TVORNICA ŠEĆERA d.d.

ANNUAL REPORT
For the year 2017

Virovitica, March 2018

Viro tvornica šećera d.d.

Separate financial statements

For the year ended

31 December 2017

together with Independent Auditor's Report

I INTRODUCTION/ ABOUT THE COMPANY

1.1 Introduction

In accordance with Croatian law, VIRO Sugar Factory d.d. Zagreb is obliged to prepare and submit an Annual Business Report, intended for the Company management and other interested parties. Annual Business Report presents a complex and documented insight into Company's operations, with all available material and financial data, as well as business indicators, calculated on bases of modern analytical and statistical methods and valid international financial reporting standards.

This Report, together with basic financial reports (Balance Sheet, Profit and Loss Account, Cash flows Statement) and Notes to the Financial Statements, make an integral report. Data relevant for the preparation of this report, were collected from the Company's departments of production, raw material supply, sales, finance, accounting and department of planning and analysis, where the report is actually prepared, as well as the data supplied by company VIRO - KOOPERACIJA d.o.o.

1.2 About the Company

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

So, on July 19, 2002 a new company was founded, VIRO limited liability company, for production and trade (further on VIRO Ltd.), registered at the Register of Business Entities at the Commercial Court Bjelovar, with subscribed core capital of HRK 20,000.00 and founders EOS-Z Ltd. with 51% stake and Robić Ltd. with 49% stake.

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

During 2003 transfer of long-term fixed assets from EOS-Z Ltd. and Robić Ltd. to VIRO Ltd. took place. During the same period the new company was additionally capitalised, and the core capital was increased to HRK 104,000,000.00.

By decision of the Assembly of July 21, 2005, and after registration at the Register of Business Entities at the Commercial Court Bjelovar of September 1, 2005, company was transformed from limited liability to joint stock company, and the name was changed to VIRO SUGAR FACTORY, joint stock company for production and trade (abbr.: VIRO SUGAR FACTORY), and subscribed capital of HRK 104,000,000.00 was substituted with 1.040.000 A-shares, made out in the name, at HRK 100.00 par value each.

During first quarter of 2006, the increase of the company core capital was completed, by money investments and distribution of A-shares to the public, through Zagreb stock market system: 346,667 new A-shares were issued, made out in the name, at HRK 100.00 par value each, in the total par value of HRK 34,666,700.00. Shares were sold at HRK 365.00 each, and fully subscribed and paid for. In such a way company collected HRK 126,533,455.00 in total. On March 17, 2006 the increase of the core capital was registered at the Commercial Court Bjelovar in the amount of HRK 34,666,700.00, so the total core capital reached HRK 138,666,700.00.

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

By decision of the General Assembly of August 30, 2006, all 1,386,667 shares at par value of HRK 100.00 each, were substituted by shares without par value, in such a way company core capital was divided to 1,386,667 A-shares made out in the name, without par value.

By decision of the General Assembly of December 14, 2006, further increase of core capital was made, by transformation of a part of the capital gain, and a part of the retention profit, in the amount of HRK 110,933,360.00, so the total core capital reached HRK 249,600,060.00. The core capital increase was carried out without issuance of new shares, so the core capital is divided to 1,386,667 shares made out in the name, without par value.

By decision of the General Assembly of August 29, 2014, company premises were changed, and the new headquarters address is Zagreb, Ulica grada Vukovara 269 g. Related companies Deloittea d.o.o. from the Deloitte network in 2017, provided services for the preparation of financial, tax and legal due diligence in Serbia.

1.3 Management Bodies

Effective July 19, 2002 when the Company was founded, Marinko Zadro and Dražen Robić were appointed to the Management Board. By decision of the Company members of April 23, 2003

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

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

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

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

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

By decision of the Supervisory Board of March 19, 2008, instead of three Members of the Management Bord, Željko Zadro, former authorised representative, was appointed as the sole Member of the Management Board, as from March 27, 2008. By decision of the General Assembly of April 12, 2011, instead of Marinko Papuga, Ivan Mišetić was appointed to the Supervisory Board.

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

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

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

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

By decision of the General Assembly of August 30, 2016, Svetlana Zadro was appointed to the Supervisory Board instead of Hrvoje Godinić.

By decision of the Supervisory Board of September 23, 2016 Darko Krstić and Ivo Rešić were appointed as the Members of the Management Board, instead of Dražen Robić, who terminated Membership at his own request.

Damir Keleković terminated membership in the Supervisory Board, due to termination of employment on December 06, 2017.

II RAW MATERIAL PROCUREMENT ANALYSES

Planned sugar beet sow area for 2017 was 8,650 hectars. Contracting of sugar beet production started in September 2016. Necessary raw materials (mineral fertilizers, seeds and plant protection chemicals) were provided on time and in sufficient quantities.

Total contracted area was 6,460 hectars, and sown area 6,353 hectars. Total contracted area in Croatia was 5,140 hectars, and sawn 5,033 hectars, total contracted area in Hungary was 1,245 hectars and all contracted area was sawn, and contracted area in Slovenia was 75 hectars and all contracted area was sawn.

Sugar price shows slight growth in part of year 2016 and during first half of year 2017, after period of low price in year 2014 and 2015. The price for sugar beet remains on level of 270 kn per ton and farmers show bigger interest for harvesting of sugar beet on 1,000 hectars.

Sowing started one weel earlier than last year, precisely on March 15, 2017. Soil preparation was more complicated due to drought period of time. Sawing was finished on April 04, 2017 in a very short period. Sawing was repeated only on 8 hectars due to excissive rain period and later crusts formation.

Sproutnig was difficult due to poor preparation and dry period. There were 90,000 – 120,000 sugar beet plants per hectar. Sugar beet protection in year 2017 against pests, weeds and disease was successful. Only 5% of area was treated against beet root weevil, mainly in east erea (Belje).

Weed control was successful, too. Three to four treatments in April and May were performed. Introducing meteorological stations and video surveillance it was possible to monitor course, intensity and growth of Cercospora and repress it successfuly. The term of first fungicide treatment was defined by detailed monitoring. Next treatments were defined by detailed monitoring and supervising of sugar beet crops. Some new chemicals were applied and with new approach to sugar beet protection, 3 - 4 treatments repressed Cercospora.

Agro-climatic conditions, during vegetation period, were un favourable for growth and evolvent of sugar beet. Uneven and reduced cropping of beet plants was effected by dry period and high temperature during sowing and cropping period. Until the and of August dry period and high temparature were present, after that period rain amount was significant (30-45 lit/m^2) for our company area and such trend continued until the end of campaign. As mentioned at the begining of this report sowing started very early, finished in short period. Beet plants were deeply enrooted and drought period did not effected to plants, besides pests and disease protection of plants. Sugar beet, after receipt of significant amount of rain, continued with root growth and sugar formation. At the end the result was good quality and quantity of sugar beet.

Beet harvesting started on September 13, 2017, delivery to factory on September 15, 2017 and factory was in opeartion on September 16, 2017. Climate was fine in September and favourable for beet harvesting, in October were 15 rainy days but sugar production was not disrupted. Max. capacity of beet slicing was ensured and daily sugar production capacity of over 1,000 tons per day was acchieved.

Beet production yield per hectar (70 t/hectar) was lower than previous year, but sugar content in beet was the best ever achieved. Sugar content in beet year 2014 was 13.57%, in year 2015 was 14.20%, in year 2016 was 15.96% and in year 2017 reached 16.34%. During beet processing campaign 437.443 tons of beet was processed and 68977 tons of white sugar is produced. Average yield of 69.83 tons per hectar and average sugar content yield of 16.34% were achieved, and inpurites were low 12.42%.

CONCLUSION

Sugar production in year 2017, in spite of extremely dry and hot climate during sugar beet vegetation, is significant with excellent sugar beet yield of 70 tons fer hectar, sugar content max. value of 16.34% and minimal inpurities of 12.42%.

Sugar beet protection against Cercospore was extremely successful and other agrotechnical measures were inplemented on time and successful. The best results ever are achieved, respecting crop yield or sugar content, and also inpurities were suppressed low.

III PROCESSING AND PRODUCTION RESULTS ANALYSES

3.1 Raw sugar processing technology and production results

Processing of imported raw sugar took place in several turns during 2017.

The processing of own raw sugar took place between June 10 and July 7, when the total of 37,031.95 tons were processed. During these 38 days 35,924.695 tons of white sugar were produced, at the average daily production of 1,151.257 tons.

The next turn took place at the same time with the sugar beet campaign, in the period of September 17 to December 3, when 12,556.74 tons were processed and 12,230.265 tons of white sugar produced.

Besides, at Sladorana Županja, as service processing for VIRO, 6,604.42 tons of raw sugar were processed during September, and 6,406.287 tons of white sugar produced.

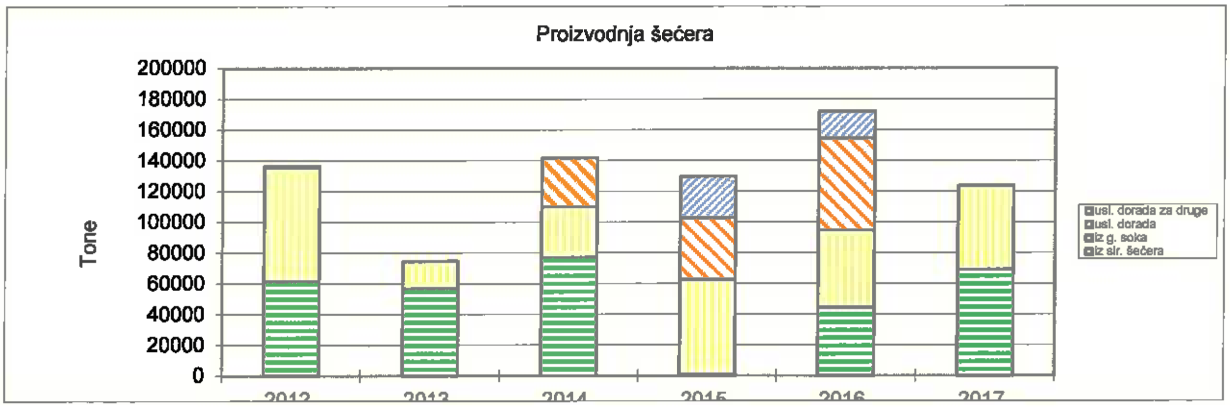
Red, broj	VRSTA PROIZVODA		Jed, mjere	Ostvarenje
1.	Sugar	-Total	t	**54,561.247**
		-Own production	t	48,154.960
		-Service production at Županja	t	6,406.287
2.	Molasses	-Total	t	**1,822.382**
		-Own production	t	1,657.270
		-Service production at Županja	t	165.112

3.2 Sugar beet processing campaign results

Sugar beet 2017 campaign started on September 16 and lasted till December 4, 2017, and a total of 437,440.893 tons of sugar beet were processed.

Please find below the survey of realisation of final products:

Item	Description of goods	Produced 2016*	Service qty out of Croatia	Produced 2017	Service qty out of Croatia
1.	Sugar	61,918.197	59,950.000	68,976.692	
2.	Molasses	14,333.272		17,666.930	
3.	Dry pulp	17,883.400		17,747.000	
4.	Pressed pulp	2,844.240		8,419.460	



IV SALES ANALYSES FOR 2017

Total sales of sugar per packing units in 2017 is the following:

VRSTA PROIZVODA	Količina	Jed. Mjere
-Sugar 50/1	60,184,600	kg
-Sugar 1/1	25,507,539	kg
-Sugar 25/1	18,686,150	kg
-Liquid sugar	2,484,555	kg
-Sugar in big bags, 1000/1	19,435,300	kg
-Sugar in big bags, 1200/1	11,439,800	kg
-Sugar 800/1	1,824,000	kg
-Sugar in bulk	67,756,119	kg
-Industrial sugar	179,807	kg
TOTAL	207,497,870	kg

The main characteristic of both, European and global markets in 2017 is the drastic decrease of sugar price in the second half of the year, which adversely affected the results of the Company.

V CREDIT RISK EXPOSURE, LIQUIDITY AND CASH FLOW RISK

5.1 Financing and liquidity issues

Current production and other business activities in 2017, VIRO Sugar factory financed through:

- Sales of transitional stocks of 84,027 tons of sugar, and 9,058 tons of molasses, and 6,961 t of dry pulp,
- Sales of 79,855 tons of sugar, 13,427 tons of molasses, i 15,546 tons of dry pulp out of the current year
- Sales of 43,616 tons of sugar bought on the market,
- Postponement of trade payables (protection, overhaul, and others) till the new campaign.

Settlement of current obligations towards suppliers in the total amount of HRK 1,054,234,236.50 have been carried out as follows:

- Wire transfer	285,484,787.97	27,08%
- Advance payment	104,009,782.37	9,87%
- Compensation	273,574,040.00	25,95%
- Cession and assignment	46,471,191.81	4,41%
- Bill of Exchange		
- Foreign remittance	334,621,051.57	31,74%
- Advance foreign remittance	10,073,382.78	0,96%

Buyers settled their obligations in the total amount of HRK 1.030.208.667,26 as follows:

- Wire transfer	226,934,881.30	22,03%
- Advance payment	69,934,219.87	6,79%
- Compensation	209,070,902.47	20,29%
- Cession and assignment	53,696,612.06	5,21%
- Bill of Exchange	25,000,000.00	2,43%
- Foreign remittance	379,562,340.88	36,84%
- Advance foreign remittance	66,009,710.68	6,41%

5.2 Cash flow in 2017

POSITION	AMOUNT
CASH FLOW FROM OPERATING ACTIVITIES	
Profit before taxation	-103,442,212
Amortisation	26,285,861
Increase of current liabilities	
Decrease of current receivables	49,151,393
Decrease of stocks	266,462,606
Other increase of cash flow	4,122,772
I Total increase of cash flow from operating activities	**242,580,420**
Decrease of current liabilities	197,286,293
Increase of current receivables	
Stocks increase	
Other decrease of cash flow	138,691,642
II Total decrease of cash flow from operating activities	**335,977,935**
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	**93,397,515**

CASH FLOW FROM INVESTMENT ACTIVITIES	
Proceeds from sale of long-term fixed and intangible assets	116,182
Proceeds from sales of equity and debt financial instruments	
Proceeds from interests	3,913,878
Proceeds from dividends	77,328
Other proceeds from investment activities	39,199,285
III Total proceeds from investment activities	**43,306,673**
Acquisition of long-term fixed and intangible assets	3,314,904
Acquisition of equity and debt financial instruments	
Other expenses for investment activities	5,495,673
IV Total expenses for investment activities	**8,810,577**
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	**34,496,096**
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	

CASH FLOW FROM FINANCIAL ACTIVITIES	
Proceeds from sales of equity and debt financial instruments	
Proceeds from credit principals, due bills, borrowings and others	319,727,993
Other proceeds from financial activities	8,000,000
V Total proceeds from financial activities	**327,727,993**
Expenses for credit principals and bonds instalments	
Expenses for dividends	225,326,141
Expenses for financial leasing	2,728,635
Redemption of own shares	
Other expenses for financial activities	500,000
VI Total expenses for financial activities	**228,554,776**
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	**99,173,217**
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	

Total increase of cash flow	**40,271,798**
Total decrease of cash flow	
Cash and cash equivalents at the beginning of the year	**22,411,336**
Increase of cash and cash equivalents	**40,271,798**
Decrease of cash and cash equivalents	
Cash and cash equivalents at the end of the year	**62,683,134**

5.3 Statement structure analyses

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

STATEMENT

as per 31/12/2017

Item	DESCRIPTION	31.12.2016 Amount	%	31.12.2017 Amount	%	Indeks
1	2	3	4	5	6	7 (5:3)
A)	LONG-TERM ASSETS (I+II+III+IV)	749,273,897	52.65	692,483,146	56.78	92
I	Intangible assets	136,740	0.01	515,755	0.04	377
1.	Research and development expenses					
2.	Patents, licences, concessions and similar rights	136,740	0.01	515,755	0.04	377
II	Tangible assets	179,990,028	12.65	156,523,874	12.83	87
1.	Land and forests	5,548,592	0.39	5,548,592	0.45	100
2.	Buildings	68,340,805	4.80	62,595,526	5.13	92
3.	Plants and equipments	66,153,617	4.65	49,960,898	4.10	76
4.	Prepayments for tangible assets	34,576,964	2.43	34,254,275	2.81	99
5.	Tangible assets in progress	3,286,081	0.23	2,230,095	0.18	68
6.	Other tangible assets	9,300	0.00	9,300	0.00	100
7.	Real estate investments	2,074,669	0.15	1,925,188	0.16	93
III	Financial assets	569,147,129	39.99	535,443,517	43.90	94
1.	Shares in affiliated companies	419,450,043	29.47	419,833,409	34.42	100
2.	Loans to affiliated companies	149,216,583	10.48	115,338,105	9.46	77
3.	Securities investments	3,248	0.00	13,848	0.00	426
4.	Loans, deposits and guarantees	477,255	0.03	258,155	0.02	54

IV	Receivables					
1.	Receivables from sales on credit					
B)	CURRENT ASSETS (V+VI+VII+VIII)	668,453,422	46.97	525,589,492	43.10	79
V	Stocks	434,941,674	30.56	168,479,068	13.81	39
1.	Raw material and consumables	55,191,037	3.88	15,746,983	1.29	29
2.	Final products	213,847,092	15.03	125,761,431	10.31	59
3.	Trade goods	116,054,925	8.15	22,475,298	1.84	19
4.	Prepayments	49,848,620	3.50	4,495,356	0.37	9
VI	Receivables	184,412,623	12.96	135,261,230	11.09	73
1.	Receivables from affiliated companies	1,259,876	0.09	45,106,773	3.70	3.580
2.	Trade receivables	133,612,862	9.39	80,332,841	6.59	60
3.	Receivables from employees	890	0.00	759	0.00	85
4.	Receivables from state and other institutions	49,421,570	3.47	9,664,925	0.79	20
5.	Other receivables	117,425	0.01	155,932	0.01	133
VII	Financial assets	26,687,789	1.88	159,166,060	13.05	596
1.	Loans to affiliated companies	4,681,963	0.33	152,546,575	12.51	3.258
2.	Securities					
3.	Loans, deposits and guarantees	12,632,314	0.89	6,216,986	0.51	49
4.	Other financial assets	9,373,512	0.66	399,500	0.03	4
VIII	Cash at bank and in hand	22,411,336	1.57	62,683,134	5.14	280
C)	PREPAID EXPENSES AND ACCRUED INCOME	5,501,947	0.39	1,503,946	0.12	27
D)	LOSS ABOVE CAPITAL LEVEL					
E)	TOTAL ASSETS (A+B+C+D)	1,423,229,266	100.00	1,219,576,584	100.00	86
F)	OFF STATEMENT ITEMS	291,648,942	20.49	120,241,416	9.86	41

		31.12.2016		31.12.2017		
Item	DESCRIPTION	Amount	%	Amount	%	Indeks
1	2	3	4	5	6	7 (5:3)
LIABILITIES (SOURCES OF FUNDS)						
A)	CAPITAL AND RESERVES	665,899,638	46.79	562,457,426	46.12	84
1.	Subscribed capital	249,600,060	17.54	249,600,060	20.47	100
2.	Capital gains	10,368,101	0.73	10,368,101	0.85	100
3.	Reserve	56,346,673	3.96	56,346,673	4.62	100
4.	Revaluation reserve					
5.	Retained earning	312,352,661	21.95	349,584,804	28.66	112
6.	Profit/ Loss for the year	37,232,143	2.62	-103,442,212	-8.48	-
B)	LONG-TERM LIABILITIES	229,589,347	16.13	157,643,945	12.93	69
1.	Liabilities for loans	1,375,750	0.10	572,633	0.05	42
2.	Liabilities to credit institutions	228,213,597	16.03	157,071,312	12.88	69
C)	CURRENT LIABILITIES	527,558,401	37.07	499,168,562	40.93	95
1.	Liabilities to affiliated companies	30,738,212	2.16	5,174,487	0.42	17
2.	Liabilities based on loans, deposits etc.	7,443,244	0.52	12,999,841	1.07	175
3.	Liabilities to banks and other credit institutions	101,174,511	7.11	259,345,545	21.27	256
4.	Liabilities to advancements	1,302,698	0.09	13,553,903	1.11	1.040
5.	Liabilities to suppliers	313,719,185	22.04	162,866,590	13.35	52
6.	Liabilities to employees	1,284,066	0.09	1,427,626	0.12	111
7.	Taxes, contributions and fees liabilities	2,101,273	0.15	6,566,560	0.54	313
8.	Liabilities based on shares of result	30,963	0.00	30,963	0.00	100
9.	Other current liabilities	69,764,249	4.90	37,203,047	3.05	53

D)	DEFERRED EXPENSES AND DEFERRED INCOME	181,880	0.01	306,651	0.03	169
E)	TOTAL LIABILITIES (A+B+C)	1,423,229,266	100.00	1,219,576,584	100.00	86
F)	OFF STATEMENT ITEMS	291,648,942	20.49	120,241,416	9.86	41

5.4 Investments in 2017

During 2017 Company made following investments stated by allotments:

Item	ALLOTMENT	Amount in HRK	(1 EUR=7.53 Kn)	%
1.	Investment into technology and equipment maintenance	1,528,621.16	203,544.76	32.57
2.	Investment in buildings	413,589.21	55,071.80	8.81
3.	Investment into business premises			
4.	Equipment of business premises	17,506.00	2,331.03	0.37
5.	Transport means and passenger cars	2,100,348.03	279,673.51	44.75
6.	Telecom means and office equipment	46,567.40	6,200.72	0.99
7.	Other	106,784.10	14,218.92	2.28
	TOTAL (1 to 7)	4,213,415.90	561,040.73	89.77
8.	Research and development investm.	480,163.52	63,936.55	10.23
9.	Leasing of factory equipment investm.			
	GRAND TOTAL (1 to 9)	4,693,579.42	624,977.29	100.00

VI EMPLOYEES

Next review shows the structure of calculated working hours for 2017:

Item	TYPE OF FEE	Hours	%
	CALCULATED WORKING HOURS (A+B)	422,159	100.00
A)	Normal hours of work	422,159	100.00
B)	Overtime		
	STRUCTURE OF NORMAL HOURS (1 to 6)	422,159	100.00
1.	Working hours	315,062	74.63
2.	Annual vacation	39,013	9.24
3.	State holiday	17,246	4.09
4.	Sick leave up to 42 days	4,288	1.02
5.	Sick leave over 42 days	7,688	1.82
6.	Paid absences and days off	38,862	9.21

Based on the calculated working hours, during 2017 there were in average 198.50 employees (seasonal workers included).

Next review shows the structure of the working days of an average woorker in 2017:

194.79	- Days spend at work in the Factory
24.12	- Days of annual hollidays
10.66	- Days of state holidays
2.65	- Days of sick leave up to 42 days
4.75	- Days of sick leave over 42 days
24.03	- Days of paid absences and days off

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

Qualification structure	per 31/12/2016	Went during 2017	Gone during 2017	per 31/12/2017
University degree	37	1	4	34
Associate degree	6	1		7
Secondary qualification	111	11	10	112
Lower qualification				
Operative				
Skilled worker	13			13
Semi-skilled worker	2			2
Low-skilled worker	12		2	10
TOTAL	181	13	16	178

VII PROFIT AND LOSS ACCOUNT FOR 2017

Item	Description	2016.	2017.	Index 2017/2016
1.	Operating incomes	700,509,756	853,347,037	122
1.1.	Sales revenue	696,989,106	847,561,040	122
1.2.	Other operating incomes	3,520,650	5,785,997	164
2.	Financial incomes	13,825,221	45,085,414	326
2.1.	Incomes related to dependant corporates	2,804,648	8,405,018	300
2.2.	Incomes related to independent corporates	10,520,573	13,296,539	126
2.3.	Unrealized income on financial assets	500,000	49,500	10
2.4.	Other financial incomes		23,334,357	-
I	TOTAL INCOME (1+2)	714,334,977	898,432,451	126
3.	Material costs	725,178,607	792,713,851	109
3.1.	Cost of raw material and consumables	510,624,754	445,959,970	87
3.2.	Cost of goods sold	181,160,920	299,118,195	165
3.3.	Other service costs	33,392,933	47,635,686	143
4.	Staff costs	21,966,324	24,927,334	113
5.	Amortisation and value adjustment of long term assets	28,759,248	26,285,861	91
6.	Other operational costs	10,773,515	11,454,071	106
7.	Value adjustment of current assets		43,734,351	
8.	Other operational expenses	8,195,463	20,326,432	248
9.	Finished products stock value increase	138,523,037		-
10.	Finished products stock value decrease		51,579,918	-
11.	OPERATING EXPENSES(3+4+5+6+7-8+9+10)	656,350,120	971,021,818	148

12.	Financial expenses	20,752,714	30,852,845	149
12.1.	Expenses related to dependant corporates	2,957,899	3,833,794	130
12.2.	Expenses related to independent corporates	17,292,315	25,605,471	148
12.3.	Unrealized losses on financial assets	502,500		-
12.4.	Other financial expenses		1,413,580	-
II	TOTAL EXPENSES (11+12)	677,102,834	1,001,874,663	148
III	PROFIT OF THE YEAR (I-II)	37,232,143	-103,442,212	-
IV	PROFIT TAX EXPENSE			
V	NET PROFIT (III-IV)	37,232,143	-103,442,212	-
13.	Other comprehensive income			
VI	COMPREHENSIVE INCOME (V+13)	37,232,143	-103,442,212	-
VII	EBIT	48,834,449	-80,819,784	-
VIII	EBITDA	77,593,697	-54,533,923	-

Total expenses realised in the amount of HRK 1,001.87 million are by 48% higher compared to the previous year. Material costs and costs of sold goods amount to HRK 792.71 million, and are by 9% higher than those in 2016. Staff costs are increased by 13%, mainly due to the increase of working hours. Amortization costs reached HRK 26.29 million, and are by 9% lower compared to the previous year, due to the completed amortization of some equipment. Financial expenses amouunt to HRK 30.85 mil, and are by 49% higher compared to the previous year.

VIII KEY INDICATORS OF BUSINESS EFFICIENCY

8.1 Financing of assets and indeptedness indicators

Item	DESCRIPTION	Unit	2016.	2017.	Index 2017./2016.
1.	Current assets	000 Kn	668,453.42	525,589.49	79
1.1.	Own funds	000 Kn	140,895.02	26,420.93	19
1.2.	Borrowed assets (current liabilities)	000 Kn	527,558.40	499,168.56	95
2.	Long-term assets	000 Kn	749,273.90	692,483.15	92
2.1.	Own funds	000 Kn	519,684.55	534,839.20	103
		%	69.36	77.23	
2.2.	Borrowed assets	000 Kn	229,589.35	157,643.95	69
		%	30.64	22.77	
3.	Prepaid expenses	000 Kn	5,501.95	1,503.95	27
3.1.	Own funds	000 Kn	5,501.95	1,503.95	27
		%	100.00	100.00	
4.	Loss above capital level	000 Kn			
5.	Total assets	000 Kn	1,423,229.27	1,219,576.58	86
5.1.	Total own capital (1.1+2.1+3.1)	000 Kn	666,081.52	562,764.08	84
		%	46.80	46.14	
5.2.	Borrowed assets-current and long-term liabilities-loss above capital (1.2+2.2+4)	000 Kn	757,147.75	656,812.51	87
		%	53.20	53.86	

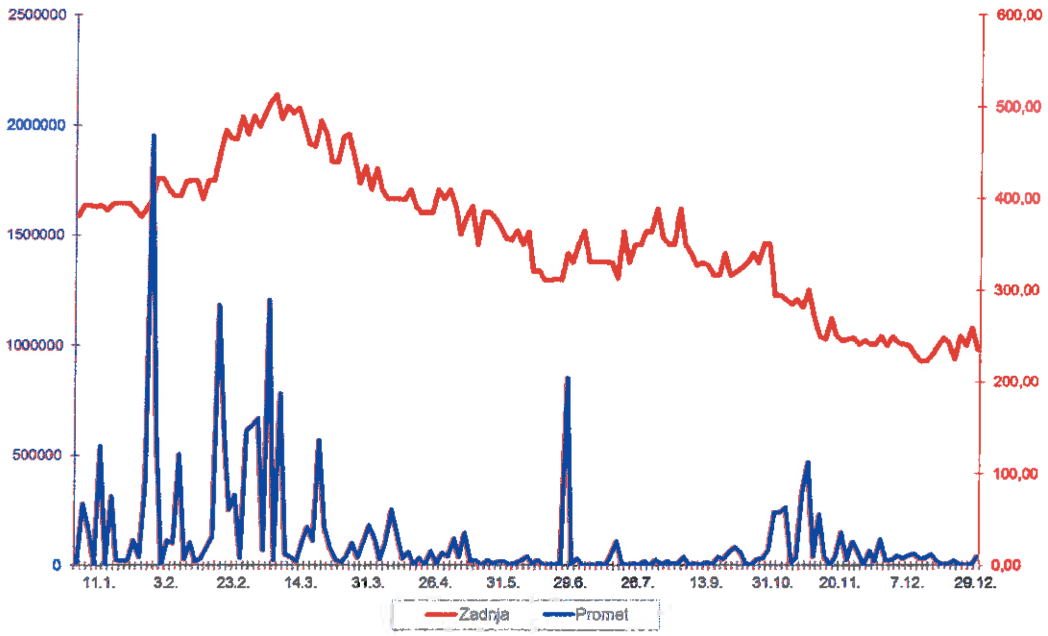
8.2 Indicators of assets activity and profitability

Item	INDICATOR	2016	2017	Index 2017./2016.
	a) Assets activity			
1.	Total assets turnover ratio	0.54	0.68	125
2.	Current assets turnover ratio	1.27	1.43	113
3.	Current assets binding period (days)	284	252	89
4.	Trade receivables			
	- Turnover ratio	4.21	6.48	154
	- Collection period (days)	85	56	65
	b) Profitability			
5.	Net profit margin	5.21	-11.51	-
6.	Gross profit margin (operating)	7.01	-9.54	-
7.	EBITDA margin	11.13	-6.43	-
8.	ROA	2.62	-8.48	-
9.	ROE	5.59	-18.39	-
10.	Net profit per employee	193,501.83	511,625.57	-

IX OWNERSHIP AND COMPANY SHARES TRADING

Item	SHAREHOLDER	Number of shares	Structure in %
1.	EOS-Z D.O.O. (1/1)	466,500	33.64
2.	ROBIĆ D.O.O. (1/1)	308,302	22.23
3.	CRISTAL FINANCIERE (1/1)	235,734	17.00
4.	SPLITSKA BANKA D.D./ AZ OMF KATEGORIJE B (1/1)	137,055	9.88
5.	ADDIKO BANK D.D./ PBZ CO OMF - KATEGORIJA B (1/1)	33,108	2.39
6.	ERSTE & STEIERMARKISCHE BANK D.D./CSC	32,201	2.32
7.	ZAGREBAČKA BANKA D.D./ AZ PROFIT DOBROVOLJNI MIROVINSKI FOND (1/1)	25,449	1.84
8.	HPB D.D. (1/1)	23,257	1.68
9.	OSTALI ULAGAČI I MALI DIONIČARI	125,061	9.02
	TOTAL (1 to 9)	1,386,667	100.00

At the end of 2017, the Company does not owe any of its own shares. At the end of 2017, the stock market price was HRK 235.00 each, and the financial transactions turnover reached HRK 19,718,383.80. In the reported period, market capitalization in the amount of HRK 325.87 million was achieved.



X ENVIRONMENTAL PROTECTION

Viro Sugar Factory is a big consumer of natural gas, being the main energy source for the production of sugar. During 2017, for both sugar beet and raw sugar campaigns, natural gas consumption reached in total 18,720,740 Nm^3 .

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

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

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

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

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

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

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

XI FUTURE EXPECTATIONS OF THE COMPANY IN YEAR 2018

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

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

Future plan for year 2018 is based on energy efficiency improvement and reconstruction works on some sectors of the factory in order to achive high level of process reliability.

SAP system is in process of involvement, starting during year 2017 and will be finished in year 2018 as well as education of company team. SAP system should improve business processes and management of complete VIRO Group. This is also very omportant conected with Sladorana d.o.o. affilation to the company, to form one company. The process will be finished in year 2018.

The total investment fund planned for 2018 will be allocated to following items:

- Annual reparation of process equipment
- Reconstruction works on packing and paletizing line for 1 kg sugar packages
- Instalation of 2 pumps for A massecuite
- Sugar silo insulation replacement

Beet production and processing

By the production and finance plan for 2018, contracting of beet production on 5,000 hectares is planned, quantity is decreased related to previous year. The reason is lower price for sugar beet in year 2018. and in this way survival of sugar production will be reached under condition of very low sugar price. Which means processing of 325,000 tons of sugar beet, and production of 50,000 tons of white sugar, 13,000 tons of molasses and 14,600 tons of pressed pulp.

Raw sugar processing

Besides sugar beet processing, in accordance with VIRO sugar factory status on EU level, during 2018, according to market demand, the processing of approx. 60,000 tons of raw sugar is planned, which means production of almost 58,000 tons of white sugar and 2,400 tons of molasses.

Cooperation with strategic partner Cristal Union (France)

Transfer of know-how about production of sugar beet is especially important. The results are evident in year 2017 and will be continued in the following period where improvement at local farmers are expected. We expect that cooperation with sugar beet production leader in EU will open new possibilities for better financing, including allready used "hedging" trading on London and New York Stock Exchange during year 2017, as well as trading on global market. This cooperation gives new oportunity for possible investments on regional market all in order to improve long term expansion of the company.

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). 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) and the official website of the Zagreb Stock Exchange (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.

BASIC DANA ABOUT THE COMPANY:	VIRO TVORNICA ŠEĆERA d.d.
CONTACT PERSON AND PHONE NUMBER:	KORNELIJA ELJUGA, 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	*There were no such requests.*
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	*There were no such requests from the shareholders.*
16	Have the conditions been defined for participating at the general assembly by voting through proxy (irrespective of whether this is permitted pursuant to the law and articles of association), such as registration for participation in advance, certification of powers of attorney? (If yes, please explain.)	Yes	*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.*
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	*No such claims have been initiated so far.*

MANAGING AND SUPERVISORY BODIES

PLEASE PROVIDE THE NAMES OF MANAGEMENT BOARD MEMBERS AND THEIR FUNCTIONS:	*Željko Zadro, President of the Management Board* *Darko Krstić, Member of the Management Board* *Ivo Rešić, Member of the Management Board*
PLEASE PROVIDE THE NAMES OF SUPERVISORY BOARD AND THEIR FUNCTIONS:	*Marinko Zadro, President of the Supervisory Board* *Boris Šimunović, Deputy President of the Supervisory Board* *Ivan Mišetić, Member of the Supervisory Board* *Svetlana Zadro, Member of the Supervisory Board* *Damir Keleković, Member of the Supervisory Board (until 6.12.2017.)*

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	*The Supervisory Board members maintain almost daily contact, and we believe that there is no need to formalise the matters.*
20	Have the supervisory or management Board passed its internal rules of procedure? (If not, please explain.)	No	*The rules of procedure for the Supervisory Board are specified in the Companies Act and the Group's Articles of Association.*
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	*The Supervisory Board members are representatives of the shareholders, workers and include one independent member*
22	Is there a long-term succession plan in the Group? (If not, please explain.)	No	*Given a shallow organisational structure, we consider this as not necessary.*
23	Is the remuneration received by the members of the supervisory or management board entirely or partly determined according to their contribution to the Group's business performance? (If not, please explain.)	No	*The President of the Supervisory Board receives a monthly remuneration defined by a decision of the General Assembly.*
24	. Is the remuneration to the members of the supervisory or management board determined by a decision of the general assembly or in the articles of association of the company? (If not, please explain.)	Yes	
25	Have details about all remuneration and other benefits received by each member of the supervisory or management board received from the 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	*Data is being provided on request*
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	*This is mainly an advisory services contract concluded for a limited term.*
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	*All members of audit committee are members of supervisory bord. Audit committe is exempt from independency.*
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 perscribed 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 Assembky 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.*

AUDIT AND INTERNAL CONTROL MECHANISMS

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 perscribed 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

TRANSPARANCY AND THE PUBLIC VISIBILITY OF THE BUSINESS

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	

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

After making appropriate enquiries, the Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to prepare the separate financial statements under the going-concern principle.

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

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

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

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

Signed on behalf of the Management Board by:

Darko Krstić, Member of the Board

Ivo Rešić, Member of the Board

Viro tvornica šećera d.d.

Ulica grada Vukovara 269g

10000 Zagreb

Republic of Croatia

27 April 2018

Viro TVORNICA ŠEĆERA d.d. ZAGREB

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Viro tvornica šećera d.d.

Qualified opinion

We have audited separate financial statements of Viro d.d. (the "Company"), which comprise separate statement of financial position as at 31 December 2017, and separate statement profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matter described in the *Basis for qualified opinion* paragraph, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company at 31 December 2017, its financial performance and its cash flows for the year then ended in accordance with the Accounting Act and International Financial Reporting Standards adopted by the European Union (IFRSs).

Basis for qualified opinion

The Company has recognised an investment in its subsidiary Sladorana in the amount of HRK 407,187 thousand as noted in note 15 of the financial statements. At 31 December 2017 the Company did not assess the recoverability of the carrying amount of the investment in accordance with IAS 36 "Impairment of Assets". As a result, we are not able to determine the potential effect of this matter on the accompanying separate financial statements.

We conducted our audit in accordance with the Audit Act and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our 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 qualified opinion.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Emphasis of matter

The Company has also prepared the consolidated financial statements of Viro tvornica šećera d.d. and its subsidiaries, dated 27 April 2018. For a better understanding of the Group as a whole, the users should read the consolidated financial statements in conjunction with these separate financial statements. Our opinion is not modified with respect to this matter.

Key Audit Matters

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

Key audit matter	***How our audit addressed the key audit matter***
Valuation of inventories *Please refer to Note 17 to the separate financial statements*	
At 31 December 2017 the Company recognised inventories in the amount of HRK 168,479 thousand, which consist of finished, products, merchandise, raw material and supplies and prepayments for inventories. Out of the total value of inventories, HRK 110,725 thousand relates to stocks of finished sugar products. The Company has no production in progress on 31 December 2017. There is a risk that inventories are not recorded in accordance with International accounting standard 2 "Inventories", i.e. that inventories are stated at the lower of production cost or net realisable value. The production cost consists of all production costs incurred in producing the products and includes direct materials, direct labour costs and those overhead costs that have been incurred in bringing inventories to their present location and condition. The Group applies a traditional production cost method which includes direct labor and material costs and general cost of production per cost bearer.	Our audit approach included substantive procedures, which are the following: • We have reviewed the stock-count reports prepared on the inventory counts performed at warehouses at the end of the financial year and compared the balances with the balances in the Company's books. • We have tested the net realisable value of products and compared it with the production cost in order to satisfy ourselves that the products are recognised at the lower of the production cost or net realisable value. • We have reviewed the production calculation method and the allocation of all overhead costs to the products.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information

Management is responsible for the other information. The 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 Management Report, which is included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include examining whether the Management Report includes required disclosures as set out in Article 21 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

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

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

Based on the knowledge and understanding of the Company 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 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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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 28 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 Company 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

Separate 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	847,561	696,989
Other income	4.2	5,786	3,521
Total operating income		**853,347**	**700,510**
(Decrease) / increase in the value of work in progress and finished products		(51,580)	138,523
Cost of raw material and supplies	6	(445,960)	(510,625)
Cost of goods sold	7	(299,118)	(181,161)
Other external charges	8	(47,636)	(33,393)
Depreciation and amortisation	14	(26,286)	(28,759)
Staff costs	9	(24,927)	(21,966)
Other expenses	10.1	(11,454)	(10,774)
Inventory adjustment value	10.2	(43,734)	-
Other operating expenses	10.3	(20,326)	(8,195)
Total operating expenses		**(971,021)**	**(656,350)**
(Loss) / profit from operations		**(117,674)**	**44,160**
Financial income	11	45,085	13,825
Financial expenses	12	(30,853)	(20,753)
Net financial loss		**14,232**	**(6,928)**
(Loss) / profit before taxation		**(103,442)**	**37,232**
Income tax	13	-	-
(Loss) / profit for the year		**(103,442)**	**37,232**
Other comprehensive income			
Items not reclassified subsequently to profit or loss			
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		**(103,442)**	**37,232**
(Loss) / earnings per share			
– basic and diluted (in kunas and lipas)	24	**(74.60)**	**26.85**

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

Separate statement of financial position

At 31 December 2017

(All amounts are expressed in thousands of HRK)

	Notes	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Intangible assets	14	516	137
Property, plant and equipment	14	156,524	179,990
Investments in subsidiaries	15	418,933	418,550
Non-current financial assets	16	116,510	150,597
Total non-current assets		**692,483**	**749,274**
Current assets			
Inventories	17	168,479	434,942
Trade receivables and receivables from related companies	18	125,440	134,873
Receivables from the State and other institutions	19	9,665	49,421
Current financial assets	20	159,166	26,688
Other receivables		157	118
Cash and cash equivalents	21	62,683	22,411
Prepaid expenses and accrued income	22	1,504	5,502
Total current assets		**527,094**	**673,955**
TOTAL ASSETS		**1,219,577**	**1,423,229**

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

Separate statement of financial position (continued)

At 31 December 2017

(All amounts are expressed in thousands of HRK)

	Notes	31 December 2017	31 December 2016
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23.1	249,600	249,600
Retained earnings		246,143	349,585
Capital reserves	23.2	10,368	10,368
Reserves out of profit	23.2	56,347	56,347
Total equity		**562,458**	**665,900**
Non-current liabilities			
Loans payable and borrowings	25	157,644	229,589
Total non-current liabilities		**157,644**	**229,589**
Current liabilities			
Liabilities to related companies	30	5,174	30,738
Loans payable and borrowings	25	272,345	108,618
Advances received	27	13,554	1,303
Trade payables	26	162,867	313,719
Other current liabilities	28	45,228	73,180
Accrued expenses and deferred income	29	307	182
Total current liabilities		**499,475**	**527,740**
TOTAL EQUITY AND LIABILITIES		**1,219,577**	**1,423,229**

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

Separate statement of changes in shareholders' equity

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

	Share capital	Capital reserves	Reserves out of profit	Retained earnings	Total
Balance at 1 January 2016	**249,600**	**10,368**	**56,347**	**312,353**	**628,668**
Loss for the year	-	-	-	37,232	37,232
Total comprehensive loss	**-**	**-**	**-**	**37,232**	**37,232**
Balance at 31 December 2016	**249,600**	**10,368**	**56,347**	**349,585**	**665,900**
Loss for the year	-	-	-	(103,442)	(103,442)
Total comprehensive loss	**-**	**-**	**-**	**(103,442)**	**(103,442)**
Balance at 31 December 2017	**249,600**	**10,368**	**56,347**	**246,143**	**562,458**

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

Separate statement of cash flows

For the year ended 31 December 2017

(All amounts are expressed in thousands of HRK)

	Notes	2017	2016
Cash flows from operating activities			
(Loss) / profit for the year		(103,442)	37,232
Depreciation and amortisation	14	26,286	28,759
Foreign exchange differences per loans, net	12	1,805	(3,967)
Interest expense	12	12,793	11,818
Interest income	11	(6,308)	(1,710)
Net book value of disposed fixed assets	14	2,786	7,901
Value adjustment of current assets, net		480	480
Operating cash flows before changes in working capital		**(65,600)**	**80,513**
Decrease / (increase) in inventories	17	266,463	(255,420)
Decrease / (increase) in trade receivables	18	8,953	78,131
Decrease / (increase) in other receivables		39,717	(38,686)
Decrease / (increase) in advances received	27	12,251	(1,972)
(Decrease) / increase in trade payables	26	(176,416)	234,225
Decrease in other liabilities		(27,827)	(13,912)
Increase / (decrease) in prepaid expenses	22	3,998	(509)
Cash generated from operations		**61,539**	**82,370**
Income taxes paid	13		(47)
Interest paid		(12,049)	(12,049)
Net cash generated from operating activities		**49,490**	**70,274**
Cash flows from investing activities			
Given loans and deposits, net		(92,083)	28,262
Expenses for the establishment of subsidiaries		(383)	-
Purchases of property, plant and equipment, and intangible assets	14	(5,985)	(48,395)
Net cash (used in) investing activities		**(98,451)**	**(20,133)**
Cash flows from financing activities			
Proceeds from borrowings	25	302,556	177,496
Repayments of borrowings		(213,323)	(212,228)
Net cash generated / (used in) from financing activities		**89,233**	**(34,732)**
Net increase / (decrease) in cash and cash equivalents		**40,272**	**15,409**
Cash and cash equivalents at the beginning of the year		**22,411**	**7,002**
Cash and cash equivalents at the end of the year		**62,683**	**22,411**

(All amounts are expressed in thousands of HRK)

1. GENERAL INFORMATION

1.1 Introduction

Viro tvornica šećera d.d., Zagreb, Ulica grada Vukovara 269g, was entered in the registry of the Commercial Court in Bjelovar on 23 July 2002. The founders of the company were EOS-Z d.o.o. from Zagreb and Robić d.o.o. from Velika Gorica. In 2005 the Company was transformed from a limited liability company into a public limited company. The share capital of the Company amounts to HRK 249,600,060 (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.

The Company has acquired and holds 3,306,002 (2016: 3,306,002) ordinary shares of Sladorana d.d., Županja, representing 100 % (2016: 100 %) of the equity of the subsidiary. On 7 February 2014 the company was transformed from a public limited company into a limited liability company.

In 2013 the Company acquired and held 22,686 B-series shares of Slavonija nova d.d., Županja, representing 16.72 % of the subsidiary's total net capital. On 15 January 2014 the company was renamed to Slavonija Županja d.d.

In 2017, the Company established the company VIRO BH d.o.o., Grude, Bosnia and Herzegovina and paid a share capital of 51 thousand euros. The Company is 100% owned by VIRO BH d.o.o.

1.2 Principal activity

The Company's principal activity is sugar production.

1.3 Management Board of the Company

At 31 December 2017 and 31 December 2016 the members of Management Board are the following

1. Željko Zadro	*President of the Board*	
2. Darko Krstić	*Member of Management Board*	*Since 23 09 2016*
3. Ivo Rešić	*Member of Management Board*	*Since 23 09 2016*

1.4 Supervisory Board

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

1. Marinko Zadro	*President of the Supervisory Board*	
2. Boris Šimunović	*Deputy President of the Supervisory Board*	
3. Ivan Mišetić	*Member of Supervisory Board*	
4. Damir Keleković	*Member of Supervisory Board*	*Until 06 12 2017*
5. Zadro Svetlana	*Member of Supervisory Board*	*Since 30 08 2016*

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.

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 Company 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 Company anticipates that the implementation of IFRS 9 and IFRS 15 will have no material impact on the financial statements.

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

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),

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)

The IFRSs currently adopted in the European Union do not differ significantly from the regulations adopted by the International Accounting Standards Board (IAS), except for the following standards, amendments to existing standards and interpretations, the adoption of which has not been decided by the European Union until the date of the financial statements (the dates of entry into force referred to below apply to IFRSs as a whole):

- **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).

(All amounts are expressed in thousands of HRK)

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of the financial statement presentation and preparation

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Revenue recognition

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

3.3 Borrowing costs

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

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

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

3.4 Foreign-currency transactions

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

3.5 Income tax

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

Deferred tax

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Income tax (continued)

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.

3.6 Property, plant and equipment

Property, plant and equipment are recognised initially at cost less accumulated depreciation. The cost of comprises the purchase price of an item of property, plant and equipment, import duties and non-refundable sales taxes and any directly attributable costs of bringing the item to its working condition and location for its intended use.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Inventories

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

Where inventories have to be reduced to the net realisable value, the related impairment is charged to expenses for the year.

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

3.8 Trade receivables and prepayments

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

3.9 Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Provisions

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

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the reversal of such discounting in each year is recognised as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Contingent liabilities

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

3.12 Events after the reporting date

Events subsequent to the reporting date that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

3.13 Financial instruments

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

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

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

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

Effective interest method

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (continued)

Loans and receivables

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

Available-for-sale (AFS) investments

Available-for-sale (AFS) financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.
Securities that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. Fair value is the market value, at the date of the statement of financial position, on a regulated securities exchange, by reference to the notification of the Central Depository Agency and taking into account the trading volume. Changes in the carrying amount of AFS monetary financial assets arising from changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading 'Investments revaluation reserve'. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is transferred to profit or loss.
The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses arisen on the retranslation are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

At the end of each reporting period, AFS equity investments without a quoted market price in an active market and whose fair value cannot be reliably measured as well as derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (continued)

Impairment of financial assets

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

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

Changes in the carrying amount of the allowance account are recognised in profit or loss.

Financial instruments are classified as liabilities or equity instruments, in accordance with the substance of the underlying contracts. Interest, dividends, gains and losses on financial instruments classified as financial liabilities are recognised as income or expense when they arise. Financial assets and liabilities are offset when the Company has a legally enforceable right to set off the net amounts reported, or realise the asset and settle the liability simultaneously.

Derecognition of financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (continued)

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

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

Other financial liabilities

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (continued)

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

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

3.14. Government grants

Government grants are not recognized until the fulfilment of the conditions for obtaining government grants and the receipt of aid becomes certain.
Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.
Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.
The benefit of a government grant approved at an interest rate below the market rate is accounted for as a government grant and disclosed as the difference between the funds received and the fair value of the loan on the basis of the prevailing market interest rates.

3.15. Operating segment reporting

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, the Management Board is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

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

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

Useful life of property, plant and equipment

As described in the Note 3.6, the Company reviews the estimated useful lives of property, plant and equipment as well as of intangible assets at the end of each annual reporting period. Property, plant and equipment as well as intangible assets are recognised at cost less accumulated depreciation, i.e. amortisation.

Impairment allowance on trade receivables

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

Consequences of certain legal actions

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

(All amounts are expressed in thousands of HRK)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Impairment allowance on inventories

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

Inventories are stated at cost or net expected sales value that can be realized, depending on what is lower.

4. SALES AND OTHER INCOME

4.1 Sales

	2017	2016
Domestic sales	453,974	333,920
Foreign sales	393,587	363,069
	847,561	**696,989**

Increase in sales revenue refers to a significant increase in realization of finished goods and merchandise goods.

4.2 Other Income

	2017	2016
Subsequently approved discounts	1,486	513
Surplus	1,404	1,203
Income from subsequent collection of receivables previously provided against or written off	887	522
Revenue from previous year	547	241
Raw material and supplies sales	480	217
Damages collected	180	68
Other income	802	757
	5,786	**3,521**

(All amounts are expressed in thousands of HRK)

5. SEGMENT INFORMATION

The operating segments were determined based on the similarity in the nature of individual product groups. Two operating segments were identified: "Sugar" and "Molasses and Dry Beet".

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

Segment revenue and results

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

	Segment revenue	
	2017	**2016**
Sugar	750,649	531,888
Molasses and dry beet	102,698	168,622
	853,347	**700,510**

	Segment expenses		Segment (loss) / profit	
	2017	**2016**	**2017**	**2016**
Sugar	854,162	498,358	(103,513)	33,530
Molasses and dry beet	116,859	157,992	(14,161)	10,630
	971,021	**656,350**	**(117,674)**	**44,160**

	2017	**2016**
Operating profit / (loss)	(117,674)	44,160
Financial income	45,085	13,825
Financial expenses	(30,853)	(20,753)
Profit / (loss) before tax	**(103,442)**	**37,232**

The Sugar segment comprises sugar production.

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

(All amounts are expressed in thousands of HRK)

5. SEGMENT INFORMATION (CONTINUED)

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

Segment assets and liabilities

	31.12.2017	31.12.2016
Segment assets		
Sugar	461,790	628,229
Molasses and dry beet	63,178	199,165
Total segment assets	**524,968**	**827,394**
Unallocated	694,609	595,835
Total assets	**1,219,577**	**1,423,229**

	31.12.2017	31.12.2016
Segment liabilities		
Sugar	578,037	575,030
Molasses and dry beet	79,082	182,299
Total segment liabilities	**657,119**	**757,329**
Unallocated	-	-
Total liabilities	**657,119**	**757,329**

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

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

(All amounts are expressed in thousands of HRK)

5. SEGMENT INFORMATION (CONTINUED)

Other segment information

	Depreciation and amortisation		Additions	
	2017	**2016**	**2017**	**2016**
Sugar	23,123	21,836	5,266	36,746
Molasses and dry beet	3,163	6,923	720	11,649
Total	**26,286**	**28,759**	**5,986**	**48,395**

Geographical information

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

	Sales	
	2017	**2016**
Croatian market	459,648	337,441
EU market	206,137	350,932
Others	187,562	12,137
Total	**853,347**	**700,510**

Information about major customers

Included in the sales in the amount of HRK 853,347 thousand (2016: HRK 700,510 thousand) are sales of HRK 313,050 thousand (2016: HRK 136,216 thousand) generated from the Company's major customer.

(All amounts are expressed in thousands of HRK)

6. COST OF RAW MATERIAL AND SUPPLIES

	2017	2016
Raw material and supplies	404,235	475,602
Energy	34,404	29,597
Spare parts	6,863	4,970
Small inventory	454	453
Other material costs	4	3
	445,960	**510,625**

The significant decrease in the cost of raw material and supplies in 2017 is a result increase of raw sugar processing and reduction of processing sugar beet compared with 2016.

7. COST OF GOODS SOLD

Costs of goods sold in the amount of HRK 299,118 thousand (2016: HRK 181,161 thousand) represents expenses incurred on the cost of goods delivered and sold to the customers during the reporting year.

8. OTHER EXTERNAL CHARGES

	2017	2016
Transportation	22,250	9,420
Maintenance	6,543	5,950
Rental and lease expenses	3,261	3,199
External staff services	3,198	2,691
Bank and payment operation charges	3,034	4,082
Intellectual services	2,036	1,717
Insurance premiums	1,429	1,173
Municipal utility fees and charges	1,056	1,232
Intermediation services	852	596
Handling costs	845	562
Postal, telephone and telecommunication services	652	711
Data processing services	507	441
Advertising, advertising and trade services	363	85
Market research services	140	128
Other services	1,560	1,406
	47,636	**33,393**

(All amounts are expressed in thousands of HRK)

9. STAFF COSTS

	2017	2016
Net wages and salaries	15,630	13,579
Taxes and contributions out of salaries	5,792	5,194
Contributions on salaries	3,505	3,193
	24,927	**21,966**

At 31 December 2017, the Company had 206 employees (31 December 2016: 198 employees).

10. OTHER COSTS AND OPERATING EXPENSES

10.1 Other costs

	2017	2016
Regulated benefits, contributions and membership fees	5,451	6,308
Awards and gifts to employees	1,278	1,275
Retirement / termination benefits	1,120	-
Employees' transportation costs	1,090	945
Hospitality and entertainment	1,055	972
Employee benefits (per diems, accommodation, support)	552	437
Fees to Supervisory Board members	358	439
Professional education and literature	218	119
Fieldwork allowance	36	38
Other taxes and fees to the fund	12	18
Others	284	223
	11,454	**10,774**

(All amounts are expressed in thousands of HRK)

10. OTHER COSTS AND OPERATING EXPENSES (CONTINUED)

10.2 Impairment of inventory

Impairment in the amount of HRK 43,734 thousand refers to the value adjustment of inventories since the value of inventory of sugar that can be realized in the market value is lower than the cost of inventories.

10.3 Other operating expenses

	2017	2016
Written-off receivables	13,639	3,233
Written –off inventory	2,480	491
Subsequently identified expenses	1,659	402
Donations	880	766
Deficits	485	876
Subsequently approved discounts	484	1,253
Cost of raw material and goods sold	457	942
Fines, penalties, damages	126	9
Others	116	223
	20,326	**8,195**

Subsequently identified expenses from prior years in the amount of HRK 1,659 thousand (2016: HRK 402 thousand) comprise HRK 1,338 thousand refers to the difference in the price of sugar beet from 2016, HRK 67 thousand to a sugar customer complaint from 2016, HRK 136 thousand refers to a fee for water from 2016 and HRK 118 thousand represent other expenses from the prior year.

Write-off of receivables for the year 2017 in the amount of HRK 13,639 thousand comprise the following: write-off of trade receivables in the amount of HRK 5,068 thousand and write-off of receivables for given loans in the amount of HRK 8,571 thousand.

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

(All amounts are expressed in thousands of HRK)

11. FINANCIAL INCOME

	2017	2016
Realized gains from sale of financial asset	22,608	-
Foreign exchange gains	12,857	8,594
Interest income – related parties	5,946	2,914
Foreign exchange gains – related companies	2,459	1,094
Interest income – unrelated companies	362	666
Unrealised gains on financial assets	49	500
Other financial income	804	57
	45,085	**13,825**

12. FINANCIAL EXPENSES

	2017	2016
Interest expense - related companies	12,801	8,860
Foreign exchange losses	11,686	7,459
Foreign exchange losses – related companies	3,662	2,958
Realized loss from sale of financial asset	1,413	-
Charges on bank loans	1,119	973
Interest form related parties	172	-
Impairment of financial assets	-	503
	30,853	**20,753**

(All amounts are expressed in thousands of HRK)

13. INCOME TAX

In 2017 the Company generated a loss in the amount of HRK 103,442 thousand and a tax loss in the amount of HRK 43,210 thousand, and tax losses brought forward amount to HRK 17,126 thousand; therefore, the Company has no income tax liability.

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

	2017	**2016**
Profit / (loss) before taxation	**(103,442)**	**37,232**
Income tax at 18% (2016. 20%)	(18,620)	7,446
Effect of tax non-deductible expenses and non-taxable income	10,517	894
Effect of unrecognised deferred tax assets arising from tax losses	(8,103)	8,340
Income tax	-	-

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

Tax losses available for carry forward are analysed below:

Available for carry forward until:	**Tax loss**	**Amount not recognised as deferred tax asset**
2020	17,126	11,186
2022	45,016	-
	62,142	**11,186**

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

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

(All amounts are expressed in thousands of HRK)

14. INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

	Intangible assets	Land	Buildings	Plant and equipment	Works of fine art	Assets under development	Other tangible assets	Total
Cost								
Balance at 31 December 2015	**3,331**	**5,549**	**119,350**	**310,302**	**9**	**5,420**	**2,990**	**446,951**
Additions	103	-	3,072	5,094	-	40,126	.	48,395
Disposals, retirements,	-	-	-	(1,539)	-	(7,683)	.	(9,222)
Balance at 31 December 2016	**3,434**	**5,549**	**122,422**	**313,857**	**9**	**37,863**	**2,990**	**486,124**
Additions	481	-	413	3,800	-	1,292	-	5,986
Disposals, retirements,	-	-	(50)	(1,141)	-	(2,671)	-	(3,862)
Balance at 31 December 2017	**3,915**	**5,549**	**122,785**	**316,516**	**9**	**36,484**	**2,990**	**488,248**

Intangible assets consist of computer software and licences.

(All amounts are expressed in thousands of HRK)

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

	Intangible assets	Land	Buildings	Plant and equipment	Works of fine art	Assets under development	Other tangible assets	Total
Accumulated depreciation/amortisation								
Balance at 31 December 2015	**3,245**	**-**	**48,019**	**226,530**	**-**	**-**	**765**	**278,559**
Depreciation	53	-	6,062	22,494	-	-	150	28,759
Disposals, retirements,	-	-	-	(1,321)	-	-	-	(1,321)
Balance at 31 December 2016	**3,298**	**-**	**54,081**	**247,703**	**-**	**-**	**915**	**305,997**
Depreciation	101	-	6,127	19,908	-	-	150	26,286
Disposals, retirements,	-	-	(18)	(1,057)	-	-	-	(1,075)
Balance at 31 December 2017	**3,399**	**-**	**60,190**	**266,554**	**-**	**-**	**1,065**	**331,208**
NET BOOK VALUE								
At 31 December 2017	**516**	**5,549**	**62,595**	**49,962**	**9**	**36,485**	**1,925**	**157,040**
At 31 December 2016	**137**	**5,549**	**68,341**	**66,154**	**9**	**37,863**	**2,075**	**180,127**

(All amounts are expressed in thousands of HRK)

15. INVESTMENTS IN SUBSIDIARIES

	Principal activity	31.12.2017	Ownership Interest (%)	31.12.2016	Ownership interest (%)
Sladorana d.o.o.	Sugar production	407,187	100.00	407,187	100.00
Slavonija Županja d.d.	Processing and trade of grains	11,343	16.72	11,343	16.72
VIRO BH d.o.o.	Agents involved in the trade of various products	383	100.00	-	-
VIRO – kooperacija d.o.o.	Storage of goods, laboratory analysis of samples	20	100.00	20	100.00
		418,933		**418,550**	

Company VIRO BIH d.o.o. was registered at the Municipal Court in Siroki Brijeg, Bosnia and Herzegovina with a 100% equity share on 30.05.2017.

16. NON-CURRENT FINANCIAL ASSETS

	31.12.2017	31.12.2016
Loans given to a subsidiary	115,338	149,217
Financial assets available for sale (AFS)	914	903
Given deposits, loans and down payments	258	477
	116,510	**150,597**

Loans to a subsidiary in the amount of HRK 115,338 thousand (31 December 2016: HRK 149,217 thousand) relate to loans given to Sladorana d.o.o. A loan was raised at Raiffeisen bank for the purpose of repayment of loans to other banks taken for Viro tvornica šećera d.d. and Sladorana d.o.o., which Sladorana d.o.o. repays as it falls due.

Given deposits, loans and down payments in the amount of HRK 258 thousand (31 December 2016: HRK 477 thousand) comprise loans in the amount of HRK 101 thousand to Trstenjak Duško (31 December 2016: HRK 202 thousand); HRK 77 to Koprivanac Žaklina (31 December 2016: HRK 155 thousand); HRK 55 thousand to Klarić Mario (31 December 2016: HRK 0 thousand) and HRK 25 to Požar David (31 December 2016: HRK 0 thousand).

(All amounts are expressed in thousands of HRK)

17. INVENTORIES

	31 December 2017	31 December 2016
Finished products	163,830	214,171
Prepayments for inventories	4,495	49,849
Raw material and supplies	15,747	55,191
Merchandise	28,465	116,055
Impairment allowance on inventories	(44,058)	(324)
	168,479	**434,942**

At 31 December 2017, the prepayments for inventories comprise advances made for the delivery of goods to Tvornica šećera Osijek in the amont of HRK 1,963 thousand, Izo-paneli d.o.o., in the amount of HRK 680 thousand, PD Gradina, in the amount of HRK 533 thousand, EP-ING d.o.o., in the amount of HRK 507 thousand, Agropromet d.o.o., in the amount of HRK 304 thousand and other companies in the amount of HRK 508 thousand.

18. TRADE RECEIVABLES AND RECEIVABLES FROM RELATED COMPANIES

Structure of trade receivables:

	31.12.2017	31.12.2016
Domestic trade receivables	75,980	130,700
Receivables from related companies (Note 30)	45,133	1,260
Foreign trade receivables	16,818	11,217
Impairment allowance on trade receivables	(12,491)	(8,304)
	125,440	**134,873**

Maturity analysis of receivables not impaired

	31 December 2017	31 December 2016
Not yet due	52,492	70,930
0-90 days past due	53,054	53,398
90-120 days past due	586	1,018
Over 120 days past due	19,308	9,527
	125,440	**134,873**

(All amounts are expressed in thousands of HRK)

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

Movements in impairment allowance for doubtful accounts

	2017	2016
Balance at 1 January	**8,034**	**8,514**
New allowances recognised (Note 10.3)	5,068	214
Collection of previously impaired receivables	(611)	(694)
Balance at 31 December	**12,491**	**8,034**

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

19. RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS

	31 December 2017	31 December 2016
VAT receivable	8,039	47,762
Other amounts due from the state	1,626	1,659
	9,665	**49,421**

(All amounts are expressed in thousands of HRK)

20. CURRENT FINANCIAL ASSETS

	31 December 2017	31 December 2016
Loand to related companies	152,547	4,682
Given loans	6,214	12,394
Investments in securities and deposits	399	9,374
Given deposits	6	238
	159,166	**26,688**

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

Legal persons	**Interest rate**	**31 December 2017**	**31 December 2016**
Robić promet d.o.o.	5.5%	4,095	4,522
Žeza d.o.o.	6%	3,876	-
Fortis factoring d.o.o.	-	3,700	3,700
Dubrovački podrumi d.d.	-	2,957	2,957
Poljoprivredno dobro Gradina d.o.o.	-	1,710	1,725
Medion savjetovanje d.o.o.	-	554	554
T.T. d.o.o., Split	-	151	151
Visus d.o.o.	-	143	143
Tenika-metal d.o.o.	6%	100	111
Romić promet d.o.o.	6%	-	1,224
Others	6%-7%	268	379
Impairment allowance		(12.638)	(3,966)
Total loans to legal persons		**5,910**	**12,394**
Natural persons			
Others	5%-6%	681	377
Impairment allowance		(377)	(377)
Total loans to natural persons		**304**	-
Total given loans		**6,214**	**12,394**

In 2017 the Company recognised impairment allowance on given loans in the amount of HRK 8,571 thousand (31. December 2016: HRK 232 thousand).

(All amounts are expressed in thousands of HRK)

21. CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Giro account balance	62,309	22,247
Foreign currency account balance	374	164
	62,683	**22,411**

22. PREPAID EXPENSES AND ACCRUED INCOME

Prepaid expenses in the amount of HRK 1,504 thousand (31 December 2016: HRK 5,502 thousand) comprise a pre-paid warehouse agreement in Borovo in the amount of HRK 825 thousand, prepaid fee of EUR 12 per ton of produced sugar within the granted quotas for the period January – September 2017 in the total amount of HRK 0 thousand (2016: HRK 4,32 thousand), prepaid interest on leases in the amount of HRK 21 thousand (31 December 2016: HRK 99 thousand), accrued fees for issued loans in the amount of HRK 644 thousand (31 December 2016: HRK 846 thousand), as well as other prepaid expenses and accrued income in the amount of HRK 14 thousand (31 December 2016: HRK 232 thousand).

23. SHARE CAPITAL AND RESERVES

23.1 Share capital

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

The ownership structure is set out below:

Owner	Number of sahres		Ownership in %	
	2017.	**2016.**	**2017.**	**2016.**
Eos-z d.o.o.	466.500	308.204	33,64	22,23
Robić d.o.o.	308.302	235.734	22,23	17,00
Cristal financiere	235.734	-	17,00	-
Splitska banka d.d./ az omf kategorije b	137.055	180.366	9,88	13,01
Addiko bank d.d./ pbz co omf - kategorija b	33.108	137.055	2,39	9,88
Erste & steiermarkische bank d.d./csc	32.201	158.296	2,32	11,42
Zagrebačka banka d.d./ az profit dobrovoljni mirovinski fond	25.449	40.063	1,84	2,89
Hpb d.d.	23.257	127.936	1,68	9,23
Ostali ulagači i mali dioničari	125.061	199.013	9,02	14,34
	1.386.667	**1.386.667**	**100,00**	**100,00**

(All amounts are expressed in thousands of HRK)

23. SHARE CAPITAL AND RESERVES

23.2 Reserves

	2017	2016
Legal reserves	12,480	12,480
Capital reserves	10,368	10,368
Reserves for own shares	43,867	43,867
	66,715	**66,715**

24. EARNINGS / (LOSS) PER SHARE

Basic and diluted earnings per share

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

	2017	2016
Profit / (loss) for the year attributable to the shareholders of the Company (in HRK'000)	(103,442)	37,232
Weighted average number of ordinary shares used in the calculation of the basic earnings per share:	1,386,667	1,386,667
Basic earnings / (loss) per share (in kunas and lipas)	**(74.60)**	**26.85**

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

(All amounts are expressed in thousands of HRK)

25. LIABILITIES UNDER BORROWINGS AND FINANCIAL LEASES

	31 December 2017	31 December 2016
Long-term borrowings		
Bank loans	157,071	228,214
Finance lease obligations	156	750
Other creditors	417	625
	157,644	**229,589**
Short-term borrowings		
Bank loans	172,084	13,400
Banks – current portion of long term loans (due within 1 year)	87,261	87,774
Financial loan	12,200	4,700
Finance lease – current portion of long-term finance leases (due within 1 year)	800	2,744
	272,345	**108,618**
Total	**429,989**	**338,207**

Bank borrowings in the amount of HRK 416,416 thousand (31 December 2016: HRK 329,388 thousand) are secured by registered lien on the Company's properties and equipment.

Debentures have been provided as security instruments for finance leases in the amount of HRK 956 thousand (31 December 2016: HRK 3,494 thousand).

The financial loan in the amount of HRK 12,200 thousand (31 December 2016: HRK 4,700 thousand) represents an amount owed to Konzum d.d. and liabilities form Hospitalija trgovina d.o.o. in the amount of HRK 8,000 thousand (31 December 2016: HRK 0 thousand).

Movements in received bank loans are presented below:

	2017	2016
Balance at 1 January	**329,388**	**368,087**
New loans raised	302,556	177,496
Amounts repaid	(213,323)	(212,228)
Exchange differences	(2,205)	(3,967)
Balance at 31 December	**416,416**	**329,388**

(All amounts are expressed in thousands of HRK)

25. LIABILITIES UNDER BORROWINGS AND FINANCIAL LEASES (CONTINUED)

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

Creditor	Maturity	Interest rate	Currency	Balance at 31.12.2017
Long-term borrowings				
Raiffeisenbank Austria d.d.	31.03.2021	4%	EUR	244,333
Short-term borrowings				
Addiko bank	16.04.2018	4.95%	HRK	35,000
PBZ	24.04.2018	5%+prin.trez.zap	HRK	34,600
Zagrebačka banka d.d.	30.06.2018	4%	HRK	32,159
PBZ	24.04.2018	5%+prin.trez.zap	HRK	22,800
Zagrebačka banka d.d.	30.06.2018	3.5%	HRK	16,524
PBZ	12.05.2018	5%+prin.trez.zap	HRK	11,000
Kentbank d.d.	14.03.2018	4.9%	HRK	10,000
PBZ	12.10.2018	5%+prin.trez.zap	HRK	8,000
Kentbank d.d.	14.03.2018	4,9%	HRK	2,000
Total short-term and long-term borrowings				**416,416**

Present value of minimum finance lease payments

	Minimum lease payments		Finance charges		Present value of minimum lease payments	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Up to 1 year	800	2,744	19	78	781	2,666
From two to five years	156	750	2	21	154	729
	956	**3,494**	**21**	**99**	**935**	**3,395**
Less: future finance charges	**21**	**99**			-	-
Present value of minimum lease payments	**935**	**3,395**			**935**	**3,395**

(All amounts are expressed in thousands of HRK)

26. TRADE PAYABLES

	31 December 2017	31 December 2016
Domestic trade payables	126,776	53,073
Foreign trade payables	36,091	260,646
	162,867	**313,719**

27. ADVANCES RECEIVED

At 31 December 2017 advances received amount to HRK 13,554 thousand (31 December 2016: HRK 1,303 thousand) and relate to advance payments made by foreign and domestic enterprises for sugar.

28. OTHER CURRENT LIABILITIES

	31 December 2017	31 December 2016
Liabilities in respect of issued bills of exchange	33,774	60,674
Taxes, contributions and similar duties payable	6,566	2,101
Liabilities to employees	1,428	1,284
Liabilities in respect of the share in the result	31	31
Other current liabilities	3,429	9,090
	45,228	**73,180**

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

	31 December 2017	31 December 2016
Belje d.d., Darda	16,706	16,706
PIK Vinkovci	9,564	9,564
Vupik d.d., Vukovar	7,504	7,504
Agrokor trgovina d.o.o.	-	26,900
	33,774	**60,674**

Liabilities for the bills of exchange issued to Agrokor trgovina d.o.o., Belje d.d., Darda, PIK Vinkovci d.d. and Vupik d.d. relate to amounts owed to suppliers in respect of prepayments made for deliveries of sugar beet and protection.

(All amounts are expressed in thousands of HRK)

29. ACCRUED EXPENSES AND DEFERRED INCOME

	31 December 2017	31 December 2016
Accrued direct sugar beet costs	200	93
Interest expense	-	12
Other accrued expenses	107	77
	307	182

30. RELATED-PARTY TRANSACTIONS

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

Trading transactions

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

Operating income

	Sales		Other income	
	2017	**2016**	**2017**	**2016**
SLADORANA d.o.o.	19,324	28,944	118	31
VIRO BH d.o.o.	15,004	-	-	-
SLAVONIJA ŽUPANJA d.d.	959	7,684	-	-
OŠTRC PROMET d.o.o.	3,491	984	-	-
GRUDSKA PIVOVARA d.o.o.	271	-	-	-
DALMACIJAVINO SPLIT doo	-	8	-	-
	39,049	37,620	118	31

Operating expenses

	Selling expenses		Other expenses	
	2017	**2016**	**2017**	**2016**
SLADORANA d.o.o.	18,041	27,889	92	6
VIRO BH d.o.o.	14,123	-	-	-
SLAVONIJA ŽUPANJA d.d.	975	9,626	-	-
OŠTRC PROMET d.o.o.	3,460	942	-	-
GRUDSKA PIVOVARA d.o.o.	258	-	-	-
DALMACIJAVINO SPLIT	-	7	-	-
	36,857	38,464	92	6

(All amounts are expressed in thousands of HRK)

30. RELATED-PARTY TRANSACTIONS (CONTINUED)

Finance income and expenses

	Financial income		Financial expenses	
	2017	**2016**	**2017**	**2016**
SLADORANA d.o.o.	7,614	2,585	2,956	2,958
GRUDSKA PIVOVARA d.o.o.	488	1,266	689	-
ROBIĆ d.o.o.	149	-	-	-
SLAVONIJA ŽUPANJA d.d.	140	157	172	-
VIRO BH d.o.o.	14	-	17	-
	8,405	**4,008**	**3,834**	**2,958**

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

	Amounts owed by related parties		Amounts owed to related parties	
	2017	**2016**	**2017**	**2016**
SLADORANA d.o.o.	39,508	-	-	30,703
VIRO BH d.o.o.	4,356	-	-	-
OŠTRC PROMET d.o.o.	1,240	1,223	-	-
OŠTRC d.o.o.	30	27	-	-
DALMACIJAVINO SPLIT d.o.o.	-	10	2	35
SLAVONIJA ŽUPANJA d.d.	-	-	4	-
	45,133	**1,260**	**6**	**30,738**

Loans to related parties:

	Receivables for given loans		Borrowings	
	2017	**2016**	**2017**	**2016**
SLADORANA d.o.o.	262,099	149,217	-	-
SLAVONIJA ŽUPANJA d.d.	6	3,005	5,169	-
ROBIĆ d.o.o.	4,099	-	-	-
VIRO-KOOPERACIJA d.o.o.	1,677	1,677	-	-
VIRO BH d.o.o.	4	-	-	-
	267,885	**153,899**	**5,169**	**-**

30 RELATED-PARTY TRANSACTIONS (CONTINUED)

Remuneration paid to key management personnel:

	2017	2016
Salaries	2,545	2,216
Others	320	269
	2,865	**2,485**

(All amounts are expressed in thousands of HRK)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy has remained unchanged since 2012.

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

The Treasury of the Company reviews the capital structure of the Company on a regular basis. As part of this review, the Treasury considers the cost of capital and the risks associated with each class of capital. The gearing ratio at the year end was as follows:

Gearing ratio

	2017	**2016**
Debt (i)	**429,989**	**338,207**
Cash and cash equivalents	(62,683)	(22,411)
Net debt	**368,306**	**315,796**
Equity (ii)	562,458	665,900
Net debt-to-equity ratio	65.30	47.42

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

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

(All amounts are expressed in thousands of HRK)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Categories of financial instruments

	31. December 2017	31 December 2016
Financial assets		
Non-current financial assets	116,510	150,597
Receivables from related companies	45,107	1,260
Trade receivables	80,333	133,613
Current financial assets	159,166	26,688
Other receivables	157	118
Cash and cash equivalents	62,683	22,411
Prepaid expenses and accrued income	1,504	5,502
	465,460	**340,189**

	31. December 2017	31 December 2016
Financial liabilities		
Loans payable and borrowings	157,644	229,589
Liabilities to related companies	5,174	30,738
Loans payable and borrowings	272,345	108,618
Advances received	13,554	1,303
Trade payables	162,867	313,719
Other current liabilities	38,662	71,079
Accrued expenses and deferred income	307	182
	650,553	**755,228**

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

(All amounts are expressed in thousands of HRK)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management objectives

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

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

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

Market risk

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

Foreign currency risk management

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

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

	Liabilities		Assets	
	2017	2016	2017	2016
European Union (EUR)	302,071	585,671	174,315	216,285
USD	-	112	5,956	-

(All amounts are expressed in thousands of HRK)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Foreign currency risk management (continued)

Foreign currency sensitivity analysis

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

The following table analyses the Company's sensitivity to a ten-percent (10%) change in the exchange rate of the Croatian kuna against the relevant foreign currency. Ten percent (10 %) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in the foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for the 10-percent change in the relevant foreign exchange rate. The sensitivity analysis includes external borrowings, as well as loans to foreign operations of the Company denominated in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit or equity where the Croatian kuna strengthens 10 percent against the relevant currency. For a 10-percent weakening of the Croatian kuna against the relevant currency, there would be an equal and opposite impact on the profit or equity, and the balances below would be negative.

	EUR impact		USD impact	
	2017	2016	2017	2016
Profit or loss	(12,776)	(37,039)	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 Company is exposed to interest rate risk, as it borrows funds at fixed and variable interest rates. The Company manages the interest rate risk by maintaining adequate proportion of fixed-rate and variable-rate loans. The Company's exposures to interest rates on its financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

(All amounts are expressed in thousands of HRK)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Interest rate risk management (continued)

Interest rate sensitivity analysis

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

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

- the Company's loss for the year 2017 would be lower by HRK 649 thousand (2016: loss higher/lower by HRK 443 thousand). This is mainly attributable to the Company's exposure to interest rates on its variable-rate debt.

Credit risk management

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

	Receivables	
	31 December 2017	**31 December 2016**
Customer A	*39,507*	*71,778*
Customer B	*11,646*	*13,299*
Customer C	*11,609*	*5,058*
Customer D	*6,974*	*4,686*
Customer E	*5,956*	*3,517*
	75,692	***98,338***

(All amounts are expressed in thousands of HRK)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk management (continued)

Collateral held as security

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

Liquidity risk management

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

Liquidity and interest rate risk tables

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

	Weighted average effective interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
2017						
Non-interest bearing liabilities		180,239	39,355	209	417	220,220
Interest bearing		26,352	57,133	195,820	170,166	449,471
		206,591	**96,488**	**196,029**	**170,583**	**669,691**
2016						
Non-interest bearing liabilities		139,150	8,428	268,585	626	416,789
Interest bearing	4.93%	21,985	22,915	70,812	247,654	363,366
		161,135	**31,343**	**339,397**	**248,280**	**780,155**

(All amounts are expressed in thousands of HRK)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk management (continued)

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

	Weighted average effective interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
2017						
Non-interest bearing assets		162,030	14,624	13,093	1,356	191,103
Interest-bearing assets	5.90%	8,035	11,457	189,043	82,958	291,493
		170,065	**26,081**	**202,136**	**84,314**	**482,596**
2016						
Non-interest bearing assets		108,308	53,364	5,776	1,646	169,094
Interest-bearing assets	5.97%	4,986	14,964	37,213	123,592	180,755
		113,294	**68,328**	**42,989**	**125,238**	**349,849**

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, receivables, short-term deposits, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their fair values due to the short-term nature of these assets and liabilities.

(All amounts are expressed in thousands of HRK)

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (continued)

Fair value measurements recognised in the statement of financial position

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

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

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

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

31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets available for sale (AFS)	399	914	-	1,313
Total	**399**	**914**	**-**	**1,313**

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

(All amounts are expressed in thousands of HRK)

32. OPERATING LEASES

The Company as lessee

Operating lease arrangements

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

Lease payments recognised as expenses

	2017	2016
Minimum lease payments	63	163

Irrevocable commitments under operating leases

	2017	2016
Up to 1 year	118	54
From 2 year to 5 years	402	151
	520	205

33. MANAGEMENT AUTHORISATION OF THE FINANCIAL STATEMENTS FOR ISSUE

These financial statements were approved 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 Board

Viro
TVORNICA ŠEĆERA d.d.
ZAGREB

Darko Krstić, Member of the Board

Ivo Rešić, Member of the Board

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

STATEMENT OF PERSON RESPONSIBLE FOR PRODUCTION OF THE ANNUAL FINANCIAL REPORT FOR 1Y 2017

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

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

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

In Zagreb, on April 11, 2018

RESPONSIBLE PERSON

PRESIDENT OF THE MANAGEMENT BOARD:

Viro TVORNICA ŠEĆERA d.d. ZAGREB 4

Željko Zadro, dipl.oec

Darko Krstić, Member of the Menagement Bord

Ivo Rešić, Member of the Menagement Bord

ENCLOSURE 1

Reporting period: **1 January 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: viro@secerana.hr

Internet address: www.secerana.hr

Code and name for municipality/city: **491** **VIROVITICA**

Code and name for county: **10** **VIROVITIČKO-PODRAVSKA**

Number of employees (at the year's end): **206**

Consolidated Report: **NO**

Business activity code: **1081**

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

Book-keeping firm

Contact person: **ZDENKA SMOJVER**
(name and surname of the contact person)

Telephone: **033840100** Telefaks: **033840103**

e-mail address: racunovodstvo-viro@secerana.hr

Surname and name: **ŽELJKO ZADRO**
(authorized representatives)

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

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

(signature of authorized person)

BALANCE SHEET

as at 31.12.2017

Item	AOP code	Last year (net)	Current year (net)
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001		
B) LONG-TERM ASSETS (003+010+020+029+033)	002	**749.273.897**	**692.483.146**
I. INTANGIBLE ASSETS (004 to 009)	003	136.740	515.755
1. Assets development	004		0
2. Concessions, patents, licences fees, trade and service marks, software and other rights	005	136.740	515.755
3. Goodwill	006		
4. Prepayments for purchase of intangible assets	007		
5. Intangible assets in preparation	008		
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 to 019)	010	179.990.028	156.523.874
1. Land	011	5.548.592	5.548.592
2. Buildings	012	68.340.805	62.595.526
3. Plant and equipment	013	66.153.617	49.960.898
4. Tools, facility inventory and transport assets	014		
5. Biological assets	015		
6. Prepayments for tangible assets	016	34.576.964	34.254.275
7. Tangible assets in progress	017	3.286.081	2.230.095
8. Other tangible assets	018	9.300	9.300
9. Investments in buildings	019	2.074.669	1.925.188
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	020	569.147.129	535.443.517
1. Investments (shares) with related parties	021	419.450.043	419.833.409
2. Loans given to related parties	022	149.216.583	115.338.105
3. Participating interest (shares)	023		
4. Loans to entrepreneurs in whom the entity holds participating interests	024		
5. Investments in securities	025	3.248	13.848
6. Loans, deposits and similar assets	026	477.255	258.155
7. Other long - term financial assets	027		
8. Investments accounted by equity method	028		
IV. RECEIVABLES (030 to 032)	029	0	0
1.Receivables from related parties	030		
2. Receivables from based on trade loans	031		
3. Other receivables	032		
V. DEFERRED TAX ASSETS	033		
C) SHORT TERM ASSETS (035+043+050+058)	034	**668.453.422**	**525.589.492**
I. INVENTORIES (036 to 042)	035	434.941.674	168.479.068
1. Raw-material and supplies	036	55.191.037	15.746.983
2. Work in progress	037		
3. Finished goods	038	213.847.092	125.761.431
4. Merchandise	039	116.054.925	22.475.298
5. Prepayments for inventories	040	49.848.620	4.495.356
6. Long - term assets held for sales	041		
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	184.412.623	135.261.230
1. Receivables from related parties	044	1.259.876	45.106.773
2. Accounts receivable	045	133.612.862	80.332.841
3. Receivables from participating parties	046		
4. Receivables from employees and members of related parties	047	890	759
5. Receivables from government and other institutions	048	49.421.570	9.664.925
6. Other receivables	049	117.425	155.932
III. SHORT TERM FINANCIAL ASSETS (051 to 057)	050	26.687.789	159.166.060
1. Shares (stocks) in related parties	051		
2. Loans given to related parties	052	4.681.963	152.546.574
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	12.632.314	6.219.986
7. Other financial assets	057	9.373.512	399.500
IV. CASH AT BANK AND IN CASHIER	058	22.411.336	62.683.134
D) PREPAID EXPENSES AND ACCRUED REVENUE	059	**5.501.947**	**1.503.946**
E) TOTAL ASSETS (001+002+034+059)	060	**1.423.229.266**	**1.219.576.584**
F) OFF-BALANCE RECORDS	061	**291.648.942**	**120.241.416**

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	**062**	**665.899.638**	**562.457.426**
I. SUBSCRIBED CAPITAL	**063**	249.600.060	249.600.060
II. CAPITAL RESERVES	**064**	10.368.101	10.368.101
III.RESERVES FROM PROFIT (066+067-068+069+070)	**065**	56.346.673	56.346.673
1. Reserves prescribed by low	**066**	12.480.003	12.480.003
2. Reserves for treasury shares	**067**	43.866.670	43.866.670
3. Treasury stocks and shares (deduction)	**068**		0
4. Statutory reserves	**069**		
5. Other reserves	**070**		
IV. REVALUATION RESERVES	**071**		
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	**072**	312.352.661	349.584.804
1. Retained earnings	**073**	312.352.661	349.584.804
2. Accumulated loss	**074**		
VI. PROFIT/LOSS FOR THE CURRENT YEAR (076-077)	**075**	37.232.143	-103.442.212
1. Profit for the current year	**076**	37.232.143	
2. Loss for the current year	**077**		103.442.212
IX. MINORITY INTERESTS	**078**		
B) PROVISIONS (080 to 082)	**079**	**0**	**0**
1. Provisions for pensions, severance pay, and similar liabilities	**080**		
2. Reserves for tax liabilities	**081**		
3. Other reserves	**082**		
C) LONG - TERM LIABILITIES (084 to 092)	**083**	**229.589.347**	**157.643.945**
1. Liabilities to related parties	**084**		
2. Liabilities for loans, deposits etc.	**085**	1.375.750	572.633
3. Liabilities to banks and other financial institutions	**086**	228.213.597	157.071.312
4. Liabilities for received prepayments	**087**		
5. Accounts payable	**088**		
6. Liabilities arising from debt securities	**089**		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	**090**		
8. Other long-term liabilities	**091**		
9. Deferred tax liability	**092**		
D) SHORT - TERM LIABILITIES (094 to 105)	**093**	**527.558.401**	**499.168.562**
1. Liabilities to related parties	**094**	30.738.212	5.174.487
2. Liabilities for loans, deposits etc.	**095**	7.443.244	12.999.840
3. Liabilities to banks and other financial institutions	**096**	101.174.511	259.345.545
4. Liabilities for received prepayments	**097**	1.302.698	13.553.903
5. Accounts payable	**098**	313.719.185	162.866.591
6. Liabilities arising from debt securities	**099**		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	**100**		
8. Liabilities to employees	**101**	1.284.066	1.427.626
9. Liabilities for taxes, contributions and similar fees	**102**	2.101.273	6.566.560
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**	69.764.249	37.203.047
E) DEFFERED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	**106**	**181.880**	**306.651**
F) TOTAL – CAPITAL AND LIABILITIES (062+079+083+093+106)	**107**	**1.423.229.266**	**1.219.576.584**
G) OFF-BALANCE RECORDS	**108**	**291.648.942**	**120.241.416**
APPENDIX to balance sheet(to be filled in by entrepreneur that prepares consolidated annual financial report)			
CAPITAL AND RESERVES			
1. Attributed to equity holders of parent company	**109**		
2. Attributed to minority interest	**110**		

PROFIT AND LOSS ACCOUNT

for the period 01.01.2017. do 31.12.2017.

VIRO TVORNICA ŠEĆERA d.d.

Item	AOP code	Last year	Current year
1	2	3	4
I. OPERATING REVENUE (112+113)	111	700.509.756	853.347.037
1. Sales revenue	112	696.989.106	847.561.040
2. Other operating revenues	113	3.520.650	5.785.997
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	656.350.120	971.021.818
1. Changes in value of work in progress and finished products	115	-138.523.037	51.579.918
2. Material costs (117 to 119)	116	725.178.607	792.713.851
a) Raw material and material costs	117	510.624.754	445.959.970
b) Costs of goods sold	118	181.160.920	299.118.195
c) Other external costs	119	33.392.933	47.635.686
3. Staff costs (121 to 123)	120	21.966.324	24.927.334
a) Net salaries and wages	121	13.578.823	15.630.214
b) Cost for taxes and contributions from salaries	122	5.194.585	5.792.476
c) Contributions on gross salaries	123	3.192.916	3.504.644
4. Depreciation	124	28.759.248	26.285.861
5. Other costs	125	10.773.515	11.454.071
6. Impairment (127+128)	126	0	43.734.351
a) Impairment of long-term assets (financial assets excluded)	127		
b) Impairment of short - term assets (financial assets excluded)	128		43.734.351
7. Provisions	129		
8. Other operating costs	130	8.195.463	20.326.432
III. FINANCIAL INCOME (132 to 136)	131	13.825.221	45.085.414
1. Interest income, foreign exchange gains, dividends and similar income from related parties	132	2.804.648	8.405.018
2. Interest income, foreign exchange gains, dividends and similar income from non -	133	10.520.573	13.296.539
3. Share in income from affiliated entrepreneurs and participating interests	134		
4. Unrealized gains (income) from financial assets	135	500.000	49.500
5. Other financial income	136		23.334.357
IV. FINANCIAL EXPENSES (138 do 141)	137	20.752.714	30.852.845
1. Interest expenses, foreign exchange losses, dividends and similar expenses from related parties	138	2.957.899	3.833.794
2. Interest expenses, foreign exchange losses, dividends and similar expenses from non -	139	17.292.315	25.605.471
3. Unrealized losses (expenses) on financial assets	140	502.500	
4. Other financial expenses	141		1.413.580
V. INCOME FROM INVESTMENT - SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS	142		
VI. LOSS FROM INVESTMENT - SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS	143		
VII. EXTRAORDINARY - OTHER INCOME	144		
VIII. EXTRAORDINARY - OTHER EXPENSES	145		
IX. TOTAL INCOME (111+131+142 + 144)	146	714.334.977	898.432.451
X. TOTAL EXPENSES (114+137+143 + 145)	147	677.102.834	1.001.874.663
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	37.232.143	-103.442.212
1. Profit before taxation (146-147)	149	37.232.143	
2. Loss before taxation (147-146)	150		103.442.212
XII. PROFIT TAX	151		
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	37.232.143	-103.442.212
1. Profit for the period (149-151)	153	37.232.143	0
2. Loss for the period (151-148)	154		103.442.212
APPENDIX to P&L account (to be filled in by entrepreneur that prepares consolidated financial report)			
XIV. PROFIT OR LOSS FOR THE PERIOD			
1. Attributed to equity holders of parent company	155		
2. Attributed to minority interest	156		
STATEMENT OF OTHER COMPREHENSIVE INCOME (IFRS)			
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	37.232.143	-103.442.212
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)	158	0	0
1. Exchange differences on translation of foreign operations	159		
2. Movements in revaluation reserves of long - term tangible and intangible assets	160		
3. Profit or loss from reevaluation of financial assets available for sale	161		
4. Gains or losses on efficient cash flow hedging	162		
5. Gains or losses on efficient hedge of a net investment in foreign countries	163		
6. Share in other comprehensive income / loss of associated companies	164		
7. Actuarial gains / losses on defined benefit plans	165		
III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166		
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (158-166)	167	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	37.232.143	-103.442.212
APPENDIX to Statement of other comprenhensive income (to be filled in by entrepreneur that prepares consolidated financial report)			
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD			
1. Attributed to equity holders of parent company	169		
2. Attributed to minority interest	170		

STATEMENT OF CASH FLOWS - INDIRECT METHOD

for the period 1.1.2017 do 31.12.2017

Item	AOP code	Last year	Current year
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	37.232.143	-103.442.212
2. Depreciation	002	28.759.248	26.285.861
3. Increase in short term liabilities	003	218.992.477	
4. Decrease in short term receivables	004	19.807.017	49.151.393
5. Decrease in inventories	005		266.462.606
6. Other increase in cash flow	006	20.666.901	4.122.772
I. Total increase in cash flow from operating activities (001 to 006)	007	**325.457.786**	**242.580.420**
1. Decrease in short term liabilities	008		197.286.293
2. Increase in short term receivables	009		
3. Increase in inventories	010	255.419.802	
4. Other decrease in cash flow	011	6.114.639	138.691.642
II. Total decrease in cash flow from operating activities (008 to 011)	012	**261.534.441**	**335.977.935**
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES	013	**63.923.345**	
A2) NET DECREASE IN IN CASH FLOW FROM OPERATING ACTIVITIES	014		**93.397.515**
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash inflows from sales of long-term tangible and intangible assets	015	217.805	116.182
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	34.039.033	39.199.285
III. Total cash inflows from investing activities (015 to 019)	020	**35.993.109**	**43.306.673**
1. Cash outflow for purchase of long-term tangible and intangible assets	021	40.711.291	3.314.904
2. Cash outflow for acquisition of equity and debt financial instruments	022		
3. Other cash outflow for investing activities	023	5.777.533	5.495.673
IV. Total cash outflow for investing activities (021 do 023)	024	**46.488.824**	**8.810.577**
B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025		**34.496.096**
B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES	026	**10.495.715**	
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash inflow from issuing property and debt financial instruments	027		
2. Proceeds from the credit principal, promissory notes, borrowings and other loans	028	177.339.572	319.727.993
3. Other proceeds from financial activities	029	247.628.278	8.000.000
V. Total cash inflows from financial activities (027 to 029)	030	**424.967.850**	**327.727.993**
1. Cash outflow for repayment of credit principal and bonds	031	212.228.499	225.326.141
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	244.780.147	500.000
VI. Total cash outflow for financial activities (031 to 035)	036	**462.986.423**	**228.554.776**
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	037		**99.173.217**
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	038	**38.018.573**	
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	15.409.057	40.271.798
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040		
Cash and cash equivalents at the beginning of the period	041	7.002.279	22.411.336
Increase of cash and cash equivalents	042	15.409.057	40.271.798
Decrease of cash and cash equivalents	043	0	0
Cash and cash equivalents at the end of the period	044	22.411.336	62.683.134

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	56.346.673	56.346.673
4. Retained profit or loss carried forward	004	312.352.661	349.584.804
5. Profit or loss of the current year	005	37.232.143	-103.442.212
6. Revaluation of fixed tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial property available for sale	008	0	0
9. 9. Other revaluation	009		
10. Total capital and reserves (EDP 001 through 009)	010	665.899.638	562.457.426
11. Foreign exchange differences from net investments in foreign operations	011		
12. Current and deferred taxes (part)	012		
13. Cash flow protection	013		
14. Changes in accounting policies	014		
15. Correction of significant mistakes from the previous period	015		
16. Other equity changes	016		
17. Total increase or decrease of capital (EDP 011 through 016)	017	0	0
17 a. Assigned to holders of parent company's capital	018		
17 b. Assigned to minority interest	019		

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