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INDEPENDENT AUDITOR'S REPORT

ABOUT THE ESTIMATION OF THE FAIR VALUE OF THE SHARE AS OF APRIL 12, 2024

VARTEKS d.d.
(target company)

Zagreb, May 2024

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Independent auditor's report with an independently expressed opinion to the Management Board of VARTEKS d.d.

Description of engagement

In agreement with the Management of the company VARTEKS d.d., with headquarters in Varaždin, Zagrebačka ulica 94, OIB: 00872098033, we are engaged in the process of revising the Elaborate on the assessment of the fair value of shares (hereinafter: Elaborate) of the company VARTEKS d.d., (hereinafter: Target Company) for the purpose of determining fair compensation in accordance with Art. 341, paragraphs 9 - 11 of the Capital Market Act (Official Gazette 65/2018, 17/2020, 83/2021, 151/2022), prepared by the company Marčinković i partneri d.o.o.

Legal basis

Pursuant to Art. 341, para., 5 of the Capital Market Act, any shareholder of the company who voted against the decision to withdraw from listing on the regulated market may demand from the company that the company buy back his shares, with fair compensation. This right is also available to a shareholder who did not participate in the work of the respective general assembly because the general assembly was convened improperly or untimely. A shareholder is obliged to submit a request for the purchase of shares to the company no later than two months from the date of entry of the decision on withdrawal from listing on the regulated market in the court register. The company is not obliged to act on the requests of shareholders who submit redemption requests to the company after the expiry of that period.

Fair compensation from Art. 341, paragraph 5, is considered to be the average share price realized on the regulated market, calculated as a weighted average of all prices realized on the regulated market in the last three months before the date of publication of the invitation to the general meeting in the company's gazette. If the shares were traded in less than 1/3 of the trading days within the last three months before the date of publication of the invitation to the general meeting in the company's newsletter, the fair compensation from paragraph 5 is determined by a report on the assessment of the fair value of the share, audited by an independent authorized auditor.
The appraiser is responsible for creating the report based on which the fair value of the shares of VARTEKS d.d. was determined. Our obligation is to issue an opinion based on independent belief.

Basis for review

We performed the review in accordance with International Standard for Assurance Engagements 3000 "An Assurance Engagement Other Than an Audit or Review of Historical Financial Information". Among other things, this standard requires that the members of the

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team performing the review possess specific knowledge, skills and professional competence on the issue in question, and that they adhere to the ethical rules of the profession and plan and conduct the audit in order to determine with a reasonable degree of certainty that the Evaluation Report is fair value of the Target Company's shares without materially significant errors.

The review includes the implementation of procedures for the purpose of obtaining audit evidence on the amounts and disclosures in the Elaborate on estimating the fair value of the Target Company's shares. The selection of procedures depends on the auditor's judgment, including the assessment of the risk of materially significant errors in the Elaboration, which may arise as a result of fraud or error. In assessing these risks, the auditor considers the internal controls relevant to the entity's compilation and the objective presentation of the financial figures presented in the Elaboration for the purpose of conducting audit procedures in accordance with the existing circumstances, and not for the purpose of expressing an opinion on the effectiveness of the business entity's internal controls.

We are convinced that the audit evidence we have obtained is sufficient and constitutes an adequate basis for the purpose of expressing our opinion.

Documents that served as the basis for testing the fair value of the share

For the purpose of carrying out the examination of the adequacy of the fair value of the share, the following documentation was reviewed on which the auditor relies:

- ✓ Elaborate on the assessment of the fair value of shares as part of the determination of fair compensation from Art. 341, paragraph 5 of the Capital Market Act;
- ✓ Financial statements of VARTEKS d.d. for the period from 2020 to 2022;
- ✓ Preliminary financial statements of VARTEKS d.d. as of December 31, 2023 and March 31, 2024, and projections of financial statements for 2024.

Furthermore, as part of the performed inspection, we undertook the following:

- ✓ We verified the mathematical accuracy of the calculations related to the valuation of the share, which are found in the Elaboration on the valuation prepared by the company Marčinković i partneri d.o.o.
- ✓ Reviewed the projected profit and loss account of VARTEKS d.d. stated in the Elaborate, for the period from 2024 to 2028.
- ✓ Reviewed the historical trend in the value of shares and volume turnover in shares of the company VARTEKS d.d. on the Zagreb Stock Exchange.
- ✓ Insight into the information available on the Damodaran Online page (www.stern.nyu.edu /).

Procedures for verifying the values stated in the assessment of the fair value of the share from the Elaborate

Pursuant to Art. 341, paragraph 10. of the Capital Market Act, it is necessary to state in the report on the assessment of the fair value of the Target Company's shares:

1. which methods were used to determine the fair value of the target company's shares, whereby the methods applied must be based on internationally recognized standards for valuation and is commonly used between market participants in determining the value of shares,
2. detailed explanation of the adopted assessment methods and all important assumptions used in their application,
3. for what reasons the application of these methods is appropriate,
4. if more than one method was applied, what fair value of the target company's share would be arrived at by applying a particular method and what significance is given to individual methods for determining the proposed fair value of the target company's share,
5. special difficulties that arose during the assessment of the fair value of the target company's shares .

Our review was carried out in accordance with the agreed engagement, in such a way that we checked the assumptions and elements of the Elaborate that we are citing.

i. Applied methods used in the Elaborate

When assessing the fair value of shares of VARTEKS d.d. as stated in the Elaborate, the following valuation methods were used:

1. Market approach, that is:
    a. Market price method
2. Income approach, ie:
    a. DCF method.
3. Cost approach, ie:
    a. Net asset value method (Net Asset Value or „NAV”)

The mentioned methods are applicable in accordance with international valuation standards IVS 105 (International Valuation Standards) - Valuation Approaches and Methods.

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a) *Market approach*

The market approach methods (CTM and CCM) assume that the value of the company can be determined by comparing it with value parameters obtained from completed recent transactions (M&A) and share prices of comparable companies (peer groups).

The appraiser did not use the CTM and CCM method due to the impossibility of identifying a sample of companies that were the subject of recent transactions (M&A) and whose shares are listed on the regulated market, and which in terms of profile, size and risks are comparable to the Company.

Although the share turnover is relatively low and does not meet the conditions of an "active market", the Appraiser used the market price method based on the fact that the Company's shares are listed on the regulated market, along with the application of other methodological tools.

Considering the low level of trading, the Appraiser applied a weight of 20% to the results of this method.

b) *Income approach*

The value of the company's operations by applying this approach is reflected in the potential of future earnings for capital owners. Given that the Company meets all the criteria for using the going concern premise, the DCF method is suitable for valuing the Company's equity.

- *DCF method*

  The DCF method provides an indication of value based on management's specific expectations and future plans for the asset being valued. By applying the DCF method, it is necessary to forecast the future cash flow that the company is expected to generate. The future cash flow is converted to a present value equivalent using a discount rate such as cost of capital or weighted average cost of capital (“WACC”), based on the type of cash flows being discounted.

  Appraisers used this approach due to the fact that it takes into account the future potential of earnings and the fundamental values of the Company, and with regard to the subject and purpose of the assessment, it best reflects the value of the company based on the premise of the current use of assets.

  In his Elaboration, the appraiser used the concept of the company's free cash flow (FCFF), which, by discounting using WACC, arrived at the value of the company on a cash-free debt-free (enterprise value) basis, after which it is necessary to calculate the net debt on the valuation date in order to arrived at the estimated value of the capital (equity value).

  A weight of 40% was applied to the results of this method by the Appraiser.

c) *Cost approach*

The cost approach is based on the principle of substitution, whereby the buyer of an asset is not willing to pay more than the costs of replacing it with an asset of the same functionality. The cost approach does not take into account the earning potential of the business entity. The cost approach takes into account all tangible and intangible assets and liabilities of the subject of the assessment, regardless of book values. The difference between the estimated fair market value of assets and liabilities represents the equity value.

- *Net asset value method (Net Asset Value ili „NAV")*

  The net asset value ("NAV") method under the cost approach considers assets and liabilities, including intangible assets and contingent liabilities. The net assets, after reducing payments to preferred shareholders, if any, represent the value of the company.

  The NAV method is appropriate in the case when the main strength of the business is its assets, and not the capacity or potential for making a profit.

  This valuation approach is mainly used in cases where the asset base dominates in relation to earning capacity. The disadvantage of this approach is that it does not take into account the business potential of the company, that is, the use of assets. Given the fact that he received market value estimates for most of the Company's assets, this approach was used by the Appraiser as appropriate for the valuation analysis.
  A weight of 40% was applied to the results of this method by the Appraiser.

The concluded fair value of one ordinary share was calculated by the Appraiser as a weighted average of the values determined on the basis of the methods used.

ii. Summary of the methods used in the Elaborate

a) *Market price method*

- According to the analysis carried out in the Elaboration, the value of one ordinary share of VARTEKS d.d. on April 12, 2024, using the market price method, amounts in the range of EUR 0.25 to EUR 0.31, **with an average value of EUR 0.28 per share.**
- The appraiser used the market price method because the Company's shares are quoted on a regulated market, with the application of other methodological tools.
- The CTM method and the CCM method were not used by the Appraiser due to the impossibility of identifying a sample of companies that were the subject of recent transactions (M&A) and whose shares are listed on the regulated market, and which are comparable to the Company in terms of profile, size and risks.

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- The value per share is calculated on the total number of ordinary shares (5,026,686 shares, symbols VART).

b) *DCF method*

- According to the analysis carried out in the Elaboration, the value of one ordinary share of VARTEKS d.d. on April 12, 2024, using the DCF method, the indicative fair value of one share is equal to **EUR 0.00.**
- The concept of free cash flow ("FCFF") to DCF was used to calculate the business value of the Company.
- The value of the Company determined as the total present value of cash flows in the explicit period (2024-2028) and the residual period (terminal value).
- The value per share is calculated on the total number of ordinary shares (5,026,686 shares, symbols VART).

c) *Net asset value method (Net Asset Value ili „NAV")*

- According to the analysis carried out in the Elaboration, the value of one ordinary share of VARTEKS d.d. on April 12, 2024, using the NAV method, amounts in the range from 0.00 to 0.08 EUR, with an estimate that the **indicative fair value is equal to 0.00 EUR per share.**
- Given that he received an estimate of the market value for most of the Company's assets, the Appraiser used this approach as appropriate for the valuation analysis with certain adjustments.
- The value per share is calculated on the total number of ordinary shares (5,026,686 shares, symbols VART).

iii. Calculation of share value using methods from the Elaborate

The concluded fair value of one ordinary share was calculated as the average between the determined value based on the income approach, the determined value based on the market approach and the determined value based on the cost approach, which resulted in a range of EUR 0.05 to EUR 0.09 **with a mean value of 0 EUR .06 per share**.

iv. Difficulties hat occurred during the assessment of the fair value of the share of the company VARTEKS d.d.

The appraiser did not have any significant problems with the evaluation of the value of the Company's stock during the preparation of the Elaboration.

Limitation of liability

The auditor prepared this document based on the business data prepared and presented in the Elaborate and submitted by the company Marčinković i partneri d.o.o. All other information

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obtained from public sources is considered reliable and the Auditor has made the necessary efforts to verify their precision and accuracy, which the Auditor relies on, but does not guarantee. All opinions include our judgment based on good faith and from the position of an independent auditor.

This document is based on our understanding and correct interpretation of the law and practice at the time of issue.

This Report was prepared for the needs of the Management Board of Varteks d.d. for the purposes of fulfilling obligations under Art. 341, paragraphs 9 - 11 of the Capital Market Act (Official Gazette 65/2018, 17/2020, 83/2021, 151/2022). Liability towards third parties is excluded in any case.

The opinion of the authorized auditor

Our review was carried out in accordance with the agreed engagement, in such a way that we controlled the assumptions and elements of the Elaborate.

- The valuation was carried out as a weighted average of the market price method, the DCF method and the net asset value method (NAV method), in accordance with international valuation standards IVS 105 (International Valuation Standards) - Valuation Approaches and Methods.
- The appraiser did not encounter any particular difficulties in the evaluation process.
- According to Art. 341, para., 5 of the Capital Market Act, any shareholder of the company who voted against the decision to withdraw from listing on the regulated market may demand from the company that the company buy back his shares, with fair compensation. Fair compensation from Art. 341, paragraph 5, is considered to be the average share price realized on the regulated market, calculated as a weighted average of all prices realized on the regulated market in the last three months before the date of publication of the invitation to the general meeting in the company's gazette. If the shares were traded in less than 1/3 of the trading days within the last three months before the date of publication of the invitation to the general meeting in the company's newsletter, the fair compensation from paragraph 5 is determined by a report on the assessment of the fair value of the share, audited by an independent authorized auditor.
- Taking into account the methodology used and available information, according to our analysis, the fair value of one share of VARTEKS d.d. on April 12, 2024, it is in the range of EUR 0.05 to EUR 0.09 **with an average value of EUR 0.06 per share.**

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Therefore, and in accordance with the above, the Auditor is of the opinion that the Elaborate on the assessment of the fair value of the shares of the company VARTEKS d.d. for the purpose of determining fair compensation in accordance with Art. 341, paragraphs 5 and 9 of the Capital Market Act, in all respects made in accordance with the provisions of Art. 341, paragraph 10 of the Capital Market Act, and that the fair value of one ordinary share, taking into account the Company's circumstances, on April 12, 2024, was determined in the range of EUR 0.05 to EUR 0.09, with an average value of EUR 0.06 per share.

In Zagreb, May 14th 2024

For Russell Bedford Croatia - Revizija d.o.o.:

dr.sc. Paško Anić-Antić

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Director, Croatian Certified Auditor