Viro

TVORNICA ŠEĆERA d.d.

ANNUAL BUSINESS REPORT
2015

Virovitica, February 2016

CONTENTS

I INTRODUCTION/ ABOUT THE COMPANY

1.1 Introduction

In accordance with Croatian law, VIRO Sugar Factory is obliged to prepare and submit an Annual Business Report, intended for the Company management and other interested parties.

Annual Business Report presents a complex and documented insight into Company's operations, with all available material and financial data, as well as business indicators, calculated on bases of modern analytical and statistical methods and valid international financial reporting standards.

This Report, together with basic financial reports (Balance Sheet, Profit and Loss Account, Cash flows Statement) and Notes to the Financial Statements, make an integral report.

Data relevant for the preparation of this report, were collected from the Company's departments of production, raw material supply, sales, finance, accounting and department of planning and analysis, where the report is actually prepared, as well as the data supplied by company VIRO - KOOPERACIJA d.o.o.

1.2 About the Company

On June 27, 2002, based on the Article 7 of the Purchase contract, companies EOS-Z d.o.o., Zagreb and Robić d.o.o. Velika Gorica, purchased the company Tvornica šećera Virovitica in bankruptcy, its immovable, stocks of raw materials, spare parts and production in course, and engaged themselves to found a new company, invest all the purchased assets and continue the main activity of the factory in bankruptcy.

So, on July 19, 2002 a new company was founded, VIRO limited liability company, for production and trade (further on VIRO Ltd.), registered at the Register of Business Entities at the Commercial Court Bjelovar, with subscribed core capital of HRK 20.000,00 and founders EOS-Z Ltd. with 51% stake and Robić Ltd. with 49% stake.

After settlement of the total purchase price with the sellers of the bankrupted company assets, on September 5, 2002, companies EOS-Z Ltd. and Robić Ltd. transferred to VIRO Ltd. the stocks of raw material, spare parts and semi-final products, what was actually the real start of business activity for the new company. On September 10, 2002, new employment contracts were signed with 264 full time employees.

During 2003 transfer of long-term fixed assets from EOS-Z Ltd. and Robić Ltd. to VIRO Ltd. took place. During the same period the new company was additionally capitalised, and the core capital was increased to HRK 104.000.000,00.

By decision of the Assembly of July 21, 2005, and after registration at the Register of Business Entities at the Commercial Court Bjelovar of September 1, 2005, company was transformed from limited liability to joint stock company, and the name was changed to VIRO SUGAR FACTORY, joint stock company for production and trade (abbr.: VIRO SUGAR FACTORY), and subscribed capital of HRK 104.000.000,00 was substituted with 1.040.000 A-shares, made out in the name, at HRK 100,00 par value each.

During first quarter of 2006, the increase of the company core capital was completed, by money investments and distribution of A-shares to the public, through Zagreb stock market system: 346.667 new A-shares were issued, made out in the name, at HRK 100,00 par value each, in the total par value of HRK 34.666.700,00. Shares were sold at HRK 365,00 each, and fully subscribed and paid for. In such a way company collected HRK 126.533.455,00 in total. On March 17, 2006 the increase of the core capital was registered at the Commercial Court Bjelovar in the amount of HRK 34.666.700,00, so the total core capital reached HRK 138.666.700,00.

Once the process of capitalisation was successfully completed, on April 20, 2006 company stocks were officially listed on the Zagreb stock market.

By decision of the General Assembly of August 30, 2006, all 1.386.667 shares at par value of HRK 100,00 each, were substituted by shares without par value, in such a way company core capital was divided to 1.386.667 A-shares made out in the name, without par value.

By decision of the General Assembly of December 14, 2006, further increase of core capital was made, by transformation of a part of the capital gain, and a part of the retention profit, in the amount of HRK 110.933.360,00, so the total core capital reached HRK 249.600.060,00. The core capital increase was carried out without issuance of new shares, so the core capital is divided to 1.386.667 shares made out in the name, without par value.

By decision of the General Assembly of August 29, 2014, company premises were changed, and the new headquarters address is Zagreb, Ulica grada Vukovara 269 g.

1.3 Management Bodies

Effective July 19, 2002 when the Company was founded, Marinko Zadro and Dražen Robić were appointed to the Management Board.

By decision of the Company members of April 23, 2003

a) Appointed to Supervisory Board

1. Marinko Zadro, Chairman
2. Željko Zadro, Deputy Chairman
3. Dražen Robić, Member of the Board

b) Appointed to Management Board

1. Damir Barić, President of the Board
2. Ivan Duvnjak, Member of the Board
3. Ivan Tot, Member of the Board

By decision of Company members of May 17, 2004, appointed to Supervisory Board

1. Marinko Zadro, Chairman
2. Boris Šimunović, Deputy Chairman
3. Dražen Robić, Member of the Board
4. Danaja Debicki, Member of the Board
5. Krešimir Mostovac, Member of the Board

By decision of the General Assembly of August 30, 2006, instead of Danaja Debicki, Marinko Papuga was appointed to the Supervisory Board.

By decision of the Supervisory Board of March 19, 2008, instead of three Members of the Management Bord, Željko Zadro, former authorised representative, was appointed as the sole Member of the Management Board, as from March 27, 2008.

By decision of the General Assembly of April 12, 2011, instead of Marinko Papuga, Ivan Mišetić was appointed to the Supervisory Board.

By decision of the Supervisory Board of December 12, 2011 Member of the Management Board Željko Zadro was appointed as the President of the Management Bord and Ivan Škorić was appointed as the Member of the Management Board.

By decision of the Factory Works Council of March 21, 2014 Damir Keleković was appointed to the Supervisory Board, instead of Krešimir Mostovac, as employees representative.

By decision of the Supervisory Board of July 1, 2014 Dražen Robić was appointred as the Member of the Management Board, instead of Ivan Škorić, who terminated Membership at his own request.

By decision of the General Assembly of August 29, 2014, Hrvoje Godinić was appointed to the Supervisory Board instead of Dražen Robić.

II RAW MATERIAL PROCUREMENT ANALYSES

Contracting of sugar beet production started in September 2014. Planned sugar beet sow area was 6.000 hectares. Necessary raw materials (mineral fertilizers, seeds and plant protection chemicals) were provided on time and in sufficient quantities.

For 2015, in Croatia was contracted 4.767 hectars, and sown 4.506 hectars, and in Hungary was contracted and sown 110 hectares. In total contracted 4.877, and sown 4.616 hectares, i. e. 261 hectares less sown than contracted.

Due to low price of sugar and decreased interest of Hungarian farmers in growing sugar beet, out of planned 2.000 hectares only 110 hectares were contracted. In the previous decade (2005 to 2014), the contracted area in Hungary was stable, at the average contracted amount of 2.080 ha, and harvest area of 1.991 ha of sugar beet.

Like the trend observed in most European countries, due to slow recovery of sugar prices on the European market, the interest in cultivation of sugar beet in Croatia was considerably lower, too. The start price of sugar beet in 2014 was HRK 240,00 per ton, while in 2015 it was HRK 230,00 per ton. That price is approximately by 7% higher then the minimal purchase price in most EU countries in the same year. However, the price in 2015 was lower than the prices in previous years, specially compared to the sugar beet record price in 2013, when it rose to HRK 340,00 per ton, which was substantially higher than the average sugar beet price in EU.

Sowing of sugar beet on Viro factory areas started on March 16 at Belje. Till April 1, 3.830 hectares were sown (83%) and till April 10 the majority of 94% was sown, while the remaining 6% were sown till April 20.

Out of the total of 4.616 hectares sown area, sowing was repeated on 142 hectares, namely 3,08% of the area, and due to heavy rains in the third decade of May, crops failed on 9 hectares.

A total of 4.607 hectares remained for harvesting.

Sprouting was very good, there were 95.000 to 115.000 plants per hectare, which makes an average of 105.000 plants per hectare.

An additional quantity of 400 hectares in Hungary, and 280 hectares in Croatia were contracted during September, so there were 9045 hectares in total to harvest.

Weed control was successful. With three to four treatments during April and May, sugar beet crops were successfully protected. Approximately 20% of the area was treated against beet root weevil, mostly at the East part of the area.

During 2015 vegetation season, most damage was made by leaf spot disease (*Cercospora beticola*). More than 70% of the area was attacked, causing polarisation reduction of at least 1,5 percentage points, and lower yields at least 5 to 10%.

Agroclimatic conditions during vegetation season were not favourable for the growth of sugar beet.

March and April, as well as the first two decades of May were average, in regard to the temperature level and precipitations, while the third decade of May had heavy rains in range of 100 to 160 mm/m^2.

The driest period was in June, second half of July and first half of August. September and October were very rainy, with twice as much rainfall than multi year average. Temperatures were extremely high during July and August, higher by 3 - 4 ^{o}C than multi year average.

Harvesting started on October 2, and beet started to arrive to the factory on October 7. Heavy rains from October 10 to 20 stopped the harvesting of sugar beet.

During that period, sugar factory operated at reduced capacity. From October 20 till November 20 it was not raining, and the reminder quantity of sugar beet was harvested and delivered to the factory.

In the year 2015, average results were achieved in the production of sugar beet, with no regard to the reduction of sowing area. The average yield was 58,04 t/ha, which is by 13% higher than the average of previous ten years, average polarisation was 14,23% which is by 6% lower than the multi year average, and average impurity 14,20%.

Achieved yield of sugar was 7,35 tons per hectare, which is by 2% higher than the average over the 2004 - 2015 period.

CONCLUSION

Year 2015 was again characterized by a strong attack of cerospore. It is a plan to successfully combat this dangerous sugar beet disease by placing weather stations and by applying proper fungicide treatment, as well as by detailed monitoring by the employees of the raw material department. It will result in considerably higher sugar content in the beet, and higher yield. In the period of preparations for the 2016 sowing, inland cooperatives will be acquainted with the experience of the leading European producers from France in combating cercospore, in order to avoid as much as possible the damaging effects of this disease to the sugar beet producers, as well as to the sugar factory.

III PROCESSING AND PRODUCTION RESULTS ANALYSES

3.1 Raw sugar processing technology and production results

Processing of imported raw sugar took place in several turns during 2014.

The processing of own raw sugar took place between September 2 and October 2, when the total of 36.470,38 tons were processed. During these 31 days 34.603.10 tons of white sugar were produced, at the average daily production of 1.191,87 tons.

The next turn took place at the same time with the sugar beet campaign, in the period October 13 to November 17, when 15.223,62 tons were processed and 14.708,99 tons of white sugar produced.

Besides, at Sladorana Županja, as service processing for VIRO, during October and November 12.569,12 tons of raw sugar were processed, and 12.189,14 tons of white sugar produced.

Item	Description of good		Unit	Quantity
1	Sugar	Total	t	**61.501,230**
		Own production	t	49.312,086
		Service production Županj	t	12.189,144
2	Molasses	Total	t	**4.326,787**
		Own production	t	3.824,024
		Service production Županj	t	502,763

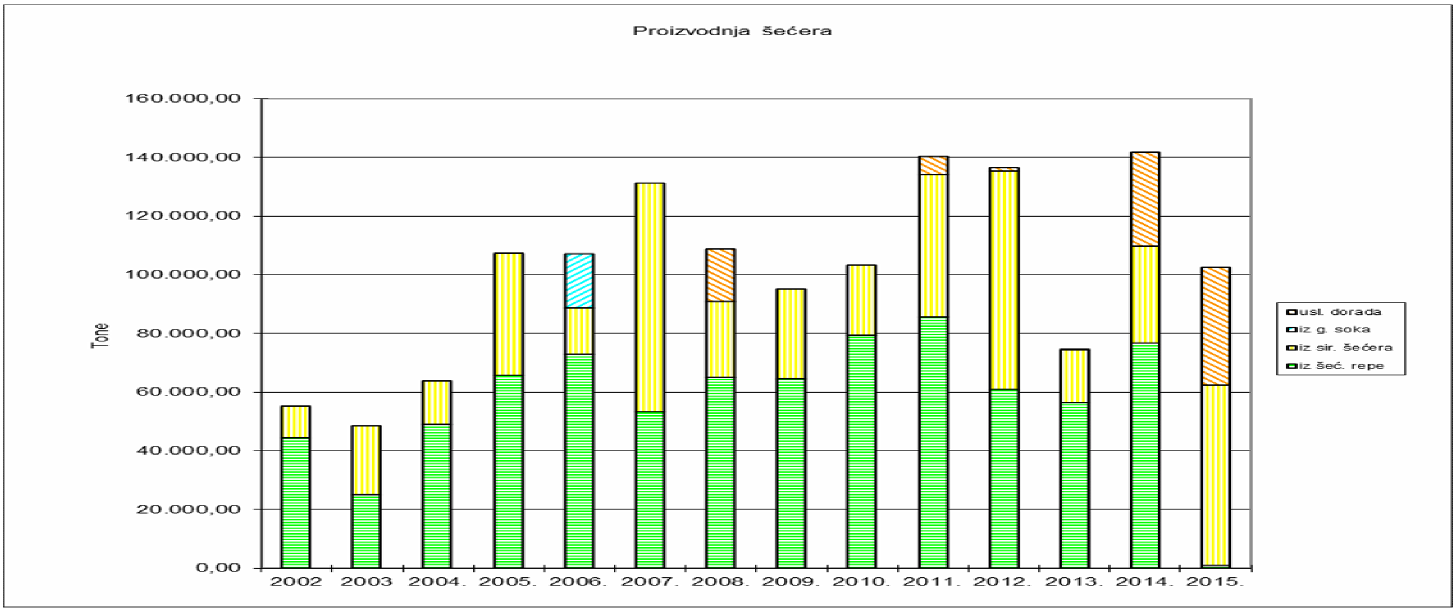
3.2 Sugar beet processing campaign results

Sugar beet 2015 campaign started on October 8 and lasted till November 22, 2015, and a total of 221.423,47 tons of sugar beet were processed.

Out of the total 221.423,47 tons of sugar beet, as a service processing for Sladorana, Županja 212.833,51 tons were processed, and 27.000 tons of sugar produced. The reminder 8.589,96 tons of sugar beet were own processing, and 1.089,72 tons of sugar produced.

Besides, in the first part of the year, 313.305,75 tons of sugar beet were processed in EU members countries, as a service production for Viro, and 40.000 tons of white sugar were produced.

Item	Description of goods	Unit	Produced 2014	Produced 2015	Service qty out of Croatia
1	Sugar	t	76.835,097	1.089,720	40.000,00
2	Molasses	t	24.134,624	352,000	
3	Dry pulp	t	26.006,000	7.721,322	
4	Pressed pulp	t	13.313,550	5.037,280	



IV SALES ANALYSES FOR 2015

Total sales of sugar per packing units in 2015 is the following:

- sugar 50/1	24.597.500 kg
- sugar 1/1	14.101.746 kg
- sugar 25/1	6.939.900 kg
- liquide sugar	5.397.909 kg
- sugar 1000/1	25.966.000 kg
- big bags 1200 kg	2.414.400 kg
- sugar 800/1	2.306.400 kg
- sugar 900/1	477.900 kg
- sugar in bulk	138.842.208 kg
- industrial sugar - other	30.248 kg
TOTAL	**221.074.211** kg

Total sales of sugar in 2015, including pure trading, were by 78% higher compared to 2014; sales on domestic market is higher by 149%, while exports increased by 44%. The main reason for the increase in sales is the service production of sugar abroad, and connected transactions. The basic feature of the European market in 2015 was increase in supply of sugar at extremly low prices, with frequent special offers by domestic retail chain stores, which led to considerably lower prices than the EU market prices. A slight but stable increase in prices took place during second half of the year on the domestic market, as well as on the European.

V CREDIT RISK EXPOSURE, LIQUIDITY AND CASH FLOW RISK

5.1 Financing and liquidity issues

Current production and other business activities in 2015, VIRO Sugar factory financed through:

- Sales of transitional stocks of 67.061 t of sugar, and 7.569 t of molasses, and 18.504 t of dry pulp,
- Sales of 97.538 t of sugar, 5.128 t of molasses, and 5.037 t of pressed pulp from processing of sugar beet,
- Sales of 26.475 t of sugar, 9.715 t of molasses and 14.515 t of dry pulp bought on the market,
- Postponement of most trade payables (protection, overhaul, and others) till the new campaign.

Settlement of current obligations towards suppliers in the total amount of HRK 992.400.934,99 have been carried out as follows:

- Wire transfer	240.937.879,52	24,28%
- Advance payment	106.272.522,50	10,71%
- Compensation	450.081.768,20	45,35%
- Cession and assignment	3.383.800,00	0,34%
- Bill of Exchange	11.528.213,25	1,16%
- Foreign remittance	168.888.337,35	17,02%
- Advance foreign remittance	11.308.414,17	1,14%

Buyers settled their obligations in the total amount of HRK 950.408.215,49 as follows:

- Wire transfer	131.231.667,01	13,81%
- Advance payment	71.520.681,49	7,53%
- Compensation	317.770.875,06	33,44%
- Cession and assignment	10.211.416,06	1,07%
- Bill of Exchange	113.974.497,37	11,99%
- Foreign remittance	223.756.044,87	23,54%
- Advance foreign remittance	81.943.033,63	8,62%

5.2 Cash flow in 2015

HRK

Item	AMOUNT
CASH FLOW FROM OPERATING ACTIVITIES	
Profit before taxation	-6.548.460
Amortisation	31.256.001
Increase of current liabilities	
Decrease of current receivables	
Decrease of stocks	148.883.732
Other increase of cash flow	12.388.084
I Total increase of cash flow from operating activities	**185.979.357**
Decrease of current liabilities	80.072.247
Increase of current receivables	101.163.720
Stocks increase	
Other decrease of cash flow	6.273.084
II Total decrease of cash flow from operating activities	**187.509.051**
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	**1.529.694**
CASH FLOW FROM INVESTMENT ACTIVITIES	
Proceeds from sale of long-term fixed and intangible assets	13.344
Proceeds from sales of equity and debt financial instruments	
Proceeds from interests	26.836.636
Proceeds from dividends	40.596
Other proceeds from investment activities	47.639.936
III Total proceeds from investment activities	**50.377.512**
Acquisition of long-term fixed and intangible assets	13.536.041
Acquisition of equity and debt financial instruments	
Other expenses for investment activities	108.420.045
IV Total expenses for investment activities	**121.956.086**
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	**71.578.574**
CASH FLOW FROM FINANCIAL ACTIVITIES	
Proceeds from sales of equity and debt financial instruments	
Proceeds from credit principals, due bills, borrowings and others	465.716.896
Other proceeds from financial activities	338.000.000
V Total proceeds from financial activities	**803.716.896**
Expenses for credit principals and bonds instalments	392.268.843
Expenses for dividends	
Expenses for financial leasing	6.627.929
Redemption of own shares	
Other expenses for financial activities	339.809.853
VI Total expenses for financial activities	**738.706.625**
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	**65.010.271**
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	
Total increase of cash flow	
Total decrease of cash flow	**8.097.997**
Cash and cash equivalents at the beginning of the year	**15.100.276**
Increase of cash and cash equivalents	
Decrease of cash and cash equivalents	**8.097.997**
Cash and cash equivalents at the end of the year	**7.002.279**

5.3 Statement structure analyses

For consideration of Company´s financial position, and its assets, capital, receivables and liabilities, see the structural Statement below.

STATEMENT
as per 31/12/2015

HRK

Item	DESCRIPTION	31.12.2014 Amount	%	31.12.2015 Amount	%	Index
1	2	3	4	5	6	7 (5/3)
A)	LONG-TERM ASSETS (I+II+III+IV)	722.754.354	58,55	765.801.159	63,32	106
I	Intangible assets	107.764	0,01	86.315	0,01	80
1	Research and development expenses					
2	Patents, licences, concessions and similar rights	107.764	0,01	86.315	0,01	80
II	Tangible assets	186.018.070	15,07	168.306.215	13,92	90
1	Land and forests	5.548.592	0,45	5.548.592	0,46	100
2	Buildings	76.745.263	6,22	71.331.533	5,90	93
3	Plants and equipments	98.044.216	7,94	83.772.355	6,93	85
4	Prepayments for tangible assets			307.627	0,03	-
5	Tangible assets in progress	3.297.068	0,27	5.112.658	0,42	155
6	Other tangible assets	9.300	0,00	9.300	0,00	100
7	Real estate investments	2.373.631	0,19	2.224.150	0,18	94
III	Financial assets	536.628.520	43,48	597.408.629	49,40	111
1	Shares in affiliated companies	419.450.043	33,98	419.450.043	34,68	100
2	Loans to affiliated companies	91.163.404	7,39	177.343.482	14,66	-
3	Securities investments	1.829	0,00	3.248	0,00	-
4	Loans, deposits and guarantees	26.013.244	2,11	611.856	0,05	2
IV	Receivables					
1	Receivables from sales on credit					
B)	CURRENT ASSETS (V+VI+VII+VIII)	504.045.177	40,84	435.839.083	36,04	86
V	Stocks	328.405.604	26,61	179.521.872	14,84	55
1	Raw material and consumables	24.346.161	1,97	15.634.383	1,29	64
2	Final products	242.054.551	19,61	74.153.867	6,13	31
3	Trade goods	4.512.584	0,37	47.598.499	3,94	1.055
4	Prepayments	57.492.308	4,66	42.135.123	3,48	73
VI	Receivables	103.055.920	8,35	204.219.640	16,89	198
1	Receivables from affiliated companies	23.148.850	1,88	71.406.529	5,90	308
2	Trade receivables	39.032.135	3,16	121.960.367	10,08	312
3	Receivables from employees	50	0,00	2.372	0,00	4.744
4	Receivables from state and other institutions	40.731.922	3,30	10.743.689	0,89	26
5	Other receivables	142.963	0,01	106.683	0,01	75
VII	Financial assets	57.483.377	4,66	45.095.292	3,73	78
1	Loans to affiliated companies	37.883.981	3,07	1.735.697	0,14	5
2	Securities					-
3	Loans, deposits and guarantees	10.946.857	0,89	35.656.652	2,95	326
4	Other financial assets	8.652.539	0,70	7.702.943	0,64	89
VIII	Cash at bank and in hand	15.100.276	1,22	7.002.279	0,58	46
C)	PREPAID EXPENSES AND ACCRUED INCOME	7.525.706	0,61	7.761.345	0,64	103
D)	LOSS ABOVE CAPITAL LEVEL					
E)	TOTAL ASSETS (A+B+C+D)	1.234.325.237	100,00	1.209.401.587	100,00	98
F)	OFF STATEMENT ITEMS	213.764.364	17,32	281.936.097	23,31	132

Item	DESCRIPTION	31.12.2014 Amount	%	31.12.2015 Amount	%	Index
1	2	3	4	5	6	7 (5/3)
LIABILITIES						
A)	CAPITAL AND RESERVES	635.215.955	51,46	628.667.495	51,98	99
1	Subscribed capital	249.600.060	20,22	249.600.060	20,64	100
2	Capital gains	10.368.101	0,84	10.368.101	0,86	100
3	Reserve	56.346.673	4,56	56.346.673	4,66	100
4	Revaluation reserve					-
5	Retained earning	380.427.183	30,82	318.901.121	26,37	84
6	Profit for the year	-61.526.062	-4,98	-6.548.460	-0,54	11
B)	LONG-TERM LIABILITIES	178.558.831	14,47	305.499.913	25,26	171
1	Liabilities for loans	9.972.178	0,81	4.015.994	0,33	40
2	Liabilities to credit institutions	168.586.653	13,66	301.483.919	24,93	179
C)	CURRENT LIABILITIES	417.237.577	33,80	274.543.567	22,70	66
1	Liabilities to affiliated companies	253.895	0,02	2.393.482	0,20	943
2	Liabilities based on loans	10.518.487	0,85	7.992.303	0,66	76
3	Liabilities to credit institutions	126.698.673	10,26	66.603.095	5,51	53
4	Liabilities to advancements, deposits and guaranties	2.514.105	0,20	3.275.008	0,27	130
5	Liabilities to suppliers	171.660.194	13,91	104.881.026	8,67	61
6	Liabilities to employees	1.351.986	0,11	1.155.944	0,10	85
7	Taxes, contributions and fees liabilities	762.818	0,06	5.514.605	0,46	723
8	Liabilities based on shares of result	31.703	0,00	31.703	0,00	100
9	Other current liabilities	103.445.716	8,38	82.696.401	6,84	80
D)	DEFERRED EXPENSES AND DEFERRED INCOME	3.312.874	0,27	690.612	0,06	21
E)	TOTAL LIABILITIES (A+B+C)	1.234.325.237	100,00	1.209.401.587	100,00	98
F)	OFF STATEMENT ITEMS	213.764.364	17,32	281.936.097	23,31	132

5.4 Investments in 2015

During 2015 Company made following investments stated by allotments:

Item	ALLOTMENT	Amount in HRK	Amount in EURO (1 EURO=7,64 HRK)	%
1	Investment into technology and equipment maintenance	10.400.308,74	1.364.869,91	91,13
2	Investment in buildings	509.331,12	66.841,35	4,46
3	Investment into business premises	29.600,00	3.884,51	0,26
4	Equipment of business premises	95.076,60	12.477,24	0,83
5	Transport means and passenger cars	230.020,08	30.186,36	2,02
6	Telecom means and office equipment	96.312,20	12.639,40	0,84
7	Other	9.197,70	1.207,05	0,08
	TOTAL (1 to 7)	11.369.846,44	1.492.105,83	99,62
8	Research and development investm.	22.977,52	3.015,42	0,20
9	Leasing of factory equipment investm.	20.000,00	2.624,67	0,18
	GRAND TOTAL (1 to 9)	11.412.823,96	1.497.745,93	100,00

From the above review it is evident that out of EUR 1.496.948,03 total investments, 91,13% was allocated to investments into technology and equipment maintenance.

VI EMPLOYEES

Next review shows the structure of calculated working hours for 2015:

Item	TYPE OF FEE	Hours	%
	CALCULATED WORKING HOURS (A+B)	376.803	100,00
A)	Normal hours of work	376.803	100,00
B)	Overtime		
	STRUCTURE OF NORMAL HOURS (1 to 6)	376.803	100,00
1	Working hours	260.854	69,23
2	Annual vacation	40.818	10,83
3	State holiday	16.118	4,28
4	Sick leave up to 42 days	2.908	0,77
5	Sick leave over 42 days	6.336	1,68
6	Paid absences and days off	49.769	13,21

Based on the calculated working hours, during 2015 there were in average 180,46 employees (seasonal workers included).

Next review shows the structure of the working days of an average woorker in 2015:

180,69 - Days spend at work in the Factory
28,27 - Days of annual hollidays
11,16 - Days of state holidays
2,01 - Days of sick leave up to 42 days
4,39 - Days of sick leave over 42 days
34,47 - Days of paid absences and days off

Next table shows the fluctuations in the number of employees during the year (without seasonal workers) by qualification structure:

Qualification structure	Situation per 31/12/2014	Went during 2015	Gone during 2015	Situation per 31/12/2015
University degree	37	1	1	37
Associate degree	5	1		6
Secondary qualification	101	9	2	108
Lower qualification				
Operative				
Skilled worker	26		13	13
Semi-skilled worker	2			2
Low-skilled worker	14		2	12
TOTAL	185	11	18	178

VII PROFIT AND LOSS ACCOUNT FOR 2015

Item	Description	2014	2015	Index 2015/2014
1.	Operating incomes	588.827.324	920.723.764	156
1.1	Sales revenue	584.420.720	916.069.380	157
1.2	Other operating incomes	4.406.604	4.654.384	106
2.	Financial incomes	17.453.269	11.950.936	68
2.1	Incomes related to dependant corporates	9.668.847	2.491.641	26
2.2	Incomes related to independent corporates	7.784.422	9.157.795	118
2.3	Other financial incomes		301.500	-
I	TOTAL INCOME (1+2)	606.280.593	932.674.700	154
3.	Material costs	656.752.493	679.505.672	103
3.1	Cost of raw material and consumables	477.445.944	338.787.709	71
3.2	Cost of goods sold	137.120.534	305.901.254	223
3.3	Other service costs	42.186.015	34.816.709	83
4.	Staff costs	22.820.743	19.829.901	87
5.	Amortisation and value adjustment of long term assets	34.294.646	31.256.001	91
6.	Other operational costs	17.116.106	10.734.767	63
7.	Value adjustment of current assets	38.889.077		-
8.	Other operational expenses	13.378.979	7.147.289	53
9.	Finished products stock value increase	138.823.942		-
10.	Finished products stock value decrease		168.687.561	-
11.	OPERATING EXPENSES (3+4+5+6+7-8+9+10)	644.428.102	917.161.191	142
12.	Financial expenses	23.378.553	22.061.969	94
12.1.	Expenses related to dependant corporates	1.161.626	927.316	80
12.2.	Expenses related to independent corporates	20.653.407	20.693.318	100
12.3.	Unrealized losses on financial assets	349.000		-
12.4.	Other financial expenses	1.214.520	441.335	36
II	TOTAL EXPENSES (11+12)	667.806.655	939.223.160	141
III	PROFIT OF THE YEAR (I-II)	-61.526.062	-6.548.460	11
IV	PROFIT TAX EXPENSE			-
V	NET PROFIT (III-IV)	-61.526.062	-6.548.460	11
13.	Other comprehensive income	1.222.294		-
VI	COMPREHENSIVE INCOME (V+13)	-60.303.768	-6.548.460	11
VII	EBIT	-55.600.778	3.562.573	-6
VIII	EBITDA	-21.306.132	34.818.574	-163

Achieved total income of HRK 932,67 million is by 54% higher compared to the previous year. Exports sale share of the income is decreased from 55,33% to 42,99%, while the domestic sales share is increased from 44,67% to 57,01%.

Total expenses realised in the amount of HRK 939,22 million are by 41% higher compared to the previous year.

Material costs and costs of sold goods amount to HRK 679,51 million, and are by 3% higher than those in 2014.

Staff costs are reduced by 13%, mainly due to reduction of working hours.

Amortization costs reached HRK 31,26 million, and are by 9% lower compared to the previous year, due to the completed amortization of some equipment.

Financial expenses amouunt to HRK 22,06 mil, and are by 6% lower compared to the previous year.

VIII KEY INDICATORS OF BUSINESS EFFICIENCY

8.1 Indicators of liquidity and financial stability

For the analysis of liquidity and financial stability as per 31/12/2015, following indicators are presented:

Item	INDICATOR	Standard value	2014	2015	Index 5/4	Index 5/3
1	2	3	4	5	6	7
	a) Liquidity					
1	Instant liquidity ratio	-	0,04	0,03	70	-
2	Quick ratio	>1	0,28	0,77	272	29
3	Current ratio	>2	1,21	1,59	131	61
	b) Financial stability					
4	- Net working capital in 000 HRK	-	86.807.600,00	161.295.516,00	186	-
	- Share of net working capital in financing of current assets, %	>50	17,22	37,01	215	36
5	Financial security	>1	0,77	0,99	128	78
6	Degree of self-financing, %	>100	60,43	66,50	110	61
7	Long-term assets/ long-term sources, %	>100	112,59	121,99	108	113

Indicators of financial stability show to the degree of indebtedness, and the following financing of assets:

000 HRK

Item	DESCRIPTION	Unit	2014	2015	Index 2015/2014
1	Current assets	000 Kn	504.045,18	435.839,08	86
1.1	Own funds	000 Kn	415.551,17	451.901,76	109
1.2	Borrowed assets (current liabilities)	000 Kn %	88.494,01 100,00	-16.062,68 100,00	-18
2	Long-term assets	000 Kn	722.754,35	765.801,16	106
2.1	Own funds	000 Kn %	212.139,08 29,35	169.004,39 22,07	80
2.2	Borrowed assets	000 Kn %	510.615,28 70,65	596.796,77 77,93	117
3	Prepaid expenses	000 Kn	7.525,71	7.761,35	103
3.1	Own funds	000 Kn %	7.525,71 100,00	7.761,35 100,00	103
4	Loss above capital level	000 Kn			
5	Total assets	000 Kn	1.234.325,24	1.209.401,59	98
5.1	Total own capital (1.1+2.1+3.1)	000 Kn %	635.215,96 51,46	628.667,50 51,98	99
5.2	Borrowed assets-current and long-term liabilities-loss above capital (1.2+2.2+4)	000 Kn %	599.109,28 48,54	580.734,09 48,02	97

The above table shows the total assets degree of indebtedness of 48,02%.

8.2 Indicators of assets activity and business profitability

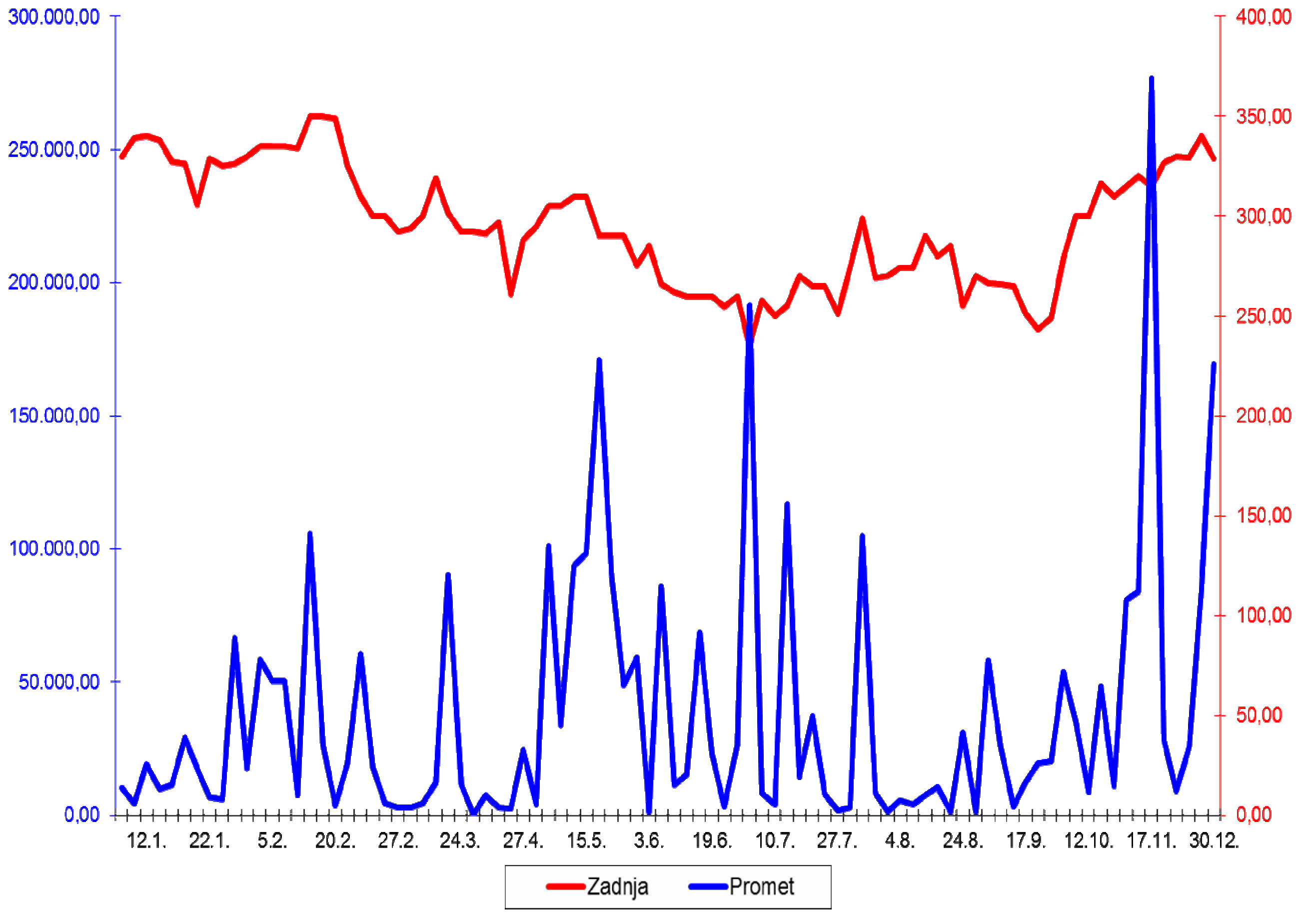
Item	INDICATOR	2014	2015	Index 2015/2014
	a) Assets activity			
1	Total assets turnover ratio	0,46	0,76	165
2	Current assets turnover ratio	1,07	1,96	183
3	Current assets binding period (days)	337	184	55
4	Trade receivables			
	- Turnover ratio	7,37	7,16	97
	- Collection period (days)	49	50	103
	b) Profitability			
5	Net profit margin	-10,15	-0,70	7
6	Gross profit margin (operating)	-9,44	0,39	-4
7	EBITDA margin	-3,62	3,78	-105
8	ROA	-4,98	-0,54	11
9	ROE	-9,69	-1,04	11
10	Net profit per employee	-299.630,37	-36.287,36	12

IX OWNERSHIP AND COMPANY SHARES TRADING

Item	SHAREHOLDER	Number of shares	Structure in %
1	EOS-Z D.O.O.	466.500	33,64
2	ROBIĆ D.O.O.	416.100	30,01
3	SOCIETE GENERALE-SPLITSKA BANKA D.D./ AZ OMF KATEGORIJE B (1/1)	137.055	9,88
4	PRIMORSKA BANKA DIONIČKO DRUŠTVO RIJEKA/MARINKO ZADRO	127.936	9,23
5	HYPO ALPE-ADRIA-BANK D.D./ PBZ CO OMF - KATEGORIJA B (1/1)	43.044	3,10
6	ZAGREBAČKA BANKA D.D./ AZ PROFIT DOBROVOLJNI MIROVINSKI FOND (1/1)	25.842	1,86
7	HYPO ALPE-ADRIA-BANK D.D./ RAIFFEISEN OMF KATEGORIJE B (1/1)	25.303	1,82
8	HRVATSKA POŠTANSKA BANKA D.D.	23.257	1,68
9	ERSTE & STEIERMARKISCHE BANK D.D./CSC	22.293	1,61
10	SOCIETE GENERALE-SPLITSKA BANKA D.D./ ERSTE PLAVI OMF KATEGORIJE B (1/1)	10.033	0,72
11	PBZ D.D./SKRBNIČKI ZBIRNI RAČUN KLIJENTA	9.285	0,67
12	OTP BANKA D.D./INS683	2.790	0,20
13	ZAGREBAČKA BANKA D.D./MARGIN KLIJENTI	1.861	0,13
14	OTHER INVESTORS AND SMALL SHAREHOLDERS	75.368	5,44
	TOTAL (1 to 14)	1.386.667	100,00

At the end of 2015, the Company does not owe any of its own shares.

At the end of 2015, the stock market price was HRK 328,97 each, and the financial transactions turnover reached HRK 3.316.343,06. In the reported period, market capitalization in the amount of HRK 456,17 million was achieved.



last
turnover

X ENVIRONMENTAL PROTECTION

Viro Sugar Factory is a big consumer of natural gas, being the main energy source for the production of sugar. During 2015, for both sugar beet and raw sugar campaigns, natural gas consumption reached in total 22.895.240 Nm^3 .

Combustion of natural gas in the power plant and combustion of coke in the lime-kiln are the sources of CO_2 emissions to the atmosphere. The level of emission is inspected yearly by an authorized laboratory, and is below prescribed limit, as well as by the Monitoring Plan CO_2 Emissions submitted to the Agency and the Ministry of Environmental Protection. By the new Greenhouse gases emission permit, emissions from production of lime are excluded.

Emission of solid particles produced during beet pulp drying process, as well as gases produced by combustion of natural gas in the beet drier, are the second emission being monitored by the authorized company. Test results are within prescribed limits and are submitted to the Agency and the Ministry of Environmental Protection.

Viro Sugar Factory has its own water treatment plant (anaerobic and aerobic section), for treatment of its own waste water (from the process and rainfall waters), as well as municipal waste water from town of Virovitica. In order to reduce fresh water consumption as much as possible in various stages of sugar production, water for beet unloading and washing in the factory is recycled, as well as the system cooling water. In this way, considerable amount of fresh water is saved.

Viro has its own boiler house for production of steam necessary for the process, producing at the same time electro energy (co-generation) for own consumption. Periodical surpluses of el. energy are sold to the net, at quantities and prices agreed with the local electro energy distribution company.

During operations of the sugar factory, dangerous and non-dangerous waste is produced, and reported on the prescribed forms to the Environment Protection Agency.

In accordance to law prescriptions, authorized companies specialized for the disposal of waste materials collect all kinds of waste materials from the factory. Records about production, storage and disposal are kept in the factory, in accordance to all regulations on this subject.

Since 2013 Viro d.d. is included into the Emission Trading System.

XI FUTURE DEVELOPMENT OF THE COMPANY

Future development and operational plan is based on the following areas:

- Sugar production and sales plan, and
- Investment plan.

Investment plan for 2016 is extremely ambitious, thanks to the possibility of cofinancing from the Rural Development Programme 2014-2020 of the EAFRD. By the end of 2015, from the said Programme a significant support was allocated by the Paying Agency for Agriculture, Fisheries and Rural Development, to be available in the first half of 2016. For further implementation of this Programme, VIRO prepared a plan for a very important capital investment: construction of a new sugar silo.

The plan for 2016 is based on further increase of energy efficiency of the plant, by reconstruction and improvement of some sections keeping up the high level of process safety and prepare in the best possible way for the operation of the factory after EU quota abolition in 2017.

The total investment fund planned for 2016 will be allocated to following items:

- annual reparation of process equipment
- wheel loader purchasing
- bulk sugar tow truck purchasing
- new fan and cyclon for pulp drying station
- design of new refined sugar silo, capacity 50.000 tons
- modernisation of the steam turbine
- new mixer for A centrifuges
- new vacuum pipeline and drop eliminator for A product refinery installation
- installation of steam turbine regulation system (non-regulated steam deduction)
- tank for acidified water
- improvement of electro control system for mud sedimentation basin
- roof waterproofing of the dry pulp storage

Sugar beet production and processing

By the production and finance plan for 2016, contracting of beet production on 8.400 hectares is planned, which means processing of 414.000 tons of sugar beet, and production of 58.000 tons of white sugar, 17.000 tons of molasses, 10.000 tons of dry pulp and 37.000 tons of pressed pulp.

Raw sugar processing

Besides sugar beet, in accordance to the approved status of VIRO Sugar Factory as sugar rafinery at EU level, during 2016 the processing of at least 40.000 tons of raw cane sugar is planned, and production of at least 40.000 tons of white sugar and 1.600 tons of molasses thereof.

President of Management Board:

Željko Zadro, B.E.

Viro tvornica šećera d.d.

Unconsolidated Financial Statements

For the Year Ended

31 December 2015

Together with Independent Auditor's Report

Contents

Responsibility for the unconsolidated financial statements

Pursuant to the Croatian Accounting Law, the Management Board of Viro tvornica šećera d.d. (the Company) is responsible for ensuring that unconsolidated financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which give a true and fair view of the state of affairs and results of the Company for that period.

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

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

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the unconsolidated financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and must also ensure that the financial statements comply with the Croatian Accounting Law.

The Management Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management Board:

Željko Zadro, President of the Management Board

Viro tvornica šećera d.d.

Ulica grada Vukovara 269g

10000 Zagreb

Republic of Croatia

11 April 2016

Viro
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Independent Auditor's Report

To the owners of Viro tvornica šećera d.d.

We have audited the unconsolidated financial statements of Viro tvornica šećera d.d. ("the Company"), which comprise the unconsolidated statement of financial position at 31 December 2015, and the related unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity and unconsolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and notes to the unconsolidated financial statements.

Responsibility for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of unconsolidated 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 unconsolidated 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 unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the auditor's judgment, 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 Company'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 unconsolidated financial statements.

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

Independent Auditor's Report (continued)

Basis for qualified opinion

Investments in subsidiaries

As disclosed in Note 15 'Investments in subsidiaries', the Company recognized an investment in subsidiary Sladorana d.o.o. in the amount of HRK 407,187 thousand. Although there are indications that the investment may be impaired at 31 December 2015, the Company has not assessed the recoverability of the carrying amount of the investment in accordance with IAS 36 "Impairment of Assets". Therefore, we were not able to determine the potential effect of this matter on the accompanying financial statements.

Qualified opinion

In our opinion, except for the potential effects of the matter referred to in the Basis for qualified opinion paragraph, the unconsolidated financial statements present fairly, in all material respects, the financial position of the Company at 31 December 2015, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the European Union.

Emphasis of matter

We draw attention to the fact that the Company has prepared these unconsolidated financial statements under the Croatian laws and regulations and that the investments in subsidiaries have been presented in these unconsolidated financial statements at cost. The Company has also prepared consolidated financial statements for Viro tvornica šećera d.d. and its subsidiaries, dated 11 April 2016. For a better understanding of the Group as a whole, the consolidated financial statements should be read in conjunction with these financial statements. Our opinion is not qualified in respect of this matter.

Branislav Vrtačnik, **President of the Board**

Morana Mesarić

Morana Mesarić, **Certified Auditor**

Deloitte d.o.o.

Zagreb, 11 April 2016

Unconsolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

(All amounts are expressed in thousands of kunas)

	Notes	2015	2014
Sales	4.1	916,069	584,421
Other income	4.2	4,655	4,406
Total operating income		**920,724**	**588,827**
(Decrease) / increase in the value of work in progress and finished products		(168,687)	138,824
Cost of raw material and supplies	6	(338,788)	(477,446)
Cost of goods sold	7	(305,901)	(137,121)
Other external expenses	8	(34,817)	(42,186)
Depreciation and amortisation	14	(31,256)	(34,294)
Staff costs	9	(19,830)	(22,821)
Other expenses	10.1	(10,735)	(17,116)
Impairment of inventory	10.2	-	(38,889)
Other operating expenses	10.3	(7,147)	(13,379)
Total operating expenses		**(917,161)**	**(644,428)**
Profit / (loss) from operations		**3,563**	**(55,601)**
Financial income	11	11,951	13,579
Financial expenses	12	(22,062)	(19,504)
Net financial loss		**(10,111)**	**(5,925)**
Loss from operations before taxation		**(6,548)**	**(61,526)**
Income tax	13	-	-
Loss for the year		**(6,548)**	**(61,526)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Change in revaluation reserve for property, plant and equipment		-	1,222
Total comprehensive loss for the year		**(6,548)**	**(60,304)**
Loss per share:			
- basic and diluted (in kunas and lipas)	24	**(4,72)**	**(44,37)**

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

Unconsolidated Statement of Financial Position

At 31 December 2015

(All amounts are expressed in thousands of kunas)

	Notes	At 31 December 2015	At 31 December 2014
ASSETS			
Non-current assets			
Intangible assets	14	86	108
Property, plant and equipment	14	168,306	186,018
Investments in subsidiaries	15	418,550	418,550
Non-current financial assets	16	178,859	118,078
Total non-current assets		**765,801**	**722,754**
Current assets			
Inventories	17	179,522	328,406
Trade receivables and receivables from related companies	18	193,367	62,181
Receivables from the State and other institutions	19	10,744	40,732
Current financial assets	20	45,095	57,483
Other receivables		109	143
Cash and cash equivalents	21	7,002	15,100
Prepaid expenses and accrued income	22	7,762	7,526
Total current assets		**443,601**	**511,571**
TOTAL ASSETS		**1,209,402**	**1,234,325**

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

(All amounts are expressed in thousands of kunas)

	Notes	At 31 December 2015	At 31 December 2014
EQUITY AND LIABILITIES			
Equity			
Share capital	23.1	249,600	249,600
Retained earnings		312,353	318,901
Capital reserves	23.2	10,368	10,368
Reserves out of profit	23.2	56,347	56,347
Total equity		**628,668**	**635,216**
Non-current liabilities			
Loans payable and borrowings	25	305,500	178,559
Total non-current liabilities		**305,500**	**178,559**
Current liabilities			
Liabilities to related companies	30	2,393	254
Loans payable and borrowings	25	74,595	137,216
Advances received	27	3,275	2,514
Trade payables	26	104,881	171,660
Other current liabilities	28	89,399	105,593
Accrued expenses and deferred income	29	691	3,313
Total current liabilities		**275,234**	**420,550**
TOTAL EQUITY AND LIABILITIES		**1,209,402**	**1,234,325**

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

Unconsolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2015

(All amounts are expressed in thousands of kunas)

	Share capital	Capital Reserves	Reserves out of profit	Revaluation Reserves	Retained earnings	Total
Balance at 31 December 2014	**249,600**	**10,368**	**56,347**	**1,222**	**379,205**	**696,742**
Loss for the year	-	-	-	-	(61,526)	(61,526)
Other comprehensive income	-	**-**	**-**	(1,222)	1,222	-
Balance at 31 December 2014	**249,600**	**10,368**	**56,347**	**-**	**318,901**	**635,216**
Loss for the year	-	-	-	-	(6,548)	(6,548)
Other comprehensive income	-	-	-	-	-	-
Balance at 31 December 2015	**249,600**	**10,368**	**56,347**	**-**	**312,353**	**628,668**

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

(All amounts are expressed in thousands of kunas)

	2015	2014
Cash flows from operating activities		
Loss for the year	(6,548)	(61,526)
Depreciation and amortisation	31,256	34,294
Foreign exchange differences per loans, net	(1,052)	513
Interests expense	13,933	12,412
Interests income	(4,626)	(6,584)
Net book value of disposed fixed assets	2,000	2,694
Value adjustment of current assets, net (Notes 10.2, 18, 20)	1,679	43,548
Operating profit before changes in working capital	**36,642**	**25,351**
Decrease / (increase) in inventories	148,884	(124,537)
(Increase) / decrease in trade receivables	(115,840)	30,472
Decrease / (increase) in other receivables	31,239	(16,369)
Increase / (decrease) in advances received	761	(58,558)
(Decrease) / increase in trade payables	(65,567)	24,588
(Decrease) / increase in other liabilities	(16,194)	47,248
(Increase) / decrease in accrued expenses	(2,622)	1,297
Cash generated from / (used in) operating activities	**17,357**	**(70,508)**
Paid income tax	(1,518)	(9,066)
Interests paid	(15,697)	(14,794)
Net cash generated from / (used in) operating activities	**142**	**(94,368)**
Cash flows from investing activities		
Given loans and deposits, net	(60,781)	71,369
Purchases of property plant and equipment and intangible assets	(15,522)	(7,005)
Net cash (used in) / generated from investing activities	**(76,303)**	**64,364**
Cash flows from financing activities		
Proceeds from borrowings and finance leases	466,123	103,955
Repayment of borrowings	(398,060)	(202,648)
Net cash generated from / (used in) financing activities	**68,063**	**(98,693)**
Net decrease in cash and cash equivalents	**(8,098)**	**(128,697)**
Cash and cash equivalents at the beginning of the year	**15,100**	**143,797**
Cash and cash equivalents at the end of year	**7,002**	**15,100**

(All amounts are expressed in thousands of kunas)

GENERAL INFORMATION

1.1 Introduction

Viro tvornica šećera d.d., Zagreb, Ulica grada Vukovara 269g, 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 (2014: HRK 249,600,060) and consists of 1,386,667 (2014: 1,386,667) ordinary bearer shares, with no par value.

At the beginning of 2015 the Company changed headquarters, previously located in Virovitica, to Zagreb, Ulica grada Vukovara 269 G, registered at Commercial Court in Zagreb on January 20, 2015.

The Company has acquired and holds 3,306,002 (2014: 3,306,002) ordinary shares of Sladorana d.d., Županja, representing 100% (2014: 100%) of the equity of the subsidiary. On 7 February 2014 the company was transformed from a public limited company into a limited liability company.

In 2013 the Company acquired and held 22,686 B-series shares of Slavonija nova d.d., Županja, representing 17.58% of the total net capital of the subsidiary. On 15 January 2014 the company was renamed to Slavonija Županja d.d.

1.2 Principal activity

The principal activity of the Company comprises production of sugar.

1.3 The Management Board of the Parent

The members of the Company's Management Board at 31 December 2015 and 31 December 2014 are as follows:

1 Željko Zadro	*President of the Management Board*	
2 Ivan Škorić	*Member of the Management Board*	*to 01.07.2014*
3 Dražen Robić	*Member of the Management Board*	*since 01.07.2014*

1.4 Supervisory Board

Members of the Supervisory Board of the Company at 31 December 2015 and 31 December 2014:

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*	*to 01.07.2014*
4 Ivan Mišetić	*Member of the Supervisory Board*	
5 Krešimir Mostovac	*Member of the Supervisory Board*	*to 21.03.2014*
6 Damir Keleković	*Member of the Supervisory Board*	*since 21.03.2014*
7 Hrvoje Godinić	*Member of the Supervisory Board*	*since 29.08.2014*

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

2.1 Initial application of new amendments to the existing standards and interpretation effective for the current reporting period

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

- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015),
- **IFRIC 21 "Levies**" adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The adoption of these amendments to the existing standards and interpretation has not led to any material changes in the Company's financial statements.

2.2 Amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following amendments to the existing standards issued by IASB and adopted by the EU were in issue but not yet effective:

- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Agriculture: Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016).

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (CONTINUED)

- **Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)”** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)”** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

2.3 New Standards and amendments to the existing Standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at date of issue of these financial statements (the effective dates stated below is for IFRS in full):

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 15 “Revenue from Contracts with Customers”** and further amendments (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures”** - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded),

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

(All amounts are expressed in thousands of kunas)

2. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of presentation and preparation of the financial statements

The Company maintains its accounting records in the Croatian language, in Croatian Kuna and in accordance with Croatian laws and the accounting principles and practices observed by enterprises in Croatia. The financial statements of the Company 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 adopted by the European Union, and Croatian laws.

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) and American dollar (USD) was as follows:

	EUR 1	USD 1
2015	7.635047	6.991801
2014	7.661471	6.302107

The financial statements of the Company represent aggregate amounts of assets, liabilities, capital and reserves of the Company as of 31 December 2015, and the results of its operations for the year then ended.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Revenue recognition

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow into the Company 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.

3.3 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 Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

3.4 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 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. 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 Company 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Income tax expense (continued)

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of the Company reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the ‘sale’ presumption set out in the amendments to IAS 12 is not rebutted. As a result, the Company has not recognised any deferred taxes on changes in fair value of the investment properties as the Company is not subject to any income taxes on the disposal of its investment properties.

Current and deferred taxes for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Property, plant and equipment

Property, plant and equipment 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 property, plant and equipment 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 property, plant and equipment 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, other than land, property, plant, and equipment under development, using the straight-line method as follows:

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

In 2015 there were no changes in the depreciation rates versus comparative period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 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 (2014: HRK 3,500).

3.8 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.

3.9 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Provisions

Provisions are recognized when the Company 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 Company 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 Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 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.

3.12 Events after the reporting period

Events after the end of the reporting period that provide additional information about the Company'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.

3.13 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.

Financial assets and financial liabilities are recognised when a Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 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, including trade and other 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.

Available-for-sale investments

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Company that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The fair value represents the market value at the date of the statement of financial position on a regulated securities market, as notified by the Central Depositary Agency and taking into account of the trading volume. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (continued)

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 Company 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 Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (continued)

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

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

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

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (continued)

Financial guarantee contracts issued by a company are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.14. Government grants

Government grants are not recognized until the fulfilment of the conditions for obtaining government grants and the receipt of aid becomes certain. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises the costs the grants are intended to compensate as expenses. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non- current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government grant approved at an interest rate below the market rate is accounted for as a government grant and disclosed as the difference between the funds received and the fair value of the loan on the basis of the prevailing market interest rates.

3.15. Operating segment reporting

The Group identifies operating segments on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. Details about the operating segments of the Group are disclosed in Note 5 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company'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 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

As described in the Note 3.6, the Company 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.

Consequences of certain legal actions

The Company is 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Impairment allowance on inventories

As described in Note 3.7, the Company reviews the carrying amounts of its inventories and recognises impairment on inventories, if appropriate, at every reporting date.

Inventories are stated at the lower of cost and net realisable value.

3.17. Comparative information

Where necessary, comparative information is reclassified to conform with the current year's presentation. Thus, the interest expense in the 2014 Income statement in the amount of HRK 3,874 thousand and the interest income in the same amount were netted off to conform with the presentation for the current year. This relates to a portion of a loan the Company received from Raiffeisenbank Austria d.d. and transferred to its subsidiary Sladorana d.o.o. under the same terms and conditions.

(All amounts are expressed in thousands of kunas)

SALES AND OTHER INCOME

4.1 Sales

	2015	2014
Foreign sales	393,852	323,342
Domestic sales	522,217	261,079
	916,069	**584,421**

The increase in the sales is a result of significantly higher merchandise sales and income from the sugar beet processing service for Sladorana d.o.o., Županja.

4.2 Other income

	2015	2014
Subsequent recovery of receivables previously written off and value adjusted	1,244	255
Subsequently approved rebates	1,182	624
Surplus	810	9
Damages collected	713	1,200
Material sales	27	651
Other income	679	1,667
	4,655	**4,406**

4. SEGMENT INFORMATION

The operating segments were determined based on the similarity in the nature of individual product groups Two operating segments were identified: “sugar” and “molasses and noodles”.

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.

(All amounts are expressed in thousands of kunas)

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

	Segment revenue	
	2015	**2014**
Sugar	699,046	457,875
Molasses and noodles	221,678	130,952
	920,724	**588,827**

	Segment expenses		Segment profit / (loss)	
	2015	**2014**	**2015**	**2014**
Sugar	696,341	501,111	2,705	(43,236)
Molasses and noodles	220,820	143,317	858	(12,365)
	917,161	**644,428**	**3,563**	**(55,601)**

	2015	**2014**
Operating profit / (loss)	3,563	(55,601)
Financial income	11,951	17,453
Financial expenses	(22,062)	(23,378)
Loss before tax	**(6,548)**	**(61,526)**

The Sugar segment comprises sugar production.

The Molasses and noodles segment comprises production of molasses and noodles.

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

(All amounts are expressed in thousands of kunas)

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

	31/12/2015	**31/12/2014**
Segment assets		
Sugar	430,409	497,834
Molasses and noodles	136,489	142,380
Total segment assets	**566,898**	**640,214**
Unallocated	642,504	594,111
Total assets	**1,209,402**	**1,234,325**

	31/12/2015	**31/12/2014**
Segment liabilities		
Sugar	440,914	465,870
Molasses and noodles	139,820	133,239
Total segment liabilities	**580,734**	**599,109**
Unallocated	-	-
Total liabilities	**580,734**	**599,109**

For the purposes of monitoring segment performance, all assets other than non-current and current financial assets (investments in subsidiaries, long term financial assets and given loans and deposits – see Notes 15, 16 and 20).

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

(All amounts are expressed in thousands of kunas)

5. SEGMENT INFORMATION (CONTINUED)

Other segment information

	Depreciation and amortisation		Additions	
	2015	**2014**	**2015**	**2014**
Sugar	23,731	26,668	11,786	5,447
Molasses and noodles	7,525	7,626	3,316	1,558
Total	**31,256**	**34,294**	**15,523**	**7,005**

Geographical information

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

	Sales revenue	
	2015	**2014**
Croatian market	526,871	265,485
EU market	376,388	317,794
Other	17,465	5,548
Total	**920,724**	**588,827**

Information about major customers

Included in the sales in the amount of HRK 920,724 thousand (2014: HRK 588,827 thousand) are sales of HRK 370,078 thousand (2014: HRK 162,514 thousand) generated from the major customer.

(All amounts are expressed in thousands of kunas)

6. COST OF RAW MATERIAL AND SUPPLIES

	2015	2014
Raw material and supplies	299,348	409,928
Energy	31,568	59,926
Spare parts	7,446	7,084
Expensed small items	421	507
Other material costs	5	1
	338,788	**477,446**

The cost of raw material and supplies decreased significantly in 2015 because of decrease in volume of sugar beet processed compared to 2014.

7. COST OF GOODS SOLD

Cost of goods sold in the amount of HRK 305,901 thousand (2014: HRK 137,121 thousand) represent expenses to the extent of costs of goods sold, i.e. goods delivered by the Company during the reporting year to customers.

8. OTHER EXTERNAL CHARGES

	2015	2014
Transportation	8,757	11,747
Maintenance	6,071	7,056
Rentals and leases	5,703	6,073
Outsourced service costs	2,764	2,788
Bank and payment operation charges	2,572	4,076
Insurance premiums	2,006	4,535
Intellectual services	1,944	1,839
Municipal utility services and fees	1,267	1,190
Postal, telephone and telecommunication services	607	572
Agency services	560	62
Data processing services	414	412
Handling costs	383	538
Market research services	185	672
Other services	1,584	626
	34,817	**42,186**

(All amounts are expressed in thousands of kunas)

9. STAFF COSTS

	2015	2014
Net wages and salaries	12,246	13,729
Taxes and contributions out of salaries	4,684	5,847
Contributions on salaries	2,900	3,245
	19,830	**22,821**

At 31 December 2015, there were 188 persons employed at the Company (31 December 2014: 194 employees).

10. OTHER COSTS AND OPERATING EXPENSES

10.1 Other costs

	2015	2014
Mandatory fees, contributions and membership fees	6,280	6,127
Jubilee awards and gifts to employees	1,120	1,205
Entertainment	899	844
Transportation (employees)	818	979
Employee benefits (per diems, accommodation, support)	530	600
Supervisory board fees	505	791
Professional education and literature	309	292
Field-work allowance	38	39
Other taxes and fees to the fund	17	16
Retirement / termination benefits	-	5,917
Other	219	306
	10,735	**17,116**

(All amounts are expressed in thousands of kunas)

10. OTHER COSTS AND OPERATING EXPENSES (CONTINUED)

10.2 Impairment of inventory

In 2014 impairment in the amount of HRK 38,889 thousand refers to the value adjustment of inventories since the value of inventory of sugar that can be realized in the market is lower than the cost of inventories. In 2015 there was no such value adjustment.

10.3 Other operating expenses

	2015	**2014**
Impairment and eeceivables written off	1,679	4,704
Deficits	1,412	54
Subsequently approved rebates	1,401	5,094
Subsequently identified expenses from prior years	971	957
Donations	699	718
Cost of sold raw materials	643	898
Fines, penalties, damages	263	104
Other	79	850
	7,147	**13,379**

Subsequently identified expenses from prior years in the amount of HRK 971 thousand (2014: HRK 957 thousand) comprise HRK 549 thousand under a debit note from 2014 sugar beet price differences, HRK 337 thousand with respect to a complaint filed by a customer in 2014 for beet noodles, and HRK 85 thousand relate to other expenses for the prior year.

Impairment and write-off of receivables for the year 2015 in the amount of HRK 1,679 thousand comprise the following: value adjustment of trade receivables in the amount of HRK 1,668 thousand and value adjustment and write-off of given advances in the amount of HRK 11 thousand.

Impaired and written off receivables in the amount of HRK 4,704 thousand in 2014 comprise the following: value adjustment of trade receivables in the amount of HRK 3,093 thousand, value adjustment and write-off of loan receivables in the amount of HRK 1,566 thousand, and written-off other assets in the amount of HRK 45 thousand.

(All amounts are expressed in thousands of kunas)

11. FINANCIAL INCOME

	2015	**2014**
Foreign exchange gains	6,334	5,547
Interest income – related parties	3,983	5,540
Interest income – unrelated parties	643	1,044
Unrealised gains on sale of financial assets	301	-
Foreign exchange gains with related parties	649	1,448
Other financial income	41	-
	11,951	**13,579**

12. FINANCIAL EXPENSES

	2015	**2014**
Interest expense - unrelated companies	13,006	11,250
Foreign exchange losses	6,270	5,529
Charges on bank loans	1,418	-
Interest expense - related companies	927	1,162
Discounts – losses on the sale of bills of exchange, trade receivables	441	1,214
Impairment of financial assets	-	349
	22,062	**19,504**

The discounts in the amount of HRK 441 thousand (2014: HRK 1,214 thousand) relate to factoring of the discount of bills of exchange in the amount of HRK 441 thousand (2014: HRK 1,214 thousand).

(All amounts are expressed in thousands of kunas)

13. INCOME TAX

In 2015 the Company realized a loss in the amount of HRK 6,548 thousand and tax loss in the amount of HRK 43,439 thousand and, therefore, has no income tax liability.

The reconciliation between accounting and taxable losses are set out below:

	2015	2014
Loss before taxation	**(6,548)**	**(61,526)**
Income tax – 20%	(1,310)	(12,305)
Effect of non-deductible income and expense items	(7,376)	9,204
Effect of unrecognized deferred tax asset arising from tax losses	8,686	3,101
Income tax	**-**	**-**

The tax rate applicable to taxable profit in the Republic of Croatia is 20 % (2014: 20%).

Review of tax losses available for transfer are as follows:

Available for transfer until:	**Tax loss**	**Amount of unrecognized deferred tax asset**
2019	15,504	8,686
2020	43,429	3,101
	58,933	**11,787**

The amounts of unused tax losses are not recognized as deferred tax assets in the unconsolidated statement of financial position because it is not likely that there will be sufficient taxable profits to use these deferred tax assets.

In accordance with local regulations, the Tax Authority may at any time inspect the Company's books and records within 3 years following the year in which the tax liability is reported and may impose additional tax assessments and penalties.

(All amounts are expressed in thousands of kunas)

14. INTANGIBLE ASSETS AND PROPERTY PLANT AND EQUIPMENT

	Intangible assets	Land	Buildings	Plant and equipment	Works of fine arts	Assets under development	Other tangible assets	Total
Cost								
Balance at 31 December 2013	**3,279**	**5,549**	**118,327**	**297,874**	**9**	**3,608**	**2,990**	**431,636**
Additions	29	-	484	4,721	-	1,771	-	7,005
Disposals, retirements, shortage	-	-	-	(2,973)	-	(2,082)	-	(5,055)
Balance at 31 December 2014	**3,308**	**5,549**	**118,811**	**299,622**	**9**	**3,297**	**2,990**	**433,586**
Additions	23	-	539	10,851	-	4,110	-	15,523
Disposals, retirements, shortage	-	-	-	(171)	-	(1,987)	-	(2,158)
Balance at 31 December 2015	**3,331**	**5,549**	**119,350**	**310,302**	**9**	**5,420**	**2,990**	**446,951**

Intangible assets consist of computer software and licences.

(All amounts are expressed in thousands of kunas)

14. 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/amortisation								
Balance 31 December 2013	**2,963**	**-**	**36,136**	**175,961**	**-**	**-**	**467**	**215,527**
Charge for the year	237	-	5,930	27,978	-	-	149	34,294
Disposals, retirements,	-	-	-	(2,361)	-	-	-	(2,361)
Balance 31 December 2014	**3,200**	**-**	**42,066**	**201,578**	**-**	**-**	**616**	**247,460**
Charge for the year	45	-	5,953	25,110	-	-	149	31,256
Disposals, retirements,	-	-	-	(158)	-	-	-	(158)
Balance 31 December 2015	**3,245**	**-**	**48,019**	**226,530**	**-**	**-**	**765**	**278,558**
Net book values								
At 31 December 2015	**86**	**5,549**	**71,331**	**83,772**	**9**	**5,420**	**2,225**	**168,392**
At 31 December 2014	**108**	**5,549**	**76,745**	**98,044**	**9**	**3,297**	**2,374**	**186,126**

(All amounts are expressed in thousands of kunas)

15. INVESTMENTS IN SUBSIDIARIES

	Core business	At 31 December 2015	Ownership (%)	At 31 December 2014	Ownership (%)
Sladorana d.o.o.	Production of sugar	407,187	100.00%	407,187	100.00%
Slavonija Županja d.d.	Processing and trade of grains	11,343	17.58%	11,343	17.58%
VIRO – kooperacija d.o.o.	Storage of goods, laboratory analysis of samples	20	100.00%	20	100.00%
		418,550		**418,550**	

16. NON-CURRENT FINANCIAL ASSETS

	At 31 December 2015	At 31 December 2014
Given loans to a subsidiary	177,344	91,163
Given deposits, loans and down payments	612	26,013
Financial assets available for sale	903	902
	178,859	**118,078**

Given loans to a subsidiary in the amount of HRK 177,344 thousands (31 December 2014: HRK 91,163 thousand) comprise loans to Sladorana d.o.o. Loan from Raiffeisen bank was taken for the purpose of repayment of loans to other banks taken for Viro tvornica šećera d.d. and Sladorana d.o.o., and this loan is repaid when due by Sladorana d.o.o. In 2014 given deposits, loans and down payments in the amount of HRK 25,011 thousand relate to a loan to Grudska pivovara d.o.o. transferred in 2015 to current financial assets (note 20).

Given deposits, loans and down payments in the amount of HRK 612 thousand (31 December 2014: HRK 26,013 thousand) comprise loans to the employees of Sladorana d.o.o. for purchase of shares in the amount of HRK 120 thousand (2014: HRK 120 thousand), given long-term loans to Grudska pivovara d.o.o., Grude in the amount of HRK 0 (31 December 2014: HRK 25,011 thousand), to Trstenjak Duško HRK 0 thousand (2014: HRK 200 thousand), to Kaladić Milan HRK 175 thousand (2014: HRK 345 thousand), and down payments for operating lease arrangements in the amount of HRK 317 thousand (31 December 2014: HRK 337 thousand).

(All amounts are expressed in thousands of kunas)

17. INVENTORIES

	At 31 December 2015	At 31 December 2014
Finished products	74,510	280,944
Prepayments for inventories	42,135	57,492
Raw material and supplies	15,634	24,346
Merchandise	47,599	4,513
Inventory value adjustment (Note 10.2)	(356)	(38,889)
	179,522	**328,406**

18. TRADE RECEIVABLES

The structure of trade receivables:

	At 31 December 2015	At 31 December 2014
Domestic trade receivables	119,983	41,026
Receivables from related companies (Note 30)	71,467	23,209
Foreign trade receivables	10,701	5,267
Impairment allowance on trade receivables	(8,784)	(7,321)
	193,367	**62,181**

Maturity analysis of receivables not impaired:

	At 31 December 2015	At 31 December 2014
Not yet due	162,352	26,162
0-90 days	24,787	25,514
90-120 days	286	3,279
120-360 days	1,561	2,735
Over 360 days	4,381	4,491
	193,367	**62,181**

(All amounts are expressed in thousands of kunas)

18. TRADE RECEIVABLES (CONTINUED)

Movements in impairment allowance for doubtful accounts

	2015	**2014**
Balance at 1 January	**7,321**	**4,394**
New allowances (Note 10.3)	1,668	3,093
Recovery of receivables previously provided against	(205)	(166)
Balance at 31 December	**8,784**	**7,321**

All receivables provided against were past due beyond 120 days.

19. RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS

	At 31 December 2015	**At 31 December 2014**
VAT receivable	9,207	34,341
Other amounts due from the state	1,537	6,391
	10,744	**40,732**

(All amounts are expressed in thousands of kunas)

20. CURRENT FINANCIAL ASSETS

	At 31 December 2015	At 31 December 2014
Loans to related companies	31,934	37,884
Investments in securities - received bills of exchange	7,703	8,652
Given loans and deposits	5,220	10,709
Given deposits	238	238
	45,095	**57,483**

An overview of given loans at 31 December 2015 is provided in the table below:

Legal persons	**Interest rate**	**31 December 2015**	**31 December 2014**
Dubrovački podrumi d.d.	6%	2,957	2,830
Poljoprivredno dobro Gradina d.o.o.	7%	1,378	841
Žeza d.o.o.	7%	1,027	-
Fortis factoring d.o.o.	-	1,000	-
Podravska banka d.d.	-	630	-
Medion savjetovanje d.o.o.	8%	554	554
Konzum d.d.	-	380	-
Infinitum factoring d.o.o.	-	350	-
T.T. d.o.o., Split	9%	151	151
Visus d.o.o.	8%	143	1,141
Invictus ulaganja d.o.o.	-	100	3,140
Diba d.o.o.	-	-	5,500
Ipsumco d.o.o.	-	-	750
Others	6%-7%	336	493
Value adjustment		(3,793)	(4,736)
Total		**5,213**	**10,664**
Individuals			
Others	7%	386	479
Value adjustment		(379)	(434)
Total individuals		**7**	**45**
Total		**5,220**	**10,709**

No loan impairment was recognised in 2015 (2014: HRK 1,566 thousand).

The collateral for the loan to Grudska pivovara d.o.o. consists of registered mortgage on the company's movable and immovable property assessed at HRK 82,090 thousand.

(All amounts are expressed in thousands of kunas)

21. CASH AND CASH EQUIVALENTS

	At 31 December 2015	At 31 December 2014
Gyro account balance	1,458	3,383
Foreign currency account balance	5,544	11,717
	7,002	**15,100**

22. PREPAID EXPENSES AND ACCRUED INCOME

Prepaid expenses in the amount of HRK 7,762 thousand (31 December 2014: HRK 7,526 thousand) comprise a prepaid fee of EUR 12 per ton of produced sugar within the granted quotas for the period January – September 2016 in the total amount of HRK 3,981 thousand (2014: HRK 3,980 thousand), accrued reimbursement expected from HŽ Cargo for 2015 in the amount of HRK 2,349 thousand (31. December 2014: HRK 1,733), prepaid interest on leases in the amount of HRK 331 thousand (31 December 2014: HRK 826 thousand), accrued fees for loans in the amount of HRK 1,048 thousand (31 December 2014: HRK 639 thousand) as well as other prepaid expenses and accrued income for the period in the amount of HRK 53 thousand (31 December 2014: HRK 348 thousand).

23. SHARE CAPITAL AND RESERVES

23.1. Share capital

At 31 December 2015 the share capital amounts to HRK 249,600 thousand and consists of 1,386,667shares (31 December 2014: 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 %**	
	2015	**2014**	**2015**	**2014**
EOS-Z d.o.o.	466,500	466,500	33.64	33.64
Robić d.o.o.	416,100	416,100	30.01	30.01
Societe Generale Splitska banka d.d. / AZ OMF	137,055	137,055	9.88	9.88
Primorska banka d.d., Rijeka	127,936	-	9.23	-
Hypo Alpe Adria Bank d.d. / PBZ Croatia Osiguranje OMF	43,044	43,044	3.10	3.10
Zadro Marinko	-	127,936	-	9.23
Other	196,032	196,032	14.14	14.14
	1,386,667	**1,386,667**	**100.00**	**100.00**

(All amounts are expressed in thousands of kunas)

24. SHARE CAPITAL AND RESERVES

23.2 Reserves

	2015.	2014.
Legal reserves	12,480	12,480
Capital reserves	10,368	10,368
Reserves for treasury shares	43,867	43,867
	66,715	**66,715**

25. LOSS PER SHARE

Basic and diluted earnings per share

Basic earnings / (loss) per share are determined, by dividing the Company's net profit / (loss) 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 Company as treasury shares.

	2015	2014
Loss attributable to the shareholders (in HRK'000)	(6,548)	(61,526)
Weighted average number of shares	1,386,667	1,386,667
Loss per share (in kunas and lipas):	**(4.72)**	**(44.37)**

Loss per share are equal to basic (loss) /earnings per share, as there is no basis for adjusting the weighted average number of ordinary shares.

(All amounts are expressed in thousands of kunas)

26. LIABILITIES UNDER BORROWINGS AND FINANCIAL LEASES

	At 31 December 2015	At 31 December 2014
Long-term borrowings		
Bank borrowings	301,484	168,587
Financial lease obligations	3,182	8,929
Other creditors	834	1,043
	305,500	**178,559**
Short-term borrowings		
Banks	13,400	89,235
Banks – current portion of long term loans (due within 1 year)	53,203	37,463
Finance lease – current portion of long term finance lease (due within 1 year)	5,912	6,628
Finance lease	2,080	3,890
	74,595	**137,216**
Total	**380,095**	**315,775**

Bank borrowings in the amount of HRK 368,087 thousand (31 December 2014: HRK 295,285 thousand) are secured by pledge over the property and equipment of the Company.

The finance lease obligations in the amount of HRK 9,094 thousand (31 Deember 2014: HRK 15,557 thousand) are secured by debentures.

Financial loan in the amount of HRK 2,080 thousand (31 December 2014: HRK 3,890) relates to the liability towards Konzum d.d.

The movement of received bank loans is provided below:

	2015	2014
Balance at 1 January	**295,285**	**388,714**
New loans raised	466,123	97,677
Amounts repaid	(392,269)	(191,619)
Exchange differences	(1,052)	513
Balance at 31 December	**368,087**	**295,285**

(All amounts are expressed in thousands of kunas)

25. 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	Balance at 31/12/2015
Long-term				
Raiffeisenbank Austria d.d.	31/03/2021	4.00%+ 3M.EURIBOR	EUR	354,687
Short-term				
Kentbank d.d.	30/04/2016	6%	HRK	3,400
Kentbank d.d.	30/04/2017	6%	HRK	10,000
Total short term and long term loans				**368,087**

Present value of minimum lease payments per financial leases:

	Minimum lease payments		Finance charges		Present value of minimum lease payments	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Not later than 1 year	5,912	6,628	236	485	5,676	6,143
Payable from two to five years	3,182	8,929	95	341	3,087	8,588
	9,094	**15,557**	**331**	**826**	**8,763**	**14,731**
Less: future finance charges	**(331)**	**(826)**			**-**	**-**
Present value of minimum lease payments	**8,763**	**14,731**			**8,763**	**14,731**

(All amounts are expressed in thousands of kunas)

26. TRADE PAYABLES

	At 31 December 2015	At 31 December 2014
Domestic trade payables	24,811	85,477
Foreign trade payables	80,070	86,183
	104,881	**171,660**

27. ADVANCES RECEIVED

At 31 December 2015, advances received amounted to HRK 3,275 thousand (31 December 2014: HRK 2,514 thousand) and comprise amounts advanced by foreign and domestic entities for purchases of sugar.

28. OTHER CURRENT LIABILITIES

	At 31 December 2015	At 31 December 2014
Liabilities for issued bills of exchange	77,293	95,307
Taxes, contributions and similar duties payable	5,515	763
Other current liabilities	5,403	8,139
Amounts due to employees	1,156	1,352
Liabilities for dividends	32	32
	89,399	**105,593**

The liabilities for issued bills of exchange represent amounts payable to suppliers of sugar beet and protective substances as follows:

	31 December 2015	31 December 2014
Belje d.d., Darda	36,697	51,808
Agrokor d.d., Zagreb	20,000	-
Vupik d.d.	10,366	23,749
PIK Vinkovci	10,230	14,250
Diba d.o.o., Suhopolje	-	5,500
	77,293	**95,307**

(All amounts are expressed in thousands of kunas)

29. ACCRUED EXPENSES AND DEFERRED INCOME

	At 31 December 2015	At 31 December 2014
Accrued direct sugar beet costs	356	558
Interest	55	-
Accrued severance payments	-	2,573
Other accrued expenses	280	182
	691	**3,313**

30. RELATED-PARTY TRANSACTIONS

Balances and transactions between the Company and its related parties are disclosed below.

Trading transactions

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

Operating income

	Sales		Other income	
	2015	**2014**	**2015**	**2014**
SLADORANA d.o.o.	213,787	54,327	223	1,470
SLAVONIJA ŽUPANJA d.d.	-	11,339	-	-
VIRO-KOOPERACIJA d.o.o.	-	-	-	-
	213,787	**65,666**	**223**	**1,470**

Operating expenses

	Selling expenses		Other expenses	
	2015	**2014**	**2015**	**2014**
SLADORANA d.o.o.	152,915	37,053	3	435
SLAVONIJA ŽUPANJA d.d.	-	11,213	-	-
VIRO-KOOPERACIJA d.o.o.	-	-	-	-
	152,915	**48,266**	**3**	**435**

(All amounts are expressed in thousands of kunas)

30. RELATED-PARTY TRANSACTIONS (CONTINUED)

Financial income and expenses

	Financial income		Financial expenses	
	2015	**2014**	**2015**	**2014**
SLADORANA d.o.o.	3,127	5,791	927	1,162
GRUDSKA PIVOVARA d.o.o.	1,491	1,193	-	-
SLAVONIJA ŽUPANJA d.d.	14	-	-	-
ROBIĆ PROMET d.o.o.	-	4	-	-
	4,632	**6,988**	**927**	**1.162**

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

	Amounts owed by related companies		Amounts owed to related parties	
	2015	**2014**	**2015**	**2014**
SLADORANA d.o.o.	70,870	11,254	-	-
OŠTRC d.o.o.	537	-	-	
ROBIĆ PROMET d.o.o.	60	60	150	207
SLAVONIJA ŽUPANJA d.d.	-	9,672	2,243	47
VIRO-KOOPERACIJA d.o.o.	-	2,223	-	-
	71,467	**23,209**	**2,393**	**254**

Loans to related parties:

	Loan receivables		Borrowings	
	2015	**2014**	**2015**	**2014**
SLADORANA d.o.o.	177,402	126,416	-	-
GRUDSKA PIVOVARA d.o.o.	30,199	25,011	-	-
VIRO-KOOPERACIJA d.o.o.	1,677	2,631	-	-
	209,278	**154,058**	**-**	**-**

30. RELATED-PARTY TRANSACTIONS (CONTINUED)

Remuneration paid to key management personnel:

	2015	**2014**
Salaries	2,199	2,944
Other	265	479
	2,464	**3,423**

(All amounts are expressed in thousands of kunas)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

The Company 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 Company's overall strategy has remained unchanged since 2012.

The Company's capital consists of debt, which includes borrowings disclosed in Note 25, less cash and cash equivalents (the so-called net debt), and equity, which comprises share capital, reserves and retained earnings.

The Treasury of the Company reviews the capital structure of the Company. 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

	2015	**2014**
Debt (i)	**380,095**	**315,775**
Cash and cash equivalents	(7,002)	(15,100)
Net debt	**373,093**	**300,675**
Equity (ii)	628,668	635,216
Net debt-to-equity ratio (in %)	59.35	47.33

(i) Debt consists of long- and short-term borrowings, as described in Note 25.

(ii) Equity consists of share capital, retained earnings, (loss) or profit for the year and reserves managed by the Company as capital.

(All amounts are expressed in thousands of kunas)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Categories of financial instruments

	31 December 2015	**31 December 2014**
Financial assets		
Non-current financial assets	178,859	118,078
Receivables from related companies	71,467	23,209
Trade receivables	121,900	38,972
Current financial assets	45,095	57,483
Other receivables	109	143
Cash and cash equivalents	7,002	15,100
Prepaid expenses and accrued income	3,781	3,546
	428,213	**256,531**
Financial liabilities		
Loans payable and borrowings	305,500	178,559
Liabilities to related companies	2,393	254
Borrowings and financial lease obligations	74,595	137,216
Advances received	3,275	2,514
Trade payables	104,881	171,660
Other current liabilities	83,884	104,830
Accrued expenses and deferred income	691	3,313
	575,219	**598,346**

The carrying amounts reflected above represent the Company's maximum exposure to credit risk for such loans and receivables.

(All amounts are expressed in thousands of kunas)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management objectives

The Treasury function of the Company 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 Company through internal risk reports which analyse exposures by degree and magnitude of risks.

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

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

Market risk

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

Foreign currency risk management

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

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

	Liabilities		Assets	
	2015	**2014**	**2015**	**2014**
European Union (EUR)	446,794	359,598	298,612	133,778
USD	32	-	2,353	2,646

(All amounts are expressed in thousands of kunas)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Foreign currency risk management (continued)

Foreign currency sensitivity analysis

The Company 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 Company'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 Company 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**	
	2015	**2014**	**2015**	**2014**
Profit or loss	(14,818)	(22,582)	232	265

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

(All amounts are expressed in thousands of kunas)

31. 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 Company's:

- Loss for the year 2015 would be higher / lower by HRK 650 thousand (2014: decrease/increase of profit by HRK 756 thousand). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company 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 Company 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 credit risk concentration arising from the Company's major customers is as follows:

	Receivables	
	31 December 2015	**31 December 2015**
Customer A	70,870	11,254
Customer B	66,648	-
Customer C	8,263	5,155
Customer D	5,771	1,530
Customer E	4,412	2,860
	155,964	**20,799**

(All amounts are expressed in thousands of kunas)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk management (continued)

Collateral held as security and other credit enhancements

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

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 Company 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 Company'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 Company 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 Company 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
2015						
Non-interest bearing assets		39,328	101,429	51,348	834	192,939
Interest bearing assets	4,22%	1,336	6,258	25,755	385,351	418,700
		40,664	**107,687**	**77,103**	**386,185**	**611,639**
2014						
Non-interest bearing assets		106,695	51,885	92,201	31,416	282,197
Interest bearing assets	4.28%	7,210	36,396	99,085	201,514	344,205
		113,905	**88,281**	**191,286**	**232,930**	**626,402**

(All amounts are expressed in thousands of kunas)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk management (continued)

The following table details the Company'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 Company 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
2015						
Non-interest bearing assets		54,692	153,023	3,541	1,263	212,519
Interest bearing assets	7.13%	3,021	1,602	54,912	170,242	229,777
		57,713	**154,625**	**58,453**	**171,505**	**442,296**
2014						
Non-interest bearing assets		57,150	28,141	4,569	1,239	91,099
Interest bearing assets	6.93%	2,580	40,818	26,890	111,978	182,266
		59,730	**68,959**	**31,459**	**113,217**	**273,365**

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 2015, the carrying amounts of cash, short-term deposits, receivables, short-term liabilities, accrued expenses, short-term loans and other financial instruments approximate their fair values due to the short-term maturity of these assets and liabilities.

(All amounts are expressed in thousands of kunas)

31. 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 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets available for sale	853	903	-	1,756
Total	**853**	**903**	**-**	**1,756**

At 31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets available for sale	551	902	-	1,453
Total	**551**	**902**	**-**	**1,453**

(All amounts are expressed in thousands of kunas)

32. OPERATING LEASES

The Company as lessee

Operating lease agreements

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

Lease payments recognised as an expense

	2015	2014
Minimum lease payments	431	409

Non-cancellable operating lease commitments

	2015	2014
Not later than 1 year	146	395
2-5 years	-	146
	146	**541**

33. MANAGEMENT AUTHORISATION OF THE ISSUE OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

These unconsolidated financial statements were adopted by the Management Board and authorized for issue on11 April 2016.

Signed on behalf of the Management Board on 11 April 2016 by:

Željko Zadro

President of the Management Board

Viro TVORNICA ŠEĆERA d.d. 7 ZAGREB

TVORNICA ŠEĆERA d.d.
ZAGREB, ULICA GRADA VUKOVARA 269 g

STATEMENT OF PERSON RESPONSIBLE FOR PRODUCTION OF THE ANNUAL FINANCIAL REPORT FOR 1Y 2015

With this statement, in compliance with article 403, paragraph 2 of the Law on capital market, I state that to the best of our knowledge

- the set of revised financial reports of VIRO TVORNICA ŠEĆERA d.d., Zagreb for 1Y 2015, 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 company.

- the Management report contains a true overview of business results and position of the company, with a description of the most significant risks and uncertainties to which the company is exposed.

In Zagreb, on April 25, 2015

RESPONSIBLE PERSON

PRESIDENT OF THE MANAGEMENT BOARD:

Željko Zadro, dipl.oec

Viro
TVORNICA ŠEĆERA d.d. 4
ZAGREB

ENCLOSURE 1

Reporting period: **1 January 2015** to **31 December 2015**

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:	**10000** **ZAGREB**
Street and number:	**ULICA GRADA VUKOVARA 269 g**
e-mail address:	viro@secerana.hr
Internet address:	www.secerana.hr
Code and name for municipality/city	**491** **VIROVITICA**
Code and name for county	**10** **VIROVITIČKO-PODRAVSKA**
Consolidated Report	**NO**

Number of employees (at the year's end) **188**

Business activity code: **1081**

Entities in consolidation (according to IFRS)	Registered seat:	Tax number (MB):

Book-keeping firm	
Contact person	**ZDENKA SMOJVER** (name and surname of the contact person)
Telephone	**033840100**
Telefaks:	**033840103**
e-mail address	racunovodstvo-viro@secerana.hr
Surname and name	**ŽELJKO ZADRO** (authorized representatives)

Documents for publication

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

M.P. Viro TVORNICA ŠEĆERA d.d. ZAGREB 4

(signature of authorized person)

BALANCE SHEET

as at 31.12.2015

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	722.754.354	765.801.159
I. INTANGIBLE ASSETS (004 to 009)	003	107.764	86.315
1. Assets development	004		0
2. Concessions, patents, licences fees, trade and service marks, software and other rights	005	107.764	86.315
3. Goodwill	006		
4. Prepayments for purchase of intangible assets	007		
5. Intangible assets in preparation	008		
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 to 019)	010	186.018.070	168.306.215
1. Land	011	5.548.592	5.548.592
2. Buildings	012	76.745.263	71.331.533
3. Plant and equipment	013	98.044.216	83.772.355
4. Tools, facility inventory and transport assets	014		
5. Biological assets	015		
6. Prepayments for tangible assets	016		307.627
7. Tangible assets in progress	017	3.297.068	5.112.658
8. Other tangible assets	018	9.300	9.300
9. Investments in buildings	019	2.373.631	2.224.150
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	020	536.628.520	597.408.629
1. Investments (shares) with related parties	021	419.450.043	419.450.043
2. Loans given to related parties	022	91.163.404	177.343.482
3. Participating interest (shares)	023		
4. Loans to entrepreneurs in whom the entity holds participating interests	024		
5. Investments in securities	025	1.829	3.248
6. Loans, deposits and similar assets	026	26.013.244	611.856
7. Other long - term financial assets	027		
8. Investments accounted by equity method	028		
IV. RECEIVABLES (030 to 032)	029	0	0
1.Receivables from related parties	030		
2. Receivables from based on trade loans	031		
3. Other receivables	032		
V. DEFERRED TAX ASSETS	033		
C) SHORT TERM ASSETS (035+043+050+058)	034	504.045.177	435.839.083
I. INVENTORIES (036 to 042)	035	328.405.604	179.521.872
1. Raw-material and supplies	036	24.346.161	15.634.383
2. Work in progress	037		
3. Finished goods	038	242.054.551	74.153.867
4. Merchandise	039	4.512.584	47.598.499
5. Prepayments for inventories	040	57.492.308	42.135.123
6. Long - term assets held for sales	041		
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	103.055.920	204.219.640
1. Receivables from related parties	044	23.148.850	71.406.529
2. Accounts receivable	045	39.032.135	121.960.367
3. Receivables from participating parties	046		
4. Receivables from employees and members of related parties	047	50	2.372
5. Receivables from government and other institutions	048	40.731.922	10.743.689
6. Other receivables	049	142.963	106.683
III. SHORT TERM FINANCIAL ASSETS (051 to 057)	050	57.483.377	45.095.292
1. Shares (stocks) in related parties	051		
2. Loans given to related parties	052	37.883.981	1.735.697
3. Participating interests (shares)	053		
4. Loans to entrepreneurs in whom the entity holds participating interests	054		
5. Investments in securities	055		
6. Loans, deposits, etc.	056	10.946.857	35.656.652
7. Other financial assets	057	8.652.539	7.702.943
IV. CASH AT BANK AND IN CASHIER	058	15.100.276	7.002.279
D) PREPAID EXPENSES AND ACCRUED REVENUE	059	7.525.706	7.761.345
E) TOTAL ASSETS (001+002+034+059)	060	1.234.325.237	1.209.401.587
F) OFF-BALANCE RECORDS	061	213.764.364	281.936.097

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	**062**	**635.215.955**	**628.667.495**
I. SUBSCRIBED CAPITAL	063	249.600.060	249.600.060
II. CAPITAL RESERVES	064	10.368.101	10.368.101
III.RESERVES FROM PROFIT (066+067-068+069+070)	065	56.346.673	56.346.673
1. Reserves prescribed by low	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		0
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	380.427.183	318.901.121
1. Retained earnings	073	380.427.183	318.901.121
2. Accumulated loss	074		
VI. PROFIT/LOSS FOR THE CURRENT YEAR (076-077)	075	-61.526.062	-6.548.460
1. Profit for the current year	076		
2. Loss for the current year	077	61.526.062	6.548.460
IX. MINORITY INTERESTS	078		
B) PROVISIONS (080 to 082)	**079**	**0**	**0**
1. Provisions for pensions, severance pay, and similar liabilities	080		
2. Reserves for tax liabilities	081		
3. Other reserves	082		
C) LONG - TERM LIABILITIES (084 to 092)	**083**	**178.558.831**	**305.499.913**
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits etc.	085	9.972.178	4.015.994
3. Liabilities to banks and other financial institutions	086	168.586.653	301.483.919
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		
9. Deferred tax liability	092		
D) SHORT - TERM LIABILITIES (094 to 105)	**093**	**417.237.577**	**274.543.567**
1. Liabilities to related parties	094	253.895	2.393.482
2. Liabilities for loans, deposits etc.	095	10.518.487	7.992.303
3. Liabilities to banks and other financial institutions	096	126.698.673	66.603.095
4. Liabilities for received prepayments	097	2.514.105	3.275.008
5. Accounts payable	098	171.660.194	104.881.026
6. Liabilities arising from debt securities	099		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100		
8. Liabilities to employees	101	1.351.986	1.155.944
9. Liabilities for taxes, contributions and similar fees	102	762.818	5.514.605
10. Liabilities to share - holders	103	31.703	31.703
11. Liabilities for long-term assets held for sale	104		
12. Other short - term liabilities	105	103.445.716	82.696.401
E) DEFFERED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	**106**	**3.312.874**	**690.612**
F) TOTAL – CAPITAL AND LIABILITIES (062+079+083+093+106)	**107**	**1.234.325.237**	**1.209.401.587**
G) OFF-BALANCE RECORDS	**108**	**213.764.364**	**281.936.097**
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		
2. Attributed to minority interest	110		

PROFIT AND LOSS ACCOUNT
for the period 01.01.2015. do 31.12.2015.

VIRO TVORNICA ŠEĆERA d.d.

Item	AOP code	Last year	Current year
1	2	3	4
I. OPERATING REVENUE (112+113)	111	588.827.324	920.723.764
1. Sales revenue	112	584.420.720	916.069.380
2. Other operating revenues	113	4.406.604	4.654.384
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	644.428.102	917.161.191
1. Changes in value of work in progress and finished products	115	-138.823.942	168.687.561
2. Material costs (117 to 119)	116	656.752.493	679.505.672
a) Raw material and material costs	117	477.445.944	338.787.709
b) Costs of goods sold	118	137.120.534	305.901.254
c) Other external costs	119	42.186.015	34.816.709
3. Staff costs (121 to 123)	120	22.820.743	19.829.901
a) Net salaries and wages	121	13.728.865	12.245.975
b) Cost for taxes and contributions from salaries	122	5.846.558	4.683.623
c) Contributions on gross salaries	123	3.245.320	2.900.303
4. Depreciation	124	34.294.646	31.256.001
5. Other costs	125	17.116.106	10.734.767
6. Impairment (127+128)	126	38.889.077	
a) Impairment of long-term assets (financial assets excluded)	127		
b) Impairment of short - term assets (financial assets excluded)	128	38.889.077	
7. Provisions	129		
8. Other operating costs	130	13.378.979	7.147.289
III. FINANCIAL INCOME (132 to 136)	131	17.453.269	11.950.936
1. Interest income, foreign exchange gains, dividends and similar income from related parties	132	9.668.847	2.491.641
2. Interest income, foreign exchange gains, dividends and similar income from non -	133	7.784.422	9.157.795
3. Share in income from affiliated entrepreneurs and participating interests	134		
4. Unrealized gains (income) from financial assets	135		301.500
5. Other financial income	136		
IV. FINANCIAL EXPENSES (138 do 141)	137	23.378.553	22.061.969
1. Interest expenses, foreign exchange losses, dividends and similar expenses from related parties	138	1.161.626	927.316
2. Interest expenses, foreign exchange losses, dividends and similar expenses from non -	139	20.653.407	20.693.318
3. Unrealized losses (expenses) on financial assets	140	349.000	
4. Other financial expenses	141	1.214.520	441.335
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	606.280.593	932.674.700
X. TOTAL EXPENSES (114+137+143 + 145)	147	667.806.655	939.223.160
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	-61.526.062	-6.548.460
1. Profit before taxation (146-147)	149		
2. Loss before taxation (147-146)	150	61.526.062	6.548.460
XII. PROFIT TAX	151		
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-61.526.062	-6.548.460
1. Profit for the period (149-151)	153	0	0
2. Loss for the period (151-148)	154	61.526.062	6.548.460
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		
2. Attributed to minority interest	156		
STATEMENT OF OTHER COMPREHENSIVE INCOME (IFRS)			
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	-61.526.062	-6.548.460
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)	158	1.222.294	0
1. Exchange differences on translation of foreign operations	159		
2. Movements in revaluation reserves of long - term tangible and intangible assets	160	1.222.294	
3. Profit or loss from reevaluation 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	1.222.294	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	-60.303.768	-6.548.460
APPENDIX to Statement of other comprenhensive 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		
2. Attributed to minority interest	170		

STATEMENT OF CASH FLOWS - INDIRECT METHOD

for the period 01.01.2015 do 31.12.2015

Item	AOP code	Last year	Current year
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	-61.526.062	-6.548.460
2. Depreciation	002	34.294.646	31.256.001
3. Increase in short term liabilities	003	10.569.371	
4. Decrease in short term receivables	004	10.837.902	
5. Decrease in inventories	005		148.883.732
6. Other increase in cash flow	006	42.020.727	12.388.084
I. Total increase in cash flow from operating activities (001 to 006)	007	**36.196.584**	**185.979.357**
1. Decrease in short term liabilities	008		80.072.247
2. Increase in short term receivables	009		101.163.720
3. Increase in inventories	010	85.647.689	
4. Other decrease in cash flow	011	9.276.078	6.273.084
II. Total decrease in cash flow from operating activities (008 to 011)	012	**94.923.767**	**187.509.051**
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES	013		
A2) NET DECREASE IN IN CASH FLOW FROM OPERATING ACTIVITIES	014	**58.727.183**	**1.529.694**
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash inflows from sales of long-term tangible and intangible assets	015	653.220	13.344
2. Cash inflows from sales of equity and debt instruments	016		
3. Interests receipts	017	8.498.625	2.683.636
4. Dividend receipts	018		40.596
5. Other cash inflows from investing activities	019	34.642.095	47.639.936
III. Total cash inflows from investing activities (015 to 019)	020	**43.793.940**	**50.377.512**
1. Cash outflow for purchase of long-term tangible and intangible assets	021	4.964.434	13.536.041
2. Cash outflow for acquisition of equity and debt financial instruments	022		
3. Other cash outflow for investing activities	023	11.394.817	108.420.045
IV. Total cash outflow for investing activities (021 do 023)	024	**16.359.251**	**121.956.086**
B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025	**27.434.689**	
B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES	026		**71.578.574**
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	99.282.156	465.716.896
3. Other proceeds from financial activities	029	354.000.000	338.000.000
V. Total cash inflows from financial activities (027 to 029)	030	**453.282.156**	**803.716.896**
1. Cash outflow for repayment of credit principal and bonds	031	191.618.660	392.268.843
2. Cash outflow for dividends paid	032		
3. Cash outflow for financial lease	033	7.057.450	6.627.929
4. Cash outflow for purchase of treasury shares	034		
5. Other cash outflow for financial activities	035	352.010.000	339.809.853
VI. Total cash outflow for financial activities (031 to 035)	036	**550.686.110**	**738.706.625**
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	037		**65.010.271**
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	038	**97.403.954**	
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	128.696.448	8.097.997
Cash and cash equivalents at the beginning of the period	041	143.796.724	15.100.276
Increase of cash and cash equivalents	042	0	0
Decrease of cash and cash equivalents	043	128.696.448	8.097.997
Cash and cash equivalents at the end of the period	044	15.100.276	7.002.279

CHANGE IN CAPITAL STATEMENT

for the period from 1.1.2015 to 31.12.2015

Item	EDP	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	249.600.060	249.600.060
2. Capital reserves	002	10.368.101	10.368.101
3. Profit reserves	003	56.346.673	56.346.673
4. Retained profit or loss carried forward	004	380.427.163	318.901.121
5. Profit or loss of the current year	005	-61.526.062	-6.548.460
6. Revaluation of fixed tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial property available for sale	008	0	0
9. 9. Other revaluation	009		
10. Total capital and reserves (EDP 001 through 009)	010	635.215.935	628.667.495
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		
17 b. Assigned to minority interest	019		

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