

**Viro tvornica šećera d.d. and its subsidiaries**  
**Annual report and**  
**Consolidated Financial Statements**  
**For the Year Ended**  
**31 December 2017**  
**together with Independent Auditor's Report**

	<i>Page</i>
Annual Report of the Group	1-37
Responsibility for the consolidated financial statements	38
Independent Auditor's Report	39-44
Consolidated statement of comprehensive income	45
Consolidated statement of financial position	46-47
Consolidated statement of changes in shareholders' equity	48
Consolidated statement of cash flows	49-50
Notes to the consolidated financial statements	51-103



**VIRO BH d.o.o.**

***Consolidated Annual Report  
on the State of Affairs of the Group Companies  
for 2017***

*Zagreb, April 2018*

## Content

1	Introduction.....	1
2	About the group companies .....	4
2.1	Viro tvornica šećera d.d.....	4
2.2	Viro-kooperacija d.o.o.....	5
2.3	Sladorana d.o.o. ....	5
2.3	Slavonija županja d.d. ....	7
2.4	Viro bh d.o.o.....	8
3	Ownership structure .....	9
4	Overview of the 2017 performance .....	12
4.1	Viro tvornica šećera d.d.....	12
4.2	Viro-kooperacija d.o.o.....	13
4.3	Sladorana d.o.o. ....	14
4.4	Slavonija županja d.d. ....	14
4.5	Viro bh d.o.o.....	14
5	Risk exposure.....	15
5.1	Capital risk .....	15
5.2	Interest rate risk.....	15
5.3	Liquidity risk .....	15
5.4	Foreign exchange risk and exposure of the group companies to price risk.....	16
5.5	Credit risk .....	16
6	Financial position.....	18
7	Staff.....	24
8	Investments .....	25
9	Ecology .....	266
10	Development strategy .....	28
11	2018 expectations by group company.....	29

12 Significant post year-end events..... 30

13 Code of corporate governance ..... 31

13.1 Code of corporate governance..... 32

## **1. Introduction**

Viro tvornica šećera d.d. and its subsidiaries comprise a group of the following companies: Viro tvornica šećera d.d., Zagreb, Ulica grada Vukovara 269 g, as the parent company, and subsidiaries Viro kooperacija d.o.o. Sladorana d.o.o., Slavonija Županija d.d. and Viro BH d.o.o. Grude, Bosnia and Herzegovina.

Viro tvornica šećera d.d. was entered into the register of the Commercial Court in Bjelovar on 19 July 2002 as Viro limited liability company for production and trade. The founders of the company were EOS-Z d.o.o. Zagreb and Robić d.o.o., Velika Gorica. In 2005 the Company was transformed from a Croatian limited liability company (društvo s ograničenom odgovornošću) into a joint-stock company (dioničko društvo). The share capital of the Company amounts to HRK 249,600,060 and consists of 1,386,667 registered shares, with no par value.

In 2012 the Company acquired additional shares in Sladorana d.d. and held at 31 December 2012 3,306,002 (2011: 2,532,260) ordinary shares of Sladorana d.d., Županija, representing one hundred percent (100.00%) (2011: 76.60%) of the total equity of the subsidiary. Following the transformation of Sladorana from a joint-stock company into a limited liability company in 2014, Viro d.d. became the sole shareholder (member) of the company.

In 2013 Viro d.d. acquired shares in Slavonija Nova d.d. in the amount of HRK 11.343 million, representing 17.58 percent of the share capital.

In January 2015 Viro d.d. changed its registered seat to: Zagreb, Ulica grada Vukovara 269 g.

In 2012 Sladorana d.d. acquired additional shares in Slavonija Nova d.d. and held at 31 December 2012 77.94 percent (2011: 77.36 %) of the shares in the latter. In 2013 the share of Sladorana in the share capital of Slavonija Nova d.d. decreased to 67.05 percent as a result of the decrease in the share capital of the investee in order to cover its accumulated losses, which was performed by reducing the nominal per-share amount (from HRK 400.00 to HRK 250.00). In 2014 and 2015 the ownership interest remained the same, while in 2016 it was increased to 68.64 percent and the same amount is in 2017.

The share capital of Sladorana d.d. changed in 2013 based on a decision of the company's shareholders of 4 June 2013, by increasing the share capital from HRK 330,600,200.00 for the amount of HRK 14,970,000.00 to HRK 345,570,200.00 through a transfer of the company's profit

In February 2014 Sladorana tvornica šećera was transformed from a joint-stock company to a limited liability company, in accordance with the underlying resolution of the Commercial Court in Osijek.

In 2015 Sladorana d.o.o. invested in its subsidiary Slavonija Županja d.d. a total of HRK 3,271 thousand under a contract pursuant to which it committed to invest HRK 10,000 thousand in total by 31 December 2015; as a result, Sladorana fulfilled its contractual commitment. The Restructuring Centre acknowledged and accepted the investments, and the increase in the share capital of Slavonija Županja d.d. was registered at the Central Clearing and Depository Company Inc as of 16 February 2016, the date when Sladorana's ownership interest in the subsidiary was increased. At 31 December 2015 the investment was presented as a long-term receivable. The total additional capital paid in by Sladorana amounts to HRK 17,299 thousand. At 16 February 2016, Sladorana d.o.o. held 68.64 percent of the shares of Slavonija Županja d.d. As a result of the additional capital paid in, the ownership interest of Viro d.d. in Slavonija Županja d.d. amounts to 16.72 percent in 2016.

On 26 April 2013, based on a decision of the General Assembly of Slavonija Nova d.d., Article 12 of the Articles of Association was amended, and the share capital was reduced by HRK 26.999 million in order to cover the 2011 and 2012 losses of the company. The share capital was decreased by reducing the nominal per-share value by HRK 150.00, from HRK 400.00 to HRK 250.00. The decrease was registered at the Commercial Court in Osijek on 22 May 2013.

Based on the decision adopted in the General Shareholders' Meeting of Slavonija Nova d.d. of 5 September 2013, the share capital was increased by HRK 19.541 million, from HRK 44.998 million to HRK 64.539 million. The share capital was increased by contributing the claims of the creditors of Sladorana d.d. and Viro tvornica šećera d.d., comprising outstanding loan receivables and the related accrued interest based on the underlying contracts and the issued but not paid invoices for delivered wheat, i.e. by a conversion of the rights into a share in the investees share capital, as a result of which the contributing shareholder acquired an appropriate interest.

The decision on the increase of the share capital of Slavonija Nova d.d. was registered at the Commercial Court in Osijek on 4 October 2013 under Entry number: Tt-13/4399-2.

In 2015 the share capital was increased to HRK 67.810 million based on the underlying decision adopted in the General Shareholders' Meeting of 18 December 2015. The change was registered at the Commercial Court in Osijek on 21 January 2016.

In January 2014 the company changed its name from Slavonija Nova d.d. to Slavonija Županja d.d.

VIRO BH d.o.o. Grude was established in the court register of the Municipal Court in Široki Brijeg, Bosnia and Herzegovina on 3 May 2017. The founder of the company is the company VIRO TVORNICA ŠEĆERA d.d. Zagreb, Ulica grada Vukovara 269 g.

Viro tvornica šećera d.d. and the companies included in the consolidation (the Group) in the business year 2017 realized total consolidated revenues in the amount of HRK 1,075,555 million. Total operating income amounted to HRK 1,036,555 million, while financial income amounted to HRK 39 million.

The total consolidated expenditures in business year 2017 amount to HRK 1,252.630 million. Operating expenses amounted to HRK 1,211,208 million and accounted for 97% of total expenditures. In the business year 2017, the Group realized a loss of HRK 177,074 million.

**President of the Management Board:**

Željko Zadro, dipl.oec.



**Member of the Management Board:**

Darko Krstić

**Member of the Management Board:**

Ivo Rešić, mr.sc.



## **2. About the Group Companies**

### **2.1 Viro tvornica šećera d.d.**

Viro d.o.o., a production and trade company, was established on 19 July 2002 by means of becoming entered into the court register of the Commercial Court in Bjelovar, with companies EOS-Z d.o.o. and Robić d.o.o. as the founders, with the respective initial capital contributions of 51 percent and 49 percent. Following the share capital increase in 2003, the share capital of the company was increased to HRK 104,000,000.00.

Based on the Decision adopted in the General Shareholders' 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 (dioničko društvo) and changed its name to Viro tvornica šećera, dioničko društvo za proizvodnju i trgovinu (abbreviated firm: "Viro tvornica šećera d.d."), with the business shares in the amount 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.

In early 2006 the company's share capital was increased by issuing 346,667 new shares in an Initial Public Offering through the Zagreb Stock Exchange trading system, as a result of which HRK 126,533,455.00 were raised. 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 from HRK 104,000,000.00 to HRK 138,666,700.00.

Following the successfully finalised share capital increase, the company's shares were listed on the official market of the Zagreb Stock Exchange on 20 April 2006, for the purpose of transparency of the operations and allowing maximum insight into the operations of the company to all current as well as future shareholders of the company.

On 14 December 2006 a General Shareholders' Meeting was held in which a decision was adopted to increase the share capital of the company by HRK 110,933,360.00, from HRK 138,666,700.00 to HRK 249,600,060.00, by transferring portions of the company's capital gains and retained earnings. 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. The change was registered at the Commercial Court in Osijek on 20 January 2015.

In July 2016 Dražen Robić ceased to be a member of the Management Board, and Darko Krstić and Ivo Rešić were appointed members of the Management Board based on the decision of the Supervisory Board of 23 September 2016. The decision was registered at the Commercial Court in Zagreb on 27 October 2016.

Since August 2016, Cristal Union, France, a leading sugar producer in Europe, has been the second largest individual shareholder of Viro tvornica šećera d.d., with an ownership interest of 17 percent, providing the Company a greater opportunity to access the global markets.

## **2.2 Viro-kooperacija d.o.o.**

Viro-kooperacija d.o.o. was registered in late January 2012 with the aim to negotiate agricultural production of sugar beet, wheat, soybean, sunflower and corn for the following related companies: Viro tvornica šećera d.d., Sladorana d.d. and Slavonija Nova d.d.

In 2013 the intensity of the company's business decreases, and the workers employed at Viro-kooperacija returned to their home companies. Since 1 May 2013 the company has been operating without any employees.

By decision of the Commercial Court in Osijek on 21 November 2017, the decision on cessation of Javora Katušić's position as the Director of the Viro-kooperacije d.o.o. was issued on November 3, 2017. Darko Krstić assumed this function. The Supervisory Board was also abolished.

## **2.3 Sladorana d.o.o.**

Sladorana has a 70-year long tradition in sugar production. The company was established as Sladorana d.d., Zagreb, in 1942 with the purpose of constructing three sugar refineries in the territory of the Republic of Croatia and on 28 September of the same year a decision was made to construct a sugar refinery in Županja. The construction was finalised, with periods of discontinuation, in 1947. It was the most advanced and the largest sugar refinery in this part of Europe, with a daily sugar beet processing capacity of 1,350 tons. The first campaign started on 11 September 1947.

As a result of permanent investments in the infrastructure, the processing capacity has been continuously increased and currently amounts to 7,000 tons a day.

The ownership form of the factory changed several times during its history. The first privatisation took place in the 1990s, resulting in the factory being returned to the state as its majority shareholder based on the assumed debt. On 10 July 2008 the Government of the Republic of Croatia adopted a decision to publish an invitation to tender for the purchase of the shares of Sladorana d.d., Županja. In the session of 10 October 2008 the Government adopted a decision to accept the share-purchase bid submitted by Viro tvornica šećera d.d., Virovitica.

Pursuant to the Agreement on the Sale and Transfer of Shares of Sladorana d.d., Županja, concluded on 28 November 2008 between Viro tvornica šećera d.d., Virovitica and State Agency for Bank Rehabilitation (DAB), represented by the Croatian Privatisation Fund, Viro tvornica šećera d.d. became the owner of 1,017,010 shares representing 38.115 percent of the total value of Sladorana's share capital.

Pursuant to the provisions of the Articles of Association and the decision of the General Assembly to grant powers to increase the share capital through the authorised share capital, the Management Board adopted on 23 December 2009 a decision to increase the share capital (the authorised share capital). The share capital was increased by issuing 637,755 new ordinary shares, with a nominal amount of HRK 100,00 per share. As a result, the share capital was increased from HRK 266,824,700.00 to HRK 330,600,200.00 and divided into 3,306,002 ordinary shares, with a nominal amount of HRK 100.00 per share.

At 31 December 2012 the ownership interest of Viro tvornica šećera d.d. in Sladorana d.d. was 100 percent and did not change in 2013. The share capital of Sladorana d.d. changed in 2013 based on a decision of the company's shareholders of 4 June 2013, by increasing the share capital from HRK 330,600,200.00 to HRK 345,570.200.00 through a transfer of the company's profit. The number of shares without par value remained the same, i.e. 3,306,002 shares.

One should also draw attention to February 2014, when Sladorana tvornica šećera was transformed from a joint-stock company to a limited liability company, in accordance with the underlying resolution of the Commercial Court in Osijek dated 7 February 2014.

By decision adopted in the General Shareholders' Meeting of 12 January 2014, a memorandum of incorporation was adopted, which forms an inseparable part of the decision on the change in the legal form.

By decision of the Commercial Court in Osijek on May 2, 2014, Luka Burilović ceased to be the President of the Management Board of Sladorane d.o.o. on March 31, 2014. Based on the Decision of the Commercial Court in Osijek on 15 July 2014, a decision was made that Ivana Skorić was no longer a member of the Management Board on 1 July 2014 and Drazen Robić was no longer Procuratorate on the same day. Dražen Robić was appointed as the President of the Management Board, who since 1 July 2014 represents the company individually and independently.

On 24 October 2016 the Commercial Court in Osijek adopted a resolution under which Dražen Robić was no longer President of the Management Board from 4 July 2016, with Željko Zadro, a member of the Management Board, being appointed to replace him in this role based on a decision of 29 August 2016. In addition, Darko Krstić and Ivo Rešić became members of the Management Board on 29 August 2016.

**The most important sugar production segments of the VIRO group (Viro tvornica šećera d.d. and Sladorana d.o.o.) acting as related companies.**

The principal product is white sugar for human consumption, with dry noodle and molasses as by-products. In addition, Viro d.d. is a producer of liquid sugar. Apart from sugar, Sladorana d.o.o. also produces alcohol, obtained in the process of alcoholic fermentation of molasses, and protein powder. In early 2010 Sladorana launched a new product on the market – Sladoliq. This is a liquid supplement with molasses as the base ingredient, intended as a supplementary nutrient for ruminants.

The companies export the majority of their outputs.

#### **2.4. Slavonija Županja d.d.**

Slavonija Županja d.d., Županja, evolved from a cadastral flour mill “Novo doba” established in 1949, comprising six old flour mills with individual capacities ranging from 5 to 18 tons a day.

It was included in the Agricultural and Food Processing Group “Županja”, Županja, on 1 January 1963. It left the Group “Županja” on 30 June 1991 and operated as a socially-owned enterprise until 8 September 1994, when it was transformed into a joint-stock company and operated as such until 27 August 2000. On 28 August 2000 bankruptcy proceedings were initiated over Slavonija Joint-Stock Company, which lasted until 20 June 2004.

Based on the adopted restructuring plan, Slavonija Nova d.d., Županja, was established on 21 June 2004, as a new company to which all the assets and liabilities fully owned by the State were transferred. The share capital of the company amounts to HRK 66,166,800.00 and is divided into 165,417 ordinary A-series shares, with a nominal amount of HRK 400.00 each.

On 1 March 2011 a share purchase and transfer agreement was concluded between the The Strategic Commodity Stock Administration of the Croatian Ministry of Economy, the the State Savings Deposit Insurance and Bank Rehabilitation Agency of the Croatian Ministry of Finance, all represented, by virtue of the Contract on the Management of Shares, consents and powers of attorney, by the Croatian Privatisation Fund, Zagreb, as the Seller, and Sladorana tvornica šećera d.d., Županja, as the Buyer. In January 2014 the company changed its name from Slavonija Nova d.d. to Slavonija Županja d.d.

On 7 December 2017, the Commercial Court in Osijek issued a Decision on the basis of which Goran Blagojević is no longer a member of the Management Board since 31 October 2017 and Vedran Čuljak becomes member of the Management Board.

The capacities of the company are as follows:

- crop silos - approx. 80,000 tons
- flour silos - approx. 2,000 tons
- flour mill - 200 t/day
- rye mill - 100 t/day

The major products are the following: flour type T-550, flour type T-850, flour type T-400, flour type T-1100, integral flour, livestock flour. In addition, services are provided including wheat milling, agricultural produce drying and storage and transloading of crops.

## **2.5. Viro BH d.o.o.**

VIRO BH d.o.o. Grude was established in 2017 by entering the court register of the Municipal Court in Široki Brijeg, Bosnia and Herzegovina, and the subscribed capital amounted to 2,000.00 KM (corresponding to the amount of EUR 1,022.59). With brokerage in the trade of various products, the company is also registered for performing a number of other activities.

On 16 August 2017 year, the only member of the Company, VIRO TVORNICA ŠEĆERA d.d. makes the Decision on the increase of the share capital in the amount of 97,791.50 KM (corresponding to the amount of 50,000.00 EUR) and also changes Article 5 of the Statute of the dependent Company which now reads that the Company's share capital amounts to 99,791.50 KM (which corresponds amounting to EUR 51,022.59) of cash.

### 3. Ownership structure

Table1. *Ownership structure of Viro tvornica šećera d.d. at 31 December 2017*

No.	Investor	Number of shares	Structure in %
1	2	3	4
1.	EOS-Z d.o.o.	466,500	33,64
2.	Robić d.o.o.	308,302	22,23
3.	Cristal financiere	235,734	17,00
4.	Splitska banka d.d. / AZ OMF	137,055	9,88
5.	Addiko bank d.d./ PBZ Croatia Osiguranje OMF - kategorija b	33,108	2,39
6.	Erste&Steiermarkischebank d.d. / CSC	32,201	2,32
7.	Zagrebačka banka d.d. /AZ Profit DMF	25,449	1,84
8.	Hrvatska poštanska banka d.d.	23,257	1,68
9.	Addiko bank d.d./ Raiffeisen OMF kategorije b	14,393	1,04
10.	Other investors	110,668	7,98
	Total:	1,386,667	100,00

Source: Company data

The Company did not hold any own shares at the end of 2017. At the end of 2017 value per share amounted to HRK 235.00 while the volume of the Company's shares traded on the Zagreb Stock Exchange during the year amounts to HRK 19,718,383.80, with the market capitalisation rate at 31 December 2017 amounting to HRK 325.87 million.

Viro tvornica šećera d.d. applies the Code of Corporate Governance of the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange. Details about certain departures from the Code and the reasons underlying the departures are provided in the answers given by the Company to the questions contained in the Annual Questionnaire, which is an inseparable part of the Code and has been submitted to the Zagreb Stock Exchange and published on its website. This Corporate Governance Code Statement is an inseparable part of this Report.

The Company has a designed and implemented internal control system.

*Table 2. Ownership structure of Viro kooperacija d.o.o. at 31 December 2017*

No.	Investor	Ownership interest (%)
1	2	3
1.	Viro tvornica šećera d.d.	100.00

Source: Company data

*Table 3. Ownership structure of Sladorana d.o.o. at 31 December 2017*

No.	Investor	Ownership interest (%)
1	2	3
1.	Viro tvornica šećera d.d.	100.00

Source: Company data

*Table 4. Ownership structure of Slavonija Županija d.d. at 31 December 2017*

No.	Investor	Equity share	Number of A-series shares	Number of B-series shares	Ownership interest (%)
1	2	4	5	6	3
1.	Sladorana d.o.o.	46,542,000	153,376	16,396	68.64
2.	Viro d.d.	11,343,000		22,686	16.72
3.	CERP	9,925,000	39,700		14.64
	Total	67,810,000	179,992	39,082	100.00

Source: Company data

*Table 5. Ownership structure of Viro BH d.o.o. at 31 December 2017*

Rb.	Investor	Ownership interest (%)
1	2	3
1.	Viro tvornica šećera d.d.	100.00

Members of the Management and Supervisory Boards of Viro tvornica šećera d.d., Zagreb, at 31 December 2017

The members of the Management Board of Viro tvornica šećera d.d. are the following:

Chairman: Željko Zadro  
 Member: Darko Krstić  
 Member: Ivo Rešić

The members of the Supervisory Board of Viro tvornica šećera d.d. are the following:

Chairman: Marinko Zadro  
 Deputy Chairman: Boris Šimunović  
 Member: Ivan Mišetić  
 Member: Svetlana Zadro

Members of the Management of Viro-kooperacija d.o.o., Županja, at 31 December 2017

The members of the Management Board of Viro-kooperacija d.o.o. are the following:

Managing Director     Darko Krstić

Members of the Management and Supervisory Boards of Sladorana d.o.o., Županja, at 31 December 2017

The members of the Management Board of Sladorana d.o.o. are the following:

Chairman:     Željko Zadro

Member:     Darko Krstić

Member:     Ivo Rešić

The members of the Supervisory Board of Sladorana d.o.o. are the following:

Chairman:     Marinko Zadro

Member:     Ivan Mišetić

Member:     Miroslav Božić

Member:     Goran Fajdetić

Member:     Svetlana Zadro

Members of the Management and Supervisory Boards of Slavonija Županja d.d., Županja, at 31 December 2017

The members of the Management Board of Slavonija Županja d.d. are the following:

Member of the Management:     Vedran Čuljak

The members of the Supervisory Board of Slavonija Županja d.d. are the following:

Chairman:     Boris Šimunović

Deputy Chairman:     Marinko Zadro

Member:     Željko Zadro

Member:     Željko Koren

Member:     Darko Krstić

The members of the Management Board of Viro-kooperacija d.o.o. are the following:

Managing Director:     Ante Boban



## **4. Overview of the 2017 Performance**

### **4.1 Viro tvornica šećera d.d.**

The sugar beet purchases pipeline for the production year 2016 envisaged 8,650 hectares to be sown. The sugar beet production started in september 2016. Repromaterial required for the ripening of sugar beet (mineral fertilizer, seeds, preservatives) was obtained on time and in sufficient quantities for all those areas that are planned.

The contractually agreed area was 6,460 hectares and 6,353 hectares were sown. The contractually agreed area in Croatia was 5,140 hectares, of which 5,033 hectares were sown, and in Hungary 1,245 hectares were contractually negotiated and sown. The area finally contractually agreed in Slovenia was 75 hectares which were sown.

After the low prices of sugar in 2014 and 2015, sugar prices recorded a slight increase in 2016 and in the first half of 2017, and the contract price of sugar beet remained at 270 HRK per tonne, resulting in a major interest in sugar beet production at 1,000 hectares.

Sowing sugar beet began a week earlier than the year before and on 15 March 2017 year in the dry season where preparation was made difficult. The sowing was done with very good dynamics and ended 04.04.2017. The sowing was repeated to only 8 hectares due to excessive precipitation, ie the creation of the cedar.

Native sugar beetle was made worse due to poorer preparation and drying time, and crop circuits ranged from 90,000 to 120,000 plants per hectare.

Sugar beet protection in 2017 against pests, weeds and diseases was successful. Only 5% of the total sown area was treated against the tail pipe, mainly in the eastern part of the raw material area (Belje).

The protection of sugar beet was also successful. Thus, from 3 to 4 treatments during April and May, beet crops were successfully protected from weeds.

By setting up the metectics and acquiring electronic cameras, the course, intensity and development of cyperpowder was monitored and successfully suppressed. On the basis of detailed monitoring, the term first treatment of fungicides was determined. The schedule of other treatments during the vegetation was also determined on the basis of detailed field monitoring and monitoring of sugar beet crops. In order to enable the efficacy of fungicide preparations in the long run, some new active substances have been introduced and an improved approach to the protection of sugar beet from cystospore has been successfully implemented, in cooperation with French experts, with 3-4 treatments, successfully suppressing the disease.

Agro-climatic conditions during the vegetation were unfavorable to the growth and development of sugar beet. Dry season and high temperatures in the sowing and harvesting phase caused uneven growth and reduced plant complexity.

Crops that were sown earlier had advantage since they had enough moisture to sprout and quickly root for the dry season that followed. The drought and high temperatures lasted until the end of August when the rainfall (30-45 l / m<sup>2</sup>) increased for the sugar production area and this trend continued until the campaign ended. As emphasized at the beginning of the report, the sowing began very early and was done in a short period of time, at the time it was deeply rooted so that it had a good dry season, which was well protected from disease and pests. Such a crop when it gained more significant moisture continued with root growth and storage of sugar, resulting in excellent quality, as well as quantitativity, the roots of beets.

The Sugar Beet Campaign began on September 13 2017, and was taken to a factory on September 15 2017, and was processed on September 16, 2017. September was favorable for the campaign of extinction, in October there were 15 rainy days but despite this the campaign took place without interruption. The campaign continued until the end of the campaign with maximum cutting capacity and beet production on a daily basis over 1,000 tonnes.

Production results were a bit weaker on a hectare (70.00 t / ha) than in the previous record year, but from the point of view digesting itself is the best in the factory's history. Digestion compared to 2014 when it was 13.57%, then in 2015 by 14.20% and compared with 2016 increased from 15.96% to 16.34% in 2017.

In the campaign in 2017, 437,443 tons of sugar beet was processed, out of which 68,977 tonnes of white sugar were produced. The average yield was 69.83 t / ha, average digestion of 16.34% and impurity 12.42%.

Own raw sugar was processed in the period from 10 June to 17 July, with a total of 37,032 tons of raw sugar processed and the final output of 35,925 tons of sugar. The next processing phase of own raw sugar run in parallel with sugar beet processing, with a total processed quantity of 12,557 tons of sugar beat, of which 12,230 tons of sugar for human consumption were produced. In addition, Sladorana Županja produced 6,604 tons of raw sugar for Viro, of which 6,406 tons of sugar for human consumption were refined.

Related companies of Deloitte d.o.o., from the Deloitte network in 2017, provided services for financial, tax and legal due diligence in Serbia.

#### **4.2 Viro-kooperacija d.o.o.**

In 2017 the volume of business decreased.

### **4.3 Sladorana d.o.o.**

A total of 467,898 tons of sugar beet were processed, with an output of 72,221 tons of sugar, 23,216 tons of dry noodle, 2,581 tons of pressed beet pulp and 17,963 tons of molasses. The remaining total sugar output of 91,271 tons represent refinery services provided by other EU licensed producers.

No own raw cane sugar was refined in 2017, but 6,259 tons of raw cane sugar were refined for Viro, of which 6,406 tons of sugar and 165 tons of molasses were produced.

In 2017, the Alcohol and Yiest Unit was in operation 60 days, during which 6,259 tons of raw molasses, i.e. 6,016 molasses of 50% were produced. The volume of refined ethyl alcohol (AA) produced was 1,707 million litres, 0.228 million litres of technical ethyl alcohol (AA), and 83 tons of protein powder.

The quantity of molasses consumed in the production of all types of Sladoliqa (Sladoliq, Sladoliq MMS, Virovital PCG, Melasa B) was 1,180 tons, of which 2,420 tons of the product was made.

### **4.4 Slavonija Županja d.d.**

In 2017, the total amount of 15.7 thousand tons of various types of flour was poured through the service line through its own in the mill.

Slavonija Županja concluded that warehousing and warehousing agreements provided full capacity for silos throughout 2017, resulting in good revenues from reception, storage, drying and shipping services.

In 2017, Slavonia Županja started cooperation with new customers.

### **4.5 Viro BH d.o.o.**

Company Viro BH d.o.o. was established with the primary aim of exploiting the geographic position and the proximity of one of the sugar from the VIRO group, which is at the border with neighboring BiH, in the context of the abolition of production quotas in the EU and the abolition of export restrictions.

Export activities from VIRO sugar companies in Croatia, primarily from the virovitica sugar factory, began and took place relatively intense in the last quarter of the year. Viro BH is a company that has the primary role of sales agent in the BiH market which is expected to increase significantly in the years to come.

## **5. Risk exposure**

The Group companies are exposed to the risk of capital and various financial risks arising from foreign exchange, interest rate, credit and liquidity risks. The Group companies monitor those risks and seek to mitigate their potential impact on their financial exposure. The Group 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 Company's Management Board.

### **5.1. Capital risk**

The Group manages its capital to ensure that it will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital of the Group consists of the net debt (which includes received loans and borrowings less cash and cash equivalents) and shareholders' equity (comprising the registered capital, reserves and retained earnings).

The Treasury of the Group reviews the capital structure 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.

### **5.2. Interest rate risk**

The Group's exposure to the interest rate risk arises from its borrowing at fixed and variable rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. In the current year, the Group's sensitivity to interest rates increased mainly because of a higher number of variable-rate debt instruments.

### **5.3. Liquidity risk**

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.

The Group manages its liquidity by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The cash flow forecasts are prepared on a monthly basis (by day) and departures are monitored daily.

#### **5.4. Foreign exchange risk and exposure of the Group companies to price risk**

The Group's activities expose it primarily to the financial risks arising from movements in sugar and flour prices as well as the prices of raw material required for their production activities (sugar beet, sugar cane and wheat).

The Group undertakes certain transactions denominated in foreign currencies. Hence, it is exposed to fluctuations in foreign exchange rates. The Group 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) and (EUR) on international markets are carried out.

So far, the Group's business policy has been to make long-term contractual arrangements for deliveries of larger quantities over extended periods of time, which has proven to be most efficient, as it aims at minimising the impact of the price risk. As the Group sells the majority of its output on international markets, with the prices defined in euros, it is equally exposed to both foreign exchange and price risk.

#### **5.5. Credit risk**

Credit risk is the risk that the counterparty will default on its contractual obligations resulting in a financial loss to a company. The Group companies have 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 Group monitors regularly its exposure to counterparties as well as their creditworthiness spreads the aggregate value of the transactions to accepted customers. 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 Group usually seeks from its customers to furnish bank guarantees, debentures and bills of exchange as instruments of collateral.

The structure of receivables is presented below:

Table 6. *Receivables structure*

Type of receivables	2016	Structure (%)	2017	Structure (%)	Index
1	2	3	4	5	6 (4/2)
1. Receivables from related companies	2,422,079	1.00	3,271,551	2.12	135
2. Trade receivables	173,217,676	71.83	116,506,784	75.60	67
3. Receivables from entities in which there is a participating interest	0	0.00	0	0.00	
4. Amounts due from employees and owners	5,785	0.00	6,663	0.004	115
5. Receivables from the State and other institutions	64,791,695	26.87	33,569,740	21.78	52
6. Other receivables	707,098	0.29	764,020	0.50	108
Total receivables	241,144,333	100.00	154,118,758	100.00	64

Source: Company data

## 6. Financial position

Table 7. Balance sheet at 31 December

Item description	EDP code	Prior year (net)	Current year (net)
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	001		
B) DUGOTRAJNA IMOVINA (003+010+020+029+033)	002	543,336,279	520,812,391
I. INTANGIBLE ASSETS (004 to 009)	003	769,909	876,085
1. Development expenses	004		
2. Concessions, patents, licences, trade and service marks, software and other rights	005	769,909	876,085
3. Goodwill	006		
4. Prepayments for purchases of intangible assets	007		
5. Intangible assets under development	008		
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 to 019)	010	536,749,935	515,464,345
1. Land	011	38,540,921	38,750,891
2. Buildings	012	228,037,294	227,964,481
3. Plant and equipment	013	194,768,612	183,910,605
4. Tools, plant fittings and fixtures, and transport assets	014	2,712,606	2,540,528
5. Biological assets	015		
6. Prepayments for tangible assets	016	34,576,964	34,254,275
7. Tangible assets under development	017	35,993,969	26,073,477
8. Other tangible assets	018	44,900	44,900
9. Investment property	019	2,074,669	1,925,188
III. NON-CURRENT FINANCIAL ASSETS (021 to 028)	020	5,226,520	4,162,701
1. Equity shares in related companies	021	900,000	900,000
2. Loans to related companies	022		
3. Participating interests	023		
4. Loans to entities in which there is a participating interest	024		
5. Investments in securities	025	910,606	917,258
6. Given loans, deposits and similar	026	3,415,914	2,345,443
7. Other non-current financial assets	027		
8. Equity-method investments	028		
IV. RECEIVABLES (030 to 032)	029	589,915	309,260
1. Receivables from related companies	030		
2. Receivables in respect of credit sales	031		
3. Other receivables	032	589,915	309,260
V. DEFERRED TAX ASSETS	033		
C) CURRENT ASSETS (035+043+050+058)	034	928,099,253	726,194,647
I. INVENTORIES (036 to 042)	035	635,711,354	485,469,204
1. Raw material and supplies	036	76,486,835	39,465,980
2. Work in progress	037		
3. Finished products	038	373,566,269	406,044,319
4. Merchandise	039	134,836,805	35,008,468
5. Prepayments for inventories	040	50,821,445	4,950,437
6. Non-current assets held for sale	041		
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	241,144,333	154,118,758
1. Receivables from related companies	044	2,422,079	3,271,551
2. Trade receivables	045	173,217,676	116,506,784



3. Receivables from entities in which there is a participating interest	046		
4. Amounts due from employees and owners	047	5,785	6,663
5. Receivables from the State and other institutions	048	64,791,695	33,569,740
6. Other receivables	049	707,098	764,020
III. CURRENT FINANCIAL ASSETS (051 to 057)	050	23,373,920	14,506,338
1. Equity shares in related companies	051		
2. Loans to related companies	052		6,694,760
3. Participating interests	053		
4. Loans to entities in which there is a participating interest	054		
5. Investments in securities	055		
6. Given loans, deposits and similar	056	14,000,408	7,320,078
7. Other financial assets	057	9,373,512	491,500
IV. CASH WITH BANKS AND IN HAND	058	27,869,646	72,100,347
D) PREPAID EXPENSES AND ACCRUED INCOME	059	11,332,940	3,202,643
E) TOTAL ASSETS (001+002+034+059)	060	1,482,768,472	1,250,209,681
F) OFF-BALANCE SHEET ITEMS	061	1,714,081,455	1,448,792,590
LIABILITIES AND EQUITY			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	479,530,197	301,180,049
I. SHARE (SUBSCRIBED) CAPITAL	063	249,600,060	249,600,060
II. CAPITAL RESERVES	064	10,368,101	10,368,101
III. RESERVES OUT OF PROFIT (066+067-068+069+070)	065	56,410,827	56,417,086
1. Legal reserves	066	12,525,652	12,532,960
2. Reserves for own shares	067	43,866,670	43,866,670
3. Own shares (deductible item)	068		
4. Statutory reserves	069		
5. Other reserves	070	18,505	17,456
IV. REVALUATION RESERVES	071		
V. RETAINED PROFIT OR ACCUMULATED LOSSES (073-074)	072	99,270,607	155,502,891
1. Retained earnings	073	99,270,607	155,502,891
2. Tax losses brought forward	074		
VI. PROFIT OR LOSS FOR THE YEAR (076-077)	075	57,514,007	-176,840,330
1. Profit for the year	076	57,514,007	
2. Loss for the year	077		176,840,330
VII. MINORITY INTEREST	078	6,366,595	6,132,241
B) PROVISIONS (080 to 082)	079	453,209	453,209
1. Provisions for retirement and termination benefits and similar obligations	080		
2. Provisions for taxes	081		
3. Other provisions	082	453,209	453,209
C) NON-CURRENT LIABILITIES (084 to 092)	083	243,460,737	169,068,573
1. Liabilities to related companies	084		
2. Liabilities for loans, deposits and similar	085	1,936,506	945,496
3. Liabilities to banks and other financial institutions	086	241,447,754	168,123,077
4. Advances received	087		
5. Trade payables	088		
6. Liabilities in respect of securities	089		
7. Liabilities to entities in which there is a participating interest	090		
8. Other non-current liabilities	091	76,477	
9. Deferred tax liability	092		
D) CURRENT LIABILITIES (094 to 105)	093	755,547,863	763,877,291
1. Liabilities to related companies	094	35,000	2,175



2. Liabilities for loans, deposits and similar	095	12,921,646	13,307,340
3. Liabilities to banks and other financial institutions	096	202,505,024	374,102,814
4. Advances received	097	1,675,462	21,271,550
5. Trade payables	098	419,205,766	306,020,326
6. Liabilities in respect of securities	099		
7. Liabilities to entities in which there is a participating interest	100		
8. Liabilities to employees	101	3,153,292	3,379,307
9. Taxes, contributions and similar duties payable	102	4,916,880	7,991,230
10. Liabilities in respect of profit distributions (dividends payable)	103	30,963	30,963
11. Liabilities for non-current assets held for sale	104		
12. Other current liabilities	105	111,103,830	37,771,586
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	3,776,466	15,630,559
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	1,482,768,472	1,250,209,681
G) OFF-BALANCE SHEET ITEMS	108	1,714,081,455	1,448,792,590
BALANCE-SHEET SUPPLEMENT (to be completed by entrepreneurs preparing consolidated annual accounts)			
A) CAPITAL AND RESERVES			
1. Attributable to the equity holders of the parent	109	473,163,602	295,047,808
2. Attributable to the minority interest	110	6,366,595	6,132,241

Source: Company data

Table8. Profit and loss account

Item description	EDP code	Prior year	Current year
1	2	3	4
I. OPERATING INCOME (112+113)	111	1,175,314,593	1,036,554,832
1. Sales	112	1,164,848,253	1,020,907,676
2. Other operating income	113	10,466,340	15,647,156
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	1,096,569,697	1,211,208,085
1. Changes in the value of inventories of work in progress and finished products	115	-168,090,768	-115,783,700
2. Material expenses (117 to 119)	116	1,111,580,352	1,067,360,210
a) Cost of raw material and supplies	117	866,493,278	705,355,439
b) Cost of goods sold	118	188,191,649	289,953,633
c) Other external charges	119	56,895,425	72,051,138
3. Staff expenses (121 to 123)	120	52,056,447	57,281,722
a) Net salaries and wages	121	32,421,036	36,151,010
b) Taxes and contributions out of salaries	122	12,055,312	12,946,660
c) Contributions on salaries	123	7,580,099	8,184,052
4. Depreciation and amortisation	124	58,326,794	55,628,465
5. Other expenses	125	26,097,598	25,539,035
6. Value adjustment (127+128)	126	0	95,264,269
a) Non-current assets (other than financial assets)	127		
b) Current assets (other than financial assets)	128		95,264,269
7. Provisions	129		
8. Other operating expenses	130	16,599,274	25,918,084
III. FINANCIAL INCOME (132 to 136)	131	13,261,643	39,000,322
1. Interest income, foreign exchange gains, dividend and similar income from transactions with related companies	132	62,153	762,239
2. Interest income, foreign exchange gains, dividend and similar income from transactions with unrelated entrepreneurs and other persons	133	12,601,552	14,787,783
3. Share in the income of associates and entities in which there is a participating interest	134		
4. Unrealised gains (income) from financial assets	135	535,190	49,500
5. Other financial income	136	62,748	23,400,800

IV. FINANCIAL EXPENSES (138 to 141)	137	34,471,814	41,421,601
1. Interest expense, foreign exchange losses and other expenses from related-party transactions	138		706,126
2. Interest expense, foreign exchange losses and other expenses from transactions with unrelated entrepreneurs and other persons	139	32,154,753	38,562,884
3. Unrealised losses (expenses) from financial assets	140	1,020,990	2,898
4. Other financial expenses	141	1,296,071	2,149,693
V. SHARE IN THE PROFIT OF ASSOCIATES	142		
VI. SHARE IN THE LOSSES OF ASSOCIATES	143		
VII. EXTRAORDINARY – OTHER INCOME	144		
VIII. EXTRAORDINARY – OTHER EXPENSES	145		
IX. TOTAL INCOME (111+131+142 + 144)	146	1,188,576,236	1,075,555,154
X. TOTAL EXPENSES (114+137+143 + 145)	147	1,131,041,511	1,252,629,686
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	57,534,725	-177,074,532
1. Profit before taxation (146-147)	149	57,534,725	0
2. Loss before taxation (147-146)	150	0	177,074,532
XII. PROFIT (CORPORATE INCOME) TAX	151	0	0
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	57,534,725	-177,074,532
1. Profit for the period (149-151)	153	57,534,725	0
2. Loss for the period (151-148)	154	0	177,074,532
PROFIT OR LOSS STATEMENT SUPPLEMENT (to be completed by an entrepreneur preparing consolidated annual accounts)			
XIV. PROFIT OR LOSS FOR THE PERIOD			
1. Attributable to the equity holders of the parent	155	57,514,007	-176,840,330
2. Attributable to the minority interest	156	20,718	-234,202
STATEMENT OF OTHER COMPREHENSIVE INCOME (to be completed by entrepreneurs subject to IFRS reporting requirements)			
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	57,534,725	-177,074,532
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX (159 to 165)	158	0	0
1. Exchange differences on translation of a foreign operation	159		
2. Movements in reserves on revaluation of non-current tangible and intangible assets	160		
3. Profit or loss on revaluation of financial assets available for sale	161		
4. Profit or loss on determining the effectiveness of cash-flow hedges	162		
5. Profit or loss on determining the effectiveness of hedges of a net investment in a foreign operation	163		
6. Share in other comprehensive income/loss of associates	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	57,534,725	-177,074,532
SUPPLEMENT to the statement of other comprehensive income (to be completed by an entrepreneur preparing consolidated annual accounts)			
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD			
1. Attributable to the equity holders of the parent	169	57,514,007	-176,840,330
2. Attributable to the minority interest	170	20,718	-234,202

Source: Company data

Table 9. Cash flow

Item description	EDP code	Prior year	Current year
1	2	3	4
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	001	57,534,725	-177,074,532
2. Depreciation and amortisation	002	58,326,794	55,628,465
3. Increase in current liabilities	003	275,224,166	17,828,607
4. Decrease in current receivables	004		54,597,128
5. Decrease in inventories	005	34,320,046	148,967,579
6. Other increases in cash	006	20,748,920	10,591,153
I. Total increase in cash flows from operating activities (001 to 006)	007	446,154,651	110,538,400
1. Decrease in current liabilities	008		132,918,349
2. Increase in current receivables	009	29,279,296	
3. Increase in inventories	010	255,419,802	
4. Other decreases in cash	011	6,704,302	
II. Total decrease in cash flows from operating activities (008 to 011)	012	291,403,400	132,918,349
A1) NET INCREASE IN CASH FLOWS FROM OPERATING ACTIVITIES (007-012)	013	154,751,251	0
A2) NET DECREASE IN CASH FLOWS FROM OPERATING ACTIVITIES (012-007)	014	0	22,379,949
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Cash received from sale of non-current tangible and intangible assets	015	217,805	162,862
2. Cash received from sale of equity and debt instruments	016		
3. Interest received	017	1,679,568	3,913,878
4. Dividends received	018	56,703	77,328
5. Other cash received from investing activities	019	34,051,783	39,246,479
III. Total cash received from investing activities (015 to 019)	020	36,005,859	43,400,547
1. Cash paid for purchases of non-current tangible and intangible assets	021	69,908,838	34,611,917
2. Cash paid to acquire equity and debt financial instruments	022		
3. Other cash used in investing activities	023	6,204,350	5,112,305
IV. Total cash used in investing activities (021 to 023)	024	76,113,188	39,724,222
B1) NET INCREASE IN CASH FLOWS FROM INVESTING ACTIVITIES (020-024)	025	0	3,676,325
B2) NET DECREASE IN CASH FLOWS FROM INVESTING ACTIVITIES (024-020)	026	40,107,329	0
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Cash receipts from issue of equity and debt instruments	027		
2. Cash received from loan principal, promissory notes, borrowings and other borrowed funds	028	258,582,572	494,803,446
3. Other receipts from financing activities	029	248,625,962	8,073,669
V. Total cash received from financing activities (027 to 029)	030	507,208,534	502,877,115
1. Repayments of loan and bond principals	031	346,764,139	434,531,763
2. Dividends paid	032		
3. Cash paid under finance leases	033	5,977,777	2,728,635
4. Cash paid for purchase of own shares	034		
5. Other cash used in financing activities	035	278,090,098	2,682,392
VI. Total cash used in financing activities (031 to 035)	036	630,832,014	439,942,790
C1) NET INCREASE IN CASH FLOWS FROM FINANCING ACTIVITIES (030-036)	037	0	62,934,325
C2) NET DECREASE IN CASH FLOWS FROM FINANCING ACTIVITIES (036-030)	038	123,623,480	0
Total increase in cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	0	44,230,701
Total decrease in cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	8,979,558	0
Cash and cash equivalents at beginning of period	041	36,849,204	27,869,646
Increase in cash and cash equivalents	042	0	44,230,701
Decrease in cash and cash equivalents	043	8,979,558	0
Cash and cash equivalents at end of period	044	27,869,646	72,100,347

Source: Company data

Table9. *Performance ratios*

<b>LIQUIDITY RATIOS</b>			<b>2016.</b>	<b>2017.</b>
	<b>NUMERATOR</b>	<b>DENOMINATOR</b>		
CASH TO CURRENT LIABILITIES RATIO	CASH	CURRENT LIABILITIES	0.037	0,092
QUICK RATIO	CASH + RECEIVABLES	CURRENT LIABILITIES	0.354	0,290
CURRENT RATIO	CURRENT ASSETS	CURRENT LIABILITIES	1.237	0,936
FINANCIAL STABILITY RATIO	NON-CURRENT ASSETS	EQUITY + LONG-TERM LIABILITIES	0.751	1,106
<b>LEVERAGE RATIOS</b>				
	<b>NUMERATOR</b>	<b>DENOMINATOR</b>		
DEBT RATIO	TOTAL LIABILITIES	TOTAL ASSETS	0.677	0,759
EQUITY RATIO	EQUITY	TOTAL ASSETS	0.323	0,241
DEBT-TO-EQUITY RATIO	TOTAL LIABILITIES	EQUITY	2.092	3,151
<b>ACTIVITY RATIOS</b>				
	<b>NUMERATOR</b>	<b>DENOMINATOR</b>		
TOTAL ASSET TURNOVER RATIO	TOTAL INCOME	TOTAL ASSETS	0.802	0,860
CURRENT ASSETS TURNOVER RATIO	TOTAL INCOME	CURRENT ASSETS	1.265	1,475
RECEIVABLES TURNOVER RATIO	SALES	RECEIVABLES	4.831	6,624
INVENTORY TURNOVER RATIO	SALES	INVENTORIES	1.832	2,103
<b>EFFICIENCY RATIOS</b>				
	<b>NUMERATOR</b>	<b>DENOMINATOR</b>		
OVERALL EFFICIENCY RATIO	TOTAL INCOME	TOTAL EXPENSES	1.051	0,859
SALES EFFICIENCY RATIO	OPERATING INCOME	OPERATING EXPENSES	1.072	0,856
FINANCIAL EFFICIENCY RATIO	FINANCIAL INCOME	FINANCIAL EXPENSES	0.385	0,942
<b>PROFITABILITY RATIOS</b>				
	<b>NUMERATOR</b>	<b>DENOMINATOR</b>		
RETURN ON ASSETS (ROA) %	NET INCOME	TOTAL ASSETS	3.880	
RETURN ON EQUITY (ROE) %	NET INCOME	EQUITY	11.998	
RETURN ON SALES (ROS) %	NET INCOME	TOTAL INCOME	4.841	

Source: Company data

- Current assets include prepaid expenses and accrued income
- Current liabilities include accrued expenses and prepaid income
- Non-current liabilities include provisions.



## 7. STAFF

Intellectual capital i.e. employees are the key resource of each Group company, in addition to their assets. The Group seeks to add value to its intellectual capital by arranging continuous education in an effort to attract and retain quality staff.

Table10. *Permanent employees of Viro tvornica šećera d.d. by level of qualifications*

Level of qualifications	31.12.2016		31.12.2017		Index 6 (4/2)
	Number 2	Structure 3	Number 4	Structure 5	
MSc	1	1	0	0	
University graduate degree	36	20	34	19	94
University undergraduate degree	6	3	7	4	117
Secondary school qualifications	111	61	112	63	101
Highly-skilled workers	0	0	0	0	
Semi-skilled workers	2	1	2	1	100
Skilled workers	13	7	13	7	100
Unskilled workers	12	7	10	6	83
<b>Total permanent staff:</b>	<b>181</b>	<b>100</b>	<b>178</b>	<b>100</b>	<b>98</b>

Source: Company data

Table11. *Permanent employees of Sladorana d.o.o. by level of qualifications*

Level of qualifications	31.12.2016		31.12.2017		Index 6 (4/2)
	Number 2	Structure 3	Number 4	Structure 5	
MSc	0	0	0	0	0
University graduate degree	39	20	42	21	108
University undergraduate degree	5	3	5	2	100
Secondary school qualifications	138	69	137	68	99
Highly-skilled workers		0	0	0	0
Skilled workers	6	3	6	3	100
Semi-skilled workers	12	6	11	5	0
Unskilled workers	0	0	0	0	0
<b>Total permanent staff:</b>	<b>200</b>	<b>100</b>	<b>201</b>	<b>100</b>	<b>101</b>

Source: Company data

Table12. *Permanent employees of Slavonija Županija d.d. by level of qualifications*

Level of qualifications	31.12.2016		31.12.2017		Index 6 (4/2)
	Number 2	Structure 3	Number 4	Structure 5	
University graduate degree	8	16	6	12	75
University undergraduate degree	4	8	4	8	100
Secondary school qualifications	23	45	23	47	100
Skilled workers	9	18	9	19	100
Unskilled workers	7	13	7	14	100
<b>Total permanent staff:</b>	<b>51</b>	<b>100</b>	<b>49</b>	<b>100</b>	<b>96</b>

Source: Company data

Table13. *Permanent employees of Viro BH d.o.o. by level of qualifications*

Level of qualifications	31.12.2017	
	Number	
1	4	5
Visoka stručna sprema	1	100
Ukupno stalni:	1	100

## 8. Investments

Table14. *Investments realised in 2017 – Viro tvornica šećera d.d.*

Name	Amount
1	2
Mixer above centrifuge in stainless steel	736,920.00
Software License	480,163.52
Car parking	376,802.21
Forklift loads 2500 kg	305,774.28
Personal car Škoda Kodiak	275,922.03
Personal car Skoda Octavia	220,963.97
Color B centrifuge measurement system (Neltec colourq)	216,166.26
Vaga Vollenda VNG 200 E4	120,701.29
Automatic synchronization relay	114,000.00
Compressor GHH Rand model OG 600C	90,090.00
HDS 1320-4S high pressure cleaner	66,466.00
Others:	1,689,609.86
<b>Total:</b>	<b>4,693,579.42</b>

Source: Company data

Table15. *Investments realised in 2017 – Sladorana d.o.o.*

Name	Amount
1	2
System for biological waste water treatment	22,958,718
Reconstruction of the root cell (putsch)	1,827,411
Purchase of basic assets	2,101,421
Increase in property	1,722,290
Others:	2,742,188
<b>Total:</b>	<b>31,352,028</b>

Source: Company data

Table16. *Investments realised in 2017 – Slavonija Županija d.d.*

Name	Amount
1	2
Rehabilitation of the track	37,125.00
Gravitation tube	36,413.13
Bonding liner	21,205.98
Industrial computer SW / HW	15,169.35
<b>Total:</b>	<b>109,913.46</b>

Source: Company dan

## **9. Ecology**

In 2017 there were no environmental, or ecological, incidents at the Group companies. Sugar production and the related programmes and flour production are not economic activities that may cause significant damage or pose a significant environmental hazard. Still, efforts have continued to improve environmental protection and sustainable development.

Natural gas is the major energy resource in sugar production, which helps avoid the use of heavy fuels and reduce green-house gas and SO<sub>2</sub> emissions.

Sugar refineries and factories are large consumers of natural gas, the key source of energy in the sugar production. The continuous improvements reduce the level of natural gas consumption aimed at achieving savings and reducing hazardous gas emissions.

The highest volumes of gas 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. The second type of 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.

Both sugar factories have their own process water production plants, which are 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.

Viro tvornica šećera d.d. 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.

Sladorana d.o.o. has finalised the construction of a radial catch basin and obtained the use permit. The cooling tower has also been constructed, and obtained the use permit. Lagoon construction and the purchase and installation of the water treatment plant are in progress.

The Group companies generate 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.

Viro d.d. has been part of the Emission Trading System since 2013.



## 10. Development strategy

The Group seeks to align its operations with the increasingly competitive market on an on-going basis. Hence, significant funds are allocated each year to eliminate any bottlenecks in the production as well as to increase energy efficiency.

On-going investments in modern equipment and education of the staff guarantee production by applying state-of-the-art methods and complying with the highest safety and sanitary standards. As an additional product quality assurance, the following have been implemented:

- Viro d.d. Zagreb: IFS FOOD (Version 6), ISO 50001:2011, FSSC 22000:2010, ISO 9001:2008, ISO 14001:2004, OHSAS 18001, Halal and Kosher certificates
- Slavonija Županija d.d. Županja: IFS FOOD (Version 6), HACCP, ISO 9001:2008, Kosher certificate
- Sladorana d.o.o. : Transition internal audit ISO 9001: 2015, ISO 14001: 2015 and auditing audit ISO 50001: 2011, IFS ver. 6 held in the period from 23 to 24 November. ISO 5001: 2011 was conducted in December. The purpose of the audit was to check the application of the requirements of the ISO 9001: 2015, ISO 14001: 2015, ISO 50001: 2011 and IFS version 6 standards, ie the quality system, environmental protection, energy and food safety of the Company. As this year ISO 9001: 2015 and ISO 14001: 2015 audited this year, audits have been carried out during the year for all quality procedures. Complete documentation has been maintained and a required revision of the Quality Manual, Procedures, Forms, and Operating Instructions has been carried out. Daily internal hygiene control of employees and space was carried out. Sladorana d.o.o. possesses Kosher and Halal certificates.

Preliminary work has been carried out and a tender selected contractor determined for the introduction of the SAP system. This task will be completed next year with the training of the implementation team in which the representatives of all companies within the Group. The introduction of the SAP system is expected to exacerbate business processes and the Group's operations. This is especially important in the context of the merger of two sugars into one business entity which will be implemented during 2018.

The continuous investments in the production plants are aimed at achieving optimum performance through economies of scale.

Except for investing in the production capacities, the Group seeks to improve its relationships with sugar beet, crop and oleaginous crop producers and suppliers of commodities for the milling and silo operations. Permanent on-site education of the staff, along with agrotechnical measures taken based on the soil analysis findings, improve the performance from year to year. Particularly important in this segment is the transfer of knowledge of the French partner and co-owner of Viro.

It is expected that cooperation with the renowned and leading beet producer in the EU will also open ways for more affordable financing, including the already started use of the so-called "hedging sales and purchases on the London and New York Stock Exchange during 2017, or business in global markets. Through this cooperation, opportunities will be sought for possible acquisitions in regional markets, which should ensure a timely and sustainable growth of the Group companies.

By promoting traditional values, sponsoring cultural, sports and other events and assisting those in need, the Group companies seek to make a proactive contribution to improved quality of living within and beyond the local community, in line with the corporate social responsibility standards.

Investing in new technologies and diversifying the lines of product are the activities aimed at finding best possible response to the challenging environment.

## **11. Expectations by Group company**

A key event in the next 2018 is the merger of two sugar production units into one system, i.e. one company. This will be done by joining Sladorana d.o.o. into Viro d.d. who is already 100% owner of Sladorana. This merger will lead to significant savings, and to unify certain business functions, leaving production capacities that will be optimally used at both locations in both existing production facilities.

Given the significant price cuts since the abolition of production quotas in all EU countries, and given the existence of large production surpluses on the common market, and in the context of the extremely high supply in the global market and the existence of global surpluses, further efforts should be made in the correction direction, i.e. a reduction in the basic raw material price to ensure market existence.

This reduction in raw material prices, taking into account the continuous increase in yield and rising sugar content in the tear, and additional budget support for beet producers, does not necessarily mean a weaker position of the beet producer. On the contrary, the foreseeable reduction of beet prices is also necessary to correct an uneven ratio in the sugar production chain between industry and primary production in the direction of improving the industry's position.

In 2018 Group envisages 12,000 hectares to be contractually arranged for the purpose of sugar beet production, which means that, with about 780,000 tons of sugar beet to be processed with an output of 120,000 tons of beet sugar (starting from the actual digestion and utilization parameters obtained from the previous period), also 31,200 tons of molasses and 35,000 tons of sugar beet pulp, which is a significant source of income. In addition to the sugar beet, the plan is to process at least 60,000 tons of crude slurry sugar from which approximately 58,000 tons of sugar and about 2,400 tons of molasses will be produced.

Exports of sugar to the markets of the Middle East as well as neighboring markets will continue on the basis of contracts already concluded thanks to customer satisfaction with the quality of goods provided by the Company. In Slavonia, Županja d.d. for 2018, the signing of the Agreement on storage and preservation of grains with existing but new partners will be foreseen to ensure the availability of silos capacity. Flour production is also foreseen for shopping malls. Furthermore, cooperation with all the past customers of flour is continuing: shops, wholesalers and bakers. Planned investments to maintain a high level of safety in the production process that demand high food safety standards (HACCP, IFS, ISO) is to ensure product quality and competitiveness. As a result of developing a partnership based primarily on the quality of products and services, in 2018, the company will continue to increase its capacity utilization and raise its flour.

## **12. Significant post year-end events**

There have been no significant events subsequent to the end of the business year.

### **13. Statement of changes to the corporate governance code**

As the shares of Viro tvornica šećera 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](http://www.zse.hr)). Pursuant to the positive laws and the Code of Corporate Governance, Viro tvornica šećera completed the Annual Questionnaire for 2017, 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 Company's Annual Report for 2017 and is publicly available at the Company's web site ([www.secerana.hr](http://www.secerana.hr)) and the official website of the Zagreb Stock Exchange ([www.zse.hr](http://www.zse.hr)).

The appointment and revocation of the members of the Company's Management Board and the election of the Company's Supervisory Board members are governed and fully compliant with the Companies Act. Thus, four Supervisory Board members are elected by the Company's Shareholders' 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 Company's Supervisory Board.

The Company's 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 Company's Supervisory Board, adopt a decision to increase the share capital by maximum HRK 124,800,030.00. The authorisation expires on 20 January 2020.

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.

Diversity Policy: the members of the Company's 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 Company's 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 Company's website.

The members of the Management and Supervisory Boards are presented in the accompanying audited financial statements.

### 13.1. CODE OF CORPORATE GOVERNANCE

BASIC DATA ABOUT THE COMPANY:		VIRO TVORNICA ŠEĆERA d.d.	
CONTACT PERSON AND PHONE NUMBER:		KORNELIJA ELIUGA, 033/840-101	
FILLING DATE OF QUESTIONNAIRE:		26.03.2018.	
All questions contained in this questionnaire refer to the one-year period to which the annual financial statements refer.			
For the questions that are contained in the questionnaire, it is necessary to write the reasoning only if the question is explicitly requested.			
The answers in the questionnaire are evaluated at a certain percentage, which is expressed at the beginning of each chapter.			
DEDICATION TO PRINCIPLES OF CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY			
Answers to this set of questions carry 20% of the overall indicator of corporate compliance with the Corporate Governance Code.			
Question no.	Question	Answer YES/NO	Explanation
1	Has the Company adopted the use of the Code of Corporate Governance from Zagreb stock exchange?	Yes	
2	Has the Company prepared its own Code of Corporate Governance?	No	
3	Are there corporate governance code principles adopted as part of the Company's internal policies?	Yes	
4	Does the Group disclose in its annual financial statements its compliance with corporate governance principles?	Yes	
SHAREHOLDERS AND GENERAL ASSEMBLY			
Answers to this set of questions carry 30% of the overall indicator of corporate compliance with the Corporate Governance Code.			
Question no.	Question	Answer YES/NO	Explanation
5	Is the Group in a cross-shareholding relationship with another company/other companies? (If yes, please explain.)	No	

6	Does each share of the Group have one voting right? (If not, please explain).	Yes			
7	Are all shareholders treated equally? (If yes, please explain.)	No			
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 Group ensured that the shareholders 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.)	No	<i>There were no such requests.</i>		
10	Were the management board or the board of directors of the company when determining the meeting to determine the date by which the state in the stock register that will be applicable for the exercise of the voting rights in the shareholders' meeting is determined in such a way that the date before the meeting is held may be no more than six days before the Assembly? (if not, 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 Group and put at the disposal of shareholders on the Group'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 Group using modern communication technology? (If not, please explain.)	No	<i>There were no such requests from the shareholders.</i>		
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	<i>Pursuant to the Articles of Association and the Companies Act, the shareholders have to announce their attendance to a General Shareholders' Meeting six days in advance of the meeting.</i>		
17	Did the management of the Group made any information about potential claims challenging the decisions publicly available? (If not, please explain.)	Yes			
18	Did the management of the Group made any information about potential claims challenging the decisions publicly available? (If not, please explain.)	No	<i>No such claims have been initiated so far.</i>		
	MANAGING AND SUPERVISORY BODIES				

PLEASE PROVIDE THE NAMES OF MANAGEMENT BOARD MEMBERS AND THEIR FUNCTIONS:		<p><i>Željko Zadro, President of the Management Board</i></p> <p><i>Darko Krstić, Member of the Management Board</i></p> <p><i>Ivo Rešić, Member of the Management Board</i></p>		
PLEASE PROVIDE THE NAMES OF SUPERVISORY BOARD AND THEIR FUNCTIONS:		<p><i>Marinko Zadro, President of the Supervisory Board</i></p> <p><i>Boris Šimunović, Deputy President of the Supervisory Board</i></p> <p><i>Ivan Mišetić, Member of the Supervisory Board</i></p> <p><i>Svetlana Zadro, Member of the Supervisory Board</i></p> <p><i>Damir Keleković, Member of the Supervisory Board (until 6.12.2017.)</i></p>		
Answers to this set of questions carry 20% of the overall indicator of corporate compliance with the Corporate Governance Code.				
Question no.	Question	Answer YES/NO	Explanation	
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	<i>The Supervisory Board members maintain almost daily contact, and we believe that there is no need to formalise the matters.</i>	
20	Have the supervisory or management Board passed its internal rules of procedure? (If not, please explain.)	No	<i>The rules of procedure for the Supervisory Board are specified in the Companies Act and the Group's Articles of Association.</i>	
21	Is the supervisory board composed of, i.e. are non-executive directors on the management board of the Group mostly independent members? (If not, please explain.)	No	<i>The Supervisory Board members are representatives of the shareholders, workers and include one independent member</i>	
22	Is there a long-term succession plan in the Group? (If not, please explain.)	No	<i>Given a shallow organisational structure, we consider this as not necessary.</i>	

23	Is the remuneration received by the members of the supervisory or management board entirely or partly determined according to their contribution to the Group's business performance? (If not, please explain.)	No	<i>The President of the Supervisory Board receives a monthly remuneration defined by a decision of the General Assembly.</i>		
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 Group or from other persons related to the Group, including the structure of such remuneration, been made public? (If not, please explain.)	Yes			
26	Does every member of the supervisory or management board inform the Group 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 Group's shares, not later than five trading days from such a change? (If not, please explain.)	No	<i>Data is being provided on request</i>		
27	Does every member of the Supervisory Board or Board of Directors report to the Company about any changes regarding the acquisition, dismissal or the possibility of exercising voting rights over the shares of the company immediately, but not later than three business days after the date of the transaction? (if not, explain)	Yes			
28	Are all transactions involving members of the supervisory or management board or their related persons and the Group and its related persons clearly presented in the financial statements of the Group? (If not, please explain.)	Yes			
29	Are there any contracts or agreements between the members of the supervisory or management board and the Group?	Yes			
30	Were they previously approved by the supervisory or management board? (If not, please explain.)	Yes			
31	Are the essential elements of all such contracts or agreements included in the annual report? (If not, please explain.)	No	<i>This is mainly an advisory services contract concluded for a limited term.</i>		
32	Did the supervisory or management board establish the appointment committee?	No			
33	Did the supervisory or management board establish the remuneration committee?	No			
34	Did the supervisory or management board establish the audit committee?	Yes			
35	Was the majority of the committee members selected from the group of independent members of the supervisory board? (If not, please explain.)	No	<i>All members of audit committee are members of supervisory board. Audit committee is exempt from independency.</i>		
36	Did the committee monitor the integrity of the financial information of the Group, especially the correctness and consistency of the accounting methods used by the Group, including the criteria for the consolidation of financial statements of the companies belonging to the Group? (If not, please explain.)	Yes			
37	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 Group 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.)	Yes			



38	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	Due to the simple organisational structure we deem this unnecessary		
39	38. If there is no internal audit function in the Group, did the committee consider the need to establish it? (If not, please explain.)	No	Due to the simple organisational structure we deem this unnecessary		
40	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.)	Yes			
41	Did the committee monitor the nature and quantity of services other than audit, received by the Group from the audit company or from persons related to it? (If not, please explain.)	Yes			
42	Did the committee prepare any rules defining which services may not be provided to the Group 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	The company decides on this based on provisions of Audit Act		
43	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.)	Yes			
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 Group's objectives reached in comparison with the objectives set?	No			
47	Did the Group 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	These remunerations are prescribed in individual work contracts		
48	Are detailed data on all remuneration and benefits received by each member of the management or each executive director from the Group published in the annual report of the Group? (If not, please explain.)	No	For Supervisory Board members remuneration is determined based on General Assembly decision and the remuneration and benefits are included in the individual employment contracts.		
49	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			

	50	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 Group, of activities of the management of the Group, and a special comment on its cooperation with the management? (If not, please explain.)	No	The reports are prepared in accordance with the Companies Act.		
<b>AUDIT AND INTERNAL CONTROL MECHANISMS</b>						
Answers to this set of questions carry 10% of the overall indicator of corporate compliance with the Corporate Governance Code.						
	Question no.	Question	Answer YES/NO	Explanation		
	51	Does the Group have an external auditor?	Yes			
	52	Is the external auditor of the Group related with the Group in terms of ownership or interests?	No			
	53	Is the external auditor of the Group providing to the Group, him/herself or through related persons, other services?	Yes			
	54	Has the Group 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 obligation of disclosing the fee is prescribed by the Code which is recommendation and not obligatory		
	55	Does the Company have internal auditors? (If not, please explain.)	No	Due to the simple organisational structure we deem this unnecessary		
	56	Does the Company have an internal control system established? (If not, please explain.)	No	Due to the simple organisational structure we deem this unnecessary		
<b>TRANSPARANCY AND THE PUBLIC VISIBILITY OF THE BUSINESS</b>						
Answers to this set of questions carry 20% of the overall indicator of corporate compliance with the Corporate Governance Code.						
	Question no.	Question	Answer YES/NO	Explanation		
	57	Are the semi-annual, annual and quarterly reports available to the shareholders?	Yes			
	58	Did the Group prepare a calendar of important events?	Yes			
	59	Did the Group 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			
	60	Did the Group establish mechanisms to ensure monitoring the inside information and possible abuse thereof?	Yes			
	61	Has anyone suffered negative consequences for pointing out to the competent authorities or bodies in the Group or outside, shortcomings in the application of rules or ethical norms within the Group? (If yes, please explain.)	No			
	62	Did the management of the Group hold any meetings with interested investors last year?	No			
	63	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?	Yes			

## Responsibility for the consolidated financial statements

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

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

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

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

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

Signed on behalf of the Management Board by:



Željko Zadro, President of the Management Board

Darko Krstić, Member of the Management Board

Ivo Rešić, Member of the Management Board

Viro tvornica šećera d.d.  
Ulica grada Vukovara 259g  
10000 Zagreb  
Republic of Croatia  
27 April 2018

Deloitte d.o.o.  
Zagreb Tower  
Radnička cesta 80  
10 000 Zagreb  
Croatia  
Tax id. (OIB): 11686457780

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

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Viro tvornica šećera d.d.

### Opinion

We have audited the consolidated financial statements of Viro tvornica šećera d.d. and its subsidiaries (hereinafter jointly referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group at 31 December 2017, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

### Basis for Opinion

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 Financial Statements* section of our Independent Auditor's Report. We are independent of the Group 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.

The company was registered at Zagreb Commercial Court: MBS 030022053; paid-in Initial capital: Kn 44,900.00; Board Members: Branislav Vrtačnik, Eric Daniel Olcott, Marina Tonžetić, Juraj Moravek, Dražen Nimčević and John Jozef H. Ploem; Bank: Zagrebačka banka d.d., Trg bana Josipa Jelačića 10, 10 000 Zagreb, bank account no. 2360000-1101896313; SWIFT Code: ZBAHR2X IBAN: HR2723600001101896313; Privredna banka Zagreb d.d., Radnička cesta 50, 10 000 Zagreb, bank account no. 2340009-1110098294; SWIFT Code: PBZGHR2X IBAN: HR3823400091110098294; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, bank account no. 2484008-1100240905; SWIFT Code: RZBHR2X IBAN: HR1024840081100240905.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see <http://www.deloitte.com/hr/about> for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

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

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<b>Valuation of inventories</b> <i>Please refer to Note 16 to the consolidated financial statements</i>	
<p>At 31 December 2017 the Group recognised inventories in the amount of HRK 485,469 thousand, which consist of net value of finished goods, merchandise, raw material and supplies and prepayment made for inventories. Value adjustment for the amount of HRK 95,264 relates to the value adjustment of inventories, because the value of the inventory of sugar on the market is lower than the cost of inventories.</p> <p>Out of the total value of inventories, HRK 359,928 thousand relates to stocks of finished sugar products. The Group has no production in progress which relates to sugar on 31 December 2017.</p> <p>There is a risk that inventories may not be presented in accordance with International Accounting Standard 2 "Inventories", that is, they may not be recognised at the lower of cost or net realisable value.</p> <p>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.</p> <p>The Group applies a traditional production cost method which includes direct labor and material costs and general cost of production per cost bearer.</p>	<p>Our audit approach included both controls testing and substantive procedures, which are the following:</p> <ul style="list-style-type: none"> <li>• 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 Group's books.</li> <li>• 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.</li> <li>• We have reviewed the production calculation method and the allocation of all overhead costs to the products.</li> </ul>



## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **Other Information**

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 financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. With respect to the Group's Management Report and the Corporate Governance Statement, which are included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include examining whether the Management Report and Corporate Governance Statement include required disclosures as set out in Articles 21, 22 and 24 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in Articles 22 and 24 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 attached financial statements,
2. The Group's Management Report has been prepared, in all material respects, in accordance with the Articles 21 and 24 of the Accounting Act,
3. Corporate Governance Statement has been prepared, in all material aspects, in accordance with the Article 22, paragraph 1, items 3 and 4 of the Accounting Act, and includes also the information from the Article 22, paragraph 1, point 2, 5, 6 and 7 and the Article 24, paragraph 2

Based on the knowledge and understanding of Group and its environment, which we gained during our audit of the financial statements, we have not identified material misstatements in the other information.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### **Responsibilities of the Management and Supervisory Board for the financial statements**

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

In preparing the financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 is 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 these 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Other reporting obligations as required by Regulation (EU) No. 537/2014 of the European Parliament and the Council and the Audit Act

We were appointed as the statutory auditor of the Company by the shareholders on General Shareholders' Meeting held on 29 August 2017 to perform audit of accompanying financial statements. Our total uninterrupted engagement has lasted 7 years and covers period 31 December 2011 to 31 December 2017.

We confirm that:

- our audit opinion on the accompanying financial statements is consistent with the additional report issued to the Audit Committee of the Company on 27 April 2018 in accordance with the Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council;
- no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

There are no services, in addition to the statutory audit, which we provided to the Group and its controlled undertakings, and which have not been disclosed in the Annual Report.

The engagement partner on the audit resulting in this independent auditor's report is Branislav Vrtačnik.



Branislav Vrtačnik  
President of the Managing Board and certified auditor

Deloitte d.o.o.  
27 April 2018  
Radnička cesta 80,  
10 000 Zagreb,  
Croatia

## Consolidated statement of comprehensive income

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

	Notes	2017	2016
Sales	4.1	1,020,908	1,164,848
Other income	4.2	15,647	10,466
<b>Total operating income</b>		<b>1,036,555</b>	<b>1,175,314</b>
Increase in the value of work in progress and finished products		115,784	168,091
Cost of raw material and supplies	6	(705,355)	(866,493)
Cost of goods sold	7	(289,954)	(188,192)
Other external expenses	8	(72,051)	(56,895)
Depreciation and amortisation	14	(55,628)	(58,327)
Staff expenses	9	(57,282)	(52,056)
Other expenses	10.1	(25,539)	(26,098)
Other operating expenses	10.3	(25,918)	(16,599)
Value adjustment	10.2	(95,264)	-
<b>Total operating expenses</b>		<b>(1,211,207)</b>	<b>(1,096,569)</b>
<b>(Loss) / Profit from operations</b>		<b>(174,652)</b>	<b>78,745</b>
Financial income	11	39,000	13,262
Financial expenses	12	(41,422)	(34,472)
<b>Net financial loss</b>		<b>(2,422)</b>	<b>(21,210)</b>
<b>(Loss) / Profit before taxation</b>		<b>(177,074)</b>	<b>57,535</b>
Income tax	13	-	-
<b>(Loss) / Profit for the year</b>		<b>(177,074)</b>	<b>57,535</b>
<b>Other comprehensive (loss) / income</b>			
<b>Total comprehensive (loss) / income for the year</b>		<b>(177,074)</b>	<b>57,535</b>
(Loss) / Income attributable to:			
<b>Equity holders of the parent</b>		<b>(176,840)</b>	<b>57,514</b>
<b>Non-controlling interest</b>		<b>(234)</b>	<b>21</b>
Total comprehensive (loss) / income attributable to:			
<b>Equity holders</b>		<b>(177,074)</b>	<b>57,514</b>
<b>Non-controlling interest</b>		<b>(234)</b>	<b>21</b>
<b>(Loss) / Earnings per share</b>			
- basic and diluted (in kunas and lipas)	23	(127.70)	41.49

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

## Consolidated statement of financial position

At 31 December 2017

(All amounts are expressed in thousands of HRK)

	Notes	31 December 2017	31 December 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	14	876	770
Property, plant and equipment	14	515,464	536,750
Non-current financial assets	15	4,163	5,226
Long-term receivables		309	590
<b>Total non-current assets</b>		<b>520,812</b>	<b>543,336</b>
<b>Current assets</b>			
Inventories	16	485,469	635,711
Trade receivables	17	119,778	175,640
Receivables from the State and other institutions	18	33,570	64,792
Current financial assets	19	14,506	23,374
Other receivables		771	712
Cash and cash equivalents	20	72,100	27,870
Prepaid expenses and accrued income	21	3,203	11,333
<b>Total current assets</b>		<b>729,397</b>	<b>939,432</b>
<b>TOTAL ASSETS</b>		<b>1,250,209</b>	<b>1,482,768</b>

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

## Consolidated statement of financial position (continued)

At 31 December 2017

(All amounts are expressed in thousands of HRK)

	Notes	31 December 2017	31 December 2016
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	22.1	249,600	249,600
Retained earnings		20,095	198,217
Capital reserves	22.2	10,368	10,368
Reserves out of profit	22.2	56,417	56,411
Other reserves	22.2	(41,432)	(41,432)
<b>Attributable to the owners of the parent</b>		<b>295,048</b>	<b>473,164</b>
Non-controlling interests		6,132	6,366
<b>Total equity</b>		<b>301,180</b>	<b>479,530</b>
<b>Provisions</b>	31	<b>453</b>	<b>453</b>
<b>Non-current liabilities</b>			
Liabilities for loans, deposits and similar	24	669	1,130
Loans payable and borrowings	24	168,399	242,255
Other non-current liabilities		-	76
<b>Total non-current liabilities</b>		<b>169,068</b>	<b>243,461</b>
<b>Current liabilities</b>			
Liabilities to related companies	29	2	35
Liabilities for loans, deposits and similar	24	12,661	10,161
Loans payable and borrowings	24	374,750	205,266
Advances received	26	21,272	1,675
Trade payables	25	306,020	419,206
Other current liabilities	27	49,173	119,205
Accrued expenses and deferred income	28	15,631	3,776
<b>Total current liabilities</b>		<b>779,508</b>	<b>759,324</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,250,209</b>	<b>1,482,768</b>

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

## Consolidated statement of changes in shareholders' equity

For the year ended 31 December 2017

*(All amounts are expressed in thousands of HRK)*

	Share capital	Reserves	Retained earnings	Non-controlling interests	Total
<b>Balance at 31 December 2015</b>	<b>249,600</b>	<b>25,329</b>	<b>139,720</b>	<b>6,677</b>	<b>421,326</b>
Profit for the year	-	-	57,514	21	57,535
<b>Total comprehensive profits</b>	<b>-</b>	<b>-</b>	<b>57,514</b>	<b>21</b>	<b>57,535</b>
Legal reserves	-	5	-	(5)	-
Additional acquisition (Note 1.1.)	-	-	(178)	(334)	(512)
Effect of correction credited to reserves and retained earnings	-	13	1,161	7	1,181
<b>Balance at 31 December 2016</b>	<b>249,600</b>	<b>25,347</b>	<b>198,217</b>	<b>6,366</b>	<b>479,530</b>
Loss for the year	-	-	(176,840)	(234)	(177,074)
<b>Total Comprehensive Loss</b>	<b>-</b>	<b>-</b>	<b>(176,840)</b>	<b>(234)</b>	<b>(177,074)</b>
Legal reserves	-	7	(7)	-	-
Effect of correction credited to reserves and retained earnings	-	(1)	(1,275)	-	(1,276)
<b>Balance at 31 December 2017</b>	<b>249,600</b>	<b>25,353</b>	<b>20,095</b>	<b>6,132</b>	<b>301,180</b>

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

Consolidated statement of cash flows  
For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

		2017	2016
<b>Cash flows from operating activities</b>			
(Loss) / profit for the year		(177,074)	57,535
Depreciation and amortisation	14	55,628	58,327
Unrealised exchange differences on loans and borrowings payable, net	12	(2,313)	(4,123)
Interest expense	12	23,840	21,809
Interest income	11	(2,131)	(2,131)
Net book value of retired assets	14	2,467	1,983
Value adjustment of current assets		111,200	10,483
Permanent impairment of financial assets available for sale	15	3	483
Other non-cash adjustments		(1,276)	(505)
<b>Operating cash flows before changes in working capital</b>		<b>10,344</b>	<b>143,861</b>
(Decrease)/increase in inventories	16	54,947	(225,625)
(Decrease)/Increase in trade receivables	17	48,671	(2,665)
(Decrease)/Increase in other receivables		39,575	(33,808)
Decrease in accrued expenses and deferred income	21	11,854	2,482
Increase/(decrease) in advances received	26	19,596	(39,803)
(Decrease)/Increase in trade payables	25	(113,218)	281,849
Decrease in other liabilities		(72,079)	(641)
<b>Cash generated from operations</b>		<b>(310)</b>	<b>125,60</b>
Income taxes paid	13	(54)	(54)
Interest paid		(21,798)	(20,299)
<b>Net cash (used in) /generated from operating activities</b>		<b>(22,180)</b>	<b>105,297</b>

Consolidated statement of cash flows (continued)

For the year ended 31 December 2016

(All amounts are expressed in thousands of HRK)

		2017	2016
<b>Cash flows from investing activities</b>			
Given loans and deposits		3,344	20,220
Purchases of property, plant and equipment, and intangible assets	14	<u>(36,916)</u>	<u>(71,729)</u>
<b>Net cash used in investing activities</b>		<b><u>(33,572)</u></b>	<b><u>(51,509)</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from loans and borrowings		336,398	539,579
Repayments of loans and borrowings	24	<u>(236,416)</u>	<u>(602,346)</u>
<b>Net cash (used in)/generated from financing activities</b>		<b><u>99,982</u></b>	<b><u>(62,767)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>44,230</u></b>	<b><u>(8,979)</u></b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>27,870</b>	<b>36,849</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>72,100</b>	<b>27,870</b>

## Notes to the consolidated financial statements

For the year ended 31 December 2017

(All amounts are expressed in kunas)

---

### 1. GENERAL INFORMATION

#### 1.1 Introduction

Viro tvornica šećera d.d. and its subsidiaries comprise a group of the following companies: Viro tvornica šećera d.d., Zagreb, Ulica grada Vukovara 269g, as the parent company, and subsidiaries Sladorana d.o.o., Slavonija Županja d.d., Viro-kooperacija d.o.o. and Viro BH d.o.o.

Viro tvornica šećera d.d. was entered in the registry of the Commercial Court in Bjelovar on 23 July 2002. The founders of the company were EOS-Z d.o.o. Zagreb and Robić d.o.o., Velika Gorica. In 2005 the Company was transformed from a Croatian limited liability company (društvo s ograničenom odgovornošću) into a joint-stock company (dioničko društvo). The share capital of the Company amounts to HRK 249,600,060 (2016: HRK 249,600,060), divided into 1,386,667 (2016: 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.

At 31 December 2015 the Company held, as the sole shareholder of Sladorana d.o.o., Županja, 100.00 percent (2016: 100.00%) of the total equity of the subsidiary. On 7 February 2014 the company was transformed from a joint-stock company into a limited liability company.

In 2012 the Company established VIRO-kooperacija d.o.o. by paying in an initial cash contribution in the amount of HRK 20 thousand. The Company is the sole owner of VIRO-kooperacija d.o.o.

In 2013 the Company acquired equity shares in Slavonija Županja based on a conversion of its receivables into equity and at 31 December 2016 it held 22,686 (2016: 22,686) ordinary B-series shares in Slavonija Županja, representing 16.72 percent (2016: 16.72 %) of the total equity of the subsidiary.

In 2013 Sladorana d.o.o. acquired additional shares in Slavonija Županja d.d. by contributing its claims arising from outstanding receivables, as a result of which it acquired 16,396 ordinary B-series shares. As Slavonija Županja d.d. increased its share capital through a new issue of shares, Sladorana d.d. held at 31 December 2013 67.05 percent shares in that company (2012: 67.05 %).

In 2015 Sladorana d.o.o. invested in its subsidiary Slavonija Županja d.d. a total of HRK 3,271 thousand under a contract pursuant to which it committed to invest HRK 10,000 thousand in total by 31 December 2015; as a result, Sladorana fulfilled its contractual commitment. The Restructuring Centre acknowledged and accepted the investments, and the increase in the share capital of Slavonija Županja d.d. was registered at the Central Clearing and Depository Company Inc as of 16 February 2016, the date when Sladorana's ownership interest in the subsidiary was increased. At 31 December 2015 the investment was presented as a long-term receivable. The total additional capital paid in by Sladorana amounts to HRK 17,299 thousand. At 16 February 2016, Sladorana d.o.o. held 68.64 percent of the shares of Slavonija Županja d.d.

Following the share capital increase, the Group has acquired an additional ownership interest in Slavonija Županja d.d. in the amount of 0.74 percent. In 2017 the Company established VIRO BH d.o.o. by paying in an initial cash contribution in the amount of EUR 51 thousand. The Company is the sole owner of VIRO BH d.o.o.



## Notes to the consolidated financial statements

For the year ended 31 December 2017

*(All amounts are expressed in kunas)*

---

### 1. GENERAL INFORMATION (CONTINUED)

#### 1.2 Principal activity

The principal activities of the Group comprise sugar, flour and alcohol production.

#### 1.3 Management Board

At 31 December 2017 and 31 December 2016 the members of the Company's Management Board are the following:

1. <i>Željko Zadro</i>	<i>President of the Management Board</i>	
2. <i>Darko Krstić</i>	<i>Member of the Management Board</i>	<i>Since 23 September 2016</i>
3. <i>Ivo Rešić</i>	<i>Member of the Management Board</i>	<i>Since 23 September 2016</i>

#### 1.4 Supervisory Board

At 31 December 2017 and 31 December 2016 the members of the Company's Supervisory Board are the following:

1. <i>Marinko Zadro</i>	<i>Chairman of the Supervisory Board</i>	
2. <i>Boris Šimunović</i>	<i>Deputy Chairman of the Supervisory Board</i>	
3. <i>Ivan Mišetić</i>	<i>Member of the Supervisory Board</i>	
4. <i>Damir Keleković</i>	<i>Member of the Supervisory Board</i>	<i>Until 6 December 2017</i>
5. <i>Svetlana Zadro</i>	<i>Member of the Supervisory Board</i>	<i>Since 30 August 2016</i>

## Notes to the consolidated financial statements

For the year ended 31 December 2017

*(All amounts are expressed in kunas)*

---

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

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

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

- **Amendments to IAS 7 “Statement of Cash Flows”** - Disclosure Initiative – adopted by EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 “Income Taxes”** - Recognition of Deferred Tax Assets for Unrealised Losses – adopted by EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017).
- **Amendments to various standards “Improvements to IFRSs (cycle 2014-2016)”** 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 – adopted by the EU on 8 February 2018 (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017).

The adoption of these amendments to the existing standards has not led to any material changes in the financial statements of Group.

## Notes to the consolidated financial statements

For the year ended 31 December 2017

*(All amounts are expressed in kunas)*

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

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

At the date of authorisation of these financial statements, the following new standards issued by IASB and adopted by the EU are not yet effective:

- **IFRS 9 “Financial Instruments”** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 “Revenue from Contracts with Customers”** and amendments to IFRS 15 “Effective date of IFRS 15” - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 16 “Leases”** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 4 “Insurance Contracts”** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 “Financial Instruments” is applied first time),
- **Amendments to IFRS 15 “Revenue from Contracts with Customers”** - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to various standards “Improvements to IFRSs (cycle 2014-2016)”** 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 – adopted by the EU on 8 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018).

The Group has decided not to adopt these new standards and amendments to existing standards in advance of their effective dates. IFRS 9 and IFRS 15 will begin to apply from 1 January 2018. The Group anticipates that the implementation of IFRS 9 and IFRS 15 will have no material impact on the financial statements.

## Notes to the consolidated financial statements

For the year ended 31 December 2017

*(All amounts are expressed in kunas)*

---

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

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at 2 March 2018 (the effective dates stated below is for IFRS in full):

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 17 “Insurance Contracts”** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 2 “Share-based Payment” - Classification and Measurement of Share-based Payment Transactions** (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 9 “Financial Instruments” - Prepayment Features with Negative Compensation** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments** (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IAS 19 “Employee Benefits” - Plan Amendment, Curtailment or Settlement** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 “Investments in Associates and Joint Ventures” - Long-term Interests in Associates and Joint Ventures** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 40 “Investment Property” - Transfers of Investment Property** (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to various standards “Improvements to IFRSs (cycle 2014-2016)”** 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, amendmends to IFRS 1 and IAS 28 for annual periods beginning on or after 1 January 2018),

## Notes to the consolidated financial statements

For the year ended 31 December 2017

*(All amounts are expressed in kunas)*

---

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

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at 2 March 2018 (the effective dates stated below is for IFRS in full):

- **Amendments to various standards due to “Improvements to IFRSs (cycle 2015-2017)”** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording. (amendments are to be applied for annual periods beginning on or after 1 January 2019).
- **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** (effective for annual periods beginning on or after 1 January 2018),
- **IFRIC 23 “Uncertainty over Income Tax Treatments”** (effective for annual periods beginning on or after 1 January 2019).

## Notes to the consolidated financial statements

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### 3.1. Basis of the financial statement presentation and preparation

The Group maintains its accounting records in the Croatian language, in Croatian kunas and in accordance with Croatian laws. The financial statements of the Group are prepared on the cost basis, except for financial assets carried at fair value, in accordance with International Financial Reporting Standards, as adopted by the European Union, and Croatian laws.

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

The Management Board believes it will be able to finance its needs during 2018 in accordance with its business plans. A key event in the next 2018 is the merger of two sugar production units into one system, i.e. one company. This will be done by joining Sladorana d.o.o. into Viro d.d.. This merger will lead to significant savings, and to unify certain business functions, leaving production capacities that will be optimally used at both locations in both existing production facilities. Given the significant price cuts since the abolition of production quotas in all EU countries, and given the existence of large production surpluses on the common market, and in the context of the extremely high supply in the global market and the existence of global surpluses, it is necessary to make further efforts in the direction of correction or reduction of the basic raw material price to ensure the market's survival. The Company's management continuously follows these circumstances and makes decisions in accordance with the above-mentioned plans and strategies of the Company and the Group.

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
2017	7.513648	6.269733
2016	7.557787	7.168536

The consolidated financial statements of the Group represent aggregate amounts of assets, liabilities, capital and reserves of the Group as of 31 December 2017, and the results of its operations for the year then ended.

#### 3.2 Basis of consolidation

The accompanying consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries), including structured entities. Control is achieved where the Company:

- has power over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

## Notes to the consolidated financial statements

For the year ended 31 December 2017

*(All amounts are expressed in thousands of HRK)*

---

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Basis of consolidation (continued)

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

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by investors, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

## Notes to the consolidated financial statements

For the year ended 31 December 2017

*(All amounts are expressed in thousands of HRK)*

---

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.3 Goodwill

Goodwill arising on a business combination is recognised initially at cost, as established at the date of acquisition of the business, less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any gain or loss on remeasurement at fair value is included in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### 3.4 Revenue recognition

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow into the Group and when the amount of the revenue can be measured reliably. Sales are recognised 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.

#### 3.5 Borrowing costs

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

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

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



## Notes to the consolidated financial statements

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

---

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.6 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. Foreign-currency denominated cash, receivables and payables are retranslated at exchange rates effective at the date of the statement of financial position. Gains and losses on translation are included in the statement of profit or loss and other comprehensive income for the year.

#### 3.7 Income tax

The tax currently payable 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.

## Notes to the consolidated financial statements

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.7 Income tax (continued)

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

##### *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.

#### 3.8 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 tangible or intangible assets in excess of the originally assessed standard performance of the asset, they are added to the carrying amount of the asset. Gains or losses on the retirement or disposal of fixed assets are recognised as income or expense in the period in which they occur. Depreciation commences on putting an asset into use. Depreciation is provided so as to write down the cost or revalued amount of an asset other than land and tangible fixed assets under development over the estimated useful life of the asset using the straight-line method as follows:

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

In 2017 the depreciation/amortisation rates did not change from those applied in the comparative period.

## Notes to the consolidated financial statements

For the year ended 31 December 2017

*(All amounts are expressed in thousands of HRK)*

---

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **3.9 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.

#### **3.10 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.

#### **3.11 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.

#### **3.12 Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each 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.

## Notes to the consolidated financial statements

For the year ended 31 December 2017

*(All amounts are expressed in thousands of HRK)*

---

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **3.12 Provisions (continued)**

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

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

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the 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.

#### **3.13 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.

#### **3.14 Events after the reporting date**

Events subsequent to the reporting date that provide additional information about the Group'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.

#### **3.15 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.

## Notes to the consolidated financial statements

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

---

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.15 Financial Instruments (continued)

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.

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 the income statement. 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 Group has a legally enforceable right to set off the net amounts reported, or realise the asset and settle the liability simultaneously.

#### *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.

## Notes to the consolidated financial statements

For the year ended 31 December 2017

*(All amounts are expressed in thousands of HRK)*

---

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **3.15 Financial instruments (continued)**

##### *Available-for-sale (AFS) investments (continued)*

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. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the management consider that their fair value can be reliably measured). 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.

##### *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.

## Notes to the consolidated financial statements

For the year ended 31 December 2017

*(All amounts are expressed in thousands of HRK)*

---

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **3.15 Financial instruments (continued)**

##### *Impairment of financial assets (continued)*

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 Group has a legally enforceable right to set off the net amounts reported, or realise the asset and settle the liability simultaneously.

##### *Derecognition of financial assets*

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that was 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 Group retains an option to repurchase part of a transferred asset), the Group 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.



## Notes to the consolidated financial statements

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

---

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.15 Financial Instruments (continued)

##### *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 payments (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.

The Group 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:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

The Group derecognises financial liabilities when, and only when, the Group's 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.

#### 3.16 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 Group recognises the costs the grants are intended to compensate as expenses. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.



## Notes to the consolidated financial statements

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

---

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.16 Government grants (continued)

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

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.

#### 3.17 Operating segment reporting

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

#### 3.18 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group'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 management estimation in applying the Group's accounting policies that had a most significant impact on the amounts recognized in the financial statements were as follows:

##### *Useful life of property, plant and equipment and of intangible assets*

As described in the Note 3.8, the Group 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.

## Notes to the consolidated financial statements

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

---

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

##### *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 parent company and its subsidiaries are involved in legal actions and proceedings, which have arisen from the regular course of their 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 (see Note 31).

##### *Impairment allowance on inventories*

As described in Note 3.9, the Group 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.

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.

## Notes to the consolidated financial statements

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 4. SALES AND OTHER INCOME

#### 4.1 Sales

	2017	2016
Foreign sales	532,489	628,416
Domestic sales	488,419	536,432
	<u>1,020,908</u>	<u>1,164,848</u>

#### 4.2. Other income

	2017	2016
Surplus	7,094	1,950
Subsequently approved discounts	2,472	590
Subsequent collection of written-off receivables	2,083	849
Raw material and supplies sales	869	331
Prior-period income	552	1,793
Income from transfers to inventories	482	111
Damages collected	195	303
Recovery of court costs and costs of lawsuits	35	3,407
Other income	1,865	1,132
	<u>15,647</u>	<u>10,466</u>

### 5. SEGMENT INFORMATION

The operating segments were determined based on the similarity in the nature of individual product groups.

Three operating segments have been identified: Sugar, Flour and Others.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

	Segment revenue	
	2017	2016
Sugar	829,377	907,717
Flour	39,598	38,681
Others	167,580	228,916
	<u>1,036,555</u>	<u>1,175,314</u>

	Segment expenses		Segment (loss) / profit	
	2017	2016	2017	2016
Sugar	969,121	846,901	(139,744)	60,816
Flour	39,998	37,241	(400)	1,440
Others	202,088	212,427	(34,508)	16,489
	<u>1,211,207</u>	<u>1,096,569</u>	<u>(174,652)</u>	<u>78,745</u>

	2017	2016
Operating (loss) / profit	(174,652)	78,745
Financial income	39,000	13,262
Financial expenses	(41,422)	(34,472)
<b>(Loss) / Profit before tax</b>	<u>(177,074)</u>	<u>57,535</u>

The Sugar segment comprises sugar production.

The Flour segment comprises flour and bakery product production.

The Others segment comprises the production of molasses, dry beet noodles and alcohol.

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

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 5. SEGMENT INFORMATION (CONTINUED)

#### Segment assets and liabilities

	31.12.2017	31.12.2016
<b>Segment assets</b>		
Sugar	993,038	1,123,081
Flour	113,765	103,745
Others	124,737	227,342
<b>Total segment assets</b>	<b>1,231,540</b>	<b>1,454,168</b>
Unallocated	18,669	28,600
<b>Total assets</b>	<b>1,250,209</b>	<b>1,482,768</b>
	31.12.2017	31.12.2016
<b>Segment liabilities</b>		
Sugar	764,460	774,470
Flour	50,428	41,303
Others	133,688	187,012
<b>Total segment liabilities</b>	<b>948,576</b>	<b>1,002,785</b>
Unallocated	453	453
<b>Total liabilities</b>	<b>949,029</b>	<b>1,003,238</b>

For the purposes of monitoring segment performance, all assets other than non-current and current financial assets (Note 15 and 19, respectively) are allocated to the segments.

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

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 5. SEGMENT INFORMATION (CONTINUED)

#### Other segment information

	Depreciation and amortisation		Additions	
	2017	2016	2017	2016
Sugar	42,027	42,471	29,228	55,114
Flour	3,094	3,170	380	153
Others	10,507	12,686	7,307	16,462
<b>Total</b>	<b>55,628</b>	<b>58,327</b>	<b>36,915</b>	<b>71,729</b>

#### Geographical information

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

	Revenue from external customers	
	2017	2016
Croatian market	532,489	536,432
EU market	204,999	554,881
Others	283,420	73,535
<b>Total</b>	<b>1,020,908</b>	<b>1,164,848</b>

#### Information about major customers

Included in the sales in the amount of HRK 1,120,908 thousand (2016: HRK 1,164,848 thousand) are sales of HRK 269,300 thousand (2016: HRK 266,386 thousand) generated from the Group's major customer. Receivables from the major customer in income on 31.12.2017. amounted to HRK 11,814 thousand (2016: HRK 13,299 thousand).

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 6. COST OF RAW MATERIAL AND SUPPLIES

	2017	2016
Raw material and supplies	628,140	793,494
Energy	66,745	64,299
Spare parts	9,657	7,821
Small inventory	808	866
Other material expenses	5	13
	<u>705,355</u>	<u>866,493</u>

### 7. COST OF GOODS SOLD

Costs of goods sold in the amount of HRK 289,954 thousand (2016: HRK 188,192 thousand) represent expenses incurred on the cost of goods delivered and sold in the reporting year by the parent company and its subsidiaries customers outside the Group.

### 8. OTHER EXTERNAL EXPENSES

	2017	2016
Transport, postal and telecommunication services	29,360	16,006
Maintenance	11,295	10,478
External staff services	6,601	5,907
Municipal utility fees and charges	4,653	4,829
Rental and lease expenses	4,618	3,643
Bank and payment operation charges	3,344	4,746
Intellectual services	2,759	2,536
Insurance premiums	2,664	2,387
Data processing and software maintenance services	1,032	985
Other services	5,725	5,378
	<u>72,051</u>	<u>56,895</u>

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 9. STAFF EXPENSES

	2017	2016
Net wages and salaries	36,151	32,421
Taxes and contributions from salaries	12,947	12,055
Contributions on salaries	8,184	7,580
	<u>57,282</u>	<u>52,056</u>

At 31 December 2017, the Group had 484 employees (31 December 2016: 472 employees).

### 10. OTHER COSTS AND OPERATING EXPENSES

#### 10.1 Other costs

	2017	2016
Production quota duties	8,705	11,527
Regulated benefits, contributions and membership fees	3,549	3,716
Awards, gifts and support provided to employees	3,005	2,991
Employees' transportation costs	2,890	2,731
Remuneration paid to the members of the Supervisory and Management Boards and other forms of income	1,762	1,761
Hospitality and entertainment	1,724	1,723
Termination benefits	1,327	117
Professional education and literature	356	275
Others	2,221	1,257
	<u>25,539</u>	<u>26,098</u>



## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 10. OTHER COSTS AND OPERATING EXPENSES (CONTINUED)

#### 10.2 Value adjustment

Value adjustment in the amount of HRK 95,264 thousand (31 December 2016: 0 thousand) relates to inventories because the realisable value of sugar on stock is below the cost of the inventories.

#### 10.3 Other operating expenses

	2017	2016
Impairment allowance and write-off of receivables	15,936	10,483
Subsequently identified expenses from previous years	3,519	809
Donations	1,239	1,185
Cost of raw material and supplies sold	855	1,063
Deficits	669	1,013
Subsequently approved discounts	516	1,253
Others	3,184	793
	<u>25,918</u>	<u>16,599</u>

In 2017 impairment allowance and write-off of receivables amounts to HRK 15,936 thousand (2016: HRK 10,483 thousand) and comprise the following: impairment allowance of receivables in the amount of HRK 6,096 thousand (2016: HRK 5,949 thousand), directly written-off trade receivables in the amount of HRK 1,094 thousand (2016: HRK 4 thousand), impairment allowance and write-off of loan receivables in the amount of HRK 8,715 thousand (2016: HRK 660 thousand) and write-off of other assets in the amount of HRK 31 thousand (2016: HRK 3,870 thousand).

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 11. FINANCIAL INCOME

	2017	2016
Realized gains (income) from financial assets - hedging	22,608	-
Foreign exchange gains	14,602	10,438
Interest income	818	2,131
Unrealised gains on financial assets	49	535
Other financial income	923	158
	<u>39,000</u>	<u>13,262</u>

### 12. FINANCIAL EXPENSES

	2017	2016
Interest expense - non related companies	23,840	21,809
Foreign exchange losses	13,850	8,983
Charges on bank loans	1,579	1,363
Impairment losses on financial assets	3	1,021
Other financial expenses	2,150	1,296
	<u>41,422</u>	<u>34,472</u>

Other financial expenses for the year 2017 in the amount of HRK 2,150 thousand (2016: HRK 1,296 thousand) comprise the cost of discounting bills of exchange in the amount amount of HRK 736 thousand (2016: HRK 1,192 thousand) and other financial expenses in the amount amount of HRK 1,414 thousand (2016: HRK 104 thousand).

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 13. PROFIT TAX

The Group is not subject to taxation, but its individual members are subject to corporate income tax.

	2017	2016
Current tax	-	-
Deferred tax	-	-
Total	-	-

The Group generated a net profit for the year ended 31 December 2017 in the amount of HRK 177,074 thousand (31 December 2016: profit in the amount of HRK 57,535 thousand). The reconciliation between the accounting results and taxable profits is set out below:

	2017	2016
Profit before taxation	(177,074)	57,535
Income tax at 18% (2016: 20%)	(31,873)	14,018
Effect of tax non-deductible expenses and non-taxable income	20,117	2,008
Effect of unrecognised deferred tax assets arising from tax losses	11,756	(16,026)
Income tax	-	-

The tax rate applicable to taxable profit in the Republic of Croatia is 18% (2016: 20 %).

Tax losses available for carryforward are analysed below:

Available for carryforward until:	Tax loss
2018	452
2019	104.646
2020	33.149
2021	39
2022	74.992
<b>TOTAL</b>	<b>213.278</b>

No deferred tax assets have been recognised in the consolidated 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.

Pursuant to the tax legislation, the tax authorities may inspect the books and records of the Group companies at any time within three years subsequent to the year in which the tax liability is reported and may impose additional tax liabilities and penalties.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(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
<b>Cost</b>								
<b>Balance at 31 December 2015</b>	<b>12,872</b>	<b>38,541</b>	<b>473,055</b>	<b>1,010,257</b>	<b>45</b>	<b>10,789</b>	<b>2,990</b>	<b>1,548,549</b>
Additions	164	-	64	1,056	-	70,445	-	71,729
Disposals, retirements, shortage	(57)	-	-	(14,389)	-	(485)	-	(14,931)
Put into use	-	-	3,245	6,932	-	(10,177)	-	-
<b>Balance at 31 December 2016</b>	<b>12,979</b>	<b>38,541</b>	<b>476,364</b>	<b>1,003,856</b>	<b>45</b>	<b>70,572</b>	<b>2,990</b>	<b>1,605,347</b>
Additions	480	-	460	3,331	-	32,644	-	36,915
Disposals, retirements, shortage	(60)	-	(157)	(6,624)	-	-	-	(6,841)
Put into use	-	210	13,314	2,558	-	(41,082)	-	-
<b>Balance at 31 December 2017</b>	<b>13,399</b>	<b>38,751</b>	<b>489,981</b>	<b>1,028,121</b>	<b>45</b>	<b>62,134</b>	<b>2,990</b>	<b>1,635,421</b>

Intangible assets consist of computer software and licences.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

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

Accumulated depreciation/amortisation	Intangible assets	Land	Buildings objekti	Plant and equipment	Works of fine art	Assets under development	Other tangible assets	Total
Balance at 31 December 2015	11,864	-	234,861	774,966	-	-	766	1,022,447
Charge for the year	345	-	13,476	44,356	-	-	150	58,327
Disposals, retirements, shortage	-	-	-	(12,947)	-	-	-	(12,947)
Balance at 31 December 2016	12,209	-	248,327	806,375	-	-	916	1,067,827
Charge for the year	319	-	13,713	41,447	-	-	149	55,628
Disposals, retirements, shortage, adjustment	(5)	-	(24)	(6,151)	-	1,806	-	(4,374)
Balance at 31 December 2017	12,523	-	262,016	841,671	-	1,806	1,065	1,119,081
Net book value				186,450				
At 31 December 2017	876	38,751	227,965	45	60,328	1,925		516,340
At 31 December 2016	770	38,541	228,037	45	70,572	2,075		537,520

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

15. NON-CURRENT FINANCIAL ASSETS

	31 December 2017	31 December 2016
Given deposits, loans and down payments	2,345	3,416
Financial assets available for sale	1,735	1,737
Investments in securities	83	73
	<u>4,163</u>	<u>5,226</u>

Given deposits, loans and down payments in the amount of HRK 2,345 thousand (31 December 2016: HRK 3,416 thousand) comprise loans to the employees of Sladorana d.d. for purchases of shares in the amount of HRK 0 thousand (31 December 2016: HRK 120 thousand), loans to Trstenjak Duško in the amount of HRK 101 thousand (31 December 2016: HRK 202 thousand), loans to Koprivanec Žaklina in the amount of HRK 77 thousand (31 December 2016: HRK 155 thousand), loans to Klarić Mario in the amount of HRK 55 thousand (31 December 2016: HRK nil thousand), loans to Požar David in the amount of HRK 25 thousand (31 December 2016: HRK nil thousand), to sole proprietorship Žarko Mario - Obrt žrvanj in the amount of HRK 900 thousand (31 December 2016: HRK 1,132 thousand), to Brčić Andrija in the amount of HRK 871 thousand (31 December 2016: HRK 1,088 thousand), to Jemrić Ivan in the amount of HRK 316 thousand (31 December 2016: HRK 401 thousand), to Eko solar Kalistović d.o.o. in the amount of HRK nil thousand (31 December 2016: HRK 148 thousand), to Farming Cooperative "PZ Korod" in the amount of HRK nil thousand (31 December 2016: HRK 100 thousand), and to Fritz Igor in the amount of HRK nil thousand (31 December 2016: HRK 70 thousand) .

Financial assets available for sale comprise equity investments of up to 20 percent of ownership interest, which are as follows:

	31 December 2017	31 December 2016
Sense savjetovanje d.o.o.	1,500	1,500
PBZ d.d. Zagreb	157	159
Hrvatski radio Županja	78	78
	<u>1,735</u>	<u>1,737</u>

In 2016 the Group recognised impairment of the investment in Tesla štedna banka (Tesla Savings Bank) in the amount of HRK 519 thousand.

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 16. INVENTORIES

	31 December 2017	31 December 2016
Finished products	495,615	373,890
Merchandise	41,026	134,837
Raw material and supplies	39,466	76,487
Prepayments for inventories	4,950	50,821
Impairment allowance on inventories (Note 10.2)	(95,588)	(324)
	<u>485,469</u>	<u>635,711</u>

At 31 December 2016, the prepayments for inventories comprise advances made for the delivery of goods to Agrokor trgovina d.o.o. in the amount of HRK 21,520 thousand, Belje d.d., Darda, in the amount of HRK 13,365 thousand, PIK Vinkovci, in the amount of HRK 7,651 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 31 December 2017, all of the mentioned prepayment for inventories were discharged and amounts to HRK 0 thousand.

### 17. TRADE RECEIVABLES

At 31 December 2017 trade receivables amount to HRK 119,778 thousand (31 December 2016: HRK 175,640 thousand).

#### Receivables structure

	31 December 2017	31 December 2016
Domestic trade receivables	121,438	176,886
Foreign trade receivables	18,711	23,028
Receivables from related companies (Note 29)	3,298	2,422
Impairment allowance on trade receivables	(23,669)	(26,696)
	<u>119,778</u>	<u>175,640</u>

#### Maturity analysis of receivables not impaired

	31 December 2017	31 December 2016
Not yet due	57,222	89,858
0-90 days past due	32,618	59,401
90-120 days past due	2,161	4,976
Over 120 days past due	27,777	21,405
	<u>119,778</u>	<u>175,640</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

**17. TRADE RECEIVABLES (CONTINUED)**

Movements in impairment allowance for doubtful accounts

	2017	2016
Balance at 1 January	26,696	22,104
New allowances recognised (Note 10.2)	6,096	5,949
Collection of previously impaired receivables	(2,044)	(846)
Written-off receivables and other items	(7,079)	(511)
<b>Balance at 31 December</b>	<b>23,669</b>	<b>26,696</b>

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

**18. RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS**

	31 December 2017	31 December 2016
VAT receivable	31,859	63,043
Other amounts due from the state	1,711	1,749
	<b>33,570</b>	<b>64,792</b>

**19. CURRENT FINANCIAL ASSETS**

	31 December 2017	31 December 2016
Given loans	7,314	13,762
Given loans – related companies	6,695	-
Received bills of exchange and other securities	491	9,374
Given deposits	6	238
	<b>14,506</b>	<b>23,374</b>



Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

**19. CURRENT FINANCIAL ASSETS (CONTINUED)**

An overview of the given loans at 31 December 2017 and 31 December 2016 is provided in the table below:

	Interest rate	31 December 2017	31 December 2016
<b>Legal persons</b>			
Robić d.o.o. – povezano društvo	6.00%	4,099	-
Robić promet d.o.o.	6.00%	4,095	4,522
Žeza d.o.o	6.00%	3,876	-
Fortis factoring d.o.o.	-	3,700	3,700
Dubrovački podrumi d.d.	6.00%	2,957	2,957
Dalmacijavino Split d.o.o. – povezano dr.	4.97%	2,596	-
Poljoprivredno dobro Gradina d.o.o.	7.00%	1,709	1,725
Infinitum factoring d.o.o.	-	500	500
Konzum d.d.	7.00%	394	394
Romić promet d.o.o.	6.00%	-	1,224
Others	4.97%-9.00%	1,363	1,483
<b>Total loans to legal persons</b>		<b>25,289</b>	<b>16,505</b>
<b>Natural persons</b>	3%-8%	<b>2,021</b>	<b>2,028</b>
<b>Total given loans</b>		<b>27,310</b>	<b>18,533</b>
Impairment allowance		(13,301)	(4,771)
<b>Total given loans</b>		<b>14,009</b>	<b>13,762</b>

In 2017 the Group recovered the previously provided against loans in the amount of HRK 39 thousand (2016: HRK 998 thousand). In 2017 the Group corrected Fortis factoring d.o.o. in the amount of HRK 3,700 thousand and Infinitum factoring d.o.o. in the amount of 500 thousand.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

**20. CASH AND CASH EQUIVALENTS**

	<b>31 December 2017</b>	<b>31 December 2016</b>
Giro account balance	69,800	26,823
Foreign currency account balance	2,298	1,002
Cash in hand	2	45
	<u>72,100</u>	<u>27,870</u>

**21. PREPAID EXPENSES**

	<b>31 December 2017</b>	<b>31 December 2016</b>
Accrued loan fee and interest	1,291	1,692
Accrued rental and lease expenses	750	-
Accrued interest on leasing	21	112
Prepaid production quota duty	-	8,705
Other prepaid expenses	1,141	824
	<u>3,203</u>	<u>11,333</u>

Other prepaid expenses include accrued insurance expenses and other prepaid expenses.

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 22. SHARE CAPITAL AND RESERVES

#### 22.1 Share capital

At 31 December 2017 the registered (share) capital amounts to HRK 249,600 thousand and is divided into 1,386,667 shares (31 December 2016: HRK 249,600 thousand, consisting of 1,386,667 shares).

The ownership structure is set out below:

	Number of shares		% ownership	
	2017.	2016.	2017.	2016.
EOS-Z d.o.o.	466,500	466,500	33,64%	33,64%
Robić d.o.o.	308,302	308,302	22,23%	22,23%
Cristal financiere	235,734	235,734	17,00%	17,00%
Splitska banka d.d. / AZ OMF	137,055	137,055	9,88%	9,88%
Addiko bank d.d./ PBZ Croatia Osiguranje OMF - kategorija b	33,108	40,063	2,39%	2,89%
Erste&Steiermarkischebank d.d. / CSC	32,201	28,488	2,32%	2,05%
Zagrebačka banka d.d. / AZ Profit DMF	25,449	25,842	1,84%	1,86%
Hrvatska poštanska banka d.d.	23,257	23,257	1,68%	1,68%
Addiko bank d.d./ Raiffeisen OMF kategorije b	14,393	24,911	1,04%	1,80%
Other	110,668	96,515	7,98%	6,97%
	<b>1,386,667</b>	<b>1,386,667</b>	<b>100,00%</b>	<b>100,00%</b>

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 22. SHARE CAPITAL AND RESERVES

#### 22.2 Reserves

	2017	2016
Legal reserves	12,533	12,526
Capital reserves	10,368	10,368
Reserves for own shares	43,867	43,867
Other reserves	(41,432)	(41,432)
Other reserves out of profit	<u>17</u>	<u>18</u>
	<u>25,353</u>	<u>25,347</u>

In 2012 the parent company made several purchases of equity shares in subsidiary Sladorana d.d., as a result of which it held a 100-percent equity share in that subsidiary. The increases from 2012 occurred after the parent company had already acquired the control over the subsidiary in prior periods. Since the consideration paid to acquire the additional shares was higher the net assets of Sladorana d.d., the difference of HRK 41,432 thousand was charged to Other reserves within equity.

### 23. EARNINGS PER SHARE

#### Basic and diluted earnings per share

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

	2017	2016
(Loss) / profit for the year attributable to the shareholders of the Company (in HRK'000)	(117,074)	57,535
Weighted average number of ordinary shares used in the calculation of the basic earnings / (loss) per share:	<u>1,386,667</u>	<u>1,386,667</u>
<b>Basic earnings per share (in kunas and lipas)</b>	<u>(127,70)</u>	<u>41.49</u>

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

**24. LIABILITIES UNDER BORROWINGS AND FINANCIAL LEASES**

	31 December 2017	31 December 2016
<b>Long-term borrowings</b>		
Bank loans	168,123	241,448
Finance lease obligations	276	807
Financial loan	669	1,130
	<u>169,068</u>	<u>243,385</u>
<b>Short-term borrowings</b>		
Bank loans	286,841	112,563
Current portion of long-term borrowings from banks	87,262	89,942
Finance lease obligations	647	2,761
Financial loan	12,661	10,161
	<u>387,411</u>	<u>215,427</u>
<b>Total</b>	<u>556,479</u>	<u>458,812</u>

Bank borrowings in the amount of HRK 542,226 thousand (31 December 2016: HRK 443,953 thousand) are secured by lien registered on the land, buildings and equipment of the Group. Debentures have been provided as security instruments for finance lease obligations in the amount of HRK 923 thousand (2016: HRK 3,568 thousand).

The financial loan in the amount of HRK 13,330 thousand (31 December 2016: HRK 11,291 thousand) consists of a liability to Konzum d.d. in the amount of HRK 4,200 thousand (31 December 2016: HRK 4,700 thousand), a liability to the Environmental Protection and Energy Efficiency Fund in the amount of HRK 1,130 thousand (31 December 2016: HRK 1,591 thousand), a liability to Žeza d.o.o. in the amount of HRK nil thousand (31 December 2016: HRK 5,000 thousand) and a liability to Hospitalija trgovina d.o.o. in the amount of HRK 8,000 thousand (31 December 2016: HRK nil thousand).

Movements of the bank borrowings are as follows:

	2017	2016
<b>Balance at 1 January</b>	<b>443,953</b>	<b>512,174</b>
New bank loans raised	328,397	287,179
Repayments of received loans	(227,811)	(351,276)
Exchange differences	(2,313)	(4,124)
<b>Balance at 31 December</b>	<u><b>542,226</b></u>	<u><b>443,953</b></u>

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 24. LIABILITIES UNDER BORROWINGS AND FINANCIAL LEASES (CONTINUED)

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

Creditor	Maturity	Interest rate	Currency	31/12/2017	31/12/2016
<b>Long-term borrowings</b>					
Raiffeisenbank Austria d.d.	31.03.2021.	4.00%	EUR	244,333	315,988
HBOR (Croatian development bank)	28.02.2023.	4.00%	EUR	13,157	15,352
<b>Short-term borrowings</b>					
Kentbank d.d.	14.03.2018.	4.90%	HRK	10,000	-
Kentbank d.d.	14.03.2018.	4.90%	HRK	2,000	-
Privredna banka d.d.	24.04.2018.	5.28%	HRK	22,800	-
Privredna banka d.d.	24.04.2018.	5.28%	HRK	34,600	-
Privredna banka d.d.	12.05.2018.	5.28%	HRK	11,000	-
Privredna banka d.d.	12.10.2018.	5.28%	HRK	8,000	-
Zagrebačka banka d.d.	30.06.2018.	3.50%	HRK	16,524	-
Zagrebačka banka d.d.	30.06.2018.	4.00%	HRK	32,160	-
Addiko bank d.d.	16.04.2018.	4.95%	HRK	35,000	-
Privredna banka d.d.	11.10.2018.	5.25%	HRK	34,000	-
Privredna banka d.d.	11.10.2018.	5.25%	HRK	34,000	-
Kentbank d.d.	14.03.2018.	4.90%	HRK	18,000	-
OTP banka d.d.	22.03.2018.	4.75%	HRK	12,709	-
OTP banka d.d.	07.07.2017.	4.00%	HRK	13,900	-
Kentbank d.d.	30.04.2017.	6.00%	HRK	-	3,400
Kentbank d.d.	23.05.2017.	5.50%	HRK	-	10,000
Privredna banka Zagreb d.d.	25.10.2017.	5.30%	HRK	-	25,000
Privredna banka Zagreb d.d.	25.10.2017.	5.30%	HRK	-	21,000
Privredna banka Zagreb d.d.	25.10.2017.	5.30%	HRK	-	21,000
Privredna banka Zagreb d.d.	26.10.2017.	5.30%	HRK	-	8,000
OTP banka d.d.	14.03.2017.	5.50%	HRK	-	2,913
OTP banka d.d.	01.07.2017.	4.50%	HRK	-	21,250
<b>Interest payable on borrowings</b>				43	50
<b>Total short-term and long-term borrowings</b>				<b>542,226</b>	<b>443,953</b>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

**24. LIABILITIES UNDER BORROWINGS AND FINANCIAL LEASES (CONTINUED)**

	Minimum lease payments		Finance charges		Present value of minimum lease payments	
	2017	2016	2017	2016	2017	2016
Up to 1 year	769	2,768	20	85	749	2,683
From two to five years	155	807	2	22	153	785
After five years	-	-	-	-	-	-
	<b>924</b>	<b>3,575</b>	<b>22</b>	<b>107</b>	<b>902</b>	<b>3,468</b>
Less: future finance charges	(22)	(107)	-	-	-	-
Present value of minimum lease payments	<b>902</b>	<b>3,468</b>	-	-	<b>902</b>	<b>3,468</b>

**25. TRADE PAYABLES**

	31 December 2017	31. December 2016
Domestic trade payables	255,309	143,104
Foreign trade payables	50,711	276,102
	<b>306,020</b>	<b>419,206</b>

**26. ADVANCES RECEIVED**

At 31 December 2017 advances received amount to HRK 21,272 thousand (31 December 2016: HRK 1,675 thousand) and relate to advance payments made by foreign and domestic enterprises for sugar.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

**27. OTHER CURRENT LIABILITIES**

	31 December 2017	31 December 2016
Liabilities in respect of issued bills of exchange	33,774	95,674
Taxes, contributions and similar duties payable	7,991	4,917
Liabilities to employees	3,379	3,153
Liabilities in respect of the share in the result	32	32
Production quota duties payable	-	11,606
Other current liabilities	3,997	3,823
	<u>49,173</u>	<u>119,205</u>

The liabilities for issued bills of exchange represent amounts payable to suppliers of sugar beet and protective substances as well as other payables, which are as follows:

	31 December 2017	31 December 2016
Belje d.d., Darda	16,706	16,706
PIK Vinkovci d.d.	9,564	9,564
Vupik d.d.	7,504	7,504
Amounts owed to factoring firms for discounted bills of exchange	-	35,000
Agrokor trgovina d.o.o., Zagreb	-	26,900
	<u>33,774</u>	<u>95,674</u>

Liabilities for issued bills of exchange to Agrokor trgovina d.o.o., Belje d.d., Darda, PIK Vinkovci d.d. and Vupik d.d. represent amounts paid to suppliers for an advance for the main delivery of sugar beet and protection.

**28. ACCRUED EXPENSES AND DEFERRED INCOME**

	31 December 2017	31 December 2016
Accrued incentive income	14,833	-
Accrued direct sugar beet costs	344	357
Accrued water protection and use fee, concession fee	81	1,070
Accrued investment costs	-	1,982
Other accrued expenses	373	367
	<u>15,631</u>	<u>3,776</u>



## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 29. RELATED-PARTY TRANSACTIONS

Transactions and balances resulting from the relationship between the Company and its subsidiaries, which are the Company's related parties, were eliminated on consolidation and are not disclosed in this note. An analysis of the transactions between the Group companies is presented below.

#### Trading transactions

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

#### Operating income

	Sales		Other income	
	2017	2016	2017	2016
OŠTRC d.o.o./ OŠTRC PROMET d.o.o.	3,910	1,832	-	-
DALMACIJAVINO SPLIT d.o.o.	369	269	-	-
GRUDSKA PIVOVARA d.o.o.	271	-	-	-
ROBIĆ PROMET d.o.o. (until 4 July 2016)	-	-	-	30
	<b>4,550</b>	<b>2,101</b>	<b>-</b>	<b>30</b>

#### Operating expenses

	Selling expenses		Other expenses	
	2017	2016	2016	2015
OŠTRC d.o.o./ OŠTRC PROMET d.o.o.	3,931	1,684	-	-
DALMACIJAVINO SPLIT d.o.o.	331	274	5	-
GRUDSKA PIVOVARA d.o.o.	258	-	-	-
ROBIĆ PROMET d.o.o. (until 4 July 2016)	-	-	-	17
	<b>4,520</b>	<b>1,958</b>	<b>5</b>	<b>17</b>

#### Financial income and expenses

	Financial income		Financial expenses	
	2017	2016	2017	2016
ROBIĆ d.o.o.	149	-	-	-
DALMACIJAVINO SPLIT d.o.o.	115	-	-	-
ROBIĆ PROMET d.o.o. (until 4 July 2016)	-	62	-	-
GRUDSKA PIVOVARA d.o.o.	488	1,564	689	-
	<b>752</b>	<b>1,626</b>	<b>689</b>	<b>-</b>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

**29. RELATED-PARTY TRANSACTIONS (CONTINUED)**

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

	Receivables from related parties		Amounts owed to related parties	
	2017	2016	2017	2016
GRUDSKA PIVOVARA d.o.o.	415	-	-	-
OŠTRC d.o.o./ OŠTRC PROMET d.o.o.	1,747	2,106	-	-
DALMACIJAVINO SPLIT d.o.o.	1,109	316	2	35
	<b>3,271</b>	<b>2,422</b>	<b>2</b>	<b>35</b>

	Loans to related parties		Prepayments made to related parties for non-current assets	
	2017	2016	2017	2016
GRUDSKA PIVOVARA d.o.o.	-	-	34,254	34,455
ROBIĆ d.o.o.	4,099	-	-	-
DALMACIJAVINO SPLIT d.o.o.	2,596	-	-	-
	<b>6,695</b>	<b>-</b>	<b>34,254</b>	<b>34,455</b>

Remuneration paid to key management personnel:

	2017	2016
Salaries	5,029	4,813
Others	1,220	904
	<b>6,249</b>	<b>5,717</b>

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy has remained unchanged since 2016.

The capital of the Group consists of the net debt (which includes received loans and borrowings disclosed in Note 24 less cash and cash equivalents) and shareholders' equity (comprising the registered capital, reserves and retained earnings).

The Treasury of the Group reviews the capital structure 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

	2017	2016
Debt (i)	556,479	458,812
Cash and cash equivalents	(72,100)	(27,870)
Net debt	<u>484,379</u>	<u>430,942</u>
Equity (ii)	301,180	479,530
Net debt-to-equity ratio	161%	90%

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

(ii) Equity consists of the share capital, reserves and retained earnings.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

**30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**Categories of financial instruments**

	31. December 2017	31. December 2016
<b>Financial assets</b>		
Non-current financial assets	4,163	5,226
Non-current receivables	309	590
Receivables from related companies	3,271	2,422
Trade receivables	116,507	173,218
Current financial assets	14,506	23,374
Other receivables	771	712
Cash and cash equivalents	72,100	27,870
Prepaid expenses and accrued income	3,203	2,628
	<b>214,830</b>	<b>236,040</b>
<b>Financial liabilities</b>		
Long-term financial loans	669	1,130
Long-term borrowings and finance lease obligations	168,399	242,255
Other non-current liabilities	-	76
Liabilities to related companies	2	35
Financial loans	12,661	10,161
Short-term liabilities for borrowings and finance lease obligations	374,750	205,266
Advances received	21,272	1,675
Trade payables	306,020	419,206
Other current liabilities	41,182	102,681
Accrued expenses and deferred income	15,549	2,707
	<b>940,504</b>	<b>985,192</b>

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

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### Financial risk management objectives

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

#### Market risk

The Group's activities expose it primarily to the financial risks arising from movements in sugar and flour prices as well as the prices of raw material required for their production activities (sugar beet, sugar cane and wheat). The Group 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 Group's foreign-currency denominated monetary assets and liabilities at the end of the reporting period are provided in the table below:

	Liabilities		Assets	
	2017	2016	2017	2016
European Union (EUR)	330,282	616,812	58,173	76,190
USD	-	112	5,956	19

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### Foreign currency risk management (continued)

##### Foreign currency sensitivity analysis

The Group is exposed mainly 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 (EUR, USD) on international markets are carried out.

The following table analyses the Group'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 Group denominated in a currency that is not the currency of the lender or the borrower. A positive number below indicates an increase in profit 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	
	2017	2016	2017	2016
Profit	27,211	54,062	596	11

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 Group's exposure to the interest rate risk arises from its borrowing at fixed and variable rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Group's exposure to interest rates on its financial assets and financial liabilities is detailed in the liquidity risk management section of this note.

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 30. 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 management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant:

- the loss/profit of the Group for the year 2017 would have been lower/higher by HRK 1,192 thousand (2016: lower/higher by HRK 1,090 thousand), mainly attributable to the exposure of the Group to variable-rate loans and borrowings.

In the current year, the Group's sensitivity to interest rates increased mainly because of a higher number of variable-rate debt instruments.

##### Credit risk management

Credit risk is the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from default. The Group monitors regularly its exposure to counterparties as well as their creditworthiness spreads the aggregate value of the transactions to accepted customers. 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 Group's key customers are analysed below:

	Receivables	
	31 December 2017	31 December 2016
Customer A	11,814	13,299
Customer B	11,609	71,778
Customer C	6,974	2,893
Customer D	6,117	6,117
Customer E	5,956	-
	<b>42,470</b>	<b>94,087</b>

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2016

(All amounts are expressed in thousands of HRK)

### 30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### Credit risk management (continued)

##### Collateral held as security

The Group 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 Group manages its liquidity by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The cash flow forecasts are prepared on a monthly basis (by day) and departures are monitored daily.

##### Liquidity and interest rate risk tables

The following tables detail the remaining contractual maturities of the Group's non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities by reference to the earliest date on which the Group can be required to pay. The tables 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 Group can be required to make the payment.

	Weighted average effective interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 8 years	Total
<b>2017</b>						
Non-interest bearing liabilities		240,275	53,577	80,349	14,756	388,957
Interest bearing	4.66%	28,647	93,532	275,284	177,437	574,900
		<b>268,922</b>	<b>147,109</b>	<b>355,633</b>	<b>192,193</b>	<b>963,857</b>
<b>2016</b>						
Non-interest bearing liabilities		150,208	76,534	304,367	1,206	532,315
Interest bearing	5.10%	22,450	29,994	173,970	262,665	489,079
		<b>172,658</b>	<b>106,528</b>	<b>478,337</b>	<b>263,871</b>	<b>1,021,394</b>



## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### Liquidity risk management (continued)

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

	Weighted average effective interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 8 years	Total
<b>2017</b>						
Non-interest bearing assets		155,323	12,191	28,462	2,500	198,476
Interest-bearing assets	5.45%	2,429	110	12,168	2,378	17,085
		<b>157,752</b>	<b>12,301</b>	<b>40,630</b>	<b>4,878</b>	<b>215,561</b>
<b>2016</b>						
Non-interest bearing assets		127,949	57,681	29,511	3,721	218,862
Interest-bearing assets	5.35%	3,676	4,685	6,187	3,585	18,133
		<b>131,625</b>	<b>62,366</b>	<b>35,698</b>	<b>7,306</b>	<b>236,995</b>

#### 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 2017, the carrying amounts of cash, 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.

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### Fair value of financial instruments (continued)

#### Fair value measurements recognised in the statement of financial position

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

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

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from 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 2017	Level 1	Level 2	Level 3	Total
Financial assets available for sale (AFS)	157	-	1,578	1,735
<b>Total</b>	<b>157</b>	<b>-</b>	<b>1,578</b>	<b>1,735</b>
31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets available for sale (AFS)	159	-	1,578	1,737
<b>Total</b>	<b>159</b>	<b>-</b>	<b>1,578</b>	<b>1,737</b>

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

### 31. PROVISIONS

The total balance of long-term provisions represents provisions for initiated legal actions. Movements in the provisions are presented below:

	2017	2016
At 1 January	<u>453</u>	<u>453</u>
At 31 December	<u>453</u>	<u>453</u>

The Group reversed the provision for the most significant legal action under case file no P-561/13 (formerly case file no: P-768/12, originally: case file no: P-528/03), which became final based on the Judgement no: Pž-3105/2014 of the Commercial Court rejecting the entire claim. In a lawsuit initiated by NLB, as the plaintiff, against Sladorana on the grounds of the alleged piercing of corporate veil in the Granal case, the plaintiff claims that, as a result of 'abuse in business' the future bankruptcy estate of Granal has deteriorated for which the defendant is to be held liable in the amount of HRK 40 million.

In prior periods, Sladorana d.d. made a total provision of HRK 50 million based on the estimate made that it would likely lose the case. The entire case is still in progress and comprises several separate lawsuits ruled so far in favour of Sladorana. However, for procedural grounds, they have been sent repeatedly for retrial. The plaintiff in a lawsuit (Case file no P-561/13 on 23 March 2015 and Case file no P-768/12 on 25 March 2015) filed a motion for revision, and the cases are now pending before the High Commercial Court of the Republic of Croatia.

### 32. CONTINGENT LIABILITIES AND COMMITMENTS

The contractual commitments and contingent liabilities of the Group comprise issued debentures, which amount to HRK 1,336,885 thousand at 31 December 2017 (31 December 2016: HRK 1,336,477 thousand), guarantees issued in the amount of HRK 81,798 thousand (31 December 2016: HRK 54,107 thousand) and letters of credit in the amount of HRK nil thousand (31 December 2016: HRK 199,855 thousand). The contractual maturities for the issued guarantees fall between 28 February 2019 to 30 June 2019.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

**33. OPERATING LEASE ARRANGEMENTS**

The Group as lessee

Operating lease arrangements

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

Lease payments recognised as expenses

	2017	2016
Minimum lease payments	100	298

Irrevocable commitments under operating leases

	2017	2016
Up to 1 year	53	157
From 1 year to 5 years	102	211
	<u>155</u>	<u>368</u>

**34. EVENTS AFTER THE BALANCE SHEET DATE**

After the balance sheet date, prior to the disclosure of the financial statements no events that could have a significant effect on the financial position at 31 December 2017 and to the operating result of the reporting period were not incurred

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

These consolidated financial statements were adopted by the Management Board and authorised for issue on 27 April 2018.

Signed on behalf of the Management Board on 27 April 2018 by:

Željko Zadro  
President of the Management Board

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  
CONSOLIDATED REPORT FOR 2017**

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

- the set of consolidated financial reports of VIRO TVORNICA ŠEĆERA d.d., Zagreb and its subsidiaries for the period I-XII 2017, produced by applying International standards of financial reporting and in compliance with the Croatian Law on Accounting, provides an integral and true overview of assets and liabilities, loss and profit, financial position and operations of the Group.
- The Management report contains a true overview of business results and position of the Group, with a description of the most significant risks and uncertainties to which the Group is exposed.

In Zagreb, on April 27, 2018

RESPONSIBLE PERSON:

  
PRESIDENT OF THE MANAGEMENT BOARD

Željko Zadro, dipl.oec.



  
MEMBER OF THE MANAGEMENT BOARD

Darko Krstić, dipl.oec

  
MEMBER OF THE MANAGEMENT BOARD

Ivo Rešić, mr.sc.

**ENCLOSURE 1**

Reporting period:

1 January 2017

to

31 December 2017

**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: info@secerana.hr

Internet address: www.secerana.hr

and name for municipality/city: 133 ZAGREB

Code and name for county: 21 GRAD ZAGREB

Number of employees: 484  
(at the year's end)

Consolidated Report: YES

Business activity code: 1081

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

SLADORANA d.o.o.	ŠEĆERANA 63, ŽUPANJA	03307484
SLAVONIJA ŽUPANJA d.d.	J.J.STROSSMAYERA 65, ŽUPANJA	01841009
VIRO-KOOPERACIJA d.o.o.	ŠEĆERANA 63, ŽUPANJA	02835398
VIRO BH d.o.o.	HRVATSKIH BRANITELJA 21, GRUDE, BIH	64-01-0029-17

Book-keeping firm:

Contact person: DRAGIĆ NEVENA

(unosi se samo prezime i ime osobe za kontakt)

Telephone: 033840117

Telefaks: 033840103

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

Surname and name: ZADRO ŽELJKO

(osoba ovlaštene za zastupanje)

Documents for publication

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




(signature of authorized person)



## BALANCE SHEET

as at

31.12.2017

Item	AOP code	Last year (net)	Current year (net)
1	2	3	4
<b>ASSETS</b>			
<b>A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL</b>	<b>001</b>		
<b>B) LONG-TERM ASSETS (003+010+020+029+033)</b>	<b>002</b>	<b>543.336.279</b>	<b>520.812.391</b>
<b>I. INTANGIBLE ASSETS (004 to 009)</b>	<b>003</b>	<b>769.909</b>	<b>876.085</b>
1. Assets development	004		
2. Concessions, patents, licences fees, trade and service marks, software and other rights	005	769.909	876.085
3. Goodwill	006		
4. Prepayments for purchase of intangible assets	007		
5. Intangible assets in preparation	008		
6. Other intangible assets	009		
<b>II. TANGIBLE ASSETS (011 to 019)</b>	<b>010</b>	<b>536.749.935</b>	<b>515.464.345</b>
1. Land	011	38.540.921	38.750.891
2. Buildings	012	228.037.294	227.964.481
3. Plant and equipment	013	194.768.612	183.910.605
4. Tools, facility inventory and transport assets	014	2.712.606	2.540.528
5. Biological assets	015		
6. Prepayments for tangible assets	016	34.576.964	34.254.275
7. Tangible assets in progress	017	35.993.969	26.073.477
8. Other tangible assets	018	44.900	44.900
9. Investments in buildings	019	2.074.669	1.925.188
<b>III. LONG-TERM FINANCIAL ASSETS (021 to 028)</b>	<b>020</b>	<b>5.226.520</b>	<b>4.162.701</b>
1. Investments (shares) with related parties	021	900.000	900.000
2. Loans given to related parties	022		
3. Participating interest (shares)	023		
4. Loans to entrepreneurs in whom the entity holds participating interests	024		
5. Investments in securities	025	910.606	917.258
6. Loans, deposits and similar assets	026	3.415.914	2.345.443
7. Other long - term financial assets	027		
8. Investments accounted by equity method	028		
<b>IV. RECEIVABLES (030 to 032)</b>	<b>029</b>	<b>589.915</b>	<b>309.260</b>
1. Receivables from related parties	030		
2. Receivables from based on trade loans	031		
3. Other receivables	032	589.915	309.260
<b>V. DEFERRED TAX ASSETS</b>	<b>033</b>		
<b>C) SHORT TERM ASSETS (035+043+050+058)</b>	<b>034</b>	<b>928.099.253</b>	<b>726.194.647</b>
<b>I. INVENTORIES (036 to 042)</b>	<b>035</b>	<b>635.711.354</b>	<b>485.469.204</b>
1. Raw-material and supplies	036	76.486.835	39.465.980
2. Work in progress	037		
3. Finished goods	038	373.566.269	406.044.319
4. Merchandise	039	134.836.805	35.008.468
5. Prepayments for inventories	040	50.821.445	4.950.437
6. Long - term assets held for sales	041		
7. Biological assets	042		
<b>II. RECEIVABLES (044 to 049)</b>	<b>043</b>	<b>241.144.333</b>	<b>154.118.758</b>
1. Receivables from related parties	044	2.422.079	3.271.551
2. Accounts receivable	045	173.217.676	116.506.784
3. Receivables from participating parties	046		
4. Receivables from employees and members of related parties	047	5.785	6.663
5. Receivables from government and other institutions	048	64.791.695	33.569.740
6. Other receivables	049	707.098	764.020
<b>III. SHORT TERM FINANCIAL ASSETS (051 to 057)</b>	<b>050</b>	<b>23.373.920</b>	<b>14.506.338</b>
1. Shares (stocks) in related parties	051		
2. Loans given to related parties	052		6.694.760
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	14.000.408	7.320.078
7. Other financial assets	057	9.373.512	491.500
<b>IV. CASH AT BANK AND IN CASHIER</b>	<b>058</b>	<b>27.869.646</b>	<b>72.100.347</b>
<b>D) PREPAID EXPENSES AND ACCRUED REVENUE</b>	<b>059</b>	<b>11.332.940</b>	<b>3.202.643</b>
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>1.482.768.472</b>	<b>1.250.209.681</b>
<b>F) OFF-BALANCE RECORDS</b>	<b>061</b>	<b>1.714.081.455</b>	<b>1.448.792.590</b>

<b>LIABILITIES AND CAPITAL</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	<b>479.530.197</b>	<b>301.180.049</b>
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	56.410.827	56.417.086
1. Reserves prescribed by law	066	12.525.652	12.532.960
2. Reserves for treasury shares	067	43.866.670	43.866.670
3. Treasury stocks and shares (deduction)	068		
4. Statutory reserves	069		
5. Other reserves	070	18.505	17.456
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	99.270.607	155.502.891
1. Retained earnings	073	99.270.607	155.502.891
2. Accumulated loss	074		
VI. PROFIT/LOSS FOR THE CURRENT YEAR (076-077)	075	57.514.007	-176.840.330
1. Profit for the current year	076	57.514.007	
2. Loss for the current year	077		176.840.330
IX. MINORITY INTERESTS	078	6.366.595	6.132.241
<b>B) PROVISIONS (080 to 082)</b>	<b>079</b>	<b>453.209</b>	<b>453.209</b>
1. Provisions for pensions, severance pay, and similar liabilities	080		
2. Reserves for tax liabilities	081		
3. Other reserves	082	453.209	453.209
<b>C) LONG - TERM LIABILITIES (084 to 092)</b>	<b>083</b>	<b>243.460.737</b>	<b>169.068.573</b>
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits etc.	085	1.936.506	945.496
3. Liabilities to banks and other financial institutions	086	241.447.754	168.123.077
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	76.477	
9. Deferred tax liability	092		
<b>D) SHORT - TERM LIABILITIES (094 to 105)</b>	<b>093</b>	<b>755.547.863</b>	<b>763.877.291</b>
1. Liabilities to related parties	094	35.000	2.175
2. Liabilities for loans, deposits etc.	095	12.921.646	13.307.340
3. Liabilities to banks and other financial institutions	096	202.505.024	374.102.814
4. Liabilities for received prepayments	097	1.675.462	21.271.550
5. Accounts payable	098	419.205.766	306.020.326
6. Liabilities arising from debt securities	099		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100		
8. Liabilities to employees	101	3.153.292	3.379.307
9. Liabilities for taxes, contributions and similar fees	102	4.916.880	7.991.230
10. Liabilities to share - holders	103	30.963	30.963
11. Liabilities for long-term assets held for sale	104		
12. Other short - term liabilities	105	111.103.830	37.771.586
<b>E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE</b>	<b>106</b>	<b>3.776.466</b>	<b>15.630.559</b>
<b>F) TOTAL – CAPITAL AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	<b>1.482.768.472</b>	<b>1.250.209.681</b>
<b>G) OFF-BALANCE RECORDS</b>	<b>108</b>	<b>1.714.081.455</b>	<b>1.448.792.590</b>
<b>APPENDIX to balance sheet(to be filled in by entrepreneur that prepares consolidated annual financial report)</b>			
<b>CAPITAL AND RESERVES</b>			
1. Attributed to equity holders of parent company	109	473.163.602	295.047.808
2. Attributed to minority interest	110	6.366.595	6.132.241



**PROFIT AND LOSS ACCOUNT**  
for the period 01.01.2017. do 31.12.2017.

VIRO TVORNICA ŠEĆERA d.d.

Item	AOP code	Last year	Current year
1	2	3	4
<b>I. OPERATING REVENUE (112+113)</b>	<b>111</b>	<b>1.175.314.593</b>	<b>1.036.554.832</b>
1. Sales revenue	112	1.164.848.253	1.020.907.676
2. Other operating revenues	113	10.466.340	15.647.156
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	<b>1.096.569.697</b>	<b>1.211.208.085</b>
1. Changes in value of work in progress and finished products	115	-168.090.768	-115.783.700
2. Material costs (117 to 119)	116	1.111.580.352	1.067.360.210
a) Raw material and material costs	117	866.493.278	705.355.439
b) Costs of goods sold	118	188.191.649	289.953.633
c) Other external costs	119	56.895.425	72.051.138
3. Staff costs (121 to 123)	120	52.056.447	57.281.722
a) Net salaries and wages	121	32.421.036	36.151.010
b) Cost for taxes and contributions from salaries	122	12.055.312	12.946.660
c) Contributions on gross salaries	123	7.580.099	8.184.052
4. Depreciation	124	58.326.794	55.628.465
5. Other costs	125	26.097.598	25.539.035
6. Impairment (127+128)	126	0	95.264.269
a) Impairment of long-term assets (financial assets excluded)	127		
b) Impairment of short - term assets (financial assets excluded)	128		95.264.269
7. Provisions	129		
8. Other operating costs	130	16.599.274	25.918.084
<b>III. FINANCIAL INCOME (132 to 136)</b>	<b>131</b>	<b>13.261.643</b>	<b>39.000.322</b>
1. Interest income, foreign exchange gains, dividends and similar income from related parties	132	62.153	762.239
2. Interest income, foreign exchange gains, dividends and similar income from non -	133	12.601.552	14.787.783
3. Share in income from affiliated entrepreneurs and participating interests	134		
4. Unrealized gains (income) from financial assets	135	535.190	49.500
5. Other financial income	136	62.748	23.400.800
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	<b>34.471.814</b>	<b>41.421.601</b>
1. Interest expenses, foreign exchange losses, dividends and similar expenses from related parties	138		706.126
2. Interest expenses, foreign exchange losses, dividends and similar expenses from non -	139	32.154.753	38.562.884
3. Unrealized losses (expenses) on financial assets	140	1.020.990	2.898
4. Other financial expenses	141	1.296.071	2.149.693
<b>V. INCOME FROM INVESTMENT - SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS</b>	<b>142</b>		
<b>VI. LOSS FROM INVESTMENT - SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS</b>	<b>143</b>		
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>		
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>		
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>146</b>	<b>1.188.576.236</b>	<b>1.075.555.154</b>
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	<b>1.131.041.511</b>	<b>1.252.629.686</b>
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	<b>57.534.725</b>	<b>-177.074.532</b>
1. Profit before taxation (146-147)	149	57.534.725	0
2. Loss before taxation (147-146)	150	0	177.074.532
<b>XII. PROFIT TAX</b>	<b>151</b>	<b>0</b>	<b>0</b>
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>57.534.725</b>	<b>-177.074.532</b>
1. Profit for the period (149-151)	153	57.534.725	0
2. Loss for the period (151-148)	154	0	177.074.532
<b>APPENDIX to P&amp;L account (to be filled in by entrepreneur that prepares consolidated financial report)</b>			
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>			
1. Attributed to equity holders of parent company	155	57.514.007	-176.840.330
2. Attributed to minority interest	156	20.718	-234.202
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (IFRS)</b>			
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	<b>57.534.725</b>	<b>-177.074.532</b>
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)</b>	<b>158</b>	<b>0</b>	<b>0</b>
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 revaluation of financial assets available for sale	161		
4. Gains or losses on efficient cash flow hedging	162		
5. Gains or losses on efficient hedge of a net investment in foreign countries	163		
6. Share in other comprehensive income / loss of associated companies	164		
7. Actuarial gains / losses on defined benefit plans	165		
<b>III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>166</b>		
<b>IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (158-166)</b>	<b>167</b>	<b>0</b>	<b>0</b>
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	<b>57.534.725</b>	<b>-177.074.532</b>
<b>APPENDIX to Statement of other comprehensive income (to be filled in by entrepreneur that prepares consolidated financial report)</b>			
<b>VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b>			
1. Attributed to equity holders of parent company	169	57.514.007	-176.840.330
2. Attributed to minority interest	170	20.718	-234.202

## STATEMENT OF CASH FLOWS - INDIRECT METHOD

for the period 1.1.2017 do 31.12.2017

Item	AOP code	Last year	Current year
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	001	57.534.725	-177.074.532
2. Depreciation	002	58.326.794	55.628.465
3. Increase in short term liabilities	003	275.224.166	17.828.607
4. Decrease in short term receivables	004		54.597.128
5. Decrease in inventories	005	34.320.046	148.967.579
6. Other increase in cash flow	006	20.748.920	10.591.153
<b>I. Total increase in cash flow from operating activities (001 to 006)</b>	<b>007</b>	<b>446.154.651</b>	<b>110.538.400</b>
1. Decrease in short term liabilities	008		132.918.349
2. Increase in short term receivables	009	29.279.296	
3. Increase in inventories	010	255.419.802	
4. Other decrease in cash flow	011	6.704.302	
<b>II. Total decrease in cash flow from operating activities (008 to 011)</b>	<b>012</b>	<b>291.403.400</b>	<b>132.918.349</b>
<b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>013</b>	<b>154.751.251</b>	<b>0</b>
<b>A2) NET DECREASE IN IN CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>014</b>	<b>0</b>	<b>22.379.949</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash inflows from sales of long-term tangible and intangible assets	015	217.805	162.862
2. Cash inflows from sales of equity and debt instruments	016		
3. Interests receipts	017	1.679.568	3.913.878
4. Dividend receipts	018	56.703	77.328
5. Other cash inflows from investing activities	019	34.051.783	39.246.479
<b>III. Total cash inflows from investing activities (015 to 019)</b>	<b>020</b>	<b>36.005.859</b>	<b>43.400.547</b>
1. Cash outflow for purchase of long-term tangible and intangible assets	021	69.908.838	34.611.917
2. Cash outflow for acquisition of equity and debt financial instruments	022		
3. Other cash outflow for investing activities	023	6.204.350	5.112.305
<b>IV. Total cash outflow for investing activities (021 do 023)</b>	<b>024</b>	<b>76.113.188</b>	<b>39.724.222</b>
<b>B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)</b>	<b>025</b>	<b>0</b>	<b>3.676.325</b>
<b>B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>026</b>	<b>40.107.329</b>	<b>0</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
1. Cash inflow from issuing property and debt financial instruments	027		
2. Proceeds from the credit principal, promissory notes, borrowings and other loans	028	258.582.572	494.803.446
3. Other proceeds from financial activities	029	248.625.962	8.073.669
<b>V. Total cash inflows from financial activities (027 to 029)</b>	<b>030</b>	<b>507.208.534</b>	<b>502.877.115</b>
1. Cash outflow for repayment of credit principal and bonds	031	346.764.139	434.531.763
2. Cash outflow for dividends paid	032		
3. Cash outflow for financial lease	033	5.977.777	2.728.635
4. Cash outflow for purchase of treasury shares	034		
5. Other cash outflow for financial activities	035	278.090.098	2.682.392
<b>VI. Total cash outflow for financial activities (031 to 035)</b>	<b>036</b>	<b>630.832.014</b>	<b>439.942.790</b>
<b>C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>037</b>	<b>0</b>	<b>62.934.325</b>
<b>C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>038</b>	<b>123.623.480</b>	<b>0</b>
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	44.230.701
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	8.979.558	0
Cash and cash equivalents at the beginning of the period	041	36.849.204	27.869.646
Increase of cash and cash equivalents	042	0	44.230.701
Decrease of cash and cash equivalents	043	8.979.558	0
Cash and cash equivalents at the end of the period	044	27.869.646	72.100.347

**CHANGE IN CAPITAL STATEMENT**  
for the period from 1.1.2017 to 31.12.2017

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	56.410.827	56.417.086
4. Retained profit or loss carried forward	004	99.270.607	155.502.891
5. Profit or loss of the current year	005	57.514.007	-176.840.330
6. Revaluation of fixed tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial property available for sale	008		
9. 9. Other revaluation	009		
<b>10. Total capital and reserves (EDP 001 through 009)</b>	<b>010</b>	<b>473.163.602</b>	<b>295.047.808</b>
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		
<b>17. Total increase or decrease of capital (EDP 011 through 016)</b>	<b>017</b>	<b>0</b>	<b>0</b>
17 a. Assigned to holders of parent company's capital	018	473.163.602	295.047.808
17 b. Assigned to minority interest	019	6.366.595	6.132.241

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