Viro tvornica šećera d.d.

Separate financial statements

For the year ended

31 December 2016

Together with Independent Auditor's Report

TVORNICA ŠEĆERA d.d.

ANNUAL REPORT
For the year 2016

Virovitica, March 2017

CONTENT

I. INTRODUCTION AND CORPORATE IDENTITY

1.1. Introductory notes

Pursuant to Article 21 of the Accounting Act, VIRO TVORNICA ĠEĹERA d.d. Zagreb (hereinafter: ñthe Companyò), as a large entrepreneur, has the obligation to prepare and submit its annual report which is intended for the management and external stakeholders of the enterprise.
The report provides a complex and documented insight into the operations of the company, including all available non-financial and financial information, as well as performance indicators, based on the use of contemporary analytical and statistical methods which comply with applicable international accounting standards.
This Report constitutes, together with the statutory financial statements (Balance Sheet, Profit and Loss Account, Cash Flow Statement) and the notes thereto, a whole.
The Report has been prepared on the basis of data and information from the Production Department, the Sales Department, the Accounting Department, the Planning and Analysis Department, as the owners of the Report, as well as those obtained from VIRO-KOOPERACIJA d.o.o.

1.2. Corporate identity

Pursuant to Article 7 of the Contract on the Sale of Real Estate, In-process Materials, Spare Parts and Work in Progress dated 27 June 2002, EOS-Z d.o.o. from Zagreb and ROBIĹ d.o.o. from Velika Gorica, as the acquirers of the bankruptcy estate of TVORNICA ĠEĹERA VIROVITICA d.d., in bankruptcy, Virovitica, as the debtor-in-bankruptcy, committed to form a a new company by contributing the purchased real estate, movable property and other assets and continue the business activity of the debtor-in-bankruptcy.

As a result, VIRO, a Croatian production and trade limited liability company (druġtvo s ograniļenom odgovornoġĺu za proizvodnju i trgovinu) was established (hereinafter: ñVIRO d.o.o.ò) on 19 July 2002, the date of entry into the registry of the Commercial Court in Bjelovar, with a registered (subscribed) capital in the amount of HRK 20,000.00 and EOS-Z d.o.o. and ROBIĹ d.o.o. as the founders with the respective initial capital contributions of 51 percent and 49 percent.

Following the full payment of the purchase price to the sellers of the property of the debtor-in-bankruptcy, EOS-Z d.o.o. and ROBIĹ d.o.o. transferred to VIRO d.o.o. the inventories of the in-process materials, spare parts and work in progress, which marked the actual start of the business activity of the new firm, and new indefinite-period employment contracts were signed with 264 employees on 10 September 2002.

Tangible fixed assets were transferred from EOS-Z d.o.o. and ROBIĹ d.o.o. to VIRO d.o.o. in 2003. In the same year, the share capital of the Company was increased to HRK 104,000,000.00.

Based on the Decision adopted in the General Shareholdersô Meeting of 21 July 2005 and the entry into the registry of the Bjelovar Commercial Court of 1 September 2005, the Company was transformed from a Croatian limited liability company (d.o.o.) into a Croatian public limited company (dioniļko druġtvo) and changed its name to VIRO TVORNICA ĠEĹERA, dioniļko druġtvo za proizvodnju i trgovinu (abbreviated firm:

1.2. Corporate identity (continued)

ñVIRO TVORNICA ĠEĹERA d.d.ò), with the business shares of HRK 104,000.000.00 being replaced by a total of 1,040,000 registered dematerialised ordinary A-series shares, with a nominal value of HRK 100.00 per share.

The share capital increase was finalised in the first quarter of 2006 by means of cash contributions and public offering of ordinary shares through the trading system of the Zagreb Stock Exchange. The total number of new shares issued was 346,667, all of them registered shares, with a nominal amount of HRK 100.00 each and a total nominal value of HRK 34,666,700.00. The shares were sold at a price of HRK 365.00 each, and the whole issue was subscribed and paid in. As a result, the Company collected a total of HRK 126,533.455.00. Pursuant to the Ruling of the Bjelovar Commercial Court of 17 March 2006, the increase was entered into the Court registry, along with the increase in the share capital by HRK 34,666,700.00, from HRK 104,000,000.00 to HRK 138,666,700.00.

Immediately after the completion of share capital increase process, the shares of the Company were listed on the official Zagreb Stock Exchange Market on 20 April 2006. Based on the Decision adopted by the Shareholders in the General Shareholdersô Meeting of 30 August 2006, all the 1,386,667 shares, with a nominal amount of HRK 100.00 each, were replaced with no-par value shares, resulting in the share capital being divided into 1,386,667 registered ordinary shares with no par value.

Based on the Decision adopted by the Shareholders in the General Shareholdersô Meeting of 14 December 2006, the Companyôs share capital was increased by HRK 110,933,360.00, representing a portion transferred from the capital gains and retained earnings, from HRK 138,666,700.00 to HRK 249,600,060.00. The share capital increase was effected without issuing any new shares, and the share capital was divided into 1,386,667 registered ordinary shares with no par value.

Based on the Decision of the Company Shareholders of 29 August 2014, the registered seat of the Company was changed to: Zagreb, Ulica grada Vukovara 269 g.
Viro tvornica ġeĺera d.d. has in its ownership portfolio the following companies: Sladorana d.o.o., Ģupanja, a sugar processing company fully (100-percent) owned by VIRO, and, together with Sladorana, an ownership interest of approx. 85 percent in Slavonija Ģupanja d.d., a company primarily engaged in flour production. Viro tvornica ġeĺera is also the sole (100-percent) owner of Viro-kooperacija d.o.o.

1.3. Corporate governance bodies

Supervisory Board:
1) Marinko Zadro, President
2) Boris Ġimunoviĺ, Deputy President
3) Svetlana Zadro, Member
4) Ivan Miġetiĺ
5) Damir Kelekoviĺ

1.3. Corporate governance bodies (continued)

Management Board

1) Ģeljko Zadro, President
2) Darko Krstiĺ, Member
3) Ivo Reģiĺ, Member

II. SUGAR BEET CONTRACTS AND PURCHASES IN THE MARKETING YEAR 2015/2016

The sugar beet purchases pipeline for the production year 2016 envisaged 6,000 hectares to be sown. The production contract negotiations started in September 2015. The in-process material for the sawing (mineral fertilisers, seeds, protective agents) were acquired on a timely basis and in sufficient quantities.

The area finally contractually agreed was 5,414 hectares, of which 5,357 were sawn. The contractually agreed area in Croatia was 4,178 hectares, of which 4,132 hectares were sawn, and in Hungary 1,225 hectares were contractually negotiated and sawn.

Because of low sugar prices in 2014 and 2015 and the sugar beet price reduction in 2015, the interest for negotiating the production contracts decreased although the per-tonne price for 2016 was HRK 270 (almost 17.3 percent higher than in the prior year).

The sawing of sugar beet started on 21 March 2016, but was discontinued because of the onset of a rainy period in the third decade of March. The sawing was resumed at the end of March and continued into the beginning of April. Until 5 April, 4,806 hectares (89 % of the total area) were sawn, and until 10 April over 97 percent of the total area was sawn. Repeat sawing took place on 2 hectares only.

Sugar beet sprouted nicely and evenly. The ground coverage ranged from 100,000 to 115,000 plants per hectare, which was on average 110,000 plants per hectare. In 2016, the pest, weed and disease protection of sugar beet was successful. Around 5 percent of the area was treated against beet-root weevil, mainly in the eastern part of the resource area. Weed protection was also successful. With 3 to 4 treatments undertaken in April and May, sugar beet crops were successfully protected against weeds. Thanks to the installation of meteostations and purchases of electronic microscopes, the cercospora progress, intensity and development was monitored and successfully combated, as in the previous two years the disease posed a great problem both in Croatia and the neighbouring countries (the so-called ñCercospora Beltò).

The first treatment with fungicides was determined based on a detailed monitoring. The schedule of the remaining treatments during the vegetation period was also defined based on a detailed in-the-field monitoring as well as monitoring the sugar beet crops. Certain new agents and approaches to sugar beet protection from cercospora have been introduced, with the pest being successfully combated with 4 treatments on average. Agro-climatic conditions in the vegetation period favoured the growth and development of the sugar beet crops, especially in July and August when sugar beet requires largest quantities of water, the periods without any longer periods of persistently high day and night temperatures.

The sugar beet harvesting campaign started on 7 September, the harvested crop was transported to the plant on 9 September, and the processing started on 10 September 2016. September 2016 was a very favourable month for harvesting the beet. The precipitation in October was at a level from 80 to 90 mm/m^2, with a total of 11 rainy

II. SUGAR BEET CONTRACTS AND PURCHASES IN THE MARKETING YEAR 2015/2016 (continued)

days. In October sufficient beet quantities were ensured for an optimum operation of the plant without any problem. Because of the extremely high precipitation in the period from 2 to 12 November, with the rainfall level from 100 to 120 mm/m2, the plant manufactured raw sugar from sugar cane.
The output was much better than in the previous two years, mainly because of improved digestion and higher sugar beet yields. As opposed to the 2014 digestion of 13.57 percent and the 2015 digestion of 14.20 percent, the 2016 digestion increased to 15.96 percent.
The per-sawn hectare output in 2014 was 8.50 tons, in 2015 it was 7.36 tons and in 2016 it reached **11.39 tons**, an increase by almost 55 percent, **marking the first output above 11 tons of sugar per hectare ever recorded in the past 37 years of production**.

In the 2016 campaign a total of 404,023 tons of sugar beet were processed. The actual average yield was 74.35 tons per delivered hectare, the average digestion was 15.96 percent, and the average impurity was 12,90 percent, representing a yield increase by 28.10 percent, an increase in the average digestion by 1.73 percentage points (around 12 %), along with a decrease in impurity by 1.30 percentage points (i.e. 9 %) from 2015.
A novelty in the area of improving the collaboration with the cooperative farmers is the program of promoting crop insurance, with VIRO being among the first ones to implement it in Croatia in 2016. This is an EAFRD funded programme for covering 65 percent of the insurance premium costs, with VIRO covering 15 percent of the cost to cooperative farmers and sugar beet producers only 20 percent, whereby VIRO paid to the insurer participating in this pioneer programme the full policy amount (100%) at the inception.

CONCLUSION:
The production year 2016 was characterised by a very high per-hectare yield of 74.35 tons for sugar beet, a very high digestion of 15.96 percent, and the record-high per-hectare sugar yield of 11.39 tons.
Sugar beet was successfully protected from cercospora, and other agrotechnical measures were also properly and timely implemented. Supported by favourable agroclimatic conditions, a record-high yield was achieved in the sugar beet production, with an 80-percent 2016 crop insurance coverage for a considerable number of cooperative farmers out of the rural development programme (EFARD) (65 %) and VIRO funds (15 %).

III. RAW MATERIAL PROCESSING, SUGAR PRODUCTION AND SALES

3.1. The 2016 campaign performance

The 2016 sugar beet processing campaign started on 10 September and lasted until 16 November 2016, with a total processed quantity of 404,022,764 tons of sugar beet.
Out of the total processed 404,022,764 tons of sugar beet, 113,690,000 tons were processed for the Sugar Factory Osijek (Tvornica šećera Osijek), with a sugar output of 17,450,000 tons, and 290,332,764 tons were processed for own purposes with a sugar output of 44,468,197 tons.
In addition, 408,809,305 tons of sugar beet were processed for VIRO by other EU member states, out of which 59,950,000 tons of sugar for human consumption.

No.	TYPE OF PRODUCT	Actual 2015*	Refining services -outside Croatia 2015	Actual 2016*	Refining services outside Croatia 2016
1.	Sugar, t	28.089,720	40.000,000	61.918,197	59.950,000
2.	Molasses, t	9.072,976	-	14.333,272	-
3.	Dry beet noodles, t	7.721,322	-	17.883,400	-
4.	Pressed beet noodles, t	5.037,280	-	2.844,240	-

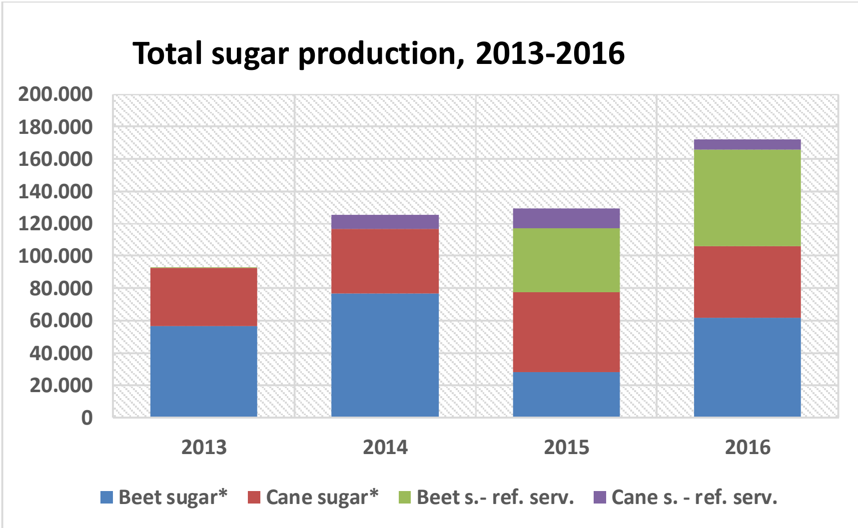
* Including the production services for other licensed sugar producers provided in 2015 and 2016.

3.2. Technological and output-related raw sugar processing performance

In 2016 the processing of imported raw sugar took place in several periods. Own raw sugar was processed in the period from 8 June to 2 July, with a total of 32,732.45 tons of raw sugar processed. The 25 day-processing period resulted in a total of 31,809.92 tons of sugar for human consumption, with an average daily output of 1,332.34 tons.
The next processing phase of own raw sugar run in parallel with sugar beet processing in the period from 9 November to 26 November 2016, with a total processed quantity of 12,793.21 tons of sugar beat, of which 12,459.847 tons of retail sugar were produced. In addition, Sladorana Ģupanja produced in November and December 2016 5,943.70 tons of raw sugar for VIRO, of which 5,789,165 tons of sugar for human consumption.

Item no	Raw cane sugar refining and refined cane sugar production		Unit of measure	Actual 2016
1.	**Sugar**	- Total	t	**50,058,932**
1.1.		- Own production	t	44,269.767
1.2.		- Refining service, Ģupanja	t	5,789,165
2.	**Molasses**	- Total	t	**1,899,476**
2.1.		- Own production	t	1,661,728
2.2.		- Refining service, Ģupanja	t	237,748

The sugar production is structured by two key types of sugar: Beet Sugar and Cane Sugar. The figure below shows that over the last four years since Croatiaĝs accession to the EU the lowest level of beet sugar produced in the factory was reported in 2015 when the Company had to limit the production output at the group level because of a high quantity of out-of-quota sugar being brought forward from the prior year and the production quota limit. Cane Sugar production, which is not subject to the quota system, has remained stable and even over the period.



* Including sugar produced in the factory for other licensed producers.

3.3. Sugar sales and global prices

In the calendar year 2016 the Company the total white sugar quantity sold was **135,161,615 kg**, over half of which relate to exports. Given the common distribution and customer requirements, with around 80 percent of the sales are intended for industrial consumption, the analysis by packaging of the goods sold shows that the packaging of 50 kg and above represents the highest share.

Increasing prices are a key feature of the EU and global sugar markets, a trend identified also on the domestic market. In 2016, after exactly five years, an exceptionally rare situation occurred, as in a period of several months (July - October) the average global sugar price (London 5) exceeded the average sugar price on the EU market.

Moreover, the average prices on the EU market in that period were below the prices identified on all major markets. Namely, in that period, the average sugar price in the EU was USD 501, the London exchange price was as high as USD 561, whereas the price in India amounted to USD 535, in Brazil to USD 555, in the USA it was USD 631, in Russia USD 662, and in China it was as high as USD 918.

The movements in the global prices were mostly affected by a lower ratio of sugar stock and sugar consumption, along with the second consecutive marketing year in which the consumption exceeded the production. On the other hand, a slower growth of the average prices on the EU market is a result of multi-annual contracts concluded in periods when the prices were at the record-low levels ever since the European Commission has been monitoring officially the prices of licensed producers, i.e. since 2006.

Still the monthly price movements for 2016 show a year-on-year growth for all the 12 months. A favourable moment for the Company was that it sold sugar at prices higher than those registered in the EU monitoring system, to which all the three Croatian sugar plans have been subject since 2013.

IV. CREDIT RISK, LIQUIDITY RISK AND CASH-FLOW RISK EXPOSURES

4.1. Financing and liquidity

In 2016 VIRO tvornica ġeĺera d.d. ensured the funding for the current-year production and other business activities from the following sources:

- the sales generated from 21,733 tons of transient sugar stock, 11,848 tons of molasses and 16,304 tons of dry sugar beet;
- the sales generated from 96,002 tons of sugar, 10,941 tons of molasses and 10,923 tons of dry sugar beet produced in the current year;
- merchandise sales comprising 17,427 tons of purchased sugar, 9,715 tons of purchased molasses and 14,515 tons of dry sugar beet;
- deferred settlement of a part of liabilities to suppliers of security, overhaul and other services until the next campaign.

Current liabilities to suppliers in the total amount of HRK 785,271,785.86 were settled as follows:

Settlement of trade payables	HRK	%
Offsetting arrangement	386,741,477	49.2
Wire transfer	171,614,000	21.9
FX money transfers	105,880,377	13,5
Prepayment	99,138,718	12.6
Cession (assignment)	11,209,675	1.4
Advances FX money transfers	10,687,539	1.4

Customers settled their liabilities in the total amount of HRK 871,390,741.68 as follows:

Settlement of trade payables	HRK	%
Offsetting agreement	317.438.808	36,4
FX money transfers	216.911.366	24,9
Prepayment - FX money transfers	131.979.525	15,1
Wire transfers	117.859.101	13,5
Prepayment - FX money transfers	38.587.400	4,4
Cession	26.109.411	3
Bills of exchange	22.505.131	2,6

4.2. 2016 cash flows

ITEM	AMOUNT
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before tax	37,232,143
Depreciation and amortisation	28,759,248
Increase in current liabilities	218,992,477
Decrease in current receivables	19,807,017
Decrease in inventories	
Other increases in cash	20,666,901
I. Total increase in cash flows from operating activities	**325,457,786**
Decrease in current liabilities	
Increase in current receivables	
Increase in inventories	255,419,802
Other decreases in cash	6,114,639
II. Total decrease in cash flows from operating activities	**261,534,441**
A1) NET INCREASE IN CASH FLOWS FROM OPERATING ACTIVITIES	**63,923,345**
A2) NET DECREASE IN CASH FLOWS FROM OPERATING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash received from sale of non-current tangible and intangible assets	217,805
Cash received from sale of equity and debt instruments	
Interest received	1,679,568
Dividends received	56,703
Other cash received from investing activities	34,039,033
III. Total cash received from investing activities	**35,993,109**
Cash paid for purchases of non-current tangible and intangible assets	40,711,291
Cash paid to acquire equity and debt financial instruments	
Other cash used in investing activities	5,777,533
IV. Total cash paid in investing activities	**46,488,824**
B1) NET INCREASE IN CASH FLOWS FROM INVESTING ACTIVITIES	
B2) NET DECREASE IN CASH FLOWS FROM INVESTING ACTIVITIES	**10,495,715**
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash received on issue of equity and debt instruments	
Cash received from loan principal, promissory notes, borrowings and other borrowed funds	177,339,572
Other receipts from financing activities	247,628,278
V. Total cash received from financing activities	**424,967,850**
Repayments of loan and bond principals	212,228,499
Dividends paid	
Cash paid under finance leases	5,977,777
Cash paid for purchases of own shares	
Other cash used in financing activities	244,780,147
VI. Total cash paid for financing activities	**462,986,423**
C1) NET INCREASE IN CASH FLOWS FROM FINANCING ACTIVITIES	
C2) NET DECREASE IN CASH FLOWS FROM FINANCING ACTIVITIES	**38,018,573**
Total increase in cash flows	**15,409,057**
Total decrease in cash flows	
Cash and cash equivalents at beginning of period	**7,002,279**
Increase in cash and cash equivalents	15,409,057
Decrease in cash and cash equivalents	
Cash and cash equivalents at end of period	**22,411,336**

4.3. Balance-sheet structure and movements - BALANCE SHEET as of 31 December 2016

Item no	ASSET ITEM	31.12.2015 Amount in HRK	%	31.12.2016 Amount in HRK	%	Index
1	2	3	4	5	6	7 (5:3)
A)	NON-CURRENT ASSETS (I+II+III+IV)	765,801,159	63,32	749,273,897	52.65	98
I	Intangible assets	86,315	0,01	136,740	0.01	158
1.	Research and development expenses					
2.	Patents, licences, concessions and similar rights	86,315	0,01	136,740	0.01	158
II	Tangible assets	168,306,215	13,92	179,990,028	12.65	107
1.	Land and forests	5,548,592	0,46	5,548,592	0.39	100
2.	Buildings	71,331,533	5,90	68,340,805	4.80	96
3.	Plant and equipment	83,772,355	6,93	66,153,617	4.65	79
4.	Prepayments for tangible assets	307,627	0,03	34,576,964	2.43	11,240
5.	Tangible assets under development	5,112,658	0,42	3,286,081	0.23	64
6.	Other tangible assets	9,300	0,00	9,300	0.00	100
7.	Investment property	2,224,150	0,18	2,074,669	0.15	93
III	Financial assets	597,408,629	49,40	569,147,129	39.99	95
1.	Equity shares in related companies	419,450,043	34,68	419,450,043	29.47	100
2.	Loans to related companies	177,343,482	14,66	149,216,583	10.48	84
3.	Investments in securities	3,248	0,00	3,248	0.00	100
4.	Given loans, deposits and down payments	611,856	0,05	477,255	0.03	78
IV.	Receivables					
1.	Receivables in respect of credit sales					
B)	CURRENT ASSETS (V+VI+VII+VIII)	435,839,083	36,04	668,453,422	46.97	153
V.	Inventories	179,521,872	14,84	434,941,674	30.56	242
1.	Raw material and supplies	15,634,383	1,29	55,191,037	3.88	353
2.	Finished products	74,153,867	6,13	213,847,092	15.03	288
3.	Merchandise	47,598,499	3,94	116,054,925	8.15	244
4.	Prepayments made	42,135,123	3.48	49,848,620	3.50	118
VI.	Receivables	204,219,640	16.89	184,412,623	12.96	90
1.	Receivables from related companies	71,406,529	5.90	1,259,876	0.09	2
2.	Trade receivables	121,960,367	10.08	133,612,862	9.39	110
3.	Amounts due from employees	2,372	0.00	890	0.00	38
4.	Receivables from the State and other institutions	10,743,689	0.89	49,421,570	3.47	460
5.	Other receivables	106,683	0.01	117,425	0.01	110
VII.	Financial assets	45,095,292	3.73	26,687,789	1.88	59
1.	Loans to related companies	1,735,697	0.14	4,681,963	0.33	270
2.	Securities					
3	Given loans, deposits and down payments	35,656,652	2.95	12,632,314	0.89	35
4.	Other financial assets	7,702,943	0.64	9,373,512	0.66	122
VIII.	Cash with banks and in	7,002,279	0.58	22,411,336	1.57	320
C)	PREPAID EXPENSES AND ACCRUED INCOME	7,761,345	0.64	5,501,947	0.39	71
D)	SHAREHOLDERS' DEFICIT					
E)	TOTAL ASSETS (A+B+C+D)	1,209,401,587	100.00	1,423,229,266	100.00	118
F)	OFF-BALANCE SHEET ITEMS	281,936,097	23.31	291,648,942	20.49	103

Item no	EQUITY AND LIABILITY ITEM	31.12.2015 Amount in HRK	%	31.12.2016 Amount in HRK	%	Index
1	2	3	4	5	6	7 (5:3)
EQUITY AND LIABILITIES (SOURCES OF FUNDS)						
A)	EQUITY	628,667,495	51.98	665,899,638	46.79	106
1.	Subscribed capital	249,600,060	20.64	249,600,060	17.54	100
2.	Capital reserves	10,368,101	0.86	10,368,101	0.73	100
3.	Reserves out of profit	56,346,673	4.66	56,346,673	3.96	100
4.	Revaluation reserve					
5.	Retained	318,901,121	26.37	312,352,661	21.95	98
6.	Profit /(loss) for the year	-6,548,460	-0.54	37,232,143	2,62	-
B)	NON-CURRENT LIABILITIES	305,499,913	25.26	229,589,347	16.13	75
1.	Liabilities for loans, deposits and similar	4,015,994	0.33	1,375,750	0.10	34
2.	Liabilities to banks and other financial institutions	301,483,919	24.93	228,213,597	16.03	76
C)	CURRENT LIABILITIES	274,543,567	22.70	527,558,401	37.07	192
1.	Liabilities to related companies	2,393,482	0.20	30,738,212	2.16	1,284
2.	Liabilities for loans, deposits and similar	7,992,303	0.66	7,443,244	0.52	93
3.	Liabilities to banks and other financial institutions	66,603,095	5.51	101,174,511	7.11	152
4.	Advances received	3,275,008	0.27	1,302,698	0.09	40
5.	Trade payables	104,881,026	8.67	313,719,185	22.04	299
6.	Liabilities to employees	1,155,944	0.10	1,284,066	0.09	111
7.	Taxes, contributions and similar	5,514,605	0.46	2,101,273	0.15	38
8.	Obveze s osnove udjela u rezultatu	31,703	0.00	30,963	0.00	98
9.	Other current liabilities	82,696,401	6.84	69,764,249	4.90	84
D)	ACCRUED EXPENSES AND DEFERRED INCOME	690,612	0.06	181,880	0.01	26
E)	TOTAL EQUITY AND LIABILITIES (A+B+C)	1,209,401,587	100.00	1,423,229,266	100.00	118
F)	OFF-BALANCE SHEET ITEMS	281,936,097	17.32	291,648,942	20.49	103

4.4. Capital investments in 2016 Godini

Item no	INVESTMENT PURPOSE	Amount in HRK	Amount in EUR (ú1 = HRK 7.53)	%
1.	Technology and plant maintenance	1,642,915	218,183	19.9
2.	Buildings	3,071,316	407,877	37.1
3.	Business premises and furnishings/equipment	22,213	2,950	0.3
4.	Vehicles and personal cars	2,747,365	364,856	33.2
5.	Telecommunication and office equipment	107,253	14,243	1.3
6.	Others	355,184	47,169	4.3
	TOTAL (1 to 6)	**7,946,246**	**1,055,278**	**96.1**
7.	Research and development	103,691	13,770	1.3
8.	Leasing - Factory equipment	218,595	29,030	2.6
	GRAND TOTAL (1 to 8)	**8,268,531**	**1,098,079**	**100.0**

V. EMPLOYEES

The structure of the accrued working hours for 2016 is provided in the table below:

No.	TYPE OF REMUNERATION	Hours	%
ACCRUED HOURS OF WORK (A+B)		401,757	100.0
A)	Regular working hours	401,757	100.0
B)	Overtime work	-	0.0
STRUCTURE OF REGULAR WORKING HOURS (1 to 6)		**401,757**	**100.0**
1.	Normal working hours	292,467	72.8
2.	Annual vacation	41,605	10.4
3.	National holidays	16,537	4.1
4.	Sick leave up to 42 days	6,170	1.5
5.	Sick leave in excess of 42 days	7,856	2.0
6.	Paid absences and days off	37,122	9.2

Based on the accrued working hours, the average number of employees for 2016, including seasonal workers, was 192.41. The structure of the working hours for 2016 allows the identification of the nature of activities performed by the workers as well as the nature of absences, which are provided in the table below:

Activity and absence types	Av. no. of days
Work at the Factory	190.00
Used annual vacation	27.03
Used paid national holidays	10.74
Sick leave up to 42 days	4.01
Sick leave in excess of 42 days	5.10
Paid absences and days off	24.12

The following is the presentation of the fluctuation of employees during the year (excluding seasonal workers), analysed by the level of qualifications:

Structure by level of qualifications	Balance at: 31.12.2015	New arrivals 2016	Leavers 2016	Balance at: 31.12.2016
University graduate degree	37	0	0	37
Univ. undergraduate degree	6	0	0	6
Secondary school certificate	108	5	2	111
Elementary school certificate	0	0	0	0
Highly-skilled workers	0	0	0	0
Skilled workers	13	0	0	13
Semi-skilled workers	2	0	0	2
Unskilled workers	12	0	0	12
TOTAL:	178	5	2	181

VI. PROFIT AND LOSS ACCOUNT

Item no	ITEM DESCRIPTION	2015	2016	Index 2016/2015
1.	Operating income	920,723,764	700,509,756	76
1.1	Sales	916,069,380	696,989,106	76
1.2	Other operating income	4,654,384	3,520,650	76
2.	Finance income	11,950,936	13,825,221	116
2.1	Interest, FX diff. and similar - related companies	2,491,641	2,804,648	113
2.2	Interest, FX diff. and similar - unrelated companies	9,157,795	10,520,573	115
2.3	Other financial income	301,500	500,000	166
I	**TOTAL INCOME (1+2)**	932,674,700	714,334,977	77
3	Material expenses	679,505,672	725,178,607	107
3.1	Cost of raw material and supplies	338,787,709	510,624,754	151
3.2	Cost of goods sold	305,901,254	181,160,920	59
3.3	Other external expenses (service costs)	34,816,709	33,392,933	96
4	Staff expenses	19,829,901	21,966,324	111
5.	Depreciation and impairment of non-current assets	31,256,001	28,759,248	92
6.	Other operating expenses	10,734,767	10,773,515	100
7.	Value adjustment of current assets			
8.	Other operating expenses	7,147,289	8,195,463	115
9	Increase of inventories of finished products		138,523,037	-
10	Decrease in the value of finished products	168,687,561		-
11.	**OPERATING EXPENSES (3+4+5+6+7+8-9+10)**	917,161,191	656,350,120	72
12	Financial expenses	22,061,969	20,752,714	94
12.1	Interest, FX differences and similar - unrelated comp.	927,316	2,957,899	319
12.2	Interest, FX differences and similar - unrelated comp.	20,693,318	17,292,315	84
12.3	Unrealised losses (expenses) from financial assets		502,500	-
12.4	Other financial expenses	441,335		-
II	TOTAL EXPENSES (111+12)	939,223,160	677,102,834	72
III	PROFIT FOR THE PERIOD BEFORE TAX (I-II)	-6,548,460	37,232,143	-
IV	PROFIT (CORPORATE INCOME) TAX			
V	PROFIT FOR THE PERIOD (III-IV)	-6,548,460	37,232,143	-
13	Other comprehensive income			
VI.	**COMPEREHENSIVE INCOME (V + 13)**	**-6,548,460**	**37,232,143**	**-**
VII	EBIT	3,562,573	44,159,636	1,240
VIII	**EBITDA**	**37,311,479**	**77,593,697**	**208**

The non-consolidated profit generated by the Company in 2016 amounts to HRK 37.23 million, and the consolidated profit, which includes the profits generated by subsidiaries, amounts to HRK 57.53 million. **The Company's EBITDA more than doubled from the prior year's figure** (index: 208) and amounts to HRK 77,59 million. EBITDA at the level of consolidated profit or loss, which includes the subsidiaries, shows a somewhat higher increase on an annual level (index: 221), and amounts, in absolute terms, to HRK 143.20 million.

VII. KEY EFFICIENCY RATIOS

7.1. Asset and leverage ratios

Item no	ITEM DESCRIPTION	Unit of measure	2015	2016	Index 2016/2015
1.	Current assets	HRK'000	435,839,08	668,453,42	153
1.1	Own assets	HRK'000	451,901,76	479,793,67	106
1.2	Liabilities (curr. liabilities)	HRK'000	-16,062,68	188,659,75	-
2	Non-current assets	HRK'000	765,801,16	749,273,90	98
2.1	Own assets	HRK'000	169,004,39	180,604,02	107
		%	22.07	24.10	-
2.2	Liabilities	HRK'000	596,796,77	568,669,87	95
		%	77.93	75.90	-
3.	Prepaid expenses	HRK'000	7,761,35	5,501,95	71
3.1	Own assets	HRK'000	7,761,35	5,501,95	71
4	Shareholders' deficit	HRK'000	0.00	0.00	-
5	Total assets	HRK'000	1,209,401,59	1,423,229,27	118
5.1	Shareholders' equity (1.1+2.1+3.1)	HRK'000	628,667,50	665,899,64	106
		%	51.98	46.79	-
5.2	Debt - long-term and short-term liabilities and shareholders' deficit (1.2.+2.2.+4)	HRK'000	580,734,09	757,329,63	130
		%	48.02	53.21	-

7.2. Efficiency and profitability ratios

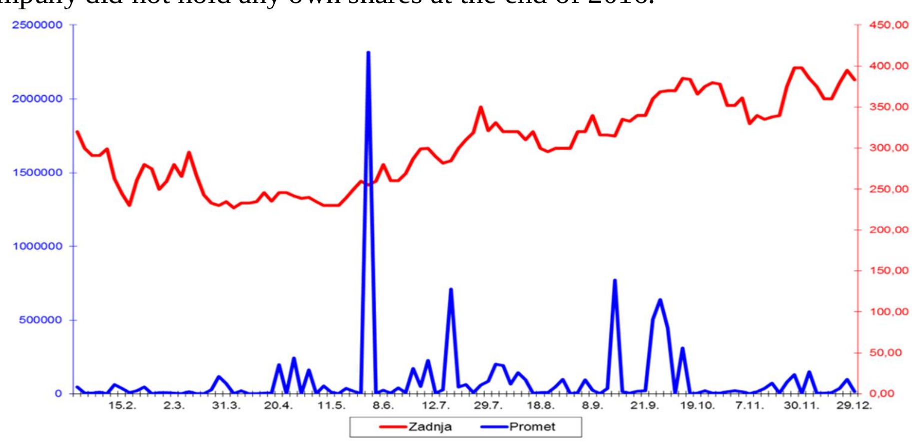
No.	RATIO	2015	2016	Index 2016/15
	a) Activity ratios			
1.	Total asset turnover ratio	0.76	0.54	71
2.	Current assets turnover ratio	1.96	1.27	65
3.	Days working capital	184	284	154
4	Trade receivables			
4.1	- Turnover ratio	7.16	4.21	59
4.2	- Day Sales Outstanding	50	85	171
	b) Profitability ratios			
5	Net profit margin	-0.70	5.21	-
6.	Gross profit margin (operating profit margin)	0.39	6.30	1,616
7.	EBITDA margin	3.78	10.41	275
8.	Return on Assets (ROA)	-0.54	2.62	-
9.	Return on Equity (ROE)	-1.04	5.59	-
10.	Net profit per employee, in HRK	-36,287	193,502	-

VIII. OWNERSHIP STUCTURE AND TRADING WITH COMPANY'S SHARES

In late July 2016 changes took place in the ownership structure of the Company. The share of the majority shareholder, Mr. Marinko Zadro, who directly or indirectly, through companies he owns, currently has a share of 55.89 percent. Cristal Union, a renowned French and a largest sugar producer in Europe, became the second-largest shareholder, with an equity share of 17 percent. The association of the Company with Cristal Union has created the opportunities for a firmer access to the global market as well as technology improvements to the production.

Item no	SHAREHOLDER	Number of shares	Ownership interest %
1.	EOS-Z D.O.O. (1/1)	308,204	22.23
2.	CRISTAL FINANCIERE (1/1)	235,734	17.00
3.	ROBIĆ D.O.O. (1/1)	180,366	13.01
4.	PRIMORSKA BANKA D.D. RIJEKA/INDIV. OMNIBUS ACCOUNT - M. ZADRO	158,296	11.42
5.	SOCIETE GENERALE-SPLITSKA BANKA D.D./ AZ B-CATEGORY MAND. PF (1/1)	137,055	9.88
6	PRIMORSKA BANKA D.D. RIJEKA/OMNIBUS ACC. OF INDIVIDUAL - M. ZADRO	127,936	9.23
7	ADDIKO BANK D.D./ PBZ CO B-CATEGORY MANDATORY PF (1/1)	40,063	2.89
8	ERSTE & STEIERMAERKISCHE BANK D.D./CSC	28,488	2,05
9	ZAGREBAČKA BANKA d.d. AZ PROFIT VOLUNTARY PENSION FUND (1/1)	25,842	1.86
10	ADDIKO BANK D.D. RAIFFEISEN B-CATEGORY MANDATORY PF (1/1)	24,911	1.80
11	HPB d.d. (1/1)	23,257	1.68
12	PRIVREDNA BANKA ZAGREB D.D./A CUSTOMER' OMNIBUS CUSTODY ACC.	9,265	0.67
13	MORALIĆ ENVER (1/1)	7,660	0.55
14	OTHER INVESTORS AND SMALL SHAREHOLDERS	79,590	5.74
	GRAND TOTAL (1 TO 14)	**1,386,667**	**100.00**

The volume of the Companyộs shares traded on the Zagreb Stock Exchange during the year amounts to HRK 9,573,458, with the market capitalisation rate at 31 December 2016 amounting to HRK 531.09 million and a value per share in the amount of HRK 383.00. The Company did not hold any own shares at the end of 2016.



IX. ENVIRONMENTAL PROTECTION

Viro tvornica šećera is a large consumer of natural gas, the key source of energy in the sugar production. In the sugar beet and raw cane sugar processing campaigns in 2016 a total of 17,683,095 Nm³ of natural gas were consumed.
Air emissions arise at the power plant as a result of natural gas combustion and also from the lime kilns in coke combustion and lime production processes. The emissions are monitored on an annual basis by a certified laboratory and are within the prescribed value ranges, as well as by reference to the Greenhouse Gas Monitoring Plan provided to the Agency and the Ministry of Environment. According to a new resolution, issued as part of the greenhouse gas emission license, lime production emissions are excluded.
The second air emission relates to the emission of solid particles from the beet drying process, together with gas emissions occurring as a result of the natural gas combustion during the drying process, and all the values at this source are also monitored by certified companies. The measured values are within permissible ranges and the measured data have been provided to the Agency and the Ministry.
The factory has its own waste water (anaerobic and aerobic) treatment plant for both own effluents (collected rainfall and process waters) and those of the City of Virovitica.
To reduce the fresh water levels required at certain sugar production stages, water used during the unloading and washing beet at the factory as well as water used in the circular water cooling systems is reclaimed. In this way, Viro achieves significant fresh water savings.
The sugar factory has its own process water production plant, which is also used to generate electricity (a co-generation plant) to cover the factory's own needs. Occasionally, surplus electricity arises in the production process which is then distributed to the power supply grid in the quantities and at prices agreed with the electricity distribution company in charge for the area.
The factory generates hazardous and non-hazardous waste, and both are reported to the Environmental Protection Agency using prescribed reporting forms.
All waste types are collected by certified companies specialised for the disposal of waste in accordance with prescribed guidelines. The production, storage and ex-factory transport documentation has been prepared in accordance with the Waste Act and other rulebooks regulating this area.
Sicne 2013 Viro d.d. has been part of the Emission Trading System.

X. EXPECTATIONS OF THE COMPANY FOR THE YEAR 2017

The starting points of the Companyės business and future development plan are the following activity areas:

- sugar production and sales planning;
- investments and fixed-asset improvements;
- merger of Sladorana d.o.o. to the Company.

The plan for the year 2017 envisages further increase in the energy efficiency of the plants and the reconstruction and restoration of certain plant components to maintain the high level of production process safety and improve the level of preparedness of the sugar processing plants following the abolition of the EU sugar quotas on 1 October 2017.
Total **improvements** to take place in 2017 comprise the following:

- the annual overhaul of the production equipment;
- purchase and installation of a massecuite microscope;
- reconstruction of the A-massecuite system;
- purchase and installation of a rotation sifter for raw syrup;
- automatisation of the barometric control system;
- restoration of the sewerage system;
- modernisation of the medium-voltage power plant;
- purchase and installation of two raw sugar elevators.

Sugar beet production and refining
According to the 2017 production plan and budget, 7,000 hectares have been envisaged for the purpose of sugar beet production, which means that, with a yield of 65 t/ha, about 450,000 tons of sugar beet will be refined, with the expected output comprising 65,000 tons of beet sugar for human consumption, 18,000 tons of molasses and 19,500 tons of dried beet pulp pellets.
Raw cane sugar refining
In addition to sugar beet and in accordance with the approved status of the refinery of Viro tvornica ġeĺera in the EU, at least 40,000 tons of raw cane sugar is to be refined in 2017, with the expected output comprising minimum 38,000 tons of white sugar for human consumption and 1,600 tons of molasses.
Merger of Sladorana d.o.o.
As part of the efforts to increase the operational efficiency at the related companies primarily engaged in sugar productions, the plan is to merge Sladorana d.o.o. into the Company, with the Company continuing to operate as a single legal person. The merger will bring further savings and streamline the operations as a result of centralised shares services, which will additionally improve the performance of the Company and enable it to continue in existence within the increasingly fierce competition on the European market expected to occur after the abolition of the quotas.

CORPORATE GOVERNANCE STATEMENT

As the shares of Viro tvornica ġeĺera d.d. are listed on the regulated Zagreb Stock Exchange market, the Company applies the valid version of the Code of Corporate Governance of the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange (www.zse.hr). Pursuant to the positive laws and the Code of Corporate Governance, Viro tvornica ġeĺera completed the Annual Questionnaire for 2016, which is an inseparable part of the Code of Corporate Governance and provides details about the corporate governance practice at the Company or any departures from the Code of Corporate Governance, along with the related explanations. This Corporate Governance Code Statement is an inseparable part of the Companyôs Annual Report for 2016 and is publicly available at the Companyôs web site (www.secerana.hr) and the official website of the Zagreb Stock Exchange (www.zse.hr).

The appointment and revocation of the members of the Companyôs Management Board and the election of the Companyôs Supervisory Board members are governed by the Companyôs Articles of Association and are fully compliant with the Companies Act. Thus, four Supervisory Board members are elected by the Companyôs Shareholdersô Assembly, and the fifth member is appointed by the Company employees. Neither shareholder is entitled to appoint a member of the Supervisory Board directly. The Management Board of the Company is appointed by the Companyôs Supervisory Board.

The powers of the General Assembly, the rules of procedure of the Assembly and the rights of the shareholders are regulated by the Company's Articles of Association, which are publicly available and prepared in accordance with the Companies Act. The shareholders' rights are not restricted in any way, and each share entitles to one vote in the General Meeting of the Company's Shareholders. Using the option provided in Article 279(2) of the Companies Act, the Articles of Association specify that attendance at a General Meeting should be announced six days in advance, as clearly indicated in each invitation to the general meeting, to which the appropriate statement of confirmation is attached and delivered to each individual shareholder.

The Companyôs Articles of Association contain a provision about the so-called authorised share capital, under which the Management Board of the Company may, with the consent of the Companyôs Supervisory Board, adopt a decision to increase the share capital by maximum HRK 124,800,030.00. The authorisation expires on 20 January 2020.

Diversity Policy: the members of the Companyôs Management and Supervisory Boards are experts of various profiles, which achieves the balance and stability required to meet the business challenges. Thus, university graduate economists and a master of biotechnology sciences are on the Companyôs Management Board, while the Supervisory Board consists of a university graduate economist, a university graduate of laws as well as university graduate technology engineers with a considerable experience in food industry. The resumes (CVs) of all the members of the Management and Supervisory Boards are publicly available at the Companyôs website.
Further details about the members are provided in the Annual Report.

CODE OF CORPORATE GOVERNANCE

ANNUAL QUESTIONNAIRE

All questions contained in this questionnaire relate to the period of one business year to which also the annual financial statements relate.

COMMITMENT TO CORPORATE GOVERNANCE AND CORPORATE RESPONSIBILITY PRINCIPLES

1. Has the company adopted the use of the Code of Corporate Governance or its own corporate governance policy?

YES

2. Are there corporate governance code principles adopted as part of the companyɑs internal policies?

YES

3. Does the company disclose in its annual financial statements its compliance with corporate governance principles on the basis of the ѓcomply or explainò principle?

YES

4. In the decision-making process, does the company consider the interests of all its shareholders, in line with the principles of the corporate governance code?

YES

SHAREHOLDERS AND GENERAL ASSEMBLY

5. Is the company in a cross-shareholding relationship with another company/other companies? (If yes, please explain).

NO

6. Does each share of the company have one voting right? (If not, please explain).

YES

7. Does the company treat all shareholders equally? (If not, please explain).

YES

8. Has the procedure for issuing power of attorney for voting at the general assembly been fully simplified and free of any strict formal requirements? (If not, please explain).

YES

9. Has the company ensured that the shareholders of the company who, for whatever reason, are not able to vote at the assembly in person have proxies who are obliged to vote in accordance with instructions received from the shareholders, at no extra cost for those shareholders? (If not, please explain).

There were no such requests.

10. Did the management or the governance committee of the company, when convening a shareholdersô assembly, set the date for defining the status in the register of shares which will be relevant for exercising voting rights at the assembly, by setting that date prior to the day of holding the assembly and not earlier than 6 days prior to the day of holding the meeting? (If not, please explain). **YES**

11. Were the agenda of the assembly, as well as all relevant data and documentation with explanations relating to the agenda, announced on the website of the company and put at the disposal of shareholders on the company's premises as of the date of the first publication of the agenda? (If not, please explain).

YES

12. Does the decision on dividend payment or advance dividend payment include the date on which shareholders are entitled to receive dividend payment and the date or period when the dividend will be paid? (If not, please explain).

YES

13. Is the date of dividend payment or advance dividend payment set to be not later than 30 days after the day on which the decision was made? (If not, please explain).

YES

14. Were any shareholders favoured while receiving their dividends or advance dividends? (If yes, please explain).

NO

15. Are the shareholders allowed to participate and to vote at the general assembly of the company using modern communication technology? (If not, please explain).

NO

There were no such requests from the shareholders.

16. Have the conditions been defined for participating at the general assembly by voting through proxy (irrespective of whether this is permitted pursuant to the law and articles of association), such as registration for participation in advance, certification of powers of attorney? (If yes, please explain).

YES

To optimise the arrangements and preparations for the General Meeting of Shareholders, participation should be confirmed, and the signatory of the person issuing the power of attorney is required to verify the powers to vote, i.e. make decisions.

17. Did the management of the company made the decisions of the general assembly publicly available?

YES

18. Did the management of the company made any information about potential claims challenging the decisions publicly available? (If not, please explain).

NO

No decisions were challenged.

MANAGING AND SUPERVISORY BODIES

- **PLEASE PROVIDE THE NAMES OF MANAGEMENT BOARD MEMBERS AND THEIR FUNCTIONS:**

Željko Zadro, President of the Management Board
Darko Krstić, Member of the Management Board
Ivo Rešić, Member of the Management Board

PLEASE PROVIDE THE NAMES OF SUPERVISORY BOARD AND THEIR FUNCTIONS:

Marinko Zadro, President of the Supervisory Board
Boris Šimunović, Deputy President of the Supervisory Board
Ivan Mišetić, Member of the Supervisory Board
Svjetlana Zadro, Member of the Supervisory Board
Damir Keleković, Member of the Supervisory Board

19. Did the Supervisory or Management Board adopt a decision on the master plan of its activities, including the list of its regular meetings and data to be made available to Supervisory Board members regularly and in a timely manner? (If not, please explain).

NO; Day-to-day communication applies.

20. Have the supervisory or management Board passed its internal rules of procedure? (If not, please explain).

NO

The rules of procedure for the Supervisory Board are specified in the Companies Act and the Company's Articles of Association.

21. Is the supervisory board composed of, i.e. are non-executive directors on the management board mostly independent members? (If not, please explain.)

NO

The Supervisory Board members are representatives of the shareholders, workers and include one independent member.

22. Is there a long-term succession plan in the company? (If not, please explain).

NO

Given a shallow organisational structure, we consider this as not necessary.

23. Is the remuneration received by the members of the supervisory or management board entirely or partly determined according to their contribution to the companyœs business performance? (If not, please explain).

NO

The President of the Supervisory Board receives a monthly remuneration defined by a decision of the General Assembly.

24. Is the remuneration to the members of the supervisory or management board determined by a decision of the general assembly or in the articles of association of the company? (If not, please explain).

YES

25. Have details about all remuneration and other benefits received by each member of the supervisory or management board received from the company or from other persons related to the company, including the structure of such remuneration, been made public? (If not, please explain).

NO

The remuneration information is provided on request..

26. Does every member of the supervisory or management board inform the company of each change relating to the acquisition or disposal of shares of the company, or to the possibility to exercise voting rights arising from the company œs shares, not later than five trading days from such a change? (If not, please explain).

YES

27. Are all transactions involving members of the supervisory or management board or their related persons and the company and its related persons clearly presented in the financial statements of the company? (If not, please explain).

YES

28. Are there any contracts or agreements between the members of the supervisory or management board and the company?

YES

There are contracts concerning the ordinary business activities of the Banks?

29. Were they previously approved by the supervisory or management board? (If not, please explain).

YES

Yes, if such prior approval was required.

30. Are the essential elements of all such contracts or agreements included in the annual report? (If not, please explain).

NO

This is mainly an advisory services contract concluded for a limited term.

31. Did the supervisory or management board establish the appointment committee?

NO

32. Did the supervisory or management board establish the remuneration committee?

NO

33. Did the supervisory or management board establish the audit committee?

NO

34. Was the majority of the committee members selected from the group of independent members of the supervisory board? (If not, please explain).

NO

No such committees have been formed.

35. Did the committee monitor the integrity of the financial information of the company, especially the correctness and consistency of the accounting methods used by the company and the group it belongs to, including the criteria for the consolidation of financial statements of the companies belonging to the group? (If not, please explain).

NO, *No such committees have been formed.*

36. Did the committee assess the quality of the internal control and risk management systems with the aim of adequately identifying and publishing the main risks the company is exposed to (including the risks related to the compliance with regulations), as well as managing those risks in an adequate manner? (If not, please explain).

NO, *No such committees have been formed.*

37. Has the committee been working on ensuring the efficiency of the internal audit system, especially by preparing recommendations for the selection, appointment, reappointment and dismissal of the head of internal audit department, and with regard to funds at his/her disposal, and the evaluation of the actions taken by the management after findings and recommendations of the internal audit? (If not, please explain).

NO

No such committees have been formed.

38. If there is no internal audit function in the company, did the committee consider the need to establish it? (If not, please explain).

NO, *no such committee has been formed.*

39. Did the committee monitor the independence and objectivity of the external auditor, especially with regard to the rotation of authorised auditors within the audit company and the fees the company is paying for services provided by external auditors? (If not, please explain).

NO, *no such committee has been formed.*

40. Did the committee monitor the nature and quantity of services other than audit, received by the company from the audit company or from persons related to it? (If not, please explain).

NO, *no such committee has been formed.*

41. Did the committee prepare any rules defining which services may not be provided to the company by the external audit company and persons related to it, which services may be provided only with, and which without prior consent of the committee? (If not, please explain).

NO, *no such committee has been formed.*

42. Did the committee analyse the efficiency of the external audit and actions taken by the senior management with regard to recommendations made by the external auditor? (If not, please explain).

NO, *no such committee has been formed.*

43. Did the audit committee ensure the provision of quality information by subsidiary and associated companies, as well as by third parties (such as expert advisors)? (If not, please explain).

NO, *no such committee has been formed.*

44. Was the documentation relevant for the work of the supervisory board or management board submitted to all the members on time? (If not, please explain).

YES

45. Do supervisory board or management board meeting minutes contain all adopted decisions, together with the voting results? (If not, please explain).

YES

46. Has the supervisory or management board evaluated their work over the past period, which includes the evaluation of the contribution and competencies of the individual members, as well as of joint activities of the board, evaluation of the work of the committees established and the evaluation of the company's objectives reached in comparison with the objectives set?

NO

47. Did the company publish a statement on the remuneration policy for the management, managing body and the supervisory board as part of the annual report? (If not, please explain).

NO; *The remuneration for the members of the Supervisory Board is determined by a decision of the Company's Assembly. The remuneration for the members of the Management Board is determined in their respective management contracts.*

48. Is the statement on the remuneration policy for the management or executive directors permanently available on the website of the company? (If not, please explain).

NO, *the Company has not made any such statement.*

49. Are detailed data on all remuneration and benefits received by each member of the management or each executive director from the company published in the annual report of the company? (If not, please explain).

NO, *the remuneration and benefits are included in the individual employment contracts.*

50. Are all forms of remuneration to the members of the management and supervisory board, including options and other benefits of the management, made public, broken down by items and persons, in the annual report of the company? (If not, please explain).

NO, *the remuneration for the members of the Supervisory Board is determined by a decision of the Company's Assembly. The remuneration for the members of the Management Board is determined in their respective management contracts.*

51. Are all transactions involving members of the management board or executive directors, and persons related to them, and the company and persons related to it, clearly presented in reports of the company? (If not, please explain).

YES

52. Does the report to be submitted by the supervisory or management board to the general assembly include, apart from minimum information defined by law, the evaluation of the overall business performance of the company, of activities of the management of the company, and a special comment on its cooperation with the management? (If not, please explain).

NO

CODE OF CORPORATE GOVERNANCE

ANNUAL QUESTIONNAIRE

All questions contained in this questionnaire relate to the period of one business year to which also the annual financial statements relate.

AUDIT AND INTERNAL CONTROL MECHANISMS

53. Does the company have an external auditor?

YES

54. Is the external auditor of the company related with the company in terms of ownership or interests?

NO

55. Is the external auditor of the company providing to the company, him/herself or through related persons, other services?

YES

56. Has the company published the amount of fees paid to the independent external auditors for the audit carried out and for other services provided? (If not, please explain).

NO

The auditor has performed the audit of the financial statements of the Bank and its subsidiaries in accordance with the price terms and conditions contained in the underlying contract, which are aligned with the general terms and conditions of business of the auditor.

For non-audit services, please refer to the response to Question 40.

57. Does the company have internal auditors and an internal control system established? (If not, please explain).

YES

TRANSPARANCY AND THE PUBLIC VISIBILITY OF THE BUSINESS

58. Are the semi-annual, annual and quarterly reports available to the shareholders?

YES

59. Did the company prepare a calendar of important events?

YES

60. Did the company establish mechanisms to ensure that persons who have access to or possess inside information understand the nature and importance of such information and limitations related to it?

YES

61. Did the company establish mechanisms to ensure monitoring the inside information and possible abuse thereof?

YES

62. Has anyone suffered negative consequences for pointing out to the competent authorities or bodies in the company or outside, shortcomings in the application of rules or ethical norms within the company? (If yes, please explain).

NO

63. Did the management of the company hold any meetings with interested investors last year?

64. Do all the members of the management, Management Board and Supervisory Board agree that the answers provided in this questionnaire are, to the best of their knowledge, entirely true?

Responsibility for unconsolidated financial statements

Pursuant to the Accounting Act of the Republic of Croatia, the Management Board of Viro tvornica šećera d.d. ("the Company") is responsible for ensuring that separate financial statements are prepared for each financial year in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union (the EU), which give a true and fair view of the Company's financial position and the results of its operations for that year.

After making appropriate 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 prepare the separate financial statements under the going-concern principle.

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

- selecting and then consistently applying appropriate accounting policies;
- making reasonable and prudent judgements and estimates;
- following applicable accounting standards, subject to disclosure and explanation of any material departures in the financial statements; and
- preparing the separate financial statements under the going-concern assumption unless it is inappropriate to assume that the Company will continue as a going concern.

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 Accounting Act.

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 by:

Željko Zadro, president of the Management Board

Viro
TVORNICA ŠEĆERA d.d.
ZAGREB

Darko Krstić, member of the management board

Ivo Rešić, member of the management board

Viro tvornica šećera d.d.
Ulica grada Vukovara 269g
10000 Zagreb
Republika Hrvatska
6. April 2017

Deloitte.

Deloitte d.o.o.
ZagrebTower
Radnička cesta 80
10 000 Zagreb
Croatia
Tax id. no (OIB): 11686457780

Tel.: +385 (0) 1 2351 900
Fax: +385 (0) 1 2351 999
www.deloitte.com/hr

INDEPENDENT AUDITOR'S REPORT

Qualified opinion

We have audited the accompanying annual financial statements of Viro d.d. (the "Company"), which comprise the balance sheet as at 31 December 2016, the profit and loss account, the statement of cash flows and the statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matter described in the *Basis for qualified opinion* paragraph, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company at 31 December 2016, its financial performance and its cash flows for the year then ended in accordance with the Accounting Act and International Financial Reporting Standards adopted by the European Union (IFRSs).

Basis for qualified opinion

The Company has recognised an investment in its subsidiary Sladorana in the amount of HRK 407,187 thousand. At 31 December 2016 the Company did not assess the recoverability of the carrying amount of the investment in accordance with IAS 36 "Impairment of Assets". As a result, we are not able to determine the potential effect of this matter on the accompanying separate financial statements.

We conducted our audit in accordance with the Act on Auditing and International Standards on Auditing (ISAs). Our responsibilities under those standards are described further in the *Auditor's Responsibilities for the Audit of the Annual Financial Statements* section of our Independent Auditor's Report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte d.o.o.
ZagrebTower
Radnička cesta 80
10 000 Zagreb
Croatia
Tax id. no (OIB): 11686457780

Tel.: +385 (0) 1 2351 900
Fax: +385 (0) 1 2351 999
www.deloitte.com/hr

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Emphasis of matter

We draw attention to the fact that the Company has prepared the accompanying separate financial statements on the basis of, and in accordance with the requirements of Croatian laws and regulations, and that investments in subsidiaries are presented in these separate financial statements at cost. The Company has also prepared the consolidated financial statements of Viro tvornica šećera d.d. and its subsidiaries, dated 6 April 2017. For a better understanding of the Group as a whole, the users should read the consolidated financial statements in conjunction with these separate financial statements. Our opinion is not modified with respect to this matter.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

Key audit matter	***How our audit addressed the key audit matter***
Complexity of revenue *Refer to Notes 4.1 and 4.2 to the separate financial statements*	
In 2016 the Company recognised revenue in the amount of HRK 700,510 thousand. Revenue is an important measure used to evaluate the performance of a company. There is a risk that revenue is presented in amounts higher than actually generated by the Company. According to International Accounting Standard 18 "Revenue", revenue is recognised when it is probable that economic benefits will flow into the Company and the revenue can be measured reliably. Accordingly, the Company recognises revenue in accordance with the underlying contracts with customers, when the sales transaction is performed and when goods and all risks associated with the goods are transferred to the customer. Sales of goods are recognized based on the contractually agreed prices less any contractually agreed discounts and returns.	Our audit approach included both controls testing and substantive procedures, which are the following: • we have tested the internal controls established by the Company; • we have assessed the controls in the information system used as a billing tool, based on the prices contractually agreed with customers; • based on a statistical sample, we have reviewed a sample of issued invoices and verified their compliance with the underlying contracts, agreed prices, delivery notes and the amounts of the revenue recognised; • we have applied analytical procedures to the recognised amounts of revenue, cost of goods sold, movements in the margin and compared them against the relevant indicators.

Key Audit Matters (continued)

Valuation of inventories *Please refer to Note 17 to the separate financial statements*	
At 31 December 2016 the Company recognised inventories in the amount of HRK 434,942 thousand, which consist of finished, products, merchandise, raw material and supplies and prepayment made for inventories. Inventories are stated at the lower of cost or net realisable value. The cost consists of all production costs incurred in making the products and includes direct materials, direct labour costs and those overhead costs that have been incurred in bringing inventories to their present location and condition. The Company applies a traditional production cost method.	• We have reviewed the stock-count reports prepared on the inventory counts performed at warehouses at the end of the financial year and compared the balances with the balances in the Company's books. • We have tested the net realisable value of products and compared it with the cost in order to satisfy ourselves that the products are recognised at the lower of the cost or net realisable value. • We have reviewed the production calculation method and the allocation of all overhead costs to the products.
Trade receivables *Please refer to Note 18 to the separate financial statements*	
The Company is exposed to the risk of problems in recovering its receivables because of a long credit period for trade debtors and the financial condition of individual debtors. The total balance of receivables at 31 December 2016 amounts to HRK 134,873 thousand, of which only HRK 1,260 thousand relate to amounts owed by related parties. Trade receivables are carried at nominal amounts less an appropriate impairment allowance for estimated irrecoverable amounts. The allowance for amounts doubtful of collection is charged to expenses for the year.	• We have gained the understanding of the Company's policies for measuring receivables and impairment allowance on receivables. • We have reviewed the ageing structure of receivables and satisfied ourselves that the impairment allowance has been made in accordance with the Company's accounting policies. • As regards receivables past due beyond 360 days and not impaired, we have reviewed the underlying collateral provided as a security for the settlement of the receivables.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information in the Annual Report

Other information is the responsibility of the Management Board. Such other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report.

Our opinion on the annual financial statements does not cover the other information.

With respect to our audit of the annual financial statements, it is our responsibility to read other information and, in doing so, consider whether such other information is materially inconsistent with the annual financial statements or the knowledge we acquired during our audit, or materially misstated otherwise. With respect to the Management Report, which is included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include examining whether the Management Report includes required disclosures as set out in Article 21 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

Based on the procedures performed during our audit, to the extent we are able to assess it, we report that:

1. Information included in the other information is, in all material respects, consistent with the accompanying annual financial statements for the year,
2. the Management Report for the year 2016 has been prepared, in all material respects, in accordance with Article 21 of the Accounting Act,
3. Corporate Governance Statement has been prepared, in all material aspects, in accordance with the Article 22, paragraph 1, points 3 and 4 and Article 24 of the Accounting Act, and includes also the information from Article 22, paragraph 1, point 2, 5, 6 and 7 of that Act.

Based on the knowledge and understanding of the Company's operations and the environment in which it operates we gained during our audit of the annual financial statements, we have not identified any material misstatement in the other information. We have nothing to report to you in this respect.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Management Board for the Annual Financial Statements

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

In preparing annual financial statements, management is responsible for assessing the the Company's ability to continue as a going concern, including, where appropriate, whether the use of the going concern basis of accounting is appropriate. The use of the going concern basis of accounting is appropriate unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Annual Financial Statements (continued)

- Conclude on the appropriateness of the use by the Management Board of the going concern basis of accounting in the preparation of the financial statements in the context of the applicable financial reporting framework. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the audit evidence obtained until the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Branislav Vrtačnik
President of the Board

Deloitte d.o.o.

6 April 2017
Zagreb, Republic of Croatia

Separate statement of comprehensive income

For the year ended 31 December 2016 godine

(All amounts are expressed in thousands of HRK)

	Notes	2016	2015
Sales	4.1	696,989	916,069
Other income	4.2	3,521	4,655
Total operating income		**700,510**	**920,724**
(Decrease) / increase in the value of work in progress and finished products		138,523	(168,687)
Cost of raw material and supplies	6	(510,625)	(338,788)
Cost of goods sold	7	(181,161)	(305,901)
Other external charges	8	(33,393)	(34,817)
Depreciation and amortisation	14	(28,759)	(31,256)
Staff costs	9	(21,966)	(19,830)
Other expenses	10.1	(10,774)	(10,735)
Other operating expenses	10.2	(8,195)	(7,147)
Total operating expenses		**(656,350)**	**(917,161)**
Profit / (loss) from operations		**44,160**	**3,563**
Financial income	11	13,825	11,951
Financial expenses	12	(20,753)	(22,062)
Net financial loss		**(6,928)**	**(10,111)**
Profit / (loss) before taxation		**37,232**	**(6,548)**
Income tax	13	-	-
Profit / (loss) for the year		**37,232**	**(6,548)**
Other comprehensive income			
Items not reclassified subsequently to profit or loss			
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		**37,232**	**(6,548)**
Earnings / (loss) per share			
– basic and diluted (in kunas and lipas)	24	**26.85**	**(4.72)**

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

Separate statement of financial position

At 31 December 2016 godine

(All amounts are expressed in thousands of HRK)

	Notes	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Intangible assets	14	137	86
Property, plant and equipment	14	179,990	168,306
Investments in subsidiaries	15	418,550	418,550
Non-current financial assets	16	150,597	178,859
Total non-current assets		**749,274**	**765,801**
Current assets			
Inventories	17	434,942	179,522
Trade receivables and receivables from related companies	18	134,873	193,367
Receivables from the State and other institutions	19	49,421	10,744
Current financial assets	20	26,688	45,095
Other receivables		118	109
Cash and cash equivalents	21	22,411	7,002
Prepaid expenses and accrued income	22	5,502	7,762
Total current assets		**673,955**	**443,601**
TOTAL ASSETS		**1,423,229**	**1,209,402**

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

(All amounts are expressed in thousands of HRK)

	Notes	31 December 2016	31 December 2015
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23.1	249,600	249,600
Retained earnings		349,585	312,353
Capital reserves	23.2	10,368	10,368
Reserves out of profit	23.2	56,347	56,347
Total equity		**665,900**	**628,668**
Non-current liabilities			
Loans payable and borrowings	25	229,589	305,500
Total non-current liabilities		**229,589**	**305,500**
Current liabilities			
Liabilities to related companies	30	30,738	2,393
Loans payable and borrowings	25	108,618	74,595
Advances received	27	1,303	3,275
Trade payables	26	313,719	104,881
Other current liabilities	28	73,180	89,399
Accrued expenses and deferred income	29	182	691
Total current liabilities		**527,740**	**275,234**
TOTAL EQUITY AND LIABILITIES		**1,423,229**	**1,209,402**

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

Separate statement of changes in shareholders' equity

For the year ended 31 December 2016

(All amounts are expressed in thousands of HRK)

	Share capital	**Capital reserves**	**Reserves out of profit**	**Revaluation reserve**	**Retained earnings**	**Total**
Balance at 1 January 2015	**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**
Loss for the year	-	-	-	-	37,232	37,232
Other comprehensive income	-	-	-	-	-	-
Balance at 31 December 2016	**249,600**	**10,368**	**56,347**	**.**	**349,585**	**665,900**

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

Separate statement of cash flows

For the year ended 31 December 2016

(All amounts are expressed in thousands of HRK)

	2016	2015
Cash flows from operating activities		
Profit / (loss) for the year	37,232	(6,548)
Depreciation and amortisation	28,759	31,256
Foreign exchange differences per loans, net	(3,967)	(1,052)
Interest expense	11,818	13,933
Interest income	(1,710)	(4,626)
Net book value of disposed fixed assets	7,901	2,000
Value adjustment of current assets, net	480	1,679
Operating cash flows before changes in working capital	**80,513**	**36,642**
(Increase)/decrease in inventories	(255,420)	148,884
Decrease / (increase) in trade receivables	78,131	(115,840)
(Increase)/decrease in other receivables	(38,686)	31,239
(Increase)/decrease in advances received	(1,972)	761
Decrease/(increase) in trade payables	234,225	(65,567)
Increase in other liabilities	(13,912)	(16,194)
Increase in prepaid expenses	(509)	(2,622)
Cash generated from operations	**82,370**	**17,357**
Income taxes paid	(47)	(1,518)
Interest paid	(12,049)	(15,697)
Net cash generated from operating activities	**70,274**	**142**
Cash flows from investing activities		
Given loans and deposits, net	28,262	(60,781)
Purchases of property, plant and equipment, and intangible assets	(48,395)	(15,522)
Net cash (used in) investing activities	**(20,133)**	**(76,303)**
Cash flows from financing activities		
Proceeds from borrowings	177,496	466,123
Repayments of borrowings	(212,228)	(398,060)
Net cash (used in)/generated from financing activities	**(34,732)**	**68,063**
Net decrease in cash and cash equivalents	**15,409**	**(8,098)**
Cash and cash equivalents at the beginning of the year	**7,002**	**15,100**
Cash and cash equivalents at the end of the year	**22,411**	**7,002**

(All amounts are expressed in thousands of HRK)

1. GENERAL INFORMATION

1.1 Introduction

Viro tvornica ģeĺ era 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. from Zagreb and Robiĺ d.o.o. from Velika Gorica. In 2005 the Company was transformed from a limited liability company into a public limited company. The share capital of the Company amounts to HRK 249,600,060 (2015: HRK 249,600,060), divided into 1,386,667 (2015: 1,386,667) registered ordinary shares with no par value.

In early 2015 the Company changed its registered seat from Virovitica to Zagreb, Ulica grada Vukovara 269 G, which was entered into the register of the Commercial Court in Zagreb on 20 January 2015.

The Company has acquired and holds 3,306,002 (2015: 3,306,002) ordinary shares of Sladorana d.d., Ģupanja, representing 100 % (2015: 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., Ģupanja, representing 16.72 % of the subsidiaryǿs total net capital. On 15 January 2014 the company was renamed to Slavonija Ģupanja d.d.

1.2 Principal activity

The Companyǿs principal activity is sugar production.

1.3 Management Board of the Company

At 31 December 2016 and 31 December 2015 the members of the Companyǿs Management Board are the following:

1 Željko Zadro	*President of the Board*	
2 Dražen Robić	*Member of Management Board*	*Until 23.09.2016*
3 Darko Krstić	*Member of Management Board*	*Since 23.09.2016*
4 Ivo Rešić	*Member of Management Board*	*Since 23.09.2016*

1.4 Supervisory Board

At 31 December 2016 and 31 December 2015 the members of the Companyǿs Management Board are the following:

1 Marinko Zadro	*President of the Supervisory Board*	
2 Boris Šimunović	*Deputy President of the Supervisory Board*	
3 Ivan Mišetić	*Member of the Supervisory Board*	
4 Damir Keleković	*Member of the Supervisory Board*	
5 Hrvoje Godinić	*Member of the Supervisory Board*	*Until 30.08.2016*
6 Zadro Svetlana	*Member of the Supervisory Board*	*Since 30.08.2016*

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

The following amendments to the existing standards issued by the International Accounting Standards Board as well as new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union are effective in the current reporting period:

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** ï Investment Entities: Applying the Consolidation Exception ï issued by IASB on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016);

- **Amendments to IFRS 11 "Joint Arrangements"** ï Accounting for Acquisitions of Interests in Joint Operations ï adopted by the European Union 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),

- **Amendments to IAS 1 "Presentation of Financial Statements"** ï Disclosure Initiative ï adopted by the European Union 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"** ï Clarification of Acceptable Methods of Depreciation and Amortisation ï adopted by the European Union 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"** ï Agriculture: Bearer Plants ï adopted by the European Union on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),

- **Amendments to IAS 19 "Employee Benefits"** ï Defined Benefit Plans: Employee Contributions ï adopted by the European Union on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),

- **Amendments to IAS 27 "Separate Financial Statements"** ï Equity Method in Separate Financial Statements ï adopted by the European Union on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),

1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Initial application of new amendments to the existing standards effective for the current reporting period (continued)

- **Amendments to various standards "Improvements to IFRSs from the 2010-2012 Cycle"**, 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 (applicable to annual periods beginning on or after 1 February 2015).

- **Amendments to various standards "Improvements to IFRSs from the 2012-2014 Cycle"** 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 ï adopted by the European Union on 15 December 2015 (applicable to annual periods beginning on or after 1 January 2016).

The adoption of the amendments to the existing Standards and Interpretations has not lead to any material changes to the Companyœs financial statements.

Amendments to the existing standards issued by IASB and adopted by the European Union, but not yet effective

At the date of authorisation of these financial statements, the following new standards and amendments to standards issued by IASB and adopted by the European Union (EU) are not yet effective:

- **IFRS 9 "Financial Instruments"**, adopted by the EU on 22 December 2016 (effective for annual periods beginning on or after 1 January 2018).

- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 ŕEffective date of IFRS 15ò ï adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

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

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

At present, the IFRSs as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use by the EU as of 6 April 2017 (the effective dates stated below are for the IFRSs in full):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016); ï the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;

- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IFRS 2 "Share-based Payment"** ï Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IFRS 4 "Insurance contracts"** ï Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 ĩFinancial Instrumentsò is applied for the first time).

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** ï 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),

- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** ï Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IAS 7 "Statement of Cash Flows"** ï Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),

- **Amendments to IAS 12 "Income Taxes"** ï Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),

- **Amendments to IAS 40 "Investment Property"** ï Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),

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

New Standards and amendments to the existing Standards issued by IASB but not yet adopted by the EU (continued)

- **Amendments to various standards “Improvements to IFRSs from the 2014-2016 Cycle”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),

- **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** (effective for annual periods beginning on or after 1 January 2018).

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

At the same time, the hedge accounting issue involving financial assets and financial liabilities remains unregulated, as the principles have not yet been endorsed by the EU.

As assessed by the Company, the application of hedge accounting to the financial assets and financial liabilities **from IAS 39 Financial Instruments: Recognition and Measurement"** to financial assets and financial liabilities at the balance sheet date would not have a significant impact on the financial statements.

(All amounts are expressed in thousands of HRK)

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of the financial statement presentation and preparation

The Company maintains its accounting records in the Croatian language, in Croatian kunas and in accordance with Croatian laws. The financial statements of the Company are prepared on the cost basis, in accordance with International Financial Reporting Standards, as adopted by the European Union, and Croatian laws.

The financial statements are prepared under the going-concern assumption and on the accrual basis of accounting.

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

At 31 December, the exchange rates of the Croatian kuna against the euro and the US dollar were as follows:

	EUR 1	USD 1
2016	7.557787	7.168536
2015	7.635047	6.991801

The financial statements of the Company represent aggregate amounts of assets, liabilities, capital and reserves of the Company as of 31 December 2016, and the results of 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 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 balance sheet 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 profit or loss and other comprehensive income for the year.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Income tax

The current tax liability is based on taxable profit for the year. Taxable profit differs from the net profit reported in the statement of profit or loss and other 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 never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are also not recognised on temporary differences arising from the initial recognition of goodwill.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or 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 the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Income tax (continued)

For the purposes of measuring deferred tax liabilities and deferred tax assets on investment properties 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 Management Board of the Company has reviewed the Companyǿs investment property portfolios and concluded that none of them is 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 and determined that the ǵsaleô 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. The cost of comprises the purchase price of an item of property, plant and equipment, import duties and non-refundable sales taxes and any directly attributable costs of bringing the item 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 an increase of expected future economic benefits to be derived from the use of an item of property, plant and equipment beyond 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 fixed assets are recognized as income or expense for the period in which they arise. Depreciation commences on putting an asset into use. Depreciation is provided so as to write down the cost or revalued amount of an asset other than land, property, plant and equipment under development over the estimated useful life of the asset using the straight-line method as follows:

Type of assets	**Useful life**	**Annual rate**
Buildings	20 years	5%
Personal cars	5 years	20%
Intangible assets, equipment, vehicles (other than personal cars), machinery	4 years	25%
Computers, IT equipment, cell phones and network equipment	2 years	50%
Other assets not specified above	10 years	10%

In 2016 the depreciation/amortisation rates did not change from those applied in the 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 inventories have to be reduced to the net realisable value, the related impairment is 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 with a unit cost below HRK 3,500 (2015: HRK 3,500).

3.8 Trade receivables and prepayments

Trade receivables 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. The allowance for amounts doubtful of collection is 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 balance sheet date 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 costs directly associated with the restructuring, which are those 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 are not recognised in financial statements. They are 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 date

Events subsequent to the reporting date that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Subsequent 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 the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are measured initially at fair value. On initial recognition, transaction costs directly attributable to the acquisition or issue of a financial asset and a financial liability (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 asset or financial liability, as appropriate. Transaction costs directly associated with an acquisition of a financial asset or a financial liability 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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Given loans and receivables, which include trade and other receivables, balances with banks and cash, are measured at amortised cost, determined using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale (AFS) investments

Available-for-sale (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.

Securities that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. Fair value is the market value, at the date of the statement of financial position, on a regulated securities exchange, by reference to the notification of the Central Depository Agency and taking into account the trading volume. Changes in the carrying amount of AFS monetary financial assets arising from 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 'Investments revaluation reserve'. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is transferred 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 arisen on the retranslation are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

At the end of each reporting period, AFS equity investments without a quoted market price in an active market and whose fair value cannot be reliably measured as well as 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.

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 liabilities or equity instruments, in accordance with the substance of the underlying 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 recognize the financial asset and also recognizes 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 assetós carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss previously recognised in other comprehensive income and accumulated in equity is transferred to 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 previously 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, trade and other payables) are measured initially 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 receipts (including all fees on 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 asset, or, where appropriate, a shorter period.

A financial guarantee contract is a contract that requires the issuer to make a specified payment 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)

The Company measures financial guarantee contracts it has issued initially at fair value and subsequently, if they are not designated as at FVTPL, at the higher of:

Å the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

Å 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 Companyθs obligations are discharged, cancelled or they expire. The difference between the carrying amount of a financial liability derecognised and the consideration paid or 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 as expenses the related costs for which the grants are intended to compensate. 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 Company identifies operating segments on the basis of internal reports about components of the Company 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 Company are disclosed in Note 5 to the separate 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 Management Board is 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, and litigation provisions. 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 as well as of intangible assets at the end of each annual reporting period. Property, plant and equipment as well as intangible assets are recognised at cost less accumulated depreciation, i.e. amortisation.

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 profit or loss and other comprehensive income for the year.

Consequences of certain legal actions

The Company is involved in legal actions which have arisen from the regular course of its operations. The Management Board makes estimates when the probable outcome of a legal action has been assessed, and the provisions are recognised on a consistent basis.

(All amounts are expressed in thousands of HRK)

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, at each reporting date, the carrying amounts of its inventories and recognises impairment if appropriate.

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

4. SALES AND OTHER INCOME

4.1 Sales

	2016	2015
Foreign sales	363,069	393,852
Domestic sales	333,920	522,217
	696,989	**916,069**

The increase in the sales is a result of significantly lower merchandise sales and income from the sugar beet processing services.

4.2 Other income

	2016	2015
Surplus	1,203	810
Income from subsequent collection of receivables previously provided against or written off	522	1,244
Subsequently approved discounts	513	1,182
Raw material and supplies sales	217	27
Damages collected	68	713
Other income	998	679
	3,521	**4,655**

(All amounts are expressed in thousands of HRK)

5. 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 Dry Beet”.

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.

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 “Operating Segments”. The presented sales comprise sales to buyers.

	Segment revenue	
	2016	**2015**
Sugar	531,888	699,046
Molasses and dry beet	168,622	221,678
	700,510	**920,724**

	Segment expenses		**Segment profit / (loss)**	
	2016	**2015**	**2016**	**2015**
Sugar	498,358	696,341	33,530	2,705
Molasses and dry beet	157,992	220,820	10,630	858
	656,350	**917,161**	**44,160**	**3,563**

	2016	**2015**
Operating profit / (loss)	44,160	3,563
Financial income	13,825	11,951
Financial expenses	(20,753)	(22,062)
Profit / (loss) before tax	**37,232**	**(6,548)**

The Sugar segment comprises sugar production.

The Molasses and Dry Beet segment comprises the production of molasses and dry beet.

(All amounts are expressed in thousands of HRK)

5. SEGMENT INFORMATION (CONTINUED)

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.

Segment assets and liabilities

	31.12.2016	31.12.2015
Segment assets		
Sugar	628,229	430,409
Molasses and dry beet	199,165	136,489
Total segment assets	**827,394**	**566,898**
Unallocated	595,835	642,504
Total assets	**1,423,229**	**1,209,402**

	31.12.2016	31.12.2015
Segment liabilities		
Sugar	575,030	440,914
Molasses and dry beet	182,299	139,820
Total segment liabilities	**757,329**	**580,734**
Unallocated	-	-
Total liabilities	**757,329**	**580,734**

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 ï see Notes 15, 16 and 20, respectively) have been allocated to the segments.

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

(All amounts are expressed in thousands of HRK)

5. SEGMENT INFORMATION (CONTINUED)

Other segment information

	Depreciation and amortisation		**Additions**	
	2016	**2015**	**2016**	**2015**
Sugar	21,836	23,731	36,746	11,786
Molasses and dry beet	6,923	7,525	11,649	3,737
Total	**28,759**	**31,256**	**48,395**	**15,523**

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	
	2016	**2015**
Croatian market	337,441	526,871
EU market	350,932	376,388
Others	12,137	17,465
Total	**700,510**	**920,724**

Information about major customers

Included in the sales in the amount of HRK 700,510 thousand (2015: HRK 920,724 thousand) are sales of HRK 136,216 thousand (2015: HRK 370,078 thousand) generated from the Companyĝs major customer.

(All amounts are expressed in thousands of HRK)

6. COST OF RAW MATERIAL AND SUPPLIES

	2016	2015
Raw material and supplies	475,602	299,348
Energy	29,597	31,568
Spare parts	4,970	7,446
Small inventory	453	421
Other material costs	3	5
	510,625	**338,788**

The significant increase in the cost of raw material and supplies in 2016 is a result of processing a higher volume of sugar beet compared with 2015.

7. COST OF GOODS SOLD

Costs of goods sold in the amount of HRK 181,161 thousand (2015: HRK 305,901 thousand) represents expenses incurred on the cost of goods delivered and sold to the customers during the reporting year.

8. OTHER EXTERNAL CHARGES

	2016	2015
Transportation	9,420	8,757
Maintenance	5,950	6,071
Bank and payment operation charges	4,082	2,572
Rental and lease expenses	3,199	5,703
External staff services	2,691	2,764
Intellectual services	1,717	1,944
Municipal utility fees and charges	1,232	1,267
Insurance premiums	1,173	2,006
Postal, telephone and telecommunication services	711	607
Intermediation services	596	560
Handling costs	562	383
Data processing services	441	414
Market research services	128	185
Other services	1,491	1,584
	33,393	**34,817**

(All amounts are expressed in thousands of HRK)

9. STAFF COSTS

	2016	2015
Net wages and salaries	13,579	12,246
Taxes and contributions out of salaries	5,194	4,684
Contributions on salaries	3,193	2,900
	21,966	**19,830**

At 31 December 2016, the Company had 198 employees (31 December 2015: 188 employees).

10. OTHER COSTS AND OPERATING EXPENSES

10.1 Other costs

	2016	2015
Regulated benefits, contributions and membership fees	6,308	6,280
Awards and gifts to employees	1,275	1,120
Hospitality and entertainment	972	899
Employees' transportation costs	945	818
Employee benefits (per diems, accommodation, support)	437	530
Fees to Supervisory Board members	439	505
Professional education and literature	119	309
Fieldwork allowance	38	38
Other taxes and fees to the fund	18	17
Others	223	219
	10,774	**10,735**

(All amounts are expressed in thousands of HRK)

10. OTHER COSTS AND OPERATING EXPENSES (CONTINUED)

10.2 Other operating expenses

	2016	2015
Written-off receivables	3,233	1,679
Subsequently approved discounts	1,253	1,401
Cost of raw material and goods sold	942	643
Deficits	876	1,412
Donations	766	699
Written-off inventory	491	1
Subsequently identified expenses from prior years	402	971
Fines, penalties, damages	9	263
Others	223	78
	8,195	**7,147**

Subsequently identified expenses from prior years in the amount of HRK 402 thousand (2015: HRK 971 thousand) comprise HRK 282 thousand for the construction works from 2015 on Green Gold, HRK 14 thousand to a sugar customer complaint from 2015, HRK 28 thousand to a difference with respect to customs duties from 2014 and HRK 78 thousand represent other expenses from the prior year.

Write-off of receivables for the year 2016 in the amount of HRK 3,233 thousand comprise the following: write-off of trade receivables in the amount of HRK 214 thousand, write-off of receivables for given loans in the amount of HRK 232 thousand and write-off of given advances in the amount of HRK 2,787 thousand.

Receivables written off in 2015 in the amount of HRK 1,679 thousand comprise the following: trade receivables in the amount of HRK 1,668 thousand and given advances in the amount of HRK 11 thousand.

(All amounts are expressed in thousands of HRK)

11. FINANCIAL INCOME

	2016	2015
Foreign exchange gains	8,594	6,334
Interest income ï related parties	2,914	3,983
Foreign exchange gains ï related companies	1,094	649
Interest income ï unrelated companies	666	643
Unrealised gains on financial assets	500	301
Other financial income	57	41
	13,825	**11,951**

12. FINANCIAL EXPENSES

	2016	2015
Interest expense - related companies	8,860	13,006
Foreign exchange losses	7,459	6,270
Foreign exchange losses ï related companies	2,958	927
Charges on bank loans	973	1,418
Impairment of financial assets	503	-
Discounts ï losses on the sale of bills of exchange, trade receivables	-	441
	20,753	**22,062**

The discounts in the amount of HRK 441 thousand from 2015 relate to the cost of factoring for the discount of bills of exchange.

(All amounts are expressed in thousands of HRK)

13. INCOME TAX

In 2016 the Company generated a profit in the amount of HRK 37,232 thousand and a tax loss in the amount of HRK 41,701 thousand, and tax losses brought forward amount to HRK 58,933 thousand; therefore, the Company has no income tax liability.

The reconciliation between accounting results and the result for taxation purposes are set out below:

	2016	**2015**
Profit / (loss) before taxation	**37,232**	**(6,548)**
Income tax at 20%	7,446	(1,310)
Effect of tax non-deductible expenses and non-taxable income	894	(7,376)
Effect of unrecognised deferred tax assets arising from tax losses	8,340	8,686
Income tax	**-**	**-**

The tax rate applicable to taxable profit in the Republic of Croatia is 20 % (2015: 20 %).

Tax losses available for carryforward are analysed below:

Available for carryforward until:	**Tax loss**	**Amount not recognised as deferred tax asset**
2020	17,233	3,447
	17,233	**3,447**

No deferred tax assets have been recognised in the separate statement of the financial position in respect of unused tax losses carried forward because the availability of sufficient taxable profit in the future that would allow those assets to be utilised is not certain.

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

(All amounts are expressed in thousands of HRK)

14. INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

	Intangible assets	Land	Buildings Objekti	Plant and equipment	Works of fine art	Assets under development	Other tangible assets	Total
Cost								
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,	-	-	-	(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**
Additions	103	-	3,072	5,094	-	40,126	.	48,395
Disposals, retirements,	-	-	-	(1,539)	-	(7,683)	.	(9,222)
Balance at 31 December 2016	**3,434**	**5,549**	**122,422**	**313,857**	**9**	**37,863**	**2,990**	**486,124**

Intangible assets consist of computer software and licences.

(All amounts are expressed in thousands of HRK)

14. INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Intangible assets	Land	Buildings Objekti	Plant and equipment	Works of fine art	Assets under development	Other tangible assets	Total
Accumulated depreciation/amortisation								
Balance at 31 December 2014	**3,200**	**-**	**42,066**	**201,578**	**-**	**-**	**616**	**247,460**
Charge for the year	45	-	5,953	25,110	-	-	149	31,257
Disposals, retirements,	-	-	-	(158)	-	-	-	(158)
Balance at 31 December 2015	**3,245**	**-**	**48,019**	**226,530**	**-**	**-**	**765**	**278,559**
Charge for the year	53	-	6,062	22,494	-	-	150	28,759
Disposals, retirements,	-	-	-	(1,321)	-	-	-	(1,321)
Balance at 31 December 2016	**3,298**	**-**	**54,081**	**247,703**	**-**	**-**	**915**	**305,997**
NET BOOK VALUE								
At 31 December 2016	**137**	**5,549**	**68,341**	**66,154**	**9**	**37,863**	**2,075**	**180,127**
At 31 December 2015	**86**	**5,549**	**71,331**	**83,772**	**9**	**5,420**	**2,225**	**168,392**

(All amounts are expressed in thousands of HRK)

15. INVESTMENTS IN SUBSIDIARIES

	Principal activity	31.12.2016	Ownership interest (%)	31.12.2015	Ownership interest (%)
Sladorana d.o.o.	Sugar production	407,187	100.00	407,187	100.00%
Slavonija Ģupanja d.d.	Processing and trade of grains	11,343	16.72	11,343	17.58%
VIRO ï kooperacija d.o.o.	Storage of goods, laboratory analysis of samples	20	100.00	20	100.00%
		418,550		**418,550**	

Following the increase of the share capital of Slavonija Ģupanja d.d. by Sladorana d.o.o. in February 2016, the ownership interest have changed as follows: the share of Sladorana d.o.o. has increased from 67.05% to 68.64%, and the share of VIRO TVORNICA ĠEĹERA d.d. has decreased from 17.58% to 16.72%.

16. NON-CURRENT FINANCIAL ASSETS

	31.12.2016	31.12.2015
Loans given to a subsidiary	149,217	177,344
Given deposits, loans and down payments	477	612
Financial assets available for sale (AFS)	903	903
	150,597	**178,859**

Loans to a subsidiary in the amount of HRK 149,217 thousand (31 December 2015: HRK 177,344 thousand) relate to loans given to Sladorana d.o.o. A loan was raised at Raiffeisen bank for the purpose of repayment of loans to other banks taken for Viro tvornica ġelĺera d.d. and Sladorana d.o.o., which Sladorana d.o.o. repays as it falls due.

Given deposits, loans and down payments in the amount of HRK 477 thousand (31 December 2015: HRK 612 thousand) comprise loans in the amount of HRK 120 thousand (2015: HRK 120 thousand) given to the employees of Sladorana d.o.o. for purchases of shares as well as the following long-term loans: HRK 202 thousand to Trstenjak Duġko (31 December 2015: HRK nil thousand); HRK 0 thousand to Kaladiĺ Milan (31 December 2015: HRK 175 thousand); HRK 155 to Koprivanac Ģaklina (31 December 2015: HRK nil thousand); as well as down payments of HRK nil thousand for operating leases (31 December 2015: HRK 317 thousand).

(All amounts are expressed in thousands of HRK)

17. INVENTORIES

	31 December 2016	31.12.2015
Finished products	214,171	74,510
Prepayments for inventories	49,849	42,135
Raw material and supplies	55,191	15,634
Merchandise	116,055	47,599
Impairment allowance on inventories	(324)	(356)
	434,942	**179,522**

At 31 December 2016, the prepayments for inventories comprise advances made for the delivery of goods to Agrokor trgovina d.o.o. in the amont of HRK 21,520 thousand, Belje d.d., Darda, in the amount of HRK 13,365 thousand, Vupik d.d., Vukovar, in the amount of HRK 6,003 thousand and other companies in the amount of HRK 2,262 thousand. At the date of issue of this report, the prepayment for inventories provided to Agrokor trgovna d.o.o. was discharged and amounts to HRK 0 thousand.

18. TRADE RECEIVABLES AND RECEIVABLES FROM RELATED COMPANIES

Structure of trade receivables:

	31.12.2016	31.12.2015
Domestic trade receivables	130,700	119,983
Receivables from related companies (Note 30)	1,260	71,467
Foreign trade receivables	11,217	10,701
Impairment allowance on trade receivables	(8,304)	(8,784)
	134,873	**193,367**

Maturity analysis of receivables not impaired

	31.12.2016	31.12.2015
Not yet due	70,930	162,352
0-90 days past due	53,398	24,787
90-120 days past due	1,018	286
120-360 days past due	1,493	1,561
Over 360 days past due	8,034	4,381
	134,873	**193,367**

(All amounts are expressed in thousands of HRK)

18. TRADE RECEIVABLES AND RECEIVABLES FROM RELATED COMPANIES (CONTINUED)

Movements in impairment allowance for doubtful accounts

	2016	2015
Balance at 1 January	**8,784**	**7,321**
New allowances recognised (Note 10.3)	214	1,668
Collection of previously impaired receivables	(694)	(205)
Balance at 31 December	**8,304**	**8,784**

All the receivables provided against were past due beyond 120 days.

19. RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS

	31.12.2016	31.12.2015
VAT receivable	47,762	9,207
Other amounts due from the state	1,659	1,537
	49,421	**10,744**

(All amounts are expressed in thousands of HRK)

20. CURRENT FINANCIAL ASSETS

	31.12.2016	31.12.2015
Given loans	12,394	5,220
Loans to related companies	4,682	31,934
Investments in securities and deposits	9,374	7,703
Given deposits	238	238
	26,688	**45,095**

An overview of the given loans at 31 December 2016 is provided in the table below:

Legal persons	**Interest rate**	**31.12.2016**	**31.12.2015**
Robiĺ promet d.o.o.	5.5%	4,522	**-**
Fortis factoring d.o.o.	-	3,700	1,000
Dubrovaļki podrumi d.d.	-	2,957	2,957
Poljoprivredno dobro Gradina d.o.o.	-	1,725	1,378
Romiĺ promet d.o.o.	6%	1,224	-
Medion savjetovanje d.o.o.	-	554	554
Infinitum factoring d.o.o.	-	500	350
Konzum d.d.	-	394	380
T.T. d.o.o., Split	-	151	151
Visus d.o.o.	-	143	143
Tenika-metal d.o.o.	6%	111	13
Ģeza d.o.o.	7%	-	1,027
Podravska banka	-	-	630
Invictus ulaganja d.o.o.	-	-	100
Others	6%-7%	379	323
Impairment allowance		(3,966)	(3,793)
Total loans to legal persons		**12,394**	**5,213**
Natural persons			
Others	7%	377	386
Impairment allowance		(377)	(379)
Total loans to natural persons		**-**	**7**
Total given loans		**12,394**	**5,220**

In 2016 the Company recognised impairment allowance on given loans in the amount of HRK 232 thousand (31. December 2015: HRK 0 thousand).

(All amounts are expressed in thousands of HRK)

21. CASH AND CASH EQUIVALENTS

	31.12.2016	31.12.2015
Giro account balance	22,247	1,458
Foreign currency account balance	164	5,544
	22,411	**7,002**

22. PREPAID EXPENSES AND ACCRUED INCOME

Prepaid expenses in the amount of HRK 5,502 thousand (31 December 2015: HRK 7,762 thousand) comprise a prepaid fee of EUR 12 per ton of produced sugar within the granted quotas for the period January ï September 2017 in the total amount of HRK 4,325 thousand (2015: HRK 3,981 thousand), accrued reimbursement expected from HỤ Cargo for 2016 in the amount of HRK nil thousand (31 December 2015: HRK 2,349 thousand), prepaid interest on leases in the amount of HRK 99 thousand (31 December 2015: HRK 331 thousand), accrued fees for issued loans in the amount of HRK 846 thousand (31 December 2015: HRK 1,048 thousand), as well as other prepaid expenses and accrued income in the amount of HRK 232 thousand (31 December 2015: HRK 53 thousand).

23. SHARE CAPITAL AND RESERVES

23.1 Share capital

At 31 December 2016 the share capital amounts to HRK 249,600 thousand and consists of 1,386,667 shares (31 December 2015: HRK 249,600 thousand, consisting of 1,386,667 shares).

The ownership structure is set out below:

	Number of shares		Ownership in %	
	2016	**2015**	**2016**	**2015**
EOS-Z d.o.o.	308,204	466,500	22.23	33.64
Cristal financiere, France	235,734	-	17.00	-
RobiÍ d.o.o.	180,366	416,100	13.01	30.01
Primorska banka d.d., Rijeka / omnibus account of a natural person	158,296	-	11.42	-
Societe Generale ï Splitska banka d.d. / AZ MANDATORY PENSION FUND	137,055	137,055	9.88	9.88
Primorska banka d.d., Rijeka / omnibus account of a legal person	127,936	127,936	9.23	9.23
Others	239,076	196,032	17.23	14.14
	1,386,667	**1,386,667**	**100.00**	**100.00**

(All amounts are expressed in thousands of HRK)

23. SHARE CAPITAL AND RESERVES

23.2 Reserves

	2016	2015
Legal reserves	12,480	12,480
Capital reserves	10,368	10,368
Reserves for own shares	43,867	43,867
	66,715	**66,715**

24. EARNINGS / (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 outstanding during the year, excluding the weighted average number of ordinary shares redeemed and held by the Company as treasury shares.

	2016	2015
Profit / (loss) for the year attributable to the shareholders of the Company (in HRK'000)	37,232	**(6,548)**
Weighted average number of ordinary shares used in the calculation of the basic earnings per share:	1,386,667	**1,386,667**
Basic earnings / (loss) per share (in kunas and lipas)	**26.85**	**(4.72)**

Diluted earnings / (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 HRK)

25. LIABILITIES UNDER BORROWINGS AND FINANCIAL LEASES

	31.12.2016	31.12.2015
Long-term borrowings		
Bank loans	228,214	301,484
Finance lease obligations	750	3,182
Other creditors	625	834
	229,589	**305,500**
Short-term borrowings		
Bank loans	13,400	13,400
Banks ï current portion of long term loans (due within 1 year)	87,774	53,203
Finance lease ï current portion of long-term finance leases (due within 1 year)	2,744	5,912
Financial loan	4,700	2,080
	108,618	**74,595**
Total	**338,207**	**380,095**

Bank borrowings in the amount of HRK 329,388 thousand (31 December 2015: HRK 368,087 thousand) are secured by registered lien on the Companyõs properties and equipment.

Debentures have been provided as security instruments for finance leases in the amount of HRK 3,494 thousand (31 December 2015: HRK 9,094 thousand).

The financial loan in the amount of HRK 4,700 thousand (31 December 2015: HRK 2,080 thousand) represents an amount owed to Konzum d.d.

Movements in received bank loans are presented below:

	2016	2015
Balance at 1 January	**368,087**	**295,285**
New loans raised	177,496	466,123
Amounts repaid	(212,228)	(392,269)
Exchange differences	(3,967)	(1,052)
Balance at 31 December	**329,388**	**368,087**

(All amounts are expressed in thousands of HRK)

25. LIABILITIES UNDER BORROWINGS AND FINANCIAL LEASES (CONTINUED)

Overview of the bank loans (by maturity, interest rate, amount and currency):

Creditor	Maturity	Interest rate	Currency	Balance at 31.12.2016
Long-term borrowings				
Raiffeisenbank Austria d.d.	31.03.2021	4% + 3m EURIBOR	EUR	315,988
Short-term borrowings				
Kentbank d.d.	30.04.2017	6%	HRK	3,400
Kentbank d.d.	23.05.2017	5.5%	HRK	10,000
Total short-term and long-term borrowings				**329,388**

Present value of minimum finance lease payments

	Minimum lease payments		Finance charges		Present value of minimum lease payments	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Up to 1 year	2,744	5,912	78	236	2,666	5,676
From two to five years	750	3,182	21	95	729	3,087
	3,494	**9,094**	**99**	**331**	**3,395**	**8,763**
Less: future finance charges	**99**	**(331)**			-	-
Present value of minimum lease payments	**3,395**	**8,763**			**3,395**	**8,763**

(All amounts are expressed in thousands of HRK)

26. TRADE PAYABLES

	31.12.2016	31.12.2015
Foreign trade payables	260,646	80,070
Domestic trade payables	53,073	24,811
	313,719	**104,881**

27. ADVANCES RECEIVED

At 31 December 2016 advances received amount to HRK 1,303 thousand (31 December 2015: HRK 3,275 thousand) and relate to advance payments made by foreign and domestic enterprises for sugar.

28. OTHER CURRENT LIABILITIES

	31 December 2016	31.12.2015
Liabilities in respect of issued bills of exchange	60,674	77,293
Taxes, contributions and similar duties payable	2,101	5,515
Liabilities to employees	1,284	1,156
Liabilities in respect of the share in the result	31	32
Other current liabilities	9,090	5,403
	73,180	**89,399**

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

	31 December 2016	31.12.2015
Agrokor d.d., Zagreb	26,900	20,000
Belje d.d., Darda	16,706	36,697
PIK Vinkovci	9,564	10,230
Vupik d.d., Vukovar	7,504	10,366
	60,674	**77,293**

Liabilities for the bills of exchange issued to Agrokor trgovina d.o.o., Belje d.d., Darda, PIK Vinkovci d.d. and Vupik d.d. relate to amounts owed to suppliers in respect of prepayments made for deliveries of sugar beet and protection. As of the reporting date, the bill of exchange of Agrokor trgovana d.o.o. was paid and amounts to HRK nil thousand

(All amounts are expressed in thousands of HRK)

29. ACCRUED EXPENSES AND DEFERRED INCOME

	31 December 2016	31 December 2015
Accrued direct sugar beet costs	93	356
Interest expense	12	55
Other accrued expenses	77	280
	182	**691**

30. RELATED-PARTY TRANSACTIONS

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

Trading transactions

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

Operating income

	Sales		**Other income**	
	2016	**2015**	**2016**	**2015**
SLADORANA d.o.o.	28,944	213,787	31	223
SLAVONIJA ĢUPANJA d.d.	7,684	-		-
OĠTRC PROMET d.o.o.	984	-	-	-
DALMACIJAVINO SPLIT d.o.o.	8	-	-	-
	37,620	**213,787**	**31**	**223**

Operating expenses

	Selling expenses		**Other expenses**	
	2016	**2015**	**2016**	**2015**
SLADORANA d.o.o.	27,889	152,915	6	3
SLAVONIJA ĢUPANJA d.d.	9,626	-	-	-
OĠTRC PROMET d.o.o.				
DALMACIJAVINO SPLIT	942	-	-	-
d.o.o.	7	-	-	-
	38,464	**152,915**	**6**	**3**

(All amounts are expressed in thousands of HRK)

30. RELATED-PARTY TRANSACTIONS (CONTINUED)

Finance income and expenses

	Financial income		Financial expenses	
	2016	**2015**	**2016**	**2015**
SLADORANA d.o.o.	2,585	3,127	2,958	927
GRUDSKA PIVOVARA d.o.o.	1,266	1,491	-	-
SLAVONIJA ĢUPANJA d.d.	157	14	-	-
	4,008	**4,632**	**2,958**	**927**

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

	Amounts owed by related parties		Amounts owed to related parties	
	2016	**2015**	**2016**	**2015**
SLADORANA d.o.o.	-	70,870	30,703	-
OĠTRC PROMET d.o.o.	1,223	-	-	-
OĠTRC d.o.o.	27	537		
DALMACIJAVINO SPLIT d.o.o.	10	-	35	-
ROBIĹ PROMET d.o.o.	-	60	-	150
SLAVONIJA ĢUPANJA d.d.	-	-	-	2,243
VIRO-KOOPERACIJA d.o.o.	-	-	-	-
	1,260	**71,467**	**30,738**	**2,393**

Loans to related parties:

	Receivables for given loans		Borrowings	
	2016	**2015**	**2016**	**2015**
SLADORANA d.o.o.	149,217	177,402	-	-
SLAVONIJA ĢUPANJA d.d.	3,005	-	-	-
GRUDSKA PIVOVARA d.o.o.	-	30,199	-	-
VIRO-KOOPERACIJA d.o.o.	1,677	1,677	-	-
	153,899	**209,278**	**-**	**-**

30 RELATED-PARTY TRANSACTIONS (CONTINUED)

Remuneration paid to key management personnel:

	2016	2015
Salaries	2,216	2,199
Others	269	265
	2,485	**2,464**

(All amounts are expressed in thousands of HRK)

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 capital of the Company consists of the net debt (which includes received loans and borrowings disclosed in Note 25 less cash and cash equivalents) and shareholders' equity (comprising the registered capital, reserves and retained earnings).

The Treasury of the Company reviews the capital structure of the Company on a regular basis. 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 year end was as follows:

Gearing ratio

	2016	**2015**
Debt (i)	**338,207**	**380,095**
Cash and cash equivalents	(22,411)	(7,002)
Net debt	**315,796**	**373,093**
Equity (ii)	665,900	628,668
Net debt-to-equity ratio	47.42	59.35

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

(ii) Equity consists of the share capital, retained earnings, including the loss or profit for the year, as well as reserves.

(All amounts are expressed in thousands of HRK)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Categories of financial instruments

	31. December 2016	31 December 2015
Financial assets		
Non-current financial assets	150,597	178,859
Receivables from related companies	1,260	71,467
Trade receivables	133,613	121,900
Current financial assets	26,688	45,095
Other receivables	118	109
Cash and cash equivalents	22,411	7,002
Prepaid expenses and accrued income	5,502	3,781
	340,189	**428,213**
Financial liabilities		
Loans payable and borrowings	229,589	305,500
Liabilities to related companies	30,738	2,393
Loans payable and borrowings	108,618	74,595
Advances received	1,303	3,275
Trade payables	313,719	104,881
Other current liabilities	71,079	83,884
Accrued expenses and deferred income	182	691
	755,228	**575,219**

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

(All amounts are expressed in thousands of HRK)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management objectives

The Companyǿs Treasury function 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 comprise 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 periodically reports about the risk exposures to the Companyǿs Management Board.

Market risk

The Companyǿs activities expose it primarily to the financial risks arising from movements in sugar prices and raw material required for its production (sugar beet and sugar cane). The Company is also exposed to the risk of fluctuations in foreign exchange and interest rates, which are described in more detail below.

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, it is exposed to fluctuations in foreign exchange rates.

The carrying amounts of the Companyǿs foreign-currency denominated monetary assets and monetary liabilities at the end of the reporting period are provided in the table below:

	Liabilities		Assets	
	2016	**2015**	**2016**	**2015**
European Union (EUR)	585,671	446,794	216,285	298,612
USD	112	32	-	2,353

(All amounts are expressed in thousands of HRK)

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 (EUR) and the US dollar (USD) 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 analyses the Company's sensitivity to a ten-percent (10%) change in the exchange rate of the Croatian kuna against the relevant foreign currency. Ten percent (10 %) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in the 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 other than the currency of the lender or the borrower. A positive number below indicates an increase in profit or 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 or equity, and the balances below would be negative.

	EUR impact		**USD impact**	
	2016	**2015**	**2016**	**2015**
Profit or loss	(37,039)	(14,818)	(11)	232

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) as well as trade payables denominated in the US dollar (USD).

Interest rate risk management

The Company is exposed to interest rate risk, as it borrows funds at fixed and variable interest rates. The Company manages the interest rate risk by maintaining adequate proportion of fixed-rate and variable-rate loans. 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 HRK)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Interest rate risk management (continued)

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. The following analysis of the sensitivity to variable rate liabilities has been prepared assuming the amount of the liability outstanding at the end of the year was outstanding for the whole year. A 50 basis point increase/decrease is used when reporting interest rate risk internally to key management personnel and represents managementǿs 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 Companyǿs loss for the year 2016 would be higher / lower by HRK 443 thousand (2015: loss higher/lower by HRK 650 thousand). This is mainly attributable to the Company's exposure to interest rates on its variable-rate debt.

Credit risk management

Credit risk is the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company has adopted a policy of dealing only with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from default. The Company monitors its exposure to, and the creditworthiness of its counterparties on an on-going basis, and spreads the total value of the concluded transactions over accepted clients. Credit exposure is managed by setting limits to customers.
Credit analysis involves assessing the financial position of the debtor and, where appropriate, insurance coverage is sought for credit guarantees.
The most significant credit risk concentrations arising from the Companyǿs key customers are analysed below:

	Receivables	
	31 December 2016	**31 December 2015**
Customer A	71,778	-
Customer B	13,299	-
Customer C	5,058	4,412
Customer D	4,686	3,227
Customer E	3,517	8,263
	98,338	**15,902**

(All amounts are expressed in thousands of HRK)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk management (continued)

Collateral held as security

The Company usually seeks from its customers to furnish bank guarantees, debentures and bills of exchange as instruments of collateral.

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 remaining contractual maturities of the Company's 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 includes both principal and interest cash outflows. The undiscounted cash outflows on interest at variable rates was derived from interest rate curves at the end of the reporting period. The contractual maturity is defined as the earliest date on which the Company can be required to make the payment.

	Weighted average effective interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
2016						
Non-interest bearing liabilities		139,150	8,428	268,585	626	416,789
Interest bearing	4.93%	21,985	22,915	70,812	247,654	363,366
		161,135	**31,343**	**339,397**	**248,280**	**780,155**
2015						
Non-interest bearing liabilities		39,328	101,429	51,348	834	192,939
Interest bearing	4.22%	1,336	6,258	25,755	385,351	418,700
		40,664	**107,687**	**77,103**	**386,185**	**611,639**

(All amounts are expressed in thousands of HRK)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk management (continued)

The following tables details the Companyĝs remaining contractual maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted cash flows of financial receivables 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
2016						
Non-interest bearing assets		108,308	53,364	5,776	1,646	169,094
Interest-bearing assets	5.97%	4,986	14,964	37,213	123,592	180,755
		113,294	**68,328**	**42,989**	**125,238**	**349,849**
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**

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 that are traded on active liquid markets is determined by reference to quoted market prices;

- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are 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 2016, the carrying amounts of cash, receivables, short-term deposits, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their fair values due to the short-term nature of these assets and liabilities.

(All amounts are expressed in thousands of HRK)

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 the prices).

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

31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets available for sale (AFS)	350	903	-	1,253
Total	**350**	**903**	**-**	**1,253**

31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets available for sale (AFS)	853	903	-	1,756
Total	**853**	**903**	**-**	**1,756**

32. OPERATING LEASES

The Company as lessee

Operating lease arrangements

Operating lease agreements comprise leases of personal cars over a term of five years. The Company does not have an option to purchase the leased asset at the expiry of the lease periods.

Lease payments recognised as expenses

	2016	2015
Minimum lease payments	163	431

Irrevocable commitments under operating leases

	2016	2015
Up to 1 year	54	146
From 2 year to 5 years	151	-
	205	**146**

33. MANAGEMENT AUTHORISATION OF THE FINANCIAL STATEMENTS FOR ISSUE

These financial statements were approved by the Management Board and authorised for issue on 11 April 2016.

Signed on behalf of the Management Board on 6 April 2017 by:

Željko Zadro, president of the Management Board

Viro
TVORNICA ŠEĆERA d.d.
ZAGREB 7

Darko Krstić, member of the management board

Ivo Rešić, member of the management board

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

STATEMENT OF PERSON RESPONSIBLE FOR PRODUCTION OF THE ANNUAL FINANCIAL REPORT FOR 1Y 2016

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 2016, 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 12, 2017

RESPONSIBLE PERSON

PRESIDENT OF THE MANAGEMENT BOARD:

Viro TVORNICA ŠEĆERA d.d. ZAGREB 4

Željko Zadro, dipl.oec

Darko Krstić, Member of the Menagement Bord

Ivo Rešić, Member of the Menagement Bord

ENCLOSURE 1

Reporting period: **1 January 2016** to **31 December 2016**

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**

Number of employees (at the year's end): **198**

Consolidated Report: **NO**

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 31.12.2016

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	765.801.159	749.273.897
I. INTANGIBLE ASSETS (004 to 009)	003	86.315	136.740
1. Assets development	004		0
2. Concessions, patents, licences fees, trade and service marks, software and other rights	005	86.315	136.740
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	168.306.215	179.990.028
1. Land	011	5.548.592	5.548.592
2. Buildings	012	71.331.533	68.340.805
3. Plant and equipment	013	83.772.355	66.153.617
4. Tools, facility inventory and transport assets	014		
5. Biological assets	015		
6. Prepayments for tangible assets	016	307.627	34.576.964
7. Tangible assets in progress	017	5.112.658	3.286.081
8. Other tangible assets	018	9.300	9.300
9. Investments in buildings	019	2.224.150	2.074.669
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	020	597.408.629	569.147.129
1. Investments (shares) with related parties	021	419.450.043	419.450.043
2. Loans given to related parties	022	177.343.482	149.216.583
3. Participating interest (shares)	023		
4. Loans to entrepreneurs in whom the entity holds participating interests	024		
5. Investments in securities	025	3.248	3.248
6. Loans, deposits and similar assets	026	611.856	477.255
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	435.839.083	668.453.422
I. INVENTORIES (036 to 042)	035	179.521.872	434.941.674
1. Raw-material and supplies	036	15.634.383	55.191.037
2. Work in progress	037		
3. Finished goods	038	74.153.867	213.847.092
4. Merchandise	039	47.598.499	116.054.925
5. Prepayments for inventories	040	42.135.123	49.848.620
6. Long - term assets held for sales	041		
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	204.219.640	184.412.623
1. Receivables from related parties	044	71.406.529	1.259.876
2. Accounts receivable	045	121.960.367	133.612.862
3. Receivables from participating parties	046		
4. Receivables from employees and members of related parties	047	2.372	890
5. Receivables from government and other institutions	048	10.743.689	49.421.570
6. Other receivables	049	106.683	117.425
III. SHORT TERM FINANCIAL ASSETS (051 to 057)	050	45.095.292	26.687.789
1. Shares (stocks) in related parties	051		
2. Loans given to related parties	052	1.735.697	4.681.963
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	35.656.652	12.632.314
7. Other financial assets	057	7.702.943	9.373.512
IV. CASH AT BANK AND IN CASHIER	058	7.002.279	22.411.336
D) PREPAID EXPENSES AND ACCRUED REVENUE	059	**7.761.345**	**5.501.947**
E) TOTAL ASSETS (001+002+034+059)	060	**1.209.401.587**	**1.423.229.266**
F) OFF-BALANCE RECORDS	061	**281.936.097**	**291.648.942**
LIABILITIES AND CAPITAL			

A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	**062**	**628.667.495**	**665.899.638**
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**	318.901.121	312.352.661
1. Retained earnings	**073**	318.901.121	312.352.661
2. Accumulated loss	**074**		
VI. PROFIT/LOSS FOR THE CURRENT YEAR (076-077)	**075**	-6.548.460	37.232.143
1. Profit for the current year	**076**		37.232.143
2. Loss for the current year	**077**	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**	**305.499.913**	**229.589.347**
1. Liabilities to related parties	**084**		
2. Liabilities for loans, deposits etc.	**085**	4.015.994	1.375.750
3. Liabilities to banks and other financial institutions	**086**	301.483.919	228.213.597
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**	**274.543.567**	**527.558.401**
1. Liabilities to related parties	**094**	2.393.482	30.738.212
2. Liabilities for loans, deposits etc.	**095**	7.992.303	7.443.244
3. Liabilities to banks and other financial institutions	**096**	66.603.095	101.174.511
4. Liabilities for received prepayments	**097**	3.275.008	1.302.698
5. Accounts payable	**098**	104.881.026	313.719.185
6. Liabilities arising from debt securities	**099**		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	**100**		
8. Liabilities to employees	**101**	1.155.944	1.284.066
9. Liabilities for taxes, contributions and similar fees	**102**	5.514.605	2.101.273
10. Liabilities to share - holders	**103**	31.703	30.963
11. Liabilities for long-term assets held for sale	**104**		
12. Other short - term liabilities	**105**	82.696.401	69.764.249
E) DEFFERED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	**106**	**690.612**	**181.880**
F) TOTAL – CAPITAL AND LIABILITIES (062+079+083+093+106)	**107**	**1.209.401.587**	**1.423.229.266**
G) OFF-BALANCE RECORDS	**108**	**281.936.097**	**291.648.942**
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 01.01.2016. do 31.12.2016.

VIRO TVORNICA ŠEĆERA d.d.

Item	AOP code	Last year	Current year
1	2	3	4
I. OPERATING REVENUE (112+113)	111	920.723.764	700.509.756
1. Sales revenue	112	916.069.380	696.989.106
2. Other operating revenues	113	4.654.384	3.520.650
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	917.161.191	656.350.120
1. Changes in value of work in progress and finished products	115	168.687.561	-138.523.037
2. Material costs (117 to 119)	116	679.505.672	725.178.607
a) Raw material and material costs	117	338.787.709	510.624.754
b) Costs of goods sold	118	305.901.254	181.160.920
c) Other external costs	119	34.816.709	33.392.933
3. Staff costs (121 to 123)	120	19.829.901	21.966.324
a) Net salaries and wages	121	12.245.975	13.578.823
b) Cost for taxes and contributions from salaries	122	4.683.623	5.194.585
c) Contributions on gross salaries	123	2.900.303	3.192.916
4. Depreciation	124	31.256.001	28.759.248
5. Other costs	125	10.734.767	10.773.515
6. Impairment (127+128)	126	0	0
a) Impairment of long-term assets (financial assets excluded)	127		
b) Impairment of short - term assets (financial assets excluded)	128		
7. Provisions	129		
8. Other operating costs	130	7.147.289	8.195.463
III. FINANCIAL INCOME (132 to 136)	131	11.950.936	13.825.221
1. Interest income, foreign exchange gains, dividends and similar income from related parties	132	2.491.641	2.804.648
2. Interest income, foreign exchange gains, dividends and similar income from non -	133	9.157.795	10.520.573
3. Share in income from affiliated entrepreneurs and participating interests	134		
4. Unrealized gains (income) from financial assets	135	301.500	500.000
5. Other financial income	136		
IV. FINANCIAL EXPENSES (138 do 141)	137	22.061.969	20.752.714
1. Interest expenses, foreign exchange losses, dividends and similar expenses from related parties	138	927.316	2.957.899
2. Interest expenses, foreign exchange losses, dividends and similar expenses from non -	139	20.693.318	17.292.315
3. Unrealized losses (expenses) on financial assets	140		502.500
4. Other financial expenses	141	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	932.674.700	714.334.977
X. TOTAL EXPENSES (114+137+143 + 145)	147	939.223.160	677.102.834
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	-6.548.460	37.232.143
1. Profit before taxation (146-147)	149		37.232.143
2. Loss before taxation (147-146)	150	6.548.460	
XII. PROFIT TAX	151		
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-6.548.460	37.232.143
1. Profit for the period (149-151)	153	0	37.232.143
2. Loss for the period (151-148)	154	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	-6.548.460	37.232.143
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)	158	0	0
1. Exchange differences on translation of foreign operations	159		
2. Movements in revaluation reserves of long - term tangible and intangible assets	160		
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	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	-6.548.460	37.232.143
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 1.1.2016 **do** 31.12.2016

Item	AOP code	Last year	Current year
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	-6.548.460	37.232.143
2. Depreciation	002	31.256.001	28.759.248
3. Increase in short term liabilities	003		218.992.477
4. Decrease in short term receivables	004		19.807.017
5. Decrease in inventories	005	148.883.732	
6. Other increase in cash flow	006	12.388.084	20.666.901
I. Total increase in cash flow from operating activities (001 to 006)	007	185.979.357	325.457.786
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		255.419.802
4. Other decrease in cash flow	011	6.273.084	6.114.639
II. Total decrease in cash flow from operating activities (008 to 011)	012	187.509.051	261.534.441
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES	013		63.923.345
A2) NET DECREASE IN IN CASH FLOW FROM OPERATING ACTIVITIES	014	1.529.694	
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash inflows from sales of long-term tangible and intangible assets	015	13.344	217.805
2. Cash inflows from sales of equity and debt instruments	016		
3. Interests receipts	017	2.683.636	1.679.568
4. Dividend receipts	018	40.596	56.703
5. Other cash inflows from investing activities	019	47.639.936	34.039.033
III. Total cash inflows from investing activities (015 to 019)	020	50.377.512	35.993.109
1. Cash outflow for purchase of long-term tangible and intangible assets	021	13.536.041	40.711.291
2. Cash outflow for acquisition of equity and debt financial instruments	022		
3. Other cash outflow for investing activities	023	108.420.045	5.777.533
IV. Total cash outflow for investing activities (021 do 023)	024	121.956.086	46.488.824
B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025		
B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES	026	71.578.574	10.495.715
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	465.716.896	177.339.572
3. Other proceeds from financial activities	029	338.000.000	247.628.278
V. Total cash inflows from financial activities (027 to 029)	030	803.716.896	424.967.850
1. Cash outflow for repayment of credit principal and bonds	031	392.268.843	212.228.499
2. Cash outflow for dividends paid	032		
3. Cash outflow for financial lease	033	6.627.929	5.977.777
4. Cash outflow for purchase of treasury shares	034		
5. Other cash outflow for financial activities	035	339.809.853	244.780.147
VI. Total cash outflow for financial activities (031 to 035)	036	738.706.625	462.986.423
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	037	65.010.271	
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	038		38.018.573
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039		15.409.057
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	8.097.997	
Cash and cash equivalents at the beginning of the period	041	15.100.276	7.002.279
Increase of cash and cash equivalents	042	0	15.409.057
Decrease of cash and cash equivalents	043	8.097.997	0
Cash and cash equivalents at the end of the period	044	7.002.279	22.411.336

CHANGE IN CAPITAL STATEMENT

for the period from 1.1.2016 to 31.12.2016

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	318.901.121	312.352.661
5. Profit or loss of the current year	005	-6.548.460	37.232.143
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	628.667.495	665.899.638
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.