

Viro d.d. and its subsidiaries

Consolidated Financial Statements

For the Year Ended

31 December 2012

Together with Independent Auditor's Report

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Responsibility for the consolidated financial statements

Pursuant to the Accounting Act of the Republic of Croatia, the Management is responsible for ensuring that consolidated financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ("the IFRSs") as published by the International Accounting Standards Board, which give a true and fair view of the financial position and results of operations of Viro tvornica šećera d.d. and its subsidiaries ("the Group") for that period.

The Management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management continues to adopt the going concern basis in preparing the consolidated financial statements.

In preparing those consolidated financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- the applicable accounting standards are followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- the consolidated financial statements are prepared on the going concern basis, unless it is inappropriate to assume that the Group will continue as a going concern.

The Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Group and must also ensure that the consolidated financial statements comply with the Accounting Act. The Management is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management of the Parent by:

Željko Zadro, President of the Management Board

Viro tvornica šećera d.d.
Matije Gupca 254
33000 Virovitica
Republic of Croatia
01 March 2013



Independent Auditor's Report

To the owners of Viro tvornica šećera d.d.

We have audited the consolidated financial statements of Viro tvornica šećera d.d. and its subsidiaries (jointly referred to as "the Group"), which comprise the consolidated statement of financial position at 31 December 2012, and the related consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements.

Responsibility for the Consolidated Financial Statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report (continued)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group at 31 December 2012, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

The consolidated financial statements of the Group for the year ended 31 December 2011 were audited by another auditor who in his report dated 20 April 2012 expressed a qualified opinion because of the failure of the Group to recognise impairment of its financial assets with respect to the investment in shares of Vinka d.d. in the amount of HRK 3,322 thousand due to the fact that shares were disposed of at the value lower than book value in the period after reporting date. Furthermore, the Group has not insured its receivable from the buyer with any payment insurance instrument.

Deloitte d.o.o.



Branislav Vrtačnik, Board Member, Certified Auditor

Zagreb, Republic of Croatia

01 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

	Notes	2012	2011 (restated)
Sales	5.1	1,468,015	1,337,230
Other income	5.2	20,330	13,417
Total operating income		1,488,345	1,350,647
(Decrease) / increase in the value of work in progress and finished products		(896)	179,126
Cost of raw material and supplies	7	(802,618)	(925,030)
Cost of goods sold	8	(211,134)	(123,571)
Other external expenses	9	(102,038)	(118,128)
Depreciation and amortisation	15	(72,116)	(68,091)
Staff costs	10	(88,929)	(85,391)
Other expenses	11.1	(27,576)	(23,218)
Value adjustment		(6,115)	(6,883)
Provisions		(1,973)	(621)
Other operating expenses	11.2	(15,126)	(21,404)
Total operating expenses		(1,328,521)	(1,193,211)
Profit from operations		159,824	157,436
Financial income	12	14,150	5,241
Financial expenses	13	(45,420)	(35,006)
Net financial loss		(31,270)	(29,765)
Profit from operations before taxation		128,554	127,671
Income tax	14	(496)	(3,137)
Profit for the year		128,058	124,534

Consolidated Statement of Comprehensive Income (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

	2012	2011 (restated)
Other comprehensive loss		
Valuation of financial assets available for sale	-	(3,867)
Revaluation reserves of property, plant and equipment	2,504	3,021
Total comprehensive income for the year	<u>130,562</u>	<u>123,688</u>
Profit attributable to:		
Equity holders of the parent	131,128	130,167
Non-controlling interests	<u>(3,070)</u>	<u>(5,633)</u>
Total comprehensive income attributable to:		
Equity holders	133,632	129,321
Non-controlling interests	<u>(3,070)</u>	<u>(5,633)</u>
Earnings per share		
- Basic and diluted (in kunas and lipas)	23	94.56
		99.99

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2012

(All amounts are expressed in thousands of kunas)

	Notes	At 31 December 2012	At 31 December 2011 (restated)	At 1 January 2011 (restated)
ASSETS				
Non-current assets				
Goodwill	15.1	-	5,799	5,799
Intangible assets	15	1,920	1,845	2,711
Property, plant and equipment	15	670,456	691,410	597,016
Non-current financial assets	16	43,016	41,627	34,211
Receivables		37	25	141
Total non-current assets		715,429	740,706	639,878
Current assets				
Inventories	17	586,926	525,069	366,717
Receivables from related companies	18	2,430	22,718	20,470
Trade receivables	18	150,056	153,954	139,136
Receivables from the State and other institutions	19	115,734	71,979	55,415
Current financial assets	20	132,156	113,335	109,435
Other receivables		72	519	155
Cash and cash equivalents	21	31,508	32,068	59,277
Prepaid expenses and accrued income		9,251	2,520	5,706
Total current assets		1,028,133	922,162	756,311
TOTAL ASSETS		1,743,562	1,662,868	1,396,189

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position (continued)

At 31 December 2012

(All amounts are expressed in thousands of kunas)

	Notes	At 31 December 2012	At 31 December 2011 (restated)	At 1 January 2011 (restated)
EQUITY AND LIABILITIES				
Equity				
Subscribed capital	22.1	249,600	249,600	249,600
Retained earnings		350,341	246,198	190,663
Capital reserves		10,368	9,064	9,064
Reserves out of profit		56,347	19,284	17,599
Other reserves	31.7	(41,432)	-	-
Revaluation reserves		3,726	874	4,741
Attributable to the equity holders of the parent		628,950	525,020	471,667
Non-controlling interests		10,147	95,095	147,753
Total equity		639,097	620,115	619,420
Provisions	32	50,837	55,956	61,165
Non-current liabilities				
Liabilities for loans, deposits and similar		-	-	2,204
Loans payable and borrowings	24	179,246	275,580	290,938
Other non-current liabilities		383	535	612
Total non-current liabilities		179,629	276,115	293,754
Current liabilities				
Liabilities to related companies	29	7	2,258	225
Loans payable, deposits and similar	24	19,560	-	-
Loans payable and borrowings	24	159,834	104,624	64,554
Advances received	26	221,114	264,959	108,417
Trade payables	25	436,189	313,007	200,483
Other current liabilities	27	30,648	12,557	16,677
Accrued expenses and deferred income	28	6,647	13,277	31,494
Total current liabilities		873,999	710,682	421,850
TOTAL EQUITY AND LIABILITIES		1,743,562	1,662,868	1,396,189

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

	Share capital	Reserves	Revaluation reserves	Retained earnings	Non-controlling interests	Total
Balance at 1 January 2010 (restated)	249,600	33,137	7,911	163,422	147,826	601,896
Profit for the year	-	-	-	27,241	(73)	27,168
Purchase of own shares	-	(6,474)	-	-	-	(6,474)
Other comprehensive loss	-	-	(3,170)	-	-	(3,170)
Balance at 31 December 2010 (restated)	249,600	26,663	4,741	190,663	147,753	619,420
Profit for the year	-	-	-	130,167	(5,633)	124,534
Other comprehensive loss	-	-	(3,867)	3,021	-	(846)
Transfer of retained profits for purchase of own shares	-	30,000	-	(30,000)	-	-
Purchase of own shares	-	(28,315)	-	(49,557)	-	(28,315)
Dividends paid	-	-	-	(49,557)	-	(49,557)
Increase in share of Sladorana d.d.	-	-	-	-	(64,383)	(64,383)
Increase of the share in Slavonija nova d.d.	-	-	-	-	17,358	17,358
Correction of retained earnings	-	-	-	1,904	-	1,904
Balance at 31 December 2011 (restated)	249,600	28,348	874	246,198	95,095	620,115
Profit for the year	-	-	-	131,128	(3,070)	128,058
Other comprehensive income	-	-	1,096	2,504	-	3,600
Disposal of own shares	-	38,261	-	-	-	38,261
Dividends paid	-	-	-	(27,733)	-	(27,733)
Increase in share in subsidiaries	-	(41,432)	-	-	(81,878)	(123,310)
Correction of retained earnings	-	-	1,756	(1,756)	-	-
Correction of reserves	-	105	-	-	-	105
Balance at 31 December 2012	249,600	25,283	3,726	350,341	10,147	639,097

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

	2012	2011 (restated)
Cash flows from operating activities		
Profit for the year	128,058	124,534
Income tax expense	496	3,137
Depreciation and amortisation	72,116	68,091
Foreign exchange differences on loans, net	(4,400)	6,984
Interests expenses	19,913	17,037
Interests income	(4,923)	(1,769)
(Gain) / loss on disposed fixed assets	(4,481)	19,084
Decrease in provisions	(5,119)	(5,209)
Value adjustment of trade receivables	3,635	4,513
Impairment of goodwill	5,799	2,319
Permanent impairment of financial assets available for sale	3,600	-
Operating profit before changes in working capital	214,694	238,721
Decrease in inventories	(61,857)	(150,176)
Decrease / (increase) in trade receivables	39,056	(12,338)
Increase in other receivables	(50,039)	(13,742)
Increase in accrued expenses	(6,630)	(18,217)
(Decrease) / increase in advances received	(43,845)	156,542
Increase in trade payables	120,931	106,599
Increase / (decrease) in other liabilities	5,627	(4,212)
Cash generated from operating activities	217,937	303,177
Income tax paid	(3,014)	(2,385)
Interests paid	(21,639)	(19,978)
Dividends paid	(11,177)	(49,557)
Net cash generated from operating activities	182,107	231,257

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

	2012	2011 (restated)
Cash flows from investing activities		
Given loans and deposits	(15,299)	(10,224)
Purchases of tangible and intangible assets	(58,939)	(95,441)
Increase of share in Sladorana d.d. and Slavonija nova d.d., net of cash paid	(124,509)	(118,582)
Net cash used in investing activities	<u>(198,747)</u>	<u>(224,247)</u>
Cash flows from financing activities		
Proceeds from borrowings	487,600	481,874
Repayment of borrowings	(511,086)	(487,778)
Proceeds from disposal / (purchase) of treasury shares	39,566	(28,315)
Net cash generated from / (used in) financing activities	<u>16,080</u>	<u>(34,219)</u>
Net decrease in cash and cash equivalents	<u>(560)</u>	<u>(27,209)</u>
Cash and cash equivalents at the beginning of the year	32,068	59,277
Cash and cash equivalents at the end of year	31,508	32,068

Notes to the consolidated financial statements

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

1. GENERAL INFORMATION

1.1 Introduction

Viro d.d and its subsidiaries comprise the following entities: Viro tvornica šećera d.d., Virovitica, Matije Gupca 254 – the Parent and its subsidiary Sladorana d.d., and Slavonija Nova d.d., as a subsidiary of Sladorana d.d.

Viro tvornica šećera d.d., Virovitica, Matije Gupca 254, was entered in the registry of the Commercial Court in Bjelovar on 23 July 2002. The founders of the company were EOS-Z d.o.o. Zagreb and Robić d.o.o., Velika Gorica In 2005 the Company was transformed from a limited liability company into a public limited company. The Company's share capital amounts to HRK 249,600,060 (2010: HRK 249,600,060) and consists of 1,386,667 (2010: 1,386,667) ordinary bearer shares, with no par value.

In 2012 the Company acquired additional shares in the company Sladorana d.d. and as at 31 December 2012 holds 3,306,002 (2011:2,532,538) ordinary shares of Sladorana d.d., Županja, representing 100.00% (2011: 76.60%) of the equity of the subsidiary.

In 2012 Sladorana d.d. acquired additional shares in the company Slavonija nova d.d. and as at 31 December 2012 holds 77.94% (2011: 77.36%) of shares.

1.2 Principal activity

The principal activity of the Group comprises production of sugar, flour and spirits.

1.3 The Management Board of the Parent

The members of the Company's Management Board are as follows:

1 Željko Zadro	President of the Management Board	
2 Ivan Škorić	Member of the Management Board	Since 12 December 2011

1.4 Supervisory Board

Members of the Supervisory Board of the Parent:

1 Marinko Zadro	President of the Supervisory Board
2 Boris Šimunović	Deputy President of the Supervisory Board
3 Dražen Robić	Member of the Supervisory Board
4 Ivan Mišetić	Member of the Supervisory Board
5 Krešimir Mostovac	Member of the Supervisory Board

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

2. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

2.1 *Standards and Interpretations effective in the current period*

The following amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

- **Amendments to IFRS 1 *First-time Adoption of IFRS*** – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),
- **Amendments to IFRS 7 *Financial Instruments - Disclosures*** – Transfer of Financial Assets (effective for annual periods beginning on or after 1 July 2011),
- **Amendments to IAS 12 *Income tax*** - Deferred tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012),

The adoption of the amended and revised Standards and Interpretations has not lead to any changes in the Group's accounting policies.

2.2 *Standards issued by the Board and not yet adopted in the Republic of Croatia*

At the date of authorization of these financial statements the following Standards, revisions and Interpretations were in issue but not yet effective:

- **IFRS 9 *Financial Instruments***, as amended in 2010, (effective for annual periods beginning on or after 1 January 2015),
- **IFRS 10 *Consolidated Financial Statements***, published in May 2011, supersedes the previous version of IAS 27 (2008) *Consolidated and Separate Financial Statements*, (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 11 *Joint Arrangements***, published in May 2011, supersedes IAS 31 *Interests in Joint Ventures* (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 12 *Disclosure of Interests in Other Entities***, published in May 2011 (effective for annual periods beginning on or after 1 January 2013),

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

2. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

2.2 Standards issued by the Board and not yet adopted in the Republic of Croatia (continued)

- **IFRS 13 Fair Value Measurement**, published in May 2011 (effective for annual periods beginning on or after 1 January 2013),
- **IAS 27 Separate Financial Statements (as amended in 2011)**, consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10 *Consolidated Financial Statements*, (effective date of IAS 27 (as amended in 2011) for annual periods beginning on or after 1 January 2013),
- **IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)**. This version supersedes IAS 28 (2003) *Investments in Associates* (effective date of IAS 28 (as amended in 2011) for annual periods beginning on or after 1 January 2013).
- **Amendments to IFRS 1 First-time Adoption of IFRS**, published in March 2012, amendments for government loan with a below market rate of interest when transitioning to IFRS, (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 7 Financial Instruments: Disclosures**, published in December 2011, amendments enhancing disclosures about offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2013) and amendments requiring disclosures about the initial application of IFRS 9 (effective for annual periods beginning on or after 1 January 2015),
- **Amendments to IAS 1 Presentation of Financial Statements** - Revising the way of presenting the other comprehensive income (effective for annual periods beginning on or after 1 July 2012).
- **Amendments to IAS 19 Employee Benefits** - Improvements to the Accounting for Post-Employment Benefits (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IAS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures**, published in December 2011, amendments to application guidance on the offsetting of financial assets and financial instruments (effective for annual periods beginning on or after 1 January 2014),
- **IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine**, (effective for annual periods beginning on or after 1 January 2013).

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

2. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

2.2. Standards issued by the Board and not yet adopted in the Republic of Croatia (continued)

- **Annual improvements 2009 – 2011 Cycle**, published in May 2012, a collection of amendments to IFRSs, in response to issues addressed during the 2009–2011 cycle. Five standards (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) are primarily affected by the amendments, with consequential amendments to numerous others (effective for annual periods beginning on or after 1 January 2013).
- **Transition guidance**, published in June 2012, amendment to IFRS 10, IFRS 11 and IFRS 12., (effective for annual periods beginning on or after 1 January 2013)
- Amendments to investment entities for IFRS 10, IFRS 12, IAS 27 published in October 2012 (effective for annual periods beginning on or after 1 January 2014)

The Group has elected not to adopt these Standards, revisions and Interpretations in advance of their effective dates and The Group anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of presentation and preparation of the financial statements

The Group 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 financial statements of the Group are prepared under the cost convention, except for financial assets which are carried at fair value, and in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board, and Croatian law.

The accompanying financial statements have been prepared under the going-concern assumption and accrual basis of accounting.

Estimates are based on the information available as at the date of the financial statements, and actual results could differ from those estimates.

At 31 December, the exchange rate of Croatian kuna against the euro (EUR) was as follows:

	EUR 1	USD 1
2012	7.545624	5.726794
2011	7.530420	5.568252

The consolidated financial statements of the Group represent aggregate amounts of assets, liabilities, capital and reserves of the Group as of 31 December 2012, and the results of its operations for the year then ended.

3.2 Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of Viro tvornica šećera d.d. ("the Company") and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of the disposal. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Revenue recognition

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow into the Group and when the amount of the revenue can be measured reliably. Sales are recognised upon delivery of goods and provision of services, net of taxes and discounts and when the related risks and benefits have passed onto the buyer. Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rates.

3.4 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are included in profit or loss in the period in which they are incurred.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Foreign currency transactions

Transactions in foreign currencies are translated into Croatian kunas at the rates of exchange in effect at the dates of the transactions. Cash, receivables and payables denominated in foreign currencies are retranslated at the rates of exchange in effect at the date of the statement of financial position. Gains and losses arising on translation are included in the statement of comprehensive income for the year.

3.6 Income tax expense

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the net profit reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or a part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by date of the statement of financial position. The measurement of deferred tax liabilities and assets reflects the amount that the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Income tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current tax assets and liabilities.

Current and deferred taxes for the period

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity, or where it arises from the initial accounting of a business combination.

In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

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 the financial position on a net basis. If a trade debtor is impaired, the related impairment loss is included in the gross amount of the debtor, which includes VAT.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Property, plant and equipment

Tangible fixed assets are recognised initially at cost less accumulated depreciation. Cost of property, plant and equipment comprises purchase price, including import duties and non-refundable sales taxes and any directly attributable costs of bringing an asset to its working condition and location for its intended use.

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Where it is obvious that expenses incurred resulted in increase of expected future economic benefits to be derived from the use of an item of tangible fixed assets in excess of the originally assessed standard performance of the asset, they are added to the carrying amount of the asset. Gains or losses on the retirement or disposal of tangible fixed assets are recognised as income and expense, respectively, in the period they occur. Depreciation commences on putting an asset into use. Depreciation is provided so as to write down the cost or revalued amount of an asset over the estimated useful life of the asset using the straight-line method as follows:

Type of assets	Useful life	Annual rate %
Buildings	20 yrs	5%
Vehicles	5 yrs	20%
Intangible assets, equipment, vehicles, machinery	4 yrs	25%
Computers, IT equipment, mobile phones and IT network equipment	2 yrs	50%
Other assets not specified above	10 yrs	10%

In 2012 there were no changes in the depreciation rates versus comparative period.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable direct labour costs and those overhead costs that have been incurred in bringing inventories to their present location and condition.

Where the carrying amount of inventories is to be written down to their net realisable value, an allowance is recognised and charged to expenses for the year.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Small inventory includes items of tangible fixed assets with a useful life over one year, but the unit cost of which is below HRK 3,500 (2011: HRK 3,500).

3.9 Trade receivables and prepayments

Trade debtors and prepayments are carried at nominal amounts less an appropriate allowance for impairment for uncollectible amounts. Management provides for doubtful receivables based on a review of the overall ageing of all receivables and a specific review of significant individual amounts receivable. An allowance is recognised for amounts doubtful of collection and charged to expenses for the year.

3.10 Cash and cash equivalents

Cash comprises account balances with banks, cash in hand, deposits and securities at call or with maturities of less than three months.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) 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 date of the statement of financial position and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the 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. Where discounting is used, the reversal of such discounting in each year is recognised as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the date of the statement of financial position, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Contingent liabilities

Contingent liabilities have not been recognised in these financial statements. They are not disclosed unless the possibility of outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but it is disclosed when the inflow of economic benefits becomes probable.

3.13 Events after the reporting period

Events after the end of the reporting period that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3.14 Financial instruments

Financial assets and financial liabilities included in the accompanying financial statements consist of cash and cash equivalents, marketable securities, trade and other receivables, trade and other payables, long-term receivables, loans, borrowings and investments. The details of the recognition and measurement of those items are presented in the corresponding policies.

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability, and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14. Financial instruments (continued)

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each date of the statement of financial position. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan and trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

Changes in the carrying amount of the allowance account are recognised in profit or loss. Financial instruments are classified as assets, liabilities or equity instruments in accordance with applicable contracts. Interest, dividends, gains and losses on financial instruments classified as financial liabilities are recognised as income or expense when they arise. Financial assets and liabilities are offset when the Group has a legally enforceable right to set off the net amounts reported, or realise the asset and settle the liability simultaneously.

Derecognition of financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's and the Group's accounting policies, which are described above, the directors 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 past experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are continually reviewed. 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 revision and future periods if the revision affects both current and future periods.

Areas of estimation include, but are not limited to, depreciation periods and residual values of property, plant and equipment, and of intangible assets, value adjustment of inventories, impairment of receivables, provisions for legal actions and provisions made in accordance with actuarial calculations. The key areas of estimation in applying the Company's and the Group's accounting policies that had a most significant impact on the amounts recognized in the financial statements were as follows:

Useful life of property, plant and equipment and intangible assets

As described in the Note 3.7, the Group reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period. Property, plant and equipment and intangible assets are recognised initially at cost, less accumulated depreciation.

Impairment allowance on trade receivables

Management provides for doubtful receivables based on a review of the overall ageing of all receivables and a specific review of significant individual amounts receivable. The allowance for amounts doubtful of collection is charged to the statement of comprehensive income for the year.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Critical accounting judgements and key sources of estimation uncertainty (continued)

Consequences of certain legal actions

The Parent and its subsidiaries are involved in legal actions and proceedings, which have arisen from the regular course of their operations. The management makes estimates when the probable outcome of a legal action has been assessed, and the provisions are recognised on a consistent basis (see Note 32).

3.16 Comparative information

Where necessary, comparative information has been reclassified to conform to the current year's presentation.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

4. CORRECTIONS OF PRIOR PERIODS - RESTATEMENTS TO THE 2009, 2010 AND 2011 FINANCIAL STATEMENTS

Based on the identified accounting errors, restatements were made to prior periods, which are presented below and were made retrospectively to the consolidated financial statements for the years ended 31 December 2009 and 2010, with the effects presented in the tables below.

The total effect of the resulting restatement on the financial statements for the year ended 31 December 2009 is as follows:

	Restated	Original balance 31 December 2009	Restatement effect
Goodwill on acquisition of Stadorana d.d.	5,799	(2,825)	8,624
Total assets	1,448,733	1,440,109	8,624
Trade payables	149,778	141,664	8,114
Liabilities for taxes and contributions	14,650	3,821	10,829
Total liabilities	846,837	827,894	18,943
Loss / (profit) for the year	(3,041)	1,076	(4,117)
Non - controlling interests	147,826	154,028	(6,202)
Total equity	601,896	612,215	(10,319)

In 2010 and 2011 the Group received from the Tax Administration a decision determining that the value-added tax and the corporate income tax for the year 2009 were understated by a total of HRK 10,829 thousand. In addition, it was established that the sugar beet price difference in the amount of HRK 8,114 thousand approved to cooperative farmers was not accrued in the original consolidated financial statements for the year 2008. Furthermore, at 1 January 2010 negative goodwill was reported originally in the amount of HRK (2,825) thousand due to incorrect calculations, resulting in incorrectly determined balances of non-controlling interests and profit for the year.

The Group corrected the errors in these consolidated financial statements in accordance with the requirements of IAS 8, by restating the comparative information and opening balances of the earliest period presented.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

**4. CORRECTIONS OF PRIOR PERIODS - RESTATEMENTS TO THE 2009, 2010 AND 2011
FINANCIAL STATEMENTS (CONTINUED)**

The total effect of the resulting restatement on the financial statements for the year ended 31 December 2010 is as follows:

	Restated	Original balance 31 December 2010	Restatement effect
Goodwill	5,799	2,316	3,483
Total assets	1,396,189	1,392,706	3,483
Liabilities for taxes and contributions	11,318	4,317	7,001
Total liabilities	776,769	769,768	7,001
Profit for the year	27,241	27,893	(652)
Non – controlling interest	147,753	150,619	(2,866)
Total equity	619,420	622,938	(3,518)

In 2010 and 2011 the Group received from the Tax Administration a decision determining that the value-added tax and the corporate income tax for the year 2010 were understated by a total of HRK 7,001 thousand. Furthermore, at 1 January 2010 negative goodwill was reported originally in the amount of HRK (2,316) thousand due to incorrect calculations, resulting in incorrectly determined balances of non-controlling interests and profit for the year.

The Group corrected the errors in these consolidated financial statements in accordance with the requirements of IAS 8, by restating the comparative information for the year ended 31 December 2010.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

4. CORRECTIONS OF PRIOR PERIODS - RESTATEMENTS TO THE 2009, 2010 AND 2011 FINANCIAL STATEMENTS (CONTINUED)

Corrections in 2011 relate to the subsidiary Slavonija Nova d.d. which was not included in the original consolidated financial statements for the year ended 31 December 2011.

The total effect of the resulting restatement on the financial statements for the year ended 31 December 2011 is as follows:

	Restated	Original balance 31 December 2011	Restatement effect
Sales	1,337,230	1,311,928	25,302
Other income	13,417	27,512	(14,095)
Total operating income	1,350,647	1,339,440	11,207
Increase in the value of work in progress and finished products	179,126	162,138	16,988
Cost of raw material and supplies	(925,030)	(901,892)	(23,138)
Cost of goods sold	(123,571)	(127,257)	3,686
Other external expenses	(118,128)	(108,401)	(9,727)
Depreciation and amortisation	(68,091)	(63,598)	(4,493)
Staff costs	(85,391)	(74,426)	(10,965)
Other expenses	(23,218)	(24,629)	1,411
Value adjustment	(6,883)	(2,167)	(4,716)
Provisions	(621)	(621)	-
Other operating expenses	(21,404)	(38,651)	17,247
Total operating expenses	(1,193,211)	(1,179,504)	(13,707)
Profit from operations	157,436	159,936	(2,500)
Financial income	5,241	4,941	300
Financial expenses	(35,006)	(31,572)	(3,434)
Net financial loss	(29,765)	(26,631)	(3,134)
Profit from operations before taxation	127,671	133,305	(5,634)
Income tax expense	(3,137)	(3,137)	-
Profit for the year	124,534	130,168	(5,634)

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

4. CORRECTIONS OF PRIOR PERIODS - RESTATEMENTS TO THE 2009, 2010 AND 2011 FINANCIAL STATEMENTS (CONTINUED)

The total effect of the resulting restatement on the financial statements for the year ended 31 December 2011 is as follows (continued):

	Restated	Original balance 31 December 2011	Restatement effect
Other comprehensive income / (loss)			
Valuation of financial assets available for sale	(3,867)	-	(3,867)
Revaluation reserves of property, plant and equipment	3,021	3,020	1
Total comprehensive income for the year	<u>123,688</u>	<u>133,188</u>	<u>(9,500)</u>
Profit attributable to:			
Equity holders of the parent	130,167	128,258	1,909
Non-controlling interests	<u>(5,633)</u>	<u>1,910</u>	<u>(7,543)</u>
Total comprehensive income attributable to:			
Equity holders	129,321	131,278	(1,957)
Non-controlling interests	<u>(5,633)</u>	<u>1,910</u>	<u>(7,543)</u>
Earnings per share			
- Basic and diluted (in kunas and lipas)	99.99	98.52	1.47

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

4. CORRECTIONS OF THE PRIOR PERIODS – RESTATEMENTS TO THE 2009, 2010 AND 2011 FINANCIAL STATEMENTS (CONTINUED)

The total effect of the resulting restatement on the financial statements for the year ended 31 December 2011 is as follows (continued):

	Restated	Original balance 31 December 2011	Restatement effect
ASSETS			
Non-current assets			
Goodwill and intangible assets	7,644	2,561	5,083
Property, plant and equipment	691,410	610,110	81,300
Non-current financial assets	41,627	88,007	(46,380)
Receivables	25	25	-
Total non-current assets	740,706	700,703	40,003
Current assets			
Inventories	525,069	480,651	44,418
Receivables from related companies	22,718	33,425	(10,707)
Trade receivables	153,954	143,845	10,109
Receivables from the State and other institutions	71,979	69,998	1,981
Current financial assets	113,335	143,164	(29,829)
Other receivables	519	209	310
Cash and cash equivalents	32,068	27,794	4,274
Prepaid expenses and accrued income	2,520	2,517	3
Total current assets	922,162	901,603	20,559
TOTAL ASSETS	1,662,868	1,602,306	60,562

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

4. CORRECTIONS OF PRIOR PERIODS – RESTATEMENTS TO THE 2009, 2010 AND 2011 FINANCIAL STATEMENTS (CONTINUED)

The total effect of the resulting restatement on the financial statements for the year ended 31 December 2011 is as follows (continued):

	Restated	Original balance 31 December 2011	Restatement effect
EQUITY AND LIABILITIES			
Equity			
Subscribed capital	249,600	249,600	-
Retained earnings	246,198	259,211	(13,013)
Capital reserves	9,064	9,064	-
Reserves out of profit	19,284	19,389	(105)
Revaluation reserves	874	874	-
Attributable to the equity holders of the parent	525,020	538,138	(13,118)
Non-controlling interests	95,095	86,344	8,751
Total equity	620,115	624,482	(4,367)
Provisions	55,956	55,956	-
Non-current liabilities			
Liabilities for loans, deposits and similar	-	-	-
Loans payable and borrowings	275,580	252,841	22,739
Other non-current liabilities	535	535	-
Total non-current liabilities	276,115	253,376	22,739
Current liabilities			
Liabilities to related companies	2,258	2,258	-
Loans payable and borrowings	104,624	73,576	31,048
Advances received	264,959	264,959	-
Trade payables	313,007	303,160	9,847
Other current liabilities	12,557	11,262	1,295
Accrued expenses and deferred income	13,277	13,277	-
Total current liabilities	710,682	668,492	42,190
TOTAL EQUITY AND LIABILITIES	1,662,868	1,602,306	60,562

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

5. SALES AND OTHER INCOME

5.1 Sales

	2012	2011 (restated)
Foreign sales	805,438	692,942
Domestic sales	662,577	644,288
	<u>1,468,015</u>	<u>1,337,230</u>

5.2 Other income

	2012	2011 (restated)
Income from reversal of long-term provisions	5,902	2,155
Gain on disposal of property, plant and equipment	4,481	-
Damages collected	3,254	3,088
Prior-period income	2,441	3,290
Material sales	1,262	817
Subsequently approved rebates	963	703
Surplus	627	1,124
Income from scrap transferred to inventories	403	427
Other income	997	1,813
	<u>20,330</u>	<u>13,417</u>

6. SEGMENT INFORMATION

The operating segments were determined based on the similarity in the nature of individual product groups. Three operating segments were identified: Sugar, Flour and Other.

The operating segments are included in internal reports. The internal reports are regularly reviewed by the Management Board in order to assess the performance of the segments and to make business decisions.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

Set out below is a breakdown of revenue and results of the Group by its reporting segments presented in accordance with IFRS 8. The presented sales comprise sales to third parties.

	Segment revenue	
	2012	2011 (restated)
Sugar	1,170,912	1,080,518
Flour	77,095	38,008
Other	240,338	232,121
	1,488,345	1,350,647

	Segment expenses		Segment profit	
	2012	2011 (restated)	2012	2011 (restated)
Sugar	979,357	951,088	191,555	129,430
Flour	88,828	52,193	(11,733)	(14,185)
Other	258,363	189,309	(18,025)	42,812
	1,326,548	1,192,590	161,797	158,057

	2012	2011 (restated)
Operating profit	161,797	158,057
Financial income	14,150	5,241
Financial expenses	(45,420)	(35,006)
Provisions	(1,973)	(621)
Profit before tax	128,554	127,671

The Sugar Segment comprises sugar production.

The Flour Segment comprises production of flour and bakery products.

The Other Segment comprises production of molasses, noodles and spirits.

The accounting policies of the reportable segments are identical to those of the Group, which are set out in Note 3. Segment profit represents the profit earned by each segment without allocation of financial income and expenses and provisions, and it is the measure reported to the chief executive officer for the purposes of resource allocation and assessment of segment performance.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

	31/12/2012	31/12/2011 (restated)
Segment assets		
Sugar	1,238,607	1,206,325
Flour	110,639	142,394
Other	219,144	159,187
Total segment assets	1,568,390	1,507,906
Unallocated	175,172	154,962
Total assets	1,743,562	1,662,868
	31/12/2012	31/12/2011 (restated)
Segment liabilities		
Sugar	832,083	789,438
Flour	45,002	64,929
Other	176,543	132,430
Total segment liabilities	1,053,628	986,797
Unallocated	50,837	55,956
Total liabilities	1,104,465	1,042,753

For the purposes of monitoring segment performance, all assets other than non-current and current financial assets (Notes 16 and 20).

All liabilities are allocated to the segments other than provisions. Liabilities are allocated to reportable segments in proportion to segment asset.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

6. SEGMENT INFORMATION (CONTINUED)

Other segment information

	Depreciation and amortisation		Additions	
	2012	2011 (restated)	2012	2011 (restated)
Sugar	56,972	54,473	51,556	226,692
Flour	4,550	4,493	4,065	405
Other	10,594	9,125	9,640	56,268
Total	72,116	68,091	65,261	283,365

Geographical information

The Group operates in three main geographical areas serving as the basis for sales reporting, whereas all non-current assets are on the Croatian market.

	Revenue from external customers	
	2012	2011 (restated)
Croatian market	662,577	644,288
EU market	773,130	625,377
Other	32,308	67,565
Total	1,468,015	1,337,230

Information about major customers

Included in the sales in the amount of HRK 1,468,015 thousand (2011: HRK 1,337,230 thousand) are sales of HRK 327,808 thousand (2011: HRK 251,458 thousand) generated from the major customer of the Group.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

7. COST OF RAW MATERIAL AND SUPPLIES

	2012	2011 (restated)
Raw material and supplies	652,063	775,257
Energy	124,455	124,771
Spare parts	13,590	12,560
Expensed small items	12,500	12,409
Other material costs	10	33
	<u>802,618</u>	<u>925,030</u>

8. COST OF GOODS SOLD

Cost of goods sold in the amount of HRK 211,134 thousand (2011: 123,571 thousand) represent expenses to the extent of costs of goods sold, i.e. goods delivered by the Parent and its subsidiaries during the reporting year to customers outside the Group.

9. OTHER EXTERNAL CHARGES

	2012	2011 (restated)
Maintenance	24,207	26,290
Transportation	22,978	27,386
Contracting, quality control and sugar beet harvesting services	9,195	9,259
Insurance premiums	8,898	7,845
Bank and payment operation charges	7,666	10,168
Municipal utility services	7,213	9,881
Rentals and leases	6,115	4,496
Intellectual services	4,692	3,400
Outsourced service costs	4,471	8,352
Promotion, advertising and fairs	1,559	2,068
Market research services	274	185
Other services	4,770	8,798
	<u>102,038</u>	<u>118,128</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

10. STAFF COSTS

	2012	2011 (restated)
Net wages and salaries	53,192	51,440
Taxes and contributions out of salaries	23,273	21,460
Contributions on salaries	12,464	12,491
	<u>88,929</u>	<u>85,391</u>

At 31 December 2012, there were 657 persons employed at the Group (2011: 670 employees).

11. OTHER COSTS AND OPERATING EXPENSES

11.1 Other costs

	2012	2011 (restated)
Retirement / termination benefits	8,380	3,567
Jubilee awards and gifts to employees	3,982	1,888
Transportation (employees)	3,965	5,763
Fees to Supervisory board members	3,467	2,279
Entertainment	2,430	2,185
Mandatory fees, contributions and membership fees	1,797	5,187
Other taxes and fees to the fund	849	1,088
Professional education and literature	394	808
Other	2,312	453
	<u>27,576</u>	<u>23,218</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

11. OTHER COSTS AND OPERATING EXPENSES

11.2 Other operating expenses

	2012	2011 (restated)
Donations	5,775	2,422
Receivables written off	3,635	4,513
Subsequently granted discounts	2,055	703
Inventory shortages	1,147	1,019
Subsequently identified prior-period expenses	755	7,926
Fines, penalties, damages	587	2,293
Other	1,172	2,528
	<u>15,126</u>	<u>21,404</u>

12. FINANCIAL INCOME

	2012	2011 (restated)
Foreign exchange gains	8,926	3,425
Interest income – unrelated parties	4,923	1,745
Realised gains on disposal of financial assets	56	-
Interest income – related parties	-	24
Other financial income	245	47
	<u>14,150</u>	<u>5,241</u>

13. FINANCIAL EXPENSES

	2012	2011 (restated)
Interest expense - unrelated companies	19,913	17,037
Foreign exchange losses	16,092	16,460
Impairment of financial assets	7,271	82
Other financial expenses	2,144	1,427
	<u>45,420</u>	<u>35,006</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

14. INCOME TAX

The Group is not subject to corporate income tax, as opposed to its members.

The Parent is a beneficiary of incentives provided in the Investment Promotion Act (Official Gazette No. 73/2000) and hence exempt from corporate income tax. The Parent possesses the following evidence for the purposes of the Act: Confirmation of the Ministry of Economy of 5 November 2003 (Class 404-01/03-01/42; Reg. No. 526-01/03-04) and a Letter from the Ministry of Economy, Labour and Entrepreneurship of 28 February 2007 (Class 404-01/06-01/63; Reg. No.: 526-07-01/1-07-2).

	2012	2011 (restated)
Current tax	496	3,137
Deferred tax assets	-	-
Income tax recognised in the statement of comprehensive income	<u>496</u>	<u>3,137</u>

At 31 December 2012, the Group reported a net profit i.e. profit after tax for the period in the amount of HRK 128,058 thousand (2011: HRK 109,612 thousand). The reconciliation between the accounting profit and taxable profits is set out below:

	2012	2011 (restated)
Profit before taxation	<u>128,554</u>	<u>112,749</u>
Income tax – 20%	25,711	22,550
Non-deductible income and expense items	6,663	3,995
Effect of tax relief (incentives provided in the Investment Promotion Act)	<u>(31,878)</u>	<u>(23,408)</u>
Income tax expense	<u>496</u>	<u>3,137</u>

The tax rate applicable to taxable profit in the Republic of Croatia is 20 % (2011 20%).

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

15. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Cost	Intangible assets	Land	Buildings	Plant and equipment	Works of fine arts	Assets under development	Other tangible assets	Total
Balance at 1 January 2010 (restated)	10,128	33,647	279,533	776,960	9	39,226	1,441	1,140,944
Additions	587	-	17,748	43,225	-	19,794	-	81,354
Disposals, shortage	-	-	(27)	(6,821)	-	-	-	(6,848)
Assets put into use	-	82	19,191	22,547	-	(41,820)	-	-
Balance at 31 December 2010 (restated)	10,715	33,729	316,445	835,911	9	17,200	1,441	1,215,450
Additions and acquisition of subsidiary	3,620	2,837	129,555	131,557	-	15,223	573	283,365
Disposals, shortage	(2,792)	-	-	(24,859)	-	-	(573)	(28,224)
Assets put into use	-	-	-	534	-	(534)	-	-
Balance at 31 December 2011 (restated)	11,543	36,566	446,000	943,143	9	31,889	1,441	1,470,591
Additions	1,100	1,499	8,133	9,167	36	43,824	1,502	65,261
Disposals, shortage	(233)	-	(3,084)	(28,552)	-	-	-	(31,869)
Assets put into use	-	99	12,798	57,348	-	(70,292)	47	-
Balance at 31 December 2012	12,410	38,164	463,847	981,106	45	5,421	2,990	1,503,983

Intangible assets in 2012 mainly refers to computer software and licences.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

15. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (continued)

	Intangible assets	Land	Buildings	Plant and equipment	Works of fine arts	Assets under development	Other tangible assets	Total
Accumulated depreciation/amortis.								
Balance at 1 January 2010 (restated)	6,987	-	108,077	453,229	-	860	71	569,224
Charge for the year	1,017	-	8,661	41,480	-	807	72	52,037
Disposals, shortage	-	-	(27)	(5,511)	-	-	-	(5,538)
Balance at 31 December 2010 (restated)	8,004	-	116,711	489,198	-	1,667	143	615,723
Charge for the year	1,817	-	11,973	52,078	-	2,141	82	68,091
Acquired subsidiary	-	-	54,392	48,270	-	-	-	102,662
Disposals, shortage	(123)	-	-	(9,008)	-	-	(9)	(9,140)
Balance at 31 December 2011	9,698	-	183,076	580,538	-	3,808	216	777,336
Charge for the year	1,002	-	12,655	58,357	-	-	102	72,116
Disposals, shortage	(210)	-	(2,822)	(14,915)	-	102	-	(17,845)
Assets put into use	-	-	-	3,910	-	(3,910)	-	-
Balance at 31 December 2012	10,490	-	192,909	627,890	-	-	318	831,607
Net book values								
At 31 December 2012	1,920	38,164	270,938	353,216	45	5,421	2,672	672,376
At 31 December 2011	1,845	36,566	262,924	362,605	9	28,081	1,225	693,255

15.1 GOODWILL

During 2012 goodwill recognised in 2009 at the acquisition of Stadorana d.d. in the amount of HRK 5,799 thousand was fully impaired based on impairment test performed.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

16. NON-CURRENT FINANCIAL ASSETS

	At 31 December 2012	At 31 December 2011 (restated)	At 31 December 2010 (restated)
Given deposits, loans and down payments	38,451	32,294	32,753
Financial assets available for sale	4,515	9,279	1,458
Investments in securities	50	-	-
Loans to related companies	-	54	-
	<u>43,016</u>	<u>41,627</u>	<u>34,211</u>

Given deposits, loans and down payments in the amount of HRK 38,451 thousand (2011: HRK 32,294 thousand) comprise deposit in Raiffeisenbank in amount of HRK 12,073 thousand (2011: HRK 21,085 thousand), loans to the employees of Sladorana d.d. for purchase of shares in the amount of HRK 240 thousand (2011: HRK 10,620 thousand), loans to Poljoprivredno poduzeće Orahovica d.d. in the amount of HRK 13,333 thousand (2011: HRK 0), Grudska pivovara d.o.o., Grude in the amount of HRK 12,321 thousand (2011.: HRK 0) and to Senjanović Ivan in the amount of HRK 151 thousand (2011.: HRK 150 thousand), and down payments for operating lease arrangements in the amount of HRK 333 thousand (2011: HRK 589 thousand).

HRK 12,073 thousand (2011: HRK 21,085 thousand) of given loans and deposits represent term deposits with Raiffeisenbank d.d. made under a cash deposit pledge agreement concluded on 29 October 2008. The deposit expires on 15 July 2015 and bears interest at a rate of 6.7 percent. The interest rate is variable and the interest is added to the deposit upon the expiry of the deposit term. Decrease of deposits in comparison to the balance as at 31 December 2011 relates to the return of deposit as at 4 January 2012 in the amount of EUR 1,200 thousand.

Participating interests represent equity interests allowing control of up to 20 percent and comprise the following:

	At 31 December 2012	At 31 December 2011 (restated)	At 31 December 2010 (restated)
Tesla štedna banka d.d.	2,000	2,000	-
Sense savjetovanje d.o.o.	1,500	1,500	-
VPL Šećer d.o.o.	516	1,000	1,000
Croatia Osiguranje Zagreb	315	200	262
PBZ d.d. Zagreb	106	98	118
Hrvatski radio Županja	78	78	78
Vinka d.d.	-	4,403	-
	<u>4,515</u>	<u>9,279</u>	<u>1,458</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

17. INVENTORIES

	At 31 December 2012	At 31 December 2011 (restated)	At 31 December 2010 (restated)
Finished products	407,480	408,464	243,409
Raw material and supplies	108,239	48,635	51,632
Merchandise	48,831	50,138	53,621
Prepayments for inventories	22,376	17,832	18,055
	<u>586,926</u>	<u>525,069</u>	<u>366,717</u>

ISignificant increase in inventories of raw materials and supplies in comparison to 2011 was caused by purchased raw sugar which was processed in 2013.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

18. TRADE RECEIVABLES

At 31 December 2012, trade receivables amounted to HRK 152,486 thousand (2011: HRK 176,672 thousand).

The structure of receivables is as follows:

	At 31 December 2012	At 31 December 2011 (restated)	At 31 December 2010 (restated)
Domestic trade receivables	112,185	140,426	135,083
Foreign trade receivables	47,930	23,814	13,095
Receivables from related companies	2,430	22,718	20,470
Impairment allowance on trade receivables	(10,059)	(10,286)	(9,042)
	<u>152,486</u>	<u>176,672</u>	<u>159,606</u>

Maturity analysis of receivables not impaired

	At 31 December 2012	At 31 December 2011 (restated)	At 31 December 2010 (restated)
Not yet due	78,177	115,071	90,542
0-90 days	48,517	41,987	33,050
90-120 days	4,383	6,790	127
Over 120 days	21,409	12,824	35,887
	<u>152,486</u>	<u>176,672</u>	<u>159,606</u>

Movements in impairment allowance for doubtful accounts

	2012	2011 (restated)	2010 (restated)
Balance at 1 January	10,286	9,042	8,965
New allowances	443	2,074	359
Recovery of receivables previously provided against	(532)	(826)	(260)
Written-off receivables	(138)	(4)	(22)
	<u>10,059</u>	<u>10,286</u>	<u>9,042</u>

Written-off receivables in the amount of HRK 138 thousand (2011: HRK 4 thousand) were charged to the allowance account, and the total allowance recognised in the income statement and charged directly to expenses for the period amounted to HRK 3,635 thousand (2011: HRK 4,513 thousand), Note 11.2. All receivables provided against were past due beyond 120 days.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

19. RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS

	At 31 December 2012	At 31 December 2011 (restated)	At 31 December 2010 (restated)
VAT receivable	112,876	71,848	54,933
Other amounts due from the state	2,858	131	482
	<u>115,734</u>	<u>71,979</u>	<u>55,415</u>

20. CURRENT FINANCIAL ASSETS

	At 31 December 2012	At 31 December 2011 (restated)	At 31 December 2010 (restated)
Given loans and deposits	86,155	25,344	31,438
Investments in securities - received bills of exchange	38,076	87,931	39,940
Given deposits	7,925	-	38,057
Loans to related companies	-	60	-
	<u>132,156</u>	<u>113,335</u>	<u>109,435</u>

An overview of given loans at 31 December 2012 is provided in the table below:

	Interest rate	31 December 2012	31 December 2011 (restated)
Legal persons			
Konzum d.d.	7%	70,000	-
Vinkovačka televizija d.o.o.	8%	6,156	2,218
Dubrovački podrumi d.d.	6%	2,487	2,365
Voiones d.o.o.	6%	1,503	1,503
Visus d.o.o.	8%	1,141	1,141
Agrokontrola d.o.o.	6%	-	4,355
Hospitalija d.d.	6%	-	4,152
Dona trgovina d.o.o.	8%	-	1,515
Others	6%-9%	1,578	2,528
Total legal persons		<u>82,865</u>	<u>19,777</u>
Individuals	6%-8%	<u>3,290</u>	<u>5,567</u>
Total		<u>86,155</u>	<u>25,344</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

21. CASH AND CASH EQUIVALENTS

	At 31 December 2012	At 31 December 2011 (restated)	At 31 December 2010 (restated)
Gyro account balance	19,569	25,239	33,594
Foreign currency account balance	11,935	6,820	25,680
Cash in hand	4	9	3
	<u>31.508</u>	<u>32,068</u>	<u>59,277</u>

22. CAPITAL AND RESERVES

22.1 SHARE CAPITAL

At 31 December 2012 the share capital amounts to HRK 249,600 thousand and consists of 1,386,667 shares (2011: HRK 249,600 thousand, consisting of 1,386,667 shares).

The ownership structure of the Company is set out below:

	Number of shares		Ownership in %	
	2012	2011 (restated)	2012	2011 (restated)
EOS-Z d.o.o.	466,500	465,483	33.64%	33.57%
Robić d.o.o.	416,100	416,100	30.01%	30.01%
Zadro Marinko	127,936	34,417	9.23%	2.48%
Societe Generale Splitska banka d.d. / AZ OMF	117,069	88,811	8.44%	6.40%
Hypo Alpe Adria Bank d.d. / PBZ Croatia Osiguranje OMF	42,181	42,181	3.04%	3.04%
Hypo Alpe Adria Bank d.d. / Raiffeisen OMF	26,103	26,103	1.88%	1.88%
Hrvatska poštanska banka d.d.	23,257	23,257	1.68%	1.68%
Societe Generale Splitska banka d.d. / AZ PROFIT DMF	13,066	10,256	0.94%	0.74%
Erste&Steiermarkische bank d.d. / CSC	11,021	-	0.79%	0.00%
Societe Generale Splitska banka d.d. / ERSTE PLAVI OMF	10,033	10,033	0.72%	0.72%
Other	133,401	270,026	9.63%	19.48%
	<u>1,386,667</u>	<u>1,386,667</u>	<u>100.00</u>	<u>100.00</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

22. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic earnings per share are determined, by dividing the Group's net profit by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares redeemed and held by the Group as treasury shares.

	<u>2012</u>	<u>2011</u> <u>(restated)</u>
Net profit attributable to the shareholders (in HRK'000)	131,128	130,167
Weighted average number of shares	<u>1,386,667</u>	<u>1,301,831</u>
Basic earnings per share (in kunas and lipas):	94.56	99.99

Diluted earnings per share are equal to basic earnings per share, as there is no basis for adjusting the weighted average number of ordinary shares.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

24. LIABILITIES UNDER BORROWINGS AND FINANCIAL LEASES

	At 31 December 2012	At 31 December 2011 (restated)	At 31 December 2010 (restated)
Long-term borrowings			
Bank borrowings	158,262	258,282	288,734
Financial lease obligations	20,984	17,298	2,204
	<u>179,246</u>	<u>275,580</u>	<u>290,938</u>
Short-term borrowings			
Bank borrowings	66,119	27,712	8,715
Bank borrowings – current portion of long-term loans	85,880	71,713	55,839
Financial loans	19,560	-	-
Financial lease obligations	7,835	5,199	-
	<u>179,394</u>	<u>104,624</u>	<u>64,554</u>
Total	<u>358,640</u>	<u>380,204</u>	<u>355,492</u>

Bank borrowings in the amount of HRK 310,261 thousand (2011: HRK 357,707 thousand) are secured by lien on land and buildings of the Group.

	2012	2011 (restated)
Balance at 1 January	357,707	353,288
New bank loans raised	468,040	462,241
Amounts repaid	(511,086)	(461,581)
Exchange differences	(4,400)	3,759
Balance at 31 December	<u>310,261</u>	<u>357,707</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

24. LIABILITIES UNDER BORROWINGS AND FINANCIAL LEASES (continued)

An overview of bank borrowings (maturities, interest rates, balances and currencies) is provided below:

Creditor	Ultimate repayment date	Interest rate	Currency	31/12/2012	31/12/2011 (restated)
Long-term					
Privredna banka d.d. and HBOR	31/12/2014	5.40%; 2.80%	HRK	50,000	75,000
Raiffeisenbank d.d. and HBOR	31/12/2014	5.40%; 2.80%	HRK	46,667	70,000
Raiffeisenbank d.d.	30/06/2015	4.00%	EUR	28,678	45,792
Raiffeisenbank d.d.	31/12/2014	5.20%	HRK	50,000	50,000
Privredna banka d.d.	31/12/2014	5.20%	HRK	20,000	30,000
HypoAlpe Adria Bank	30/06/2014	6.00%	CHF	5,789	10,528
HBOR	30/09/2014	2.00%	HRK	6,606	10,359
Croatia banka d.d.	30/06/2020	4.00%	EUR	10,023	10,326
HBOR	28/02/2023	4.00%	EUR	21,669	23,735
Croatia osiguranje d.d.	31/12/2013	5.00%	HRK	1,116	2,259
Short-term					
Slatinska banka d.d.	31/03/2013	4,60%	KN	20,000	-
Raiffeisen bank d.d.	20/08/2013	3MEURIBOR + 5.70%	EUR	27,712	-
Raiffeisen bank d.d.	09/02/2013	6.15%	KN	15,000	-
Raiffeisen bank d.d.- receivables redemption	28/02/2013	6.15%	KN	983	-
Raiffeisen bank d.d.- receivables redemption	28/02/2013	6.15%	KN	1,547	-
Raiffeisenbank d.d.	30/05/2012	5.00%	EUR	-	27.712
Liabilities for loan interests				4,471	1,996
Total short term and long term loans				310,261	357,707

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

24. LIABILITIES UNDER BORROWINGS AND FINANCIAL LEASES (continued)

	Minimum lease payments		Finance charges		Present value of minimum lease payments	
	2012	2011 (restated)	2012	2011 (restated)	2012	2011 (restated)
Not later than 1 year	7,834	5,214	971	736	6,863	4,618
Payable from two to five years	21,117	15,785	1,374	1,284	19,743	14,361
Payable after five years	-	1,520	-	5	-	1,515
	28,951	22,519	2,345	2,025	26,606	20,494
Less: future finance charges	(2,345)	(2,025)			-	-
Present value of minimum lease payments	26,606	20,494			26,606	20,494

25. TRADE PAYABLES

	At 31 December 2012	At 31 December 2011 (restated)	At 31 December 2010 (restated)
Domestic trade payables	164,462	189,690	182,539
Foreign trade payables	271,727	123,317	17,944
	436,189	313,007	200,483

26. ADVANCES RECEIVED

At 31 December 2012, advances received amounted to HRK 221,114 thousand (2011: HRK 264,959 thousand) and comprise amounts advanced by foreign entities for purchases of sugar.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

27. OTHER CURRENT LIABILITIES

	At 31 December 2012	At 31 December 2011 (restated)	At 31 December 2010 (restated)
Liabilities in respect of securities	16,556	-	-
Taxes, contributions and similar duties payable	6,119	5,505	11,318
Amounts due to employees	5,846	5,310	4,495
Other current liabilities	2,127	1,742	864
	<u>30,648</u>	<u>12,557</u>	<u>16,677</u>

On 27 December 2012 the Company's Assembly adopted a decision to pay dividends in the amount of HRK 20.00 per share out of the retained earnings. The total dividend to be distributed amounted to HRK 27,733 thousand, of which HRK 11,177 thousand was paid on 31 December, and the difference of HRK 16,556 thousand was paid until 26 January 2013.

28. ACCRUED EXPENSES AND DEFERRED INCOME

	At 31 December 2012	At 31 December 2011 (restated)	At 31 December 2010 (restated)
Accrued direct sugar beats costs	5,844	9,230	13,027
Accrued water protection fee	-	2,491	-
Accrued sugar beet incentives	-	29	14,183
Other accrued expenses	803	1,527	4,284
	<u>6,647</u>	<u>13,277</u>	<u>31,494</u>

Notes to the consolidated financial statements (continued)

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(All amounts are expressed in thousands of kunas)

29. RELATED-PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Trading transactions

Transactions entered into by and between the Group and its related parties during the year are as follows:

Operating income

	Sales		Other income	
	2012	2011 (restated)	2012	2011 (restated)
EOS-Z d.o.o.	14,502	38,400	-	493
ROBIĆ d.o.o.	14,759	28,384	-	8
	<u>29,261</u>	<u>66,784</u>	<u>-</u>	<u>501</u>

Operating expenses

	Selling expenses		Other expenses	
	2012	2011 (restated)	2012	2011 (restated)
EOS-Z d.o.o.	7,705	450	-	450
ROBIĆ d.o.o.	220	55	-	55
	<u>7,925</u>	<u>505</u>	<u>-</u>	<u>505</u>

Financial income and expenses

	Financial income		Financial expenses	
	2012	2011 (restated)	2012	2011 (restated)
ROBIĆ d.o.o.	1	25	-	-
EOS-Z d.o.o.	-	-	260	-
	<u>1</u>	<u>25</u>	<u>260</u>	<u>-</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

29. RELATED-PARTY TRANSACTIONS (CONTINUED)

Outstanding balances from trading transactions at the end of the reporting period:

	Amounts owed by related companies			Amounts owed to related parties		
	2012	2011 (restated)	2010 (restated)	2012	2011 (restated)	2010 (restated)
ROBIĆ d.o.o.	2,430	14,646	20,412	-	266	225
EOS-Z d.o.o.	-	8,072	58	7	1,992	-
	<u>2,430</u>	<u>22,718</u>	<u>20,470</u>	<u>7</u>	<u>2,258</u>	<u>225</u>

Loans to related parties:

	Loan receivables			Borrowings		
	2012	2011 (restated)	2010 (restated)	2012	2011 (restated)	2010 (restated)
ROBIĆ d.o.o.	-	60	-	-	-	-
	<u>-</u>	<u>60</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Remuneration paid to key management personnel:

	2012	2011
Salaries	5,603	4,915
Other	2,457	2,237
	<u>8,060</u>	<u>7,152</u>

Notes to the consolidated financial statements (continued)

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30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy has remained unchanged since 2011.

The Group's capital consists of debt, which includes borrowings disclosed in Note 24, less cash and cash equivalents and balances with banks (the so-called net debt), and equity, which comprises share capital, reserves and retained earnings as disclosed in Note 22.

The Treasury of the Group reviews the capital structure of the Group. As part of this review, the Treasury considers the cost of capital and the risks associated with each class of capital. The gearing ratio at the reporting date was as follows:

Gearing ratio

	2012	2011 As restated	2010 As restated
Debt (i)	358,640	380,204	355,492
Cash and cash equivalents	(31,508)	(32,068)	(59,277)
Net debt	<u>327,132</u>	<u>348,136</u>	<u>296,215</u>
Equity (ii)	639,097	620,115	619,420
Net debt-to-equity ratio (in %)	51.19	56.14	47.82

(i) Debt consists of long- and short-term borrowings, as described in Note 24.

(ii) Equity consists of capital, reserves and retained earnings managed by the Group as capital.

Notes to the consolidated financial statements (continued)

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(All amounts are expressed in thousands of kunas)

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Categories of financial instruments

	2012	2011 (restated)	2010 (restated)
Financial assets			
Non-current financial assets	43,016	41,627	34,211
Non-current receivables	37	25	141
Receivables from related companies	2,430	22,718	20,470
Trade receivables	150,056	153,954	139,136
Current financial assets	132,156	113,335	109,435
Other receivables	72	519	155
Cash and cash equivalents	31,508	32,068	59,277
Prepaid expenses and accrued income	9,251	2,520	5,706
	<u>368,526</u>	<u>366,766</u>	<u>368,531</u>
Financial liabilities			
Loans payable and borrowings (long term)	179,246	275,580	290,938
Other non-current liabilities	383	535	612
Liabilities to related companies	7	2,258	225
Financial loans payable	19,560	-	-
Loans payable and financial lease obligations (short term)	159,834	104,624	64,554
Advances received	221,114	264,959	108,417
Trade payables	436,189	313,007	200,483
Other current liabilities	24,529	7,051	5,360
Accrued expenses and deferred income	6,647	13,277	31,494
	<u>1,047,509</u>	<u>981,291</u>	<u>702,083</u>

At the reporting date there are no significant concentrations of credit risk for loans and receivables designated at fair value through the statement of comprehensive income. The carrying amount reflected above represents the Group's maximum exposure to credit risk for such loans and receivables.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management objectives

The Treasury function of the Group provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks.

These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks. The Group does not enter into, or trade in financial instruments, including derivative financial instruments, for speculative purposes. The Treasury function periodically reports to the Group's management on the risk exposures.

Market risk

The Group's activities expose it primarily to the financial risks of movement in prices of sugar, flour and prices of raw materials needed for their production (sugar cane, sugar beet and wheat). The Group is also exposed to risks of changes in foreign currency exchange rates and interest rates, as disclosed below.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign-currency denominated monetary assets and liabilities at the reporting date are provided in the table below:

	Liabilities		Assets	
	2012	2011 (restated)	2012	2011 (restated)
European Union (EUR)	617,939	428,550	89,739	54,508
USD	-	91,822	4,038	3,855

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Foreign currency risk management

Foreign currency sensitivity analysis

The Group is mainly exposed to the fluctuations in the exchange rate of the Croatian kuna against the euro and the US dollar because these are the currencies in which the majority of sugar sales (EUR) and purchases of raw sugar (USD) on international markets are carried out.

The following table details the Group's sensitivity to a 10 % decrease of the Croatian kuna against the relevant currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to the Management Board and represents the Board's assessment of the reasonably possible change in foreign exchange 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. The sensitivity analysis includes external borrowings, as well as loans to foreign operations of the Group denominated in a currency that is not the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the Croatian kuna strengthens 10 percent against the relevant currency. For a 10-percent weakening of the Croatian kuna against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	EUR impact		USD impact	
	2012	2011 (restated)	2012	2011 (restated)
Profit	52,820	37,404	404	9,182

The exposure to the 10-percent change for the relevant currencies is mainly related to the balance of borrowings, trade payables and receivables from related companies denominated in euro (EUR) and the balance of trade payables denominated in US dollars (USD).

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Group's exposures to interest rates on its financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Interest rate risk management

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- profit for the year ended 31 December 2012 would decrease/increase by HRK 996 thousand (2011: decrease/increase by HRK 852 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the reduction in variable rate debt instruments.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counter parties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from default. The exposure of the Group and the credit ratings of its counterparties are continuously monitored, and the total value of transactions entered into is spread across accepted customers. Credit exposure is managed by setting limits to customers.

Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Group has no significant credit risk exposures, either to a single customer, or a group of customers with similar characteristics.

Collateral held as security and other credit enhancements

The Group commonly accepts bank guarantees, debentures and bills of exchange of its customers.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk management

Prudent liquidity management implies maintaining sufficient levels of cash, obtaining adequate funding using credit lines and facilities and the ability to settle the liabilities on a timely basis. It also involves matching the maturities of liabilities and maintaining appropriate levels of liquid assets. Ultimate responsibility for liquidity risk management rests with the Management Board. The Group manages its liquidity by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The cash flow forecasts are prepared on a monthly basis (by day) and departures are monitored daily.

Liquidity and interest rate risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both principal and interest cash flows. The discounted cash outflow on interest at variable rates has been derived from interest rate curves at the end of the reporting period. The contractual maturity has been defined as the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
2012						
Non-interest bearing liabilities	-	205,346	46,022	486,032	-	737,400
Interest bearing liabilities	4.83%	27,907	26,741	132,610	190,376	377,634
		233,253	72,763	618,642	190,376	1,115,034
2011 (restated)						
Non-interest bearing liabilities	-	300,172	176,770	123,686	459	601,087
Interest bearing liabilities	5.44%	12,085	24,570	100,920	286,843	424,418
		312,257	201,340	224,606	287,302	1,025,505

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk management (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets based on the earliest date on which the Group can require payment.

	Weighted average effective interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
2012						
Non-interest bearing assets	-	140,317	31,401	60,041	4,849	236,608
Interest bearing assets	7.10%	2,684	6,441	86,282	41,018	136,425
		143,001	37,842	146,323	45,867	373,033
2011 (restated)						
Non-interest bearing assets	-	161,545	97,453	40,829	20,510	320,337
Interest bearing assets	7.28%	130	260	43,266	4,728	48,384
		161,675	97,713	84,095	25,238	368,721

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;

At 31 December 2012, the carrying amounts of cash, short-term deposits, receivables and short-term liabilities, accrued expenses and other financial instruments approximate their fair values due to the short-term maturity of these financial instruments.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (continued)

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that is not based on observable market data (unobservable inputs).

At 31 December 2012	Level 1	Level 2	Level 3	Total
		<i>(HRK'000)</i>		
Financial assets available for sale	421	-	4,094	4,515
Total	421	-	4,094	4,515

At 31 December 2011 (restated)	Level 1	Level 2	Level 3	Total
		<i>(HRK'000)</i>		
Financial assets available for sale	298	-	8,981	9,279
Total	298	-	8,981	9,279

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

31. ACQUISITION OF SUBSIDIARY

31.1 Acquired subsidiary

Subsidiary	Principal activity	Acquisition date	Ownership interest in %	Consideration transferred
Slavonija nova d.d.	Flour production	01/03/2011	76.60%	57,287
				<u>57,287</u>

On 1 March 2011 the Company acquired control over Slavonija nova d.d. The share in the voting rights was 76%. On 22 August 2011, the share in the voting rights was increased to 77.36 percent, as Sladorana d.d. acquired an additional share of 1.36 percent by an additional contribution in the amount of HRK 3,980 thousand.

As at 24 December 2012 the Company Sladorana d.d. increased its share in the subsidiary Slavonija Nova d.d. from 77.36% to 77.94% by acquiring additional 4,625 shares of Slavonija Nova d.d. through increase of its share capital. Paid fee amounted to HRK 1,850 thousand.

31.2 Assets acquired and liabilities assumed at the date control gained (1 March 2011)

	Total
Current assets	
Cash and cash equivalents	3,088
Trade and other receivables	9,241
Inventories	<u>8,176</u>
Non-current assets	
Property, plant and equipment	85,262
Financial assets and long-term receivables	<u>54</u>
Non-current liabilities	<u>(25,537)</u>
Current liabilities	
Trade and other payables	<u>(7,958)</u>
Net assets	<u>72,326</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

31. ACQUISITION OF SUBSIDIARY (CONTINUED)

31.3 Goodwill arisen on acquisition

Consideration transferred	57,287
Fair value of the investment in the associate	72,326
Share of assets acquired (76%)	54,968
Goodwill	2,319
Impairment of goodwill	(2,319)
Goodwill after impairment	-

The Group impaired goodwill by a total of HRK 2,319 thousand upon the acquisition based on the management's estimate.

31.4 Net cash paid on acquisition

Cash consideration	57,287
Less: cash and cash equivalents acquired	(3,088)
	54,199

31.5 Impact of the acquisition on the group performance

The 2011 consolidated profit includes HRK 16,741 thousand in respect of the loss generated by the acquired company.

Had the business combinations been effectively completed on 1 January 2011, the Group's revenue from continuing operations and the profit from continuing operations would have amounted to HRK 1,355,105 thousand and HRK 126,030 thousand, respectively. In the opinion of the Management Board, the amounts initially accounted for reflect the current performance levels on an annual basis, whereas revenues are expected to increase in the future periods, along with the related positive impact on the Group's profit.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

31. ACQUISITION OF SUBSIDIARY (CONTINUED)

31.6 Increase of share in Sladorana d.d.

As at 15 December 2011 the Company increased its share in the subsidiary Sladorana d.d. from 59.06% to 76.60% by purchasing additional 580,024 shares of Sladorana d.d. The consideration paid amounted to HRK 64,383 thousand.

As at 31 March 2012 the Company increased its share in the subsidiary Sladorana d.d. from 76.60% to 79.23% by purchasing additional 86,891 shares of Sladorana d.d. The consideration paid amounted to HRK 9,645 thousand.

As at 30 June 2012 the Company increased its share in the subsidiary Sladorana d.d. from 79.23% to 95.07% by purchasing additional 523,602 shares of Sladorana d.d. The consideration paid amounted to HRK 88,034.

As at 10 December 2012 the Company increased its share in the subsidiary Sladorana d.d. from 95.07% to 100.00% by purchasing additional 162,971 shares of Sladorana d.d. The consideration paid amounted to 26,075 thousand.

31.7 Impact of increase of share in Sladorana d.d. on consolidated financial statements

As disclosed in the Note 31.6, during 2012 the Parent had several acquisitions of shares in the subsidiary Sladorana d.d. and as at 31 December 2012 it has 100% share in the mentioned subsidiary. These increases of share during 2012 occurred after the Parent already gained control over the subsidiary in the prior periods. Since the amount paid for the acquisition of additional shares was higher than the value of net assets of Sladorana d.d., the difference in the amount of HRK 41,432 thousand was charged to Other reserves within equity.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

32. LEGAL ACTIONS

The total balance of non-current provisions relates to legal actions in progress. Movements in the provisions are presented below:

	2012.	2011. (restated)	2010. (restated)
Balance at 1 January	55,956	61,165	60,908
New provisions	784	621	257
Utilised / cancelled provision	(5,903)	(5,830)	-
Balance at 31 December	50,837	55,956	61,165

There are two significant legal actions outstanding against Sladorana d.d. Županja: one regarding the cancellation of an employment contract, and one disputing transactions and payments. Set out below are two legal actions representing the majority of the provisions recognised at 31 December 2012.

In a case initiated by NLB, as Plaintiff, against Sladorana for the alleged overriding of legal personality in the Granal case, the Plaintiff maintains that, as a result of "abuse in conducting the business", the future bankruptcy estate of Granal has been depleted and that the Defendant is liable for HRK 40 million. In the prior periods, Sladorana d.d. recognised a total provision in the amount of HRK 50 million based on the assessed probability of losing the case at that time. The entire case consists of several separate lawsuits, all of which ruled so far in favour of Sladorana. However, because of procedural errors, they have been repeatedly referred back to first-instance courts, due to which the final outcome remains uncertain.

In a lawsuit initiated by Marijan Jakšić, as the Plaintiff, against Sladorana d.d. to render the termination of the employment contract illegal after 10 years, the County Court annulled the first-instance ruling in favour of the Plaintiff and referred the case file back for retrial. Following the retrial, first-instance and appellate decisions were made in favour of Sladorana d.d.. The case is currently under review by the Supreme Court. Based on the estimate made by the legal department, a provision of HRK 5,903 thousand has been made for the lawsuit. During 2012 the final verdict was brought in the favour of the Group and reversal of long term provision in the amount of hRK 5,903 thousand was made.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2012

(All amounts are expressed in thousands of kunas)

33. CONTINGENT LIABILITIES AND COMMITMENTS

Contracted and potential liabilities of the Group relate to the issued debentures which amount to HRK 750,982 thousand, issued guarantees in the amount of HRK 232 thousand and issued bills of exchange in the amount of HRK 30,000 thousand. Maturity dates were agreed in the period from 1 March until 24 November 2013 for debentures and guarantees and 15 July 2016 for bills of exchange.

34. OPERATING LEASES

The Group as lessee

Operating lease agreements

Operating lease agreements comprise leases of personal cars over a term of five years. The Group has no option to purchase the leased assets upon the expiry of the lease term.

Lease payments recognised as an expense

	2012	2011 (restated)
Minimum lease payments	809	416

Non-cancellable operating lease commitments

	2012	2011 (restated)
Not later than 1 year	779	533
1-5 years	1,848	1,300
	<u>2,627</u>	<u>1,833</u>

35. MANAGEMENT AUTHORISATION OF THE ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were adopted by the Management Board and authorized for issue on 1 March 2013.

Signed on behalf of the Management Board on 1 March 2013 by:

Željko Zadro

President of the Management Board





TVORNICA ŠEĆERA d.d.
VIROVITICA, MATIJE GUPCA 254

**STATEMENT OF PERSON RESPONSIBLE FOR PRODUCTION OF THE
CONSOLIDATED REPORT FOR 2012**

With this statement, in compliance with article 407, paragraph 2, and article 410 of the Law on capital market, I state that to the best of our knowledge

- the set of consolidated financial reports of VIRO TVORNICA ŠEĆERA d.d., Virovitica and its subsidiaries for the period I-XII 2012, produced by applying International standards of financial reporting and in compliance with the Croatian Law on Accounting, provides an integral and true overview of assets and liabilities, loss and profit, financial position and operations of the Group.
- The Management report contains a true overview of business results and position of the Group, with a description of the most significant risks and uncertainties to which the Group is exposed.

In Virovitica, on March 01, 2013

RESPONSIBLE PERSON

PRESIDENT OF THE
MANAGEMENT BOARD:


Željko Zadro, dipl.oec



ENCLOSURE 1

Reporting period:

1 January 2012

to

31 December 2012

Annual Financial Report-GFI-POD

Tax Number (MB): 01650971

Registration Number (MBS): 010049135

Personal Identification
Number (OIB): 04525204420

Issuer: VIRO TVORNICA ŠEĆERA d.d.

Postal Code and Location: 33000

VIROVITICA

Street and number: MATIJE GUPCA 254

e-mail address: viro@secerana.hr

Internet address: www.secerana.hr

and name for municipality/city: 491 VIROVITICA

Code and name for county: 10 VIROVITIČKO-PODRAVSKA

Number of employees: 657
(at the year's end)

Consolidated Report: YES

Business activity code: 1081

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

SLADORANA d.d.

ŽUPANJA, ŠEĆERANA 63

03307484

SLAVONIJA NOVA d.d.

J.J.STROSSMAYERA 65, ŽUPANJA

01841009

VIRO-KOOPERACIJA d.o.o.

ŠEĆERANA 63, ŽUPANJA

02835398

Book-keeping firm:

Contact person: DRAGIĆ NEVENA

(unosi se samo prezime i ime osobe za kontakt)

Telephone: 033840121

Telefaks: 033840103

e-mail address: nevena.dragic@secerana.hr

Surname and name: ZADRO ŽELJKO

(osoba ovlaštene za zastupanje)

Documents for publication

1. Revised Annual Financial Statements
2. Statements for persons responsible for composing financial statements
3. Management report



(signature of authorized person)

BALANCE SHEET

as at 31.12.2012

Item	AOP code	Last year (net)	Current year (net)
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001		
B) LONG-TERM ASSETS (003+010+020+029+033)	002	700.703.243	715.428.950
I. INTANGIBLE ASSETS (004 to 009)	003	2.561.187	1.920.010
1. Assets development	004	518.268	395.598
2. Concessions, patents, licences fees, trade and service marks, software and other rights	005	1.326.159	1.224.012
3. Goodwill	006	716.760	
4. Prepayments for purchase of intangible assets	007		
5. Intangible assets in preparation	008		300.400
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 to 019)	010	610.109.883	670.455.686
1. Land	011	33.729.172	38.164.239
2. Buildings	012	208.464.753	270.937.574
3. Plant and equipment	013	331.084.051	344.653.382
4. Tools, facility inventory and transport assets	014	7.745.791	8.561.858
5. Biological assets	015		
6. Prepayments for tangible assets	016	2.587.429	
7. Tangible assets in progress	017	25.264.121	5.421.140
8. Other tangible assets	018	9.300	44.900
9. Investments in buildings	019	1.225.266	2.672.593
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	020	88.007.309	43.015.933
1. Investments (shares) with related parties	021	63.166.800	1.416.310
2. Loans given to related parties	022		
3. Participating interest (shares)	023	7.378.475	3.098.960
4. Loans to entrepreneurs in whom the entity holds participating interests	024		
5. Investments in securities	025		50.250
6. Loans, deposits and similar assets	026	11.209.440	38.450.413
7. Other long - term financial assets	027		
8. Investments accounted by equity method	028	6.252.594	
IV. RECEIVABLES (030 to 032)	029	24.864	37.321
1. Receivables from related parties	030		
2. Receivables from based on trade loans	031	24.864	
3. Other receivables	032		37.321
V. DEFERRED TAX ASSETS	033		
C) SHORT TERM ASSETS (035+043+050+058)	034	899.086.337	1.018.881.857
I. INVENTORIES (036 to 042)	035	480.650.927	586.925.890
1. Raw-material and supplies	036	48.399.921	108.237.915
2. Work in progress	037		
3. Finished goods	038	405.945.345	407.480.652
4. Merchandise	039	8.743.623	48.830.652
5. Prepayments for inventories	040	17.562.038	22.376.671
6. Long - term assets held for sales	041		
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	247.477.072	268.291.341
1. Receivables from related parties	044	33.424.549	2.430.091
2. Accounts receivable	045	143.844.580	150.055.439
3. Receivables from participating parties	046		
4. Receivables from employees and members of related parties	047	20.182	18.583
5. Receivables from government and other institutions	048	69.998.437	115.733.598
6. Other receivables	049	189.324	53.630
III. SHORT TERM FINANCIAL ASSETS (051 to 057)	050	143.164.104	132.156.311
1. Shares (stocks) in related parties	051		
2. Loans given to related parties	052	8.803.709	
3. Participating interests (shares)	053		
4. Loans to entrepreneurs in whom the entity holds participating interests	054		
5. Investments in securities	055	39.779.361	38.075.726
6. Loans, deposits, etc.	056	46.428.978	94.080.585
7. Other financial assets	057	48.152.056	
IV. CASH AT BANK AND IN CASHIER	058	27.794.234	31.508.315
D) PREPAID EXPENSES AND ACCRUED REVENUE	059	2.516.731	9.251.271
E) TOTAL ASSETS (001+002+034+059)	060	1.602.306.311	1.743.562.078
F) OFF-BALANCE RECORDS	061	882.103.298	1.431.644.842

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	624.482.442	639.097.055
I. SUBSCRIBED CAPITAL	063	249.600.060	249.600.060
II. CAPITAL RESERVES	064	9.064.213	10.368.101
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	19.389.313	56.346.673
1. Reserves prescribed by law	066	12.480.003	12.480.003
2. Reserves for treasury shares	067	43.866.670	43.866.670
3. Treasury stocks and shares (deduction)	068	36.957.360	
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071	874.338	3.726.291
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	130.952.109	177.780.305
1. Retained earnings	073	130.952.109	177.780.305
2. Accumulated loss	074		
VI. PROFIT/LOSS FOR THE CURRENT YEAR (076-077)	075	128.257.928	131.128.314
1. Profit for the current year	076	128.257.928	131.128.314
2. Loss for the current year	077		
IX. MINORITY INTERESTS	078	86.344.481	10.147.311
B) PROVISIONS (080 to 082)	079	55.955.921	50.837.118
1. Provisions for pensions, severance pay, and similar liabilities	080		
2. Reserves for tax liabilities	081		
3. Other reserves	082	55.955.921	50.837.118
C) LONG - TERM LIABILITIES (084 to 092)	083	253.375.825	179.628.626
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits etc.	085	16.985.496	19.186.058
3. Liabilities to banks and other financial institutions	086	235.854.987	160.060.181
4. Liabilities for received prepayments	087		
5. Accounts payable	088		
6. Liabilities arising from debt securities	089		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	090		
8. Other long-term liabilities	091	535.342	382.387
9. Deferred tax liability	092		
D) SHORT - TERM LIABILITIES (094 to 105)	093	655.216.468	867.351.837
1. Liabilities to related parties	094	2.258.095	6.592
2. Liabilities for loans, deposits etc.	095	6.198.874	26.426.690
3. Liabilities to banks and other financial institutions	096	67.377.410	152.967.583
4. Liabilities for received prepayments	097	264.959.247	221.114.292
5. Accounts payable	098	303.159.725	436.189.040
6. Liabilities arising from debt securities	099		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100		
8. Liabilities to employees	101	4.517.795	5.847.614
9. Liabilities for taxes, contributions and similar fees	102	5.004.257	6.119.751
10. Liabilities to share - holders	103	11.874	16.556.077
11. Liabilities for long-term assets held for sale	104		
12. Other short - term liabilities	105	1.729.191	2.124.198
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE	106	13.275.655	6.647.442
F) TOTAL – CAPITAL AND LIABILITIES (062+079+083+093+106)	107	1.602.306.311	1.743.562.078
G) OFF-BALANCE RECORDS	108	882.103.298	1.431.644.842
APPENDIX to balance sheet(to be filled in by entrepreneur that prepares consolidated annual financial report)			
CAPITAL AND RESERVES			
1. Attributed to equity holders of parent company	109	538.137.961	628.949.744
2. Attributed to minority interest	110	86.344.481	10.147.311

PROFIT AND LOSS ACCOUNT
for the period 01.01.2012. do 31.12.2012.

VIRO TVORNICA ŠEĆERA d.d.

Item	AOP code	Last year	Current year
1	2	3	4
I. OPERATING REVENUE (112+113)	111	1.339.440.647	1.488.344.805
1. Sales revenue	112	1.311.928.316	1.468.014.470
2. Other operating revenues	113	27.512.331	20.330.135
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	1.179.504.971	1.328.520.842
1. Changes in value of work in progress and finished products	115	-162.137.581	896.251
2. Material costs (117 to 119)	116	1.137.550.777	1.119.596.432
a) Raw material and material costs	117	901.892.465	802.617.590
b) Costs of goods sold	118	127.256.864	214.940.402
c) Other external costs	119	108.401.448	102.038.440
3. Staff costs (121 to 123)	120	74.428.245	88.929.302
a) Net salaries and wages	121	44.866.468	53.500.661
b) Cost for taxes and contributions from salaries	122	18.685.756	22.962.847
c) Contributions on gross salaries	123	10.874.021	12.465.794
4. Depreciation	124	63.597.792	72.115.666
5. Other costs	125	24.629.299	27.575.784
6. Impairment (127+128)	126	2.166.516	6.114.791
a) Impairment of long-term assets (financial assets excluded)	127		5.799.103
b) Impairment of short - term assets (financial assets excluded)	128	2.166.516	315.688
7. Provisions	129	621.358	1.972.894
8. Other operating costs	130	38.650.565	11.319.722
III. FINANCIAL INCOME (132 to 136)	131	4.941.296	14.150.169
1. Interest income, foreign exchange gains, dividends and similar income from related parties	132	155.375	77
2. Interest income, foreign exchange gains, dividends and similar income from non -	133	4.785.921	14.097.520
3. Share in income from affiliated entrepreneurs and participating interests	134		
4. Unrealized gains (income) from financial assets	135		
5. Other financial income	136		52.572
IV. FINANCIAL EXPENSES (138 do 141)	137	31.572.206	45.420.067
1. Interest expenses, foreign exchange losses, dividends and similar expenses from related parties	138		260.164
2. Interest expenses, foreign exchange losses, dividends and similar expenses from non -	139	30.435.183	39.809.340
3. Unrealized losses (expenses) on financial assets	140	81.380	3.950.000
4. Other financial expenses	141	1.055.643	1.400.563
V. INCOME FROM INVESTMENT - SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS	142		
VI. LOSS FROM INVESTMENT - SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS	143		
VII. EXTRAORDINARY - OTHER INCOME	144		
VIII. EXTRAORDINARY - OTHER EXPENSES	145		
IX. TOTAL INCOME (111+131+142 + 144)	146	1.344.381.943	1.502.494.774
X. TOTAL EXPENSES (114+137+143 + 145)	147	1.211.077.177	1.373.940.909
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	133.304.766	128.553.865
1. Profit before taxation (146-147)	149	133.304.766	128.553.865
2. Loss before taxation (147-146)	150	0	0
XII. PROFIT TAX	151	3.137.229	495.554
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	130.167.537	128.058.311
1. Profit for the period (149-151)	153	130.167.537	128.058.311
2. Loss for the period (151-148)	154	0	0
APPENDIX to P&L account (to be filled in by entrepreneur that prepares consolidated financial report)			
XIV. PROFIT OR LOSS FOR THE PERIOD			
1. Attributed to equity holders of parent company	155	128.267.928	131.128.314
2. Attributed to minority interest	156	1.909.609	-3.070.003
STATEMENT OF OTHER COMPREHENSIVE INCOME (IFRS)			
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	130.167.537	128.058.311
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)	158	3.020.600	2.503.997
1. Exchange differences on translation of foreign operations	159		
2. Movements in revaluation reserves of long - term tangible and intangible assets	160	3.020.600	2.503.997
3. Profit or loss from revaluation of financial assets available for sale	161		
4. Gains or losses on efficient cash flow hedging	162		
5. Gains or losses on efficient hedge of a net investment in foreign countries	163		
6. Share in other comprehensive income / loss of associated companies	164		
7. Actuarial gains / losses on defined benefit plans	165		
III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166		
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (158-166)	167	3.020.600	2.503.997
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	133.188.137	130.562.308
APPENDIX to Statement of other comprehensive income (to be filled in by entrepreneur that prepares consolidated financial report)			
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD			
1. Attributed to equity holders of parent company	169	131.278.528	133.632.311
2. Attributed to minority interest	170	1.909.609	-3.070.003

STATEMENT OF CASH FLOWS - INDIRECT METHOD

for the period 1.1.2012 do 31.12.2012

Item	AOP code	Last year	Current year
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	133.304.766	128.553.865
2. Depreciation	002	63.597.792	72.115.666
3. Increase in short term liabilities	003	255.837.750	78.755.816
4. Decrease in short term receivables	004		16.486.877
5. Decrease in inventories	005		32.653.803
6. Other increase in cash flow	006		44.352.011
I. Total increase in cash flow from operating activities (001 to 006)	007	452.740.308	372.918.038
1. Decrease in short term liabilities	008		10.126.174
2. Increase in short term receivables	009	28.126.500	27.048.076
3. Increase in inventories	010	99.706.797	90.193.239
4. Other decrease in cash flow	011	33.551.744	72.726.931
II. Total decrease in cash flow from operating activities (008 to 011)	012	161.385.041	200.094.420
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES	013	291.355.267	172.823.618
A2) NET DECREASE IN IN CASH FLOW FROM OPERATING ACTIVITIES	014	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash inflows from sales of long-term tangible and intangible assets	015	1.519.636	12.681.409
2. Cash inflows from sales of equity and debt instruments	016		
3. Interests receipts	017	1.593.876	2.442.364
4. Dividend receipts	018		191.079
5. Other cash inflows from investing activities	019	41.924	27.454.204
III. Total cash inflows from investing activities (015 to 019)	020	3.155.436	42.769.056
1. Cash outflow for purchase of long-term tangible and intangible assets	021	76.755.960	69.328.161
2. Cash outflow for acquisition of equity and debt financial instruments	022	68.187.070	1.850.000
3. Other cash outflow for investing activities	023	65.611.568	148.729.530
IV. Total cash outflow for investing activities (021 do 023)	024	210.554.598	219.907.691
B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025	0	0
B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES	026	207.399.162	177.138.635
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash inflow from issuing property and debt financial instruments	027		
2. Proceeds from the credit principal, promissory notes, borrowings and other loans	028	292.573.816	213.268.362
3. Other proceeds from financial activities	029	1.311.340	310.665.871
V. Total cash inflows from financial activities (027 to 029)	030	293.885.156	523.934.233
1. Cash outflow for repayment of credit principal and bonds	031	318.196.219	231.481.600
2. Cash outflow for dividends paid	032	49.556.935	27.733.340
3. Cash outflow for financial lease	033	7.417.850	8.635.447
4. Cash outflow for purchase of treasury shares	034	26.106.522	
5. Other cash outflow for financial activities	035	8.047.021	252.328.881
VI. Total cash outflow for financial activities (031 to 035)	036	409.324.547	520.179.268
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	037	0	3.754.965
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	038	115.439.391	0
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	0
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	31.483.286	560.052
Cash and cash equivalents at the beginning of the period	041	59.277.520	32.068.367
Increase of cash and cash equivalents	042	0	
Decrease of cash and cash equivalents	043	31.483.286	560.052
Cash and cash equivalents at the end of the period	044	27.794.234	31.508.315

CHANGE IN CAPITAL STATEMENT

for the period from 1.1.2012 to 31.12.2012

Item	EDP	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	249.600.060	249.600.060
2. Capital reserves	002	9.064.213	10.368.101
3. Profit reserves	003	19.389.313	56.346.673
4. Retained profit or loss carried forward	004	130.952.109	177.780.305
5. Profit or loss of the current year	005	128.257.928	131.128.314
6. Revaluation of fixed tangible assets	006	4.473.838	3.726.291
7. Revaluation of intangible assets	007		
8. Revaluation of financial property available for sale	008	-3.599.500	
9. 9. Other revaluation	009		
10. Total capital and reserves (EDP 001 through 009)	010	538.137.961	628.949.744
11. Foreign exchange differences from net investments in foreign operations	011		
12. Current and deferred taxes (part)	012		
13. Cash flow protection	013		
14. Changes in accounting policies	014		
15. Correction of significant mistakes from the previous period	015		
16. Other equity changes	016		
17. Total increase or decrease of capital (EDP 011 through 016)	017	0	0
17 a. Assigned to holders of parent company's capital	018	538.137.961	628.949.744
17 b. Assigned to minority interest	019	86.344.481	10.147.311

Items decreasing capital are entered as negative values. Data under EDP 001 through 009 are entered as status on the date of balance.