarne Jagatić	21,893
<b>Loans from related parties</b>	
Auctor prime	36,654
JTPEG	<u>24,441</u>
	61,095
<b>Revenue from sale of goods</b>	
Associate – ZU Ljekarne Jagatić	18,724
<b>Revenue from sale of services</b>	
Associate of ZU Ljekarne Jagatić	290
<b>Key management compensation – salaries and bonuses for Management (seven members of key management)</b>	6,844

**NOTE 30 - CONTINGENT LIABILITIES AND CONTINGENCIES**

Capital commitments as at 31 December 2019 of HRK 13,731 thousand relate to construction contracts signed.

**NOTE 31 - APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements set out on pages 19 to 81 were approved by the Management Board of the Company on 25 September 2020.

Oleg Uskoković  
Member of the Board of Directors

Josef Pilka  
Member of the Board of Directors

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The notes on pages 24 to 81 form an integral part of these consolidated financial statements.

**REPORT ON RELATIONS****ZPRÁVA O VZTAZÍCH**

Prepared by the Board of Directors of the Controlled Company in accordance with Section 82 of the Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (Act on Business Corporations), as amended (the "BCA"), for the financial year 2019

Zpracovaná statutárním orgánem Ovládané osoby v souladu s ustanovením § 82 zákona č. 90/2012 Sb., o obchodních společnostech a družstvech (zákon o obchodních korporacích), ve znění pozdějších předpisů („ZOK“), za účetní období roku 2019

(the "Report on Relations").

( „Zpráva o vztazích“).

**I.  
Relationship Structure**

**1. Controlled Entity**

Business name: Auctor Holding, a.s.  
Registered office: Pobřežní 297/14,  
Karlín, 186 00 Prague 8,  
Czech Republic  
Registration No.: 083 64 028  
Registered by: Commercial Register  
maintained by the  
Municipal court in Prague,  
file No. B 24583

(the "Company" or "Controlled Entity")

**I.  
Struktura vztahů**

**1. Ovládaná osoba**

Obchodní firma: Auctor Holding, a.s.  
Sídlo: Pobřežní 297/14,  
Karlín, 186 00 Praha 8,  
Česká republika  
IČO: 083 64 028  
Rejstříkový zápis: Obchodní rejstřík vedený  
Městským soudem v Praze,  
sp. Zn. B 24583

(„Společnost“ nebo „Ovládaná osoba“)

**2. Controlling Entities**

For the period from 24 July 2019 to 31 December 2019:

Name: Oleg Uskoković  
Registered office: Krešimira Filića street 39B,  
42000 Varaždin,  
Croatia

Date of birth: 7 May 1966

**2. Ovládající osoby**

V období od 24. 7. 2019 do 31. 12. 2019:

Jméno: Oleg Uskoković  
Bydliště: Ulice Krešimira Filića 39B  
42000 Varaždin,  
Chorvatsko

Datum narození: 7. 5. 1966

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

Entities controlled directly by Oleg Uskoković in the period from 24 July 2019 to 31 December 2019:

**3. Osoby ovládané stejnými Ovládajícími osobami**

Osoby ovládané Olegem Uskokovićem přímo v období od 24. 7. 2019 do 31. 12. 2019:

Obchodní firma / Business name	Sídlo / Registered office	Identifikační číslo / Registration No.	Výše podílu / Amount of share
AUCTOR PRIME d.o.o.	Dežmanova 5, 10000 Zagreb, Chorvatsko / Croatia	081274801	100 %
USKOKOVIĆ & PARTNERI d.o.o.	Aleja kralja Zvonimira 1, 42000 Varaždin, Chorvatsko	070048767	35 %
DUBROVAČKI ZALASCI SUNCA d.o.o.	Dubrovnik, Šetalište kralja Zvonimira 17, Chorvatsko / Croatia	060302522	63,94 %

Entities controlled indirectly by Oleg Uskoković in Osoby ovládané Olegem Uskokovićem nepřímo

the period from 24 July 2019 to 31 December 2019: v období od 24. 7. 2019 do 31. 12. 2019:

Obchodní firma / Business name	Sídlo / Registered office	Osobní identifikační číslo / Personal identification No.	Identifikační číslo soudu / Court Registration No.	Ovládaná nepřímo prostřednictvím / Controlled indirectly through	Výše podílu / Amount of share
AUCTOR d.o.o.	Dežmanova 5, 10000 Zagreb, Chorvatsko / Croatia	19203050598	080081289	Auctor Holding, a.s.	100 %
LIPA-PROMET, d.o.o.	Dežmanova 5, 10000 Zagreb, Chorvatsko / Croatia	68492183646	080304632	Auctor Holding, a.s.	100 %
AUCTOR KAPITAL d.o.o.	Dežmanova 5, 10000 Zagreb, Chorvatsko / Croatia	53129449395	080420313	Auctor Holding,	33,5 %
MaxPharma d.o.o.	Savska cesta 141, 10000 Zagreb Chorvatsko / Croatia	50444211549	080829800	AUCTOR d.o.o.	60 %
Zlatni Raj d.o.o.	Dežmanova 5, 10000 Zagreb, Chorvatsko / Croatia	76892859152	040117227	AUCTOR d.o.o.	100 % do / until 31. 7. 2019
AUCTOR INVEST d.o.o.	Dežmanova 5, 10000 Zagreb, Chorvatsko / Croatia	10637066676	080703680	AUCTOR d.o.o.	100 %
CARSI d.o.o.	Dežmanova 5, 10000 Zagreb, Chorvatsko / Croatia	37753299131	130007627	AUCTOR d.o.o.	100 % od / from 22. 10. 2019
MEDIKA d.d.	Capraška 1, 10000 Zagreb, Chorvatsko / Croatia	94818858923	080027531	AUCTOR d.o.o.	42,41 %
PRIMUS NEKRETNINE d.o.o.	Capraška 1, 10000 Zagreb, Chorvatsko / Croatia	39461830961	080988201	Medika d.d.	100 %
LJEKARNE PRIMA PHARME	Capraška 1, 10000 Zagreb, Chorvatsko / Croatia	28285339387	060025364	Medika d.d.	100 %
Zdravstvena ustanova Ljekarne Delonga	Capraška 1, 10000 Zagreb, Chorvatsko / Croatia	67377129077	060181116	ZU Ljekarne Prima PharME	100 %

ZU Ljekarne Ines Škoko	Capraška 1, 10000 Zagreb, Chorvatsko / Croatia	63326663896	050049368	ZU Ljekarne Prima Pharme	100 %
ZU Ljekarne Jelčić	Pula, Flanatička 14, Chorvatsko / Croatia	85074736347	80070612	ZU Ljekarne Prima Pharme	100 % do / until 1. 10. 2019
SZAIF d.d.	Dežmanova 5, 10000 Zagreb, Chorvatsko / Croatia	06371858079	030064066	AUCTOR d.o.o.	32,56 %
SZAIF d.d.	Dežmanova 5, 10000 Zagreb, Chorvatsko / Croatia	06371858079	030064066	LIPA-PROMET d.o.o.	30,10 %
SZAIF d.d.	Dežmanova 5, 10000 Zagreb, Chorvatsko / Croatia	06371858079	030064066	Auctor Holding, a.s.	6,37 % od / from 16. 12. 2019
LAGUNA NOVIGRAD d.d.	Škverska 8, Novigrad, Chorvatsko / Croatia	58935879058	040060543	AUCTOR KAPITAL d.o.o.	83,49 %
LAGUNA NOVIGRAD d.d.	Škverska 8, Novigrad, Chorvatsko / Croatia	58935879058	040060543	SZAIF d.d.	2,64 %
LITMUS d.o.o.	Škverska 8, Novigrad, Chorvatsko / Croatia	33848082450	080804878	Laguna Novigrad d.d.	100 %
ADRIA LIFE d.o.o.	Škverska 8, Novigrad, Chorvatsko / Croatia	87429101081	040335026	Laguna Novigrad d.d.	100 %

(hereinafter together the „Entities controlled by the same Controlling Entity“)

(dále společně jen „Osoby ovládané stejnou Ovládající osobou“)

## II.

### Role of the Controlled Company

The Company is an independent and highly autonomous company, which is a controlled entity only in its definitional meaning.

## II.

### Úloha Ovládané osoby

Společnost je nezávislá a vysoce autonomní společnost, která je pouze definičně ovládanou osobou.

## III.

### Way and means of control

The Company is controlled through decisions of General meeting of the Company. No special Contract has been concluded between Company, Controlling Entities and Entities controlled by the same Controlling Entity and these Entities did not jointly pursue any business

## III.

### Způsob a prostředky ovládaní

Společnost není ovládaná jinak než prostřednictvím rozhodnutí valné hromady Společnosti. Mezi Společností, Ovládajícími osobami a/nebo Osobami ovládanými stejnou Ovládající osobou není uzavřena žádná speciální smlouva ve vztahu ke způsobům a

and non-business activity.

prostředků ovládaní a tyto osoby společně nevyvíjeli žádnou podnikatelskou či nepodnikatelskou činnost.

#### IV.

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

On 17 October 2019, Oleg Uskoković as the sole shareholder sold 40% shares of the Company to JTPEG Croatia Investments, a.s. During the relevant period, the Company did undertake following activities:

- entered into the Loan Agreement with company AUCTOR PRIME d.o.o. for the amount of the principal of EUR 10.080.000,-, with interest 8,1% p.a. and maturity on 31 January 2025;
- provided a loan to the company AUCTOR d.o.o. with following conditions: principal in amount EUR 20.500.000,-, with interest 7% p.a. and maturity on 30 November 2020;
- provided a loan to the company AUCTOR KAPITAL d.o.o. with following conditions: principal in amount EUR 900.000,-, with interest 7% p.a. and maturity on 30 November 2020;
- provided a loan to the company LIPA - PROMET d.o.o. with following conditions: principal in amount EUR 1.500.000,-, with interest 7% p.a. and maturity on 30 November 2020; and
- entered into the Agreement on provision of legal services with the company USKOKOVIĆ & PARTNERI d.o.o.

During the relevant period, the Company did not undertake any other activities that would have been made at the interest of the Controlling Entities or the Entities controlled by the same Controlling Entity relating to assets exceeding 10% of the Company's equity as determined in the most recent financial statements for the period from 24 July 2019 to 31 December 2019.

#### V.

##### List of mutual contracts

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

#### IV.

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

Dne 17.10.2019 jediný akcionář Společnosti Oleg Uskoković prodal 40 % akcií Společnosti společnosti JTPEG Croatia Investments, a.s. Společnost v relevantním období učinila následné jednání:

- uzavřela smlouvu o přijatém úvěru se společností AUCTOR PRIME d.o.o. na sumu jistiny EUR 10.080.000,- s úrokem 8,1 % p.a. a splatností 31. 1. 2025;
- uzavřela smlouvu o poskytnutém úvěru se společností AUCTOR d.o.o. na sumu jistiny EUR 20.500.000,- s úrokem 7 % p.a. a splatností 30.11.2020;
- uzavřela smlouvu o poskytnutém úvěru se společností AUCTOR KAPITAL d.o.o. na sumu jistiny EUR 900.000,- s úrokem 7 % p.a. a splatností 30. 11. 2020;
- uzavřela smlouvu o poskytnutém úvěru se společností LIPA - PROMET d.o.o. na sumu jistiny EUR 1.500.000,- s úrokem 7 % p.a. a splatností 30. 11. 2020; a
- uzavřela Smlouvu o poskytování právních služeb se společností USKOKOVIĆ & PARTNERI d.o.o.

Společnost v relevantním období neučinila žádná jiná jednání, která by byla učiněna na popud nebo v zájmu Ovládajících osob nebo Osob ovládaných stejnou ovládající osobou týkající se majetku, který přesahuje 10 % vlastního kapitálu Společnosti zjištěného podle poslední účetní závěrky, t.j. v účetním období od 24. 7. 2019 do 31. 12. 2019.

#### V.

##### Přehled vzájemných smluv

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

Ovládající osoby nebo Společnost ovládaná stejnou Ovládající osobou / Controlling Entities or Entity controlled by the same Controlling Entity	Smlouva / Contract:
AUCTOR PRIME d.o.o.	Smlouva o úvěru / Loan Agreement, předmět plnění / subject of the agreement: poskytnutí finančních prostředků Společnosti / providing a loan to the Company
USKOKOVIĆ & PARTNERI d.o.o.	Smlouva o poskytování právních služeb / Agreement on provision of legal services;

	předmět plnění / subject of the agreement: poskytování právních služeb / providing legal services
AUCTOR d.o.o.	Smlouva o úvěru / Loan Agreement, předmět plnění / subject of the agreement: poskytnutí finančních prostředků společnosti AUCTOR d.o.o. / providing a loan to AUCTOR d.o.o.
LIPA-PROMET d.o.o.	Smlouva o úvěru / Loan Agreement, předmět plnění / subject of the agreement: poskytnutí finančních prostředků Společnosti LIPA-PROMET d.o.o. / providing a loan to LIPA- PROMET d.o.o.
AUCTOR KAPITAL d.o.o.	Smlouva o úvěru / Loan Agreement, předmět plnění / subject of the agreement: poskytnutí finančních prostředků Společnosti AUCTOR KAPITAL d.o.o. / providing a loan to AUCTOR KAPITAL d.o.o.
AUCTOR d.o.o.	Kupní smlouva na podíl / Share Purchase Agreement, předmět plnění / subject of the agreement: koupě 8 % akcií společnosti AUCTOR KAPITAL d.o.o. Společností / purchase of 8% of shares of AUCTOR KAPITAL d.o.o. by the Company

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

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

#### VI.

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

In relation to the conclusion of the above-mentioned contracts no detriment incurred to the Controlled Entity that should be a subject to settlement pursuant to section 71 or 72 of BCA.

#### VI.

##### Posouzení vzniku újmy Ovládané osobě

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

#### VII. Conclusion

The Board of Directors of the Company has assessed, on the basis of the available information, the advantages and disadvantages of the above relations and has concluded that the Company has not received any particular advantages and/or disadvantages from it, in particular with regard to the minimum connection with the Controlling Entities or Persons controlled by the same Controlling Entity.

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

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

#### VII. Závěr

Představenstvo Společnosti vyhodnotilo na základě dostupných informací výhody a nevýhody plynoucí z výše uvedených vztahů a dospělo k závěru, že Společnosti z nich neplynuly žádné zvláštní výhody a/nebo nevýhody, a to zejména s ohledem na minimální provázanost s Ovládajícími osobami či Osobami ovládanými stejnou Ovládající osobou.

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

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



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

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

V Praze dne / In Prague on 12. 3. 2020



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**Oleg Uskoković**

Člen představenstva / Member of the Board of Directors

**REPORT OF THE BOARD OF DIRECTORS ON  
THE BUSINESS ACTIVITIES AND STATE OF  
ASSETS FOR THE YEAR 2019**

**ZPRÁVA PŘEDSTAVENSTVA  
O PODNIKATELSKÉ ČINNOSTI A STAVU  
MAJETKU SKUPINY ZA ROK 2019**

**Auctor Holding, a.s.**

Registered office: Pobřežní 297/14,  
Karlín, 186 00 Praha 8,  
Czech Republic  
Registration No.: 083 64 028  
Registered by: Commercial Register  
maintained by Municipal  
court in Prague, file No.  
B 24583

**Auctor Holding, a.s.**

Sídlo: Pobřežní 297/14,  
Karlín, 186 00 Praha 8,  
Česká republika  
IČO: 083 64 028  
Rejstříkový zápis: Obchodní rejstřík vedený  
Městským soudem  
v Praze, sp. zn. B 24583

(hereinafter „Company“ or „Group“)

(dále jen „Společnost“)

**Auctor Holding, a.s. together with  
subsidiaries** (hereinafter “Group”)

**Auctor Holding, a.s. včetně jejích dceřiných  
společností** (dále jen „Skupina“)

**I.**

**Bodies of the Company in the year 2019**

**Board of Directors**

Member of the Board of Directors  
- Oleg Uskoković (from 24 July 2019)

**Supervisory Board**

Member of the Supervisory Board  
- Tanja Kragulj Mežnarić (from 24 July  
2019)

Board of Directors and the Supervisory Board regularly reviewed the Group's financial results and financial position at its meetings in 2019 and adopted the necessary decisions in the course of carrying out business activities and disposing of the Group's assets.

**II.**

**Business activities and liabilities of the Group**

The Group's activities in 2019 since its creation on 24 July 2019 focused on the development of its business and asset management. The Group in the year 2019 was running business by acquisition of group of companies operating in tourism and in wholesale of drugs and medical products in Croatia. These activities were covered mostly by external financing.

The Group's solvency was stabilized in 2019 and liabilities were paid on an ongoing basis.

**I.**

**Orgány Společnosti v roce 2019**

**Představenstvo Společnosti**

Člen představenstva  
- Oleg Uskoković (od 24. 7. 2019)

**Dozorčí rada Společnosti**

Člen dozorčí rady  
- Tanja Kragulj Mežnarić (od 24. 7. 2019)

Představenstvo i dozorčí rada na svých zasedáních v roce 2019 pravidelně hodnotily hospodářské výsledky a finanční situaci Skupiny a přijímaly potřebná rozhodnutí v rámci realizace podnikatelské činnosti a nakládání s majetkem Skupiny.

**II.**

**Podnikatelská činnost a stav závazků  
Skupiny**

Činnost Skupiny od svého vzniku dne 24. července 2019 byla zaměřena zejména na vývoj své podnikatelské činnosti a správy majetku. Skupina v roce 2019 rozvíjela svou podnikatelskou činnost akvizicí společností operujících v hotelovém byznysu a společností podnikajících v distribuci medicínských produktů a léků na území Chorvatska. V této souvislosti bylo zabezpečeno financování akvizice převážně formou cizích zdrojů.

Platební schopnost Skupiny byla v roce 2019 stabilizovaná a závazky byly hrazeny průběžně.

During the accounting period, Laguna Novigrad d.d. within the Group, in which the Company has an indirect ownership interest, acquired 6,659 own shares, representing 0.76% share in the share capital and a 0.77% share in voting rights. The Group did not acquired any other own shares.

V průběhu účetního období nabyla v rámci Skupiny společnost Laguna Novigrad d.d., v které má Společnost nepřímou majetkovou účast, 6 659 vlastních akcií představující 0,76% podíl na základním kapitálu a 0,77% podíl na hlasovacích právech. Žádné další vlastní akcie Skupina nenabyla.

### III. Business results

The Group's assets are presented in the consolidated financial statements prepared as of 31 December 2019, including its notes, which specifies the details of each item. Profit and loss of the Group for the period from 24 July 2019 to 31 December 2019 is profit in the amount of HRK 72,480 thousand.

### III. Ekonomické výsledky

Stav majetku Skupiny zobrazuje konsolidovaná účetní závěrka sestavená ke dni 31. 12. 2019 včetně její přílohy, která specifikuje podrobnosti k jednotlivým položkám. Hospodářským výsledkem za období od 24. 7. 2019 do 31. 12. 2019 je zisk ve výši 72 480 tis. HRK.

### IV. Ownership interests

The Company has direct ownership interests in these business entities:

### IV. Majetkové účasti

Společnost má přímou majetkovou účast v těchto dalších podnikatelských subjektech:

Obchodní firma / Company	Sídlo / Office	Identifikační číslo / Registration No.	Výše podílu / Share	Datum nabytí podílu/Date of acquisition
AUCTOR d.o.o.	Dežmanova 5, 10000 Zagreb, Chorvatsko / Croatia	080081289	100 %	25.7.2019
LIPA-PROMET d.o.o.	Dežmanova 5, 10000 Zagreb, Chorvatsko / Croatia	080304632	100 %	25.7.2019
AUCTOR KAPITAL d.o.o.	Dežmanova 5, 10000 Zagreb, Chorvatsko / Croatia	080420313	33,5 %	25.7.2019
SZAIF d.d.	Dežmanova 5, 10000 Zagreb, Chorvatsko / Croatia	03006406	6,37 %	4.12.2019

### V. Employees

The Group has 1,206 employees as of 31 December 2019.

### V. Zaměstnanci

Skupina eviduje ke dni 31. 12. 2019 1 206 zaměstnanců.

### VI. Group's plan for the year 2020

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

### VI. Záměr Skupiny pro rok 2020

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

The Group monitors the market for possible further investments.

Skupina monitoruje trh pro případné další investice.

#### **VII.**

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

On 24 October 2019, the shareholders of the Company approved securing financing of the Group in the form of a bank loan provided by J&T Banka, a.s., in the total amount of credit limit of EUR 61,400,000.-, as well as implementation of the relevant loan security pursuant to the Loan Agreement. At the same time the shareholders approved providing subordinated loans in the amount of EUR 16,800,000.-.

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

This report was approved by the Board of Directors on 25 September 2020.

#### **VII.**

##### **Důležitá rozhodnutí orgánů Společnosti**

Dne 24. 10. 2019 akcionáři Společnosti vyjádřili souhlas se zabezpečením financování Skupiny formou bankovního úvěru poskytnutého společností J&T Banka, a.s. v celkové výši úvěrového rámce EUR 61 400 000,-, jako i souhlas s provedením příslušného zabezpečení úvěru dle Smlouvy o úvěru. Zároveň akcionáři vyjádřili souhlas s poskytnutím podřízeného financování v celkové výši EUR 16 800 000,-.

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

Tato zpráva byla schválena představenstvem dne 25. 9. 2020.

Ve Varaždinu dne / In Varaždin on 25. 9. 2020

  
**Oleg Uskoković**

Člen představenstva / Member of the Board of Directors

  
**Josef Pilka**

Člen představenstva / Member of the Board of Directors