Granolio Group

Annual Report for the Year 2019
together with the Independent Auditor's Report

Contents

Annual Management Board Report on the Business Performance and Position of the Group for the Year 2019

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

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

The members of the Management Board are as follows: Hrvoje Filipović, President
Drago Šurina, Member
Vladimir Kalčić, Member

Members of the Supervisory Board are as follows: Franjo Filipović, President
Jurij Detiček, Deputy President
Tihomir Osmak, Member
Davor Štefan, Member

At 31 December 2019 the total share capital of the Company amounts to HRK 19,016,430 and is divided into 1,901,643 ordinary shares, with a nominal value of HRK 10.00 each. The shares are traded under the ticker GRNL and since 23 March 2015 have been listed on the Official Market of the Zagreb Stock Exchange.
The majority shareholder, holding over 58.11% of the Company's share capital, is Mr Hrvoje Filipović.

Consolidated Financial Statements of the Group for the period from 1 January to 31 December 2019 represent the financial statements for parent company and related parties. Related parties (jointly referred to as "the Group") own and manage manufacturing facilities and activities in the food processing ndustry, agriculture and retail.

The consolidated financial statements comprise the financial statements of the following related parties:

1. Granolio d.d. (parent company)
2. Zdenačka farma d.o.o.
3. Zdenka – mliječni proizvodi d.o.o.
4. Žitar d.o.o.
5. Žitar konto d.o.o.

The core business of the Granolio Group is the production of wheat flour, production of milk, production of pork and beef, production of dairy products, production of animal feed, storage of grains and oilseeds, trading cereals, oilseeds and raw materials for agricultural production, and organization of agricultural production through subcontracting relationships with producers of agricultural products.
The Group could be classified into the following business segments:

1. Milling
2. Wholesale
3. Dairy and cheese production
4. Other - livestock and service industry (drying and storage of grains and oilseeds, receipt of goods to the purchase and sales lines, lease income).

At the end of reporting period, the Group disposed with:

- 2 active mills to produce wheat flour and one inactive mill with total capacity of 645 tons per day;
- silos for storage of grains and oilseeds with a total capacity of about 160,000 tons;
- 1 dairy farm with a total capacity of 450 milking cows;
- 34 pieces of calves for fattening with subcontractors;
- approximately 170 hectares of agricultural land;
- milk processing production capacities of 11,4 thousand tons of finished products;

Group's mills production capacity as at 31 December 2019 are shown in the following table.

Mills production capacity as at 31 December 2019:

Mill	Ton/24 hours
Farina	320
Kopanica	230
	550

Subsidiaries

Granolio d.d. holds the entire equity interest in Zdenačka farma d.o.o.
It exercises the controlling influence in the decision-making process at Zdenka - mliječni proizvodi d.o.o. which has since 2011 been consolidated as part of the Granolio Group.

The owner of minority interest in Zdenka – mliječni proizvodi d.o.o. is Cautio d.o.o. from Našice.

Granolio d.d. has a minority interest in companies Žitozajednica d.o.o., Zagrebačke pekarne Klara d.d., and Prehrana trgovina d.d.

Significant transactions in the current accounting period

Granolio d.d.

On 4 March 2019, the Agreement on the sale of shares of the associated company Žitar d.o.o. was concluded, and the business change was carried out in the court register on 14 March 2019. Considering that the value of the share in the company Žitar during 2018 was reduced to the net marketable value, after 2019 sale, the Company did not show any result from the sale of the share in the statement of comprehensive income.

During the year, the Company sold 50,000 shares of the company Zagrebačka pekarna Klara (17.62% stake in equity). By selling its shares, the company made an accounting loss in the amount of HRK 3.8 million. From January 2019, the Company began to calculate and pay interest on financial debts that are part of the pre-bankruptcy settlement.

During 2019, the Company was paid a dividend by the subsidiary Zdenka - mliječni proizvodi d.o.o. in the amount of HRK 2 million.

The company rents office space in Osijek from related parties. The annual value of the lease in 2019 was HRK 327 thousand (2018: HRK 331 thousand).

Financial indicators for 2019 for Granolio d.d. are shown in the following table.

in HRK '000

	1-12 2019	1-12 2018	change	
Operating income	**306,350**	**291,448**	**14,902**	**5%**
EBIT	**(10,702)**	**(11,721)**	**1,019**	**9%**
margin %	(3%)	(4%)		
EBITDA	**(76)**	**2,885**	**(2,961)**	**(103%)**
margin %	(0%)	1%		
Net financial result	**(3,442)**	**73,488**	**(76,930)**	**105%**
Net result	**(13,485)**	**61,767**	**(75,252)**	**122%**
margin %	(4.4%)	21.2%		

Zdenačka farma d.o.o.

Sales revenue in 2019 is higher than sales revenue in the previous period by about 2%. Revenue from the sale of milk decreased by 6% compared to the previous year, while revenue from the sale of merchandise increased by 27%. In 2019, the total milk delivery of the company Zdenačka farma amounted to 4.3 million kg (2018: 4.5 million kg). The average selling price realized in 2019 is lower than the average selling price realized in the previous year by 1.5%.

Financial indicators for 2019 for the company Zdenačka farma d.o.o. are shown in the following table.

in HRK '000

	1-12 2019	1-12 2018	change	
Operating income	**23,660**	**23,460**	**200**	**1%**
EBIT	**(331)**	**850**	**(1,181)**	**(139%)**
margin %	(1%)	4%		
EBITDA	**2,711**	**3,677**	**(966)**	**(26%)**
margin %	11%	16%		
Net financial result	**(584)**	**(679)**	**95**	**14%**
Net result	**(915)**	**171**	**(1,086)**	**(635%)**
margin %	(4%)	1%		

Zdenka – mliječni proizvodi d.o.o.

Zdenka's total production capacity is 11.4 thousand tons of finished products (cheese). Its own brand is "Zdenka", but the company also produces a significant number of products under the names of other house brands. Zdenka's range currently includes over 20 private labels.

In 2019, the company achieved a more unfavorable operating result compared to the previous year, and the reason for this is the increase in prices of raw material. Prices of basic raw materials for production in 2019 increased compared to the previous year, while sales prices realized in the observed period could not follow the increase to the same extent. In addition to the above, the cost of employees increased compared to the previous year.

Total debt of the company on 31 December 2019 is HRK 26 million (31 December 2018: HRK 35 million). The debt consists of HRK 20 million of long-term liabilities to financial institutions (31 December 2018: HRK 26 million) and HRK 6 million of short-term liabilities to financial institutions maturing in 2020 (31 December 2018: HRK 9 million).

Financial indicators for 2018 for the company Zdenka – mliječni proizvodi d.o.o. are shown in the following table.

in HRK '000

	1-12 2019	1-12 2018	change	
Operating income	**156,058**	**148,587**	**7,471**	**5%**
EBIT	**3,784**	**5,802**	**(2,018)**	**35%**
margin %	2%	4%		
EBITDA	**16,404**	**20,133**	**(3,729)**	**(19%)**
margin %	11%	14%		
Net financial result	**(779)**	**(780)**	**1**	**0%**
Net result	**3,005**	**4,025**	**(1,020)**	**25%**
margin %	2%	3%		

Žitar d.o.o.

The company carries out its business activities through the business segments of crop production, milk production on a dairy farm, breeding cattle, providing warehousing services and trade in cereals and oilseeds. The Žitar company was part of the Granolio group until 4 March 2019. and the consolidated statement of comprehensive income includes the results of operations of the company up to that date.

Consolidated statement of financial position as at 31 December 2019 does not contain the assets or liabilities of the company Žitar or its affiliated company Žitar konto.

Consolidated financial indicators for 2019 for the company Žitar d.o.o. (and the associated company Žitar konto d.o.o.) are shown in the following table.

in HRK '000

	1-3 2019	1-12 2018	change	
Operating income	**5,197**	**80,750**	**(75,553)**	**(94%)**
EBIT	**(422)**	**1,033**	**(1,455)**	**(141%)**
margin %	(8%)	1%		
EBITDA	**380**	**5,880**	**(5,500)**	**(94%)**
margin %	7%	7%		
Net financial result	**(375)**	**(885)**	**510**	**58%**
Net result	**(797)**	**148**	**(945)**	**639%**
margin %	(15%)	0%		

Granolio Group

Granolio Group's operating revenues are 10% lower than in the previous year. A more detailed analysis of revenue is presented below.

The total debt of the Group is lower compared to the previous year by HRK 97.9 million. The decrease is a result of the deconsolidation of the subsidiary Žitar d.o.o. (decrease of about HRK 50 million compared to 31 December 2018), while the rest is the result of loan repayment in the companies Granolio d.o.o. and Zdenka - mliječni proizvodi d.o.o. An increase in financial debt was recorded in the company Zdenačka farma.

The financial indicators for 2019 for the Granolio Group are shown in the following table.

in HRK '000

	1-12 2019	1-12 2018	change	
Operating income	**486,128**	**538,571**	**(52,443)**	**(10%)**
Operating expenses	**(493,807)**	**(542,722)**	**48,915**	**9%**
EBIT	**(7,679)**	**(4,151)**	**(3,528)**	**85%**
EBIT margin	*-2%*	*-1%*		
EBITDA	**19,429**	**32,600**	**(13,171)**	**(40%)**
EBITDA margin	*4%*	*6%*		
Net financial result	**(7,179)**	**89,105**	**(96,284)**	**108%**
Net result for the period	**(14,199)**	**83,940**	**(98,139)**	**(117%)**
Group result	(15,301)	81,861	(97,162)	(119%)
Minority interest	1,102	2,079	(977)	(47%)

Financial indicators

in HRK '000

	31 Dec 2019	31 Dec 2018	change	
Net assets (capital and reserves)	46,407	104,806	(58,399)	(56%)
Total debt	**359,575**	**457,466**	**(97,891)**	**(21%)**
Cash and cash equivalents	3,298	10,340	(7,042)	(68%)
Loans granted, deposits and similar*	27,237	32,821	(5,584)	(17%)
Net debt	**329,040**	**414,305**	**(85,265)**	**(21%)**
Net debt/EBITDA	16,94	26,16		
EBITDA	19,429	15,839		

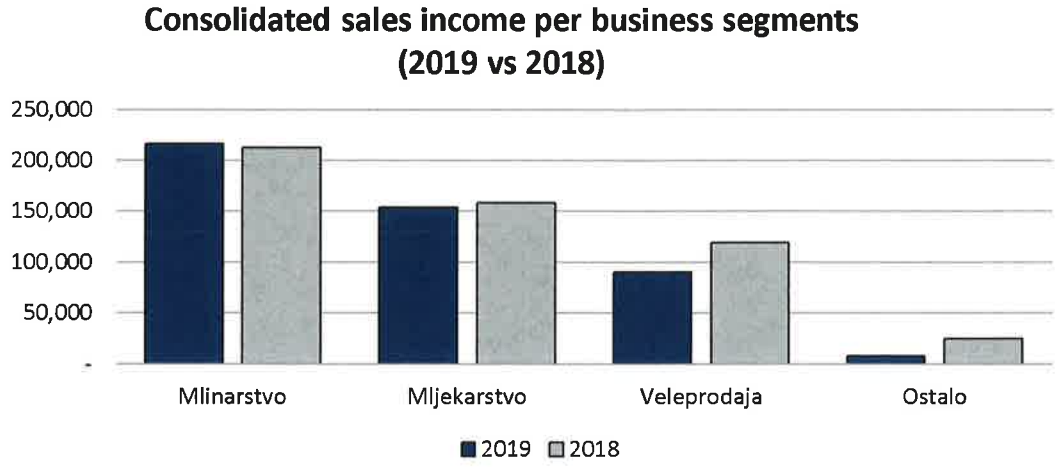
*Financial loans given, securities and deposits

Total debt stated on 31 December 2019. includes financial liabilities of the parent company to financial institutions and companies amounting to HRK 320.4 million, liabilities of the company Zdenka - mliječni proizvodi in the amount of HRK 26.1 million and liabilities of the company Zdenačka farma in the amount of HRK 13 million. On 31 December 2018 the total debt included the liabilities of the associated company Žitar d.o.o.

Income analysis – Granolio Group

In 2019, the Granolio Group generated sales income in the total amount of HRK 469 million, which is 9% less than the sales income generated in the previous year.

Sales income generated within the Group during 2019 amounted to HRK 5.1 million (2018: HRK 5.9 million) and was eliminated from total consolidated income.



Sales revenues are classified into several business segments: milling, dairy, wholesale and others.

The milling segment includes the sale of flour, realized in the parent company, the dairy segment includes the sale of milk of the company Zdenačka farma and the sale of dairy products of the company Zdenka.

Wholesale includes trade in cereals, oilseeds and raw materials realized in the companies Granolio, Žitar (until 4 March 2019) and Zdenačka farma. The segment other includes services for drying and storage of cereals and oilseeds provided by Granolio and Žitar, sales of cattle in Granolio, sales of cattle and pigs in Žitar and income from own production of agricultural products which is part of Žitar and Zdenačka farma.

Significant business events after the accounting period and strategic goals of the Group

In early 2020, a pandemic of the COVID-19 virus spread to the entire world. In addition to the health of the world's population, the pandemic will also have an impact on the global economy, the monetary and fiscal policy of individual countries, the movement of goods and services between countries and so on. The changes that the pandemic will cause in the coming time cannot be predicted or estimated at the moment.

As the Group operates within the food processing industry, demand for the Group's products is not expected to be lower, but the operations of Granolio Group companies will certainly be affected by interest rate movements, fiscal policy, purchasing power of the company and so on.

From January 2020, the parent company began to repay part of its liabilities to financial institutions, and the other part will be paid from July 2020, in accordance with the pre-bankruptcy settlement.

Plan of development and investment

Granolio

The Company expects to continue its operations as a going concern in 2020 and to settle all liabilities determined in the pre-bankruptcy settlement procedure, in the manner agreed in the pre-bankruptcy settlement. A further investment and business plan will depend on the restructuring plan adopted under the pre-bankcrutpcy settlement.

Zdenačka farma d.o.o.

The goals of Zdenačka farma are as follows:

1. Decrease the financial liabilities to the parent company;
2. In the following period and in line with the financial circumstances, to build a stable for the dry period and heifers;
3. In the next two-year period, reach the production of 30 kilos / cows per day;
4. In the following two years reduce the inter-calving period to 400 days;
5. Reduced the age of heifers at calving to 24 months;
6. Double the calves' weight at birth within 60 days from birth;
7. In order to reduce feed cost in the long run, provide for additional arable areas, increasing their area from the existing 165 ha to 300-350 ha in the following years;
8. In accordance with the increase in arable areas during the following period, ensure the mechanization necessary for agricultural production and efficient day-to-day functioning of the farm.

Zdenka - mliječni proizvodi d.o.o.

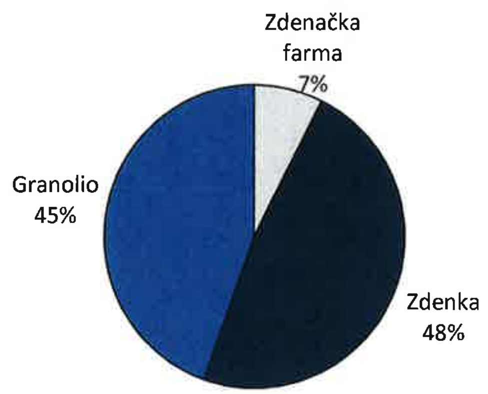
From its privatization till today, Zdenka has invested significant resources in the modernization of production facilities and is still entering new investments in order to be able to keep up with the customers' needs and market trends.

The goal is to finance a part of the investments through EU funds grants, as so far.

Employees

In 2019, the Group employed 324 employees based on working hours (2018: 426), while on 31 December 2019 it employed 377 workers (31 December 2018: 429). The structure of employees by individual company in the group is shown in the following chart.

Employee structure as at 31 December 2019



Research and development

In the reporting period, the Group had no research and development projects.

Purchase of own shares

As of the date of issue of the Annual Report of the Management Board, the Group did not engage in any purchases of its own shares.

Environmental protection

In the area of environmental protection, the Group applies integrated and systematic solutions and implements environmentally friendly production processes.

Risks

Details about the risks to which the Group is exposed to are presented in detail in the notes to the annual financial statements.

Corporate Governance Statement

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

As a company whose shares are listed in the Official Market of the Zagreb Stock Exchange, from 2016 to 2019 the Company voluntarily applied the recommendations provided in the Code of Corporate Governance developed by the Croatian Financial Services Supervisory Agency and Zagrebačka burza d.d., with departures from certain recommendations and guidelines provided therein.

The Supervisory Board of Granolio d.d. has not established any Appointment, Bonus or Audit Committee because, according to the Statute, it should consists of three to five members and as such the Board discharges the duties and responsibilities of those bodies itself, except for those of the Audit Committee the function of which, according to the Audit Act, is discharged by the appointed Audit Committee. Departures also concern ensuring proxies for the shareholders not being able to vote in person; the date defined as the relevant reference date for establishing the right to vote in the General Shareholders' Meetings; remote voting in General Shareholder Meetings by means of modern communication technologies, the exercise of the voting rights in General Shareholder Meetings; assessment of internal control and risk management system quality; ensuring internal audit system efficiency; a long-term succession plan, rules for determining bonuses for the Supervisory Board members; public disclosure of all remuneration and other benefits provided by the company or its related parties to each individual Management and Supervisory Board member, including the remuneration structure; organisation of the Appointment and Reward Committee; independence of the members of the Audit Committee; organisation and operations of the internal audit system, designing rules on services the external audit company may provide to the Company only with the prior agreement of the Audit Committee and rules on services it may provide to the Company without the prior agreement of the Audit Committee; assessing the work of the Supervisory Board; disclosure of detailed data on all remuneration and benefits of each Management Board member or executive director of the Company in the Company's annual report; transactions involving Management Board members or executive directors and their related parties; the existence of internal auditors and internal control systems; and preparing a calendar of important events.

Further explanations regarding the 2019 departures from individual recommendations provided in the Code are presented in the Annual Questionnaire, which is an inseparable part of the Code and submitted to Zagrebačka burza d.d. for public disclosure, together with the annual financial statements. In addition to the recommendations from the Code, the Company's Management and Supervisory Board invest increasing efforts to establish adequate corporate governance taking into account the structure and organisation of the Company, its strategy and business objectives, the allocation of duties and responsibilities, with a particular emphasis on effective procedures for identifying, measuring and monitoring operational risks and reporting on those risks, as well as the establishment of appropriate internal control mechanisms.

The Company has prepared its separate financial statements as well as the consolidated financial statements for the Granolio Group, which consists of Granolio d.d. and its fully-owned subsidiary Zdenačka farma d.o.o.. and associates Zdenka – mliječni proizvodi d.o.o. and Žitar d.o.o (until the sale of share in this company in March 2019)

Significant Shareholders and Limited Shareholders' Rights

The majority shareholder, holding over 58% of the Company's share capital and voting rights, is Mr Hrvoje Filipović.

All the shares have been fully paid in, and there are no restrictions to the rights arising from the shares.

Rules for the Appointment and Revocation of the Supervisory Board

The Supervisory Board of the Company consists of three or five members. The exact number of the Supervisory Board members is determined by the decision of the Company's shareholders at their General Assembly.

As long as there is a prescribed obligation, one member of the Supervisory Board is a representative of employees, who is appointed and revoked as specified in the Labour Act. One member of the Supervisory Board is appointed and revoked directly by Hrvoje Filipović, as long as he holds at least 25% of the total number of issued ordinary shares of the Company. Other Supervisory Board members are elected and revoked by the Company's General Assembly.

Members of the Supervisory Board are elected by the General Assembly based on a proposal of the shareholders representing individually or in aggregate at least one-twentieth of the Company's share capital at the point of the election.

Rules for the Appointment and Revocation of the Management Board, Amendments to the Statute and Special Powers of the Management Board

Pursuant to the Statute of Granolio d.d., the Management Board consists of three to seven members, depending on the decision adopted by the Supervisory Board. The members and President of the Management Board are appointed by a decision of the Supervisory Board for a mandate of five years, with the possibility of re-appointment. The Supervisory Board may issue a decision revoking a member or the President of the Supervisory Board for a relevant reason.

The Statute can be amended only by a decision adopted in the General Shareholders Meeting by majority vote as defined for a particular amendment in the applicable legislation or the Statute.

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

Composition and Operation of the Supervisory Board

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

Composition and operation of the Management Board

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

Description of the Work of the General Assembly

At the General Assembly, the Company shareholders may participate and vote themselves or through their proxies, which applies to the shareholders registered at the Central Depositary and Clearing Company Inc. 21 days before the Assembly. Each ordinary share entitles to one vote at the General Assembly. The Company shareholders may participate in a General Assembly in person or through their representatives, i.e. proxies. A General Assembly is convened in cases specified by law and the Company's Statute. The Assembly is convened by the Company's Management or Supervisory Board when it is necessary for the benefit of the Company. The invitation and the agenda are published at least one month before the date of the General Assembly. Any propositions of the shareholders which counter those of the Management Board and/or Supervisory Board, containing the full name of the proposing shareholder and his or her explanation, or propositions of the shareholders regarding the appointment of the Company's auditor must be received by the Company at least 14 days prior to the General Assembly, excluding the date of receipt of the counter-proposition. Shareholders holding jointly 20th portion of the Company's share capital may require an issue to be included in the General Assembly agenda, by providing an explanation and the decision proposal. The request must be received by the Company at least 30 days in advance of the General Assembly, excluding the day of the request receipt.

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

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

The Members of the Management Board of Granolio d.d. in 2019 were the following:

President of the Management Board: Hrvoje Filipović (re-appointed on 23 February 2016)

Members of the Management Board: Drago Šurina (re-appointed on 23 February 2016)
Vladimir Kalčić (re-appointed on 23 February 2016)

The members of the Supervisory Board of Granolio d.d. in 2018 were the following:

President of the Supervisory Board: Franjo Filipović (re-appointed on 13 June 2019)

Members of the Supervisory Board: Braslav Jadrešić (mandate expired on 13 June 2019)
Davor Štefan (re-appointed on 13 June 2019)
Jurij Detiček (re-appointed on 13 June 2019)
Tihomir Osmak (appointed on 13 June 2019)

This Corporate Governance Statement forms an inseparable part of the Company's Annual Report for the year 2019.

Responsibility for the financial statements

Pursuant to the Accounting Act of the Republic of Croatia, the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ("the IFRSs") as adopted by the European Union, which give a true and fair view of the state of affairs and results of Granolio d.d. and its subsidiaries ("the Group") for that period.

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

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

- selecting and then consistently applying suitable accounting policies;
- making reasonable and prudent judgments and estimates;
- following applicable accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- preparing the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Management Board is responsible for keeping proper accounting records, which shall at any time reflect with reasonable accuracy the financial position and the results of operations of the Group and their compliance with the Accounting Act. Furthermore, the Management Board is responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management Board is also responsible for the preparation and content of the annual business and position report of the Group in accordance with the requirements of Article 18 of the Accounting Act.

Signed on behalf of and for the Management Board:

29 June 2020

Hrvoje Filipović dipl.oec.
President of the Management Board

Drago Šurina dipl.oec.
Member of the Management Board

Vladimir Kalčić dipl.oec.
Member of the Management Board

INDEPENDENT AUDITOR'S REPORT

To the shareholder of the company Granolio d.d. Zagreb

Audit report on the annual consolidated financial statements

Qualified Opinion

We performed an audit of the annual consolidated financial statements of Granolio d.d., Zagreb, Budmanijeva 5 (the "Company") and its subsidiaries (the "Group"), for the year ended 31 December 2019, which include the Consolidated Statement of financial position as at 31 December 2019, the Consolidated Statement of comprehensive income, Consolidated Statement of changes in equity and Consolidated Statement of cash flows for the year then ended, and Notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for possible corrections that may arise from what is stated in the Basis for Qualified Opinion section, the accompanying annual consolidated financial statements present a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and the consolidated financial performance and consolidated cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards established by the European Commission ("IFRS").

Basis for Qualified Opinion

As shown in Note 14 to the annual consolidated financial statements, as at 31 December 2019 the Group has stated in the Statement of Financial Position within Intangible Assets investments in the Mlineta and Belje brands in the amount of HRK 120,000 thousand, which it recognized upon acquisition of the mill business. In accordance with International Accounting Standard 36 - Impairment of Assets, the Group is required to examine intangible assets with indefinite useful lives each year by comparing their carrying amount with its recoverable amount. Taking into account the current economic situation and the availability of information, the Management Board was not able to gather enough information to be able to estimate the recoverable amount of these assets. Accordingly, we have not been able to gather sufficient appropriate audit evidence regarding the value of possible impairment of brands and we have not been able to determine the effects of adjustments, if any, on the Group's annual consolidated financial statements for 2019.

During the sale of the company Žitar d.o.o. the Group determined a loss in the amount of HRK 9,971 thousand related to the overvalued value of the assets of Žitar d.o.o. Impairment of the assets in question should have been recorded in previous periods. The Group recorded this loss through a change in equity and did not present it as a restatement of prior periods in accordance with International Accounting Standard 8 - Accounting Policies, Changes in Accounting Estimates and Errors. This error does not affect the value of net assets as at 31 December 2019.

Basis for Qualified Opinion (continued)

We conducted our audit in accordance with International Auditing Standards ("IASs"). Our responsibilities under these standards are described in detail in our Independent Auditors' Report in the section *Auditor's responsibilities for the audit of the consolidated annual financial statements.* We are independent from the Company in accordance with the Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide the basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3.2. to the consolidated financial statements, which indicates that, based on the submitted request for pre-bankruptcy proceedings of the Company, the Commercial Court in Zagreb on 6 December 2018 adopted the final Decision on the Company's pre-bankruptcy settlement with its creditors. The Company continues to carry out measures included in the restructuring programme of the Company and the Group, maintaining the Group liquid and solvent. The Management Board of the Company believes that the Group can continue its operations as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, are of most significance in our audit of the consolidated annual financial statements for the current period, and include the most significant recognized risks of significant misstatement due to error or fraud with the greatest impact on our audit strategy, the allocation of our available resources, and the time spent by the engaged audit team.

These matters were addressed in the context of our audit of the consolidated annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key audit matter	How we addressed the key audit matter
Revenue recognition In 2019, the Group in its Statement of comprehensive income has stated sales revenues in the amount of HRK 468,983 thousand. These revenues arise from the following activities: - revenues from wholesale of products and merchandise and - revenues from retail of products and merchandise Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the Group's activities. Revenues are stated in amounts less value added tax, quantity rebates and sales discounts. The Group recognizes revenue when the amount of revenue can be measured reliably, when the Group will have future economic benefits and when specific criteria for all activities of the Group are met. In accordance with International Financial Reporting Standard 15, Wholesale Revenue is recognized when the Group delivers goods to a wholesaler, when it no longer has the influence on the management of the goods and when there is no outstanding liability that could affect the acceptance of the product by the wholesaler. Delivery is made when the products are shipped to a specific location, the risks of loss are transferred to the wholesaler and when one of the following is determined: the wholesaler accepts the products in accordance with the contract, or the deadline for acceptance of products has expired or the Company has objective evidence that all acceptance criteria are met. Given the significance of revenues presented in the Statement of Comprehensive Income and the risk of recognizing them in an inappropriate period in order to present a better result of the period, we concluded that the consistency, accuracy and completeness of revenues and their distribution in the correct reporting period is a key audit matter. Related disclosures in the accompanying annual financial statements See notes 3.11 and 5 in the accompanying annual financial statements.	Our audit procedures related to this matter included, but were not limited to: - Gaining an understanding of the sales process by interviewing key sales personnel; - Gaining an understanding of key controls related to the recognition of sales revenue; - Examining the effectiveness of internal controls related to the revenue recognition cycle; - Conducting detail tests on the sample in order to identify unusual or irregular items and the correct allocation of revenue between reporting periods; - Comparison of obtained external confirmations of the amount of outstanding trade receivables at the reporting date and the balances presented in the Company's business books on the same date; - Assessment of the compliance of the sales revenue recognition policy with International Financial Reporting Standard 15 - Revenue from Contracts with Customers - Procjenu usklađenosti politike za priznavanje prihoda od prodaje s Međunarodnim standardom financijskog izvještavanja 15 - Prihodi na temelju ugovora s kupcima; - Assessing the adequacy of disclosures related to the recognition of sales revenue in accordance with International Financial Reporting Standard 15 - Revenue from Contracts with Customers.

Other matters

The audit of the annual financial statements of the Group for the year ended 31 December 2018 was performed by the auditing company Delloite d.o.o., Zagreb, which in its Independent Auditor's Report dated 29 April 2019 expressed a qualified opinion on these consolidated annual financial statements. The basis for the qualified opinion related to the potential impairment of intangible assets.

Other information in the Annual Report

Management board is responsible for other information. Other information includes information included in the Annual Report but does not include the annual consolidated financial statements and our Independent Auditors' Report.

Our opinion on the annual consolidated financial statements does not include other information, unless it is specifically stated otherwise, and we do not express any form of conclusion expressing assurance about them.

In relation to our audit of the annual consolidated financial statements, it is our responsibility to read other information and consider whether the other information is materially inconsistent with the annual consolidated financial statements or our audit findings or otherwise appear to be materially misstated. If, based on the work we have done, we conclude that there is a material misstatement of this other information, we are required to report about that fact. In that sense, we have nothing to report.

The Management Board is responsible for compiling the Management Report of the Group as an integral part of the Annual Report of the Group. Regarding the Management Report and the Statement on the Application of the Corporate Governance Code, we also carried out the procedures required by the Croatian Accounting Act (the "Accounting Act"). These procedures include considering:

- whether the Group's Management Report has been prepared in accordance with Article 21 of the Accounting Act;
- whether the specific information in the Statement on the Application of the Corporate Governance Code required under Article 22, paragraph 1, items 3 and 4 of the Accounting Act ("relevant parts of the Statement on the Application of the Corporate Governance Code") has been prepared in accordance with Article 22 of the Accounting Act.
- whether the Statement on the Application of the Corporate Governance Code includes disclosures in accordance with Article 22, paragraph 1, items 2,5 and 6 of the Accounting Act.

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

- The information contained in the Group's Management Report and the relevant parts of the Statement of Application of the Corporate Governance Code for the financial year for which the consolidated financial statements have been prepared is consistent, in all material respects, with the Company's annual unconsolidated financial statements set out on pages 21 to 91 and the opinion as set out in the Qualified Opinion section above;
- The Management Report and the relevant parts of the Statement on the Application of the Corporate Governance Code have been prepared, in all relevant respects, in accordance with Articles 21, 22 and 24 of the Accounting Act;

Other information in the Annual Report (continued)

- The Statement on the Application of the Corporate Governance Code includes the information required by Article 22, paragraph 1, items 2, 5 and 6 of the Accounting Act.

Furthermore, taking into account the knowledge and understanding of the Group's operations and the environment in which it operates, which we acquired during our audit, we are required to report whether we have identified material misstatements in the Management Report and Corporate Governance Statement. In that sense, we have nothing to report.

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

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

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

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

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

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

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

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

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

- we acquire an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- we assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- we conclude on the appropriateness of the accounting basis used based on the going concern principle used by the Management Board and, based on the obtained audit evidence, we conclude on whether there is significant uncertainty regarding events or circumstances that may create significant doubts about the ability to continue operating for an indefinite period of time. If we conclude that there is significant uncertainty, in our independent auditors' report we are required to call our attention to related disclosures in the consolidated annual financial statements or, if these are inappropriate, to modify our opinion.
  Our conclusions are based on the audit evidence obtained up to the date of our independent auditors' report. However, future events or conditions may cause the Group to discontinue its operations on a going concern.
- we evaluate the overall presentation, structure and content of the consolidated annual consolidated financial statements, including disclosures, as well as whether the annual consolidated financial statements reflect the transactions and events which they are based on in a way that achieves a fair presentation.
- we obtain sufficient appropriate audit evidence about financial information from individuals or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for directing, overseeing and performing the audit. We are solely responsible for expressing our opinion.

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

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

Among the issues communicated to those charged with governance, we identify those issues that are the most important in auditing the annual consolidated financial statements of the current period and therefore present the key audit matters. We describe these matters in our Independent Auditors' Report, unless the law or regulation prevents the matters from being publicly disclosed, or when we decide, in extremely rare circumstances, that the matter should not be reported in our Independent Auditors' Report because the negative consequences of the disclosure could reasonably be expected to outweigh the benefits of public interest from such communication.

Statement on other legal requirements

On 13 June 2019, we were appointed by the General Assembly of the Company to audit the annual consolidated financial statements of the Group for 2019.

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

In the audit of the annual unconsolidated financial statements of the Company for 2019, we determined the significance for the unconsolidated financial statements as a whole in the amount of HRK 7,035 thousand, which represents approximately 1.5% of the realized sales revenue for 2019.

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

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

During the period between the starting date of the audited annual consolidated financial statements of the Group for 2019 and the date of this Independent Auditor's Report, we did not provide prohibited non-audit services to the Grouo and did not provide services for the design and implementation of internal control procedures or risk management related to preparation and/or control of financial information or the design and implementation of technological systems for financial information, and we have maintained independence in relation to the Group.

The Management Board is responsible for preparing the Group's annual consolidated financial statements for the year ended 31 December 2019 in the prescribed form pursuant to the Ordinance on the structure and content of annual financial statements (OG 95/16) and in accordance with other regulations governing the Company's operations. ("Standard Annual Consolidated Financial Statements") which are presented on pages 92 to 100. The financial information set out in the Group's standard annual consolidated financial statements is consistent with the information set out in the Group's annual consolidated financial statements set out on pages 21 to 91 on which we have expressed an opinion as set out in the Qualified Opinion section above.

The partner involved in the audit of the Group's annual consolidated financial statements for 2019 which results in this Independent Auditor's Report, is the certified auditor Vedrana Stipić.

Zagreb, 29 June 2020

BDO Croatia d.o.o.
Trg J. F. Kennedy 6b
10000 Zagreb

BDO CROATIA
BDO Croatia d.o.o.
za pružanje revizorskih, konzalting
i računovodstvenih usluga
Zagreb, J. F. Kennedy 6/b

Vstipić

Hrvoje Stipić, President of the Management Board

Vedrana Stipić, Certified Auditor

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2019

	Note	2019	2018
			in HRK '000
Income			
Sales revenue	5	468,983	515,448
Other operating income	6	17,146	23,123
Total operating income		**486,129**	**538,570**
Changes in inventories		(231)	102
Material expenses	7	(417,713)	(452,459)
Staff costs	8	(36,412)	(37,889)
Depreciation and amortisation	14,15,16	(27,087)	(30,585)
Other costs	10	(6,481)	(7,746)
Value adjustment expenses	9	(22)	(6,166)
Other operating expenses	11	(5,862)	(7,979)
Total operating expenses		**(493,807)**	**(542,722)**
Operating losses		**(7,678)**	**(4,152)**
Financial income	12	1,512	93,927
Financial expenses	12	(8,692)	(4,822)
Net financial result		**(7,180)**	**89,105**
Result before taxation		**(14,858)**	**84,954**
Income tax	13	659	(1,014)
Profit/(loss) after taxation		**(14,199)**	**83,940**
Other comprehensive income			
Items later transferred to profit or loss			
Financial assets for sale, reclassification into profit or loss		-	-
Total comprehensive income /(loss)		**(14,199)**	**83,940**
Total comprehensive income / (loss) of the current year for distribution:			
To the owners of the Company		*(15,301)*	*81,861*
To owners of non-controlling interests	24	*1,102*	*2,079*
Earnings per share			
Basic and diluted earnings/(loss) per share (in HRK and lipas)	33	(8,05)	43,05

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

Consolidated Statement of Financial Position
as at 31 December 2019

in HRK '000

	Note	31 Dec 2019	31 Dec 2018
I NON-CURRENT ASSETS			
Intangible assets			
1 Trademarks, concessions, licenses		120,000	12,000
2 Customer list		698	2,364
3 Software and other intangible assets		178	453
4. Right of use assets		6,415	-
	14,15	**127,291**	**122,817**
Property, plant and equipment			
1 Land		13,824	23,643
2 Buildings		152,691	214,789
3 Plant, equipment, vehicles and tools		31,341	50,142
4. Biological assets		6,237	9,939
5. Advances for tangible assets		-	402
6. Other tangible assets		93	80
7. Tangible assets in preparation		11,716	11,014
8. Investment property		5,047	5,047
	16	**220,949**	**315,056**
Financial assets			
1. Shares at fair value through profit or loss	17a	1,030	9,870
2. Loans, deposits and similar	17b	222	302
		1,252	**10,172**
Long-term receivables		**-**	**15**
Deferred tax assets	13	**1,103**	**1,103**
II CURRENT ASSETS			
Inventories	18	**46,338**	**68,515**
Receivables			
1. Receivables from related parties	32	780	665
2. Receivables from participating interests		36	-
3. Trade receivables	19a	78,884	95,436
4. Receivables from the state and other institutions	19b	3,736	5,687
5. Other receivables	19c	24,539	31,120
		107,975	**132,908**
Financial assets			
1. Loans granted to affiliated companies	20b,32	10,191	10,191
2. Investing in securities	20a	150	178
3. Loans, deposits and similar	20b	16,674	22,150
		27,015	**32,520**
Cash and cash equivalents	21	**3,298**	**10,340**
Prepaid expenses and accrued income	22	**399**	**667**
TOTAL ASSETS		**535,620**	**694,112**

Consolidated Statement of Financial Position
as at 31 December 2019 (continued)

in HRK '000

	Note	31 Dec 2019	31 Dec 2018
I EQUITY AND RESERVES			
1 Subscribed capital		19,016	19,016
2 Premiums for issued shares		84,196	84,196
3 Revaluation reserves		54,676	57,678
4 Legal reserves		3,497	408
5 Reserves for own shares		800	800
6 Retained earnings		(127,770)	(199,591)
7 Profit or loss for the year		(15,301)	81,861
	23	**19,114**	**44,369**
Non-controlling interest	24	**27,293**	**60,437**
II NON-CURRENT LIABILITIES			
1 Deferred tax liability	13	12,002	12,661
2. Liabilities to affiliated companies	32	10,000	-
3. Liabilities for loans, deposits and similar	25	159,567	11
4. Liabilities to banks and other financial institutions	26	133,829	385,274
5. Lease liabilities	15	3,397	-
6. Liabilities for securities	27	29,879	32,775
7. Trade liabilities	28	35,027	51,906
		383,701	**482,628**
III CURRENT LIABILITIES			
1. Liabilities for loans, deposits and similar	25	6,494	-
2. Liabilities to banks and other financial institutions	26	9,632	30,536
3. Lease liabilities	15	682	-
4. Liabilities for advances		4,404	668
5. Trade payables	29a	66,289	48,362
6. Liabilities under securities	27	9,666	8,870
7. Liabilities to employees		2,209	2,255
8. Liabilities for taxes, contributions and similar	29b	2,247	3,909
9. Interest liabilities		191	59
10. Prepaid expenses and accrued income	30	3,667	11,141
11. Other current liabilities	29c	31	878
		105,512	**106,679**
TOTAL EQUITY AND LIABILITIES		**535,620**	**694,112**

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

Consolidated Statement of Changes in Equity

in HRK '000

	Share capital	Capital reserves	Legal reserves	Reserves for own shares	Revaluation reserves	Retained earnings / (loss carried forward)	Profit/ (loss) for the current year	Total for Group	non-controlling interest	Total
Balance at 1 January 2018	**19,016**	**84,187**	**408**	**800**	**60,117**	**(868)**	**(201,659)**	**(37,999)**	**58,359**	**20,360**
Profit for the current year	-	-	-	-	-	9	81,861	81,870	2,079	**83,949**
Total other comprehensive income for the year	-	-	-	-	-	**9**	**81,861**	**81,870**	**2,079**	**83,949**
Transfer of revaluation reserve to retained earnings	-	-	-	-	(2,996)	2,996	-	-	-	-
Distribution of 2017 results	-	-	-	-	-	(201,659)	201,659	-	-	-
Transfer of income tax	-	-	-	-	(122)	657	-	**535**	-	**535**
Other adjustments	-	9	-	-	679	(727)	-	**(38)**	-	**(38)**
Balance at 31 December 2018	**19,016**	**84,196**	**408**	**800**	**57,678**	**(199,591)**	**81,861**	**44,369**	**60,437**	**104,806**
Adjustments of IFRS 16 at 01 Jan 2019						**16**		**16**		**16**
Balance at 1 January 2019	**19,016**	**84,196**	**408**	**800**	**57,678**	**(199,575)**	**81,861**	**44,385**	**60,437**	**104,822**
Profit for the current year	-	-	-	-	-	-	(15,301)	(15,301)	1,102	(14,199)
Total other comprehensive income for the year	-	-	-	-	-	-	**(15,301)**	**(15,301)**	**1,102**	**(14,199)**
Transfer of revaluation reserve to retained earnings	-	-	-	-	(3,002)	3,002	-	-	-	-
Distribution of 2018 results	-	-	3,088	-	-	78,773	(81,861)	-	-	-
Dividend payment	-	-	-	-	-	-	-	-	(2,000)	**(2,000)**
Sale of a subsidiary	-	-	-	-	-	(9,971)	-	(9,971)	(32,246)	**(42,217)**
Balance at 31 December 2019	**19,016**	**84,196**	**3,497**	**800**	**54,676**	**(127,770)**	**(15,301)**	**19,114**	**27,293**	**46,407**

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

Consolidated Statement of Cash Flows – Indirect method
for the year ended 31 December 2019

in HRK '000

	Note	2019	2018
Result before tax		**(14,858)**	**84,954**
Reconciliation of results:			
Amortization and depreciation	14,15,16	27,087	30,585
Natural growth	14	(3,306)	(4,182)
Loss on sale and disposal of fixed assets, net		236	2,876
Value adjustment of receivables	9	-	521
Inventory surplus		(3,024)	(2,744)
Net interest expense	12	2,952	2,151
Loss from other financial activities		3,829	3,626
Write-off of liabilities under the pre-bankruptcy settlement		(224)	(91,395)
Other		(2,006)	(3,777)
Operating result before changes in working capital		**10,686**	**22,615**
(Increase) / Decrease in inventories	18	(6,640)	8,758
Reduction of short-term receivables		11,060	22,041
Increase / (Decrease) in current liabilities		2,884	(3,105)
(Decrease) / increase in accruals		(936)	190
(Decrease) / Increase deferrals		(177)	612
Advances received / (Paid)		8,596	(9,645)
Operating result after changes in working capital		**25,473**	**41,466**
Paid income taxes		-	(490)
Interest paid		(4,144)	(5,079)
Cash flow from operating activities		**21,329**	**35,897**
Interest charged		1,222	146
Cash outflows for the purchase of real estate, plant, equipment and intangible assets		(11,294)	(9,671)
Cash receipts from sold property		894	-
Cash receipts from sale of shares		5,000	-
Deposits (paid) / received		(1,012)	37
Cash outflows for loans granted	20	(24,108)	(15,987)
Cash receipts from collection of granted loans	20	4,481	7,437
Cash flow from investing activities		**(24,817)**	**(18,036)**

Consolidated Statement of Cash Flows – Indirect method (continued)
for the year ended 31 December 2019

in HRK '000

	Note	2019	2018
Cash outflows for repayment of loans and borrowings		(16,219)	(53,212)
Cash receipts on loans and borrowings		17,500	43,552
Net (expenses) under securities	27	(2,100)	-
Cash outflows for repayment of leases	15	(735)	(1,465)
Cash receipts from profit sharing	24	(2,000)	-
Cash flow from financing activities		**(3,554)**	**(11,125)**
Net changes in cash and cash equivalents		**(7,042)**	**6,736**
Cash and cash equivalents at the beginning of the period		10,340	3,605
Cash and cash equivalents at the end of the period	**21**	**3,298**	**10,340**

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

1. GENERAL INFORMATION

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

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

At 31 December 2019 and at 31 December 2018 the Management Board of Granolio d.d. consisted of the following members:

Hrvoje Filipović - Chairman (since 23 February 2011),
Vladimir Kalčić - Member (since 23 February 2011),
Drago Šurina - Member (since 23 February 2011), and

At 31 December 2019 and at 31 December 2018 the Supervisory Board of Granolio d.d. consisted of the following members:

Franjo Filipović – Chairman (since 23 February 2011),
Jurij Detiček – Member (since 23 February 2011),
Braslav Jadrešić – Member (since 23 February 2011),
Davor Štefan – Member (since 16 January 2015).

Subsidiaries

Basic information of the Granolio Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Core activity	Place of incorporation and operation	Proportion of ownership interest and voting rights held by the Group	
			2019	2018
Zdenka - mliječni proizvodi d.o.o.	Production of dairy, trade and services	Veliki Zdenci	50%	50%
Zdenačka farma d.o.o.	Production of milk, cattle breeding and farm production	Veliki Zdenci	100%	100%
Žitar d.o.o.	Agriculture, trade and services	Donji Miholjac	-	49.69%
Žitar konto d.o.o.	Services and trade	Donji Miholjac	-	49.69%

The Company has assessed that it has control over the Company Zdenka mliječni proizvodi d.o.o. in accordance with International Financial Reporting Standard 10.

1 GENERAL INFORMATION (continued)

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

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

Pursuant to the decision of the Company's General Assembly dated 16 March 2015, the share capital of Zdenačka farma was increased from HRK 13,520 thousand to HRK 29,520 thousand.

In mid 2008, the Company acquired the entire equity share in Prerada žitarica d.o.o., Grubišno Polje, for HRK 5,205,983. The subsidiary's activities include grains warehousing and drying. As at 27 November 2017, the share capital of Prerada Žitarica was increased from HRK 23,121 thousand to HRK 63,821 thousand by issuing a new business share in the amount of HRK 40,700 thousand. The company Prerada žitarica d.o.o. was merged to the parent company on 30 April 2018.

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

The Company Zdenka-mliječni proizvodi d.o.o. registered on 10 April 2002 at the Commercial Court in Bjelovar pursuant to the Decision number Tt-02 / 396-2 as a limited liability company.

Management Board of the Company consists of Mr Željko Gatjal, dipl.oec., and the Chairman of the Supervisory Board is Mr Hrvoje Filipović dipl. oec. Granolio d.d. participates in the ownership structure of Zdenka – mliječni proizvodi d.o.o. with a 50% share.

The Company IPK Kapelna d.o.o. registered on 4 December 1998 in the court register as a limited liability company. In line with the Commercial Court in Osijek Decision Tt-99 / 586-4 of 7 May 1999, the Company is recorded in the general ledger of the Court Registry under the registration number (MBS): 030064710. On 1 January 2011, the company Novi Žitar d.o.o., Donji Miholjac was merged to the company Kapelna d.o.o.

According to the Decision of the Commercial Court in Osijek Tt-11 / 314-2 of 8 February 2011, the company Kapelna d.o.o. changed the company name to ŽITAR d.o.o. za poljoprivrednu proizvodnju, trgovinu i usluge, with the TAX ID number 66951972250. Mr Željko Tadić, as a member of the Management Board and CEO, represents the company independently. Granolio d.d has a 49.690% share in the company Žitar d.o.o.

Company Granolio d.d. acquired business shares in the company Zdenka in 2010, and in the company Žitar d.o.o. in 2011.

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

The effect of the sale of shares on 14 March 2019 is shown as follows:

	Effect of sale in HRK '000
Total net assets	(31,971)
Sales fee	22,000
Loss from sale of share	(9,971)

2. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) AND INTERPRETATIONS

2.1. Initial application of new amendments to the existing standards and interpretations effective for the current financial period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current financial period:

IFRS 16, Leases (issued on 13 January 2016, effective for annual periods beginning on or after 1 January 2019). The Company has decided to apply the standard from the date of its mandatory adoption on 1 January 2019 by applying a modified retroactive method, without revising the comparative information and by applying certain simplifications allowed by the standard. Assets with the right to use are measured at the amount of the lease liability at the date of adoption of the standard (adjusted for early repayments or calculated lease expense).

In the first application of IFRS 16, the Company used the following practical solutions permitted by the standard:

applying a single discount rate to a portfolio of leases with relatively similar characteristics, relying on previous assessments of the harmfulness of leases as an alternative to the impairment test - on 1 January 2019 there were no harmful contracts, disclosure of operating leases with a remaining lease term on 1 January 2019 less than 12 months as short-term leases, the exclusion of initial direct costs from the measurement of the right to use assets at the date of first application, and the use of more recent knowledge in determining the lease period if the contract contains options to extend or terminate the lease.

The Company has also decided not to re-evaluate whether on the date of first application it is a lease or a contract containing a lease. Instead, for contracts entered into before the transition date, the Company relied on its assessment based on the application of IAS 17 Leases and Interpretations (IFRIC) 4 Determining whether an agreement contains a lease.

As at 1 January 2019, the weighted average marginal borrowing rate applied by the Company to lease liabilities was 4%.

The reconciliation of contractual obligations under operating leases with the recognized liability is as follows:

in HRK '000	31 Dec 2018/ 1 Jan 2019
Total future minimum lease payments for irrevocable * operating leases at 31 Dec 2018	5,738
- Financial lease	755
- The effect of discounting to the present value	(431)
- Reduced for short-term leases that are not recognized as a liability	(1,450)
Total lease liabilities recognized on 1 Jan 2019	4,612
Of which are:	
Short-term lease liabilities	854
Long-term lease liabilities	3,758

* Irrevocable leases include those that can be revoked only: (a) in the case of an unforeseen event, (b) with the lessor's permission, (c) if the lessee enters into a new lease for the same or equivalent property with the same lessor; or (d) after the lessee has paid an additional amount on the basis of which it is certain at the beginning of the lease period that the lease will continue.

2. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) AND INTERPRETATIONS (CONTINUED)

2.1. Initial application of new amendments to existing standards and interpretations in force for the current financial period (continued)

The change in accounting policy affected the following items of the report on the financial position of the Company on 1 January 2019:

in HRK '000	Note	The effect of implementation of IFRS 16
Increase of property with the right of use	15	6,756
Increase in lease liabilities	15	4,612
Reduction of plant and equipment	16	(2,882)
Reduction of liabilities to financial institutions	24	(755)
Retained earnings		16

(in HRK '000)	**Note**	**2019**
Depreciation of right to use assets	15	
Land		57
Equipment		517
Vehicles		124
Interest expenses (included in financial expenses)		159
Expenses related to short-term leases or leases of low-value assets (included in other operating expenses)		1,884

The following amended standards are effective from 1 January 2019, but did not have a significant impact on the Company:

IFRIC 23 "Uncertainty Over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).

Characteristics of negative fee overpayments - Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

Amendments to IAS 28 "Investments in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

Annual Improvements to IFRSs for the 2015-2017 Reporting Cycle - Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after January 1, 2019).

Amendments to IAS 19 "Employee Benefits" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

2. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) AND INTERPRETATIONS (CONTINUED)

2.2. Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

Appendices to the Conceptual Financial Reporting Framework (effective for annual periods beginning on or after 1 January 2020). The revised conceptual framework includes a new chapter on measurement; guidelines for reporting the financial result; improved definitions and guidelines - in particular the definition of an obligation; and clarifications in important areas, such as the role of governance, prudence, and measurement uncertainty in financial reporting.

Definition of materiality - Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of materiality and how it should be applied to encompass guidelines that have been contained elsewhere in IFRSs. Furthermore, the explanations along with the definition itself have been improved. Finally, the amendments ensure the consistency of the definition of materiality in all IFRSs. Information is material if it can reasonably be expected that its omission or misstatement will affect the decisions made by the primary users of general purpose financial statements based on those financial statements that provide financial information about a particular reporting entity.

Reform of reference interest rates - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020)
The amendments result from the replacement of reference interest rates such as LIBOR and other interbank bid interest rates ("IBORs"), which provide a temporary exemption from the application of certain hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under IFRS 9 and IAS 39 requires that future hedged cash flows be "highly probable". If these cash flows depend on the IBOR, the exemption provided for in the amendments requires the entity to apply the assumption that the interest rate on which the cash flows are based will not change as a result of the reform.
IAS 39 and IFRS 9 require an estimate of expected future events for the application of hedge accounting. While the cash flows to which IBOR interest rates apply and the interest rates that replace it are currently expected to be broadly equal, thus minimizing any inefficiencies, this may no longer be the case as the reform date approaches. According to the amendments, the entity may assume that the reference interest rate on which the cash flows of the hedged item, hedging instrument or hedged risk are based has not been affected by the IBOR reform. Due to the reform of the IBOR, protection could be found outside the range of 80-125%, which is mandatory for retroactive testing in accordance with IAS 39. IAS 39 has therefore been amended to allow an exemption from retroactive performance testing in such a way that hedging is not interrupted during the period of uncertainty caused by the IBOR simply because retroactive inefficiency is outside this range. However, even then, other requirements for the application of hedge accounting should still be met, including an assessment of expected events. For some hedges, the hedged item or hedged risk refers to a non-contractual component of the IBOR. In order to apply hedge accounting, IFRS 9 and IAS 39 require that the identified risk component can be determined separately and measured reliably. According to the appendices, the risk component should be able to be determined separately at the beginning of the determination of the protection relationship, and not continuously. In the context of a macro protection, where the subject often harmonizes the protection relationship, the exemption applies from the moment the protected item was originally established within that protection relationship. Any hedging inefficiencies will continue to be recognized in the income statement in accordance with IAS 39 and IFRS 9. The amendments set out the reasons for the cessation of the exemption, including the uncertainty arising from the reference interest rate reform, which is no longer applicable. The amendments require entities to provide additional information to investors about their protection relationships directly affected by these uncertainties, including the nominal amount of hedging instruments to which the exemptions apply, any significant assumptions or judgments made during the application of the exemption, and qualitative disclosure of how the entity is affected by the IBOR reform and how it manages the transition process.

Sale or entry of assets between an investor and its associate or joint venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after the date determined by the IASB, not yet approved by the European Union).
These amendments address the inconsistency between the requirements of IFRS 10 and the requirements of IAS 28 relating to the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of allowances is that full profit or loss is recognized when the transaction involves business. Partial gain or loss is recognized when the transaction involves non-business assets, even if they are subsidiary assets.

2. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) AND INTERPRETATIONS (CONTINUED)

2.2. Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective (continued)

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021, not yet approved by the European Union).
IFRS 17 replaces IFRS 4 which has allowed companies to continue to present insurance contracts using existing practices. For this reason, it was difficult for investors to compare the financial performance of otherwise similar insurance companies. IFRS 17 is a standard that applies a single principle to the disclosure of all types of insurance contracts, including reinsurance contracts. The standard requires the recognition and measurement of groups of insurance contracts at: (i) the present value of future risk-adjusted cash flows (contractual cash flows) that includes all available information about contractual cash flows to match the information available in the market; increased (if this value is a liability) or decreased (if this value is an asset) by (ii) the amount representing the unrealized gain of the contract group (contract service margin). Insurers will recognize profits for a group of insurance contracts during the coverage period and as they are hedged. If a group of contracts incurs or will incur a loss, the entity shall recognize that loss as incurred.

Definition of business - Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of the annual reporting period beginning on or after 1 January 2020, not yet approved by the European Union). The appendices change the definition of business. The business must have inputs and a detailed process that together significantly contribute to the ability to generate results. The new guidelines provide a framework for assessing if input and a detailed process exist, including early-stage entities that have not generated results. In the absence of results, there should be an organized workforce for the purposes of classification as a business. The definition of 'results' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are able to replace missing elements or integrate acquired activities and assets. The subject may apply a "concentration test". Acquired assets would not be business if almost the entire fair value of gross assets acquired was concentrated in a single asset (or group of similar assets).

According to the Company's estimates, the application of these new standards and amendments to existing standards should not have a material impact on the Company's financial statements in the period of their first application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by the Group in preparing these consolidated financial statements. These accounting policies have been consistently applied by the Group and all subsidiaries for all periods included in these consolidated financial statements.

3.1 Statement of compliance

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

3.2 Basis of preparation

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

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

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. Management is also required to make judgments in the process of applying the Group's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of preparation (continued)

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

Irrespective of the liabilities to creditors assumed by concluding the pre-bankruptcy settlement, the Management Board of the Company estimates that the indefinite duration of operations is not in any way questionable. The Company has a sufficient level of liquidity to ensure the fulfilment of liabilities to creditors and, in accordance with business plans, estimates that a positive cash flow will be generated from the core business in future periods.

Throughout 2019, a stable cash flow and funds were provided to meet due liabilities to suppliers, employees, and the state, which was achieved through careful planning and liquidity management. So far, the Company has regularly repaid its liabilities in accordance with the pre-bankruptcy settlement and it is expected that it will continue to operate smoothly and repay its liabilities in accordance with the final settlement in the future. The further investment and business plan will depend on the restructuring plan adopted as part of the pre-bankruptcy settlement.
The Management Board of the Company continues intensively with activities for achieving capital adequacy as an essential condition for ensuring the long-term survival of the Company.

3.3. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when:

- the Company has power or has the ability to use its power over the investee;
- the Company is exposed to or has rights to variable returns from its involvement with the investee;
- the Company is capable of using its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- Share of voting rights in relation to the size and distribution of the voting rights of other persons entitled to vote;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements.
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The subsidiary is consolidated, or cease to be consolidated from the moment in which the Company acquires or loses control over it. Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date on which the Company acquires control until the date on which the Company loses control of the subsidiary.

Profit or loss and each component of other comprehensive income are separated on the part of the owners of the parent (Company) and on the part of the owners of non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and the owners of non-controlling interests, even if this leads to a negative balance of non-controlling interests.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3. Basis of consolidation (continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between i) the total fair value of the fee received and the fair value of eventual retained interest ii) the previous carrying amount of assets (including goodwill) and liabilities of the subsidiary, and every non-controlling interest. All figures are based on the subsidiary previously been recognized in other comprehensive income are accounted as if the Group had directly sold the assets or liabilities of that company, i.e. figures are transferred to profit or loss, or in any of the components of shareholders' equity in accordance with applicable IFRS. The fair value of the retained interest in the former subsidiary at the date of loss of control at the subsequent accounting under IAS 39, regarded as the fair value of initial recognition and, if it is applicable, as a cost during the initial recording of shares in the associate or joint venture.

3.4. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment"at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.
Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Business combinations (continued)

Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.5 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 losses, 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 profit or loss. 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.

3.6 Interests in associates and joint ventures

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

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

The results, assets and liabilities of associates or joint ventures are incorporated in financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Interests in associates and joint ventures (continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture, but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Interests in joint ventures

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

Any goodwill arising from the acquisition of the Group's shares in the common control of a given company is calculated in accordance with the Group's accounting policy for calculating of goodwill resulting from business merger.

Unrealized gains and losses from transactions between the Group and the companies over which it has joint control are eliminated in proportion to the Group's share in the joint venture. Gains and losses from transactions between the Group and jointly controlled companies in the consolidated financial statements of the Group are recognized only to the extent of interest in jointly controlled companies that are not related to the Group.

b. Interests in joint operations

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

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

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

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which entity from Group is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

3.7 Functional and reporting currency

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Use of estimates and judgements

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

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

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

3.9 Revenue recognition

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

The Group recognises revenue when the amount of the revenue can be measured reliably, when future economic benefits will flow into the Group and when the specific criteria for all the Group's activities described below are met.

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

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

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

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

(ii) Income from the retail sale of products and merchandise
Retail product and merchandise sales are recognised upon the sale to the customer. Retail sales are generated in cash. The Group does not have specific customer award schemes.

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

(iv) Financial income
Financial income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised when the right to receive payment has been established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Foreign currencies

(i) Foreign-currency transactions and balances

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

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

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

At 31 December 2019 the official exchange rate of the Croatian kuna against 1 euro (EUR) was HRK 7,442580, and at 31 December 2018 it was HRK 7,4177575, respectively.

(ii) Group members

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in the Croatian currency kuna ("HRK"), which is the Group's functional currency.

3.11 Borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. In future periods, borrowings are stated at amortized cost; all differences between receivables (minus transaction costs) and surrender value are recognized in the consolidated statement of comprehensive income over the period of the borrowing period using the effective interest rate method.

Borrowing costs that can be directly linked to the acquisition, construction or production of a qualifying asset, a means that necessarily requires a considerable amount of time to be ready for intended use or sale, are attributed to the cost of purchasing that asset until the asset is largely unavailable for Intended use or sale. All other borrowing costs are included in profit or loss for the period in which they are incurred.

3.12 Governments grants and subsidies

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3.13 Employee benefits

(i) Pension obligations 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 is not obliged to provide any other post-employment benefits.

(ii) Long-term employee benefits

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Employee benefits (continued)

(iii) Short-term employee benefits

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

(iv) Share-based payments

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

3.14 Dividend

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

3.15 Operating segment reporting

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

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

- Milling
- Dairy
- Wholesale
- Other.

The Group identifies operating segments on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (Management Board) in order to allocate resources to the segments and to assess their performance. Details about the operating segments are disclosed in Note 6 to the consolidated financial statements. Comparative information has been presented on the principle of comparability.

3.16 Taxation

(i) Income tax

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

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

(ii) Deferred tax assets and liabilities

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Taxation (continued)

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

(iii) Tax exposure

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

(iv) Value added tax (VAT)

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

3.17 Property, plant and equipment

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

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

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

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

Freehold land is not depreciated.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Property, plant and equipment (continued)

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

	2019	2018
Buildings	40 years	40 years
Plants and equipment	10 years	10 years
Office equipment	4 years	4 years
Telecommunications equipment	2 years	2 years
Personal cars	2.5 years	2.5 years
Delivery vehicles	4 years	4 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or during the lease period, if shorter of the two. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

3.18 Investment property

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

3.19 Intangible assets

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

(i) Brands and contracts with customers

Trademark licences are carried at cost and have an indefinite useful life, as the analyses of all relevant factors at the reporting date do not indicate any foreseeable limit to the period over which the identified rights will generate cash inflows. Intangible assets with indefinite useful lives are tested for impairment annually and are carried at cost less accumulated impairment losses.

Contracts with customers have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided using the straight-line method over the useful life which is estimated at 6 years.

(ii) Computer software

Software licences are capitalised based on the cost, which includes the cost of purchase and costs incurred in bringing software into a working condition for its intended use. The cost is amortised over the useful life of software, which has been estimated at 5 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20. Impairment of property, plant, equipment and intangible assets

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease, in line with the applicable Standard stipulating the requirements concerning the relevant asset revaluation.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. Impairment loss reversal is immediately recognised as income, unless the relevant asset is not stated as a revalued amount, in which case the reversed impairment loss is stated as an increase due to revaluation in line with the applicable Standard stipulating the requirements concerning the relevant asset revaluation.

3.21 Leases

All leases are calculated by recognizing the right to use and the lease liabilities except for:

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

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

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

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

Assets with the right of use are initially measured at the amount of the lease liability, less all lease incentives received and increased by:

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Leases (continued)

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

	2019
Land	50 years
Vehicles	5 years
Equipment	10 years

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

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

For financial leases, the Grouprecognizes assets with the right of use and the lease liability.

3.22. Inventories

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

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

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

Small inventory and tools are expensed when put into use.

3.23. Biological assets

The Group recognizes a biological asset or agricultural products such as livestock and crops, when there is control over the property as a result of past events, when it is probable that future economic benefits associated with the asset will inflow to the Group and when the fair value or cost of the item can be measured determine reliably.

Basic herd of cows is kept separately by ID numbers for certain categories of cattle. The categories that make up the breeding stock are: cows, heifers and calves.

Supply of livestock valued at cost less accumulated depreciation and any impairment losses. The present value approximates the fair value of livestock.

Agricultural products harvested harvest are measured at fair value less estimated costs to sell at the point of harvest.

For biological assets carried at cost, depreciation is recorded as an expense in the period and is calculated on a straight line basis over the expected useful life of the assets.

3.24. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, if significant, using the effective interest method. Otherwise, they are measured at nominal amounts, less an allowance for impairment. Impairment is made whenever there is objective evidence that the Group will not be able to collect all amounts due according to the originally agreed terms. Significant financial difficulties of the debtor, the probability of bankruptcy proceedings at the debtor, or default or delinquency in payment are considered indications of potential impairment. The amount of impairment loss of an item receivable is measured as the difference between the carrying amount and the recoverable amount of the receivable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25. Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits with banks and other short-term highly liquid instruments with original maturities of up to three months or less. For the purposes of the consolidated statement of financial position, outstanding bank overdrafts are included in current liabilities..

3.26. Equity

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

3.27. 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.

3.28 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. All regular way purchases or sales represent purchases or sales of financial assets which require delivery in the framework established in regulations or market practice.

All recognised financial assets are subsequently entirely measured at depreciated cost, fair value through other comprehensive income or fair value through profit or loss, depending on the business model and characteristics of contracted cash flows of financial assets.

Classification of financial assets

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

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

(i) Depreciated cost and effective interest method

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.28 Financial assets (continued)

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

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

For financial assets, other than purchased or incurred credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, aside for the financial assets which subsequently became credit-impaired.

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

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

Investment income is recognised in profit or loss.

Impairment of financial assets

The Group recognises the provisions for expected credit losses from debt instruments measured at depreciated 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 on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for debtor-specific factors. 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 all other financial instruments, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.28 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, the Group relies on days of default when assessing significant credit risk deterioration. If the debtor is in default more than 180 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 Company regularly monitors the efficiency of criteria used to determine whether there has been a significant increase in credit risk and reviews them so that the criteria may identify a significant increase in credit risk before any default occurs.

(ii) Definition of default status

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

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

Despite the aforementioned analysis, the Group believes that default occurred if the financial assets are due more than 360 days and the relevant liabilities have not been settled, unless the Group disposes of reasonable and substantiated information to prove a more appropriate default criteria.

(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;
- breach of contract, such as a default (defined above);
- when the issuer, due to the debtor's financial difficulties, grants the debtor a concession, which he would otherwise not consider;
- it becomes probable that the debtor will go into bankruptcy or undertake another type of financial restructuring;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.28 Financial assets (continued)

(iii) Credit-impaired financial assets (continued)

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

(v) Measurement and recognition of expected credit losses

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

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

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

End of financial asset recognition

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

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 asset received.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.28 Financial assets (continued)

Loans and receivables

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

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

The Group writes off trade receivables when there are data pointing to the fact that the debtor is in serious financial difficulties and that there is no real chances of return, for example when the debtor has gone into liquidation or bankruptcy or when trade receivables are due more than 2 years, whatever happens first. None of the trade receivables are subject to enforcement activities. The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provisions for loss allowance based on past due status is not further distinguished between the Group's different customer base.

3.29 Financial liabilities

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

The Company measures all financial liabilities at depreciated cost.

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

Financial liabilities subsequently measured at amortised cost

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

The effective interest method is a method of calculating the depreciated cost of a financial liability and of allocating interest cost over the relevant period. The effective interest rate is a rate that accurately discounts the estimated future cash inflow (including all fees and points paid or received, which constitute an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Classification as debt or equity

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.29 Financial liabilities (continued)

Equity instruments

An equity instrument is a contract which proves the rest of the share in the entity's assets after all its liabilities have deducted. The equity instruments issued by the Group are recorded in the amount of income, less direct issuance costs.

Financial liabilities

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

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

Derecognition of financial liabilities

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

3.30 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. When the amount of the impairment is significant amount of provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. When discounting is used, every year the effect of discounting is recorded as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

3.31. ACCOUNTING POLICIES APPLICABLE UNTIL 1 JANUARY 2019

Leases

Groupas a lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the lease. The initial indirect costs of negotiating and contracting an operating lease are attributed to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Groupas a lessee

The Groupleases certain property, plant and equipment. Leases of property, plant and equipment in which the Groupbears all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is broken down into liabilities and financial expenses to obtain a constant rate on the remaining financial position. The interest component of finance expense is charged to the income statement and other comprehensive income during the lease term. Property, plant and equipment purchased under finance leases are depreciated over their useful lives or the lease term, whichever is shorter.

Leases in which the Groupdoes not bear a significant share of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease.

4. KEY ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Critical judgements in the application of accounting policies

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

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

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

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

(iv) Impairment test of intangible assets
The Group tests the goodwill, brands and licences for impairment on an annual basis. For the purposes of impairment test, they are allocated to cash-generating units, and their carrying amounts at the reporting date were as follows:

	Milling	**Dairy**	**31 Dec 2019 total**
Trademarks	120,000	-	120,000
Customer list	699	-	2,364
Software and other intangible assets	165	13	453
	120,864	**13**	**122,817**

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by Management covering a five-year period.

(v) Useful life of property, plant and equipment
As described in Note 3.19 above, the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

5. SALES REVENUES

in HRK '000

	2019	2018
Sales revenue – domestic	393,119	448,794
Sales revenue – foreign	75,864	66,654
	468,983	**515,448**

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

The Group monitors its performance through the following operating segments:

- Milling
- Dairy
- Wholesale
- Other

Segment information – industry analysis:

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

Revenue consist of sales revenue and other revenue generated by sales to external customers. Sales between reporting segments are eliminated in the consolidation process.

in HRK '000

	2019	2018
Wholesale	90,602	122,604
Milling	216,667	207,755
Dairy	154,063	159,641
Other	7,649	25,448
	468,983	**515,448**

Territorial analysis of sales revenues

in HRK '000

Zemlja	2019	2018
Croatia	393,119	448,794
Serbia	4,803	4,881
Bosnia and Herzegovina	21,268	21,646
Slovenia	26,024	24,877
Italy	5,925	-
Hungary	-	122
Macedonia	597	440
Montenegro	2,738	3,824
Romania	-	172
Other countries	14,510	10,692
	468,983	**515,448**

6. OTHER OPERATING INCOME

in HRK '000

	2019	2018
Revenues from subsidies	4,655	9,557
Inventory surpluses	3,028	2,748
Revenues from herd growth	2,795	2,788
Income from damages	1,694	2,363
Income from sale of fixed assets	797	177
Subsequent approvals from suppliers	586	703
Subsequent revenue	248	61
Other operating income	3,564	4,727
	17,367	**23,123**

Income from damages related to income from damages from insurance companies.

7. MATERIAL EXPENSES

Structure od material expenses is as follows: in HRK '000

	2019	2018
Costs of raw materials and supplies	278,784	274,864
Energy consumed	15,389	17,136
Waste, breakage and stock failure	5,184	5,339
The cost of livestock sold	287	1,035
Other material expenses	2,010	2,143
	301,655	**300,517**
Cost of good sold	**84,162**	**109,576**
Transport, telephone and mail services	15,647	17,442
Maintenance and protection services	4,326	5,074
Intellectual services	1,773	4,150
Rental and leasing services	1,884	2,745
Quality control services	1,291	1,735
Advertising and sponsorship services	1,010	1,844
Other selling expenses	67	566
Product manufacturing services	-	3,461
The cost of finishing UHT milk	-	194
Other costs	5,898	5,155
	31,896	**42,366**
	417,713	**452,459**

The total fee to the auditor for 2019 amounts to HRK 455 thousand, of which HRK 173 thousand relates to the Group's audit.

The total fee to the auditor for 2018 amounts to HRK 559 thousand, of which HRK 447 thousand relates to the Group's audit, while HRK 111 thousand relates to tax consulting services and HRK 1 thousand to seminar services.

8. EMPLOYEE COSTS

in HRK '000

	2019	2018
Net salaries	23,666	24,492
Costs of taxes and contributions from salaries	7,953	8,069
Contributions on salaries	4,793	5,328
	36,412	**37,889**

9. VALUE ADJUSTMENT

in HRK '000

	2019	2018
Value adjustment of loans and equity investments	-	3,626
Trade receivables	22	2,019
Other receivables	-	521
	22	**6,166**

10. OTHER EXPENSES

in HRK '000

	2019	2018
Employee benefits, gifts and assistance	2,804	2,535
Insurance premiums	1,759	2,760
Contributions, membership fees and other	644	932
Banking services and payment costs	285	430
Business travel expenses	447	266
Other costs	542	823
	6,481	**7,746**

11. OTHER OPERATING EXPENSES

in HRK '000

	2019	2018
Subsequently approved cassa sconto	2,611	4,197
Waste, breakage and breakdown of goods	701	624
Unamortized cost of depreciated assets	204	1,095
Entertainment and donation costs	548	614
Penalties, damages	369	66
Write-offs of uncollected receivables	44	-
Other business expenses	1,385	1,383
	5,862	**7,979**

The category "Other operating expenses" includes losses from the adjustment of the value of the basic herd, the costs of death and write-off of biological assets, the costs of allowable production deficits and other operating expenses.

12. FINANCIAL INCOME AND EXPENSES

Financial income

in HRK '000

	2019	2018
Positive exchange rate differences	300	1,989
Interest on loans granted	642	475
Default interest	302	67
Other financial income	268	91,396
	1,512	**93,927**

Financial expenses

in HRK '000

	2019	2018
Interest on loans, borrowings and leases	3,852	2,865
Realized losses on financial assets	3,830	-
Negative exchange rate differences	477	1,025
Discount interest on bills of exchange	461	399
Default interest	28	510
Other financial expenses	43	23
	8,692	**4,822**

Losses from the sale of financial assets relate to the sale of Klara shares.

13. INCOME TAX

Income tax recognized in profit or loss

Tax expense / (income) comprises the following:

in HRK '000

	2019	2018
Current tax expense	-	17
Deferred tax expense	-	997
Tax expense	-	**1,014**

Effective tax rate reconciliation

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

in HRK '000

	2019	2018
(Loss)/profit before taxation	(14,858)	84,954
Income tax at a rate of 18%	(2,170)	15,292
Tax effect of consolidation adjustments	-	-
Effect of non-taxable income	(6,065)	(13,543)
Effect of non-deductible expenses	926	4,847
Consolidation adjustment	8,395	(3,209)
Effect of unused tax losses and offsets not recognised as deferred tax assets	(582)	(3,370)
Income tax expense recognised in profit or loss (relating to continuing operations)	-	**17**
Effective tax rate	-	**0.03%**

Deferred tax assets and deferred tax liabilities

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

in HRK '000

	2019	2018
Deferred tax assets	1,103	1,103
Deferred tax liability	(12,002)	(12,661)
	(10,972)	**(11,558)**

Analysis of deferred tax assets reported in the Consolidated Statement of Financial Position:

in HRK '000

	31 Dec 2019	31 Dec 2018
Balance at 1 January	1,103	2,100
Reversal of deferred tax assets	-	(997)
	1,103	**1,103**

13. INCOME TAX (CONTINUED)

Deferred tay assets arise from:

in HRK '000

2019	Opening balance	Recognised in the statement of comprehensive income	Closing balance
Tax loss	6,128	-	6,128
Deferred tax losses	**1,103**	**-**	**1,103**

Unsued tax losses

In accordance with tax regulations, the Group had transferable tax losses in the amount of HRK 76,952 thousand as at 31 December 2019 (as at 31 December 2018, it had transferable tax losses in the amount of HRK 50,069 thousand). These tax losses are transferable 5 years in advance from the year of the tax loss.

Deferred tax assets are recognized only to the extent of the tax losses that are expected to be utilized in future periods.

Deferrted tax liabilities arise from:

in HRK '000

2019	Opening balance	Retained earnings	Closing balance
Revaluation depreciation	12,661	(659)	12,002
Deferred tax liability	**12,661**	**(659)**	**12,002**

in HRK '000

2018	Opening balance	Retained earnings	Closing balance
Revaluation depreciation	13,196	(535)	12,661
Deferred tax liability	**13,196**	**(535)**	**12,661**

Movement in deferred tax liability

in HRK '000

	31 Dec 2019	31 Dec 2018
Balance at 1 January	12,661	13,196
Decrease	(659)	(535)
	12,002	**12,661**

Under Croatian regulations, the Tax Administration may at any time audit the books and records of a Croatian company in a period of three years following the year in which the tax liability is declared and impose additional taxes and penalties. Management of the Group is not aware of any circumstances which may give rise to a potential material liability in this respect.

14. INTANGIBLE ASSETS

in HRK '000

	Trademarks, concessions, licenses, goods and services brands	Customer list	Software and other rights	TOTAL
Purchase value				
Balance on 1 Jan 2019	**120,000**	**10,000**	**4,317**	**134,317**
Additions	-	-	135	**135**
Sale of a subsidiary	-	-	(140)	**(140)**
Balance on 31 Dec 2019	**120,000**	**10,000**	**4,312**	**134,312**
Value adjustment				
Balance on 1 Jan 2019	-	**7,636**	**3,864**	**11,500**
Depreciation	-	1,666	390	**2,055**
Sale of a subsidiary	-	-	(120)	**(120)**
Balance on 31 Dec 2019	-	**9,301**	**4,134**	**13,435**
Carrying value 1 Jan 2019	**120,000**	**2,364**	**453**	**122,817**
Carrying value 31 Dec 2019	**120,000**	**698**	**178**	**120,876**

Intangible assets in the amount of HRK 120,000 thousand (2018: HRK 120,000 thousand) are pledged as collateral for the Group's credit liabilities (Note 26).

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2019

14. INTANGIBLE ASSETS (CONTINUED)

Movement of intangible assets during 2018

	Trademarks, concessions, licenses, goods and services brands	Customer list	Software and other rights	TOTAL
Purchase value				
Balance on 1 Jan 2018	120,000	10,000	4,136	**134,136**
Additions	-	-	135	**135**
Reclassification	-	-	46	**46**
Balance on 31 Dec 2018	**120,000**	**10,000**	**4,317**	134,317
Value adjustment				
Balance on 1 Jan 2018	-	5,967	3,399	**9,369**
Depreciation expense	-	1,666	419	**2,085**
Sale / write-off	-	-	46	**46**
Balance on 31 Dec 2018	-	**7,633**	**3,864**	**11,500**
Carrying value 1 Jan 2018	**120,000**	**4,030**	**737**	**124,767**
Carrying value 31 Dec 2018	**120,000**	**2,364**	**453**	**122,817**

15. ASSETS WITH RIGHT TO USE AND LEASE LIABILITY

(a) Assets with right to use

in HRK '000

	Land	Vehicles	Equipment	TOTAL
1 Jan 2019	**2,377**	**349**	**4,029**	**6,756**
Increase	-	-	357	357
Depreciation	(57)	(124)	(517)	(698)
Balance 31 Dec 2019	**2,320**	**225**	**3,869**	**6,415**

(b) Lease liability

in HRK '000

	Land	Vehicles	Equipment	Total
1 Jan 2019	**2,377**	**319**	**1.915**	**4,612**
Increase	-	-	357	357
Lease payment	(23)	(100)	(612)	(735)
Interest expense	(95)	(10)	(54)	(159)
Exchange rate differences	-	-	5	5
Balance 31 Dec 2019	**2,259**	**209**	**1,611**	**4,079**

in HRK '000

	31 Dec 2019	1 Jan 2019
Long term liability	**4,079**	**4,612**
(Current maturita)	(682)	(854)
Lease liability	**3,397**	**3,758**

Maturity overview as follows

in HRK '000

	31 Dec 2019	2020	2021	2022	2023	od 2024
Operating lease	3,781	466	432	366	257	2,260
Financial lease	298	216	82	-	-	-
	4,079	**682**	**514**	**366**	**257**	**2,260**

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2019

16. PROPERTY, PLANT AND EQUIPMENT

Movement of property plant and equipment in 2019

in HRK '000

	Land	Buildings	Palnt and equipment	Tools, inventory and vehicles	Biological assets	Advances for tangible assets	Other tangible assets	Assets under construction	Investment property	TOTAL
Purchase cost or revaluation										
Balance at 31 Dec 2019	**23,643**	**356,373**	**217,058**	**13,979**	**14,990**	**402**	**183**	**11,014**	**5,047**	**642,689**
Adjustment with IFRS 16 on 1 Jan 2019	-	-	(3,377)	-	-	-	-	-	-	(3,377)
Balance at 1 Jan 2019	**23,643**	**356,373**	**213,681**	**13,979**	**14,990**	**402**	**183**	**11,014**	**5,047**	**639,312**
Purchase	-	**1,173**	**2,209**	**352**	**959**	**162**	**29**	**6,581**	-	**11,141**
Transfer from assets under construction	-	1,809	2,543	577	-	-	-	(4,929)	-	-
Natural growth	-	-	-	-	3,284	-	-	-	-	**3,284**
Sale	(471)	(4,659)	(65)	(172)	(1,877)	-	-	-	-	**(7,244)**
Sale of subsidiary	(9,348)	(74,790)	(25,316)	(4,711)	(7,013)	(240)	-	(950)	-	**(122,368)**
Write offs	-	-	(854)	(8)	(1,291)	-	-	-	-	**(2,153)**
Balance at 31 Dec 2019	**13,824**	**279,906**	**192,198**	**10,017**	**9,052**	-	**212**	**11,716**	**5,047**	**521,972**
Impairment										
Balance at 31 Dec 2019	-	**141,584**	**169,147**	**11,749**	**5,051**	-	**103**	-	-	**327,633**
Adjustment with IFRS 16 on 1 Jan 2019	-	-	(495)	-	-	-	-	-	-	(495)
Balance at 1 Jan 2019	-	**141,584**	**168,652**	**11,749**	**5,051**	-	**103**	-	-	**327,138**
Depreciation	-	6,487	11,393	1,136	1,311	-	16	-	-	20,343
Sale	-	(813)	(65)	(85)	(890)	-	-	-	-	(1,853)
Sale of subsidiary	-	(22,562)	(18,639)	(3,884)	(2,095)	-	-	-	-	(47,180)
Write offs	-	-	(847)	(9)	(562)	-	-	-	-	(1,418)
Revaluation depreciation	-	2,519	1,442	31	-	-	-	-	-	3,992
Balance at 31 Dec 2019	-	**127,215**	**161,936**	**8,938**	**2,815**	-	**119**	-	-	**301,022**
Carrying value at 31 Dec 2018	**23,643**	**214,789**	**47,912**	**2,230**	**9,939**	**402**	**80**	**11,014**	**5,047**	**315,056**
Carrying value at 1 Jan 2019	**23,643**	**214,789**	**45,029**	**2,230**	**9,939**	**402**	**80**	**11,014**	**5,047**	**312,174**
Carrying value at 31 Dec 2019	**13,824**	**152,691**	**30,262**	**1,079**	**6,237**	-	**93**	**11,716**	**5,047**	**220,949**

Tangible assets in the amount of HRK 162,767 thousand (2018: HRK 214,128 thousand) are pledged as collateral for the Group's loan liabilities (note 26).

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2019

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Movement of property plant and equipment in 2019

in HRK '000

	Land	Buildings	Palnt and equipment	Tools, inventory and vehicles	Biological assets	Advances for tangible assets	Other tangible assets	Assets under construction	Investment property	TOTAL
Cost or revaluation										
Balance at 1 January 2018	**23,610**	**354,203**	**212,504**	**13,421**	**15,859**	**355**	**183**	**10,437**	**432**	**631,004**
Additions	33	222	1,396	569	-	162	-	7,315	4,615	**14,312**
Transfer	-	1,947	4,350	204	308	-	-	(6,810)	-	-
Natural increase	-	-	-	-	4,083	-	-	-	-	**4,083**
Reclassification	-	-	-	43	-	(115)	-	72	-	-
Disposals	-	-	(906)	(255)	(2,416)	-	-	-	-	**(3,577)**
Write-off	-	-	(285)	(4)	(2,845)	-	-	-	-	**(3,134)**
Balance at 31 December 2018	**23,643**	**356,373**	**217,058**	**13,979**	**14,990**	**402**	**183**	**11,014**	**5,047**	**642,689**
Impairment allowance										
Balance at 1 January 2018	-	**130,878**	**155,561**	**10,503**	**5,748**	-	**102**	-	-	**302,792**
Depreciation and amortisation	-	8,199	12,913	1,469	1,938	-	1	-	-	**24,521**
Disposals	-	-	(508)	(250)	(1,215)	-	-	-	-	**(1,973)**
Write-off	-	-	(260)	(4)	(1,421)	-	-	-	-	**(1,685)**
Revaluation depreciation	-	2,506	1,442	30	-	-	-	-	-	**3,979**
Balance at 31 December 2018	-	**141,584**	**169,147**	**11,749**	**5,051**	-	**103**	-	-	**327,633**
Carrying value at 1 Jan 2018	**23,610**	**223,325**	**56,943**	**2,918**	**10,111**	**355**	**81**	**10,437**	**432**	**328,212**
Carrying value at 31 Dec 2018	**23,643**	**214,789**	**47,912**	**2,230**	**9,939**	**402**	**80**	**11,014**	**5,047**	**315,056**

17. NON-CURRENT FINANCIAL ASSETS

(a) Share in far value at profit or loss

in HRK '000

	31 Dec 2019	31 Dec 2018
Zagrebačke pekarne Klara d.d., Zagreb	494	9,323
Prehrana trgovina d.d., Zagreb	536	536
Poljoprivredna zajednica Zabara	-	10
Žitozajednica d.o.o., Zagreb	1	1
	1,031	**9,870**

Share in equity

	31 Dec 2019	31 Dec 2018
Zagrebačke pekarne Klara d.d., Zagreb	0.99%	18.25%
Prehrana trgovina d.d. , Zagreb	11.48%	11.48%
Poljoprivredna zajednica Zabara	12.75%	12.75%
Žitozajednica d.o.o. , Zagreb	2.08%	2.08%

(b) Loans granted, deposits and similar

in HRK '000

	31 Dec 2019	31 Dec 2018
Loans to natural persons	146	193
Deposits	76	109
	222	**302**

The movement of long - term loans during the year is shown within note 20.

18. INVENTORIES

in HRK '000

	31 Dec 2019	31 Dec 2018
Raw materials	21,625	21,261
Merchandise	13,432	6,531
final products	9,184	33,876
Production in progress	2,097	6,808
Advances for inventories	-	39
	46,338	**68,515**

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

a) Trade receivables and receivables from related parties

in HRK '000

	31 Dec 2019	31 Dec 2018
Customers in the country	93,126	111,660
Receivables from subcontractors	6,081	6,990
Customers abroad	14,877	16,532
Expected credit losses	(35,199)	(39,745)
	78,884	**95,436**

Receivables from subcontractors refer to commodity loans in raw materials for sowing given to farmers who are at the same time suppliers of raw materials for production and trade goods.

Expected credit losses on trade receivables

in HRK '000

	2019	2018
Balance on 1 Jan.	39,745	39,645
Increase in expected credit losses	-	3,127
Write-off of corrected receivables	(71)	(1,250)
Collection of value-adjusted receivables and receivables from subcontractors	(593)	(1,776)
Sale of a subsidiary	(3,882)	-
Balance on 31 Dec	**35,199**	**39,745**

The age analysis of overdue receivables from customers for which no impairment was performed is shown in the following table:

in HRK '000

	31 Dec 2019	31 Dec 2018
Not yet due	50,317	60,531
0-90 days past due	16,539	16,345
91-180 days past due	1,560	3,245
181-360 days past due	1,052	1,627
> 360 days	9,416	13,688
	78,884	**95,436**

The Group carried out a test of impairment of all receivables from customers and receivables from subcontractors and estimated that receivables from customers and subcontractors as at 31 December 2018 were reported in the age of 360 days, are collectible.

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

b) Receivables from state and other institutions

in HRK '000

	31 Dec 2019	31 Dec 2018
VAT receivables	2,352	280
Grant and subsidies receivables	1,123	4,234
Profit tax advances	110	641
Other receivables from the state and other institutions	151	532
	3,736	**5,687**

c) Other receivables

in HRK '000

	31 Dec 2019	31 Dec 2018
Receivables under recourse factoring	16,571	16,571
Advances given	5,200	9,837
Interest receivables	1,016	1,611
Receivables from insurance companies	1,638	1,518
Receivables from assignments and compensation	-	1,348
Other receivables	114	234
	24,539	**31,120**

Receivables from recourse factoring in the amount of HRK 16,571 thousand (2018: HRK 16,571 thousand) relate to receivables based on bills of exchange with recourse rights, discounted with factoring companies. More details shown in note 27.

20. CURRENT FINANCIAL ASSETS

a) Investemnt in securities

in HRK '000

	31 Dec 2019	31 Dec 2018
Investment in bills of exchange	150	178
	150	**178**

b) Given loans, deposits and similar

in HRK '000

	31 Dec 2019	31 Dec 2018
Loans to legal entities	15,613	21,573
Short - term loans granted to natural persons	48	532
Deposits	1,013	45
Loans, deposits and similar	**16,674**	**22,150**
Loans given to related parties	**10,191**	**10,191**
	26,865	**32,519**

20. CURRENT FINANCIAL ASSETS (CONTINUED)

Movement of receivables from granted loans in 2019

in HRK '000

	1 Jan 2019	Increase in given loans	Sale of Subsidiary	Collection of given loabns	Transfer from long to short term and vice versa	Exchange rate differences	31 Dec 2019
Given long-term loans							
Given long-term loans to natural persons	**193**	-	-	-	(48)	1	**146**
Total long-term loans	**193**	-	-	-	**(48)**	**1**	**146**
Given loans to related parties	**10,191**	-	-	-	-	-	**10,191**
Given loans to companies	**21,573**	24,108	(5,860)	(24,208)	-	-	**15,613**
Given loans to natural persons	**532**	-	(369)	(163)	48	-	**48**
Total short-term loans	**32,296**	**24,108**	**(6,229)**	**(24,371)**	**48**	-	**25,582**
TOTAL	**32,489**	**24,108**	**(6,229)**	**(24,371)**	-	**1**	**25,998**

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2019

20. CURRENT FINANCIAL ASSETS (CONTINUED)

Movement of receivables from granted loans in 2018

in HRK '000

	1 Jan 2018	Increase in given loans	Collection of given loabns	Transfer from long to short term and vice versa	Exchange rate differences	31 Dec 2018
Given long-term loans						
Given long-term loans to natural persons	**259**	-	-	(64)	(2)	**193**
Total long-term loans	**259**	**-**	**-**	**(64)**	**(2)**	**193**
Given loans to related parties	**14,676**	-	(4,485)	-	-	**10,191**
Given loans to companies	**12,913**	15,977	(7,317)	-	-	**21,573**
Given loans to natural persons	**531**	10	(73)	64	-	**532**
Total short-term loans	**28,120**	**15,987**	**(11,875)**	**64**	**-**	**32,296**
TOTAL	**28,379**	**15,987**	**(11,875)**	**-**	**(2)**	**32,489**

21. CASH AND CASH EQUIVALENTS

in HRK '000

	31 Dec 2019	31 Dec 2018
Bank accounts – domestic currency	3,130	9,354
Bank accounts – foreign currency	166	984
Cash in hand	2	2
	3,298	**10,340**

22. PREPAID EXPENSES AND ACCRUED INCOME

in HRK '000

	31 Dec 2019	31 Dec 2018
Prepaid expenses	399	667
	399	**667**

Movement in prepaid expenses was as follows

in HRK '000

	2019	2018
Balance at 1 January	**667**	**1,279**
Increase in prepaid expenses	-	-
Decrease in prepaid expenses	(278)	(612)
Balance at 31 December	**399**	**667**

23. EQUITY AND RESERVES

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

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

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

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

Pursuant to the decision of the Company shareholders dated 2 September 2014, the share capital was increased by an additional contribution of HRK 7,016,430.00 from HRK 12,000,000.00 to HRK 19,016,430.00. Based on a public invitation to the subscription of the new shares, the share capital was increased by cash contributions made based on an issue of 701,643 new non-materialised shares in the nominal amount of HRK 10 per share at a single final issue price per share of HRK 134.00. The Company made a public invitation to subscribe minimum 671,642 up to maximum 789,157 new shares. The share subscription took place in the period from 25 to 27 November 2014.

As of 31 December 2018, the Company's subscribed capital, as registered in the court registry, amounts to HRK 19,016,430. The total number of shares is 1,901,643, and the nominal value per share amounts to HRK 10. The result of the sale of shares through the public offering is also capital gain, which, minus the recapitalization costs, amounted to HRK 84,196 thousand as at 31 December 2018.

23. EQUITY AND RESERVES (CONTINUED)

The ownership structure of the share capital at 31 December 2019 is presented below, with the largest 10 shareholders holding 96,26% of the shares at that date:

	31 Dec 2018		31 Dec 2018	
	Number of shares (in thousands)	Ownership %	Number of shares (in thousands)	Ownership %
Filipović Hrvoje	1,105	58.11%	1,105	58.11%
HOK - osiguranje d.d.	379	19.90%	379	19.90%
Societe Generale-Splitska banka d.d./Erste plavi OMF kategorija B	149	7.83%	149	7.83%
C.I.M Banque	100	5.26%	100	5.26%
Auctus j.d.o.o.	38	2.00%	38	2.00%
Capturis d.o.o.	25	1.31%	25	1.31%
Addiko bank d.d.	14	0.74%	-	-
Addiko bank d.d./ SZAIF d.d.	9	0.47%	9	0.47%
HPB d.d./ HPB global - OIF s javnom ponudom	-	-	7	0.37%
OTP banka d.d./KD Victoria fond	7	0.37%	7	0.37%
Primorska banka d.d. Rijeka u likvidaciji	5	0.26%	5	0.26%
Other	71	3.75%	78	4.10%
	1,902	**100.00%**	**1,902**	**100.00%**

24. NON-CONTROLLING INTEREST

in HRK '000

	2019	2018
Balance at 1 January	**60,437**	**58,359**
Decrease in retained earnings of non-controlling interests	(34,246)	-
Increase in retained earnings of non-controlling interests	1,102	2,078
Balance at 31 December	**27,293**	**60,437**

25. LIABILITIES FOR LOANS, DEPOSITS AND SIMILAR

	Opening balance 1 Jan 2019	Increase in loan liabilities	Repayment of loan principle	Transfer from long to short term and vice versa	Closing balance 31 Dec 2019
Long term liabilkities					
Liabilities for loans to trading companies	-	163,061	-	3,494	159,567
Total long term loans	-	**163,061**	-	**3,494**	**159,567**
Short term liabilkities					
Liabilities for loans to trading companies	-	-	-	3,494	3,494
Total short term loans	-	-	-	**3,494**	**3,494**
TOTAL	-	**163,061**	-	-	**163,061**

26. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

in HRK '000

	31 Dec 2019	31 Dec 2018
Non-current liabilities		
Bank loans	133,829	383,932
Financial leasing	-	1,342
	133,829	**385,274**
Current liabilities		
Bank loans	9,632	29,185
Financial leasing	-	1,350
	9,632	**30,536**
	143,461	**415,810**

Summary of borrowing arrangements

Long-term liabilities to credit institutions are related to loans from commercial banks and loans from IPARD, SAPA and IBRD programmes.

Long-term loans are granted in euro and Croatian kuna. Part of these loans relates to the financing of reconstruction and modernization of production facilities for the production of cheese and for financing permanent working assets.

The value of assets secured by a mortgage to credit borrowings from banks as at 31 December 2019 amounted to HRK 325,525 thousand (as at 31 December 2018: HRK 398,895 thousand) which refer to:

Mortgages Granolio d.d., Zagreb:

1. Tangible assets: HRK 107,860 thousand (2018: HRK 112,155 thousand)
2. Intangible assets: HRK 120,000 thousand (2018: HRK 120,000 thousand)
3. Shares in Zdenka: HRK 42,767 thousand (2018: shares in Zdenka and Žitar HRK 64,767 thousand)

Total value of mortgaged assets: HRK 270,627 thousand (2018: HRK 296,922 thousand)

Zdenka - mliječni proizvodi d.o.o., Veliki Zdenci- value of tangible assets encumbered by mortgage: HRK 26,707 thousand (2018: HRK 31,879 thousand)

Zdenačka farma d.o.o .. - value of tangible assets encumbered by mortgage: HRK 28,201 thousand (2018: HRK 28,864 thousand).

Žitar d.o.o. - HRK 0 (2018: HRK 41,230 thousand)

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

Movement of liabilities to banks and other financial institutions in 2019

in HRK '000

	Opening balance 31 Dec 2018	Adjustment for IFRS 16 on 01 Jan 2019	Sale of subsidiary	Increase in loan liabilities	Repayment of loan principle	Transfer from long to short term and vice versa	Exchange rate differences	Closing balance 31 Dec 2019
Long-term loans								
Long-term bank loans	383,932	-	(27,588)	(205,663)	(7,260)	(9,623)	31	133,829
Long-term finance lease liabilities	1,342	(297)	(1,045)	-	-	-	-	-
Total long-term loans	385,274	(297)	(28,633)	(205,663)	(7,260)	(9,623)	31	133,829
Short-term loans								
Short-term bank loans	29,185	-	(20,308)	-	(8,872)	9,623	4	9,632
Short-term portion of lease contracts	1,350	(458)	(892)	-	-	-		-
Total short-term loans	30,536	(458)	(21,200)	-	(8,872)	9,623	4	9,632
TOTAL	**415,810**	**(755)**	**(49,833)**	**(205,663)**	**(16,132)**	**-**	**35**	**143,461**

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

Movement of liabilities to banks and other financial institutions in 2018

in HRK '000

	Opening balance 1 Jan 2018	Increase in loan liabilities	Repayment of loan principle	Write-off through pre-bancrupcy settlement	Transfer from long to short term and vice versa	Exchange rate differences	Closing balance 31 Dec 2018
Long-term loans							
Long-term bank loans	69,252	-	-	-	315,292	(613)	383,932
Long-term finance lease liabilities	2,624	-	-	-	(1,255)	(27)	1,342
Total long-term loans	**71,876**	-	-	-	**314,037**	**(640)**	**385,274**
Short-term loans							
Short-term bank loans	364,943	9,593	(17,660)	(11,963)	(315,292)	(436)	29,185
Short-term portion of lease contracts	1,567	-	(1,470)	-	1,255	(2)	1,350
Total short-term loans	366,511	9,593	(19,130)	(11,963)	(314,037)	(438)	30,536
TOTAL	**438,387**	**9,593**	**(19,130)**	**(11,963)**	-	**1,078**	**415,810**

Maturity of bank loans

in HRK '000

	31 Dec 2019	2020	2021	2022	2023	from 2024
Domestic banks	143,461	9,632	12,202	12,202	12,202	97,222
	143,461	**9,632**	**12,202**	**12,202**	**12,202**	**97,222**

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

Loan balance in foreign currency (EUR) is as follows:

	31 Dec 2019	31 Dec 2018
Granolio d.d., Zagreb	-	100
Žitar d.o.o., Donji Miholjac	-	5,112
Zdenka-mliječni proizvodi d.o.o., Veliki Zdenci	1,623	2,384
Zdenačka farma d.o.o., Veliki Zdenci	-	1
	1,623	**7,597**

27. LIABILITIES UNDER SECURITIES

in HRK '000

	31 Dec 2019	31 Dec 2018
Long-term liabilities under securities	29,879	32,775
Short-term liabilities under securities	9,666	8,870
	39,545	**41,645**

Liabilities under securities refer to liabilities for bills of exchange to the companies Erste factoring d.o.o. (HRK 22,750 thousand) and CIM Bank (HRK 16,795 thousand).

Movement of liabilities by securities in 2019

	Opening balance 1 Jan 2019	Increase in liabilities under securities	Repay ment	Transfer from long to short term and vice versa	Closing balance 31 Dec 2019
Long term liabilities					
Liabilities under securities	32,775	-	-	(2,896)	29,879
Total long term liabilities under securities	**32,775**	**-**	**-**	**(2,896)**	**29,879**
Short term liabilities					
Liabilities under securities	8,870	-	(2,100)	2,896	9,666
Total short term liabilities under securities	**8,870**	**-**	**(2,100)**	**2,896**	**9,666**
TOTAL	**41,645**	**-**	**(2,100)**	**-**	**39,545**

27. LIABILITIES UNDER SECURITIES (CONTINUED)

Movement of liabilities by securities in 2019

	Opening balance 1 Jan 2018	Increase in liabilities	Transfer	Write-off of liabilities	Repayment	Transfer from long to short term and vice versa	Closing balance 31 Dec 2018
Long term liabilities							
Liabilities under securities	-		-	-	-	32,775	32,775
Total long term liabilities under securities	**-**		**-**	**-**	**-**	**32,775**	**32,775**
Short term liabilities							
Liabilities under securities	47,551	8,870	48,600	(52,275)	(11,100)	(32,775)	8,870
Total short term liabilities under securities	**47,551**	**8,870**	**48,600**	**(52,275)**	**(11,100)**	**(32,775)**	**8,870**
TOTAL	**47,551**	**8,870**	**48,600**	**(52,275)**	**(11,100)**	**-**	**41,645**

The transfer of liabilities under securities in 2018 in the amount of HRK 48,600 thousand relates to the transfer of liabilities under Erste factoring from other short-term liabilities to liabilities under securities in the amount of HRK 65,000 thousand and to the reduction of liabilities under securities and transfer to liabilities to suppliers in amounting to 16,400 THRK.

The maturity of the securities is shown as follows:

in HRK '000

	Balance at 31 Dec 2019	2020	2021	2022	2023	since 2024
Long term liabilities under securities	32,775	2,896	5,403	2,896	2,896	18,684
	32,775	2,896	5,403	2,896	2,896	18,684

28. LONG TERM TRADE PAYABLES

in HRK '000

	31 Dec 2019	31 Dec 2018
Domestic suppliers	32,843	47,024
Foreign suppliers	2,184	4,883
	35,027	**51,906**

Liabilities refer to liabilities to suppliers that will be paid according to the adopted pre-bankruptcy settlement from 2018. Liabilities mature in 48 equal monthly installments, starting in July 2019.

29. SHORT-TERM LIABILITIES

(a) Trade payables

in HRK '000

	31 Dec 2019	31 Dec 2018
Domestic suppliers	56,523	40,236
Foreign suppliers	9,766	7,933
Liabilities for non-invoced goods	-	193
	66,289	**48,362**

Ageing analysis of trade payables as at 31 December 2019:

in HRK '000

	31 Dec 2019	31 Dec 2018
Not yet due	44,924	28,298
0-90 days past due	17,920	14,785
91-180 days past due	2,006	2,089
181-360 days past due	433	975
> 360 days	1,002	2,215
	66,289	**48,362**

(b) Liabilities for taxes, contributions and similar

in HRK '000

	31 Dec 2019	31 Dec 2018
VAT payable	1,109	2,524
Taxes and contributions from and on salaries	1,046	1,152
Income tax payable	-	17
Customs duties payable	-	64
Other taxes and contributions payable	92	152
	2,247	**3,909**

(c) Other current liabilities

in HRK '000

	31 Dec 2019	31 Dec 2018
Other current liabilities	31	878
	31	**878**

30. ACCRUED EXPENSES AND DEFERRED INCOME

in HRK '000

	31 Dec 2019	31 Dec 2018
Deferred income	3,580	10,225
Accrued expenses	87	917
	3,667	**11,141**

30. ACCRUED EXPENSES AND DEFERRED INCOME (CONTINUED)

Movements in deferred income during the year were as follows:

in HRK '000

	2018	2018
Balance at 1 January	**10,225**	**12,612**
Movements during the year	(6,645)	(2,387)
Balance at 31 December	**3,580**	**10,225**

Movements in deferred income during the year were as follows:

in HRK '000

	2019	2018
Balance at 1 January	**917**	**768**
Movements during the year	(674)	149
Balance at 31 December	**243**	**917**

31. COMMITMENTS

As at 31 December 2019, the Group has liabilities under lease agreements in the total amount of HRK 427 thousand, which have not yet been realized or disclosed in the statement of financial position.

Contractual payment of obligations under contracted leases is shown as follows:

in HRK '000

	31 Dec 2019	2020	2021	2022	2023	od 2024
Leases	427	191	20	20	20	175

32. TRANSACTIONS WITH RELATED PARTIES

in HRK '000

	Assets		Liabilities	
31 Dec 2019	**Trade and other receivables**	**Loans given**	**Long-term liabilities**	**Short-term liabilities**
Stan arka d.o.o.	160	4,430	-	-
Key management	620	5,761	10,000	
	780	**10,191**	**10,000**	**-**

in HRK '000

	Assets		Liabilities	
31 Dec 2018	**Trade and other receivables**	**Loans given**	**Long-term liabilities**	**Short-term liabilities**
Stan arka d.o.o.	160	4,430	-	-
Key management	505	5,761	-	-
	665	**10,191**	**-**	**-**

The key management of the Group consists of members of the Management Board of Granolio d.d. and directors of subsidiaries.

Fees paid to key management during 2019 amount to HRK 1,866 thousand (in 2018: HRK 1,423 thousand).

During 2019, HRK 170 thousand of remuneration was paid to the members of the Supervisory Board (in 2018: HRK 175 thousand).

Income and expenses for the years ended 31 December 2019 and 31 December 2018, arising from transactions with related parties, were as follows:

in HRK '000

	2019		2018	
	Income	**Expenses**	**Income**	**Expenses**
Stan arka d.o.o.	-	-	-	-
Key management	115	-	174	-
	115	**-**	**174**	**-**

33. EARNINGS PER SHARE

	31. Dec 2019	31 Dec 2018
Profit/(loss) attributable to the Group	**(15,301)**	**81,861**
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	1,901,643	1,901,643
(Loss)/earnings per share (in HRK and lp)	**(8,05)**	**43,05**

34. RISK MANAGEMENT

34.1. Financial risks

Equity risk management

Net debt-to-equity (Gearing ratio)

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

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

		in HRK '000
	31 Dec 2019	**31 Dec 2018**
Debt (long-term and short-term loans and liabilities for securities)	349,067	454,774
Lease liabilities (long-term and short-term)	4,080	2,692
Cash and cash equivalents	(3,298)	(10,340)
Net debt	**349,849**	**447,126**
Equity	46,407	104,806
Debt to equity ratio	**754%**	**427%**

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

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

Categories of the Company's financial instruments

		in HRK
	31 Dec 2019	**31 Dec 2018**
Financial assets		
Cash	3,298	10,340
Loans and receivables	131,059	160,045
Financial liabilities held at depreciated cost:		
Liabilities under loans and securities	183,006	457,455
Trade payables	101,316	100,268
Loan liabilities	166,061	11
Lease liabilities	4,079	0
Other liabilities	20,502	15,001

Financial risk management objectives

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

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

34. RISK MANAGEMENT (CONTINUED)

34.1. Financial risks (continued)

Price risk management

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

Currency risk

The Group is exposed to the risk of changes in foreign exchange rates. The exchange rate risk arises from the portion of the Group's loan debt tied to the movements in the exchange rate of the Croatian kuna (HRK) against the euro (EUR). Significant fluctuations in the HRK/EUR exchange rate could affect the value of the Group's foreign-currency denominated assets and liabilities. In addition, according to the 2019 data, the Group generates around 16.2% of its total revenue on foreign markets and in euros, which is another aspect of the Group's performance being subject to the fluctuations in the EUR/HRK exchange rate.

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

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

in original currency in '000

	Assets		Liabilities	
	31 Dec 2019	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
European Union (EUR)	1,875	2,035	4,816	8,573

Foreign currency sensitivity analysis

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

For a 5 % weakening of the HRK against the relevant currency, there would be an equal and opposite impact on the profit or equity, and the balances below would be negative. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for the 10-percent change in the relevant foreign exchange rate. A positive number below indicates an increase in profit or equity where the HRK increases by 5% against the relevant currency. For a 5% decrease in the HRK against the relevant currency, there would be an equal and opposite impact on the profit or equity, and the balances below would be negative.

in HRK '000

	Increase/decrease in exchange rate	**Effect on profit before tax**
2019		
EUR	+5%	(1,094)
	-5%	1,094
2018		
EUR	+5%	2,425
	-5%	(2,425)

34. RISK MANAGEMENT (CONTINUED)

34.1. Financial risks (continued)

Credit risk

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

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

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

In the course of its operations, the Group enters into factoring contracts and/or discounted bills with factoring houses. The ultimate risk arising from the recoverability of the debt from the principal debtor is borne by the Group. At the reporting date, the contingent liabilities of the Group arising from factoring deals with recourse amount to HRK 22.7 million and arose from business operations with Agrokor, which is undergoing a restructuring and business model change.

The Group can not provide any guarantees that the monitoring of the financial condition of customers, measurement of the control of the collection or collateral will be effective and that the eventual possible credit risk will not affect on operational and financial condition of the Group as neither that the balance of commodity loans with problems in repayment will increase.

Interest rate risk

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

Due to the fact that the Group uses loans with fixed and variable interest rates, it is exposed to the risk of changes in interest rates. Most loans are nevertheless contracted with fixed interest rates (as a result of the parent company's pre-bankruptcy settlement).

The sensitivity analysis below is based on the risk of changes in interest rates at the date of the statement of financial position. For variable-rate debt, the analysis is prepared assuming the amount of the liability outstanding at the date of the statement of financial position was outstanding for the whole year. If the interest rates would change by 0.5 percent, and all other variables remained constant, there would be a change in the interest expense of the Group in the amount of HRK 1 thousand at 31 December 2019 (2018: HRK 227 thousand). The increased level of long-term debt at variable rates increases the impact of a potential change in the interest rates on the Group's profit.

34. RISK MANAGEMENT (CONTINUED)

34.1. Financial risks (continued)

Liquidity risk

There is a risk that the Group may not be able to meet all of its obligations as they fall due, which may be caused by inadequate level of recoverability of amounts owed by customers, inappropriately matched maturities of the debt, or the inability to obtain loans from financial institutions. In order to reduce the liquidity risk, the Group applies on-going measures to recover its receivables and monitor the liquidity of its customers, seeks to optimise the maturity structure of the debt and obtain lines of credit available to it at financial institutions to be able to continue servicing its debt in unforeseen circumstances.

However, the Group cannot provide any assurance that its liquidity management will be efficient and that the potential liquidity risk will not have a significant impact on its performance and financial condition.

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

	Weighted average effective interest rate %	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 Dec 2019							
Non-interest bearing		43,888	16,538	12,769	35,002	-	108,197
Interest bearing		1,392	2,036	15,434	86,733	262,298	367,893
		45,280	**18,574**	**28,203**	**121,735**	**262,298**	**476,090**
31 Dec 2018							
Non-interest bearing		26,016	16,150	9,439	52,924	3,211	107,740
Interest bearing	2.14%	3,182	5,696	26,704	110,038	319,374	464,995
		29,198	**21,846**	**36,143**	**162,962**	**322,585**	**572,735**

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

	Weighted average effective interest rate %	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 Dec 2019							
Non-interest bearing		43,469	21,033	22,854	18,509	56	105,921
Interest bearing		5	10	1,091	15,846	51	17,003
		43,474	**21,043**	**23,945**	**34,355**	**107**	**122,924**
31 Dec 2018							
Non-interest bearing		55,119	20,725	92,145	17,116	11	160,469
Interest bearing	4.88%	2,129	3,763	3,203	508	164	9,767
		57,247	**24,488**	**95,348**	**17,624**	**175**	**170,236**

36. RISK MANAGEMENT (CONTINUED)

36.1. Financial risks (continued)

Fair value measurement

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

Financial assets and financial liabilities	**Fair value on the day**		**Fair value level**	**Valuation method and main input**	**Relevant unavailable input**	**Unavailable input in relation to fair value**
Shares and stakes in private equity companies (note 16)	31 Dec 2019 1% in shares of Zagrebačka pekarna Klara d.d. engaged in the industrial production of bread, pastries and other related food products - HRK 494 thousand; and 11.48% in shares of Prehrana trgovina d.d. engaged in trade - HRK 536 thousand	31 Dec 2018 18.25% in shares of Zagrebačka pekarna Klara d.d. engaged in the industrial production of bread, pastries and other related food products - HRK 9,323 thousand; and 11.48% in shares of Prehrana trgovina d.d. engaged in trade - HRK 536 thousand	Level 3	Income (profit) approach - the method of discounted cash flow is used to determine the present value of future economic benefits to be realized on the basis of ownership of the entities in which the investment is made	Long-term revenue growth rates determined according to management experience and knowledge of market conditions in the above economic segments, which amount to 3% (2018: 3%).	Shares and stakes in private equity companies (note 16)
					Long-term operating profit margins before tax determined based on management experience and knowledge of market conditions in the above economic segments, ranging from 8 to 11 percent.	A significant increase in operating profit margin before tax would, in isolation, lead to a significant increase in fair value.
					Average weighted cost of capital determined by the capital asset valuation model (CAPM) in the value of 12%	A slight increase in the weighted average cost of capital would, in isolation, lead to a significant decline in fair value.

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

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

34. RISK MANAGEMENT (CONTINUED)

34.2. Industry risks

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

Flour production

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

Dairy production

In purchasing raw milk for the purposes of dairy production, Zdenka - mliječni proizvodi relies to a large extent on a number of cooperative farmers, which exposes it to the risk of the input material not being of sufficient quality to produce premium-quality products or the risk that milk is not delivered in time or in sufficient quantity. The input quality risk is sought to be minimised using laboratories to perform microbiological tests of raw milk. In case of a market disturbance due to the lack of raw material or its increasing prices, the Group is capable to redirect the milk produced by Zdenačka Farma for Zdenka in a relatively short term and hence partly mitigate the risk. The lack of milk on the domestic market may also be compensated for by importing milk. However, because of the fierce competitive environment, Zdenka cannot protect itself from a potential increase in the milk market prices or provide assurance that any increase in the milk price will be successfully compensated for by higher prices of the end products.

In addition to raw milk, Zdenka also purchases inputs for processed cheese from several producers in the EU that meet high quality standards. The risk of the lack of input or cancellation of the contract by a supplier is currently not significant because the current level of offer exceeds the demand on the part of manufacturers, and Zdenka itself is able to launch its own production should the market experience a significant disturbance.

The risk of product spoilage is pronounced because dairy products fall within the category of products highly susceptible to deterioration. Zdenka seeks to minimise the risk by applying strict controls over the input, processing it in high-tech plants and maintaining high hygiene standards in its plants.

Market risk is a significant risk for Zdenka, as it arises mostly from purchases of cheap cheese from the EU. Therefore, in order to hedge its own margins, Zdenka focuses on the production and distribution of branded products which are also a component of Zdenka's value. Maintaining the image and values arising from the brand is key for a successful performance of Zdenka. Negative publicity, any legal measures or other factors could significantly impair the value of the brand and result in lower demand on the part of customers, as well as affect the current and future operations and financial position of Zdenka.

Livestock operations

In the milk production segment (Zdenačka farma) livestock morbidity and mortality are the prevailing risks. In order to prevent diseases and mortality, veterinary units have been established on the farms that carry out a continuous care of the livestock health condition. To be able to produce high-quality milk, optimum feeding standards and hygiene in milking operations and storage of raw milk are being observed. Mortality insurance has been arranged for all livestock.

There is also a risk that meat and milk produced may not meet the high quality standards. However, the risk is significantly reduced by applying high production quality standards, such as ISO and HACCP.

34. RISK MANAGEMENT (CONTINUED)

34.2. Industry risks (continued)

Crop operations

Crop production is exposed to unfavourable weather conditions (draught, floods, hail) which may lower the crop yield or impair its quality, or both, and in extreme cases result in completely devastated crops. Unfavourable weather affects the operations of Žitar which is engaged in crop operations, but also on cooperative farmers to whom the Group extends credits by offering seeds and intermediary products, which may ultimately reduce the farmers' ability to settle their commodity loan debt, as described in more detail in Note 30.1. Credit risk

The weather risk is sought to be mitigated by arranging crop insurance.

The Group also applies geographic diversification to mitigate the weather risk.

As in the case of livestock operations, the risk of crop morbidity may have a significant impact on the expected yield (which is sometimes higher than 30%). Therefore, according to the common practice, disease prevention activities are undertaken as the most cost-efficient and effective way of maintaining the expected yield levels.

In addition to diseases, damage caused to crops by a growing population of rodents becomes more difficult to manage because of the currently effective regulations (with increasing damage expected in the future).

Market risk

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

Input commodity and product delivery risks

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

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

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

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

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

In the dairy product segment, the risk of lack of raw material for the production of hot cheese is reasonable in the sense that there are enough bidders on the market and, in the case of a supplier's inability to supply, obtain raw material from another supplier in a relatively short time. Also, Zdenka has its own plant for the production of raw cheese for melted cheese and, if necessary, can produce the required amount of raw material itself.

34. RISK MANAGEMENT (CONTINUED)

34.2. Industry risks (continued)

Competition risk

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

The flour market is being increasingly concentrated, i.e. the total number of flour producers is decreasing (by integration or liquidation of small mills), with the aim to leverage from the economies of scale in order to reduce the unit production cost and strengthen the competitive position on the market. To this end, the Group acquired in 2014 the milling operations of Belje d.d., Darda, and PIK Vinkovci d.d. from the Agrokor Group. Following the full EU membership of Croatia, the Group is no longer exposed to domestic competitors only, which is why the need to improve the Group's competitiveness has been gaining on importance.

The Group estimates that the potential entry of new competitors into the domestic market of hot cheeses after the accession of the Republic of Croatia to the EU membership does not represent a significant risk to the business results, given the consumer habits and the longstanding presence of Zdenka on the domestic market, where it is competitive both at cost and quality.

34.3. Risks arising from the ordinary course of business

Key supplier and key customer concentration risk

The largest customers of the Group are leading retail chains on the market of the Republic of Croatia, and ADM Internationl (one of the leading cereal traders). Pursuant to the Business Cooperation Agreement concluded with Konzum d.d. on 2 May 2014, the shares of the Group's line of flour products in the the Konzum retail and wholesale networks has been defined according to the Group's market share. Consequently, the Group expects to have a largest future exposure to Konzum as the largest single counterparty, which also bears the risk of potential changes in the commercial relationship with the counterparty after the expiry of the Agreement.

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

The risk of owner change

The majority shareholder of the Group is Mr Hrvoje Filipović, who holds an ownership interest of 58.11%.

As the majority shareholder, Mr Hrvoje Filipović has the controlling influence over the shareholders of the Group, by means of the rights and powers pertaining to him as a Group shareholder. Mr Filipovic's share of the Group's ownership at the reporting date is 58.11%.

The majority share enables Mr Filipović to exercise his influence in all decisions made in a General Shareholders' Assembly.

No assurance can be provided that the influence of Mr Filipović, as the majority shareholder, will not have a significant effect on the performance and financial condition of the Group.

34. RISK MANAGEMENT (CONTINUED)

34.3. Risks arising from the ordinary course of business (continued)

Acquisition risk

The Group's strategy includes the expansion of operations, both through organic growth and acquisitions. Further implementation of the strategy will depend, among others, on identifying acquisition opportunities and their successful implementation. Future acquisitions may be scrutinised by the Competition Agency to identify any potential market concentration, which means that there is a risk of an acquisition to be found non-permissible or permissible under certain prerequisites.

The ability of the Group to efficiently integrate and manage the acquiree as well as to address adequately the future growth would depend on a number of factors, and a potential failure could have an adverse effect on the Group's performance and financial position. Major acquisitions as well as acquisitions outside the current markets of the Group are possible in the future. The Group has no experience in acquisitions outside its current markets, which could impact the success of an acquisition as well as the level of acquisition and integration costs. A large acquisition could prove to be much more difficult from the integration point of view as well as require significantly higher funds than any any acquisition performed in the past. Acquisitions beyond the Group's current markets could be a challenge also because of cultural and language barriers as well as from the aspect of integrating and managing the operations in territories much more remote from the ones on which the Group presently operates.

The Group cannot provide any assurance that it will be able to address properly all the risks of future acquisitions or integrations. As a result of an acquisition, the Group's evel f debt may increase, both through raising funds to finance the acquisition and through the assumption of the debt of the acquiree, which could considerably limit the level of debt the Group would be able to take on in the future. Any considerable increase in the Group's debt in connection with an acquisition could have a material impact on the Group's performance.

In undertaking any future acquisition and as part of the related acquisition analysis, the Group will have to make assumptions about expected cost savings and potential synergies to be achieved. Such estimates are uncertain and subject to a series of significant operational, economic and competition risks that might have a significant influence, as the actual results could differ from the initial estimates. The Group is faced with a risk of failure to achieve all or a part of savings and synergies envisaged at the beginning of an acquisition.

In addition, in an acquisition process, the Group usually assumes all the liabilities and acquires all assets of the acquiree. Although the Group performs acquisition due diligence and seeks to obtain adequate guarantees and assurance as to the value of assets and liabilities it will acquire, it cannot provide any assurance that it will be able to identify all actual and contingent liabilities in advance of the actual acquisition implementation. Acquisitions resulting in the Group assuming contingent liabilities without receiving adequate assurance or warranties could have a material impact on the performance and financial position of the Group.

Working capital risk

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

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

34. RISK MANAGEMENT (CONTINUED)

34.3. Risks arising from the ordinary course of business (continued)

Input commodity price risk

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

The Group seeks to mitigate the risk of changes in wheat prices by participating actively on futures markets.

Granolio has been managing the risks and input commodity purchase prices actively, by using various future trading techniques on global commodity markets, and without any pronounced open positions.

In the dairy product segment, raw milk prices may have a decisive impact on Zdenka's business result. In the event of a significant increase in the market prices of raw milk, it is possible to divert the production of the Zdenačke farme d.o.o. (Zdenačka farm currently does not supply Zdenka milk for commercial reasons only because it has a better selling price for milk from another customer) on the supply of Zdenka, if it is determined that it is in the interest of the entire Granolio Group.

Dependence on the management and key personnel

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

IT risks

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

34. RISK MANAGEMENT (CONTINUED)

34.3. Risks arising from the ordinary course of business (continued)

Antitrust and competition law non-compliance risk

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

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

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

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

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

Litigation risk

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

The risk of liabilities or losses not covered by insurance

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

34. RISK MANAGEMENT (CONTINUED)

34.4. General risks

Business environment risk

The business environment risk includes political, legal and macroeconomic risks prevailing in the business environment of the Group, which is primarily the Croatian market on which the Group generates almost 83.7% of its total revenue (2018: 87.2%), followed by the markets of Bosnia and Herzegovina, Italy, Serbia, Hungary and Slovenia. The Group can not provide any guarantee that the Croatian market where the Group realizes most of its revenues will continue with the successful implementation of political and economic reforms. Delays or failures in carrying them out could have an impact on the Group's business. The state budget savings and tax burden currently being implemented in the Republic of Croatia could result in slowing economic growth or reducing disposable income, which could affect both revenue and profitability of the Group.

The governments in power so far have introduced economic reforms to develop and stabilise free market economy by privatising state-owned companies, attracting foreign direct investments and implemented reforms required in the pre-accession stage. Despite the significant progress towards establishing a full market economy, reaching the level of infrastructure of West European countries will take several more years and additional investments. The Group cannot warrant that Croatia will fully implement the intended reforms or that the political environment will favour their implementation. In addition, the Group cannot warrant that the Government in power will not introduce new regulations, fiscal or monetary policies, including taxation, environmental and public procurement policy, an indemnity policy for nationalised property or a a new foreign exchange policy.

The legal framework of the Republic of Croatia is still evolving, which may give rise to a certain level of legal uncertainty. As a result, the Group may come into a position of not being able to succeed in exercising or protecting some of its rights.

The open issues Croatia has with its neighbors do not affect the political stability of the state but represent legitimate representation of the country's strategic and economic interests in international relations, as do all other developed states. As the Group's business is based on the market of the Republic of Croatia, the danger of the influence of other states in the environment is minimal.

34. RISK MANAGEMENT (CONTINUED)

34.4. General risks (continued)

Business environment risk

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

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

Risk of changes in legal framework

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

35. CONTINGENT LIABILITIES

On 31 December 2019 the Group has no contingent liabilities under guarantees or co-borrowings.

Litigation

There are no significant lawsuits against the Group. Consequently, the cost of provisions for litigation is not recognized.

36. EVENTS AFTER THE BALANCE SHEET DATE

In early 2020, a pandemic of the COVID-19 virus spread to the entire world. In addition to the health of the world's population, the pandemic will also have an impact on the global economy, the monetary and fiscal policy of individual countries, the movement of goods and services between countries and so on. The changes that the pandemic will cause in the coming time cannot be predicted or estimated at the moment.

As the Group operates within the food procesing industry, demand for the company's products is not expected to be lower, but the company's operations will certainly be affected by interest rate movements, fiscal policy, the company's purchasing power and so on. Notwithstanding the above, no material impact on the Group's financial statements is expected.

From January 2020, the Company started repaying part of its liabilities to financial institutions, and the other part will be paid from July 2020, in accordance with the pre-bankruptcy settlement.

37. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Management Board and authorized for issue on 29 June 2020

Signed on behalf of and for the Management Board:

Potpisali za i u ime Uprave:

Hrvoje Filipović dipl.oec.
President of the Management Board

Drago Šurina dipl.oec.
Member of the Management Bord

Vladimir Kalčić dipl.oec.
Member of the Management Bord

BALANCE SHEET
balance as at 31.12.2019.

in HRK

Submitter:Granolio d.d			
Item 1	ADP code 2	Last day of the preceding business year 3	At the reporting date of the current period 4
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	001	0	0
B) FIXED ASSETS (ADP 003+010+020+031+036)	002	449,163,043	350,595,810
I INTANGIBLE ASSETS (ADP 004 to 009)	003	122,816,990	127,290,194
1 Research and development	004	0	0
2 Concessions, patents, licences, trademarks, software and other rights	005	120,452,823	126,592,028
3 Goodwill	006	0	0
4 Advance payments for purchase of intangible assets	007	0	0
5 Intangible assets in preparation	008	0	0
6 Other intangible assets	009	2,364,167	698,166
II TANGIBLE ASSETS (ADP 011 to 019)	010	315,055,569	220,950,334
1 Land	011	23,643,099	13,824,219
2 Buildings	012	214,789,139	152,690,506
3 Plant and equipment	013	47,911,643	30,262,269
4 Tools, working inventory and transportation assets	014	2,230,274	1,080,047
5 Biological assets	015	9,939,064	6,237,106
6 Advance payments for purchase of tangible assets	016	401,922	0
7 Tangible assets in preparation	017	11,013,777	11,715,891
8 Other tangible assets	018	79,651	93,296
9 Investment property	019	5,047,000	5,047,000
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	020	10,172,484	1,252,282
1 Investments in holdings (shares) of undertakings within the group	021	0	0
2 Investments in other securities of undertakings within the group	022	0	0
3 Loans, deposits, etc. to undertakings within the group	023	0	0
4 Investments in holdings (shares) of companies linked by virtue of participating interest	024	0	0
5 Investment in other securities of companies linked by virtue of participating interest	025	0	0
6 Loans, deposits etc. given to companies linked by virtue of participating interest	026	0	0
7 Investments in securities	027	0	0
8 Loans, deposits, etc. given	028	302,114	221,945
9 Other investments accounted for using the equity method	029	0	0
10 Other fixed financial assets	030	9,870,370	1,030,337
IV RECEIVABLES (ADP 032 to 035)	031	15,000	0
1 Receivables from undertakings within the group	032	0	0
2 Receivables from companies linked by virtue of participating interests	033	0	0
3 Customer receivables	034	0	0
4 Other receivables	035	15,000	0
V. Deferred tax assets	036	1,103,000	1,103,000
C) CURRENT ASSETS (ADP 038+046+053+063)	037	244,282,874	184,625,158
I INVENTORIES (ADP 039 to 045)	038	68,515,150	46,337,925
1 Raw materials	039	21,261,304	21,625,009
2 Work in progress	040	6,808,217	2,097,780
3 Finished goods	041	33,875,722	9,183,611
4 Merchandise	042	6,531,262	13,431,525
5 Advance payments for inventories	043	38,645	0
6 Fixed assets held for sale	044	0	0
7 Biological assets	045	0	0
II RECEIVABLES (ADP 047 to 052)	046	132,908,459	107,974,086
1 Receivables from undertakings within the group	047	664,746	779,960

2 Receivables from companies linked by virtue of participating interest	**048**	0	0
3 Customer receivables	**049**	95,436,009	78,919,646
4 Receivables from employees and members of the undertaking	**050**	467	42
5 Receivables from government and other institutions	**051**	5,687,313	3,735,643
6 Other receivables	**052**	31,119,924	24,538,795
III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	**053**	32,519,590	27,014,667
1 Investments in holdings (shares) of undertakings within the group	**054**	0	0
2 Investments in other securities of undertakings within the group	**055**	0	0
3 Loans, deposits, etc. to undertakings within the group	**056**	10,190,819	10,190,819
4 Investments in holdings (shares) of companies linked by virtue of participating interest	**057**	0	0
5 Investment in other securities of companies linked by virtue of participating interest	**058**	0	0
6 Loans, deposits etc. given to companies linked by virtue of participating interest	**059**	0	0
7 Investments in securities	**060**	178,441	149,624
8 Loans, deposits, etc. given	**061**	22,150,330	16,674,224
9 Other financial assets	**062**	0	0
IV CASH AT BANK AND IN HAND	**063**	10,339,675	3,298,480
D) PREPAID EXPENSES AND ACCRUED INCOME	**064**	666,552	398,663
E) TOTAL ASSETS (ADP 001+002+037+064)	**065**	694,112,469	535,619,631
OFF-BALANCE SHEET ITEMS	**066**	0	0
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	**067**	104,806,286	46,406,543
I. INITIAL (SUBSCRIBED) CAPITAL	**068**	19,016,430	19,016,430
II CAPITAL RESERVES	**069**	84,195,807	84,195,807
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	**070**	1,208,227	4,296,597
1 Legal reserves	**071**	408,227	3,496,597
2 Reserves for treasury shares	**072**	800,000	800,000
3 Treasury shares and holdings (deductible item)	**073**	0	0
4 Statutory reserves	**074**	0	0
5 Other reserves	**075**	0	0
IV REVALUATION RESERVES	**076**	57,678,142	54,675,895
V FAIR VALUE RESERVES (ADP 078 to 080)	**077**	0	0
1 Fair value of financial assets available for sale	**078**	0	0
2 Cash flow hedge - effective portion	**079**	0	0
3 Hedge of a net investment in a foreign operation - effective portion	**080**	0	0
VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)	**081**	-199,590,747	-127,770,308
1 Retained profit	**082**	0	0
2 Loss brought forward	**083**	199,590,747	127,770,308
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	**084**	81,861,224	-15,301,329
1 Profit for the business year	**085**	81,861,224	0
2 Loss for the business year	**086**	0	15,301,329
VIII MINORITY (NON-CONTROLLING) INTEREST	**087**	60,437,203	27,293,451
B) PROVISIONS (ADP 089 to 094)	**088**	0	0
1 Provisions for pensions, termination benefits and similar obligations	**089**	0	0
2 Provisions for tax liabilities	**090**	0	0
3 Provisions for ongoing legal cases	**091**	0	0
4 Provisions for renewal of natural resources	**092**	0	0
5 Provisions for warranty obligations	**093**	0	0
6 Other provisions	**094**	0	0
C) LONG-TERM LIABILITIES (ADP 096 to 106)	**095**	482,627,602	383,700,218
1 Liabilities towards undertakings within the group	**096**	0	10,000,000
2 Liabilities for loans, deposits, etc. to companies within the group	**097**	0	0
3 Liabilities towards companies linked by virtue of participating interest	**098**	0	0

4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	**099**	0	0
5 Liabilities for loans, deposits etc.	**100**	11,126	159,566,584
6 Liabilities towards banks and other financial institutions	**101**	418,048,934	134,006,037
7 Liabilities for advance payments	**102**	0	0
8 Liabilities towards suppliers	**103**	51,906,486	38,246,489
9 Liabilities for securities	**104**	0	29,879,082
10 Other long-term liabilities	**105**	0	0
11 Deferred tax liability	**106**	12,661,056	12,002,026
D) SHORT-TERM LIABILITIES (ADP 108 to 121)	**107**	95,537,341	101,845,414
1 Liabilities towards undertakings within the group	**108**	0	0
2 Liabilities for loans, deposits, etc. to companies within the group	**109**	0	0
3 Liabilities towards companies linked by virtue of participating interest	**110**	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	**111**	0	0
5 Liabilities for loans, deposits etc.	**112**	0	6,494,159
6 Liabilities towards banks and other financial institutions	**113**	30,535,530	9,962,444
7 Liabilities for advance payments	**114**	668,221	4,403,875
8 Liabilities towards suppliers	**115**	48,362,280	66,640,953
9 Liabilities for securities	**116**	8,870,000	9,666,218
10 Liabilities towards employees	**117**	2,255,225	2,209,571
11 Taxes, contributions and similar liabilities	**118**	3,908,720	2,246,635
12 Liabilities arising from the share in the result	**119**	0	0
13 Liabilities arising from fixed assets held for sale	**120**	0	0
14 Other short-term liabilities	**121**	937,365	221,559
E) ACCRUALS AND DEFERRED INCOME	**122**	11,141,240	3,667,456
F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)	**123**	694,112,469	535,619,631
G) OFF-BALANCE SHEET ITEMS	**124**	0	0

STATEMENT OF PROFIT OR LOSS
for the period 1.1.2019 to 31.12.2019.

in HRK

Submitter:Granolio d.d.

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
I OPERATING INCOME (ADP 126 to 130)	125	538,570,478	486,127,984
1 Income from sales with undertakings within the group	126	0	0
2 Income from sales (outside group)	127	505,338,648	468,982,531
3 Income from the use of own products, goods and services	128	10,109,051	1,218,295
4 Other operating income with undertakings within the group	129	0	0
5 Other operating income (outside the group)	130	23,122,779	15,927,158
II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	542,722,055	493,807,240
1 Changes in inventories of work in progress and finished goods	132	-102,249	231,301
2 Material costs (ADP 134 to 136)	133	452,459,372	417,712,938
a) Costs of raw material	134	300,516,794	301,654,750
b) Costs of goods sold	135	109,576,374	84,162,279
c) Other external costs	136	42,366,204	31,895,909
3 Staff costs (ADP 138 to 140)	137	37,889,329	36,411,471
a) Net salaries and wages	138	24,492,300	23,666,109
b) Tax and contributions from salaries expenses	139	8,068,778	7,952,573
c) Contributions on salaries	140	5,328,251	4,792,789
4 Depreciation	141	30,584,837	27,086,823
5 Other expenses	142	7,746,321	6,481,348
6 Value adjustments (ADP 144+145)	143	6,165,808	21,614
a) fixed assets other than financial assets	144	3,625,720	17,767
b) current assets other than financial assets	145	2,540,088	3,847
7 Provisions (ADP 147 to 152)	146	0	0
a) Provisions for pensions, termination benefits and similar obligations	147	0	0
b) Provisions for tax liabilities	148	0	0
c) Provisions for ongoing legal cases	149	0	0
d) Provisions for renewal of natural resources	150	0	0
e) Provisions for warranty obligations	151	0	0
f) Other provisions	152	0	0
8 Other operating expenses	153	7,978,637	5,861,745
III FINANCIAL INCOME (ADP 155 to 164)	154	93,926,796	1,513,203
1 Income from investments in holdings (shares) of undertakings within the group	155	0	0
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	156	0	0
3 Income from other long-term financial investment and loans granted to undertakings within the group	157	0	115,219
4 Other interest income from operations with undertakings within the group	158	0	0
5 Exchange rate differences and other financial income from operations with undertakings within the group	159	0	0
6 Income from other long-term financial investments and loans	160	475,200	145,858
7 Other interest income	161	82,460	683,311
8 Exchange rate differences and other financial income	162	1,989,038	299,461
9 Unrealised gains (income) from financial assets	163	0	0
10 Other financial income	164	91,380,098	269,354

IV FINANCIAL EXPENDITURE (ADP 166 to 172)	**165**	4,821,561	8,692,194
1 Interest expenses and similar expenses with undertakings within the group	**166**	0	74,685
2 Exchange rate differences and other expenses from operations with undertakings within the group	**167**	0	0
3 Interest expenses and similar expenses	**168**	3,774,644	4,267,241
4 Exchange rate differences and other expenses	**169**	1,024,732	477,354
5 Unrealised losses (expenses) from financial assets	**170**	0	0
6 Value adjustments of financial assets (net)	**171**	0	0
7 Other financial expenses	**172**	22,185	3,872,914
V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	**173**	0	0
VI SHARE IN PROFIT FROM JOINT VENTURES	**174**	0	0
VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	**175**	0	0
VIII SHARE IN LOSS OF JOINT VENTURES	**176**	0	0
IX TOTAL INCOME (ADP 125+154+173 + 174)	**177**	632,497,274	487,641,187
X TOTAL EXPENDITURE (ADP 131+165+175 + 176)	**178**	547,543,616	502,499,434
XI PRE-TAX PROFIT OR LOSS (ADP 177-178)	**179**	84,953,658	-14,858,247
1 Pre-tax profit (ADP 177-178)	**180**	84,953,658	0
2 Pre-tax loss (ADP 178-177)	**181**	0	-14,858,247
XII INCOME TAX	**182**	1,013,757	-659,030
XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	**183**	83,939,901	-14,199,217
1 Profit for the period (ADP 179-182)	**184**	83,939,901	0
2 Loss for the period (ADP 182-179)	**185**	0	-14,199,217

Standard Annual Consolidated Financial Statements (continued)
at and for the year ended 31 December 2019

DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)			
XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 187-188)	**186**	0	0
1 Pre-tax profit from discontinued operations	**187**	0	0
2 Pre-tax loss on discontinued operations	**188**	0	0
XV INCOME TAX OF DISCONTINUED OPERATIONS	**189**	0	0
1 Discontinued operations profit for the period (ADP 186-189)	**190**	0	0
2 Discontinued operations loss for the period (ADP 189-186)	**191**	0	0
TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)			
XVI PRE-TAX PROFIT OR LOSS (ADP 179+186)	**192**	0	0
1 Pre-tax profit (ADP 192)	**193**	0	0
2 Pre-tax loss (ADP 192)	**194**	0	0
XVII INCOME TAX (ADP 182+189)	**195**	0	0
XVIII PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	**196**	0	0
1 Profit for the period (ADP 192-195)	**197**	0	0
2 Loss for the period (ADP 195-192)	**198**	0	0
APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)			
XIX PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	**199**	83,939,901	-14,199,220
1 Attributable to owners of the parent	**200**	81,861,224	-15,301,329
2 Attributable to minority (non-controlling) interest	**201**	2,078,677	1,102,109
STATEMENT OF OTHER COMPRHENSIVE INCOME (to be filled in by undertakings subject to IFRS)			
I PROFIT OR LOSS FOR THE PERIOD	**202**	83,939,901	-14,199,220
II OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (ADP 204 to 211)	**203**	0	0
1 Exchange rate differences from translation of foreign operations	**204**	0	0
2 Changes in revaluation reserves of fixed tangible and intangible assets	**205**	0	0
3 Profit or loss arising from re-evaluation of financial assets available for sale	**206**	0	0
4 Profit or loss arising from effective cash flow hedging	**207**	0	0
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	**208**	0	0
6 Share in other comprehensive income/loss of companies linked by virtue of participating interest	**209**	0	0
7 Actuarial gains/losses on defined remuneration plans	**210**	0	0
8 Other changes in equity unrelated to owners	**211**	0	0
III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**212**	0	0
IV NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)	**213**	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)	**214**	83,939,901	-14,199,220
APPENDIX to the Statement on comprehensive income (to be filled in by entrepreneurs who draw up consolidated statements)			
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 216+217)	**215**	83,939,901	-14,199,220
1 Attributable to owners of the parent	**216**	81,861,224	-15,301,329
2 Attributable to minority (non-controlling) interest	**217**	2,078,677	1,102,109

STATEMENT OF CASH FLOWS - indirect method
for the period 01.01.2019. to 31.12.2019.

in HRK

Submitter: ____

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
Cash flow from operating activities			
1 Pre-tax profit	001	84,953,659	-14,858,247
2 Adjustments (ADP 003 to 010):	002	-62,338,177	25,545,112
a) Depreciation	003	30,584,836	27,086,823
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	3,052,704	6,142,309
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	-87,769,620	3,772,057
d) Interest and dividend income	006	-1,512,715	-1,329,482
e) Interest expenses	007	3,663,482	4,281,776
f) Provisions	008	0	0
g) Exchange rate differences (unrealised)	009	0	0
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	-10,356,864	-14,408,371
I Cash flow increase or decrease before changes in the working capital (ADP 001+002)	011	22,615,482	10,686,865
3 Changes in the working capital (ADP 013 to 016)	012	18,850,007	14,786,213
a) Increase or decrease in short-term liabilities	013	-4,810,322	5,906,862
b) Increase or decrease in short-term receivables	014	14,902,384	15,519,539
c) Increase or decrease in inventories	015	8,757,945	-6,640,188
d) Other increase or decrease in the working capital	016	0	0
II Cash from operations (ADP 011+012)	017	41,465,489	25,473,078
4 Interest paid	018	-3,659,221	-4,143,617
5 Income tax paid	019	-490,000	0
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	37,316,268	21,329,461
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	021	176,784	894,178
2 Cash receipts from sales of financial instruments	022	0	0
3 Interest received	023	146,327	1,222,099
4 Dividends received	024	0	0
5 Cash receipts from repayment of loans and deposits	025	7,437,230	4,480,801
6 Other cash receipts from investment activities	026	38,488	5,000,000
III Total cash receipts from investment activities (ADP 021 to 026)	027	7,798,829	11,597,078
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-9,847,820	-11,293,862
2 Cash payments for the acquisition of financial instruments	029	0	0
3 Cash payments for loans and deposits for the period	030	-15,987,384	-24,107,591
4 Acquisition of a subsidiary, net of cash acquired	031	0	0
5 Other cash payments from investment activities	032	0	-1,011,437
IV Total cash payments from investment activities (ADP 028 to 032)	033	-25,835,204	-36,412,890
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)	034	-18,036,375	-24,815,812

Cash flow from financing activities			
1 Cash receipts from the increase of initial (subscribed) capital	**035**	0	0
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	**036**	0	0
3 Cash receipts from credit principals, loans and other borrowings	**037**	43,551,515	17,500,000
4 Other cash receipts from financing activities	**038**	0	0
V Total cash receipts from financing activities (ADP 035 to 038)	**039**	43,551,515	17,500,000
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	**040**	-53,211,686	-16,219,351
2 Dividends paid	**041**	0	-2,000,085
3 Cash payments for finance lease	**042**	-1,465,009	-735,408
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	**043**	0	0
5 Other cash payments from financing activities	**044**	-1,420,000	-2,100,000
VI Total cash payments from financing activities (ADP 040 to 044)	**045**	-56,096,695	-21,054,844
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)	**046**	-12,545,180	-3,554,844
1 Unrealised exchange rate differences in cash and cash equivalents	**047**	0	0
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 020+034+046+047)	**048**	6,734,713	-7,041,195
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**049**	3,604,962	10,339,675
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(ADP 048+049)	**050**	10,339,675	3,298,480

Standard Annual Consolidated Financial Statements (continued)
at and for the year ended 31 December 2019

STATEMENT OF CHANGES IN EQUITY
for the period from 01/01/2019 to 31/12/2019

in HRK

Item	ADP code	Attributable to owners of the parent														Minority (non-controlling) interest	Total capital and reserves
		Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale	Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)
Previous period																	
1 Balance on the first day of the previous business year	01	19,016,430	84,186,547	408,227	800,000	0	0	0	60,117,173	0	0	0	-868,308	[illegible]	-37,998,781	58,358,525	20,359,744
2 Changes in accounting policies	02	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3 Correction of errors	03	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4 Balance on the first day of the previous business year (restated) (ADP 01 to	04	19,016,430	84,186,547	408,227	800,000	0	0	0	60,117,173	0	0	0	-868,308	[illegible]	-37,998,781	58,358,525	20,359,744
5 Profit/loss of the period	05	0	0	0	0	0	0	0	0	0	0	0	0	81,861,224	81,861,224	0	81,861,224
6 Exchange rate differences from translation of foreign operations	06	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7 Changes in revaluation reserves of fixed tangible and intangible assets	07	0	0	0	0	0	0	0	-2,996,109	0	0	0	2,996,109	0	0	0	0
8 Profit or loss arising from re-evaluation of financial assets available for sale	08	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9 Gains or losses on efficient cash flow hedging	09	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10 Gains or losses arising from effective hedge of a net investment in a foreign	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11 Share in other comprehensive income/loss of companies linked by virtue of	11	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12 Actuarial gains/losses on defined benefit plans	12	0	0	0	0	0	0	0	0	0		0	0	0	0	0	0
13 Other changes in equity unrelated to owners	13	0	9,260	0	0			0	679,363	0	0	0	-717,381	0	-28,758	0	-28,758
14 Tax on transactions recognised directly in equity	14	0	0	0	0	0	0	0	-122,285	0	0	0	657,682	0	535,397	0	535,397
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting	15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16 Increase of initial (subscribed) capital by reinvesting profit	16	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy	17	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18 Redemption of treasury shares/holdings	18	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19 Payment of share in profit/dividend	19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20 Other distribution to owners	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21 Transfer to reserves by annual schedule	21	0	0	0	0	0	0	0	0	0	0	0	[illegible]	201,658,850	0	2,078,678	2,078,678
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	22	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23 Balance on the last day of the previous business year reporting period	23	19,016,430	84,195,807	408,227	800,000	0	0	0	57,678,142	0	0	0	[illegible]	81,861,224	44,369,082	60,437,203	104,806,285
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)																	
I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF	24	0	9,260	0	0	0	0	0	-2,439,031	0	0	0	2,936,410	0	506,639	0	506,639
II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP	25	0	9,260	0	0	0	0	0	-2,439,031	0	0	0	2,936,410	81,861,224	82,367,863	0	82,367,863
III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED	26	0	0	0	0	0	0	0	0	0	0	0	[illegible]	201,658,850	0	2,078,678	2,078,678
Current period																	
1 Balance on the first day of the current business year	27	19,016,430	84,195,807	408,227	800,000	0	0	0	57,678,142	0	0	0	[illegible]	81,861,224	44,369,082	60,437,203	104,806,285
2 Changes in accounting policies	28	0	0	0	0	0	0	0	0	0	0	0	15,873	0	15,873	0	15,873
3 Correction of errors	29	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4 Balance on the first day of the current business year (restated) (ADP 27 to	30	19,016,430	84,195,807	408,227	800,000	0	0	0	57,678,142	0	0	0	[illegible]	81,861,224	44,384,955	60,437,203	104,822,158
5 Profit/loss of the period	31	0	0	0	0	0	0	0	0	0	0	0	0	-15,301,329	-15,301,329	1,102,110	-14,199,219
6 Exchange rate differences from translation of foreign operations	32	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7 Changes in revaluation reserves of fixed tangible and intangible assets	33	0	0	0	0	0	0	0	-3,002,247	0	0	0	3,002,247	0	0	0	0
8 Profit or loss arising from re-evaluation of financial assets available for sale	34	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9 Gains or losses on efficient cash flow hedging	35	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10 Gains or losses arising from effective hedge of a net investment in a foreign	36	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11 Share in other comprehensive income/loss of companies linked by virtue of	37	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12 Actuarial gains/losses on defined remuneration plans	38	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13 Other changes in equity unrelated to owners	39	0	0	0	0	0	0	0	0	0	0	0	-9,970,536	0	-9,970,536	-32,245,777	-42,216,313
14 Tax on transactions recognised directly in equity	40	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting	41	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16 Increase of initial (subscribed) capital by reinvesting profit	42	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy	43	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18 Redemption of treasury shares/holdings	44	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19 Payment of share in profit/dividend	45	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20 Other distribution to owners	46	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-2,000,085	-2,000,085
21 Transfer to reserves by annual schedule	47	0	0	3,088,369			0	0	0	0	0	0	78,772,855	-81,861,224	0	0	0
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	48	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23 Balance on the last day of the current business year reporting period (ADP	49	19,016,430	84,195,807	3,496,596	800,000	0	0	0	54,675,895	0	0	0	[illegible]	-15,301,329	19,113,090	27,293,451	46,406,541
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)																	
I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF	50	0	0	0	0	0	0	0	-3,002,247	0	0	0	-6,968,289	0	-9,970,536	-32,245,777	-42,216,313
II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP	51	0	0	0	0	0	0	0	-3,002,247	0	0	0	-6,968,289	-15,301,329	-25,271,865	-31,143,667	-56,415,532
III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED	52	0	0	3,088,369	0	0	0	0	0	0	0	0	78,772,855	-81,861,224	0	-2,000,085	-2,000,085