



METALAC A.D.
ANNUAL BUSINESS REPORT
YEAR ENDED DECEMBER 31, 2021

COMPANY PROFILE – FOUNDATION AND ACTIVITY

The Company was established in 1959 as a socially-owned enterprise called Metalworking Industry Metalac. On December 8, 1990, based on the Labor Council's decision and pursuant to the Law on Social Capital and the Law on Terms and Procedures of Social Ownership Transformation into Other Ownership forms, the Company was transformed into a mixed-ownership shareholding company. Further ownership transformation was executed by the Assembly decision brought on 2nd July, 1998 and Metalac has been shareholding company ever since. Upon the said decision and pursuant to the Ownership Transformation Act the Company's entire socially-owned capital was fully transformed into share capital.

By end 2005 the Company is primarily involved in the production of cookware; production of accumulation water heaters, production cardboard packing materials, production of stainless-steel sinks and trading in goods from the product mix through its own retail chain consisting of 49 shops throughout Serbia and Montenegro. During December 2005 as further development the Company underwent reorganization and established five limited liability business entities, production enterprises Metalac Posudje, Metalac Inko, Metalac Print, Metalac Bojler and one trading Metalac Market and transferred primary activities from the prior scope of business to these newly founded enterprises. Before 2005 two other trading enterprises were founded, Metalac Trade and Metpor, plus two shareholding affiliates with Metalac a.d. as majority owner, so establishing the new holding organization. Since 2012 the Company with its affiliates has formed the Metalac Group. Another production enterprise, Metalac FAD was added to the Group in 2015, acquired as the enterprise in bankruptcy.

The Company retains holding activities of management and finances, and renders services to the affiliates in connection with human resources and legal affairs, accounting, IT, marketing, logistics, development, QMS/EMS, preventive engineering, safety.

The affiliates have developed the transferred business activities: Metalac Posude now produces a wide range of enamel, non-stick coated, stainless steel and aluminum cookware; Metalac Inko beside stainless steel sinks produces cast polymer items; Metalac Print makes transport cardboard boxes as well as offset printed carton packing materials, plus rather important decor transfers being direct support to the cookware production; Metalac Bojler made progress in production of electric water heaters widening the range of small capacity models and accumulation boilers of 50, 80, 100, 120, 150, 200 and 300 liter capacity.

Metalac FAD has continued production of car parts being its prior main activity. Metalac Market is a retailer trading in household product mix mainly of other Metalac Group affiliates and in other home appliances, constantly increasing the number of its sales points so that the Company's products may reach consumers in most immediate way. Metalac Trade acts as whole-seller importing household items from China to complete the Company's offer. In 2017 two more subsidiaries were founded, Metalac Digital for internet sale and digital marketing, and Metalac FTO for physical and technical security of the mother company and the affiliates.

The head office of the Company is in Gornji Milanovac, at no. 212, Kneza Aleksandra Street.

Company Code: 07177984 VAT number: 100887751

Company's web site: www.metalac.com E-mail: metalac@metalac.com

CORPORATE GOVERNANCE

The Company has its Code of Corporate Governance supporting the OECD principles, as well as its Code of Business Ethics. Both documents are published on the Company's website both in Serbian and English languages. The principles of corporate governance and business ethics are implemented by a set of internal policies and practices. The Supervisory Board and the Executive Board as well as the management bodies in the subsidiaries take into account the application of the adopted principles when deciding on specific issues within the scope of their competencies in all areas of the Company's business.

Policies and procedures to ensure that shareholder interests are taken into account by decision making process are also contained in the Business Policy which is available to the public via the Company's website immediately upon adopted by the Supervisory Board.

The practice of corporate governance ensures equal treatment of shareholders in terms of exercising their rights provided by law and the Articles of Association. The Supervisory and Executive Boards ensure a high level of publicity and transparency, as well as availability of all necessary information, documentation, materials and business results needed for decision making process of the Assembly and performance of shareholder role in corporate governance.

Legal and organizational support to management bodies in performing their functions, monitoring and developing corporate governance policies and practices, taking care of shareholders' rights, developing relations with investors and other shareholders in the company, establishing effective internal communication between Company bodies, is provided through the company's secretary.

The function of internal supervision is provided through the work of a special and independent Internal Business Supervision Service and through the work of the Audit Committee of the Supervisory Board, which supervises the internal business supervision.

During a year, the Supervisory Board continuously monitors the application of the adopted principles of corporate governance and compliance of behavior and actions all participants in corporate governance and undertakes necessary activities to prevent potential nonconformities.

APPROACH TO SOCIAL ACCOUNTABILITY

At the core of the Metalac a.d. strategy is sustainable development of the Company through balanced fulfillment of economic, social and environmental goals. This is explicitly contained in all strategic documents - from the Code of Business Ethics and the Code of Corporate Governance, to the Development Strategy, decisions of the Metalac Foundation, IMS documents and decisions of the Company's governing bodies.

In 2021 the Company underwent external inspection of the implemented integrated management system ISO 9001: 2015 and ISO 14001: 2015, the authorized team TMS-CEE d.o.o. however preceded at the beginning of the year by a regular internal inspection of Metalac a.d. and of the subsidiaries.

Reports on all audits received high marks and the Company therefore shows high level of social accountability in all the inspected areas.

Harmful and dangerous substances emission measurement is performed throughout the year in accordance with applicable legal and other regulations. All measurements showed that the checked parameters were within the allowed limits.

In 2021, about 130 thousand euros were spent for the costs of harmful and dangerous substances emission measuring and disposing of hazardous and non-hazardous waste.

The company Metalac annually spends almost 1 million euros for environmental projects, employee education, birth rate promotion, recreation and leisure for workers, sports development in Gornji Milanovac, culture and infrastructure of the local community and other forms of socially responsible activities. Business ethics and transparency, care for people and respect for human rights, quality of products and services, care for the environment and the community, strengthen corporate reputation and relationships with internal and external customers and shareholders.

In sixteen years of its existence, the Metalac Foundation has awarded more than 850 babies in the "Growing up together for the future" campaign, with about 1 million euros. In the last 6 years, the incentive for the birth rate has been expressed by increasing cash prizes to 1,000 euros for the first, 2,000 for the second, 3,000 for the third and so on.

The company has remained consistent in investing in and supporting the development of sports. More than 600 athletes compete within the clubs of the Sports Association "Metalac", in addition to them, a large number of elementary and high school students train in these sports clubs, which is more than half of all athletes in the province of Gornji Milanovac. The company is a donor to the Metalac Football Club, the Colorado Futsal Club, the Metalac-Inox Bowling Club, the Metalac-Takovo Chess Club, the Metalac-Takovo Men's Volleyball Club, and the Metalac-Gornji Milanovac Women's Handball Club. , Handball Club "Omladinac". In 2012, the construction of a modern European stadium with 4,500 seats was completed, for the needs of athletes and all citizens of Gornji Milanovac and the Football Club "Metalac".

The Company's policy in the field of quality and environmental protection ensures the preservation of the environment through production of healthy products, higher efficiency in consumption of materials, energy and other natural resources, reducing hazardous waste, acting in compliance with legal requirements and regulations applicable to products, environment and other segments of the business. Environmental policy provides both internal and external communication with employees and all shareholders, capital increase, employee safety and

security at work and higher standards, and the environment of a good neighbor and as much as possible, helps in social needs and activities.

Beside all the above, the Company has expressed its social responsibility towards the local and wider community in 2020 by making significant donations to health institutions. This type of assistance to health institutions dominated last year given the pandemic we were faced with.

The Metalac company thus confirms why it has had a reputation for socially responsible and one of the healthiest companies in Serbia for years.

SHARE CAPITAL

The share capital of Metalca a.d. was comprised of 2.040.000 shares with par value of RSD 1,200.

Ownership structure as of:	31 st Dec. 2021		31 st Dec. 2020	
Shares owned by natural persons	1,249,261	61.24%	1,265,922	62.06%
Shares owned by legal entities	488,580	23.95%	482,710	23.66%
Nominal or custodial accounts	302,159	14.81%	291,368	14.28%

The Company's shares are on the Belgrade Exchange Standard Listing by the single price method.



Turnover and indicators:

As of	31 st Dec. 2021	31 st Dec. 2020
Last price	1,870 rsd	1,950 rsd
Highest price	1,950 rsd	2,200 rsd
Lowest price	1,750 rsd	1,750 rsd
Total turnover	32,512 shares	170,813 shares
Total turnover value	60,634,778 rsd	327,895,603 rsd
Average price	1,867 rsd	1,920 rsd
Market capitalization	3,814,800,000 rsd	3,978,000,000 rsd
Share value	1,771.17 rsd	1,680.32 rsd
Dividend (gross)	65 rsd	85 rsd
EPS (earning per share)	124.64	125.03
P/E (price/equity ratio)	15.00	15.60
P/B (price/equity book value)	1.06	1.16
ROE (return on equity)	7.22%	7.51%

SUBSIDIARIES

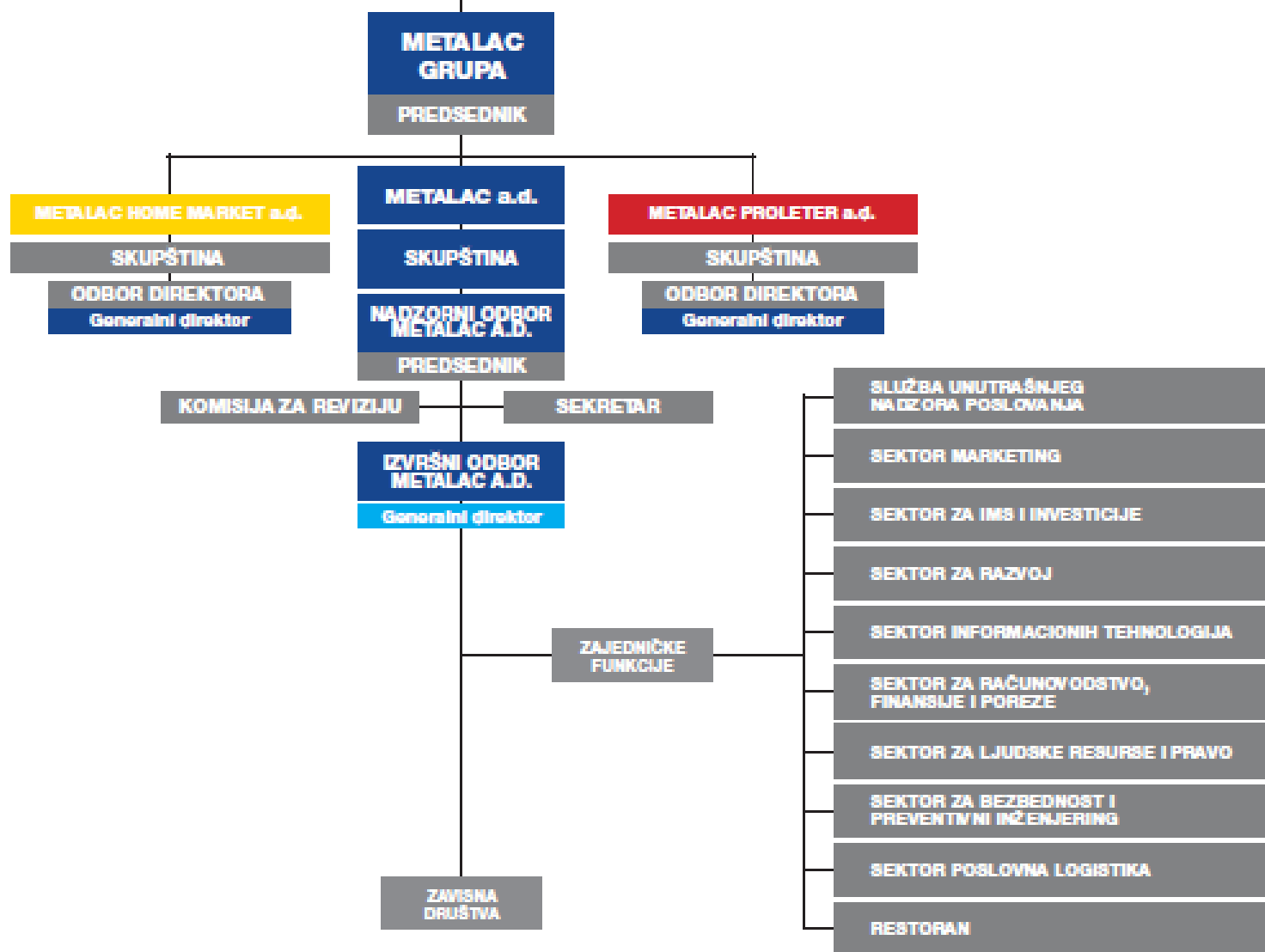
As of May 31, 2012, Metalac a.d. was organized into the "Metalac Group" connected with capital to its subsidiaries.

Metalac Group consists of total 17 companies, namely Metalac a.d. as a controlling company and 16 subsidiaries, of which 12 seated in the Republic of Serbia, and the remaining 4 in foreign countries.

Metalac a.d. has the following share in the subsidiaries:

- Metalac Posuđe d.o.o. Gornji Milanovac	100%
- Metalac Print d.o.o. Gornji Milanovac	100%
- Metalac Inko d.o.o. Gornji Milanovac	100%
- Metalac Bojler d.o.o. Gornji Milanovac	100%
- Metalac FAD d.o.o. Gornji Milanovac	100%
- Metalac Market d.o.o. Gornji Milanovac	100%
- Metalac Trade d.o.o. Gornji Milanovac	100%
- Metpor d.o.o. Novi Beograd	100%
- Metalac Digital d.o.o. Gornji Milanovac	100%
- Metalac FTO d.o.o. Gornji Milanovac	100%
- Metrot d.o.o. Moskva	100%
- Metalac Market Podgorica d.o.o. Podgorica	100%
- Metalac Home Market d.o.o. Zagreb	100%
- Metalac Ukrajina d.o.o. Kijev	100%
- Metalac Home Market a.d. Novi Sad	82,36%
- Metalac Proleter a.d. Gornji Milanovac	64,55%

METALAC GRUPA



METALAC POSUBE D.O.O.
direktor

METALAC INKO D.O.O.
direktor

METALAC PRINT D.O.O.
direktor

METALAC BOJLER D.O.O.
direktor

METALAC MARKET D.O.O.
direktor

METALAC TRADE D.O.O.
direktor

METALAC RAD D.O.O.
direktor

METPOR D.O.O.
direktor

METALAC MARKET
ZAGREB D.O.O.
direktor

METALAC MARKET
ZAGREB D.O.O.
direktor

METROT D.O.O. MOSKVA
direktor

METALAC DIGITAL D.O.O.
direktor

METALAC UKRAJINA D.O.O.
direktor

METALAC F.T.O. D.O.O.
direktor

HUMAN RESOURCES INDICATORS

NUMBER OF EMPLOYEES

Comparing the number of employees at the end of 2020 and 2021 with Metalac a.d. it has been reduced by 2. The qualification structure in 2021 has changed slightly with respect to 2020. Attached is an overview of the employees' structure from various aspects.

PERSONNEL QUALIFICATION STRUCTURE

QUALIFICATION LEVEL	31 st Dec, 21	31 st Dec, 20
VIII	-	-
VII ₂	1	1
VII ₁	54	54
VI	27	26
V	-	-
IV	43	46
III	32	31
II	5	5
I	13	14
Total	175	177

AGE AND GENDER STRUCTURE

		31 st Dec, 21	31.12.2020.
-20	M	-	-
	F	-	-
21-30	M	6	10
	F	8	8
31-40	M	18	23
	F	35	37
41-50	M	28	26
	F	34	30
51-60	M	15	12
	F	19	20
61-	M	5	6
	F	7	5
Total	M	72	77
	F	103	100
Total employees		175	177
Age average		44	43

AVERAGE NET SALARY

Jan-Dec 2021 in dinars	Jan-Dec 2020 in dinars	% of increase
65,397	59,355	10.18

SCHOLARSHIP AND TRAINING COSTS

	Jan-Dec 2021 in dinars	Jan-Dec 2020 in dinars
Trainings	3,634,329	2,387,535
Scholarships	3,481,333	4,752,429
Total	7,115,662	7,139,964

BUSINESS ACTIVITIES SEGMENT

Metalac a.d. business activity analysis shows the extent to which the company's resources are used efficiently in the business process and how efficiently certain forms of assets are managed. Resources that are particularly important for analysis in the business segment are receivables and liabilities.

Within the analysis of receivables, total receivables are monitored (which are receivables between the subsidiaries and receivables from external customers), internal receivables, but also total receivables as well as matured internal receivables. At the end of 2021 total Metalac a.d. receivables amount to 4.7 million euros, of which receivables from subsidiaries account for 4.3 million euros or 93%. Matured receivables at the end of the year are 3 million euros, which is 2/3 of total receivables.

As a part of the analysis of liabilities total and internal liabilities are monitored as well as total matured and internal matured liabilities. Total Metalac a.d. liabilities as of 31st December 2021 are 0.8 million euros, of which only 6% are liabilities to subsidiaries. Of the total liabilities, 0.13 million euros were matured, or 17%. Matured internal liabilities have an insignificant share in total internal liabilities.

Chart of total and internal receivables and liabilities in 2021

Total and internal receivables / total and internal liabilities in EUR

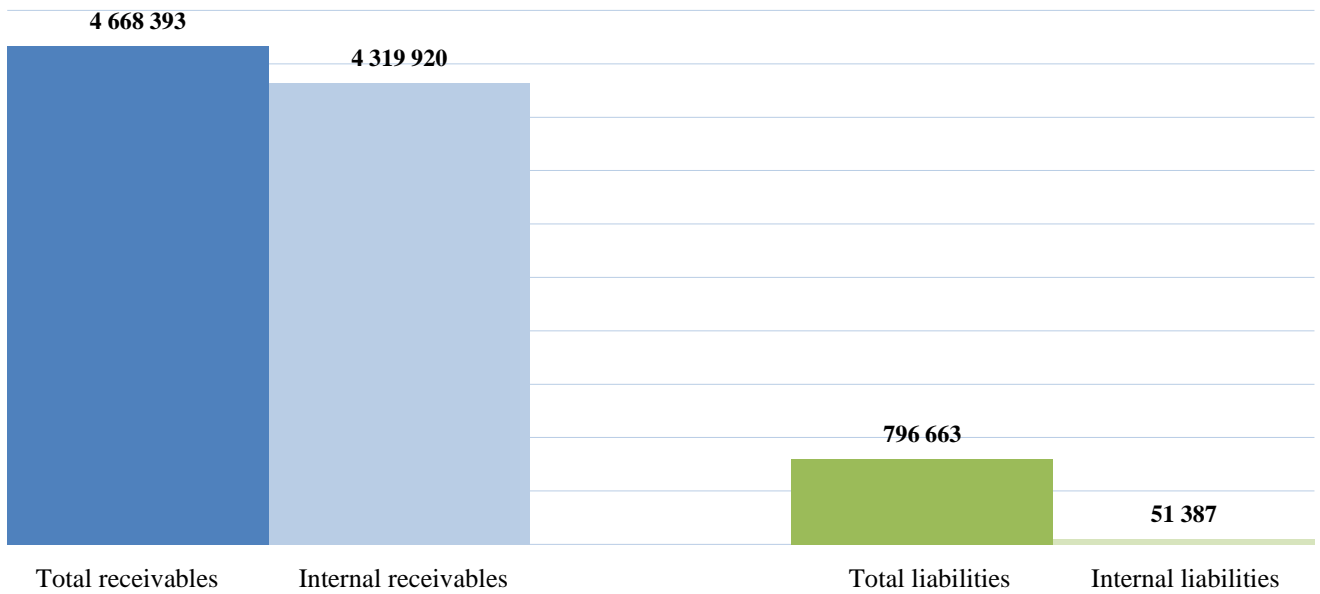
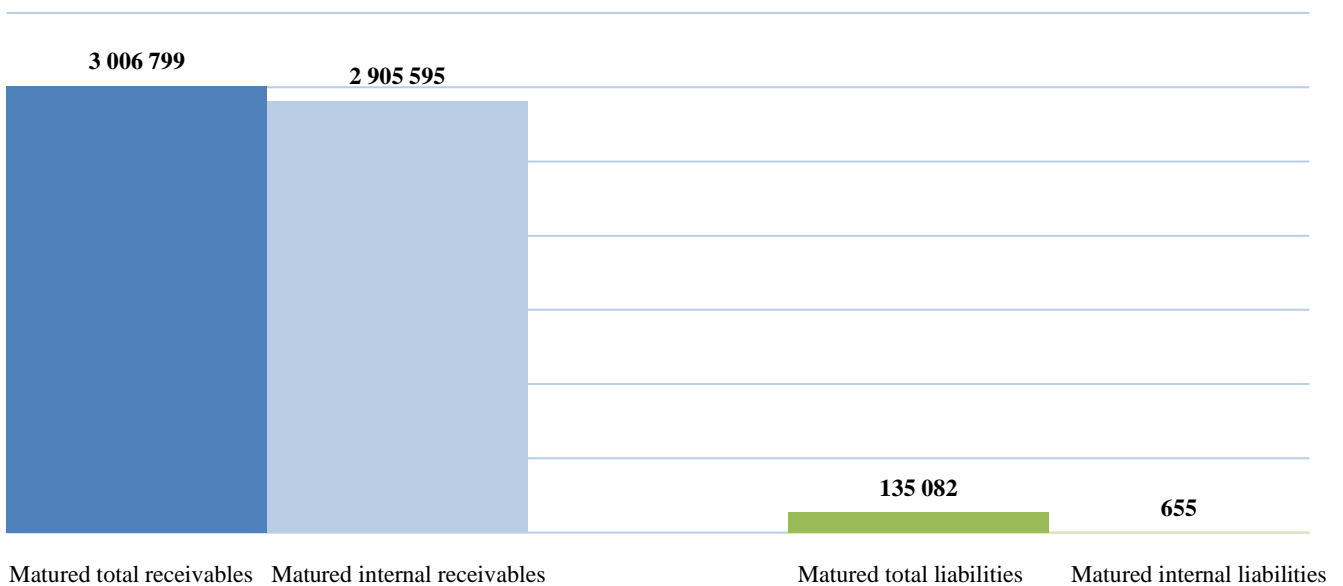


Chart of matured total and internal receivables and liabilities in 2021

Matured total and internal receivables / matured total and internal liabilities in EUR



FINANCIAL OPERATION SEGMENT

The financial statements for 2021 have been prepared in accordance with legal and professional regulations. The framework for compiling financial statements is the Law on Accounting, adopted accounting policies, as well as international accounting standards, i.e. international financial reporting standards. When compiling financial statements, each item of assets or liabilities was assessed using particularly adequate and very careful methods.

INCOME STATEMENT: Metalac a.d. ends 2021 with operating income that is 18% higher than the operating income in 2020 and 8% higher than planned. Gained operating profit is higher than last year by 2%, and compared to the amending plan by 26%. Gross profit is also 81% higher than last year, and 36% higher than planned.

BALANCE SHEET: The 2021 operation conditioned certain changes in assets items. Fixed assets are higher than last year by 2%, which is a consequence of the change in the structure of financial statement forms. Current assets increased by 1%. In the structure of current assets, operating receivables increased by 18%, while cash and other receivables decreased significantly. Metalac a.d. in 2021, it recorded a 1% increase in capital as a result of operations in the current year. Long-term liabilities decreased by 5% and short-term liabilities increased by 5%.

CASH FLOW: At the end of 2021 cash is lower than at the end of 2020, as a result of intensified investment activities and the payment of dividends to shareholders.

A complex assessment of the financial status and earning capacity of the company is considered by analyzing a number of financial indicators: liquidity, business activities, profitability, indebtedness and investment.

The company's liquidity indicators show the ability to unconditionally and on time pay due obligations and to continue to have sufficient funds, to continue to operate smoothly without compromising creditworthiness.

Return on assets (ROA), return on equity (ROE) and return on capital employed are the most important profitability indicators. As the rate of return on equity is higher than the rate of return on assets, it pays more for a company to use someone else's capital instead of its own capital.

Indebtedness indicators show the structure of capital (own and others') and the way in which the company finances its assets. The level of indebtedness is under control and is regularly monitored, and the borrowed funds are used in the right way and result in an increase in the rate of return on assets.

INCOME STATEMENT**Metalac a.d.**

	31 Dec, 2021	Thousands of RSD 31 Dec, 2020	%
OPERATING INCOME	1.108.839	943.201	117,56
Revenue from domestic sales	488.714	434.977	112,35
Revenue from sale of apartments	157.640	55.789	282,56
Revenue from sales on foreign markets	13.755	13.165	104,48
Sales revenues	660.109	503.931	130,99
Income from own use of services and products			
Other operating income	448.730	439.270	102,15
OPERATING EXPENSES	976.254	869.812	112,24
Costs of goods sold	5.415	8.613	62,87
Costs of property sold	113.604	41.510	
Costs of catering materials	19.286	12.538	153,82
Costs of fuel and energy	280.951	265.927	105,65
Costs of spare parts and tools	2.549	3.228	
Costs of salaries	232.474	217.238	107,01
Costs of fringe benefits and other personal expenses	42.073	37.134	113,30
Maintenance costs	39.984	38.932	102,70
Physical-technical security costs	6.843	5.474	125,01
Advertising and fairs exhibit costs	12.046	21.692	55,53
Costs of depreciation	107.852	104.779	102,93
Costs of depreciation – leasing	610	635	96,06
Costs of provisions	21.099	19.182	109,99
Other operating expenses	91.468	92.930	98,43
OPERATING PROFIT (LOSS)	132.585	73.389	180,66
FINANCE INCOME	192.330	220.648	87,17
FINANCE EXPENSES	912	981	92,97
Costs of interests	52	12	433,33
Other financial expenses	860	969	88,75
OTHER INCOME	7.794	25.392	30,69
OTHER EXPENSES	65.573	63.594	103,11
NET PROFIT (LOSS) ATTRIBUTABLE TO:	266.224	254.854	104,46
INCOME TAXES			
Equity holders of the parent company	(12.012)	(8.238)	145,81
Minority shareholders	60	8.451	0,71
NET PROFIT (LOSS)	254.272	255.067	99,69

BALANCE SHEET

Metalac a.d.

	31 Dec, 2021	Thousands of RSD 31 Dec, 2020	%
ASSETS			
Non-current assets	3 061 668	3 002 132	101,98
Intangible assets	24 217	23 280	104,02
Property, plant and equipment	626 506	617 190	101,51
Investment property	824 566	820 484	100,50
Participation in capital of other legal entities	1 421 034	1 415 022	100,42
Acquisition of treasury shares	126 156	126 156	100,00
Long-term loans to the subsidiaries	39 189		
Current assets	1 002 769	991 370	101,15
Inventories	3 315	3 458	95,86
Goods	2 057	525	391,81
Non-current assets held for sale	98 787	212 085	46,58
Advances paid	14 346	10 304	139,23
Receivables	808 643	683 835	118,25
Cash and cash equivalents	2 252	55 265	4,07
Short-term financial placements	49 986		
Value added tax and prepayments	23 383	25 898	90,29
TOTAL ASSETS	4 064 437	3 993 502	101,78
Off-balance sheet assets	7 225	5 085	142,08
LIABILITIES			
Capital	3 613 196	3 554 004	101,67
Share capital	2 448 000	2 448 000	100,00
Other capital	33 899	33 899	100,00
Share premium			
Reserves	144 209	144 209	100,00
Revaluation reserves	8 761	13 074	67,01
Actuarial gains (losses)	(7 734)	(7 734)	100,00
Retained earnings	986 061	922 556	106,88
Acquisition of treasury shares			
Long-term liabilities and provisions	107 680	113 321	95,02
Long-term provisions	104 764	99 341	105,46
Finance lease liabilities	1 841		
Other long-term liabilities, taxes and contributions	1 075	13 980	100,00
Current liabilities	333 950	316 506	105,51
Short-term financial liabilities	602		
Short-term provisions	20 000	10 000	
Liabilities from business operations	52 641	62 847	83,76
Received advances, deposits and caution money	41 047	14 791	
Other current liabilities	200 297	217 544	92,07
Value added tax and other public duties, accrued costs and deferred revenues	14 903	9 782	152,35
Income tax payable	4 460	1 542	
Deferred tax liabilities	9 611	9 671	99,38
TOTAL EQUITY AND LIABILITIES	4 064 437	3 993 502	101,78
Off-balance sheet items	7 225	5 085	142,08

STATEMENT OF CASH FLOWS**Metalac a.d.**

	31 Dec, 2021	Thousands of RSD 31 Dec, 2020
Cash flows from operating activities		
Cash receipts from customers	1.252.613	1.046.519
Interest received from operating activities		1
Other cash receipts from operating activities	13.479	31.315
Cash paid to suppliers	(613.690)	(601.272)
Cash paid to and on behalf of employees	(308.426)	(232.868)
Interest paid	(10)	
Income taxes paid	(7.734)	(1.125)
Other public duties paid	(112.904)	(100.936)
Net cash inflow (outflow) from operating activities	223.328	141.634
Cash flows from investing activities		
Sales of shares and equity investments		
Sales of property, plant and equipment		
Other financial placements net inflow (outflow)		
Interest received	309	468
Dividend received	133.919	627
Purchases of shares and equity investments (outflow)	(10.345)	
Purchases of intangible assets, property, plant and equipment	(150.900)	(89.534)
Other financial investments net inflow (outflow)	(88.175)	(1.223)
Net cash inflow (outflow) from investing activities	(115.192)	(89.662)
Cash flows from financing activities		
Long-term and short-term borrowings net inflow (outflow)	(1.000)	
Dividend and equity interests payments	(160.149)	
Purchase of own treasury shares		
Net cash inflow (outflow) from financing activities	(161.149)	-
Net cash inflow (outflow)	(53.013)	51.972
Cash and cash equivalents beginning of year	55.265	3.293
Foreign exchange gains on translation of cash net		
Cash and cash equivalents end of year	2.252	55.265

METALAC AD COST STRUCTURE

31 Dec,2021

Account number	Account description	Amount	Percentage
501	Cost of goods sold	5.414.598,16	0.55
502	Cost of sold assets	113.604.222,46	11.64
512	Cost of other material	19.285.605,30	1.98
513	Cost of fuel and energy	280.951.437,81	28.78
514	Cost of spare parts	160.949,30	0.02
515	Cost of tools and inventory	2.387.462,67	0.24
520	Cost of salaries and fringe benefits	191.564.282,38	19.62
521	Costs of taxes and contrib. on salaries and fringe benefits charged to employer	36.208.433,55	3.71
523	Costs of remuneration acc.to author's contracts	193.214,33	0.02
524	Costs of remuneration acc.to temp. contracts	0,00	0.00
526	Costs of remuneration to Supervisory Board	18.329.980,72	1.88
529	Other personal expenses remunerations	28.251.578,99	2.89
531	Transport services costs	8.969.577,32	0.92
532	Maintenance costs	39.983.582,98	4.10
533	Rental costs	0,00	0.00
534	Fairs exhibit costs	700,00	0.00
535	Advertising costs	12.065.849,91	1.24
539	Costs of other services	33.305.721,65	3.41
540	Depreciation costs	107.852.477,08	11.05
540	Depreciation costs - leasing	609.631,98	0.6
545	Provisions for employees benefits	11.098.968,69	1.14
549	Other long term provisions	10.000.000,00	1.02
550	Costs of non-production services	18.651.309,36	1.91
551	Representation costs	7.639.101,41	0.78
552	Costs of insurance premiums	10.951.462,31	1.12
553	Costs of payment operations	738.350,81	0.08
554	Costs of membership fees	1.252.553,51	0.13
555	Tax costs	14.193.517,44	1.45
559	Other non-production costs	2.590.105,93	0.27
	Total:	976.254.676,05	100,00
560	Financial expenses incurred with parent companies and subsidiaries	42.151,06	
562	Costs of interests	9.986,71	
563	FX losses	194.991,68	
569	Other financial expenses	664.741,25	
570	Losses on writing-offs and disposals of intangible assets PPE	2.357.182,33	
574	Shortages	6.317,36	
579	Other expenses	62.436.542,55	
585	Impairment of receivables and short-term fin. inv.	773.210,00	
	Total+ (560,562,563,569,570,579)	1.042.739.798,99	

FINANCIAL INDICATORS

Metalac a.d.

	31 st Dec, 2021	31 st Dec, 2020
Liquidity indicators		
Current liquidity coefficient	3,00	3,13
Net current assets	668 819	674.864
Free cash flow	(53 013)	51 972
Activity indicators		
Inventory/material turnover ratio	5,69	1,83
Inventory days	64	200
Receivables turnover ratio	2,22	2,06
Average collection period	164	178
Liabilities turnover ratio	13,15	11,08
Average settlement period	28	33
Operating cycle	228	378
Cash conversion cycle	200	345
Required cash (Thousands of RSD)	475 600	720.705
Daily cash (Thousands of RSD)	2 378	2.089
Profitability indicators		
EBIT (%)	11,96	7,78
EBITDA (%)	21,74	18,96
Gross profit margin rate (%)	20,34	21,43
Net profit margin rate (%)	19,43	21,45
ROA (%)	6,31	6,81
ROE (%)	7,10	7,38
ROCE (%)	6,88	7,16
Z-SCORE	13,85	13,83
Credit rating	AAA	AAA
Financial indicators (Indebtedness)		
Debt ratio	0,09	0,09
Debt to equity ratio	0,10	0,10
Leverage analysis		
	31 st Dec, 2021	31 st Dec, 2020
Operating leverage factor	4,90	7,04
Financial leverage factor	1,00	1,00
Break-even point (BEP) Thousands of RSD	882 659	809 349
Margin of safety	20,40	14,19

NOTE: Fixed to variable cost ratio (53:47)

INFORMATION ON INVESTMENTS FOR ENVIRONMENTAL PROTECTION

In 2021, Metalac Group paid special attention to improving environmental protection.

Metalac Posudje as our largest production carried out series of measures and activities to improve products, processes, as well as to raise energy efficiency.

All packages are designed to optimize the product according to the principle of minimum volume (EU 92/64) and have a minimum consumption of materials in production.

When introducing new and replacing raw materials used in cookware production, their ecological aspect is taken into account, i.e. safety data sheets of raw materials are analyzed and compared.

In order to reduce hazardous waste during 2021, the separation of waste enamel continued with ground enamel, cream enamel and some other like blue for manual enameling, dark gray sprinkled and cream sprinkled, as non-hazardous waste from the total hazardous waste enamel continued. The extraction of these enamels in 2021 was 16.5 tons.

Obtained parameter results having impact on environmental protection in 2021:

- City water consumption 35.8% lower than planned
- River water consumption 9.4% lower than planned
- Sulfuric acid consumption 37.5% lower than planned
- Detergent consumption 3.3% lower than planned
- Quantity of waste enamel by the plan
- Quantity of waste sheet metal 6.5% lower than planned
- Recyclable oil 8.7% higher than planned 80%.

Also, in order to reduce waste, it was agreed with the suppliers of paints for painting metals and wood, thinners, Famcortil oil and synthetic glue to return the used packaging to the supplier.

As planned in 2021 continuous the work on introduction of new and better solutions in the processes that can bring improvements and protection of the environment, as well as separation of other non-hazardous enamels from the total hazardous waste enamel.

At Metalac Print consumption of washing cloths using new materials was reduced by 56% compared to the planned, which resulted in reduction in waste absorbents.

At Metalac Bojler, the consumption of electricity has increased by 15.8% per kilogram of product compared to the planned. Consumption of city water is higher by 7.8%, consumption of detergent is lower by 6.9%, and gas consumption is 14.8% below the planned values.

Metalac Inko obtained the following parameter values affecting the environmental protection in 2021:

- Catalyst by 27.6%.
- Resin GM by 18%
- Quartz resin by 47.8%
- Cleanser (quartz sinks casting) higher by 50.76 %

Euro 130 thousand were spent on disposal of hazardous waste at the level of the whole Metalac Group.

RESEARCH AND DEVELOPMENT ACTIVITIES

The total planned investments for 2022 for the Metalac Group amount to 5 million euros, and include procurement of new equipment, modernization of the existing equipment, investment in the process of digital transformation, as well as training of employees in various areas of business activities.

Investment projects will be financed by borrowings from banks in the amount of 3.2 million euros (64% of the total value of investments), and the rest from the Company's own sources.

Of the total amount investment activities, 91% refers to investment in fixed assets, 7% to investment maintenance, and remaining 2% is intended for professional development of employees.

Within investments in fixed assets, the largest share belongs to production companies in the amount of 3.7 million euros (81%) and Metalac a.d. in the amount of 0.5 million euros (11%). The implementation of the Warehouse Management System (WMS) is planned for the second quarter of 2022.

Metalac Posudje as the largest subsidiary has planned investments in the amount of 2.8 million euros for additional production capacities, replacement of old equipment and partial automation at the plant for sheet metal mechanical processing (replacement of the old electrical enameling oven with new gas oven 1.1 million euros, new transfer line for bellied shape cookware 0.5 million euros, replacement of the disk blanking line 0.9 million euros), as well as further strategic adjustments to the workshop section.

Metalac Print has planned to buy an in-line gluing machine for carton boxes, replace the automatic cutting machine and box maker, introduce more laser diodes, as to shorten lead time and serve more clients.

As investment activities in 2022 **Metalac Inko** has planned to replace out-of-date equipment in one of the plants, purchase new tools and improve work conditions.

Metalac Bojler has planned to invest 0.3 million euros in new seam welding machine for boiler housings, automatic machine for circular welding, development of new water heater and sanitary fitting models, as to increase productivity and sale and cut the costs and claims.

Metalac FAD has planned to invest the amount of 0.3 million euros in equipment next year. That includes modernization of equipment (replacement of obsolete tools and machines) which will achieve continuity of the production process, higher productivity and better quality of processing.

Domestic and foreign trading subsidiaries will mostly invest into new small delivery vehicles, shop and warehouse equipment or small-scale remodeling.

Metalac a.d. has planned for the next to carry out the project of heating pipeline reconstruction. The plan also envisages funds for the improvement of information technologies, as well as support for B2B and B2C CRM digital strategy.

Metalac Market will purchase three new delivery vehicles next year, renovate retail facilities and invest into shop equipment.

Metalac Home Market a.d. hasn't planned any investments for the next year.

Metalac Proleter a.d. will invest the planned funds into renovation of two existing retail facilities and procurement of a cooling chamber for the warehouse.

Investment maintenance is mainly represented by production companies, and refers to the overhaul and servicing of work stations as well as the installation of new automatic computer control systems.

As every year within the investment segment of professional development, funds are planned for commercial, financial and production activities, and will be realized through various trainings and seminars.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's basic financial instruments comprise cash and cash equivalents, receivables and financial investments related to the Company's business operations, as well as long-term and short-term borrowings, accounts payable and other liabilities mainly intended to finance the Company's current operations.

In the regular course of business, the Company is exposed to the financial risks that include market risk, credit risk and liquidity risk. The Company does not make use of any financial instruments as a hedge against the effects of financial risks on business operations because such instruments are neither widely used, nor is there an organized market for such instruments in the Republic of Serbia. The stability of the economic environment in which the Company operates largely depends upon the economic measures introduced by the Government and the establishment of an adequate legal and regulatory framework.

In its business operations, the Company is exposed to financial risks inherent in foreign currency and interest rate changes.

The exposure to market risk is measured by means of the sensitivity analysis.

There were significant changes neither in the exposure of the Company to the market risk, nor in the manner in which the Company manages or measures that risk. The Company is mainly exposed to the foreign currency risk through the items of cash and cash equivalents, accounts receivable, long-term borrowings and accounts payable denominated in foreign currencies. The Company does not use special hedge instruments. The Company is exposed to interest rate risk inherent in assets and liabilities with floating interest rates. This risk depends upon the financial market and the Company does not have any instruments that could alleviate its influence.

The foreign currencies sub-balance analysis establishes that the Company is sensitive to the movements in foreign currency.

Credit risk relates to the exposure inherent in the possibility that the contractual party may fail to act upon its contractual commitments. The Company's exposure to this risk is limited to the amount of accounts receivable as of the balance sheet date. There were no significant changes in the exposure of the Company to the credit risk, while the Company monitors the risk level and in certain situation uses financial instruments available on the financial market.

Liquidity risk management resides with the Company's management, which is also responsible for managing the Company's short-term, medium-term and long-term financing and liquidity management. The Company manages liquidity by maintaining the necessary level of cash reserves, based on continued monitoring over the planned and actual cash flows, as well as by matching the maturities of financial assets and liabilities. The amounts presented are based on the non-discounted cash flows from financial assets based on the earliest date upon which the Company will be able to collect such receivables, as well as financial liabilities based on the earliest date upon which the Company will be due to settle such liabilities.

According to the risk analysis and to the Company's exposure to the mentioned risks, no risks or uncertainties are established as to significantly affect the Company's financial position.

IMPORTANT OPERATIONS AFTER THE BALANCE SHEET DATE

The war situation in Ukraine is the latest addition to already uncertain business environment due to the Covid-19 pandemic present for three consecutive years. The Company has evaluated its financial position and taken the needed measures and actions, monitoring the field reports on daily basis as to maintain regular operation adjusted to the actual market moment. As the war conflict continues foreseeing its duration or full economic impact seems to be a great challenge. Based on the present expectations and taking in consideration all the relevant facts, the Company's management anticipates short-term potentially negative effects to the Company's income and cash inflows, and unlikely that the Company would lack ability to settle its liabilities or suffer long-term effects to its income and operation that could compromise the Company's business in the foreseeable future.

Gornji Milanovac

25th March, 2022

Legal Representative

Radmila Trifunović, BScEcon