

Viro tvornica šećera d.d. and its subsidiaries
Annual Report for the Year 2019
together with the Independent Auditor's Report

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VIRO BH d.o.o.

***Annual Consolidated Report on the Business
Performance and Position of the companies
within the Group for the Year 2019***

Zagreb, June 2020

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Annex 1 - Audited Consolidated Financial Statements

1. Introduction

VIRO d.d. and its subsidiaries include the following companies: Viro tvornica šećera d.d., Zagreb, Ulica grada Vukovara 269g - parent company, subsidiary Viro kooperacija d.o.o., subsidiary Sladorana d.o.o., subsidiary Slavonija Županja d.d. and the subsidiary Viro BH d.o.o. Grude, Bosnia and Herzegovina.

Viro tvornica šećera d.d. was first entered in the court register of the Commercial Court in Bjelovar on 19 July 2002 as a Viro limited liability company for production and trade. The founders of the company were EOS-Z d.o.o. Zagreb and Robić d.o.o. Velika Gorica. In 2005, the company was transformed from a limited liability company into a joint-stock company. The share capital of the company in the amount of HRK 249,600,060 was divided into 1,386,667 ordinary registered shares, without a nominal amount. In January 2015, Viro d.d. changes the seat of the company, which since then reads: Zagreb, Ulica grada Vukovara 269g.

Since 2014, Viro tvornica šećera d.d. is the only member of the company Sladorana d.o.o., and since January 2015 it has been acquiring shares in the company Slavonija Županja d.d. (approximately 18% of share capital). The associated company of VIRO d.d., Sladorana d.o.o., is the majority owner of the company Slavonija Županja d.d. since 2012, and since 2016 the share in ownership is slightly higher than two thirds (68.6%).

The company VIRO BH d.o.o., Grude was entered in the court register of the Municipal Court in Široki Brijeg, BiH in May 2017. The founder and sole owner of the company is Viro tvornica šećera d.d.

Viro tvornica šećera d.d. and companies included in the consolidation (VIRO Group) in the business year 2019 generated total consolidated revenues in the amount of HRK 898,847 million. Total operating revenues amount to HRK 868,290 million, and financial revenues amount to HRK 30,557 million.

Total consolidated expenses in the business year 2019 amount to HRK 755,750 million. Operating expenses amount to HRK 716,707 million and account for 95% of total expenses. In the 2019 business year, the Group generated a profit of HRK 143.098 million. This result was mostly influenced by the sale of assets to the Hrvatska industrija šećera d.d. which, as a new entity established by Viro tvornica šećera d.d. in March 2019. From the second half of 2019, HIŠ d.d. has taken over the production of sugar and by-products in the processing of sugar beet in Virovitica and Županja sugar factories, while Viro d.d. and Sladorana d.o.o. became a holding company and continue to participate in the management of HIŠ, which from 1 January 2020 includes Tvornica šećera Osijek d.o.o. as the second largest shareholder.

Member of the Management Board:

Darko Krstić, dipl.oec.



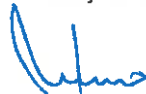
President of the Management Board:

Željko Zadro, dipl.oec.



Member of the Management Board:

Ivo Rešić, mr.sc.



2. Companies within the VIRO Group

a. Viro tvornica šećera d.d.

The company Viro d.o.o., for production and trade was founded on 19 July 2002 by registration in the court register of the Commercial Court in Bjelovar, and the founders of the company EOS-Z d.o.o. with 51% and Robić d.o.o. with 49% stake. By the decision of the general assembly of the company from July 2005 and the entry in the court register of the Commercial Court in Bjelovar from 1 September 2005, the limited liability company was transformed into a joint stock company with the abbreviated name: Viro tvornica šećera d.d. Following the successful completion of the recapitalization process from the beginning of 2006, the company's shares were listed on the official market of the Zagreb Stock Exchange on 20 April 2006, with the aim of more transparent operations and insight of all then and future shareholders.

By the decision of the General Assembly from August 2014, the seat of the company was changed, which since then reads: Zagreb, Ulica grada Vukovara 269 g. The mentioned change was entered in the court register of the Commercial Court in Zagreb on 20 January 2015.

Since August 2016, the shareholder of Viro tvornica šećera d.d., with a share of 17 percent, has become Cristal financiere, from the French Cristal union group, one of the leading sugar producers in Europe, which enabled the Company to enter the global markets.

With the entry in the court register at the Commercial Court in Zagreb in March 2019, the Hrvatska industrija šećera d.d. was established (hereinafter: HIŠ), whose sole founder is Viro tvornica šećera d.d. The assets of the Viro tvornica šećera d.d. and the associated company Sladorana d.o.o., and all employees in the production of sugar and by-products in the processing of sugar beet, were transferred to the company HIŠ d.d. from 1 June 2019, and it started its operations from the second half of the same year. Viro and Sladorana continue to operate as holding companies that manage HIŠ, and their operating business in the sugar sector is reduced to the sale of existing stocks.

b. Sladorana d.o.o.

The tradition of sugar production in Sladorana is over 70 years old. At the time when the factory was built and when the first sugar beet processing campaign began in September 1947, it was the most modern and largest sugar factory in this part of Europe, with a capacity of 1,350 t / day of sugar beet processing. With continuous investments in infrastructure, the processing capacity has been increased and today it amounts to 7,000 t / day.

The factory has changed its form of ownership several times in its history, and in the 1990s the first privatization took place, the result of which was the return of the factory to majority state ownership on the basis of taking over debts.

Pursuant to the Agreement on the sale and transfer of shares of Sladorana d.d. Županja, concluded on 28 November 2008 between Viro tvornica šećera d.d. and DAB represented by HFP, Viro d.d. became the owner of 38.1% of the total share capital of the company.

After that, on several occasions there was a recapitalization and increase in the share capital of the Company, and Viro tvornica šećera d.d. became the sole owner at the end of 2012. The transformation of the Sladorana sugar factory from the joint stock company into a limited liability company took place in February 2014, which was recorded by the decision of the Commercial Court in Osijek.

Viro tvornica šećera d.d. and Sladorana d.o.o. operate primarily on the sugar market as affiliated companies within the VIRO Group during the first half of 2019, after which the assets of the companies were sold to the Hrvatska tvornica šećera d.d. pursuant the contract on the sale of assets and transfer of workers to HIŠ. From the second half of 2019, Viro and Sladorana continue to operate as **holding companies** participating in the management of HIŠ, which fully took over the operating business in the segment of sugar and by-products in sugar beet processing, while Viro and Sladorana remained operating in the field of sale of existing stocks after the sale of property to HIŠ d.d.

Most significant operating segments

The main product is white table sugar, while the by-products of sugar production are: dry sugar beet and molasses. In addition to the above, liquid sugar is also produced in the sugar factory in Virovitica. The product that Sladorana launched on the market in early 2010 is Sladoliq. It is a supplementary liquid fodder based on molasses intended for feeding ruminants.

c. Viro-kooperacija d.o.o.

Viro-kooperacija d.o.o. was registered at the end of January 2012 with the task of contracting agricultural production of sugar beet, wheat, soybeans, sunflowers and corn for the needs of related companies within the VIRO group. Since 2013, this company has been operating without workers, and during 2019 there were no recorded activities on the market.

d. Slavonija Županja d.d.

The company Slavonija Županja d.d., Županja, has a 70-year long tradition of operating on the market. It was Sladorana who appeared as a private investor who signed a contract with the Croatian Privatization Fund in March 2011, when it became the majority owner of the

company, which at that time was called Slavonija Nova d.d. In January 2014, the company changed its name to Slavonija Županja d.d.

The capacities of the company are:

- grain silo - approx. 80,000 tons
- flour silo - approx. 2,000 tons
- flour mill - 200 tons / day

The most important products are: flour T-550, flour T-850, flour T-400, flour T-1100, integral flour, and cattle flour. In addition to the above, service grinding of wheat, service drying and storage of agricultural products and transshipment of agricultural crops are also performed.

e. Viro BH d.o.o.

VIRO BH d.o.o. Grude was established in 2017 by an entry in the court register of the Municipal Court in Široki Brijeg, Bosnia and Herzegovina. In addition to mediating in the trade of various products, the company is also registered to perform a number of other activities, with the sugar trade being the single most important activity. The only member of the Company is Viro tvornica šećera d.d. and the share capital corresponds to the amount of 50 thousand euros.

3. Ownership structure

Table 1. The ownership structure of Viro tvornica šećera d.d. as at 31 December 2019

Investor	Number of shares	Share in ownership (%)
EOS-Z d.o.o.	594,436	42,87%
Robić d.o.o.	180,366	13.01%
Cristal financiere	235,734	17.00%
OTP banka d.d. / AZ OMF kategorije b	137,055	9.88%
Viro tvornica šećera d.d.	42,507	3.07%
Zagrebačka banka d.d. / AZ Profit DMF	25,449	1.84%
Hrvatska poštanska banka d.d.	23,257	1.68%
Croatia banka d.d.	7,500	0.54%
Others	140,363	10.12%
TOTAL	1,386,667	100.00%

Source: Company data

At the end of 2019, the market price of the share amounted to HRK 59.50, while the turnover of shares on the Zagreb Stock Exchange during the year amounted to HRK 6,637,468.00. The company owns 42,507 treasury shares, which is slightly more than 3% of the total ownership structure. On the last day of the reporting period, a market capitalization of HRK 82.51 million was achieved.

Viro tvornica šećera d.d. applies the Corporate Governance Code developed by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange. A statement on the application of the Corporate Governance Code is an integral part of this Report.

Table 2. Ownership structure of Sladorana d.o.o. as at 31 December 2019

No	Investor	Share in ownership (%)
1.	Viro tvornica šećera d.d.	100.00

Source: Company data

Table 3. Ownership structure of Slavonija Županija d.d. as at 31 December 2019

no	Investor	Share in capital	No of shares Series A	No of shares Series B	Share in ownership (%)
1.	Sladorana d.o.o.	46,542,000	153,376	16,396	68.64
2.	Viro d.d.	11,343,000		22,686	16.72
3.	CERP	9,925,000	39,700		14.64
	Total	67,810,000	193,076	39,082	100.00

Source: Company data

Table 4. Ownership structure of Viro-kooperacija d.o.o. as at 31 December 2019

No	Investor	Share in ownership (%)
1.	Viro tvornica šećera d.d.	100.00

Source: Company data

Table 5. Ownership structure of Viro BH as at 31 December 2019

No	Investor	Share in ownership (%)
1.	Viro tvornica šećera d.d.	100.00

Source: Company data

Members of the Management Board and Supervisory Board of Viro tvornica šećera d.d., Zagreb on 31 December 2019

The management of Viro tvornica šećera d.d consists of the following members:

President: Željko Zadro

Member: Darko Krstić

Member: Ivo Rešić

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

President: Marinko Zadro

Deputy: Boris Šimunović

Member: Svetlana Zadro

Member: Ivan Mišetić

Member: Robert Barnaki

Members of the Management Board and Supervisory Board of **Sladorana d.o.o.**, Županja on 31 December 2019

The management of Sladorana d.o.o. consists of the following members:

President: Željko Zadro

Member: Darko Krstić

Member: Ivo Rešić

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

President: Marinko Zadro

Member: Ivan Mišetić

Member: Miroslav Božić

Member: Goran Fajdetić

Member: Svetlana Zadro

Members of the Management Board and Supervisory Board of **Slavonija Županja d.d.**, Županja as at 31 December 2019

Management of Slavonia Županja d.d. consists of the following members:

Member of the Management Board: Vedran Čuljak

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

President: Boris Šimunović

Deputy: Marinko Zadro

Member: Željko Zadro

Member: Željko Koren

Member: Darko Krstić

Management Board of **Viro-kooperacija d.o.o.**, Županja on 31 December 2019 consists of

Director: Darko Krstić

Management of **Viro BH d.o.o.**, Grude on 31 December 2019 consists of

Director: Ante Boban

4. Review of the business year

Following the abolition of production quotas in the EU in October 2017, there was a major disturbance in the Union's sugar market, which had a negative impact on the Company's operations, for which revenue from the sale of sugar is the most important item. Three domestic sugar factories realized that the only way for them to survive on the market is to combine production into one business system.

The majority owners of the Viro tvornica šećera d.d. and Sladorana d.o.o. on the one hand and Tvornica šećera Osijek d.o.o. on the other hand (hereinafter: TCO), reached an agreement in principle on connecting all sugar factories into one business system. After several months of consideration of this stated intention, the Agency for the Protection of Market Competition approved the concentration, after which it can begin a series of steps that will lead to the sale of assets and contracts of employees of all three sugar factories to the entity Hrvatska industrija šećera d.d. on the last day of that year

Previously, Viro tvornica šećera d.d., in agreement with TŠO, in March 2019 founded the company Hrvatska industrija šećera d.d. after which the formal sale of the sugar factory's property to HIŠ could begin. First, contracts were concluded on the sale of property and the transfer of employees of Viro tvornica šećera and Sladorana to HIŠ d.d. By purchase and sale agreements from 1 June 2019, all assets related to the processing of sugar beet and the production of sugar and by-products were sold to HIŠ.

Due to the extreme complexity of the implementation of the concentration in question and the connection of the three entities into one, it was necessary to conduct numerous consultations with third parties, and the second step related to the sale of TŠO assets to HIŠ d.d. could be done only at the end of October 2019, but with effects from 1 January 2020. This meant that the sugar beet processing campaign in 2019 was carried out as in previous years in three production plants (Virovitica, Županja and Osijek), but this time in only two companies: HIŠ d.d. and TŠO d.o.o., and it was decided that all future production from 1 January 2020 will be in only one company and that is HIŠ d.d., where the processing of beets should take place in two production plants, with the possibility of refining raw cane sugar and in the third plant, if such a possibility opens up on the market.

The aforementioned dynamics of connecting three sugar factories into one business system - HIŠ d.d. - conditioned the **different dynamics of operations during the first and second half of the year**. Namely, members of the VIRO Group (Viro tvornica šećera d.d. and Sladorana d.o.o.) performed all preparatory activities and contracted the sowing of sugar beet in the first half of the year, as well as the sale of sugar and other products from its own range. In the second half of 2019, all operational activities related to production and sales, including the implementation of contracts with subcontractors, sugar beet producers, were taken over

by HIŠ, while the companies from the VIRO Group were left with only the sale of existing stocks of goods and management activities as a holding company.

In terms of production results, the calendar year 2019 is a continuation of the trend of significant **reduction of domestic areas** after the last year of application of the quota system in the EU. The main reason is the continuation of the period of extremely low sugar prices on the Union market, where all domestic sugar factories generate more than 90 percent of their revenues. It is precisely this data on the movement of sugar prices on the EU market, individually observed, that is the most important factor influencing the success of the Company's operations, as well as all other sugar factories in the EU.

During 2019, more negative records were recorded on the EU market since a system for monitoring monthly sugar prices exists (2006). The lowest average monthly price in the history of the EU was recorded in January (312 euros/t), with the average annual price also being the lowest in history (**only 323 euros/t**). Gradually, there was a slight recovery during the year and the year ended with an average price of 342 euros/t. This is still as much as 15% lower than the target minimum price, which in accordance with the EU reform of the sugar sector in 2006, from October 2009 is 404 euros/t. So, for all 12 months of 2019, **the average price of sugar was below the minimum target** and this deviation averaged as much as 20 percent.

These low levels of sales prices are higher than the cost of production even with the most competitive sugar producers whose yields exceed 13-14 tons of sugar per hectare, which is the world's top competitive in terms of production productivity. However, due to continuously lower prices than the minimum target price, lasting as much as 25 months (from December 2017 to December 2019), which is unprecedented in the history of the EU, **all sugar factories recorded business losses**. During that two-year period, there was a transfer in the value chain that exceeded 2.5 billion euros. It is a transfer from the European sugar industry that has spilled over into the sectors of the industry that use sugar as a raw material (approximately 80%) and the retail sector (approximately 20%).

In the previously described circumstances from the global environment, the sugar factories of the VIRO Group, i.e. Hrvatska industrija šećera d.d., have been operating since the second half of the year. In Croatia, a negative record was also recorded in terms of sown areas because only 11,574 ha were sown, which is the lowest in the last 15 years. Although domestic beet producers, combined with a system of national aid and prices paid by domestic industry (which, although reduced, are still among the highest in the EU), are at the very top, there is a significant decline in farmers' interest.

The main reason is the very generous system of basic payments (Croatia ranks 2nd in the EU in terms of these payments!), Which discourages the sowing of more demanding crops such as sugar beet, despite potentially higher earnings than for others - beets of competitive crops.

Such a policy leads to a well-known problem in our country, which is the reduction of the added value of domestic agricultural production despite a significant increase in direct payments after the accession of the Republic of Croatia to the EU.

Due to the decline in domestic sown areas, a total of 859 thousand tons of beets were delivered to Croatian sugar factories for processing, of which 82.4 percent were domestic beets and the rest were imported, mostly from Hungary and a little from neighboring Slovenia (approximately 180 ha). In accordance with the lowest amount of processed beets in the last 15 years, **the lowest production of beet sugar was achieved, amounting to only 107,037 tons**, of which 55,616 tons were produced within HIŠ. However, during the first half of 2019, unlike the previous year, when there was no refining of raw cane sugar in Croatia at all, **63,049 tons of white cane sugar was produced** in the Virovitica sugar factory. With the dry year of 2012, the year 2019 is the only year in which the members of the VIRO group produced more sugar by refining raw sugar than by processing sugar beet.

Thanks to the relatively favourable supply of preferential raw materials for refining from the world market, and relatively low refining costs in the plant that has the best performance for this type of production, there is the continuity of supply of all key customers, including all large domestic industrial consumers. At the level of operations, **the loss was significantly reduced** compared to the previous year, thanks to the fact that the selling prices of sugar in region 3 of EU coverage (where HIŠ sells more than 4/5 of sugar), which includes Croatia, Portugal, Spain, Italy, Romania, Bulgaria and Greece, in 2019 were **18% higher** than the EU-wide price average.

As pointed out in the introduction to this report, despite a certain loss at the operating level, the Group generated a consolidated profit of HRK 143.098 million. This result was mostly influenced by the sale of the assets of the Virovitica and Županja sugar factories to the Hrvatska industrija šećera d.d. which, as a new entity, has continued to operate since the second half of 2019.

The company **Slavonija Županja d.d.**, operated in difficult conditions similar to other wheat buyers and flour producers who conduct their business exclusively through legal channels. Unfortunately, a certain number of companies and individuals are still included in the grey market, and they appear as customers whose goal is not to fulfil their obligations and do business legally. In order to reduce the risk of uncertain collection, in the second half of 2019, the Company leased part of the silos and capacity to Žito d.d. as a reliable business partner.

Total revenues during the business year 2019 amounted to HRK 33.99 million, of which total operating revenues amounted to HRK 33.50 million, and financial revenues to HRK 0.50 million. At the same time, total expenses amounted to HRK 40.59 million, of which operating

expenses amounted to HRK 39.24 million, which makes up almost 97% of total expenses, while the rest are financial expenses. A loss of HRK 6,596 million was realized.

Viro BH d.o.o. continued with further activities focusing on its business on the expansion of the market within BiH, which took place in two directions. The first direction is through direct contracts with producers who use sugar as raw material, and the second is through companies that deal exclusively with trade. The total revenues of the Company, originally expressed in the official currency in Bosnia and Herzegovina (KM), amounted to HRK 36,718 million, expenses to HRK 36,498 million. In this way, the operating profit in the amount of HRK 220 thousand was realized, which is a slightly lower profit than in 2018.

Viro-kooperacija d.o.o. had no business activities during 2019.

5. Risk exposure

The Group companies are exposed to capital risk and various financial risks related to currency, interest rate, credit and liquidity risk. Companies monitor these risks and seek to reduce their potential impact on financial exposure. The Group did not enter into contracts for financial instruments, including derivative financial instruments, during 2019, nor does it trade them for speculative purposes.

Through the platform of the foreign co-owner of the Company, Cristal Union, in 2019 Viro d.d. performed certain transactions on commodity exchanges where sugar is traded, primarily raw sugar (NY11), all in order to ensure more favourable prices for the purchase of raw materials and ensuring more favourable conditions in case of a sale, especially in case of sale for export. A positive net balance of these transactions during the year amounted to USD 447,649.

The Group's treasury regularly analyzes the capital structure and submits periodic reports to the Management Board on risk exposure. As part of this analysis, the Treasury analyzes the cost of capital and the risk associated with each item of capital. The Group is exposed to interest rate risk due to the fact that entities within the Group borrow funds at fixed and variable interest rates. The Group manages interest rate risk by maintaining an appropriate ratio of fixed and floating rate loans.

The Group manages its liquidity by continuously monitoring planned and actual cash flows, and adjusting financial assets and financial liabilities. The planned cash flow is made monthly (by days), and deviations are monitored daily.

Given the nature of its activities and market volatility, the Group is also exposed to financial risks due to the variability and fluctuations in the price of sugar, flour and the price of raw

materials needed for their production (sugar cane, sugar beet and wheat).The Group concludes a significant part of its transactions in foreign currency, and is therefore exposed to the risks of changes in foreign exchange rates. It is mainly about the currency risk of changes in the exchange rate of HRK against EUR and USD.

The Group companies apply a policy of dealing exclusively with creditworthy parties with the acquisition of sufficient collateral to mitigate the potential risk of financial loss due to default. Exposure to the parties with which it does business is continuously monitored. Credit exposure is managed by setting limits for clients.

Credit analysis is performed based on the financial condition of the debtor and, if necessary, insurance coverage for credit guarantees is concluded. The Group typically takes bank guarantees, promissory notes and bills of exchange as collateral with customers.

Structure of consolidated receivables at the end of the financial year 2019:

Table 6. Structure of receivables

Type of receivable	2018	Share (%)	2019	Share (%)	Index
1	2	3	4	5	6 (4/2)
1. Receivables from entrepreneurs within the group	12,105,443	14.34	87,076,398	79.82	719
2. Receivables from companies - participating interest	0	0	0	0	
3. Trade receivables	52,284,738	61.94	17,053,899	15.63	33
4. Receivables from employees and members of the entrepreneur	5,364	0.006	0	0	
5. Receivables from the state and other institutions	17,174,886	20.35	3,657,636	3.35	21
6. Other receivables	2,835,363	3.36	1,304,073	1.20	46
Total receivables	84,405,794	100.00	109,092,006	100.00	129

Source: Company data

6. Financial position

Table 7. Balance sheet as at 31 December 2019

Item	ADP code	31 December 2018	31 December 2019
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	001	0	0
B) FIXED ASSETS (ADP 003+010+020+031+036)	002	509,194,205	479,261,440
I INTANGIBLE ASSETS (ADP 004 to 009)	003	6,506,824	43,427
1 Research and development	004	0	0
2 Concessions, patents, licences, trademarks, software and other rights	005	6,506,824	43,427
3 Goodwill	006	0	0
4 Advance payments for purchase of intangible assets	007	0	0
5 Intangible assets in preparation	008	0	0
6 Other intangible assets	009	0	0
II TANGIBLE ASSETS (ADP 011 to 019)	010	489,431,518	130,346,982
1 Land	011	38,750,891	31,371,420
2 Buildings	012	217,022,529	43,839,267
3 Plant and equipment	013	148,435,695	17,224,859
4 Tools, working inventory and transportation assets	014	5,573,181	274,686
5 Biological assets	015	0	0
6 Advance payments for purchase of tangible assets	016	33,816,284	33,930,280
7 Tangible assets in preparation	017	44,012,331	2,386,376
8 Other tangible assets	018	44,900	44,900
9 Investment property	019	1,775,707	1,275,194
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	020	13,106,909	348,602,281
1 Investments in holdings (shares) of undertakings within the group	021	5,478,300	343,392,343
2 Investments in other securities of undertakings within the group	022	0	0
3 Loans, deposits, etc. to undertakings within the group	023	3,349,907	0
4 Investments in holdings (shares) of companies linked by virtue of participating interest	024	0	0
5 Investment in other securities of companies linked by virtue of participating interest	025	0	0
6 Loans, deposits etc. given to companies linked by virtue of participating interest	026	0	0
7 Investments in securities	027	908,620	350,558
8 Loans, deposits, etc. given	028	3,370,082	4,859,380
9 Other investments accounted for using the equity method	029	0	0
10 Other fixed financial assets	030	0	0
IV RECEIVABLES (ADP 032 to 035)	031	148,954	268,750
1 Receivables from undertakings within the group	032	0	0
2 Receivables from companies linked by virtue of participating interests	033	0	0
3 Customer receivables	034	0	0
4 Other receivables	035	148,954	268,750
V. Deferred tax assets	036	0	0
C) CURRENT ASSETS (ADP 038+046+053+063)	037	463,884,755	158,800,506
I INVENTORIES (ADP 039 to 045)	038	350,273,647	42,910,161
1 Raw materials	039	110,029,480	10,783,860

2 Work in progress	040	0	0
3 Finished goods	041	212,599,873	8,466,349
4 Merchandise	042	22,161,980	21,614,897
5 Advance payments for inventories	043	5,482,314	2,045,055
6 Fixed assets held for sale	044	0	0
7 Biological assets	045	0	0
II RECEIVABLES (ADP 047 to 052)	046	84,405,794	109,092,006
1 Receivables from undertakings within the group	047	12,105,443	87,076,398
2 Receivables from companies linked by virtue of participating interest	048	0	0
3 Customer receivables	049	52,284,738	17,053,899
4 Receivables from employees and members of the undertaking	050	5,364	0
5 Receivables from government and other institutions	051	17,174,886	3,657,636
6 Other receivables	052	2,835,363	1,304,073
III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	053	24,368,793	4,056,996
1 Investments in holdings (shares) of undertakings within the group	054	0	0
2 Investments in other securities of undertakings within the group	055	0	0
3 Loans, deposits, etc. to undertakings within the group	056	14,672,297	411,395
4 Investments in holdings (shares) of companies linked by virtue of participating interest	057	0	0
5 Investment in other securities of companies linked by virtue of participating interest	058	0	0
6 Loans, deposits etc. given to companies linked by virtue of participating interest	059	0	0
7 Investments in securities	060	0	0
8 Loans, deposits, etc. given	061	8,904,496	3,645,601
9 Other financial assets	062	792,000	0
IV CASH AT BANK AND IN HAND	063	4,836,521	2,741,343
D) PREPAID EXPENSES AND ACCRUED INCOME	064	3,250,641	1,835,524
E) TOTAL ASSETS (ADP 001+002+037+064)	065	976,329,601	639,897,470
OFF-BALANCE SHEET ITEMS	066	1,147,302,721	1,173,854,111
CAPITAL AND LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	067	193,664,202	335,484,285
I. INITIAL (SUBSCRIBED) CAPITAL	068	249,600,060	249,600,060
II CAPITAL RESERVES	069	10,368,101	10,368,101
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	51,781,966	51,178,531
1 Legal reserves	071	12,532,960	12,532,960
2 Reserves for treasury shares	072	39,231,550	38,620,615
3 Treasury shares and holdings (deductible item)	073	0	0
4 Statutory reserves	074	0	0
5 Other reserves	075	17,456	24,956
IV REVALUATION RESERVES	076	0	
V FAIR VALUE RESERVES (ADP 078 to 080)	077	0	0
1 Fair value of financial assets available for sale	078	0	0
2 Cash flow hedge - effective portion	079	0	0
3 Hedge of a net investment in a foreign operation - effective portion	080	0	0
VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)	081	-26,654,267	-123,719,156
1 Retained profit	082	0	0
2 Loss brought forward	083	26,654,267	123,719,156
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	084	-96,454,000	143,971,752

1 Profit for the business year	085	0	143,971,752
2 Loss for the business year	086	96,454,000	0
VIII MINORITY (NON-CONTROLLING) INTEREST	087	5,022,342	4,084,997
B) PROVISIONS (ADP 089 to 094)	088	3,748,157	5,124,119
1 Provisions for pensions, termination benefits and similar obligations	089	0	0
2 Provisions for tax liabilities	090	0	0
3 Provisions for ongoing legal cases	091	453,209	368,150
4 Provisions for renewal of natural resources	092	0	0
5 Provisions for warranty obligations	093	0	0
6 Other provisions	094	3,294,948	4,755,969
C) LONG-TERM LIABILITIES (ADP 096 to 106)	095	96,886,212	14,533,863
1 Liabilities towards undertakings within the group	096	0	0
2 Liabilities for loans, deposits, etc. to companies within the group	097	0	0
3 Liabilities towards companies linked by virtue of participating interest	098	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	099	0	0
5 Liabilities for loans, deposits etc.	100	347,225	96,670
6 Liabilities towards banks and other financial institutions	101	94,978,340	6,776,858
7 Liabilities for advance payments	102	0	0
8 Liabilities towards suppliers	103	0	0
9 Liabilities for securities	104	0	0
10 Other long-term liabilities	105	1,560,647	7,660,335
11 Deferred tax liability	106	0	0
D) SHORT-TERM LIABILITIES (ADP 108 to 121)	107	666,715,493	284,449,330
1 Liabilities towards undertakings within the group	108	4,350,696	1,039,739
2 Liabilities for loans, deposits, etc. to companies within the group	109	0	0
3 Liabilities towards companies linked by virtue of participating interest	110	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	111	0	0
5 Liabilities for loans, deposits etc.	112	7,469,807	19,405,577
6 Liabilities towards banks and other financial institutions	113	375,011,456	77,312,923
7 Liabilities for advance payments	114	32,038,074	7,561,294
8 Liabilities towards suppliers	115	239,997,574	158,478,191
9 Liabilities for securities	116	0	0
10 Liabilities towards employees	117	3,294,136	468,801
11 Taxes, contributions and similar liabilities	118	3,979,069	19,767,663
12 Liabilities arising from the share in the result	119	30,963	30,963
13 Liabilities arising from fixed assets held for sale	120		0
14 Other short-term liabilities	121	543,718	384,179
E) ACCRUALS AND DEFERRED INCOME	122	15,315,537	305,873
F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)	123	976,329,601	639,897,470
G) OFF-BALANCE SHEET ITEMS	124	1,147,302,721	1,173,854,111

Source: Company data

Table 8. Profit and loss account for 2019

Item 1	ADP code 2	31 December 2018 3	31 December 2019 4
I OPERATING INCOME (ADP 126 to 130)	125	678,601,173	868,290,208
1 Income from sales with undertakings within the group	126	11,626,231	38,530,542
2 Income from sales (outside group)	127	637,505,540	559,237,302
3 Income from the use of own products, goods and services	128	195,226	85,680
4 Other operating income with undertakings within the group	129	0	243,183,670
5 Other operating income (outside the group)	130	29,274,176	27,253,014
II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	804,818,097	716,706,753
1 Changes in inventories of work in progress and finished goods	132	168,333,048	200,062,035
2 Material costs (ADP 134 to 136)	133	458,299,368	410,890,781
a) Costs of raw material	134	232,437,676	204,481,269
b) Costs of goods sold	135	165,171,145	169,041,165
c) Other external costs	136	60,690,547	37,368,347
3 Staff costs (ADP 138 to 140)	137	54,517,182	27,371,061
a) Net salaries and wages	138	34,384,346	17,160,049
b) Tax and contributions from salaries expenses	139	12,431,424	6,465,247
c) Contributions on salaries	140	7,701,412	3,745,765
4 Depreciation	141	51,133,774	23,298,635
5 Other expenses	142	15,300,247	11,008,893
6 Value adjustments (ADP 144+145)	143	32,995,270	0
a) fixed assets other than financial assets	144	0	0
b) current assets other than financial assets	145	32,995,270	0
7 Provisions (ADP 147 to 152)	146	328,471	2,509,903
a) Provisions for pensions, termination benefits and similar obligations	147	0	0
b) Provisions for tax liabilities	148	0	0
c) Provisions for ongoing legal cases	149	0	0
d) Provisions for renewal of natural resources	150	0	0
e) Provisions for warranty obligations	151	0	0
f) Other provisions	152	328,471	2,509,903
8 Other operating expenses	153	23,910,737	41,565,445
III FINANCIAL INCOME (ADP 155 to 164)	154	62,436,313	30,557,285
1 Income from investments in holdings (shares) of undertakings within the group	155	0	0
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	156	0	0
3 Income from other long-term financial investment and loans granted to undertakings within the group	157	742,219	231,247
4 Other interest income from operations with undertakings within the group	158	0	0
5 Exchange rate differences and other financial income from operations with undertakings within the group	159	300,269	385,734
6 Income from other long-term financial investments and loans	160	1,064,309	328,059
7 Other interest income	161	7,405,241	748,597
8 Exchange rate differences and other financial income	162	47,164,467	2,524,729
9 Unrealised gains (income) from financial assets	163		41,400

10 Other financial income	164	5,759,808	26,297,519
IV FINANCIAL EXPENDITURE (ADP 166 to 172)	165	33,615,551	33,702,981
1 Interest expenses and similar expenses with undertakings within the group	166	0	0
2 Exchange rate differences and other expenses from operations with undertakings within the group	167	740,711	144,957
3 Interest expenses and similar expenses	168	28,899,178	25,636,809
4 Exchange rate differences and other expenses	169	3,967,202	3,441,171
5 Unrealised losses (expenses) from financial assets	170	8,460	0
6 Value adjustments of financial assets (net)	171	0	0
7 Other financial expenses	172	0	4,480,044
V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	173	0	0
VI SHARE IN PROFIT FROM JOINT VENTURES	174	0	0
VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	175	0	0
VIII SHARE IN LOSS OF JOINT VENTURES	176	0	5,340,139
IX TOTAL INCOME (ADP 125+154+173 + 174)	177	741,037,486	898,847,493
X TOTAL EXPENDITURE (ADP 131+165+175 + 176)	178	838,433,648	755,749,873
XI PRE-TAX PROFIT OR LOSS (ADP 177-178)	179	-97,396,162	143,097,620
1 Pre-tax profit (ADP 177-178)	180	0	143,097,620
2 Pre-tax loss (ADP 178-177)	181	-97,396,162	0
XII INCOME TAX	182	0	0
XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183	-97,396,162	143,097,620
1 Profit for the period (ADP 179-182)	184	0	143,097,620
2 Loss for the period (ADP 182-179)	185	-97,396,162	0
DISCONTINUED OPERATIONS (to be filled in by the entrepreneur liable to IFRS only if it has discontinued operations)			
XIV. PROFIT OR LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXATIONS (ADP 187-188)	186	0	174,387,437
1. Profit from discontinued operations before tax	187	0	174,387,437
2. Loss of discontinued operations before tax	188	0	0
XV. INCOME TAX FOR DISCONTINUED BUSINESS	189	0	0
1. Operating profit for the period (AOP 186-189)	190		
2. Loss of discontinued operations for the period (AOP 189-186)	191		
TOTAL BUSINESS (to be filled in only by an entrepreneur subject to IFRS who has discontinued operations)			
XVI PROFIT OR LOSS BEFORE TAX (AOP 179 + 186)	192		
1. Profit before tax (AOP 192)	193	0	317,485,057
2. Pre-tax loss (AOP 192)	194	0	0
XVII. INCOME TAX (AOP 182 + 189)	195		
XVIII. PROFIT OR LOSS FOR THE PERIOD (AOP 192-195)	196		
1. Profit for the period (AOP 192-195)	197		
2. Loss for the period (AOP 195-192)	198		
APPENDIX to the P&L (to be filled in by the entrepreneur compiling the consolidated annual financial report)			
XIX PROFIT OR LOSS FOR THE PERIOD (AOP 200 + 201)	199	-97,396,162	143,097,620
1. Attributable to equity holders of the parent	200	-96,454,000	143,971,752
2. Attributable to minority (non-controlling) interest	201	-942,162	-874,132
STATEMENT OF OTHER COMPREHENSIVE INCOME (to be completed by the entrepreneur obliged to apply IFRS)			
I PROFIT OR LOSS FOR THE PERIOD	202	0	0

II OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX	203	0	0
(ADP 204 to 211)	204	0	0
1 Exchange rate differences from translation of foreign operations	205	0	0
2 Changes in revaluation reserves of fixed tangible and intangible assets	206	0	0
3 Profit or loss arising from re-evaluation of financial assets available for sale	207	0	0
4 Profit or loss arising from effective cash flow hedging	208	0	0
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	209	0	0
6 Share in other comprehensive income/loss of companies linked by virtue of participating interest	210	0	0
7 Actuarial gains/losses on defined remuneration plans	211	0	0
8 Other changes in equity unrelated to owners	212	0	0
III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	213	0	0
IV NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)	214	0	0
APPENDIX to the Statement of Other Comprehensive Income (to be completed by the company compiling the consolidated report)			
VI. COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD (ADP 216 + 217)	215	-97,396,162	143,097,620
1. Attributable to equity holders of the parent	216	-96,454,000	143,971,752
2. Attributable to minority (non-controlling) interest	217	-942,162	-874,132

Source: Company data

Table 9. Cash flow in 2019

Item	ADP code	31 December 2018	31 December 2019
1	2	3	4
Cash flow from operating activities			
1. Profit before tax	001	-97,396,162	143,097,620
2. Adjustments (ADP 003 to 010):	002	72,367,561	23,298,635
a) Depreciation	003	51,133,774	23,298,635
b) Gains and losses on disposals and value adjustments of property, plant and equipment and intangible assets	004	106,116	0
c) Gains and losses on disposals and unrealized gains and losses and value adjustments of financial assets	005	6,210	0
d) Interest and dividend income	006	-193,294	0
e) Interest expenses	007	21,592,466	0
f) Provisions	008	0	0
g) Exchange rate differences (unrealized)	009	714,920	0
h) Other adjustments for non-monetary transactions and unrealized gains and losses	010	-992,631	0
I. Increase or decrease in cash flows before changes in working capital(ADP 001 + 002)	011	-25,028,601	166,396,255
3. Changes in working capital (ADP 013 to 016)	012	84,197,771	254,429,638
a) Increase or decrease in short-term liabilities	013	-95,388,676	-17,963,440
b) Increase or decrease in current receivables	014	64,813,885	-50,866,161
c) Increase or decrease in inventories	015	135,801,983	307,425,385
d) Other increases or decreases in working capital	016	-21,029,421	15,833,854
II. Cash from operations (ADP 011 + 012)	017	59,169,170	420,825,893
4. Cash interest expenses	018	-13,973,556	0
5. Paid income tax	019	0	0

A) NET CASH FLOWS FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	45,195,614	420,825,893
Cash flow from investing activities			
1 Cash receipts from sales of fixed tangible and intangible assets	021	2,914,040	373,506,882
2 Cash receipts from sales of financial instruments	022	0	0
3 Interest received	023	9,376,270	12,031,908
4 Dividends received	024	125,650	0
5 Cash receipts from repayment of loans and deposits	025	536,924	0
6 Other cash receipts from investment activities	026	17,025,186	66,671,663
III Total cash receipts from investment activities (ADP 024 to 026)	027	29,978,070	452,210,453
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-31,625,817	-31,233,695
2 Cash payments for the acquisition of financial instruments	029	0	-360,359,302
3 Cash payments for loans and deposits	030	-93,383	0
4 Acquisition of a subsidiary, net of cash acquired	031	0	0
5 Other cash payments from investment activities	032	-12,191,005	-3,810,998
IV Total cash payments from investment activities (ADP 028 to 032)	033	-43,910,205	-395,403,995
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 + 033)	034	-13,932,135	56,806,458
Cash flow from financing activities			
1 Cash receipts from the increase of initial (subscribed) capital	035	0	0
2 Cash receipts the from issue of equity financial instruments and debt financial instruments	036	0	0
3 Cash receipts from credit principals, loans and other borrowings	037	399,907,065	97,806,685
4 Other cash receipts from financing activities	038	9,217,808	18,360,333
V Total cash receipts from financing activities (ADP 035 to 038)	039	409,124,873	116,167,018
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-470,381,688	-578,576,765
2 Cash payments for dividends	041	0	0
3 Cash payments for finance lease	042	-798,048	-405,730
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	043	-4,635,120	-610,935
5 Other cash payments from financing activities	044	-31,837,322	-16,301,117
VI Total cash payments from financing activities (ADP 040 to 044)	045	-507,652,178	-595,894,547
C) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 039 +045)	046	-98,527,305	-479,727,529
1 Unrealised exchange rate differences in cash and cash equivalents	047	0	0
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP020+034+046+047)	048	-67,263,826	-2,095,178
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	049	72,100,347	4,836,521
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(ADP 048+049)	050	4,836,521	2,741,343

7. Employees

The employees of the VIRO Group represent one of its greatest values. Without the dedicated engagement and motivation of employees in performing activities, it is certain that the negative effects of the continued global crisis period in the sugar market in 2019, which is the backbone of the Company's operations, would be much greater.

The total number of permanent employees in the entire group at the end of 2019 was 66, which is 349 fewer workers than it was a year before. However, most of these workers continued to work in the newly established company HIŠ d.d. Regarding the qualification structure, the table below shows that at the Group level, approximately 26% of employees are in the group of higher and tertiary education, while the most represented group of workers is with secondary education (56%).

Of the total number of employees of the group at the end of 2019, most were permanent employees of the company Slavonija Županija d.d. (52 in total), in the company Viro tvornica šećera d.d. there were 11 workers with an employment contract and in the company Viro BH three workers. In other companies of the group, there were no permanent employees at the end of 2019.

It is important to note that of all the employees who in the first half of 2019 had employment contracts with Viro tvornica šećera d.d. or Sladorana d.o.o., 337 of them at the end of 2019 had the status of employees of HIŠ d.d., a company that has been operating on the market since the second half of the year.

Table 10.1 VIRO Group: Permanent employees and qualification structure as of 31 December 2019

Employee qualification	31 December 2019		31 December 2018	
	No of employees	Share in %	No of employees	Share in %
University education	12	18.2	81	19.5
College education	5	7.6	15	3.6
High school education	37	56.1	263	63.4
Qualified workers	7	10.6	40	9.6
Unqualified workers	5	7.6	16	3.9
Total permanent employees	66	100.0	415	100.0

Source: Company data

8. Environment and ecology

During 2019, there were no environmental incidents in the Group companies. The production of sugar and by-products, as well as the production of flour, are not among the activities that can cause significant damage to the environment. However, regardless of this fact, due attention is always paid to the improvement of environmental protection and sustainable development.

Natural gas is used as the main energy source in sugar production, thus avoiding the use of heavy fuels, which reduces greenhouse gas and SO₂ emissions. Continuous investments reduce unit consumption of natural gas with the aim of reducing production costs and reducing emissions.

The largest amount of gas emissions occur in the power plant during the combustion of natural gas and from the lime kiln during the combustion of coke during lime production. The second type of emission is the emission of solid particles originating from the drying process of beet pulp with the simultaneous appearance of gases generated during the combustion of natural gas in the drying process. All emissions from these sources are regularly monitored and the allowable values that were within the prescribed values are controlled. This is regularly reported to the competent state bodies for environmental issues.

Both sugar factories have plants for the production of technological steam, from which electricity is produced (cogeneration) for their own needs. Occasionally, surplus electricity appears in the production process and is distributed to the electricity network in the quantity and price agreed with the competent electricity distribution company.

Both sugar production plants within the Group have their own wastewater treatment and purification system (anaerobic and aerobic part), for both their own purposes (precipitation and technological) and in the case of the Viro sugar and wastewater plant, for the city of Virovitica.

The Group companies produce hazardous and non-hazardous waste through their work, which is reported to the Environmental Protection Agency on the prescribed forms. All types of waste are taken over by authorized companies specialized in waste disposal according to legally prescribed guidelines. The documentation that accompanies the production, storage and removal from the factories has been prepared in accordance with the Law on Waste and other Ordinances that regulate this area.

Since Croatia's accession to the EU in 2013, the company Viro tvornica šećera d.d. and Sladorana d.o.o. are in the system of emissions trading, given the level of emissions of obligations prescribed at EU level and this is monitored through authorized state bodies.

9. The strategic direction of the Group's development and short term plans

The year 2019 marks a turning point in terms of strategic planning at the Group level, given that the central part of business activities related to beet processing and sugar production in formal-legal and substantive terms were integrated during the second half of the year with the third Croatian sugar plant. In this way, preconditions were created for the continuation of the activity of sugar production in Croatia, which will be performed by only one, newly established business system - Hrvatska industrija šećera d.d.

Positive synergy effects of connecting sugar factories are expected, as well as a strengthened position of the domestic industry after this connection, which will be able to cope with growing competition in the domestic and European Union markets where the majority of sales take place. The first test of synergy effects will be the sugar beet processing campaign in autumn 2020. The first concrete advantages of combining the business functions of all three Croatian sugar production plants are most evident in joint procurement. Namely, the greater bargaining power of the associated industry and, consequently, the higher volume of procurement of products, raw materials and services, enabled savings, which will lead to a reduction in production costs from 2020 and strengthen competitiveness.

Thanks to all the preparatory work done during 2019 and the test introduction of the SAP business information system, since 2020 the operations of the Hrvatska industrija šećera in all three factories is carried out using this system. According to the experiences of other companies whose business has a global dimension, the positive effects of using SAP systems will only be seen in the years to come after the full implementation of available functions provided by this, the world's leading tool to facilitate business.

The strategic direction of the Group's business development has not been changed by integrating two sugar factories within the Group with the sugar factory in Osijek. In line with the vision of the development of the core business, it was predicted that sooner or later this connection would occur because otherwise there was a danger of disappearance from the market of the entire domestic sugar industry. Relentless market competition after the abolition of the system of production restrictions on the EU market, followed by occasional market illicit funds of the largest European producers, who in 2018 and 2019 'destroyed' the markets of peripheral countries in the EU such as Croatia, led to the need to alert competent regulators bodies, after which the intensity of these illicit activities is reduced.

However, regardless of the possible continuation of such unfair competition in the future, the members of the VIRO Group will, through their partnership management role in HIŠ, and taking into account the participation of the group owned by 60%, strive for the newly

established company to take all necessary actions in order to maximize the rational operation and use of available resources.

In terms of the volume of business, and in terms of the operation of production plants, the movement of the domestic raw material base, i.e. contracting sugar beet for processing, will play a crucial role, first in Croatia and, if economically viable, to some extent from neighbouring countries, with whose producers of raw materials domestic sugar factories have cooperated in the past.

In terms of market position, one of the main goals is to maintain a leading position in supplying the domestic industry that uses sugar as raw material, and regaining the leading position when it comes to selling sugar to retail chains operating in Croatia. The newly established company will also maintain its export orientation, which is a traditional feature of the domestic sugar industry in the last 15 years, given that on average more than 60% of sales revenue is generated annually in foreign markets. Individually observed, despite the decline in export value in the period after Croatia's accession to the EU (average 2014-2019), sugar was still the first Croatian export product of agriculture and food industry, with an average export value of 91 million euros, exactly 10 million euros more than corn in 2nd place.

In order to preserve the leading market position on the domestic market, and a significant role in the markets of the immediate environment (especially in EU countries), an even stronger step is needed in partnership with domestic sugar beet producers. Precisely in the more efficient production of raw materials, which on average accounts for about 55% of the total costs of sugar production of all European producers (including dependent costs), there are great opportunities to further strengthen the competitiveness of the domestic industry, primarily in increasing sugar yield per unit area.

In the business plans of the company **Slavonija Županja d.d.** for 2020, there is the continuation of partnership cooperation with the company **Žito d.d.** with which a contract on storage of cereals was signed, and to which part of the capacity of storage space and equipment was leased. As a result of the development of this partnership, it is expected to continue cooperation with reliable flour buyers: shops, wholesalers and bakers. With further investments in order to maintain a high level of safety of the production process, which is required by high standards in the food business, and raising product quality, it is expected to increase capacity utilization and total flour grinding, and a positive financial result.

10. Significant business events after the end of the business year 2019

One of the most important decisions that affects the business after the end of the business year 2019, is the decision at the level of HIŠ that the **processing of sugar beet in 2020** will take place in only two production plants: in Županja and Osijek. Such a decision was forced primarily by the insufficient amount of available sugar beet contracted for the 2020 production year for all three domestic factories, as well as the geographical distribution of beet producers, distance from factories, given the large role of transport costs in total raw material costs. For the plant in Virovitica, the possibility is left in the future period of refining raw cane sugar, given that this plant has the most modern and cost-effective refinery.

Another important decision relates to the **restructuring of overall business processes** in accordance with the retention of only one business entity for sugar production in the Republic of Croatia, regardless of the retention of active resources of the newly established company HIŠ d.d. at three locations. This restructuring inevitably led to the need to establish a new number of sustainable jobs in order for this production to be preserved and to survive in the market.

During the first half of 2020, as part of the organizational and personnel restructuring of the company, HIŠ took care of a total of 127 workers with appropriate severance pay by June 30, mostly those with or close to the first retirement conditions, or those with more serious health problems and it was in their interest to leave the employment relationship because they are not able to perform the jobs for which they concluded the contract. Out of the total number of workers taken care of, 76 workers were taken care of from the location of the Virovitica sugar factory, and 13 workers from the sugar factory in Županja. In this way, HIŠ enters the second half of the business year with a total of 429 employees.

However, at the same time as organizing business processes within HIŠ d.d. as a single business system, which in itself required a lot of effort because this is the most sensitive initial period of integration and harmonization of the three companies, despite the fact that two of them from the Viro Group were previously owned, already in the first quarter of 2020 is a specific challenge related to the coronavirus pandemic, about which, in terms of the impact on the operations of the Group companies, the most important details are set out below.

Impact of the COVID-19 virus crisis on the Group's operations

The crisis caused globally by the pandemic caused by the COVID-19 virus in early 2020 is unprecedented, one of the biggest global factors affecting all segments of the economy and overall life. The effects of this crisis had a very negative effect on the operations of the group's companies, especially on its most important segment related to sugar production. It

has previously been described, however, that the production of sugar is now in the newly established company HIŠ d.d., which is indirectly controlled by the group companies through management rights and co-ownership in the capacity of holding companies.

In recent years, Italy has been among the most important export markets for Croatian sugar. Considering that since the appearance of the corona virus, it has caused especially great damage in Italy, this has also affected Croatian exports. At the beginning of the crisis, it was impossible to provide transport for Italy and some other markets. According to CEFS data, sugar consumption in the EU in the first 5 months of 2020 decreased by 6.1% compared to the previous period. In countries where tourist consumption plays a major role, and this includes the Republic of Croatia, it is estimated that the decline in consumption on an annual basis will be slightly larger.

Within all Group companies, all precautionary measures have been taken in accordance with epidemiological recommendations, especially when it comes to the receipt and dispatch of goods. There were no infected persons, to which these precautions certainly contributed. HIŠ was the beneficiary of the measure of support of the Government of the Republic of Croatia for co-financing the minimum wage in the period of 3 months in 2020, given the decline in revenues of more than 20 percent. The right to the same measure of support was also exercised by the company Slavonija d.d., Županja.

Due to the lack of alcohol for the health system due to the COVID-19 virus, on the recommendation of the Government, the company Sladorana d.o.o., after 2.5 years of dormancy due to dumped import prices, restarted the production of ethyl alcohol from molasses. During the two-month operation, the needs of Croatian hospitals and state commodity stocks, as well as companies that use ethyl alcohol for the production of disinfectants, were largely covered. In doing so, the Company made some profit, although, after the lifting of export restrictions in other countries with high alcohol production, there was a significant drop in prices.

11. Statement on the application of the Corporate Governance Code

Due to the fact that the shares of Viro tvornica šećera d.d. are listed on the regulated market of the Zagreb Stock Exchange, the Company applies the current Corporate Governance Code of the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange (www.zse.hr). In accordance with positive legal regulations and the Corporate Governance Code, the Company also completed the Annual Questionnaire for 2019, which is an integral part of the Code, which details corporate governance practices in the Company and possible deviations from the Corporate Governance Code with explanations. This Statement on the Application of the Corporate Governance Code is an integral part of the Group's annual report on 2019 and is published on the company's website (www.secerana.hr) as well as on the official website of the Zagreb Stock Exchange (www.zse.hr).

The appointment and removal of members of the Company's Management Board, i.e. the election of members of the Company's Supervisory Board is determined by the Company's Articles of Association in accordance with the provisions of the Companies Act, without deviation. Thus, four members of the Supervisory Board are elected by the General Assembly of the Company, while the fifth member of the Supervisory Board is appointed by the employees of the Company. No shareholder has the right to directly appoint a member(s) of the supervisory board. The Management Board of the Company is appointed by the Supervisory Board.

The Company's Articles of Association contain a provision on the so-called approved share capital, which authorizes the Management Board of the Company to, with the consent of the Supervisory Board of the Company, make a decision to increase the share capital by a maximum of HRK 124,800,030.00. The said authorization for a period of 5 years was renewed by the General Assembly of the Company held on 29 August 2019.

The powers of the General Assembly, its manner of work and the rights of shareholders are regulated by the Company's Articles of Association, which are publicly available and drawn up in accordance with the provisions of the Companies Act. The rights of shareholders are not limited in any way and each share gives the right to one vote in the General Assembly of the Company. Using the possibility prescribed by Article 279, paragraph 2 of the Companies Act, the Company's Articles of Association make participation in the General Assembly conditional on the registration of participation in the General Assembly, six days before its holding - this condition is clearly stated in each invitation to the General Assembly, delivered to each shareholder individually.

Diversity Policy: The Company's Management Board and Supervisory Board are composed of experts in various fields, thus achieving the balance and stability needed to meet business challenges. The members of the Management Board include graduate economists and a Master of Biotechnical Sciences, while the Supervisory Board includes a graduate economist, a law graduate and graduate technology engineers with significant experience in the food

industry. All CVs of members of the Management Board and Supervisory Board are publicly available on the Company's website.

The composition of the Management Board and the Supervisory Board are presented in the Annual Report and the audited financial statements.

a. Annual questionnaire

GENERAL INFORMATION ABOUT THE COMPANY:			VIRO TVORNICA ŠEĆERA d.d.	
CONTACT PERSON / PHONE NUMBER			Zdenka Smojver; 033/840-122	
DATE OF THE QUESTIONNAIRE			25 March 2020	
All questions contained in this questionnaire refer to the period of one business year, to which the annual financial statements also refer.				
For the questions contained in the questionnaire, it is necessary to write an explanation only if the question explicitly requires it.				
The answers contained in the questionnaire are evaluated by a certain percentage, which is expressed at the beginning of each chapter.				
COMMITMENT TO THE PRINCIPLES OF CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY				
The answers to this set of questions carry 20% of the overall indicator in relation to the Company's compliance with the Corporate Governance Code.				
	Question no.	Question	Answer YES/NO	Explanation
	1	Has the company accepted the application of the Corporate Governance Code of the Zagreb Stock Exchange?	YES	
	2	Does the company have its own corporate governance code?	NO	
	3	Are the adopted principles of the corporate governance code within the company's internal policies?	YES	
	4	Does the company publish compliance with the principles of corporate governance in its annual financial statements?	YES	
SHAREHOLDERS AND THE GENERAL ASSEMBLY				
The answers to this set of questions carry 30% of the overall indicator in relation to the Company's compliance with the Corporate Governance Code.				
	Question no.	Question	Answer YES/NO	Explanation
	5	Is the company in a mutual shareholding relationship with another company or companies? (if yes, explain)	NO	
	6	Does each share of the company give the right to one vote? (If not, explain)	YES	
	7	Are there cases where any of the shareholders have been treated differently? (if yes, explain)	NO	
	8	Is the issuance of a power of attorney to vote at the General Assembly extremely simplified and without strict formal requirements? (If not, explain)	YES	
	9	Has the company provided proxies to shareholders who for any reason are not able to vote at the General Meeting on their own, without special costs, who are obliged to vote in accordance with their instructions? (If not, explain)	NO	So far there have been no such requests
	10	Did the management or the board of directors of the company determine the date according to which the situation in the register of shares will be determined, which will be relevant for exercising the right to vote in the general meeting, so that the date is before the general meeting and may not be more than six days Assembly? (If not, explain)	YES	
	11	Are the agenda of the General Meeting, as well as all relevant data and documents with explanations related to the agenda, published on the company's website and made available to shareholders at the company's premises from the date of the first public announcement of the agenda? (If not, explain)	YES	

	12	Does the decision on payment of dividend or advance dividend contain the date on which the person who is a shareholder acquires the right to dividend payment and the date or period when the dividend is paid? (If not, explain)	YES	
	13	Is the date of payment of dividend or advance dividend no more than 30 days after the date of the decision? (If not, explain)	YES	
	14	Are there cases when individual shareholders are favored when paying dividends or dividends in advance? (if yes, explain)	NO	
	15	Are the shareholders enabled to participate and vote at the general assembly of the company using the means of modern communication technology? (If not, explain)	NO	So far there have been no such requests
	16	Are the conditions set for participation in the General Assembly and the exercise of the right to vote (regardless of whether they are allowed in accordance with the law or the statute), such as registration of participation in advance, certification of power of attorney and the like? (if yes, explain)	YES	In accordance with the Articles of Association and the possibilities prescribed by the Companies Act, shareholders must register their participation in the General Assembly six days before it's held.
	17	Has the company's management publicly announced the decisions of the general assembly?	YES	
	18	Has the company's management made public information on possible lawsuits against these decisions? (If not, explain)	NO	So far there have been no such lawsuits
MANAGEMENT AND SUPERVISORY BODIES				
LIST THE NAMES OF THE MANAGEMENT BOARD AND THEIR FUNCTIONS:				ŽELJKO ZADRO, President of the Management Board; DARKO KRSTIĆ, Member of the Management Board; IVO REŠIĆ, Member of the Management Board
LIST THE NAMES OF THE SUPERVISORY BOARD AND THEIR FUNCTIONS:				MARINKO ZADRO, President; BORIS ŠIMUNOVIĆ, Deputy President; IVAN MIŠETIĆ, member; SVETLANA ZADRO, member; ROBERT BARNAKI, member
The answers to this set of questions carry 20% of the overall indicator in relation to the Company's compliance with the Corporate Governance Code..				
	Question no.	Question	Answer YES/NO	Explanation
	19	Has the Supervisory Board or the Management Board made a decision on the framework plan of its work, which includes a list of regular meetings and information that should be made available to the members of the Supervisory Board on a regular and timely basis? (If not, explain)	NO	The members of the Supervisory Board are in almost daily contact, and we believe that there is no need to formalize these issues.
	20	Has the supervisory board or board of directors adopted internal rules of operation?	NO	The rules of the Supervisory Board are determined by the Companies Act and the Company's Articles of Association

21	Does the company have independent members on the supervisory board or board of directors? (If not, explain)	NO	The members of the Supervisory Board are from among the representatives of shareholders, employees, and there is one independent member in the Supervisory Board
22	Is there a long-term succession plan in the company? (If not, explain)	NO	Given the shallow organizational structure, we consider it unnecessary
23	Is the remuneration received by the members of the supervisory or management board determined in whole or in part according to the contribution to the company's success? (If not, explain)	NO	The President of the Supervisory Board receives a monthly remuneration determined by a decision of the General Assembly
24	Is the remuneration of the members of the supervisory or management board determined by a decision of the general assembly or the statute? (If not, explain)	YES	
25	Are detailed data on all fees and other income from the company or related persons of each individual member of the management board or executive directors, including the structure of the fee, publicly disclosed (in the annual financial report)? (If not, explain)	DA	
26	Are detailed data on all remuneration and other income from the company or persons related to the company of each individual member of the company's supervisory board or board of directors, including the remuneration structure, publicly disclosed (in the annual financial report)? (If not, explain)	NO	Fee information is provided upon request
27	Does each member of the supervisory or management board report to the company on any changes regarding its acquisition, dismissal or the possibility of exercising voting rights over the company's shares immediately, and no later than three working days from the date of the transaction? (If not, explain)	YES	
28	Are all the activities in which the members of the supervisory or management board or persons related to them and the company or persons related to them participated clearly stated in the company's reports? (If not, explain)	YES	
29	Are there any contracts or agreements between the member of the supervisory or management board of the company and the company itself?	YES	
30	Have they been previously approved by the supervisory board or board of directors? (If not, explain)	YES	
31	Are the essential elements of such contracts or agreements contained in the annual report? (If not, explain)	NO	It is primarily a contract for the provision of consulting services concluded for an indefinite period of time
32	Has the supervisory or management board set up an appointment committee?	NO	
33	Has the supervisory or management board set up a remuneration committee?	NO	
34	Has the supervisory or management board established an audit committee?	YES	
35	Are the majority of the members of the audit committee from the ranks of independent members of the supervisory board? (If not, explain)	NO	All members of the Audit Committee are members of the Supervisory Board of the Company. The Audit Committee is exempt from the requirement of independence.
36	Did the audit committee monitor the integrity of the company's financial information, and in particular the correctness and consistency of the accounting methods used by the company and the group to which it belongs, including the criteria for consolidating the financial statements of the companies belonging to the group? (If not, explain)	YES	

	37	Has the audit committee assessed the quality of the internal control and risk management system, with the aim of properly identifying and publicly disclosing and managing the main risks to which the company is exposed (including compliance risks)? (If not, explain)	YES	
	38	Has the audit committee worked to ensure the effectiveness of the internal audit system, in particular by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and the resources available to him, and assessing the manager's actions on internal audit findings and recommendations? (If not, explain)	NO	Due to the shallow organizational structure, the internal control system is not formalized
	39	If there is no internal audit function in the company, has the audit committee assessed the need to establish such a function? (If not, explain)	NO	Due to the shallow organizational structure, the internal control system is not formalized
	40	Has the audit committee monitored the independence and objectivity of the external auditor, in particular regarding the rotation of certified auditors within the audit firm and the fees paid by the company for external audit services? (If not, explain)	YES	
	41	Has the audit committee monitored the nature and amount of non-audit services that the company receives from the audit firm or its affiliates? (If not, explain)	YES	
	42	Has the audit committee developed rules on which services an external audit firm and its affiliates may not provide to the company, which services it may provide only with the prior consent of the committee, and which services it may provide without prior consent? (If not, explain)	NO	The company is guided by the provisions prescribed by the Audit Act in relation to the services of an external audit company
	43	Has the audit committee considered the effectiveness of the external audit and the actions of senior management in light of the recommendations made by the external auditor? (If not, explain)	YES	
	44	Is the documentation relevant for the work of the supervisory board, i.e. the board of directors, delivered to all members on time? (If not, explain)	YES	
	45	Are all decisions made with the voting results recorded in the minutes of the meetings of the Supervisory Board or the Management Board? (If not, explain)	YES	
	46	Has the supervisory board or board of directors made an assessment of its work in the past period, which includes evaluating the contribution and competence of each individual member, as well as the joint work of the committee, assessment of the work of commissions established and assessment of achieved goals?	NO	
	47	Are detailed data on all remuneration received by each member of the management board or executive directors from the company publicly disclosed in the company's annual report? (If not, explain)	NO	These benefits and allowances are contained in individual employment contracts
	48	Are all forms of remuneration of members of the management and supervisory boards, including options and other benefits of the management, publicly disclosed by detailed individual items and persons in the company's annual report? (If not, explain)	NO	The remuneration for the work of the members of the Supervisory Board is determined by the decision of the General Assembly of the Company, while the remuneration for the members of the Management Board is determined by the employment contracts of managers
	49	Are all the activities in which the members of the management board or executive directors participated and the persons related to them and the company or persons related to it, clearly stated in the company's reports? (If not, explain)	YES	

	50	Does the report submitted by the Supervisory Board or the Management Board to the General Assembly contain, in addition to the content of the report prescribed by law, an assessment of the overall performance of the company, the work of the company's management and a special review of its cooperation with the management? (If not, explain)	NO	These reports are prepared in accordance with the Companies' Act
AUDIT AND INTERNAL CONTROL MECHANISMS				
The answers to this set of questions carry 10% of the overall indicator in relation to the Company's compliance with the Corporate Governance Code.				
	Question no.	Question	Answer YES/NO	Explanation
	51	Does the company have an external auditor?	YES	
	52	Is the company's external auditor related to the company in terms of ownership or interest?	NO	
	53	Does the company's external auditor, alone or through related parties, provide other services to the company?	YES	
	54	Has the company publicly disclosed the amounts of fees paid to external auditors for the performed audit and for other services provided? (If not, explain)	NO	The obligation to disclose fees is prescribed by the Code as "recommendation", it is not binding
	55	Does the company have internal auditors? (If not, explain)	NO	Given the shallow organizational structure, we consider it unnecessary
	56	Does the company have an established system of internal control? (If not, explain)	NO	Given the shallow organizational structure, we consider it unnecessary
TRANSPARENCY AND PUBLICITY OF BUSINESS				
The answers to this set of questions carry 20% of the overall indicator in relation to the Company's compliance with the Corporate Governance Code.				
	Question no.	Question	Answer YES/NO	Explanation
	57	Are annual, semi-annual and quarterly reports available to shareholders?	YES	
	58	Has the company made a calendar of important events?	YES	
	59	Has the company established mechanisms to ensure that persons who have or come into contact with inside information are made aware of the nature and significance of that information and the limitations in this regard?	YES	
	60	Has the company established mechanisms to ensure control over the flow of inside information and its possible misuse?	YES	
	61	Has anyone suffered negative consequences because he pointed out to the competent authorities or bodies inside or outside the company shortcomings in the application of regulations or ethical norms within the company? (if yes, explain)	NO	
	62	Has the company's management held meetings with interested investors in the past year?	NO	
	63	Do all members of the management and supervisory or management boards agree that the allegations made in the answers to this questionnaire, to the best of their knowledge, are entirely true?	YES	

Responsibility of the Management Board for the Annual Financial Statements

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

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

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

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

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

Signed on behalf of and for the Management Board:

Željko Zadro, President of the Management Board

Darko Krstić, Member of the Management Board

Ivo Rešić, President of the Management Board

Viro tvornica šećera d.d.
Ulica grada Vukovara 269g
10000 Zagreb
Croatia
23 June 2020



INDEPENDENT AUDITOR'S REPORT

to the shareholders of Viro tvornica šećera d.d., Zagreb:

Report on the audit of the consolidated annual financial statements

Opinion

We have audited the annual consolidated financial statements of Viro tvornica šećera d.d, Ulica grada Vukovara 269g ("Company") and its subsidiaries ("Group"), for the year ended 31 December 2019, which include a Consolidated Statement of Financial Position as at 31 December 2019, Consolidated Statement of Comprehensive Income, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity, for the year then ended and the accompanying Notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying annual consolidated financial statements present a true and fair view of the Group's consolidated financial position as at 31 December 2019, its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards established by the European Commission and published in the Official Journal of the European Union ("IFRS").

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these standards are described in more detail in our Independent Auditor's Report in the section on the Auditor's responsibilities for the audit of annual consolidated financial statements. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (IESBA Code) and 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 audit opinion.

Material Uncertainty Related to Going Concern

In the annual consolidated financial statements as at 31 December 2019, the Group has current assets in the amount of HRK 160,636 thousand and has current liabilities in the amount of HRK 284,755 thousand, which exceed current assets by HRK 124,119 thousand. Short-term liabilities include short-term liabilities for loans, financial leases and loans and suppliers in the amount of HRK 255,197 thousand as stated in notes 24 and 25 in the annual consolidated financial statements. These events or circumstances, among other matters, indicate the existence of uncertainties that may cast doubt on the Group's ability to continue as a going concern. Following the above, the Management Board makes efforts to resolve the existing situation in the manner described in Note 3.1.1. to the annual consolidated financial statements. Management's assessment is that the Group is capable of continuing its operations indefinitely. Our opinion has not been modified on this issue.

Emphasis of matter

We draw attention to Note 34 to the consolidated financial statements which describe the events after the reporting date on the basis of which the Group expects a further decline in business activities in the next financial year due to the impact of the COVID-19 virus. Our opinion has not been modified on this issue.

In addition to the above, we draw attention to notes 15 and 15.1 of the consolidated financial statements which show the investment in the company Hrvatska industrija šećera d.d., Zagreb in the amount of HRK 343,392 thousand. Due to the current situation related to the impact of the COVID-19 virus, we are not able to predict market conditions in the future and thus the impact on the business of Hrvatska industrija šećera d.d. and consequently a possible impact on the value of the investment in question. Our opinion has not been modified on this issue.

Key audit matter

Key audit matters are those matters that, in our professional judgment, have been of the utmost importance in our audit of the annual consolidated financial statements for the current period and include the identified significant risks of material misstatement due to error or fraud with the greatest impact on our audit strategy, resources and time spent by the audit team engaged.

We have dealt with these matters in the context of our audit of the annual consolidated financial statements as a whole and in forming our opinion on them, and we do not give a separate opinion on these matters. We have determined that the following matters are key audit matters to be disclosed in our Independent Auditors' Report:

Key audit matter	How we addressed the key audit matter
<p>Classification and valuation of investments in joint ventures</p> <p>In the annual consolidated financial statements as at 31 December 2019, the Group had reported investments in joint ventures in the amount of HRK 343,392 thousand relating to investments in the company Hrvatska industrija šećera d.d. which was established during 2019. As stated in Note 15.1 to the consolidated financial statements, the Group has joint control over this investment together with the company Tvornica šećera Osijek d.o.o.</p> <p>Investments in joint ventures in the consolidated financial statements of the Group at initial recognition are stated at cost, subsequently accounted for using the equity method and adjusted for the Group's share of the profit or loss of the joint venture in accordance with IFRS 11 - Joint Arrangements and reduced by adjustments to individual investments in accordance with IAS 36 - Impairment of Assets. The Group is required to assess at each reporting date whether there is any indication of impairment of an investment in a joint venture and, if any, the Group is required to assess the recoverable amount of the asset. Management did not consider that the reduction in investments in joint ventures was necessary as at 31 December 2019.</p> <p>The classification and valuation of investments in joint ventures is a key audit matter due to the importance of the Group's interests in the joint venture combined with the judgments used in considering the existence of investment impairment indicators.</p> <p>Related disclosures in the accompanying annual consolidated financial statements</p> <p>See notes 3.2, 15, and 15.1 in the accompanying annual consolidated financial statements.</p>	<p>Our audit procedures related to this area included, but were not limited to:</p> <ul style="list-style-type: none"> - Review of the inter-shareholder agreement which established the management mechanisms of the company Hrvatska industrija šećera d.d. to confirm the correct classification of the investment in question as a joint venture in accordance with the requirements of IFRS 11 - Joint Arrangements; - An assessment of the reasonableness of the Group's accounting policies applied to the said investment in joint ventures - Review of the prepared projection and forecast of business results of the company Hrvatska industrija šećera d.d. at the time of establishment and assessment of the fair value of assets sold to Hrvatska industrija šećera d.d. - An assessment of the reasonableness of the key assumptions used in the aforementioned projections and forecasts of business results - Review of the collected financial information used in considering the existence of investment impairment indicators - An assessment of the completeness and accuracy of the disclosures relating to investments in joint ventures in accordance with IFRS 11, included in Notes 3.2, 15, and 15.1 to the consolidated financial statements.

Other matters

The audit of the annual consolidated financial statements of the Group for the year ended 31 December 2018 was performed by the auditing company Deloitte d.o.o., Zagreb, which in its Independent Auditor's Report dated 29 April 2019 expressed an unmodified opinion on these annual consolidated financial statements.

Other information in the Annual Report

Management is responsible for other information. Other information contains information included in the Annual Report, but does not include the annual consolidated financial statements and our Independent Auditor's Report thereon.

Our opinion on the annual consolidated financial statements does not include other information unless explicitly stated in our report, and we do not express any form of conclusion expressing assurance about them.

In connection with our audit of the annual consolidated financial statements, it is our responsibility to read other information and consider whether the other information is materially inconsistent with the annual consolidated financial statements or our knowledge gained during the audit or otherwise appears to be materially misstated. If based on the work we have done, we conclude that there is a material misstatement of this other information, we are required to report that fact. In that sense, we have nothing to report.

The Management Board is responsible for compiling the Management Report of the Group as an integral part of the Annual Report of the Group. Regarding the Management Report and the Statement on the Application of the Corporate Governance Code, we also carried out the procedures required by the Croatian Accounting Act (the "Accounting Act"). These procedures include considering:

- whether the Management Report has been prepared in accordance with Articles 21 and 24 of the Accounting Act;
- whether the specific information in the Statement on the Application of the Corporate Governance Code required under Article 22, paragraph 1, items 3 and 4 of the Accounting Act ("relevant parts of the Statement on the Application of the Corporate Governance Code") has been prepared in accordance with Article 22 of the Accounting Act;
- whether the Statement on the Application of the Corporate Governance Code includes disclosures in accordance with Article 22, paragraph 1, items 2, 5. and 6. of the Accounting Act.

Based on the procedures required to be performed as part of our audit of the annual consolidated financial statements and the above procedures, in our opinion:

- The information contained in the Management Report and the relevant parts of the Statement on the Application of the Corporate Governance Code for the financial year for which the consolidated financial statements have been prepared is consistent, in all material respects, with the Company's annual consolidated financial statements set out on pages 40 to 114 to which we have stated our opinion as set out in the Opinion section above;
- The Management Report and the relevant parts of the Statement on the Application of the Corporate Governance Code have been prepared, in all relevant respects, in accordance with Articles 21, 22 and 24 of the Accounting Act;
- The statement on the application of the corporate governance code includes the information required by Article 22, paragraph 1, items 2, 5 and 6 of the Accounting Act.

Other information in the Annual Report (continued)

Furthermore, taking into account the knowledge and understanding of the Company's operations and the environment in which it operates, which we acquired during our audit, it is our duty to report whether we have identified material misstatements in the Management Report and Corporate Governance Code. In that sense, we have nothing to report.

Responsibilities of the Management board and those charged with governance for the consolidated annual financial statements

Management Board is responsible for the preparation of consolidated annual financial statements that give a true and fair view in accordance with IFRSs, and for those internal controls that the Management board determines are necessary to enable the preparation of annual financial statements that are free from material misstatement due to fraud or error.

In preparing the consolidated annual financial statements, Management board is responsible for evaluation of the Company's ability to continue operations assuming going concern principle, disclosure, if applicable, issues related to going concern, and using accounting based on going concern principle, unless the Management board intends to liquidate the Company or discontinue its business or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process established by the Group.

Auditor's responsibilities for auditing the annual unconsolidated financial statements

Our objectives are to obtain reasonable assurance as to whether the annual consolidated financial statements as a whole are free from material misstatement due to fraud or error and to issue an Independent Auditor's Report that includes our opinion. Reasonable assurance is a higher level of assurance but is not a guarantee that an audit performed in accordance with ISAs will always detect a material misstatement when it exists. Misstatements may result from fraud or error and are considered material if they can reasonably be expected to affect, individually or in aggregate, the economic decisions of users made on the basis of those annual consolidated financial statements.

As an integral part of auditing in accordance with ISAs, we make professional judgments and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual consolidated financial statements due to fraud or error; design and perform audit procedures in response 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 due to fraud is greater than the risk arising from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation, or circumvention of internal controls.
- Gain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the accounting basis of going concern used by the Management Board and, based on the audit evidence obtained, we conclude whether there is significant uncertainty about events or circumstances that may cast significant doubt on the Group's ability to continue as a going concern.

Auditor's responsibilities for auditing the annual unconsolidated financial statements (continued)

If we conclude that there is significant uncertainty, we are required to draw attention to it in our Independent Auditor's Report to the related disclosures in the annual consolidated financial statements or, if such disclosures are not appropriate, to modify our opinion.

Our conclusions are based on audit evidence obtained up to the date of our Independent Auditor's Report. However, future events or conditions may cause the Group to discontinue its operations.

- Evaluate the overall presentation, structure and content of the annual consolidated financial statements, including disclosures, and whether the annual consolidated financial statements reflect the transactions and events on which they are based in a way that achieves a fair presentation.
- Obtain sufficient appropriate audit evidence regarding financial information from individuals and business activities within the Group to express an opinion on the annual consolidated financial statements. We are responsible for directing, overseeing and performing the audit. We are solely responsible for expressing our opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and important audit findings, including + significant deficiencies in internal controls identified during our audit.

We also make a statement to those charged with governance that we have complied with the relevant independence requirements and will communicate with them on any relationships and other matters that may reasonably be considered to affect our independence, as well as, where is applicable, on related protections.

Among the matters communicated to those charged with governance, we identify those matters that are of the utmost importance in the audit of the annual consolidated financial statements for the current period and are therefore key audit matters. We describe these matters in our Independent Auditor's Report unless the law or regulation prevents the matter from being made public or when we decide, in extremely rare circumstances, that the matter should not be disclosed in our Independent Auditor's Report because the negative consequences of disclosure could reasonably exceed public interest in such communication.

Report on other legal requirements

On 29 August 2019, we were appointed by the General Assembly of the Group based on the proposal of the Supervisory Board of the Company to audit the annual consolidated financial statements of the Company for 2019.

At the date of this Report, 2019 is the first year for which we have been engaged to perform a statutory audit of the Group's annual consolidated financial statements for 2019.

In the audit of the Group's annual consolidated financial statements for 2019, we determined the significance for the consolidated financial statements as a whole in the amount of HRK 8,967 thousand, which represents approximately 1.5% of the realized sales revenue for 2019. We have chosen sales revenue as a measure of materiality because we

believe it is the most appropriate measure given the significant fluctuations in profit before tax in the current and prior periods.

Report on other legal requirements (continued)

Our audit opinion is consistent with the supplementary report for the Company's audit committee drawn up in accordance with the provisions of Article 11 of Regulation (EU) no. 537/2014.

During the period between the starting date of the audited annual consolidated financial statements of the Group for 2019 and the date of this Report, we did not provide prohibited non-audit services to the Group and did not provide services for designing and implementing internal control or risk management procedures related to the preparation and/or the control of financial information or the design and implementation of financial information technology systems, and we have maintained our independence from the Group in performing our audit.

The Management Board is responsible for preparing the Group's annual consolidated financial statements for the year ended 31 December 2019 in the prescribed form pursuant to the Ordinance on the structure and content of annual consolidated financial statements (OG 95/16) and in accordance with other regulations governing the Group's operations. ("Standard Annual Consolidated Financial Statements") and are presented on pages 115 to 122. The financial information presented in the Group's standard annual consolidated financial statements is consistent with the information presented in the Group's annual consolidated financial statements set out on pages 40 to 114. on which we have expressed an opinion as set out in the Opinion section above.

The engaged partner in the audit of the annual consolidated financial statements of the Company for 2019, which results in this Independent Auditor's Report, is Vedrana Stipić, certified auditor.

Zagreb, 30 June 2020

BDO Croatia d.o.o.
Trg J. F. Kennedy 6b
10000 Zagreb


Hrvoje Stipić, President of the
Management Board

BDO CROATIA

BDO Croatia d.o.o.
za pružanje revizijskih, konzalting
i računovodstvenih usluga
Zagreb, J. F. Kennedy 6b


Vedrana Stipić, Certified Auditor

Consolidated Statement of Financial Position

as at 31 December 2019

(all amounts in HRK '000)

	Note	2019	2018
CONTINUING OPERATIONS			
Sales revenues	4.1	210,776	649,327
Other revenues	4.2	-	29,274
Total operating income		210,776	678,601
Decrease in value of work in progress and finished goods		(2,995)	(168,333)
Costs of raw materials and supplies	6	(28,043)	(232,438)
Cost of goods sold	7	(169,041)	(165,171)
Other external expenses	8	(27,384)	(60,691)
Amortization and depreciation	14	(3,593)	(51,134)
Employee costs	9	(8,150)	(54,517)
Value adjustment	10.2	-	(32,995)
Provisions	10.4.	-	(328)
Other expenses	10.1	(6,431)	(15,300)
Other operating expenses	10.3	-	(23,911)
Total operating expenses		(245,637)	(804,818)
Loss from ordinary activities		(34,861)	(126,217)
Financial income	11	7,512	62,436
Financial expenses	12	(3,941)	(33,615)
Bet financial profit		3,571	28,821
Share in loss from joint ventures	15.1	(5,340)	-
Loss before taxation		(36,630)	(97,396)
Income tax	13	-	-
Loss of the current year form the CONTINUING OPERATIONS		(36,630)	(97,396)

Consolidated Statement of Financial Position

as at 31 December 2019

(all amounts in HRK '000)

DISCONTINUED OPERATIONS

Profit for the year from discontinued operations	13.1	179,728	0
Profit/(loss) for the year		143,098	(97,396)
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the current year		143,098	(97,396)
Loss attributable to:			
Owners of controlling interest		143,972	(96,454)
Owners of minority interest		(874)	(942)
Total comprehensive loss attributable to:			
Owners of controlling interest		143,972	(96,454)
Owners of minority interest		(874)	(942)
Profit/(Loss) (per share)			
- basic and diluted (in Croatian kunas and lipas)	23	106,46	(71,96)

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

Consolidated Statement of Financial Position

as at 31 December 2019

(all amounts in HRK '000)

	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Fixed assets			
Intangible assets	14	43	6,507
Property, plant and equipment	14	130,347	489,431
Shares in companies	15	343,662	6,307
Loans and investments in securities	15	4,940	6,800
Long-term receivables		269	149
Total fixed assets		479,261	509,194
Current assets			
Inventories	16	42,910	350,274
Trade receivables	17	104,130	64,390
Receivables from the state and other institutions	18	3,658	17,175
Given loans	19	4,057	24,369
Cash and cash equivalents	20	2,741	4,836
Prepaid expenses and accrued income	21	1,836	3,251
Other receivables		1,304	2,841
Total current assets		160,636	467,136
TOTAL ASSETS		639,897	976,330

Consolidated Statement of Financial Position (continued)

as at 31 December 2019

(all amounts in HRK '000)

	Notes	31 Dec 2019	31 Dec 2018
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22.1	249,600	249,600
Retained earnings		61,684	(81,676)
Capital reserves	22.2	10,368	10,368
Profit reserves	22.2	51,179	51,782
Other reserves	22.2	(41,432)	(41,432)
		<u>331,399</u>	<u>188,642</u>
Shares of the parent owner			
Non-controlling interest		4,085	5,022
		<u>335,484</u>	<u>193,664</u>
Total equity			
		<u>335,484</u>	<u>193,664</u>
Provisions	31	<u>5,124</u>	<u>3,748</u>
Long-term liabilities			
Liabilities for loans, deposits etc.	24	97	208
Liabilities under loans and finance leases	24	6,777	95,117
Other long-term liabilities		7,660	1,561
		<u>14,534</u>	<u>96,886</u>
Total long-term liabilities			
		<u>14,534</u>	<u>96,886</u>
Short-term liabilities			
Liabilities to related companies	29	1,040	4,351
Liabilities for loans, deposits etc.	24	19,363	7,275
Liabilities under loans and finance leases	24	77,356	375,206
Liabilities for advances	26	7,561	32,038
Accounts payable	25	158,478	239,998
Other current liabilities	27	20,651	7,848
Accrued expenses and deferred income	28	306	15,316
		<u>284,755</u>	<u>682,032</u>
Total short-term liabilities			
		<u>284,755</u>	<u>682,032</u>
TOTAL EQUITY AND LIABILITIES		<u>639,897</u>	<u>976,330</u>

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

Consolidated Statement of Changes in Equity
for the year ended 31 December 2019

(all amounts in HRK '000)

	Share capital	Own shares	Reserves	Retained earnings	Non-controlling interest	Total
Balance at 31 December 2017	249,600	-	25,353	20,095	6,132	301,180
Loss of the current year	-	-	-	(96,454)	(942)	(97,396)
Total comprehensive income	-	-	-	(96,454)	(942)	(4,635)
Own shares	-	(4,635)	-	-	-	(4,635)
Impact of the application of IFRS 9 (note 2b)	-	-	-	(5,700)	(148)	(5,848)
Adjustment in favour of reserves and retained earnings	-	-	-	383	(20)	363
Balance at 31 December 2018	249,600	(4,635)	25,353	(81,676)	5,022	193,664
Profit for the current year	-	-	-	143,972	(874)	143,098
Total comprehensive income	-	-	-	143,972	(874)	143,098
Own shares	-	611	(611)	-	-	-
Adjustment in favour of reserves and retained earnings	-	-	(603)	(612)	(63)	(1,278)
Balance at 31 December 2019	249,600	(4,024)	24,139	61,684	4,085	335,484

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

Consolidated Statement of Cash Flows
for the year ended 31 December 2019

(all amounts in HRK '000)

	Note	2019	2018
Cash flows from operating activities			
1. Profit before tax	13	143,097,620	-97,396,162
2. Adjustments (ADP 003 to 010):		23,298,635	72,367,561
a) Depreciation	14	23,298,635	51,133,774
b) Gains and losses on sales and value adjustments of tangible and intangible fixed assets		0	106,116
c) Gains and losses on sales and unrealized gains and losses and value adjustment of financial assets		0	6,210
d) Interest and dividend income		0	-193,294
e) Interest expenses		0	21,592,466
g) Exchange rate differences (unrealized)		0	714,920
h) Other adjustments for non-monetary transactions and unrealized gains and losses		0	-992,631
I. Increase or decrease in cash flows before changes in working capital (ADP 001 + 002)		166,396,255	-25,028,601
3. Changes in working capital (ADP 013 to 016)		254,429,638	84,197,771
a) Increase or decrease in current liabilities		-17,963,440	-95,388,676
b) Increase or decrease in short-term receivables		-50,866,161	64,813,885
c) Increase or decrease in inventories	16	307,425,385	135,801,983
d) Other increases or decreases in working capital		15,833,854	-21,029,421
II. Cash from operations (ADP 011 + 012)		420,825,893	59,169,170
4. Cash interest expenses		0	-13,973,556
A) NET CASH FLOWS FROM OPERATING ACTIVITIES (ADP 017 to 019)		420,825,893	45,195,614
Cash flow from investing activities			
1. Cash receipts from the sale of long-term tangible and intangible assets	14	373,506,882	2,914,040
3. Cash receipts from interest		12,031,908	9,376,270
4. Cash receipts from dividends		0	125,650
5. Cash receipts based on the repayment of loans and savings deposits		0	536,924
6. Other cash receipts from investment activities		66,671,663	17,025,186
III. Total cash inflows from investing activities (ADP 021 to 026)		452,210,453	29,978,070
1. Cash outflows for the purchase of tangible and intangible fixed assets	14	-31,233,695	-31,625,817
2. Cash outflows for the acquisition of financial instruments		-360,359,302	0
3. Cash outflows from loans and savings deposits for the period		0	-93,383
5. Other cash outflows from investing activities		-3,810,998	-12,191,005
IV. Total cash outflows from investing activities (ADP 028 to 032)		-395,403,995	-43,910,205
B) NET CASH FLOWS FROM INVESTMENT ACTIVITIES (ADP 027 + 033)		56,806,458	-13,932,135
Cash flow from financial activities			
1. Cash receipts from the principal of loans and other borrowings		97,806,685	399,907,065
2. Other cash receipts from financial activities		18,360,333	9,217,808
V. Total cash receipts from financial activities (ADP 035 to 038)		116,167,018	409,124,873

Consolidated Statement of Cash Flows

for the year ended 31 December 2019

(all amounts in HRK '000)

1. Cash outflows for repayment of principal of loans and other borrowings and debt financial instruments	-578,576,765	-470,381,688
2. Cash outflows for dividend payment	0	0
3. Cash outflows for finance leases	-405,730	-798,048
4. Cash expenditures for the repurchase of own shares and reduction of share capital	-610,935	-4,635,120
5. Other monetary expenses from financial activities	-16,301,117	-31,837,322
VI. Total cash outflows from financing activities (ADP 040 to 044)	-595,894,547	-507,652,178
C) NET CASH FLOWS FROM FINANCIAL ACTIVITIES (ADP 039 + 045)	-479,727,529	-98,527,305
1. Unrealized exchange differences on cash and cash equivalents	0	0
D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 020 + 034 + 046 + 047)	-2,095,178	-67,263,826
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4,836,521	72,100,347
F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048 + 049)	2,741,343	4,836,521

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

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

1. GENERAL INFORMATION

1.1 Introduction

Viro tvornica šećera d.d. and subsidiaries consist of: Viro tvornica šećera d.d., Zagreb, Ulica grada Vukovara 269g - parent company and subsidiary Sladorana d.o.o., subsidiary Slavonija Županja d.d., subsidiary Viro-kooperacija d.o.o. and the subsidiary Viro BH d.o.o. Viro tvornica šećera d.d., was entered in the court register of the Commercial Court in Bjelovar on 23 July 2002. The founders of the company were EOS-Z d.o.o. Zagreb and Robić d.o.o. Velika Gorica. In 2005, the Company was transformed from a limited liability company into a joint stock company. The share capital of the company in the amount of HRK 249,600,060 (2017: HRK 249,600,060) was divided into 1,386,667 (2017: 1,386,667) ordinary registered shares, without a nominal amount.

At the beginning of 2015, the Company changed its registered office, which is no longer located in Virovitica but in Zagreb, Ulica grada Vukovara 269g, which was entered in the court register of the Commercial Court in Zagreb on 20 January 2015.

As at 31 December 2018, the company owns, as the only member of the company Sladorana d.o.o., Županja, 100.00% (2017: 100.00%) of the value of the total net capital of the subsidiary. On 7 February 2014, Sladorana was transformed from the joint-stock company into a limited liability company.

During 2012, the Company established the company VIRO-kooperacija d.o.o. and the share capital in the amount of HRK 20 thousand was paid. The company is 100% owner of VIRO-kooperacija d.o.o.

During 2013, the company acquired shares in the company Slavonija Županja d.d. by entering the right of claim. and owns 22,686 (2017: 22,686) Series B ordinary shares as at 31 December 2018, representing 16.72% (2017: 16.72%) of the total net capital of the subsidiary.

Sladorana d.o.o. acquired additional shares in Slavonija Županja d.d. in 2013 by entering the right of claim, thus acquiring 16,396 ordinary shares of series B. Considering that the company Slavonija Županja d.d. increased the share capital by a new issue of shares, the company Sladorana d.d. as at 31 December, 2013 owns 67.05% (2012: 67.05%) of the shares of the said company.

In 2015, Sladorana d.o.o. has invested in the subsidiary Slavonija Županja d.d. a total of HRK 3,271 thousand according to the contract under which it undertook to invest a total of HRK 10,000 thousand by 31 December 2015, and Sladorana has fully fulfilled its obligations. The Restructuring Center accepted the investments, and the increase of the share capital of the company Slavonija Županja d.d. was carried out by the Central Depository and Clearing Company d.d. on 16 February 2016, when Sladorana also increased its share in the subsidiary. As at 31 December 2015, the investment is recorded as a long-term liability. Sladorana made a total recapitalization in the amount of HRK 17,299 thousand.

As at 16 February 2016, Sladorana d.o.o. had 68.64% of the shares of Slavonija Županja d.d. Through the recapitalization, the Group acquired an additional 0.74% stake in the company Slavonija Županja d.d. During 2017, the Company established the company VIRO BH d.o.o., Grude, Bosnia and Herzegovina and the share capital in the amount of EUR 51 thousand was paid. The company is 100% owner of VIRO BH d.o.o.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

On 19 March 2019 Viro tvornica šećera d.o.o. founded a new company Hrvatska industrija šećera d.d. by entering the share capital in cash in the amount of HRK 200 thousand. The share capital is divided into 2,000 shares of which 400 are preferred HIS-P-A and 1,600 ordinary HIS-R-A.

On 29 October 2019, through the contract on the sale and transfer of the company's shares, Viro tvornica šećera d.o.o. sold 960 ordinary and 240 preferred shares to Sladorana d.o.o. and 640 ordinary and 160 preferred shares to the company Tvornica šećera Osijek d.o.o.

As at 31 December 2019 the holder of 960 ordinary and 240 preferred shares is Sladorana d.o.o., while the remaining 640 ordinary and 140 preferred shares are held by Tvornica šećera Osijek d.o.o., which gives a share participation ratio of 60/40 in favour of Sladorana d.o.o.

The company was founded in such a way that the previous three producers in the Republic of Croatia, namely Sladorana d.o.o., Viro tvornica šećera d.o.o. and Tvornica šećera Osijek d.o.o. by a contract of sale transferred their complete assets for the production of sugar to the newly established company.

However, regardless of the stated shares owned by the Company, none of the shareholders has a dominant influence on the management of the Company. Namely, based on the Company's Articles of Association, the General Assembly makes decisions by a majority of 75% of the total share capital of the Company. In addition, Sladorana d.o.o. and Tvornica šećera Osijek d.o.o. have entered into an inter-shareholder agreement regarding the management of the Company, which sets out management mechanisms that de facto do not allow any shareholder control. For example, it stipulates that each of the shareholders nominates two members of the Supervisory Board, while the fifth member of the Supervisory Board, in accordance with the regulations, is appointed by the Company's employees. Decisions in the Supervisory Board are made by a majority of four votes. Furthermore, the Management Board consists of two members, one nominated by each of the shareholders. Management makes decisions unanimously, and group representation is also envisaged.

From the above it is clear that the Company is under the joint control of both shareholders.

1.2 Business activities

The main activity of the Group entered in the court register is the production of sugar, flour and alcohol.

Since the companies Viro tvornica šećera d.d. and Sladorana d.o.o. sold assets related to sugar production, they will continue to operate as holding companies.

In 2019, the Group's operations from discontinued and uninterrupted operations are presented. The discontinued operations show the operations of the factory from the production and sale of finished products as well as operations related to the assets owned by Viro tvornica šećera d.d. and Sladorana d.o.o. sold to the company Hrvatska industrija šećera d.d.

On 3 June 2019 companies Viro tvornica šećera d.d. and the company Sladorana d.o.o. sold their assets to the newly established company Hrvatska industrija šećera d.d. Uninterrupted (continued) operations show the purchase and sale of sugar as a commodity as well as other sales not related to finished products.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

1.3 Management Board

The members of the Management Board of the Company as at 31 December 2019 and 31 December 2018 are:

- | | |
|------------------------|--|
| 1. <i>Željko Zadro</i> | <i>President of the Management Board</i> |
| 2. <i>Darko Krstić</i> | <i>Member of the Management Board</i> |
| 3. <i>Ivo Rešić</i> | <i>Member of the Management Board</i> |

1.4 Supervisory Board

The members of the Supervisory Board of the Company as at 31 December 2019 and 31 December 2018 are:

- | | | |
|---------------------------|--|----------------------------|
| 1. <i>Marinko Zadro</i> | <i>President of the Supervisory Board</i> | |
| 2. <i>Boris Šimunović</i> | <i>Deputy President of the Supervisory Board</i> | |
| 3. <i>Ivan Mišetić</i> | <i>Member of the Supervisory Board</i> | |
| 4. <i>Svetlana Zadro</i> | <i>Member of the Supervisory Board</i> | |
| 5. <i>Robert Barnaki</i> | <i>Member of the Supervisory Board</i> | <i>since 31 March 2017</i> |

1.5 Audit Board

The members of the Audit Board of the Company as at 31 December 2019 and 31 December 2018 are:

- | | | |
|---------------------------|-------------------------------------|------------------------------|
| 1. <i>Marinko Zadro</i> | <i>President of the Audit Board</i> | <i>since 18 January 2018</i> |
| 2. <i>Boris Šimunović</i> | <i>Member of the Audit Board</i> | <i>since 18 January 2018</i> |
| 3. <i>Ivan Mišetić</i> | <i>Member of the Audit Board</i> | <i>since 18 January 2018</i> |

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of new and amended International Financial Reporting Standards (IFRSs) and Interpretations

IFRS 16 Leases

IFRS 16 allows the use of one or more practical solutions in retroactive application with the cumulative effect of the standard relating to initial application. The standard is effective for annual periods beginning on or after 1 January 2019.

The following amended standards are effective from 1 January 2019, but did not have a significant impact on the Group:

IFRIC 23 "Uncertainty Over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).

Characteristics of negative fee overpayments - Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

Amendments to IAS 28 "Investments in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

Annual Improvements to IFRSs for the 2015-2017 Reporting Cycle - Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after January 1, 2019).

Amendments to IAS 19 "Employee Benefits" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019) Adoption of new and amended International Financial Reporting Standards (IFRSs)

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and amended International Financial Reporting Standards (IFRSs) and Interpretations (continued)

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

Several new accounting standards and interpretations have been issued that are not mandatory for the reporting periods ending 31 December 2019 and that the Group has not previously adopted

- **Appendices to the Conceptual Financial Reporting Framework (effective for annual periods beginning on or after 1 January 2020).**

The revised conceptual framework includes a new chapter on measurement; guidelines for reporting the financial result; improved definitions and guidelines - in particular the definition of an obligation; and clarifications in important areas, such as the role of governance, prudence, and measurement uncertainty in financial reporting.

- **Definition of materiality - Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020).**

The amendments clarify the definition of materiality and how it should be applied to encompass guidelines that have been contained elsewhere in IFRSs. Furthermore, the explanations along with the definition itself have been improved. Finally, the amendments ensure the consistency of the definition of materiality in all IFRSs. Information is material if it can reasonably be expected that its omission or misstatement will affect the decisions made by the primary users of general purpose financial statements based on those financial statements that provide financial information about a particular reporting entity. The Group is currently assessing the effect on the financial reporting.

- **Reform of reference interest rates - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020)**

The amendments result from the replacement of reference interest rates such as LIBOR and other interbank bid interest rates ("IBORs"), which provide a temporary exemption from the application of certain hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under IFRS 9 and IAS 39 requires that future hedged cash flows be "highly probable". If these cash flows depend on the IBOR, the exemption provided for in the amendments requires the entity to apply the assumption that the interest rate on which the cash flows are based will not change as a result of the reform. IAS 39 and IFRS 9 require an estimate of expected future events for the application of hedge accounting. While the cash flows to which IBOR interest rates apply and the interest rates that replace it are currently expected to be broadly equal, thus minimizing any inefficiencies, this may no longer be the case as the reform date approaches.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and amended International Financial Reporting Standards (IFRSs) and Interpretations (continued)

According to the amendments, the entity may assume that the reference interest rate on which the cash flows of the hedged item, hedging instrument or hedged risk are based has not been affected by the IBOR reform. Due to the reform of the IBOR, protection could be found outside the range of 80-125%, which is mandatory for retroactive testing in accordance with IAS 39. IAS 39 has therefore been amended to allow an exemption from retroactive performance testing in such a way that hedging is not interrupted during the period of uncertainty caused by the IBOR simply because retroactive inefficiency is outside this range. However, even then, other requirements for the application of hedge accounting should still be met, including an assessment of expected events.

For some hedges, the hedged item or hedged risk refers to a non-contractual component of the IBOR. In order to apply hedge accounting, IFRS 9 and IAS 39 require that the identified risk component can be determined separately and measured reliably. According to the appendices, the risk component should be able to be determined separately at the beginning of the determination of the protection relationship, and not continuously. In the context of a macro protection, where the subject often harmonizes the protection relationship, the exemption applies from the moment the protected item was originally established within that protection relationship. Any hedging inefficiencies will continue to be recognized in the income statement in accordance with IAS 39 and IFRS 9.

The amendments set out the reasons for the cessation of the exemption, including the uncertainty arising from the reference interest rate reform, which is no longer applicable. The amendments require entities to provide additional information to investors about their protection relationships directly affected by these uncertainties, including the nominal amount of hedging instruments to which the exemptions apply, any significant assumptions or judgments made during the application of the exemption, and qualitative disclosure of how the entity is affected by the IBOR reform and how it manages the transition process. The Group is currently assessing the impact of the amendments on the financial statements.

- **Sale or entry of assets between an investor and its associate or joint venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after the date determined by the IASB, not yet approved by the European Union).**

These amendments address the inconsistency between the requirements of IFRS 10 and the requirements of IAS 28 relating to the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of allowances is that full profit or loss is recognized when the transaction involves business. Partial gain or loss is recognized when the transaction involves non-business assets, even if they are subsidiary assets. The Group is currently assessing the impact of the amendments on the financial statements.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and amended International Financial Reporting Standards (IFRSs) and Interpretations (continued)

- **IFRS 17 “Insurance Contracts” (Issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021, not yet approved by the European Union).**

IFRS 17 replaces IFRS 4 which has allowed companies to continue to present insurance contracts using existing practices. For this reason, it was difficult for investors to compare the financial performance of otherwise similar insurance companies. IFRS 17 is a standard that applies a single principle to the disclosure of all types of insurance contracts, including reinsurance contracts. The standard requires the recognition and measurement of groups of insurance contracts at: (i) the present value of future risk-adjusted cash flows (contractual cash flows) that includes all available information about contractual cash flows to match the information available in the market; increased (if this value is a liability) or decreased (if this value is an asset) by (ii) the amount representing the unrealized gain of the contract group (contract service margin).

Insurers will recognize profits for a group of insurance contracts during the coverage period and as they are hedged. If a group of contracts incurs or will incur a loss, the entity shall recognize that loss as incurred. The Group is currently assessing the impact of the amendments on the financial statements.

- **Definition of business - Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of the annual reporting period beginning on or after 1 January 2020, not yet approved by the European Union).**

The appendices change the definition of business. The business must have inputs and a detailed process that together significantly contribute to the ability to generate results. The new guidelines provide a framework for assessing if input and a detailed process exist, including early-stage entities that have not generated results. In the absence of results, there should be an organized workforce for the purposes of classification as a business. The definition of ‘results’ is narrowed to focus on goods and services provided to customers, generating investment income and other income, and excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are able to replace missing elements or integrate acquired activities and assets. The subject may apply a “concentration test”. Acquired assets would not be business if almost the entire fair value of gross assets acquired was concentrated in a single asset (or group of similar assets). The amendments relate to future periods and the Group will apply them and assess their impact from 1 January 2020.

According to the Group's estimates, the application of these new standards and amendments to existing standards should not have a material impact on the Group's financial statements.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

3. BASIC ACCOUNTING POLICIES

3.1. Basis of preparation

The Group keeps accounting records in the Croatian language, in Croatian kuna (HRK) and in accordance with Croatian legal regulations. The Group's financial statements have been prepared under the historical cost convention, except for financial assets carried at fair value, in accordance with International Financial Reporting Standards, adopted by the European Union, and Croatian legislation.

These financial statements have been prepared on a going concern basis.

3.1.1. Going concern

The Group's Management Board believes that it will be able to finance its needs during 2020 in accordance with its business plans. The key event that marked 2019 is the unification of production resources for sugar production and processing capacities in Virovitica and Županja into one company called Hrvatska industrija šećera d.d. (HIŠ d.d.) in June 2019. At the end of 2019 HIŠ d.d. has also consolidated the operations of the plant in Osijek, which until then operated under the auspices of the Tvornica šećera Osijek, and which was not part of the Viro Group system, which led to an ownership reshuffle in such a way that ownership of 60 % of HIŠ remained within the Viro Group, while 40% went to Tvornica šećera Osijek d.o.o. This consolidation will lead to significant savings while retaining optimally used production capacities. Given the circumstance of a significant reduction in sugar prices after the abolition of production quotas in all EU countries and market liberalization, the Management Board believes that this was a necessary step to ensure market survival and maintain sugar production in the Republic of Croatia.

The transaction in question, i.e. the sale of assets related to sugar production, secured funds that closed the existing loan liabilities in the amount of € 32.37 million.

As at 31 December 2019, the Group has current assets in the amount of HRK 160,636 thousand and current liabilities in the amount of HRK 284,755 thousand, which exceed current assets by HRK 124,119 thousand. Short-term liabilities include short-term liabilities under loans and financial leases and letters of credit in the amount of HRK 77 million as stated in Note 24. in the financial statements for which there are pledges on fixed assets as described in that note.

All liabilities to institutions, which are under collateral, will be settled on time and in accordance with the agreement reached with the creditors. A high degree of agreement has been reached with certain creditors on the manner and dynamics of repayment and the Management Board believes that agreements will be concluded soon. If it does not prove certain that the liabilities can be properly serviced, the Management Board is also considering the implementation of a recapitalization to which creditors would be invited. Given the above, we do not expect the initiation of foreclosure over the property.

Estimates are based on information available at the date of preparation of the financial statements, and actual amounts may differ from those estimated.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

3. BASIC ACCOUNTING POLICIES (continued)

As at 31 December, the exchange rate of the HRK against EUR and USD was:

	1 EUR	1 USD
2019	7,442580	6,649911
2018	7,417575	6,588129

The consolidated financial statements of the Group represent the aggregate amounts of the Group's assets, liabilities, equity and reserves as at 31 December 2019 and the results of operations for the year then ended.

3.2. Basis of consolidation

The accompanying consolidated financial statements include the financial statements of the Company and its entities, i.e. its subsidiaries, including structured entities. Control is achieved if:

- the Company has dominance, i.e. the power to dispose of the entity
- the Company is exposed or has rights to a variable return based on its participation in that entity, and
- is able to influence its yield based on its dominance, i.e. the power of disposal.

The Company reassesses whether it has control if the facts and circumstances indicate that one or more of the above three control elements have changed.

When the Company has less than the majority of voting rights in an entity, it has dominance in it if its voting rights are sufficient because in practice they allow it to unanimously direct the essential activities of the entity. In assessing whether its voting rights in an entity are sufficient to prevail, the Company considers all relevant facts and circumstances, including:

- share of their voting rights in relation to the size and division of voting rights of other persons with voting rights
- potential voting rights of investors, other voting persons or other persons
- rights from other contractual relations and
- any additional facts and circumstances that indicate that the Company has or does not have the current ability to conduct relevant business at the time when such decisions need to be made, which includes how it was voted at previous general meetings.

The subsidiary is consolidated, i.e. it ceases to consolidate from the moment the Company acquires or loses control over it. Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date on which the Company acquires control until the date on which the Company loses control of the subsidiary.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

3. BASIC ACCOUNTING POLICIES (CONTINUED)

3.2. Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are divided into the part that belongs to the owners of the parent (Company) and the part that belongs to the owners of non-controlling interests. The total comprehensive income of subsidiaries is attributed to the owners of the company and the owners of non-controlling interests, even if this results in a negative balance of non-controlling interests.

When the Group loses control of a subsidiary, the gain or loss on sale is determined as the difference between i) the total fair value of the consideration received and the fair value of any retained interest and ii) the carrying amount of the asset (including goodwill) and liabilities of the subsidiary and each non-controlling interest. All amounts previously recognized in other comprehensive income on a subsidiary basis are accounted for as if the Group had directly sold the assets or liabilities of that company, i.e. transferred to profit or loss or to any component of equity in accordance with applicable IFRS.

Joint venture

Investments in joint ventures in the consolidated financial statements of the Group at initial recognition are stated at cost, subsequently accounted for using the equity method and adjusted for the Group's share of the profit or loss of the joint venture in accordance with IFRS 11 - Joint Arrangements and reduced by adjustments to individual investments. in accordance with IAS 36, Impairment of Assets. The Group is required to assess at each reporting date whether there is any indication of impairment of an investment in a joint venture and, if any, the Group is required to assess the recoverable amount of the asset.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

3. BASIC ACCOUNTING POLICIES (CONTINUED)

3.3. Goodwill

Goodwill arising on a business combination is carried at a cost determined on the acquisition date, i.e. the acquisition of the entity, less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each cash-generating unit of the Group (or groups of such units) that is expected to benefit from the synergies arising from the merger.

The cash-generating unit to which the goodwill is allocated is subject to an impairment test once a year or more frequently if there are indications of possible impairment. If the recoverable amount of a cash-generating unit is lower than its carrying amount, the impairment loss is allocated first by reducing the carrying amount of goodwill allocated to the unit and then, in proportion, to the other cash-generating unit's assets based on the carrying amount of each asset in the cash-generating unit. Any gain or loss on fair value is recognized in profit or loss. Once recognized, an impairment loss for goodwill is not reversed in subsequent periods.

When a cash-generating unit is disposed of, the related amount of goodwill is included in determining the gain or loss on the sale.

3.4. Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the event will flow to the Group and the amount can be measured realistically. Sales revenue is recognized less the amount of taxes and discounts at the time of delivery of products, goods and services and when the risks and rewards are transferred to the customer.

In accordance with the new IFRS 15, the Group applies a five-step model regarding the recognition of contracts with customers;

- 1) Identify the contract(s) with a customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price to the performance obligations in the contract
- 5) Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognized for each separate delivery obligation in the contract in the amount of the transaction price. The transaction price is the amount of fees in the contract that the Group expects to be entitled to in exchange for the transfer of the promised goods or services to the customer.

Interest income is recognized on an accrual basis and at the applicable effective interest rate.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

3. BASIC ACCOUNTING POLICIES (CONTINUED)

3.5. Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset, an asset that requires time to be ready for its intended use or sale, are charged to the cost of the asset until it is largely ready for intended use or sale.

Investment income earned by temporarily investing earmarked loan funds until their spending on a qualifying asset is deducted from borrowing costs and capitalization is acceptable. All other borrowing costs are included in profit or loss in the period in which they are incurred.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

3. BASIC ACCOUNTING POLICIES (CONTINUED)

3.6. Transactions in foreign currencies

Transactions in foreign currencies are initially translated into Croatian kuna using the exchange rates prevailing at the date of the transaction. Cash, receivables and liabilities denominated in foreign currencies are subsequently translated at the exchange rates ruling at the date of the statement of financial position. Gains and losses on translation are included in the statement of comprehensive income for the current year.

3.7. Income tax

Current tax is based on taxable profit for the year. Taxable profit differs from pre-tax profit reported in the statement of comprehensive income because it does not include items of income and expenses that are taxable or non-taxable in other years, as well as items that are never taxable or deductible. The Group's current tax liability is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred taxes are recognized on the basis of the difference between the carrying amounts of assets and liabilities shown in the financial statements and the related tax bases used to calculate taxable profit. Deferred tax liabilities are generally recognized for all temporary taxable differences, and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax liabilities and deferred tax assets are not recognized if the temporary difference arises from the first posting of other assets and other liabilities (except in the case of a business combination) from a transaction that affects neither taxable nor accounting profit. Deferred tax liabilities are not recognized on the basis of temporary differences on the initial recognition of goodwill.

Deferred tax liabilities are also recognized on the basis of taxable temporary differences related to investments in subsidiaries and associates and interests in joint ventures, except when the Group is able to influence the reversal of the temporary difference and when it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilized and are expected to be reversed in the foreseeable future.

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

Deferred tax assets and deferred tax liabilities are calculated at the tax rates that are expected to apply in the period in which the liability is settled, i.e. the realization of the asset is based on tax rates and tax laws in force or in the process of enactment at the end of the reporting period.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

3. BASIC ACCOUNTING POLICIES (CONTINUED)

3.7. Income tax (continued)

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

Current and deferred tax for the period

Current and deferred taxes are recognized in profit or loss, except for taxes that relate to items included in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity. In the case of current and deferred taxes arising from the initial recognition of a business combination, the tax effect is included in the calculation of the business combination

3.8. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of property, plant and equipment includes cost, import duties and non-refundable sales taxes, as well as any other costs directly attributable to bringing the asset to its working condition for its intended use.

Costs of ongoing maintenance and repairs, replacements and small-scale investment maintenance are recognized as an expense when incurred. In situations where it is clear that the costs have resulted in an increase in future expected economic benefits to be obtained from the use of property, plant and equipment beyond their originally estimated capabilities, they are capitalized or included in the carrying amount of the asset. Gains and losses on disposals of property, plant and equipment are recognized as income and expense in the period in which they arise. Depreciation calculation begins with the asset being put into use. Depreciation is calculated by writing off the cost of the asset or the estimated value of the asset, excluding land and property, plant and equipment in preparation, over the estimated useful life of the asset using the straight-line method as follows:

Type of asset	Useful life (in years)	Annual rate
Buildings	20	5%
Personal vehicles	5	20%
Intangible assets, equipment vehicles (other than personal), machinery	4	25%
Computers, IT and network equipment, mobile phones	2	50%
Other assets	10	10%

In 2019, there were no changes in depreciation rates compared to the previous period.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

3. BASIC ACCOUNTING POLICIES (CONTINUED)

3.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes direct material and, if applicable, direct labour costs and any overhead/indirect costs associated with bringing the inventories to their current location and condition.

In cases when it is necessary to reduce the value of inventories to the net expected sales value, the value of inventories is adjusted against expenses for the current year.

The net expected realizable value, which can be realized, represents the estimated selling price less all estimated costs of completion and marketing, sales and distribution expenses.

3.10 Cash and cash equivalents

Cash consists of balances in bank accounts and cash on hand, as well as deposits and securities redeemable on demand or within three months at the latest.

3.11 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) that arises from past events, it is probable that the Group will need to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each statement of financial position date and adjusted for an estimate based on current knowledge. When the amount of the impairment loss is significant, the amount of the provision is the present value of the costs expected to be incurred to settle the obligation, determined using the estimated non-risky interest rate as the discount rate. When discounting is used, the effect of discounting is recorded as a financial expense each year, and the carrying amount of the provision is increased each year for the elapsed time.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

3. BASIC ACCOUNTING POLICIES (CONTINUED)

3.11 Provisions (continued)

The amount recognized as a provision is the best estimate of the consideration that will be required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties associated with the obligation. If a provision is measured using an estimate of the cash flows required to settle the present obligation, the carrying amount of the liability is the present value of those cash flows.

When a third party is expected to recover some or all of the economic benefits necessary to settle a provision, a related receivable is recognized as an asset if it is almost certain that the consideration will be received and the amount of the receivable can be measured reliably

Provisions for restructuring are recognized if the Group has prepared an elaborate formal restructuring plan and if, at the inception of the plan or by publishing its main features among those covered by the plan, it has given rise to a valid expectation that it will implement the restructuring. The measurement of restructuring provisions includes only direct restructuring costs, which are amounts that are necessarily related to the restructuring and that are not related to the regular activities of the entity.

3.12 Contingent liabilities

Contingent liabilities are not recognized in the financial statements. They are published only if the possibility of an outflow of resources embodying economic benefits is not remote. Contingent assets are not recognized in the financial statements, but are disclosed when an inflow of economic benefits is probable.

3.13 Events after the reporting date

Events after the reporting date that provide additional information about the Group's position at the reporting date (events that have the effect of reconciliation) are reflected in the financial statements. Those events that do not result in reconciliation are disclosed in the notes to the financial statements if they are material.

3.14 Financial instruments

Financial assets and financial liabilities disclosed in the accompanying financial statements include cash and cash equivalents, marketable securities, trade and other receivables and payables, long-term receivables, loans, borrowings and investments. The accounting methods for recognizing and valuing these items are set out in appropriate accounting policies.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

3. BASIC ACCOUNTING POLICIES (CONTINUED)

3.14 Financial instruments (continued)

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

Financial assets and financial liabilities are initially recorded at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities, other than those carried at fair value through profit or loss, are added to or deducted from fair value on initial recognition. Transaction costs directly attributable to the assumption of financial assets or financial liabilities carried at fair value through profit or loss are recognized immediately in profit or loss.

The purchase or sale of financial assets on a regular basis is recognized and derecognised on the basis of the trade date. Regular purchases or sales are the purchase or sale of financial assets that require the delivery of assets within a time frame established by market regulations or practices.

All recognized financial assets are subsequently measured entirely at amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on the business model and the characteristics of the contracted cash flows of the financial asset.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- financial assets are held within a business model aimed at holding financial assets to collect contractual cash flows; and
- the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the outstanding amount of principal on certain dates

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

3. BASIC ACCOUNTING POLICIES (CONTINUED)

3.14 Financial instruments (continued)

(i) Amortised cost and effective interest rate method

The effective interest rate method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, other than purchased or incurred impaired financial assets (i.e. assets impaired at initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including any fees and points paid or received that form an integral part of effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, over the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or incurred impaired financial assets, the effective interest rate adjusted for the loan is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument at initial measurement.

Amortized cost of a financial asset is the amount at which the financial instrument is measured at initial recognition less principal repayments and cumulative amortization, using the effective interest rate method of any difference between that initial amount and the amount of maturity, adjusted for any loss. The gross carrying amount of a financial asset is the amortized cost of the financial asset before adjustment for any loss.

Interest income is recognized using the effective interest rate method for debt instruments that are subsequently measured at amortized cost and at the fair value through other comprehensive income.

For financial assets, other than for purchased or incurred credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset, except for financial assets that subsequently become impaired.

For financial assets that subsequently become impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, credit risk on a loan impaired financial instrument improves so that the financial instrument is no longer impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or incurred impaired financial assets, the Group recognizes interest income by applying the effective interest rate adjusted for credit risk to the amortized cost of financial assets at initial recognition. The calculation is not returned on a gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer impaired.

Interest income is recognized in comprehensive income.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

3. BASIC ACCOUNTING POLICIES (CONTINUED)

3.14 Financial instruments (continued)

Impairment of financial assets

The Group recognizes provisions for expected credit losses from investments in debt instruments measured at amortized cost and for trade receivables. The amount of expected credit losses is calculated at each reporting date to reflect changes in credit risk since the initial recognition of an individual financial instrument.

The Group always recognizes lifelong expected credit losses (ECL) for trade receivables based on the simplified approach chosen. Expected credit losses on these financial assets are estimated based on a matrix of days in arrears created based on the Group's historical experience with credit losses, adjusted for factors specific to debtors. The Group does not currently adjust the loss rate for future macroeconomic conditions as it has not conducted an analysis of the impact of macroeconomic factors on historical loss rates, including the time value of money where appropriate.

For all other financial instruments, the Group recognizes a lifelong ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss for that financial instrument in the amount equal to the 12-month ECL. The lifelong ECL represents the expected credit losses that will result from all possible defaults during the expected life of the financial instrument.

In contrast, a 12-month ECL is part of a lifelong ECL due to the likelihood of default in the 12 months following the reporting date.

(ii) Significant increase in credit risk

In assessing whether credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of default on the reporting date with the risk of default of the financial instrument on the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and available, including historical experience, and that is available without undue expense or commitment.

In particular, the Group relies on default days when assessing significant credit risk deterioration. If the borrower is more than 180 days late, then the Group assumes that there has been a significant increase in credit risk.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

3. BASIC ACCOUNTING POLICIES (CONTINUED)

3.14 Financial instruments (continued)

(ii) Significant increase in credit risk (continued)

Notwithstanding the above, it is assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if it is determined that the financial instrument has low credit risk at the reporting date. A financial instrument is found to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong ability to meet its contractual obligations in a short period of time, and
- Adverse changes in economic and business conditions, in the long run, may, but do not necessarily have to, reduce the borrower's ability to meet its contractual cash flow obligations.

However, the Group does not currently use low credit risk simplification when assessing a significant increase in credit risk. The Group regularly monitors the effectiveness of the criteria used to determine whether there has been a significant increase in credit risk and revises them to ensure that the criteria can identify a significant increase in credit risk before payment delays occur.

(ii) Definition of default status

The Group considers the following facts that constitute a case of default for the purposes of internal credit risk management as historical experience that shows financial assets that meet any of the following criteria are generally not recoverable:

- When the debtor has breached financial clauses; or
- Data developed internally or obtained from external sources indicates that the borrower is unlikely to pay off its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Notwithstanding the above analysis, the Group considers that there was a default when the financial assets matured more than 360 days and the liabilities were not paid unless the Group has reasonable and substantiated information to show a more appropriate default criterion.

(iii) Credit-impaired financial asset

Financial assets are credit-impaired when one or more events have occurred that have an adverse effect on the estimated future cash flows of those financial assets. Evidence that the financial asset is impaired includes available information on the following events:

- significant financial difficulties of the issuer or debtor;
- breach of contract, such as failure to fulfil an obligation (defined above);
- when the issuer grants the debtor, due to the financial difficulties of the debtor, the same concession that it would not otherwise take into account;
- it becomes probable that the debtor will go bankrupt or undergo other financial reorganization
- there is the disappearance of an active market for certain financial assets due to financial difficulties

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

3. BASIC ACCOUNTING POLICIES (CONTINUED)

3.14 Financial instruments (continued)

(iv) Write-off policy

The Group writes off financial assets when there is evidence that the debtor is in serious financial difficulty and has no realistic prospect of recovery, e.g. when the debtor is liquidated or in bankruptcy proceedings or; in the case of trade receivables, when the amounts are over three years overdue; whichever comes first. Depreciated financial assets may still be subject to the Group's collection activities, taking into account legal advice where appropriate. Income from the collection of previously written off financial assets is recognized in the income statement.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default (PD), loss given default (LGD), i.e. the amount of loss if a default occurs) and exposure at default (EAD) status. The assessment of the probability of default and loss due to default is based on historical data and the information provided in the previous paragraphs. As for the exposure at default, for financial assets, it represents the gross carrying amount of the asset at the reporting date.

To assess PD and LGD parameters, the Group relies on the publications of external investment rating agencies.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows maturing under the contract and all expected cash flows, discounted at the original effective interest rate. If the Group has measured the provision for expected credit losses for a financial instrument in the amount of the lifelong ECL in the previous reporting period, but at the current reporting date determines that the conditions for the lifelong ECL are no longer met, the Group measures the loss in the amount of 12-month ECL at the current reporting date, except for assets for which simplified access has been used (trade receivables).

The Group recognizes a gain or loss in the statement of comprehensive income for all financial instruments with an appropriate adjustment to the carrying amount through the provision for expected credit losses.

De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial assets, all risks and rewards of ownership of the financial assets to another entity.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

3. BASIC ACCOUNTING POLICIES (CONTINUED)

3.14 Financial instruments (continued)

(v) Measurement and recognition of expected credit losses (continued)

If the Group does not transfer and retain substantially all the risks and rewards of ownership and continues to control the transferred assets, the Group recognizes its retained interest in the assets and the related liability for the amounts it may have to pay. If the Group retains all significant risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the financial asset and also recognizes the collateral received for the assets received.

In the event of de-recognition of a financial asset measured at amortized cost, the difference between the carrying amount and the consideration received and receivable is recognized in the income statement. Furthermore, upon de-recognition of an investment in a debt instrument measured by the fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss, except for equity instruments for which the fair value through other comprehensive income option is selected.

Loans and receivables

The Group always discloses provisions for losses on trade receivables in the amount equal to the lifelong ECL. Expected credit losses on trade receivables are estimated based on the arrears matrix, taking into account the historical experience of the occurrence of the default status of the debtor, and the analysis of the current financial position of the debtor. The Group has recognized a loss of 100% on all receivables overdue for more than 360 days as historical experience indicates that these receivables are generally uncollectible.

There were no changes in valuation techniques or significant assumptions during the current reporting period.

The Group writes off trade receivables when there are data indicating that the debtor is in serious financial difficulties and that there is no realistic prospect of recovery, e.g. when the debtor has been liquidated or entered into bankruptcy proceedings, or when trade receivables are overdue for more than two years, whichever comes first. None of the written-off receivables is subject to enforcement activities.

All financial liabilities are subsequently measured at amortized cost using the effective interest rate method or at fair value through profit or loss.

The Group measures all financial liabilities at amortized cost.

However, financial liabilities that arise when the transfer of financial assets does not qualify for de-recognition or when the continuing participation approach is applied, and for financial guarantee contracts issued by the Group,; subsequent measurement is performed in accordance with the specific accounting policies set out below.

Financial liabilities are subsequently measured at amortized cost

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

3. BASIC ACCOUNTING POLICIES (CONTINUED)

3.14 Financial instruments (continued)

(v) Measurement and recognition of expected credit losses (continued)

Financial liabilities that are not (i) contingent consideration for the acquirer in a business combination, (ii) held for trading, or (iii) designated at fair value through profit or loss; are subsequently measured at amortized cost using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including any fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) over the expected life of the financial liability or (if appropriate) a shorter period, at the amortized cost of the financial liability.

Classification as a financial liability or equity

Debt or equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement.

3.15 Employee costs

(i) Liabilities for pensions and other liabilities after retirement

In the ordinary course of business, the Group makes regular payments of contributions on behalf of its employees who are members of mandatory pension funds in accordance with the law. Mandatory pension contributions to funds are reported as part of the cost of salaries when they are calculated. The Group has no obligation to provide any other benefits to employees upon their retirement.

(ii) Long-term employee benefits

The Group does not recognize the liability for long-term employee benefits (jubilee awards) since the payment of jubilee awards is not agreed in employment contracts or determined by other legal acts.

(iii) Short-term employee benefits

The Group recognizes a provision for bonuses to employees when there is a contractual obligation or a past practice that gave rise to the liability.

(iv) Income in the form of shares

The Group does not pay compensation to employees in the form of shares.

3.16 State aid

State aid is not recognized until the fulfilment of the conditions for receiving state aid and receiving the aid becomes realistically certain.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

3. BASIC ACCOUNTING POLICIES (CONTINUED)

3.16 State aid (continued)

Government grants are recognized in profit or loss on a systematic basis over the period in which the Group recognizes the costs to be covered by the grant as an expense. In particular, government grants for which the Group is required to purchase, construct or otherwise acquire property, plant and equipment are recognized in the statement of financial position as deferred income and transferred to profit or loss systematically and rationally over the useful life of the asset in question.

Receivables based on state aid for the reimbursement of already incurred costs or losses or for the purpose of providing current financial support to the Group without future related costs are recognized in profit or loss in the period in which the receivable arises.

The suitability of a government loan granted at an interest rate below the market rate is calculated as government aid and is reported as the difference between the funds received and the fair value of the loan based on the prevailing market interest rates.

3.17 Operating segment reporting

The Group determines business segments according to internal reports on the components of the Group, which are regularly reviewed by the chief executive decision-maker, in order to allocate resources to the segments and assess the performance of their operations. Details of operating segments are disclosed in Note 5 to the unconsolidated financial statements.

3.18 Key accounting judgements and sources of estimate uncertainty

In applying the Group's accounting policies, which have been described above, the Management Board should make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not visible from other sources. Estimates and associated assumptions are based on historical experience and other relevant factors. Actual results may differ from estimates.

The estimates and assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the revision period of the estimate if the change affects only that period or in the revision period of the estimate and in future periods if the change affects both current and future periods.

Estimates are used, but not limited to, depreciation periods and residual values of property, plant and equipment and intangible assets, impairment of inventories and impairment of receivables, provisions for litigation. The following is a description of the key judgments of the Management Board, in the process of applying the Group's accounting policies that most significantly affected the amounts recognized in the financial statements.

The useful life of property, plant and equipment

As described in Note 3.8, the Group reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period. Property, plant and equipment and intangible assets are stated at cost less accumulated impairment losses.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

3. BASIC ACCOUNTING POLICIES (CONTINUED)

3.18 Key accounting judgements and sources of estimate uncertainty (continued)

Consequences of certain legal disputes

The Group is a party to litigation and proceedings arising in the ordinary course of business. Management uses estimation when the most probable consequences of these activities have been assessed and provisions are recognized on a consistent basis (see Note 31)

Inventory value adjustment

As described in Note 3.9, the Group reviews the carrying amounts of its inventories at each reporting date and adjusts the value as necessary.

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

In cases when it is necessary to reduce the value of inventories to the net expected sales value, the value of inventories is adjusted against expenses for the current year.

The net expected realizable value, which can be realized, represents the estimated selling price less all estimated costs of completion and marketing, sales and distribution.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

4. SALES AND OTHER REVENUES

4.1. Sales revenues

	2019	2018
Revenue from domestic sales	123,315	279,020
Revenues from sales abroad	87,461	370,307
	<u>210,776</u>	<u>649,327</u>

4.2. Other revenues

	2019	2018
Surpluses	-	8,179
Income from collected written-off receivables	-	6,507
Income from sale of tangible fixed assets	-	4,397
Revenues from subsequently approved discounts	-	3,499
Income from cancellation of long-term provisions (Note 31)	-	2,882
Revenues from previous years	-	185
Income from damages	-	175
Income from putting in stock of materials	-	134
Revenues from sales of raw materials	-	127
Write-off of liabilities	-	23
Other income	-	3,166
	<u>-</u>	<u>29,274</u>

5. SEGMENT INFORMATION

Operating segments are formed according to the criterion of similarity of individual product groups. Three business segments have been identified: sugar, flour and others.

Operating segments are an integral part of internal financial statements. Internal financial statements are regularly reviewed by the Management Board and on the basis of them the business performance is assessed and business decisions are made.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

5. SEGMENT INFORMATION (CONTINUED)

Revenues and operating results by segments for total operations

The following is an analysis of the Group's revenues and results by reporting segments, which are presented in accordance with IFRS 8 *Operating Segments*. Revenues from sales refer to revenues generated from sales to external customers.

	Segment income	
	2019	2018
Sugar	466,360	483,697
Flour	34,052	40,331
Other	367,878	154,573
	868,290	678,601

	Segment expenses		Segment profit / (loss)	
	2019	2018	2019	2018
Sugar	384,944	573,663	81,416	(89,966)
Flour	39,232	45,716	(5,180)	(5,385)
Other	292,530	185,439	75,348	(30,866)
	716,706	804,818	151,584	(126,217)

	2019	2018
Segment profit	151,584	(126,217)
Financial income	30,557	62,436
Financial expenses	(33,703)	(33,615)
Share in loss from joint operations	(5,340)	-
Loss before taxation	143,098	(97,396)

The "sugar" segment includes sugar production.

The "flour" segment includes the production of flour and bakery products.

The "other" segment includes the production of molasses, dry beet and alcohol.

The accounting policies of the reportable segments are the same as the Group's accounting policies set out in Note 3. Segment profit represents the profit generated by each segment without allocating financial income and expenses and provisions, which is an indicator of operations submitted to the CEO to make a decision on resource allocation and evaluate the business performance of the segment.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

	31 Dec 2019	31 Dec 2018
Segment assets		
Sugar	157,148	669,845
Flour	67,075	87,412
Other	63,015	181,597
Total segment assets	287,238	938,854
Unallocated	352,659	37,476
Total assets	639,897	976,330

	31 Dec 2019	31 Dec 2018
Segment liabilities		
Sugar	163,741	553,367
Flour	30,059	41,141
Other	105,489	184,410
Total segment liabilities	299,289	778,918
Unallocated	5,124	3,748
Total liabilities	304,413	782,666

In order to monitor the performance of the segment, all assets were distributed by segments, except for long-term and short-term financial assets (notes 15 and 19).

All liabilities except provisions are distributed by segments. Liabilities are allocated to reportable segments in proportion to segment assets.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

5. SEGMENT INFORMATION (CONTINUED)

Other segment information

	Amortisation and depreciation of tangible and intangible assets		Increase in tangible and intangible assets	
	2019	2018	2019	2018
Sugar	10,943	34,105	16,673	28,251
Flour	3,035	3,099		
Other	9,321	13,930	14,202	11,539
Total	23,299	51,134	30,875	39,790

Territorial analysis

The Group operates in three main territorial areas in which sales revenues are reported, while all non-current assets are related to the Croatian market.

	Revenue from external customers	
	2019	2018
Croatia	446,370	279,020
European union	105,270	205,876
Other	46,213	164,431
Total	597,853	649,327

Revenues and results of operations by segments for CONTINUOUS operations

The following is an analysis of the Group's revenues and results by reporting segments, which are presented in accordance with IFRS 8 Operating Segments. Revenues from sales refer to revenues generated from sales to external customers..

	Segment income	
	2019	2018
Sugar	122,577	483,697
Flour	34,052	40,331
Other	54,147	154,573
	210,776	678,601

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

5. SEGMENT INFORMATION (CONTINUED)

	Segment expenses		Segment profit / (loss)	
	2019	2018	2019	2018
Sugar	142,850	573,663	(20,273)	(89,966)
Flour	39,232	45,716	(5,180)	(5,385)
Other	63,555	185,439	(9,408)	(30,866)
	245,637	804,818	(34,861)	(126,217)
			2019	2018
Operating profit / (loss)			(34,861)	(126,217)
Financial income			7,512	62,436
Financial expenses			(3,941)	(33,615)
Loss before taxes			(31,290)	(97,396)

The "sugar" segment includes sugar production.

The "flour" segment includes the production of flour and bakery products.

The "other" segment includes the production of molasses, dry beet and alcohol.

The accounting policies of the reportable segments are the same as the Group's accounting policies set out in Note 3. Segment profit represents the profit generated by each segment without allocating financial income and expenses and provisions, which is an indicator of operations submitted to the CEO to make a decision on resource allocation and evaluate the business performance of the segment.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

	31 Dec 2019	31 Dec 2018
Segment assets		
Sugar	117,626	669,845
Flour	67,075	87,412
Other	94,777	181,597
Total segment assets	279,478	938,854
Unallocated	360,419	37,476
Total assets	639,897	976,330
	31 Dec 2019	31 Dec 2018
Segment liabilities		
Sugar	125,964	553,367
Flour	30,059	41,141
Other	143,266	184,410
Total segment liabilities	299,289	778,918
Unallocated	5,124	3,748
Total liabilities	304,413	782,666

In order to monitor the performance of the segment, all assets were distributed by segments, except for long-term and short-term financial assets (notes 15 and 19).

All liabilities except provisions are distributed by segments. Liabilities are allocated to reportable segments in proportion to segment assets.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

5. SEGMENT INFORMATION (CONTINUED)

Other segment information

	Amortisation and depreciation of tangible and intangible assets		Increase in tangible and intangible assets	
	2019	2018	2019	2018
Sugar	324	34,105	17,908	28,251
Flour	3,035	3,099	-	-
Other	234	13,930	12,967	11,539
Total	3,593	51,134	30,875	39,790

Territorial analysis

The Group operates in three main territorial areas in which sales revenues are reported, while all non-current assets are related to the Croatian market.

	Revenue from external customers	
	2019	2018
Croatia	123,315	279,020
European union	41,474	205,876
Other	45,987	164,431
Total	210,776	649,327

Information on biggest customers

Sales revenues in the amount of HRK 597,853 thousand (2018: HRK 649,327 thousand) include HRK 113,705 thousand (2018: HRK 48,296 thousand) of revenues generated by the Group from the sale of products to its largest customer. Receivables from the largest customer in revenues on 31 December 2019 amount to HRK 186 thousand (2018: HRK 1,855 thousand).

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

6. COST OF RAW AND OTHER MATERIAL

	2019	2018
Consumed raw materials and supplies	24,319	188,843
Energy consumed	3,582	39,676
Used spare parts	89	3,473
Write-off of small inventory	51	444
Other material costs	2	2
	<u>28,043</u>	<u>232,438</u>

7. COST OF GOODS SOLD

Costs of goods sold in the amount of HRK 169,041 thousand (2018: HRK 165,171 thousand) are expenses based on the cost of goods sold by the parent company and its subsidiaries to customers outside the Group during the reporting year.

8. OTHER EXTERNAL EXPENSES

	2019	2018
Leases and rents	7,674	3,412
Product manufacturing services	7,372	4,871
Transport and postal services	5,047	22,999
Intellectual services	1,285	2,879
Maintenance services	986	5,422
Banking and payment services	739	3,097
Insurance premiums	598	2,440
Utilities and fees	541	4,464
Advertising and trade fair services	412	686
Data processing and software maintenance services	357	1,092
External staff services	7	3,862
Other services	2,366	5,467
	<u>27,384</u>	<u>60,691</u>

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

9. EMPLOYEE EXPENSES

	2019	2018
Net salaries and wages	4,981	34,384
Costs of taxes and contributions from salaries	2,027	12,432
Contributions on salaries	1,142	7,701
	<u>8,150</u>	<u>54,517</u>

As at 31 December 2019, the Group employed 66 employees (31 December 2018: 468 employees).

10. OTHER OPERATING EXPENSES

10.1 Other expenses

	2019	2018
Severance	2,329	959
Prescribed fees, contributions and memberships	1,013	2,697
Remuneration to members of the supervisory board, management and other income	673	1,900
Entertainment costs	565	1,359
Transportation of workers	373	2,820
Occasional awards and gifts to workers, support to workers	373	3,353
Business travel expenses	97	713
Vocational education and magazines	37	167
Other	971	1,332
	<u>6,431</u>	<u>15,300</u>

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

10. OTHER OPERATING EXPENSES (CONTINUED)

10.2 Value adjustment

Value adjustment in the amount of HRK 0 thousand (2018: HRK 32,995 thousand) refers to the value adjustment of stocks since the value of sugar stocks that can be realized on the market is lower than the value of the cost of stocks.

10.3. Other operating expenses

	2019	2018
Value adjustment and write-off of receivables	-	16,313
Subsequent expenditures from previous years	-	3,397
Donations	-	864
Deficits	-	612
Subsequently granted discounts	-	410
Cost of goods and materials sold	-	366
Other	-	1,949
	<hr/>	<hr/>
	-	23,911

Value adjustment and write-off of receivables in 2018 in the amount of HRK 16,313 thousand includes: value adjustment of trade receivables in the amount of HRK 15,146 thousand, direct write-off of trade receivables in the amount of HRK 862 thousand and write-offs of other assets in the amount of HRK 305 thousand.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

11. FINANCIAL INCOME

	2019	2018
Realized gains from sale of financial assets	7,512	52,241
Positive exchange rate differences	-	7,971
Interest income	-	1,729
Unrealized gains on financial assets	-	301
Other financial income	-	194
	<u>7,512</u>	<u>62,436</u>

12. FINANCIAL EXPENSES

	2019	2018
Interest from unrelated companies	-	26,821
Negative exchange rate differences	-	4,708
Fees on bank loans	-	2,078
Other financial expenses	3,941	8
	<u>3,941</u>	<u>33,615</u>

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

13. INCOME TAX

The Group is not a taxpayer, but its individual members are.

	2019	2018
Current tax	-	-
Deferred tax	-	-
Total	-	-

For the year ended 31 December 2019, the Group recorded a net loss for the current year after tax in the amount of HRK 97,396 thousand (31 December 2018: loss in the amount of HRK 177,074 thousand). The reconciliation of the accounting tax result is shown in the table below:

	2019	2018
Profit / Loss before tax from total operations	143,098	(97,396)
Income tax - 18% (2018: 18%)	25,758	(17,531)
The effect of non-tax deductible expenses	1,446	8,766
The effect of non-taxable income	(8,668)	(9,076)
The effect of unrecognized deferred tax assets based on tax losses	(19,537)	18,598
Consolidation adjustment	1,001	(757)
Income tax	-	-

The current corporate tax rate in the Republic of Croatia is 18% (2018: 18%).

An overview of the tax losses available for transfer is shown as follows:

Available for transfer until	Tax loss
2019	33,149
2020	39
2021	74,074
2022	103,320
2023	6,050
Total	216,632

Amounts of unused tax losses are not used to recognize deferred tax assets in the consolidated statement of financial position because it is not probable that sufficient taxable profit will be available against which the deferred tax assets can be utilized.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

In accordance with tax regulations, the tax administration may at any time review the books and records of companies within the Group for a period of three years after the end of the year in which the tax liability is stated, and may impose additional tax liabilities and penalties.

13.1 Profit of the current year from DISCONTINUED OPERATIONS

	2019	2018
Sales revenue	387,077	-
Other income	270,437	-
Total operating income	657,514	-
Decrease in value of work in progress and finished goods	(197,067)	-
Costs of raw materials and supplies	(176,438)	-
Other costs	(9,984)	-
Amortization and depreciation	(19,706)	-
Employee costs	(19,221)	-
Other costs	(4,578)	-
Other business expenses	(41,565)	-
Provisions	(2,510)	-
Total operating expenses	(471,069)	-
Profit from operating activities	186,445	-
Financial income	23,045	-
Financial expenses	(29,762)	-
Net financial loss	(6,717)	-
Profit before taxation	179,728	-
Income tax	-	-
Profit / (loss) of the current year from DISCONTINUED OPERATIONS	179,728	-

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2019
(all amounts in HRK '000)

14. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Purchase cost	Intangible assets	Land	Buildings	Plant and equipment	Artwork	Assets under construction	Other tangible assets	Total
Balance at 31 Dec 2017	13,399	38,751	489,981	1,028,121	45	62,134	2,990	1,635,421
Purchase	6,241	-	10,188	545	-	22,816	-	39,790
Sales, expenditure, deficit	(1,780)	-	(7,804)	(21,048)	-	(438)	-	(31,070)
Transfer to use	-	-	525	4,352	-	(4,877)	-	-
Balance at 31 Dec 2018	17,860	38,751	492,890	1,011,970	45	79,635	2,990	1,644,141
Purchase	34	21,366	-	2,112	-	7,363	-	30,875
Sales, expenditure, deficit	(10,180)	(28,745)	(362,260)	(892,935)	-	(48,592)	(573)	(1,343,285)
Transfer to use	-	-	41	243	-	(284)	-	-
Balance at 31 Dec 2019	7,714	31,372	130,671	121,390	45	38,122	2,417	331,731

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2019
(all amounts in HRK '000)

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

Value adjustment	Intangible assets	Land	Buildings	Plant and equipment	Artwork	Assets under construction	Other tangible assets	Total
Balance at 31 Dec 2017	12,523	-	262,016	841,671	-	1,806	1,065	1,119,081
Depreciation	540	-	13,862	36,583	-	-	149	51,134
Sales, expenditure, deficit	(1,710)	-	(11)	(20,291)	-	-	-	(22,012)
Balance at 31 Dec 2018	11,353	-	275,867	857,963	-	1,806	1,214	1,148,203
Depreciation	406	-	7,758	15,009	-	-	126	23,299
Sales, expenditure, deficit	(4,088)	-	(196,794)	(769,080)	-	-	(198)	(970,161)
Balance at 31 Dec 2019	7,671	-	86,831	103,892	-	1,806	1,142	201,341
Net carrying value As of 31 Dec 2019	43	31,372	43,840	17,498	45	36,317	1,275	130,390
As of 31 Dec 2018	6,507	38,751	217,023	154,007	45	77,829	1,776	495,938

Assets with pledges relate to construction facilities whose net carrying value amounts to HRK 43,839 thousand (31 December 2018: HRK 180,593 thousand), land in the amount of HRK 31,372 thousand (31 December 2018: HRK 32,971 thousand) and equipment with net carrying value of HRK 21,246 thousand (31 December 2018: HRK 80,117 thousand).

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

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15. SHARES IN OTHER COMPANIES, LOANS AND INVESTMENT IN SECURITIES

	31 Dec 2019	31 Dec 2018
Shares in companies	343,662	6,307
Deposits, loans and guarantees paid	4,860	3,370
Loans to affiliated companies	-	3,350
Investments in securities	80	80
	<u>348,602</u>	<u>13,107</u>

Deposits, loans and guarantees in the amount of HRK 4,860 thousand (31 December 2018: HRK 3,370 thousand) relate to loans granted to Autoprijevoz Robert Romić in the amount of HRK 0 thousand (31 December 2018: HRK 1,523 thousand), Poljoprivredno dobro Gradina d.o.o. in the amount of HRK 3,305 thousand (31 December 2018: HRK 0 thousand), Koprivanec Žaklina in the amount of HRK 0 thousand (31 December 2018: HRK 80 thousand), Žarko Mario - Žrvanj craft in the amount of HRK 669 thousand (31 December 2018: HRK 666 thousand), Brčić Andrija in the amount of HRK 655 thousand (31 December 2018: HRK 653 thousand), Jemrić Ivan in the amount of HRK 231 thousand (31 December 2018: HRK 230 thousand) and guarantees given under operating lease agreements in the amount of HRK 0 thousand (31 December 2018: HRK 218 thousand).

Loans to affiliated companies in the amount of HRK 0 thousand (31 December 2018: HRK 3,350 thousand) relate to loans to the company Poljoprivredno dobro Gradina d.o.o.

Shares in companies refer to shares in capital up to 20% of ownership and share in the capital of the company Hrvatska industrija šećera d.d. (60%), and includes the following shares:

	31 Dec 2019	31 Dec 2018
Hrvatska industrija šećera d.d. – joint operation	343,392	-
Poljoprivredno dobro Gradina d.o.o.	-	4,579
Sense savjetovanje d.o.o.	-	1,500
PBZ d.d. Zagreb	192	150
Croatian radio Županja	78	78
	<u>343,662</u>	<u>6,307</u>

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

15. 1. INVESTMENT IN JOINT VENTURES

The Group has reported investments in a joint venture - the company Hrvatska industrija šećera d.d., Zagreb, Ulica grada Vukovara 269g, was entered in the court register of the Commercial Court in Zagreb on 18 March 2019 with a share capital of HRK 200,000. The share capital is divided into 2,000 shares of which 400 are preferred HIS-P-A and 1,600 ordinary HIS-R-A. On 31 December 2019 the holder of 960 ordinary and 240 preference shares was Sladorana d.o.o., while the remaining 640 ordinary and 140 preferred shares are held by Tvornica šećera Osijek d.o.o., which gives a share capital participation and profit/loss ratio of 60% / 40% in favour of Sladorana d.o.o. Regardless of the stated shares owned by the Company, none of the shareholders has a dominant influence on the management of the Company. Namely, based on the Company's Articles of Association, the General Assembly makes decisions by a majority of 75% of the total share capital of the Company. In addition, Sladorana d.o.o. and Tvornica šećera Osijek d.o.o. have entered into an inter-shareholder agreement regarding the management of the company, which sets out management mechanisms that de facto do not allow any shareholder to have sole control. For example, it stipulates that each of the shareholders nominates two members of the Supervisory Board, while the fifth member of the Supervisory Board, in accordance with the regulations, is appointed by the Company's employees. Decisions in the Supervisory Board are made by a majority of four votes. Furthermore, the Management Board consists of two members, one nominated by each of the shareholders. Management makes decisions unanimously, and group representation is also envisaged. It is clear from the above that the company is under the joint control of both shareholders and that the Group's investment is considered a joint venture in accordance with International Financial Reporting Standard 11 "Joint Arrangements". In the consolidated financial statements for 2019, the Group applied the equity method in accordance with IFRS 11, recording a proportional part of the results of 2019 of the company Hrvatska industrija šećera d.d. in the business books.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

Share in loss from joint venture	31 Dec 2019
Sales revenue	136,301
Other income	2,154
Total operating income	138,455
Decrease in value of work in progress and finished goods	128,976
Costs of raw materials and supplies	(164,016)
Cost of goods sold	(46,280)
Other costs	(8,377)
Amortization and depreciation	(23,870)
Employee costs	(21,910)
Other costs	(10,285)
Other business expenses	(993)
Total operating expenses	(146,755)
Loss from ordinary activities	(8,300)
Financial income	149
Financial expenses	(749)
Net financial gain	(600)
Loss before tax	(8,900)
Income tax	-
Current year loss	(8,900)
Percentage of investment in a joint venture	60%
Share of loss from joint ventures	(5,340)

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

16. INVENTORIES

	31 Dec 2019	31 Dec 2018
CONTINUING OPERATIONS		
Merchandise	21,615	22,162
Raw materials	10,784	110,030
Final products	706	245,605
Advances for inventories	2,045	5,482
Value adjustment of inventories (note 10.2)	-	(33,005)
	<u>35,150</u>	<u>350,274</u>
Inventories of CONTINUING OPERATIONS	<u>7,760</u>	<u>-</u>
Total inventories	<u>42,910</u>	<u>350,274</u>

17. TRADE RECEIVABLES

Trade receivables as at 31 December 2019 amount to HRK 104,130 thousand (31 December 2018: HRK 64,390 thousand).

Receivables structure:

	31 Dec 2019	31 Dec 2018
Trade receivables in the country	35,879	54,993
Trade receivables abroad	10,021	27,614
Receivables from related companies (Note 29)	87,076	12,130
Value adjustment of trade receivables	(28,846)	(30,347)
	<u>104,130</u>	<u>64,390</u>

Ageing structure of trade receivables:

	31 Dec 2019	31 Dec 2018
Undue	11,291	23,790
0-90 days	67,188	25,187
90-120 days	-	5,456
Over 120 days	25,651	9,957
	<u>104,130</u>	<u>64,390</u>

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2019

(all amounts in HRK '000)

17. TRADE RECEIVABLES

Movement in impairment during the year

	2019	2018
Balance at 1 Jan	30,347	23,669
New adjustments (note 10.3)	2,639	15,146
Collection of previously value-adjusted receivables	(1,043)	(4,731)
Write-off of receivables and other	(3,097)	(3,737)
Balance at 31 Dec	28,846	30,347

All impairment receivables are overdue for more than 120 days.

18. RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS

	31 Dec 2019	31 Dec 2018
Receivables for VAT	3,589	16,992
Other receivables from the State	69	183
	3,658	17,175

19. LOANS GRANTED

	31 Dec 2019	31 Dec 2018
Loans to related companies	411	14,672
Given loans	1,923	8,899
Investments in securities - bills of exchange received	-	792
Deposits given	1,723	6
	4,057	24,369

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

19. LOANS GRANTED (CONTINUED)

An overview of loans granted as at 31 December 2019 and 31 December 2018 is shown in the following table:

Legal persons	Interest rate	31 Dec 2019	31 Dec 2018
Fortis factoring d.o.o.	-	3,700	3,700
Dubrovački podrumi d.d.	6.00%	2,957	2,957
Rat d.o.o.	3.96%	986	-
Infinitem factoring d.o.o.	-	500	500
Dalmacijavino Split d.o.o. – affiliate	4.55%	411	2,710
Konzum d.d.	7.00%	394	394
Robić d.o.o. – affiliate	6.00%	-	11,937
Žeza d.o.o.	6.00%	-	7,006
Robić promet d.o.o.	6.00%	-	1,984
Poljoprivredno dobro Gradina d.o.o.	4.55%	-	25
Other	3.96%-9%	1,183	1,419
Total legal persons		10,131	32,632
Private persons	3%-8%	1,609	2,016
Total loans granted		11,740	34,648
Expected credit losses		(9,406)	(11,077)
Total loans granted		2,334	23,571

During the business year 2019, the Group collected a previous impairment of loans in the amount of HRK 1,913 thousand (2018: HRK 2,224 thousand).

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

20. CASH AND CASH EQUIVALENTS

	31 Dec 2019	31 Dec 2018
Current accounts	1,956	2,942
Foreign currency accounts	783	1,892
Cash in hand	2	2
	<u>2,741</u>	<u>4,836</u>

21. PREPAID EXPENSES AND ACCRUED INCOME

	31 Dec 2019	31 Dec 2018
Pre-calculated rent	51	-
Pre-calculated fees and interest on loans	-	1,141
Pre-calculated water protection fee	-	915
Pre-calculated interest per lease	-	2
Other prepaid expenses	1,785	1,193
	<u>1,836</u>	<u>3,251</u>

Other prepaid expenses include pre-calculated insurance costs and other prepaid expenses.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

22. SHARE CAPITAL AND RESERVES

22.1. Share capital

The share capital as at 31 December 2019 amounts to HRK 249,600 thousand and is divided into 1,386,667 shares (31 December 2018: HRK 249,600 thousand and 1,386,667 shares).

The ownership structure of the parent Company is presented as follows:

	No. of shares		% of ownership	
	2019	2018	2019	2018
EOS-Z d.o.o.	594,436	466,500	42.87%	33.64%
Robić d.o.o.	180,366	308,302	13.01%	22.23%
Cristal financiere	235,734	235,734	17.00%	17.00%
OTP banka d.d./ AZ OMF kategorije b (2017.- Splitska banka d.d.)	137,055	137,055	9.88%	9.88%
Viro tvornica šećera d.d.	42,507	33,108	3.07%	2.39%
Zagrebačka banka d.d. / AZ Profit DMF	25,449	25,449	1.84%	1.84%
Hrvatska poštanska banka d.d.	23,257	23,257	1.68%	1.68%
Croatia banka d.d.	7,500	-	0.54%	-
Erste&Steiermarkischebank d.d. / CSC	-	31,496	-	2.27%
Addiko bank d.d./ Raiffeisen OMF kategorije b	-	12,765	-	0.92%
Other	140,363	113,001	10.11%	8.15%
	1,386,667	1,386,667	100.00%	100.00%

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

22. SHARE CAPITAL AND RESERVES (CONTINUED)

22.2. Reserves

	2019	2018
Reserves for treasury shares	42,645	43,867
Repurchased treasury shares	(4,024)	(4,635)
Legal reserves	12,533	12,533
Capital reserves	10,368	10,368
Other reserves from profit	25	17
Other reserves	(41,432)	(41,432)
	<u>20,115</u>	<u>20,718</u>

During 2012, the Parent company made several purchases of shares in the subsidiary Sladorana d.d. and as at 31 December 2012 has a 100% stake in the said subsidiary. These share increases during 2012 occurred after the Parent company had already acquired control over the subsidiary in earlier periods. As the amount of the fee paid for the acquisition of additional shares was higher than the value of the net assets of the company Sladorana d.d., the difference in the amount of HRK 41,432 thousand was charged to Other reserves within the principal.

23. EARNING PER SHARE

Basic and diluted earning per share

Earnings per share are calculated by dividing the Group's net loss by the weighted average number of total ordinary shares less the weighted average number of ordinary shares the Group has purchased and holds as treasury shares.

	2019	2018
Current year loss attributable to owners of the company (in thousands of HRK)	143,972	(97,396)
Average weighted number of ordinary shares used in calculating basic earnings per share	<u>1,344,160</u>	<u>1,353,559</u>
Basic profit / (loss) per share (in Croatian kunas and lipas)	<u>106,46</u>	<u>(71,96)</u>

Diluted loss per share is equal to the basic loss per share because there is no basis for adjusting the weighted average number of ordinary shares.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

24. LIABILITIES UNDER LOANS AND FINANCIAL LEASES

	31 Dec 2019	31 Dec 2018
Long-term loans		
Banks	6,777	94,978
Financial loan	-	208
Financial lease	97	139
	<u>6,874</u>	<u>95,325</u>
Short-term loans		
Banks	16,930	303,979
Banks – current portion of long-term loans	2,703	71,032
Financial loan	19,363	7,276
Financial lease	43	194
	<u>39,039</u>	<u>382,481</u>
Total	<u>103,593</u>	<u>477,806</u>

Bank loans in the amount of HRK 26,410 thousand (31 December 2018: HRK 469,989 thousand) are secured by pledged land, construction facilities and equipment of the Group. Debentures were given as collateral for financial lease in the amount of HRK 140 thousand (2018: HRK 333 thousand).

The financial loan in the amount of HRK 19,363 thousand (31 December 2018: HRK 7,484 thousand) relates to a liability to the Ministry of the Economy - Directorate for Commodity Stocks in the amount of HRK 14,955 thousand (31 December 2018: HRK 0 thousand), the company Konzum d.d. in the amount of HRK 4,200 thousand (31 December 2018: HRK 4,200 thousand), the Environmental Protection and Energy Efficiency Fund in the amount of HRK 208 thousand (31 December 2018: HRK 669 thousand), Jet-set d.o.o. in the amount of HRK 0 thousand (31 December 2018: HRK 715 thousand) and the company Hospitalija trgovina d.o.o. in the amount of HRK 0 thousand (31 December 2018: HRK 1,900 thousand).

Other liabilities to banks relate to a letter of credit in the amount of HRK 57,680 thousand (31 December 2018: HRK 0 thousand) whose maturity is 31 October 2019. The letter of credit as at 31 December 2018. was in the off-balance sheet records. A high degree of agreement has been reached on the manner and dynamics of repayment and the Management Board believes that agreements will be concluded soon.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

Movements in bank loan is as follows

	2019	2018
Balance at 1 Jan	469,989	542,226
New loans from banks	44,087	323,848
Loan repayments	(488,564)	(392,835)
Exchange rate differences	898	(3,250)
Balance at 31 Dec	26,410	469,989

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

24. LIABILITIES UNDER LOANS AND FINANCIAL LEASES (CONTINUED)

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

Creditor	Maturity	Interest rate	Currency	31 Dec 2019	31 Dec 2018
Long-term loans					
Raiffeisenbank Austria d.d.	31.03.2021.	4.00%	EUR	-	155,063
HBOR	28.02.2023.	4.00%	EUR	9,383	10,910
Short-term loans					
OTP banka d.d.	22.01.2020.	4.20%	HRK	14,000	-
OTP banka d.d.	31.01.2020.	4.20%	HRK	2,930	-
Privredna banka d.d.	11.10.2018.	8.82%	HRK	-	29,519
Privredna banka d.d.	11.10.2018.	8.82%	HRK	-	34,000
Erste&Stelermarkische bank d.d.	31.12.2018.	4.90%	HRK	-	9,283
Kentbank d.d.	14.03.2018.	4.90%	HRK	-	30,000
CBRD	15.04.2019.	3.00%	HRK	-	74,176
Privredna banka d.d.	31.10.2018.	8.82%	HRK	-	33,379
Privredna banka d.d.	31.10.2018.	8.82%	HRK	-	31,317
Privredna banka d.d.	31.10.2018.	8.82%	HRK	-	20,000
Privredna banka d.d.	31.10.2018.	8.82%	HRK	-	14,000
OTP banka d.d.	23.03.2019.	4.20%	HRK	-	14,200
OTP banka d.d.	01.07.2019.	3.90%	HRK	-	13,900
Liabilities under interests				97	242
Total long and short tem loans				26,410	469,989

OTP banka d.d. loans were extended in 2020 to a new maturity date of 18 December 2020; i.e. 19 December 2020

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

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24. LIABILITIES UNDER LOANS AND FINANCIAL LEASES (CONTINUED)

	Minimal lease payments		Financing costs		Current value of minimal lease payments	
	2019	2018	2019	2018	2019	2018
Up to one year	43	194	-	2	43	192
From one to five years	97	139	-	-	97	139
After five years	-	-	-	-	-	-
	140	333	-	2	140	331
Less future financial expenses	-	(2)	-	-	-	-
Current value of minimal lease payments	140	331	-	-	140	331

25. TRADE PAYABLES

	31 Dec 2019	31 Dec 2018
Accounts payable in the country	135,959	137,117
Accounts payable abroad	22,519	102,881
	158,478	239,998

26. LIABILITIES FOR ADVANCES

Liabilities for advances as at 31 December 2019 amount to HRK 7,561 thousand (31 December 2018: HRK 32,038 thousand) and relate to payments made by entrepreneurs who pay in advance for sugar.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

27. OTHER CURRENT LIABILITIES

	31 Dec 2019	31 Dec 2018
Taxes, contributions and other benefits	19,768	3,979
Liabilities to employees	469	3,294
Liabilities arising from share in the result	30	32
Other current liabilities	384	543
	<u>20,651</u>	<u>7,848</u>

28. ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec 2019	31 Dec 2018
Accrued compensation for protection and use of water, the concession fee	108	-
Deferred income from subsidies	-	14,082
Accrued Incremental costs of sugar beet	-	247
Other accrued expenses	198	987
	<u>306</u>	<u>15,316</u>

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

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29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions arising from the relationship between the Company and its subsidiaries, which are its related parties, have been eliminated by consolidation and are not disclosed in this note. An analysis of transactions between the Group and other related parties is set out below.

Transactions of sale and purchase

Transactions between the Group and its related parties during the year were as follows:

Operating income

	Sales revenue		Other income	
	2019	2018	2019	2018
HRVATSKA INDUSTRIJA	29,170	-	27,790	-
ŠEĆERA d.d.				
DALMACIJAVINO SPLIT d.o.o.	8,182	9,013	-	-
OŠTRC d.o.o./ OŠTRC PROMET d.o.o.	-	1,199	-	-
GRUDSKA PIVOVARA d.o.o.	334	757	-	-
POLJOPRIVREDNO DOBRO d.o.o. Gradina	845	657	-	-
	<u>38,531</u>	<u>11,626</u>	<u>27,790</u>	<u>-</u>

Operating expenses

	Sales expenses		Other expenses	
	2019	2018	2019	2018
HRVATSKA INDUSTRIJA	26,907	-	26,863	-
ŠEĆERA d.d.				
DALMACIJAVINO SPLIT d.o.o.	7,395	8,630	-	-
OŠTRC d.o.o./ OŠTRC PROMET d.o.o.	-	1,114	-	-
GRUDSKA PIVOVARA d.o.o.	236	683	-	-
POLJOPRIVREDNO DOBRO d.o.o. Gradina	708	576	-	-
	<u>35,246</u>	<u>11,003</u>	<u>26,863</u>	<u>-</u>

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

Financial assets and liabilities

	Financial assets		Financial expenses	
	2019	2018	2019	2018
ROBIĆ d.o.o.	133	539	-	-
GRUDSKA PIVOVARA d.o.o.	262	204	143	642
DALMACIJAVINO SPLIT d.o.o.	44	114	-	-
POLJOPRIVREDNO DOBRO d.o.o. Gradina	54	90	-	-
	<u>493</u>	<u>947</u>	<u>-</u>	<u>642</u>

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

29. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Open balances of sales and purchase transactions at the end of the year

	Receivables from related parties		Liabilities to related parties	
	2019	2018	2019	2018
HRVATSKA INDUSTRIJA ŠEĆERA d.d.	74,705	-	831	-
DALMACIJAVINO SPLIT d.o.o.	9,202	6,982	2	4,128
OŠTRC d.o.o./ OŠTRC PROMET d.o.o.	1,964	2,543	-	-
POLJOPRIVREDNO DOBRO d.o.o. Gradina	-	1,977	-	-
GRUDSKA PIVOVARA d.o.o.	941	604	207	223
	<u>86,812</u>	<u>12,106</u>	<u>1,040</u>	<u>4,351</u>

	Loans to related parties		Advances for assets given to related parties	
	2019	2018	2019	2018
ROBIĆ d.o.o.	-	11,937	-	-
POLJOPRIVREDNO DOBRO d.o.o. Gradina	-	3,375	-	1,202
DALMACIJAVINO SPLIT d.o.o.	411	2,710	-	-
GRUDSKA PIVOVARA d.o.o.	-	-	33,930	33,816
	<u>411</u>	<u>18,022</u>	<u>33,930</u>	<u>35,018</u>

Remuneration to key personnel (management)

	2019	2018
Salaries	3,035	5,473
Other	975	1,249
	<u>4,010</u>	<u>6,722</u>

Notes to the consolidated financial statements (continued)

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30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

The Group manages its capital to ensure that it is allowed to continue operating indefinitely while realizing the highest possible return for stakeholders by optimizing the situation between debt and equity. The general strategy of the Group has not changed since 2012.

The Group's sources of assets consist of the debt portion, which includes borrowings and loans disclosed in Note 25 less cash and cash equivalents (so-called net debt) and equity, which includes share capital, reserves and retained earnings.

The Group's treasury regularly analyses the capital structure. As part of this analysis, the Treasury analyses the cost of capital and the risk associated with each capital item. The gearing ratio at the reporting date was as follows:

Gearing ratio

	2019	2018
Debt (i)	103,593	477,806
Cash and cash equivalents	(2,741)	(4,836)
Net debt	<u>121,505</u>	<u>472,970</u>
Capital (ii)	335,484	193,664
Gearing ratio %	37%	244%

(i) Debt comprises liabilities under long - term and short - term loans,

(ii) Equity includes share capital and retained earnings

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Categories of financial instruments

	31 Dec 2019	31 Dec 2018
Financial assets		
Long-term financial assets	5,210	8,529
Long-term receivables	269	149
Receivables from affiliated companies	87,076	12,105
Trade receivables	17,054	52,285
Current financial assets	4,057	24,369
Other receivables	1,304	2,841
Cash and cash equivalents	2,741	4,836
Prepaid expenses and accrued income	1,108	3,032
	118,819	108,146
Financial obligations		
Liabilities for financial loans (long-term)	97	208
Liabilities for loans and financial leases (long-term)	6,777	95,117
Liabilities to related companies	1,040	4,351
Liabilities for financial loans	19,363	7,275
Liabilities for loans and financial leases (short-term)	77,355	375,206
Liabilities for advances	7,561	32,038
Accounts payable	158,478	239,998
Other current liabilities	884	3,869
Accrued expenses and deferred income	198	15,316
	271,753	773,388

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

Notes to the consolidated financial statements (continued)

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30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Goals of financial risk management

The Group's treasury function provides services to the Group's activities, coordinates access to the domestic and international financial markets, monitors financial risks related to the Group's operations and manages them through internal risk reports in which exposures are analysed by degree and size of risk.

These are market risks, which include currency risk and price risk, then credit risk, liquidity risk and interest rate risk.

The Group seeks to minimize the effects of these risks. The Group does not enter into contracts for financial instruments, including derivative financial instruments, nor does it trade them for speculative purposes. The treasury function submits periodic risk exposure reports to the Management Board.

Market risk

Based on its activities, the Group is exposed to financial risks primarily in the form of movements in the price of sugar and the price of raw materials needed for its production (sugar cane and sugar beet). The Group is also exposed to the risks of changes in foreign exchange rates and interest rates, which are explained in more detail below.

Exchange rate risk management

The Group concludes certain transactions in foreign currency, and is therefore exposed to the risks of changes in exchange rates.

The following table shows the carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currencies at the end of the reporting period:

	Liabilities		Assets	
	2019	2018	2019	2018
European union (EUR)	130,643	283,198	59,809	61,451
USD		18	1,619	2,524

Notes to the consolidated financial statements (continued)

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30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Exchange rate risk management (continued)

Currency risk sensitivity analysis

The Group is mainly exposed to the currency risk of changes in the exchange rate of the HRK against EUR and USD because the sale of sugar on the international market is largely done in EUR and the purchase of raw sugar in USD.

The following table analyses the Group's sensitivity to a ten per cent (10%) change in the exchange rate of the HRK against relevant foreign currencies. A sensitivity rate of 10% is the rate used in internal reports to key executives on currency risk and represents the Management Board's assessment of realistically possible changes in exchange rates. Sensitivity analysis includes only open monetary items in foreign currency and it recalculates items adjusted for a 10% change in exchange rates. Sensitivity analysis includes external loans as well as loans to foreign entities of the Group denominated in a currency other than the currency of the borrower or lender. A positive number indicates an increase in profit or principal when the value of the HRK increases by 10% in relation to the currency in question. In the event of a 10% fall in the value of the HRK against the currency in question, the impact on profit or principal would be the same but opposite, i.e. the amounts in the table would be negative.

	Influence EUR		Influence USD	
	2019	2018	2019	2018
Profit	7,083	22,175	162	251

Exposure to changes in the exchange rate of the currencies shown by 10% is mostly related to the balance of loans received, the balance of suppliers and receivables from associated companies denominated in euros (EUR), and the balance of suppliers denominated in dollars (USD).

Interest risk management

The Group is exposed to interest rate risk due to the fact that the Group's companies borrow funds at fixed and variable interest rates. The Group manages interest rate risk by maintaining an appropriate loan ratio with fixed and variable interest rates. The Group's exposure to interest rates on financial assets and financial liabilities is described in detail in the part of this note relating to liquidity risk management.

Notes to the consolidated financial statements (continued)

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30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Interest rate risk management (continued)

Interest rate risk sensitivity analysis

The sensitivity analysis presented below is determined based on the exposure to interest rates at the end of the reporting period by non-derivative instruments. The sensitivity analysis for variable interest liabilities was prepared assuming that the outstanding amount of the liability at the end of the reporting period was outstanding throughout the year. Internal interest rate risk reports submitted to key executives use an increase or decrease of 50 basis points and represent the Management Board's assessment of realistically possible changes in interest rates.

If interest rates were 50 basis points higher or lower and all other variables unchanged:

- The Group's loss for 2019 would be lower by HRK 1,205 thousand (in 2018: higher/lower by HRK 1,341 thousand), which can mainly be related to the Group's exposure to loans and borrowings with variable interest rates.

The Group's sensitivity to interest rates has increased in the current year, mainly due to a higher number of debt instruments with variable interest rates.

Credit risk management

Credit risk refers to the risk that the other party will fail to meet its contractual obligations, which would result in a financial loss to the Group. The Group has adopted a policy of dealing exclusively with creditworthy parties and obtaining sufficient collateral to mitigate the risk of financial loss due to default in payment. The Group continuously monitors its exposure to the business partners, as well as their creditworthiness, and distributes the total value of concluded transactions to accepted clients. Credit exposure is managed by setting limits for clients.

Credit analysis is performed based on the financial condition of the debtor and, if necessary, insurance coverage for credit guarantees is concluded.

The concentration of credit risk in relation to the most significant customers of the Group is shown as follows:

	Receivables	
	31 Dec 2019	31 Dec 2018
Customer A	1,350	4,173
Customer B	1,054	3,438
Customer C	1,007	2,740
Customer D	782	2,631
Customer E	772	2,208
	4,965	15,190

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk management (continued)

Collaterals

The Group usually takes bank guarantees, promissory notes and bills of exchange as a means of securing payment with customers.

Liquidity risk management

Prudent liquidity risk management means maintaining a sufficient amount of money, securing available financial resources in an adequate amount through contracted credit lines and the ability to meet its obligations in a timely manner. It also involves striking a balance in the structure of liabilities by maturity and assets by the appropriate degree of liquidity. The Management Board is responsible for credit risk management. The Group manages its liquidity by continuously monitoring planned and realized cash flows, and by adjusting financial assets and financial liabilities. The planned cash flow is made monthly (by days), and deviations are monitored daily.

Tabular analysis of liquidity risk and interest rate risk

The following tables analyse the remaining period until the contractual maturity of the Group's non-derivative financial liabilities. The tables have been prepared on the basis of undiscounted cash outflows on financial liabilities at the earliest date on which payment can be requested from the Group. The table includes cash outflows both by principal and by interest. For variable rate interest outflows, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is determined as the earliest date on which payment can be requested from the Group.

	Weighted average effective interest rate	Up to 1 month	From 1 to 3 months.	From 3 months to 1 year	From 1 to 8 years.	Total
2019						
Non-interest bearing		204,634	13,867	26,280		244,781
Interest bearing	4.51%	722	1,017	18,264	7,352	27,355
		205,356	14,884	44,544	7,352	272,136
2018						
Non-interest bearing		198,153	11,798	76,935	13,541	300,427
Interest bearing	4.86%	76,993	65,858	243,981	98,007	484,839
		275,146	77,656	320,916	111,548	785,266

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk analysis (continued)

The following table analyses the remaining period up to the agreed maturities of the Group's non-derivative financial assets. The table has been prepared on the basis of undiscounted cash inflows from financial receivables at the earliest date on which the Group can request payment.

	Weighted average effective interest rate	Up to 1 month	From 1 to 3 months.	From 3 months to 1 year	From 1 to 8 years.	Total
2019						
Non-interest bearing		94,754	8,494	7,169	936	111,353
Interest bearing	5.22%	411	37	2,404	4,954	7,806
		95,165	8,531	9,573	5,890	119,159
2018						
Non-interest bearing		58,613	7,224	9,795	2,349	77,981
Interest bearing	4.67%	1,118	258	22,913	7,414	31,703
		59,731	7,482	32,708	9,763	109,684

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk analysis (continued)

Fair value of financial analysis

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

- the fair value of financial assets and financial liabilities under standard terms and traded in active liquid markets is determined at quoted prices,
- the fair value of other financial assets and other financial liabilities is determined in accordance with pricing models, based on an analysis of discounted cash flows using prices from known market transactions and prices offered for similar instruments.

As at 31 December 2018, the reported amounts of cash, short-term deposits, receivables, short-term liabilities, accrued expenses, short-term loans and other financial instruments correspond to their market value, due to the short-term nature of these assets and liabilities. The Group has no currently active financial assets and financial liabilities measured at fair value.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

31. PROVISIONS

The total amount of long-term provisions refers to provisions for initiated litigation and for expected credit losses for trade receivables and loans granted under IFRS 9. The movement of provisions is shown below

	2019	2018
As at 1 January	3,748	453
New provisions	2,510	6,177
Discontinued provisions	(1,134)	(2,882)
As at 31 December	5,124	3,748

The following table shows the movement of expected credit losses for receivables in accordance with IFRS 9. Movement of expected credit losses for receivables:

T HRK

	2019	2018
As at 1 January	2,672	5,544
Increase in expected credit losses	1,933	-
Decrease in expected credit losses	-	(2,882)
As at 31 December	4,605	2,672

The following table shows the movement of expected credit losses recognized for loans granted:

Movement of expected credit losses for loans:

T HRK

Level 1

	2019	2018
As at 1 January	623	304
Increase in expected credit losses	-	319
Decrease in expected credit losses	(472)	-
As at 31 December	151	623

All loans granted were allocated to the Level 1 and during 2019; there was no transition between the levels.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

31. PROVISIONS (CONTINUED)

For the purpose of assessing impairment, for loans to related parties and other parties, the Group estimated at the date of the first application that there was no significant increase in credit risk from the initial recognition date and uses a 12-month expected credit loss for these assets.

In determining the expected credit losses for these assets, the Group's Management Board took into account the publications of external investment rating agencies, historical experience and the financial position of other counterparties. There were no changes in valuation techniques or significant assumptions during the current reporting period in estimating provisions for expected credit losses for these financial assets.

32. CONTRACTUAL AND CONTINGENT LIABILITIES

The Group's contractual and contingent liabilities relate to issued promissory notes amounting to HRK 1,138,836 thousand as at 31 December 2019 (31 December 2018: HRK 1,138,436 thousand), issued guarantees in the amount of HRK 1,500 thousand (31 December 2018: HRK 5,209 thousand) and letters of credit in the amount of HRK 0 thousand (31 December 2018: HRK 58,726 thousand). The maturity date agreed for the issued guarantee is 30 April 2019.

33. LEGAL DISPUTES

The Group has forty legal disputes with a total value of HRK 35,439 thousand. Long-term provisions for initiated legal disputes amount to HRK 368 thousand.

34. EVENTS AFTER THE BALANCE SHEET DATE

Since last year (of which the public has been notified), the companies operating within the Group (Viro and Sladorana), which are engaged in the production and sale of sugar, have transferred all their production capacities, including the vast majority of workers, to the newly established company Hrvatska industrija šećera d.d. and a very small number of workers necessary for the administrative affairs and assets not in the function of sugar production remained engaged within companies. Consequently, the impact of the pandemic caused by the COVID 19 virus did not have a significant impact on business, except in the part of milling business and purchase and storage of cereals under the auspices of Slavonija Županija d.d. Since the beginning of 2020, and related to the new situation with the disease COVID -19 the company Slavonija Županija d.d. closely monitors the development of the situation at the global, European and local level and in accordance with the recommendations of the Government of the Republic of Croatia and all competent institutions applies the prescribed measures to protect the health of citizens, business partners and workers. The work of the employees in the offices and in the production took place under normal conditions. It is currently impossible to assess all the negative impacts associated with COVID-19 disease, but the Management Board believes that all difficulties will be overcome and that the Group will continue to operate stably in 2020.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

34. EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

Due to the situation caused by the coronavirus epidemic (COVID-19), on the recommendation of the Government of the Republic of Croatia and due to the possession of all necessary permits, and for the needs of the health system and state commodity stocks, the Group started production of ethyl alcohol in March 2020, and expects an additional income.

A total of 6,676 tons of molasses and 1,930,990 litres of alcohol were processed during the period March-May 2020. Further processing of molasses and production of ethyl alcohol is not agreed, but there is a possibility of distilling wine in the second half of 2020. In case of the possible distillation of wine, it would be an intervention measure at EU level to help wine producers in Croatia and the EU. The impact of COVID 19 on operations other than the above was not significant, as the Group has sold all its sugar-related assets and has no permanent employees.

Companies Viro tvornica šećera d.d. and Sladorana d.o.o. have pledged sugar stocks and a promissory note to the company Hrvatska industrija šećera d.d. for their short-term debt to the associated company, and that short-term debt replaced the creditor. At the same time, the repayment of the same was extended until 31 December 2020.

35. APPROVAL OF THE MANAGEMENT BOARD FOR THE ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The Management Board adopted the consolidated financial statements and approved their issuance on 23 June 2020.

Signed on behalf of the Management Board on 23 June 2020:

Željko Zadro

President of the Management Board

Darko Krstić, Member of the Management Board

Ivo Rešić, Member of the Management Board



PROFIT AND LOSS ACCOUNT
for the period 01 January 2019 to 31 December 2019

in HRK

VIRO TVORNICA SEĆERA d.d.			
Position	ADP	Same period of the previous year	Current period
1	2	3	4
I OPERATING INCOME (ADP 126 to 130)	125	678,601,173	868,290,208
1 Income from sales with undertakings within the group	126	11,626,231	38,530,542
2 Income from sales (outside group)	127	637,505,540	559,237,302
3 Income from the use of own products, goods and services	128	195,226	85,680
4 Other operating income with undertakings within the group	129	0	243,183,670
5 Other operating income (outside the group)	130	29,274,176	27,253,014
II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	804,818,097	716,706,753
1 Changes in inventories of work in progress and finished goods	132	168,333,048	200,062,035
2 Material costs (ADP 134 to 136)	133	458,299,368	410,890,781
a) Costs of raw material	134	232,437,676	204,481,269
b) Costs of goods sold	135	165,171,145	169,041,165
c) Other external costs	136	60,690,547	37,368,347
3 Staff costs (ADP 138 to 140)	137	54,517,182	27,371,061
a) Net salaries and wages	138	34,384,346	17,160,049
b) Tax and contributions from salaries expenses	139	12,431,424	6,465,247
c) Contributions on salaries	140	7,701,412	3,745,765
4 Depreciation	141	51,133,774	23,298,635
5 Other expenses	142	15,300,247	11,008,893
6 Value adjustments (ADP 144+145)	143	32,995,270	0
a) fixed assets other than financial assets	144	0	0
b) current assets other than financial assets	145	32,995,270	0
7 Provisions (ADP 147 to 152)	146	328,471	2,509,903
a) Provisions for pensions, termination benefits and similar obligations	147	0	0
b) Provisions for tax liabilities	148	0	0
c) Provisions for ongoing legal cases	149	0	0
d) Provisions for renewal of natural resources	150	0	0
e) Provisions for warranty obligations	151	0	0
f) Other provisions	152	328,471	2,509,903
8 Other operating expenses	153	23,910,737	41,565,445
III FINANCIAL INCOME (ADP 155 to 164)	154	62,436,313	30,557,285
1 Income from investments in holdings (shares) of undertakings within the group	155	0	0
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	156	0	0
3 Income from other long-term financial investment and loans granted to undertakings within the group	157	742,219	231,247
4 Other interest income from operations with undertakings within the group	158	0	0
5 Exchange rate differences and other financial income from operations with undertakings within the group	159	300,269	385,734
6 Income from other long-term financial investments and	160	1,064,309	328,059

Standard Annual Consolidated Financial Statements for the year ended 31 December 2019

loans			
7 Other interest income	161	7,405,241	748,597
8 Exchange rate differences and other financial income	162	47,164,467	2,524,729
9 Unrealised gains (income) from financial assets	163		41,400
10 Other financial income	164	5,759,808	26,297,519
IV FINANCIAL EXPENDITURE (ADP 166 to 172)	165	33 615,551	33,702,981
1 Interest expenses and similar expenses with undertakings within the group	166	0	0
2 Exchange rate differences and other expenses from operations with undertakings within the group	167	740,711	144,957
3 Interest expenses and similar expenses	168	28,899,178	25,636,809
4 Exchange rate differences and other expenses	169	3,967,202	3,441,171
5 Unrealised losses (expenses) from financial assets	170	8,460	0
6 Value adjustments of financial assets (net)	171	0	0
7 Other financial expenses	172	0	4,480,044
V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	173	0	0
VI SHARE IN PROFIT FROM JOINT VENTURES	174	0	0
VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	175	0	0
VIII SHARE IN LOSS OF JOINT VENTURES	176	0	5,340,139
IX TOTAL INCOME (ADP 125+154+173 + 174)	177	741,037,486	898,847,493
X TOTAL EXPENDITURE (ADP 131+165+175 + 176)	178	838,433,648	755,749,873
XI PRE-TAX PROFIT OR LOSS (ADP 177-178)	179	-97,396,162	143,097,620
1 Pre-tax profit (ADP 177-178)	180	0	143,097,620
2 Pre-tax loss (ADP 178-177)	181	-97,396,162	0
XII INCOME TAX	182	0	0
XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183	-97,396,162	143,097,620
1 Profit for the period (ADP 179-182)	184	0	143,097,620
2 Loss for the period (ADP 182-179)	185	-97,396,162	0
DISCONTINUED OPERATIONS (to be filled in by the entrepreneur liable to IFRS only if it has discontinued operations)			
XIV. PROFIT OR LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXATION (ADP 187-188)	186	0	174,387,437
1. Profit from discontinued operations before tax	187	0	174,387,437
2. Loss of discontinued operations before tax	188	0	0
XV. INCOME TAX FOR DISCONTINUED BUSINESS	189	0	0
1. Profit from discontinued operations for the period (ADP 186-189)	190		
2. Loss from discontinued operations for the period (ADP 189-186)	191		
TOTAL BUSINESS (to be filled in only by an entrepreneur subject to IFRS who has discontinued operations)			
XVI. PROFIT OR LOSS BEFORE TAXATION (ADP 179+186)	192		
1. Profit before taxation (ADP 192)	193	0	317,485,057
2. Loss before taxation (AOP 192)	194	0	0
XVII. CORPORATE INCOME TAX (ADP 182+189)	195		
XVIII. PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	196		
1. Profit for the period (ADP 192-195)	197		
2. Loss for the period (ADP 195-192)	198		
APPENDIX to the PLA (to be completed by the entity compiling the consolidated annual financial report)			
XIX. PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	199	-97,396,162	143,097,620

1. Attributable to equity holders of the parent	200	-96,454,000	143,971,752
2. Attributable to minority (non-controlling) interest	201	-942,162	-874,132
STATEMENT OF OTHER COMPREHENSIVE INCOME (to be completed by the entity required to apply IFRS)			
I. PROFIT OR LOSS FOR THE PERIOD	202	0	0
II. OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAXATION	203	0	0
(ADP 204 to 211)			
1. Exchange differences from the conversion of foreign operations	204	0	0
2. Changes in revaluation reserves of tangible and intangible fixed assets	205	0	0
3. Gain or loss on the subsequent valuation of available-for-sale financial assets	206	0	0
4. Profit or loss from effective cash flow hedges	207	0	0
5. Profit or loss from the effective hedging of net investments abroad	208	0	0
6. Share in other comprehensive income / loss of companies related to the participating interest	209	0	0
7. Actuarial gains / losses according to defined benefit plans	210	0	0
8. Other non-owner changes in equity	211	0	0
III. TAX ON OTHER COMPREHENSIVE PROFIT FOR THE PERIOD	212	0	0
IV. NET OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD (ADP 203-212)	213	0	0
V. TOTAL COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD (ADP 202+213)	214	0	0
APPENDIX to the Statement of other comprehensive income (to be completed by the entity compiling consolidated statements)			
VI. COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD (AdP 216+217)	215	-97,396,162	143,097,620
1. Attributable to the owners of parent capital	216	-96,454,000	143,971,752
2. Attributable to the minority (non-controlling interest)	217	-942,162	-874,132

BALANCE SHEET
as at 31 December 2019

in HRK

VIRO TVORNICA ŠEĆERA d.d.			
Position	ADP	Last day of the previous business year	At the reporting date of the current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	001	0	0
B) FIXED ASSETS (ADP 003+010+020+031+036)	002	509,194,205	479,261,440
I INTANGIBLE ASSETS (ADP 004 to 009)	003	6,506,824	43,427
1 Research and development	004	0	0
2 Concessions, patents, licences, trademarks, software and other rights	005	6,506,824	43,427
3 Goodwill	006	0	0
4 Advance payments for purchase of intangible assets	007	0	0
5 Intangible assets in preparation	008	0	0
6 Other intangible assets	009	0	0
II TANGIBLE ASSETS (ADP 011 to 019)	010	489,431,518	130,346,982
1 Land	011	38,750,891	31,371,420
2 Buildings	012	217,022,529	43,839,267
3 Plant and equipment	013	148,435,695	17,224,859
4 Tools, working inventory and transportation assets	014	5,573,181	274,686
5 Biological assets	015	0	0
6 Advance payments for purchase of tangible assets	016	33,816,284	33,930,280
7 Tangible assets in preparation	017	44,012,331	2,386,376
8 Other tangible assets	018	44,900	44,900
9 Investment property	019	1,775,707	1,275,194
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	020	13,106,909	348,602,281
1 Investments in holdings (shares) of undertakings within the group	021	5,478,300	343,392,343
2 Investments in other securities of undertakings within the group	022	0	0
3 Loans, deposits, etc. to undertakings within the group	023	3,349,907	0
4 Investments in holdings (shares) of companies linked by virtue of participating interest	024	0	0
5 Investment in other securities of companies linked by virtue of participating interest	025	0	0
6 Loans, deposits etc. given to companies linked by virtue of participating interest	026	0	0
7 Investments in securities	027	908,620	350,558
8 Loans, deposits, etc. given	028	3,370,082	4,859,380
9 Other investments accounted for using the equity method	029	0	0
10 Other fixed financial assets	030	0	0
IV RECEIVABLES (ADP 032 to 035)	031	148,954	268,750
1 Receivables from undertakings within the group	032	0	0
2 Receivables from companies linked by virtue of participating interests	033	0	0
3 Customer receivables	034	0	0
4 Other receivables	035	148,954	268,750
V. Deferred tax assets	036	0	0
C) CURRENT ASSETS (ADP 038+046+053+063)	037	463,884,755	158,800,506
I INVENTORIES (ADP 039 to 045)	038	350,273,647	42,910,161

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1 Raw materials	039	110,029,480	10,783,860
2 Work in progress	040	0	0
3 Finished goods	041	212,599,873	8,466,349
4 Merchandise	042	22,161,980	21,614,897
5 Advance payments for inventories	043	5,482,314	2,045,055
6 Fixed assets held for sale	044	0	0
7 Biological assets	046	84,405,794	109,092,006
II RECEIVABLES (ADP 047 to 052)	047	12,105,443	87,076,398
1 Receivables from undertakings within the group	048	0	0
2 Receivables from companies linked by virtue of participating interest	049	52,284,738	17,053,899
3 Customer receivables	050	5,364	0
4 Receivables from employees and members of the undertaking	051	17,174,886	3,657,636
5 Receivables from government and other institutions	052	2,835,363	1,304,073
6 Other receivables	053	24,368,793	4,056,996
III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	054	0	0
1 Investments in holdings (shares) of undertakings within the group	055	0	0
2 Investments in other securities of undertakings within the group	056	14,672,297	411,395
3 Loans, deposits, etc. to undertakings within the group	057	0	0
4 Investments in holdings (shares) of companies linked by virtue of participating interest	058	0	0
5 Investment in other securities of companies linked by virtue of participating interest	059	0	0
6 Loans, deposits etc. given to companies linked by virtue of participating interest	060	0	0
7 Investments in securities	061	8,904,496	3,645,601
8 Loans, deposits, etc. given	062	792,000	0
9 Other financial assets	063	4,836,521	2,741,343
IV CASH AT BANK AND IN HAND	064	3,250,641	1,835,524
D) PREPAID EXPENSES AND ACCRUED INCOME	065	976,329,601	639,897,470
E) TOTAL ASSETS (ADP 001+002+037+064)	066	1,147,302,721	1,173,854,111
EQUITY AND LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	067	193,664,202	335,484,285
I. INITIAL (SUBSCRIBED) CAPITAL	068	249,600,060	249,600,060
II CAPITAL RESERVES	069	10,368,101	10,368,101
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	51,781,966	51,178,531
1 Legal reserves	071	12,532,960	12,532,960
2 Reserves for treasury shares	072	39,231,550	38,620,615
3 Treasury shares and holdings (deductible item)	073	0	0
4 Statutory reserves	074	0	0
5 Other reserves	075	17,456	24,956
IV REVALUATION RESERVES	076	0	0
V FAIR VALUE RESERVES (ADP 078 to 080)	077	0	0
1 Fair value of financial assets available for sale	078	0	0
2 Cash flow hedge - effective portion	079	0	0
3 Hedge of a net investment in a foreign operation - effective portion	080	0	0
VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)	081	-26,654,267	-123,719,156
1 Retained profit	082	0	0

Standard Annual Consolidated Financial Statements for the year ended 31 December 2019

2 Loss brought forward	083	26,654,267	123,719,156
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	084	-96,454,000	143,971,752
1 Profit for the business year	085	0	143,971,752
2 Loss for the business year	086	96,454,000	0
VIII MINORITY (NON-CONTROLLING) INTEREST	087	5,022,342	4,084,997
B) PROVISIONS (ADP 089 to 094)	088	3,748,157	5,124,119
1 Provisions for pensions, termination benefits and similar obligations	089	0	0
2 Provisions for tax liabilities	090	0	0
3 Provisions for ongoing legal cases	091	453,209	368,150
4 Provisions for renewal of natural resources	092	0	0
5 Provisions for warranty obligations	093	0	0
6 Other provisions	094	3,294,948	4,755,969
C) LONG-TERM LIABILITIES (ADP 096 to 106)	095	96,886,212	14,533,863
1 Liabilities towards undertakings within the group	096	0	0
2 Liabilities for loans, deposits, etc. to companies within the group	097	0	0
3 Liabilities towards companies linked by virtue of participating interest	098	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	099	0	0
5 Liabilities for loans, deposits etc.	100	347,225	96,670
6 Liabilities towards banks and other financial institutions	101	94,978,340	6,776,858
7 Liabilities for advance payments	102	0	0
8 Liabilities towards suppliers	103	0	0
9 Liabilities for securities	104	0	0
10 Other long-term liabilities	105	1,560,647	7,660,335
11 Deferred tax liability	106	0	0
D) SHORT-TERM LIABILITIES (ADP 108 to 121)	107	666,715,493	284,449,330
1 Liabilities towards undertakings within the group	108	4,350,696	1,039,739
2 Liabilities for loans, deposits, etc. to companies within the group	109	0	0
3 Liabilities towards companies linked by virtue of participating interest	110	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	111	0	0
5 Liabilities for loans, deposits etc.	112	7,469,807	19,405,577
6 Liabilities towards banks and other financial institutions	113	375,011,456	77,312,923
7 Liabilities for advance payments	114	32,038,074	7,561,294
8 Liabilities towards suppliers	115	239,997,574	158,478,191
9 Liabilities for securities	116	0	0
10 Liabilities towards employees	117	3,294,136	468,801
11 Taxes, contributions and similar liabilities	118	3,979,069	19,767,663
12 Liabilities arising from the share in the result	119	30,963	30,963
13 Liabilities arising from fixed assets held for sale	120		0
14 Other short-term liabilities	121	543,718	384,179
E) ACCRUALS AND DEFERRED INCOME	122	15,315,537	305,873
F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)	123	976,329,601	639,897,470
G) OFF-BALANCE SHEET ITEMS	124	1,147,302,721	1,173,854,111

STATEMENT OF CASH FLOW – Indirect method
for the period 01 January 2019 to 31 December 2019

in HRK

VIRO TVORNICA ŠEĆERA d.d.			
Position	ADP	Same period of the previous year	Current period
1	2	3	4
Cash flows from operating activities			
1. Profit before tax	001	-97,396,162	143,097,620
2. Adjustments (ADP 003 to 010):	002	72,367,561	23,298,635
a) Depreciation	003	51,133,774	23,298,635
b) Gains and losses on disposals and value adjustments of property, plant and equipment and intangible assets	004	106,116	0
c) Gains and losses on disposals and unrealized gains and losses and value adjustments of financial assets	005	6,210	0
d) Interest and dividend income	006	-193,294	0
e) Interest expenses	007	21,592,466	0
f) Provisions	008	0	0
g) Exchange rate differences (unrealized)	009	714,920	0
h) Other adjustments for non-monetary transactions and unrealized gains and losses	010	-992,631	0
I. Increase or decrease in cash flows before changes in working capital (ADP 001 + 002)	011	-25,028,601	166,396,255
3. Changes in working capital (ADP 013 to 016)	012	84,197,771	254,429,638
a) Increase or decrease in short-term liabilities	013	-95,388,676	-17,963,440
b) Increase or decrease in current receivables	014	64,813,885	-50,866,161
c) Increase or decrease in inventories	015	135,801,983	307,425,385
d) Other increases or decreases in working capital	016	-21,029,421	15,833,854
II. Cash from operations (ADP 011 + 012)	017	59,169,170	420,825,893
4. Cash interest expenses	018	-13,973,556	0
5. Paid income tax	019	0	0
A) NET CASH FLOWS FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	45,195,614	420,825,893
Cash flows from investing activities			
1 Cash receipts from sales of fixed tangible and intangible assets	021	2,914,040	373,506,882
2 Cash receipts from sales of financial instruments	022	0	0
3 Interest received	023	9,376,270	12,031,908
4 Dividends received	024	125,650	0
5 Cash receipts from repayment of loans and deposits	025	536,924	0
6 Other cash receipts from investment activities	026	17,025,186	66,671,663
III Total cash receipts from Investment activities (ADP 024 to 026)	027	29,978,070	452,210,453
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-31,625,817	-31,233,695
2 Cash payments for the acquisition of financial instruments	029	0	-360,359,302
3 Cash payments for loans and deposits	030	-93,383	0
4 Acquisition of a subsidiary, net of cash acquired	031	0	0
5 Other cash payments from investment activities	032	-12,191,005	-3,810,998
IV Total cash payments from Investment activities (ADP 028 to 032)	033	-43,910,205	-395,403,995

Standard Annual Consolidated Financial Statements for the year ended 31 December 2019

B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 + 033)	034	-13,932,135	56,806,458
Cash flows from financial activities			
1 Cash receipts from the increase of initial (subscribed) capital	035	0	0
2 Cash receipts the from issue of equity financial instruments and debt financial instruments	036	0	0
3 Cash receipts from credit principals, loans and other borrowings	037	399,907,065	97,806,685
4 Other cash receipts from financing activities	038	9,217,808	18,360,333
V Total cash receipts from financing activities (ADP 035 to 038)	039	409,124,873	116,167,018
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-470,381,688	-578,576,765
2 Cash payments for dividends	041	0	0
3 Cash payments for finance lease	042	-798,048	-405,730
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	043	-4,635,120	-610,935
5 Other cash payments from financing activities	044	-31,837,322	-16,301,117
VI Total cash payments from financing activities (ADP 040 to 044)	045	-507,652,178	-595,894,547
C) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 039 +045)	046	-98,527,305	-479,727,529
1 Unrealised exchange rate differences in cash and cash equivalents	047	0	0
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP020+034+046+047)	048	-67,263,826	-2,095,178
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	049	72,100,347	4,836,521
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(ADP 048+049)	050	4,836,521	2,741,343



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

**STATEMENT OF PERSON RESPONSIBLE FOR PRODUCTION OF THE
CONSOLIDATED REPORT FOR 2019**

With this statement, in compliance with article 462 of the Law on capital market, I state that to the best of our knowledge

- the set of consolidated financial reports of VIRO TVORNICA ŠEĆERA d.d., Zagreb and its subsidiaries for the period I-XII 2019, produced by applying International standards of financial reporting and in compliance with the Croatian Law on Accounting, provides an integral and true overview of assets and liabilities, loss and profit, financial position and operations of the Group.
- The Management report contains a true overview of business results and position of the Group, with a description of the most significant risks and uncertainties to which the Group is exposed.

In Zagreb, on June 23, 2020

RESPONSIBLE PERSON:

PRESIDENT OF THE MANAGEMENT BOARD



Željko Zadro, dipl.oec.



MEMBER OF THE MANAGEMENT BOARD



Darko Krstić, dipl.oec

MEMBER OF THE MANAGEMENT BOARD



Ivo Rešić, mr.sc.

ISSUER'S GENERAL DATA

Reporting period:

01.01.2019.

to

31.12.2019.

Year:

2019.

Annual financial statements

Registration number (MB):

01650971

Issuer's home Member

State code:

HR

Entity's registration
number (MBS):

010049135

Personal identification
number (OIB):

04525204420

LEI:

5493006LGN8RLWC2UL05

Institution code:

1569

Name of the issuer: VIRO TVORNICA ŠEĆERA d.d.

Postcode and town:

10000

ZAGREB

Street and house number: ULICA GRADA VUKOVARA 269G

E-mail address: info@secerana.hr

Web address: www.secerana.hr

Number of employees
(end of the reporting

66

Consolidated report:

KD

(KN-not consolidated/KD-consolidated)

Audited:

RD

(RN-not audited/RD-audited)

Names of subsidiaries (according to IFRS)

Registered office:

MB:

SLADORANA d.o.o.

ŠEĆERANA 63, ŽUPANJA | 03307484

SLAVONIJA ŽUPANJA d.d.

J. J. STROSSMAYERA 65, ŽUPANJA | 01841009

VIRO-KOOPERACIJA d.o.o.

ŠEĆERANA 63, ŽUPANJA | 02835398

VIRO BH d.o.o.

HRVATSKIH BRANITELJA 21, GRUDE, BIH | 4-01-0029-17

Bookkeeping firm:

No

(Yes/No)

(name of the bookkeeping firm)

Contact person: NEVENA DRAGIĆ

(only name and surname of the contact person)

Telephone: 01 2369 773

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

Audit firm: BDO CROATIA d.o.o.

(name of the audit firm)

Certified auditor: VEDRANA STIPIĆ

(name and surname)

BALANCE SHEET
balance as at 31.12.2019.

in HRK

Submitter: VIRO TVORNICA SECERA d.d.

Item 1	ADP code 2	Last day of the preceding business year 3	At the reporting date of the current period 4
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	001	0	0
B) FIXED ASSETS (ADP 003+010+020+031+036)	002	509.194.205	479.261.440
I INTANGIBLE ASSETS (ADP 004 to 009)	003	6.506.824	43.427
1 Research and development	004	0	0
2 Concessions, patents, licences, trademarks, software and other rights	005	6.506.824	43.427
3 Goodwill	006	0	0
4 Advance payments for purchase of intangible assets	007	0	0
5 Intangible assets in preparation	008	0	0
6 Other intangible assets	009	0	0
II TANGIBLE ASSETS (ADP 011 to 019)	010	489.431.518	130.346.982
1 Land	011	38.750.891	31.371.420
2 Buildings	012	217.022.529	43.839.267
3 Plant and equipment	013	148.435.695	17.224.859
4 Tools, working inventory and transportation assets	014	5.573.181	274.686
5 Biological assets	015	0	0
6 Advance payments for purchase of tangible assets	016	33.816.284	33.930.280
7 Tangible assets in preparation	017	44.012.331	2.386.376
8 Other tangible assets	018	44.900	44.900
9 Investment property	019	1.775.707	1.275.194
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	020	13.106.909	348.602.281
1 Investments in holdings (shares) of undertakings within the group	021	5.478.300	343.392.343
2 Investments in other securities of undertakings within the group	022	0	0
3 Loans, deposits, etc. to undertakings within the group	023	3.349.907	0
4 Investments in holdings (shares) of companies linked by virtue of participating interest	024	0	0
5 Investment in other securities of companies linked by virtue of participating interest	025	0	0
6 Loans, deposits etc. given to companies linked by virtue of participating interest	026	0	0
7 Investments in securities	027	908.620	350.558
8 Loans, deposits, etc. given	028	3.370.082	4.859.380
9 Other investments accounted for using the equity method	029	0	0
10 Other fixed financial assets	030	0	0
IV RECEIVABLES (ADP 032 to 035)	031	148.954	268.750
1 Receivables from undertakings within the group	032	0	0
2 Receivables from companies linked by virtue of participating interests	033	0	0
3 Customer receivables	034	0	0
4 Other receivables	035	148.954	268.750
V. Deferred tax assets	036	0	0
C) CURRENT ASSETS (ADP 038+046+053+063)	037	463.884.755	158.800.508
I INVENTORIES (ADP 039 to 045)	038	350.273.647	42.910.161
1 Raw materials	039	110.029.480	10.783.860
2 Work in progress	040	0	0
3 Finished goods	041	212.599.873	8.466.349
4 Merchandise	042	22.161.980	21.614.897
5 Advance payments for inventories	043	5.482.314	2.045.055
6 Fixed assets held for sale	044	0	0
7 Biological assets	045	0	0
II RECEIVABLES (ADP 047 to 052)	046	84.405.794	109.092.008
1 Receivables from undertakings within the group	047	12.105.443	87.076.398
2 Receivables from companies linked by virtue of participating interest	048	0	0
3 Customer receivables	049	52.284.738	17.053.899

4 Receivables from employees and members of the undertaking	050	5.364	0
5 Receivables from government and other institutions	051	17.174.886	3.657.636
6 Other receivables	052	2.835.363	1.304.073
III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	053	24.368.793	4.056.996
1 Investments in holdings (shares) of undertakings within the group	054	0	0
2 Investments in other securities of undertakings within the group	055	0	0
3 Loans, deposits, etc. to undertakings within the group	056	14.672.297	411.395
4 Investments in holdings (shares) of companies linked by virtue of participating interest	057	0	0
5 Investment in other securities of companies linked by virtue of participating interest	058	0	0
6 Loans, deposits etc. given to companies linked by virtue of participating interest	059	0	0
7 Investments in securities	060	0	0
8 Loans, deposits, etc. given	061	8.904.496	3.645.601
9 Other financial assets	062	792.000	0
IV CASH AT BANK AND IN HAND	063	4.836.521	2.741.343
D) PREPAID EXPENSES AND ACCRUED INCOME	064	3.250.641	1.835.524
E) TOTAL ASSETS (ADP 001+002+037+064)	065	976.329.601	639.897.470
OFF-BALANCE SHEET ITEMS	066	1.147.302.721	1.173.854.111
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 075)	067	193.664.202	335.484.285
I. INITIAL (SUBSCRIBED) CAPITAL	068	249.600.060	249.600.060
II CAPITAL RESERVES	069	10.368.101	10.368.101
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	51.781.966	51.178.531
1 Legal reserves	071	12.532.960	12.532.960
2 Reserves for treasury shares	072	39.231.550	38.620.615
3 Treasury shares and holdings (deductible item)	073	0	0
4 Statutory reserves	074	0	0
5 Other reserves	075	17.456	24.956
IV REVALUATION RESERVES	076	0	0
V FAIR VALUE RESERVES (ADP 078 to 080)	077	0	0
1 Fair value of financial assets available for sale	078	0	0
2 Cash flow hedge - effective portion	079	0	0
3 Hedge of a net investment in a foreign operation - effective portion	080	0	0
VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)	081	-26.654.267	-123.719.156
1 Retained profit	082	0	0
2 Loss brought forward	083	26.654.267	123.719.156
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	084	-96.454.000	143.971.752
1 Profit for the business year	085	0	143.971.752
2 Loss for the business year	086	96.454.000	0
VIII MINORITY (NON-CONTROLLING) INTEREST	087	5.022.342	4.084.997
B) PROVISIONS (ADP 089 to 094)	088	3.748.157	5.124.119
1 Provisions for pensions, termination benefits and similar obligations	089	0	0
2 Provisions for tax liabilities	090	0	0
3 Provisions for ongoing legal cases	091	453.209	368.150
4 Provisions for renewal of natural resources	092	0	0
5 Provisions for warranty obligations	093	0	0
6 Other provisions	094	3.294.948	4.755.969
C) LONG-TERM LIABILITIES (ADP 096 to 106)	095	96.886.212	14.533.863
1 Liabilities towards undertakings within the group	096	0	0
2 Liabilities for loans, deposits, etc. to companies within the group	097	0	0
3 Liabilities towards companies linked by virtue of participating interest	098	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	099	0	0
5 Liabilities for loans, deposits etc.	100	347.225	96.670
6 Liabilities towards banks and other financial institutions	101	94.978.340	6.776.858
7 Liabilities for advance payments	102	0	0
8 Liabilities towards suppliers	103	0	0
9 Liabilities for securities	104	0	0
10 Other long-term liabilities	105	1.560.647	7.660.335

11 Deferred tax liability	106	0	0
D) SHORT-TERM LIABILITIES (ADP 108 to 121)	107	666.715.493	284.449.330
1 Liabilities towards undertakings within the group	108	4.350.696	1.039.739
2 Liabilities for loans, deposits, etc. to companies within the group	109	0	0
3 Liabilities towards companies linked by virtue of participating interest	110	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	111	0	0
5 Liabilities for loans, deposits etc.	112	7.469.807	19.405.577
6 Liabilities towards banks and other financial institutions	113	375.011.456	77.312.923
7 Liabilities for advance payments	114	32.038.074	7.561.294
8 Liabilities towards suppliers	115	239.997.574	158.478.191
9 Liabilities for securities	116	0	0
10 Liabilities towards employees	117	3.294.136	468.801
11 Taxes, contributions and similar liabilities	118	3.979.069	19.767.663
12 Liabilities arising from the share in the result	119	30.963	30.963
13 Liabilities arising from fixed assets held for sale	120		0
14 Other short-term liabilities	121	543.718	384.179
E) ACCRUALS AND DEFERRED INCOME	122	15.315.537	305.873
F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)	123	976.329.601	639.897.470
G) OFF-BALANCE SHEET ITEMS	124	1.147.302.721	1.173.854.111

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2019. to 31.12.2019.

in HRK

Submitter: VIRO TVORNICA ŠEĆERA d.d.			
Item 1	ADP code 2	Same period of the previous year 3	Current period 4
I OPERATING INCOME (ADP 126 to 130)	125	678.601.173	868.290.208
1 Income from sales with undertakings within the group	126	11.626.231	38.530.542
2 Income from sales (outside group)	127	637.505.540	559.237.302
3 Income from the use of own products, goods and services	128	195.226	85.680
4 Other operating income with undertakings within the group	129	0	243.183.670
5 Other operating income (outside the group)	130	29.274.176	27.253.014
II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	804.818.097	716.706.753
1 Changes in inventories of work in progress and finished goods	132	168.333.048	200.062.035
2 Material costs (ADP 134 to 136)	133	458.299.368	410.890.781
a) Costs of raw material	134	232.437.676	204.481.269
b) Costs of goods sold	135	165.171.145	169.041.165
c) Other external costs	136	60.690.547	37.368.347
3 Staff costs (ADP 138 to 140)	137	54.517.182	27.371.061
a) Net salaries and wages	138	34.384.346	17.160.049
b) Tax and contributions from salaries expenses	139	12.431.424	6.465.247
c) Contributions on salaries	140	7.701.412	3.745.765
4 Depreciation	141	51.133.774	23.298.635
5 Other expenses	142	15.300.247	11.008.893
6 Value adjustments (ADP 144+145)	143	32.995.270	0
a) fixed assets other than financial assets	144	0	0
b) current assets other than financial assets	145	32.995.270	0
7 Provisions (ADP 147 to 152)	146	328.471	2.509.903
a) Provisions for pensions, termination benefits and similar obligations	147	0	0
b) Provisions for tax liabilities	148	0	0
c) Provisions for ongoing legal cases	149	0	0
d) Provisions for renewal of natural resources	150	0	0
e) Provisions for warranty obligations	151	0	0
f) Other provisions	152	328.471	2.509.903
8 Other operating expenses	153	23.910.737	41.565.445
III FINANCIAL INCOME (ADP 155 to 164)	154	62.436.313	30.557.285
1 Income from investments in holdings (shares) of undertakings within the group	155	0	0
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	156	0	0
3 Income from other long-term financial investment and loans granted to undertakings within the group	157	742.219	231.247
4 Other interest income from operations with undertakings within the group	158	0	0
5 Exchange rate differences and other financial income from operations with undertakings within the group	159	300.269	385.734
6 Income from other long-term financial investments and loans	160	1.064.309	328.059
7 Other interest income	161	7.405.241	748.597
8 Exchange rate differences and other financial income	162	47.164.467	2.524.729
9 Unrealised gains (income) from financial assets	163		41.400
10 Other financial income	164	5.759.808	26.297.519
IV FINANCIAL EXPENDITURE (ADP 166 to 172)	165	33.615.551	33.702.981
1 Interest expenses and similar expenses with undertakings within the group	166	0	0
2 Exchange rate differences and other expenses from operations with undertakings within the group	167	740.711	144.957
3 Interest expenses and similar expenses	168	28.899.178	25.636.809
4 Exchange rate differences and other expenses	169	3.967.202	3.441.171
5 Unrealised losses (expenses) from financial assets	170	8.460	0
6 Value adjustments of financial assets (net)	171	0	0
7 Other financial expenses	172	0	4.480.044
V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	173	0	0

VI SHARE IN PROFIT FROM JOINT VENTURES	174	0	0
VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	175	0	0
VIII SHARE IN LOSS OF JOINT VENTURES	176	0	5.340.139
IX TOTAL INCOME (ADP 125+154+173 + 174)	177	741.037.486	898.847.493
X TOTAL EXPENDITURE (ADP 131+165+175 + 176)	178	838.433.648	755.749.873
XI PRE-TAX PROFIT OR LOSS (ADP 177-178)	179	-97.396.162	143.097.620
1 Pre-tax profit (ADP 177-178)	180	0	143.097.620
2 Pre-tax loss (ADP 178-177)	181	-97.396.162	0
XII INCOME TAX	182	0	0
XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183	-97.396.162	143.097.620
1 Profit for the period (ADP 179-182)	184	0	143.097.620
2 Loss for the period (ADP 182-179)	185	-97.396.162	0
DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)			
XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 187-188)	186	0	179.727.576
1 Pre-tax profit from discontinued operations	187	0	179.727.576
2 Pre-tax loss on discontinued operations	188	0	0
XV INCOME TAX OF DISCONTINUED OPERATIONS	189	0	0
1 Discontinued operations profit for the period (ADP 186-189)	190		
2 Discontinued operations loss for the period (ADP 189-186)	191		
TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)			
XVI PRE-TAX PROFIT OR LOSS (ADP 179+186)	192		
1 Pre-tax profit (ADP 192)	193	0	322.825.196
2 Pre-tax loss (ADP 192)	194	0	0
XVII INCOME TAX (ADP 182+189)	195		
XVIII PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	196		
1 Profit for the period (ADP 192-195)	197		
2 Loss for the period (ADP 195-192)	198		
APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)			
XIX PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	199	-97.396.162	143.097.620
1 Attributable to owners of the parent	200	-96.454.000	143.971.752
2 Attributable to minority (non-controlling) interest	201	-942.162	-874.132
STATEMENT OF OTHER COMPREHENSIVE INCOME (to be filled in by undertakings subject to IFRS)			
I PROFIT OR LOSS FOR THE PERIOD	202		
II OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (ADP 204 to 211)	203	0	0
1 Exchange rate differences from translation of foreign operations	204	0	0
2 Changes in revaluation reserves of fixed tangible and intangible assets	205	0	0
3 Profit or loss arising from re-evaluation of financial assets available for sale	206	0	0
4 Profit or loss arising from effective cash flow hedging	207	0	0
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	208	0	0
6 Share in other comprehensive income/loss of companies linked by virtue of participating interest	209	0	0
7 Actuarial gains/losses on defined remuneration plans	210	0	0
8 Other changes in equity unrelated to owners	211	0	0
III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	212	0	0
IV NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)	213	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)	214	0	0
APPENDIX to the Statement on comprehensive income (to be filled in by entrepreneurs who draw up consolidated statements)			
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 216+217)	215	-97.396.162	143.097.620
1 Attributable to owners of the parent	216	-96.454.000	143.971.752
2 Attributable to minority (non-controlling) interest	217	-942.162	-874.132

STATEMENT OF CASH FLOWS - indirect method
for the period 01.01.2019 . to 31.12.2019.

in HRK

Submitter: VIRO TVORNICA ŠEĆERA d.d.			
Item	ADP code	Same period of the previous year	Current period
1	2	3	4
Cash flow from operating activities			
1 Pre-tax profit	001	-97.396.162	143.097.620
2 Adjustments (ADP 003 to 010):	002	72.367.561	23.298.635
a) Depreciation	003	51.133.774	23.298.635
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	106.116	0
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	6.210	0
d) Interest and dividend income	006	-193.294	0
e) Interest expenses	007	21.592.466	0
f) Provisions	008	0	0
g) Exchange rate differences (unrealised)	009	714.920	0
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	-992.631	0
I Cash flow increase or decrease before changes in the working capital (ADP 001+002)	011	-25.028.601	166.396.255
3 Changes in the working capital (ADP 013 to 016)	012	84.197.771	254.429.638
a) Increase or decrease in short-term liabilities	013	-95.388.676	-17.963.440
b) Increase or decrease in short-term receivables	014	64.813.885	-50.866.161
c) Increase or decrease in inventories	015	135.801.983	307.425.385
d) Other increase or decrease in the working capital	016	-21.029.421	15.833.854
II Cash from operations (ADP 011+012)	017	59.169.170	420.825.893
4 Interest paid	018	-13.973.556	0
5 Income tax paid	019	0	0
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	45.195.614	420.825.893
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	021	2.914.040	373.506.882
2 Cash receipts from sales of financial instruments	022	0	0
3 Interest received	023	9.376.270	12.031.908
4 Dividends received	024	125.650	0
5 Cash receipts from repayment of loans and deposits	025	536.924	0
6 Other cash receipts from investment activities	026	17.025.186	66.671.663
III Total cash receipts from investment activities (ADP 021 to 026)	027	29.978.070	452.210.453
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-31.625.817	-31.233.695
2 Cash payments for the acquisition of financial instruments	029	0	-360.359.302
3 Cash payments for loans and deposits for the period	030	-93.383	0
4 Acquisition of a subsidiary, net of cash acquired	031	0	0
5 Other cash payments from investment activities	032	-12.191.005	-3.810.998
IV Total cash payments from investment activities (ADP 028 to 032)	033	-43.910.205	-395.403.995
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)	034	-13.932.135	56.806.458
Cash flow from financing activities			
1 Cash receipts from the increase of initial (subscribed) capital	035	0	0
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036	0	0
3 Cash receipts from credit principals, loans and other borrowings	037	399.907.065	97.806.685
4 Other cash receipts from financing activities	038	9.217.808	18.360.333
V Total cash receipts from financing activities (ADP 035 to 038)	039	409.124.873	116.167.018
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-470.381.688	-578.576.765
2 Dividends paid	041	0	0
3 Cash payments for finance lease	042	-798.048	-405.730

4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	043	-4.635.120	-610.935
5 Other cash payments from financing activities	044	-31.837.322	-16.301.117
VI Total cash payments from financing activities (ADP 040 to 044)	045	-507.652.178	-595.894.547
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)	046	-98.527.305	-479.727.529
1 Unrealised exchange rate differences in cash and cash equivalents	047	0	0
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 020+034+046+047)	048	-67.263.826	-2.095.178
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	049	72.100.347	4.836.521
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(ADP 048+049)	050	4.836.521	2.741.343

STATEMENT OF CHANGES IN EQUITY
for the period from 1.1.2019 to 31.12.2019

Accounting period	IN NERK									
	Balance on the first day of the previous business year	Changes in accounting policies	Changes in accounting policies	Changes in accounting policies	Changes in accounting policies	Changes in accounting policies	Changes in accounting policies	Changes in accounting policies	Changes in accounting policies	Changes in accounting policies
01	240,000,000	0	0	0	0	0	0	0	0	0
02	0	0	0	0	0	0	0	0	0	0
03	0	0	0	0	0	0	0	0	0	0
04	240,000,000	0	0	0	0	0	0	0	0	0
05	0	0	0	0	0	0	0	0	0	0
06	0	0	0	0	0	0	0	0	0	0
07	0	0	0	0	0	0	0	0	0	0
08	0	0	0	0	0	0	0	0	0	0
09	0	0	0	0	0	0	0	0	0	0
10	0	0	0	0	0	0	0	0	0	0
11	0	0	0	0	0	0	0	0	0	0
12	0	0	0	0	0	0	0	0	0	0
13	0	0	0	0	0	0	0	0	0	0
14	0	0	0	0	0	0	0	0	0	0
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16	0	0	0	0	0	0	0	0	0	0
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20	0	0	0	0	0	0	0	0	0	0
21	0	0	0	0	0	0	0	0	0	0
22	0	0	0	0	0	0	0	0	0	0
23	240,000,000	0	0	0	0	0	0	0	0	0
24	0	0	0	0	0	0	0	0	0	0
25	0	0	0	0	0	0	0	0	0	0
26	0	0	0	0	0	0	0	0	0	0
27	240,000,000	0	0	0	0	0	0	0	0	0
28	0	0	0	0	0	0	0	0	0	0
29	0	0	0	0	0	0	0	0	0	0
30	240,000,000	0	0	0	0	0	0	0	0	0
31	0	0	0	0	0	0	0	0	0	0
32	0	0	0	0	0	0	0	0	0	0
33	0	0	0	0	0	0	0	0	0	0
34	0	0	0	0	0	0	0	0	0	0
35	0	0	0	0	0	0	0	0	0	0
36	0	0	0	0	0	0	0	0	0	0
37	0	0	0	0	0	0	0	0	0	0
38	0	0	0	0	0	0	0	0	0	0
39	0	0	0	0	0	0	0	0	0	0
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45	0	0	0	0	0	0	0	0	0	0
46	0	0	0	0	0	0	0	0	0	0
47	0	0	0	0	0	0	0	0	0	0
48	0	0	0	0	0	0	0	0	0	0
49	0	0	0	0	0	0	0	0	0	0
50	0	0	0	0	0	0	0	0	0	0
51	0	0	0	0	0	0	0	0	0	0
52	0	0	0	0	0	0	0	0	0	0
53	240,000,000	0	0	0	0	0	0	0	0	0
54	0	0	0	0	0	0	0	0	0	0
55	0	0	0	0	0	0	0	0	0	0
56	0	0	0	0	0	0	0	0	0	0
57	0	0	0	0	0	0	0	0	0	0
58	0	0	0	0	0	0	0	0	0	0
59	0	0	0	0	0	0	0	0	0	0
60	0	0	0	0	0	0	0	0	0	0
61	0	0	0	0	0	0	0	0	0	0
62	0	0	0	0	0	0	0	0	0	0
63	0	0	0	0	0	0	0	0	0	0
64	0	0	0	0	0	0	0	0	0	0
65	0	0	0	0	0	0	0	0	0	0
66	0	0	0	0	0	0	0	0	0	0
67	0	0	0	0	0	0	0	0	0	0
68	0	0	0	0	0	0	0	0	0	0
69	0	0	0	0	0	0	0	0	0	0
70	0	0	0	0	0	0	0	0	0	0
71	0	0	0	0	0	0	0	0	0	0
72	0	0	0	0	0	0	0	0	0	0
73	0	0	0	0	0	0	0	0	0	0
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75	0	0	0	0	0	0	0	0	0	0
76	0	0	0	0	0	0	0	0	0	0
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80	0	0	0	0	0	0	0	0	0	0
81	0	0	0	0	0	0	0	0	0	0
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83	0	0	0	0	0	0	0	0	0	0
84	0	0	0	0	0	0	0	0	0	0
85	0	0	0	0	0	0	0	0	0	0
86	0	0	0	0	0	0	0	0	0	0
87	0	0	0	0	0	0	0	0	0	0
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89	0	0	0	0	0	0	0	0	0	0
90	0	0	0	0	0	0	0	0	0	0
91	0	0	0	0	0	0	0	0	0	0
92	0	0	0	0	0	0	0	0	0	0
93	0	0	0	0	0	0	0	0	0	0
94	0	0	0	0	0	0	0	0	0	0
95	0	0	0	0	0	0	0	0	0	0
96	0	0	0	0	0	0	0	0	0	0
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98	0	0	0	0	0	0	0	0	0	0
99	0	0	0	0	0	0	0	0	0	0
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103	0	0	0	0	0	0	0	0	0	0
104	0	0	0	0	0	0	0	0	0	0
105	0	0	0	0	0	0	0	0	0	0
106	0	0	0	0	0	0	0	0	0	0
107	0	0	0	0	0	0	0	0	0	0
108	0	0	0	0	0	0	0	0	0	0
109	0	0	0	0	0	0	0	0	0	0
110	0	0	0	0	0	0	0	0	0	0
111	0	0	0	0	0	0	0	0	0	0
112	0	0	0	0	0	0	0	0	0	0
113	0	0	0	0	0	0	0	0	0	0
114	0	0	0	0	0	0	0	0	0	0
115	0	0	0	0	0	0	0	0	0	0
116	0	0	0	0	0	0	0	0	0	0
117	0	0	0	0	0	0	0	0	0	0
118	0	0	0	0	0	0	0	0	0	0
119	0	0	0	0	0	0	0	0	0	0
120	0	0	0	0	0	0	0	0	0	0
121	0	0	0	0	0	0	0	0	0	0
122	0	0	0	0	0	0	0	0	0	0
123	0	0	0	0	0	0	0	0	0	0
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125	0	0	0	0	0	0	0	0	0	0
126	0	0	0	0	0	0	0	0	0	0
127	0	0	0	0	0	0	0	0	0	0
128	0	0	0	0	0	0	0	0	0	0
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132	0	0	0	0	0	0	0	0	0	0
133	0	0	0	0	0	0	0	0	0	0
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135	0	0	0	0	0	0	0	0	0	0
136	0	0	0	0	0	0	0	0	0	0
137	0	0	0	0	0	0	0	0	0	0
138	0	0	0	0	0	0	0	0	0	0
139	0	0	0	0	0	0	0	0	0	0
140	0	0	0	0	0	0	0	0	0	0
141	0	0	0	0	0	0	0	0	0	0
142	0	0	0</							