

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

	<i>Page</i>
Annual Management Board Report on the Business Performance and Position of the Company for the Year 2019	1-12
Responsibility of the Management Board for the Annual Financial Statements	13
Independent Auditor's Report	14-16
Unconsolidated Statement of Other Comprehensive Income	17
Unconsolidated Statement of Financial Position	18 - 19
Unconsolidated Statement of Changes in Equity	20
Unconsolidated Statement of Cash Flows	21
Notes to the Unconsolidated Financial Statements	22–76
Standard Annual Unconsolidated Financial Statements as at and for the year ended 31 December 2019	77



**TVORNICA ŠEĆERA d.d.**

*Annual Management Board Report on the  
Business Performance and Position of the  
Company for the Year 2019*

*Zagreb, June 2020*

## Contents

<b>1. Introduction</b> .....	- 2 -
<b>2. Risk exposure</b> .....	4
<b>a. Capital risk</b> .....	4
<b>b. Interest risk</b> .....	4
<b>c. Liquidity risk</b> .....	4
<b>3. Financial position of the company</b> .....	5
<b>4. Employees</b> .....	12
<b>5. Investment</b> .....	<a href="#">122</a>
<b>6. Environment and ecology</b> .....	<a href="#">122</a>
<b>7. Planned short-term development</b> .....	<a href="#">122</a>

Annex 1 - Audited Unconsolidated Financial Statements

## 1. Introduction

GENERAL INFORMATION: VIRO TVORNICA ŠEĆERA d.d. (hereinafter: the Company)

<i>Establishment:</i>	<b>19 June 2002</b>
<i>Activities:</i>	<b>Production of sugar</b>
<i>Headquarters:</i>	<b>Zagreb, Ulica grada Vukovara 269g</b>
<i>Phone:</i>	<b>Zagreb, +385 1 2369 777</b>
	<b>Virovitica, + 385 33 840 101</b>
<i>Fax:</i>	<b>Zagreb, +385 1 2369 777</b>
	<b>Virovitica, + 385 33 840 103</b>
<i>E-mail:</i>	<b>info@secerana.hr</b>
<i>Personal identification number OIB:</i>	<b>04525204420</b>
<i>MBS registration number:</i>	<b>010049135</b>
<i>Identification number:</i>	<b>1650971</b>
<i>Share capital of the Company:</i>	<b>HRK 249,600,060.00</b>
<i>Number of shares:</i>	<b>Regular - ticker VIRO-R-A: 1.386.667</b>
<i>Ownership structure:</i>	<b>EOS-Z d.o.o. – 33.64%</b>
	<b>ROBIĆ d.o.o. – 22.23%</b>
	<b>CRISTAL FINANCIERE – 17%</b>
	<b>Treasury shares 3.07%</b>
	<b>Other – 24.06%</b>
<i>Traded on:</i>	<b>Zagreb Stock Exchange – Official market</b>
<i>Management Board:</i>	<b>Željko Zadro, president</b> <b>Darko Krstić, member</b> <b>Ivo Rešić, member</b>
<i>Supervisory Board:</i>	<b>Marinko Zadro, president</b>

In the business year 2019, the company generated total revenues for HRK 685,875,431. Of that, total operating income amounts to HRK 653,313,666, and financial income amounts to HRK 32,561,765.

Total expenses in the business year 2019 amount to HRK 584,313,138, of which HRK 560,814,363 are operating expenses, while financial expenses amounted to HRK 23,498,775. In the business year 2019, the company made a profit in the amount of HRK 101,562,293.

Following the abolition of production quotas in the EU in October 2017, there was a major disturbance on the EU sugar market in the following year, which still has a negative impact on the Company's operations, as the 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.

Following the abolition of production quotas in the EU in October 2017, there was a major disturbance on the EU sugar market in the following year, which still has a negative impact on the Company's operations, as the 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: TŠO), in principle, reached an agreement on connecting all sugar factories into one business system. After several months of considering this intention, the Croatian Competition Agency approved the concentration, after which a series of steps that led to the purchase and sale of production assets at the end of 2019 and the consequent transfer of workers from the three sugar factories to the Hrvatska industrija šećera d.d. with the last day of that year.

In this regard, it should be noted that the Company didn't process sugar beet as an independent business system in 2019, as this was and will continue to be done within the newly established company Hrvatska industrija šećera d.d.

Within the production, there were 63,049 tons of white cane sugar produced, and this production will take place in the future within the Hrvatska industrija šećera d.d.

As pointed out in the introduction to this report, despite a certain loss at the level of operating operations, the Company made a profit of HRK 101.56 million. This result was mostly influenced by the sale of production assets to the Hrvatska industrija šećera d.d. which, as a new entity, continued to operate from the second half of 2019, while the Company sold existing stocks of goods, and performed management activities as a holding company.

#### **Management Board of the Company**

Željko Zadro, president

Darko Krstić, member

Ivo Rešić, member



## **2. Risk exposure**

From the perspective of an independent entity, the company should significantly reduce certain risks since most of the business activities have been transferred to the newly established entity, Hrvatska industrija šećera.

### **a. Capital risk**

The Company's sources of assets consist of debt, which includes trade payables and credit liabilities less cash and cash equivalents (so-called net debt) and equity, which includes share capital, reserves and retained earnings.

The competent services of the Company regularly analyse the capital structure. As part of this analysis, the service analyses the cost of capital and the risk associated with each item of capital.

### **b. Interest risk**

The Company is exposed to interest rate risk on part of its financial debt. The Company seeks to reduce financial debt and thus reduce the risk in question.

The sale of assets related to sugar production secured funds that closed existing credit liabilities in the amount of € 32.37 million.

### **c. Liquidity risk**

The Company manages its liquidity by continuously monitoring planned and realized cash flows and adjusting the maturity structure of liabilities and receivables.

All liabilities to creditors will be settled on time and in accordance with the agreement reached with 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 written agreements will be concluded soon. If it does not prove certain that the liabilities can be properly settled, the Management Board is also considering the implementation of a recapitalization to which creditors would be invited.

### **d. Credit risk, currency risk and the Company's exposure to price risk**

As already mentioned, due to the reduction of business volume and the transfer of business activity to the newly established company, these risks should be significantly reduced.

### 3. Financial position of the company

Table 1. Balance sheet as at 31 December 2019

Item	ADP code	31 December 2018	31 December 2019
1	2	3	4
<b>A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID</b>	<b>001</b>	0	0
<b>B) FIXED ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	649,438,487	539,123,292
<b>I INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	2,266,166	0
1 Research and development	004	0	0
2 Concessions, patents, licences, trademarks, software and other rights	005	2,266,166	0
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
<b>II TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	135,424,536	65,191,679
1 Land	011	5,548,592	23,538,630
2 Buildings	012	59,336,370	1,824,100
3 Plant and equipment	013	32,708,188	2,384,080
4 Tools, working inventory and transportation assets	014	0	0
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	2,230,095	2,230,095
8 Other tangible assets	018	9,300	9,300
9 Investment property	019	1,775,707	1,275,194
<b>III FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	511,747,785	473,931,613
1 Investments in holdings (shares) of undertakings within the group	021	424,406,807	407,586,783
2 Investments in other securities of undertakings within the group	022	0	0
3 Loans, deposits, etc. to undertakings within the group	023	85,506,383	63,021,922
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	13,670	17,908
8 Loans, deposits, etc. given	028	1,820,925	3,305,000
9 Other investments accounted for using the equity method	029	0	0
10 Other fixed financial assets	030	0	0
<b>IV RECEIVABLES (ADP 032 to 035)</b>	<b>031</b>	0	0
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	0	0
<b>V. Deferred tax assets</b>	<b>036</b>	0	0
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	459,850,497	320,845,210
<b>I INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	132,389,263	28,212,969
1 Raw materials	039	86,116,520	536,944
2 Work in progress	040	0	0



3 Finished goods	041	33,585,691	7,687,154
4 Merchandise	042	8,812,000	18,727,690
5 Advance payments for inventories	043	3,875,052	1,261,181
6 Fixed assets held for sale	044	0	0
7 Biological assets	045	0	0
<b>II RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	<b>73,878,194</b>	<b>80,285,191</b>
<b>1 Receivables from undertakings within the group</b>	<b>047</b>	<b>36,568,429</b>	<b>67,013,639</b>
2 Receivables from companies linked by virtue of participating interest	048	0	0
3 Customer receivables	049	27,291,561	10,247,084
4 Receivables from employees and members of the undertaking	050	15	0
5 Receivables from government and other institutions	051	7,670,427	2,491,595
6 Other receivables	052	2,347,762	532,873
<b>III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>253,366,282</b>	<b>210,520,857</b>
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	244,945,825	207,690,998
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	7,720,457	2,829,859
9 Other financial assets	062	700,000	0
<b>IV CASH AT BANK AND IN HAND</b>	<b>063</b>	<b>216,758</b>	<b>1,826,193</b>
<b>D ) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>760,923</b>	<b>73,778</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>1,110,049,907</b>	<b>860,042,280</b>
<b>OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>80,761,205</b>	<b>32,571,803</b>
<b>CAPITAL AND LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)</b>	<b>067</b>	<b>530,936,108</b>	<b>631,887,468</b>
<b>I. INITIAL (SUBSCRIBED) CAPITAL</b>	<b>068</b>	<b>249,600,060</b>	<b>249,600,060</b>
<b>II CAPITAL RESERVES</b>	<b>069</b>	<b>10,368,101</b>	<b>10,368,102</b>
<b>III RESERVES FROM PROFIT (ADP 071+072-073+074+075)</b>	<b>070</b>	<b>51,711,553</b>	<b>51,100,618</b>
1 Legal reserves	071	12,480,003	12,480,003
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	0	0
<b>IV REVALUATION RESERVES</b>	<b>076</b>	<b>0</b>	<b>0</b>
<b>V FAIR VALUE RESERVES (ADP 078 to 080)</b>	<b>077</b>	<b>0</b>	<b>0</b>
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
<b>VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)</b>	<b>081</b>	<b>236,919,469</b>	<b>219,256,394</b>
1 Retained profit	082	236,919,469	219,256,394
2 Loss brought forward	083	0	0
<b>VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)</b>	<b>084</b>	<b>-17,663,075</b>	<b>101,562,294</b>
1 Profit for the business year	085	0	101,562,294

2 Loss for the business year	086	17,663,075	0
<b>VIII MINORITY (NON-CONTROLLING) INTEREST</b>	087	0	0
<b>B) PROVISIONS (ADP 089 to 094)</b>	088	8,834,992	7,450,057
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	0	0
4 Provisions for renewal of natural resources	092	0	0
5 Provisions for warranty obligations	093	0	0
6 Other provisions	094	8,834,992	7,450,057
<b>C) LONG-TERM LIABILITIES (ADP 096 to 106)</b>	095	86,354,623	0
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	208,554	0
6 Liabilities towards banks and other financial institutions	101	86,146,069	0
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	0	0
11 Deferred tax liability	106	0	0
<b>D) SHORT-TERM LIABILITIES (ADP 108 to 121)</b>	107	483,133,105	220,560,841
1 Liabilities towards undertakings within the group	108	43,081	723,005
2 Liabilities for loans, deposits, etc. to companies within the group	109	0	837,342
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	6,462,091	4,408,554
6 Liabilities towards banks and other financial institutions	113	281,072,338	57,679,599
7 Liabilities for advance payments	114	25,170,938	6,944,781
8 Liabilities towards suppliers	115	167,748,686	133,818,512
9 Liabilities for securities	116	0	0
10 Liabilities towards employees	117	1,554,340	164,390
11 Taxes, contributions and similar liabilities	118	840,710	624,287
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	0
14 Other short-term liabilities	121	209,958	15,329,408
<b>E) ACCRUALS AND DEFERRED INCOME</b>	122	791,079	143,914
<b>F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)</b>	123	1,110,049,907	860,042,280
<b>G) OFF-BALANCE SHEET ITEMS</b>	124	80,761,205	32,571,803

Source: the Company

Table 2. Statement of profit or loss

Item	ADP code	31 December 2018	31 December 2019
1	2	3	4
<b>I OPERATING INCOME (ADP 126 to 130)</b>	<b>125</b>	<b>547,721,980</b>	<b>653,313,666</b>
1 Income from sales with undertakings within the group	126	50,205,871	43,403,466
2 Income from sales (outside group)	127	477,419,070	453,417,504
3 Income from the use of own products, goods and services	128	56,096	34,469
4 Other operating income with undertakings within the group	129	200,947	1,152,821
5 Other operating income (outside the group)	130	19,839,996	155,305,406
<b>II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)</b>	<b>131</b>	<b>609,567,032</b>	<b>560,814,363</b>
1 Changes in inventories of work in progress and finished goods	132	84,799,681	25,875,196
2 Material costs (ADP 134 to 136)	133	443,507,607	490,537,284
a) Costs of raw material	134	110,021,200	186,840,468
b) Costs of goods sold	135	295,196,809	280,291,683
c) Other external costs	136	38,289,598	23,405,133
3 Staff costs (ADP 138 to 140)	137	24,293,618	12,031,230
a) Net salaries and wages	138	15,245,560	7,454,377
b) Tax and contributions from salaries expenses	139	5,695,085	2,965,677
c) Contributions on salaries	140	3,352,973	1,611,176
4 Depreciation	141	23,853,533	8,290,916
5 Other expenses	142	6,210,291	4,987,179
6 Value adjustments (ADP 144+145)	143	10,759,251	0
a) fixed assets other than financial assets	144	0	0
b) current assets other than financial assets	145	10,759,251	0
7 Provisions (ADP 147 to 152)	146	1,945,949	0
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	1,945,949	0
8 Other operating expenses	153	14,197,102	19,092,558
<b>III FINANCIAL INCOME (ADP 155 to 164)</b>	<b>154</b>	<b>68,674,110</b>	<b>32,561,765</b>
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	0	0
4 Other interest income from operations with undertakings within the group	158	12,576,189	12,092,528
5 Exchange rate differences and other financial income from operations with undertakings within the group	159	1,117,718	0
6 Income from other long-term financial investments and loans	160	0	0
7 Other interest income	161	723,691	918,856
8 Exchange rate differences and other financial income	162	7,031,200	2,323,918
9 Unrealised gains (income) from financial assets	163	300,500	0
10 Other financial income	164	46,924,812	17,226,463

<b>IV FINANCIAL EXPENDITURE (ADP 166 to 172)</b>	<b>165</b>	<b>24,492,133</b>	<b>23,498,775</b>
1 Interest expenses and similar expenses with undertakings within the group	166	82,639	24,771
2 Exchange rate differences and other expenses from operations with undertakings within the group	167	3,082,572	671,993
3 Interest expenses and similar expenses	168	15,854,716	13,970,950
4 Exchange rate differences and other expenses	169	3,593,433	3,162,327
5 Unrealised losses (expenses) from financial assets	170	0	0
6 Value adjustments of financial assets (net)	171	0	0
7 Other financial expenses	172	1,878,773	5,668,734
<b>V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>173</b>	<b>0</b>	<b>0</b>
<b>VI SHARE IN PROFIT FROM JOINT VENTURES</b>	<b>174</b>	<b>0</b>	<b>0</b>
<b>VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>175</b>	<b>0</b>	<b>0</b>
<b>VIII SHARE IN LOSS OF JOINT VENTURES</b>	<b>176</b>	<b>0</b>	<b>0</b>
<b>IX TOTAL INCOME (ADP 125+154+173 + 174)</b>	<b>177</b>	<b>616,396,090</b>	<b>685,875,431</b>
<b>X TOTAL EXPENDITURE (ADP 131+165+175 + 176)</b>	<b>178</b>	<b>634,059,165</b>	<b>584,313,138</b>
<b>XI PRE-TAX PROFIT OR LOSS (ADP 177-178)</b>	<b>179</b>	<b>-17,663,075</b>	<b>101,562,293</b>
1 Pre-tax profit (ADP 177-178)	180	0	101,562,293
2 Pre-tax loss (ADP 178-177)	181	-17,663,075	0
<b>XII INCOME TAX</b>	<b>182</b>	<b>0</b>	<b>0</b>
<b>XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)</b>	<b>183</b>	<b>-17,663,075</b>	<b>101,562,293</b>
1 Profit for the period (ADP 179-182)	184	0	101,562,293
2 Loss for the period (ADP 182-179)	185	-17,663,075	0
<b>DISCONTINUED OPERATIONS (to be filled in by the entrepreneur liable to IFRS only if it has discontinued operations)</b>			
<b>XIV. PROFIT OR LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXATIONS (ADP 187-188)</b>	<b>186</b>	<b>0</b>	<b>114,812,861</b>
1. Profit from discontinued operations before tax	187	0	114,812,861
2. Loss of discontinued operations before tax	188	0	0
<b>XV. INCOME TAX FOR DISCONTINUED BUSINESS</b>	<b>189</b>	<b>0</b>	<b>0</b>
1. Operating profit for the period (AOP 186-189)	190	0	114,812,861
2. Loss of discontinued operations for the period (AOP 189-186)	191	0	0
<b>TOTAL BUSINESS (to be filled in only by an entrepreneur subject to IFRS who has discontinued operations)</b>			
<b>XVI PROFIT OR LOSS BEFORE TAX (AOP 179 + 186)</b>	<b>192</b>	<b>0</b>	<b>216,375,154</b>
1. Profit before tax (AOP 192)	193	0	216,375,154
2. Pre-tax loss (AOP 192)	194	0	0
<b>XVII. INCOME TAX (AOP 182 + 189)</b>	<b>195</b>	<b>0</b>	<b>0</b>
<b>XVIII. PROFIT OR LOSS FOR THE PERIOD (AOP 192-195)</b>	<b>196</b>	<b>0</b>	<b>216,375,154</b>
1. Profit for the period (AOP 192-195)	197	0	216,375,154
2. Loss for the period (AOP 195-192)	198	0	0
<b>APPENDIX to the P&amp;L (to be filled in by the entrepreneur compiling the consolidated annual financial report)</b>			
<b>XIX. PROFIT OR LOSS FOR THE PERIOD (AOP 200 + 201)</b>	<b>199</b>	<b>0</b>	<b>0</b>
1. Attributable to equity holders of the parent	200	0	0
2. Attributable to minority (non-controlling) interest	201	0	0
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (to be completed by the entrepreneur obliged to apply IFRS)</b>			
<b>I PROFIT OR LOSS FOR THE PERIOD</b>	<b>202</b>	<b>-17,663,075</b>	<b>101,562,293</b>
<b>II OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX</b>	<b>203</b>	<b>0</b>	<b>0</b>

(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	-17,663,075	101,562,293

Source: the Company

Table 3. *Cash flow*

Item	ADP code	31 December 2018	31 December 2019
1	2	3	4
<b>Cash flow from operating activities</b>			
1. Profit before tax	001	-17,663,075	101,562,294
2. Adjustments (ADP 003 to 010):	002	23,853,533	8,290,916
a) Depreciation	003	23,853,533	8,290,916
b) Gains and losses on disposals and value adjustments of property, plant and equipment and intangible assets	004		
c) Gains and losses on disposals and unrealized gains and losses and value adjustments of financial assets	005		
d) Interest and dividend income	006		
e) Interest expenses	007		
f) Provisions	008		
g) Exchange rate differences (unrealized)	009		
h) Other adjustments for non-monetary transactions and unrealized gains and losses	010		
I. Increase or decrease in cash flows before changes in working capital(ADP 001 + 002)	011	6,190,458	109,853,210
3. Changes in working capital (ADP 013 to 016)	012	-33,871,692	132,451,565
a) Increase or decrease in short-term liabilities	013	-26,055,677	4,761,716
b) Increase or decrease in current receivables	014	61,383,036	-6,406,997
c) Increase or decrease in inventories	015	36,089,805	104,176,294
d) Other increases or decreases in working capital	016	-105,288,856	29,920,552
II. Cash from operations (ADP 011 + 012)	017	-27,681,234	242,304,775
4. Cash interest expenses	018	0	
5. Paid income tax	019	0	
A) NET CASH FLOWS FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	-27,681,234	242,304,775
<b>Cash flow from investing activities</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021	555,061	87,808,549
2 Cash receipts from sales of financial instruments	022	0	

3 Interest received	023	9,296,176	12,031,908
4 Dividends received	024	75,390	
5 Cash receipts from repayment of loans and deposits	025	0	
6 Other cash receipts from investment activities	026	35,886,737	41,627,170
III Total cash receipts from investment activities (ADP 024 to 026)	027	45,813,364	141,467,627
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-5,059,667	-23,600,442
2 Cash payments for the acquisition of financial instruments	029	0	
3 Cash payments for loans and deposits	030	0	
4 Acquisition of a subsidiary, net of cash acquired	031	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	-17,250,672	-27,411,440
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 + 033)	034	28,562,692	114,056,187
<b>Cash flow from financial activities</b>			
1 Cash receipts from the increase of initial (subscribed) capital	035		
2 Cash receipts the from issue of equity financial instruments and debt financial instruments	036	0	
3 Cash receipts from credit principals, loans and other borrowings	037	304,946,725	54,571,775
4 Other cash receipts from financing activities	038	9,200,000	1,900,000
V Total cash receipts from financing activities (ADP 035 to 038)	039	314,146,725	56,471,775
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-356,373,260	-406,448,638
2 Cash payments for dividends	041	0	
3 Cash payments for finance lease	042	-798,048	-363,729
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	043	-5,023,251	-610,935
5 Other cash payments from financing activities	044	-15,300,000	-3,800,000
VI Total cash payments from financing activities (ADP 040 to 044)	045	-377,494,559	-411,223,302
C) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 039 +045)	046	-63,347,834	-354,751,527
1 Unrealised exchange rate differences in cash and cash equivalents	047		
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP020+034+046+047)	048	-62,466,376	1,609,435
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	049	62,683,134	216,758
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(ADP 048+049)	050	216,758	1,826,193

Source: the Company

#### 4. Employees

Table 5. *Qualification structure of permanent employees VIRO TVORNICA ŠEĆERA d.d.*

Qualification	31 Dec 2019	
	Number	Structure %
1	2	3
Master of Science	-	.
Higher education	2	18
College education	-	-
High school education	9	82
Half qualified	-	-
Qualified	-	-
Non-qualified	-	-
<b>Total permanent:</b>	<b>11</b>	<b>100</b>

Source: the Company

#### 5. Investment

The company had no significant investments in 2019

#### 6. Environment and ecology

During 2019, there were no environmental incidents in the Company.

#### 7. Planned short-term development

The main focus will be on management through its partner management role in the entity Hrvatska industrija šećera d.d. and commitment that the newly established company takes 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 producers of raw materials domestic sugar factories have cooperated in the past.

## 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) for that period...

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

#### **Disclaimer of Opinion**

We are engaged to audit the annual unconsolidated financial statements of Viro tvornica šećera d.d. (hereinafter: "the Company"), which comprise the Statement of Financial Position as at 31 December 2019, the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in equity for the year then ended, and Notes to the annual unconsolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying annual unconsolidated financial statements of the Company for the year ended 31 December 2019. Due to the importance of the issue described in our report in the Basis for Disclaimer of Opinion section, we were unable to obtain sufficient appropriate audit evidence to provide a basis for the audit opinion on these financial statements.

#### **Basis for Disclaimer of Opinion**

As stated in Note 15 to the annual unconsolidated financial statements, the Company in the Statement of Financial Position as at 31 December 2019 has stated investments in the subsidiary Sladorana d.o.o., Zagreb in the amount of HRK 407,187 thousand. As at 31 December 2019, the Company did not assess the recoverability of the carrying amount of these investments in accordance with International Accounting Standard 36 "Impairment of Assets". Consequently, we are not able to determine the effects of adjustments, if any, on the annual unconsolidated financial statements of the Company for 2019.

As stated in Note 28 to the annual unconsolidated financial statements, the Company in the Statement of Financial Position as at 31 December 2019 has receivables from customers and receivables from loans from the associated company Sladorana d.o.o. in the total amount of HRK 282,335 thousand. The Company did not estimate the expected credit losses at the reporting date in accordance with International Financial Reporting Standard 9 - Financial Instruments. Consequently, we are not able to determine the effects of adjustments, if any, on the annual unconsolidated financial statements of the Company for 2019.

#### **Material Uncertainty Related to Going Concern**

We draw attention to the fact that in the annual unconsolidated financial statements as at 31 December 2019, the Company has current assets in the amount of HRK 320,919 thousand and has short-term liabilities in the amount of HRK 220,704 thousand. Short-term liabilities include liabilities under due letters of credit, loans and financial leases in the amount of 62,925 thousand as stated in Note 24 in the annual unconsolidated financial statements; while current assets include receivables from the associated company Sladorana d.o.o. in the amount of HRK 282,335 thousand. These events or circumstances, among other matters, indicate the existence of uncertainties that may cast doubt on the Company'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 unconsolidated financial statements. The assessment of the Management Board is that the Company is capable of continuing its operations indefinitely. Our opinion has not been modified on this regard.

### **Other matters**

The Company has also prepared annual consolidated financial statements for the Viro tvornica šećera d.d. and subsidiaries, dated 23 June 2020 and for a better understanding of the Group as a whole, users should read the annual consolidated financial statements, in conjunction with these unconsolidated annual financial statements.

The audit of the annual unconsolidated financial statements of the Company 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 a qualified opinion on these annual unconsolidated financial statements. The basis for the qualified opinion related to the potential impairment of investments in the subsidiary.

### **Responsibilities of the Management board and those charged with governance for the unconsolidated annual financial statements**

Management Board is responsible for the preparation of unconsolidated 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 unconsolidated 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 Company.

### **Auditor's responsibilities for auditing the annual unconsolidated financial statements**

It is our responsibility to audit the Company's annual unconsolidated financial statements in accordance with International Standards on Auditing and to issue the auditor's report. However, due to the issue described in our report in the Basis for Disclaimer of Opinion section, we were unable to obtain sufficient appropriate audit evidence to provide a basis for the audit opinion on these annual unconsolidated financial statements.

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants ("IESBA Code") and have fulfilled our ethical responsibilities in accordance with the IESBA Code.

### **Statement on other legal requirements**

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

We are engaged to perform the legal audit of the annual unconsolidated financial statements of the Company for the first time for 2019, which is a one-year engagement.

In the audit of the annual unconsolidated financial statements of the Company for 2019, we determined the significance for the unconsolidated financial statements as a whole in the amount of HRK 7,432 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.

Our audit opinion is consistent with the supplementary report for the Audit committee of the Company prepared 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 unconsolidated financial statements of the Company for 2019 and the date of this Independent Auditor's Report, we did not provide prohibited non-audit services to the Company and did not provide services for the design and implementation of internal control procedures or risk management related to preparation and/or control of financial information or the design and implementation of technological systems for financial information, and we have maintained independence in relation to the Company

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

Zagreb, 23 June 2020

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

**BDO** CROATIA  
BDO Croatia d.o.o.  
za pružanje revizorskih, konzalting  
i računovodstvenih usluga  
Zagreb, J. F. Kennedy 6/b

  
Hrvoje Stipić, President of the  
Management Board

  
Vedrana Stipić, Certified Auditor

Unconsolidated Statement of Comprehensive Income  
for the year ended 31 December 2019

(all amounts in HRK '000)

CONTINUING OPERATIONS	Note	2019	2018
Sales revenue	4.1	288,595	527,681
Other income	4.2	-	20,041
<b>Total operating income</b>		<b>288,595</b>	<b>547,722</b>
Decrease in value of work in progress and finished goods	17	-	(84,800)
Costs of raw materials and supplies	6	(13,936)	(110,021)
Cost of goods sold	7	(280,292)	(295,197)
Other external expenses	8	(15,541)	(38,290)
Amortization and depreciation		(607)	(23,853)
Employee costs	9	(2,099)	(24,294)
Other expenses	10.1	(2,656)	(6,210)
Value adjustment	10.2	-	(10,759)
Other operating expenses	10.3	-	(16,143)
<b>Total operating expenses</b>		<b>(315,131)</b>	<b>(609,567)</b>
<b>Loss from ordinary activities</b>		<b>(26,536)</b>	<b>(61,845)</b>
Financial revenue	11	17,226	68,674
Financial expenses	12	(3,941)	(24,492)
<b>Net financial gain</b>		<b>13,285</b>	<b>44,182</b>
<b>Loss before tax</b>		<b>(13,251)</b>	<b>(17,663)</b>
Profit tax	13	-	-
<b>Current year loss FROM CONTINUING OPERATIONS</b>		<b>(13,251)</b>	<b>(17,663)</b>
<b>DISCONTINUED OPERATIONS</b>			
Profit for the current year from discontinued operations	13.1	114,813	-
<b>Profit (loss) of the current year</b>		<b>101,562</b>	<b>(17,663)</b>
<b>Other comprehensive income</b>			
<i>Items that are not subsequently transferred to profit or loss</i>			
Other comprehensive income		-	-
<b>Total comprehensive loss for the current year</b>		<b>101,562</b>	<b>(17,663)</b>
<b>Loss per share:</b>			
- basic and diluted (in kunas and lipas)	23	73,24	(12,74)

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

## Unconsolidated Statement of Financial Position

as at 31 December 2019

(all amounts in HRK '000)

	Note	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>			
Fixed assets			
Intangible assets		-	2,266
Property, plant and equipment	14	65,192	135,425
Shares in subsidiaries	15	407,586	423,507
Long-term financial assets	16	66,345	88,241
<b>Total fixed assets</b>		<b>539,123</b>	<b>649,439</b>
Current assets			
Inventories	17	28,213	132,389
Trade receivables and receivables from related companies	18	77,261	63,860
Receivables from the state and other institutions	19	2,491	7,670
Current financial assets	20	210,521	253,366
Other receivables		533	2,348
Cash and cash equivalents	21	1,826	217
Deferred expenses paid and accrued income		74	761
<b>Total current assets</b>		<b>320,919</b>	<b>460,611</b>
<b>TOTAL ASSETS</b>		<b>860,042</b>	<b>1,110,050</b>

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

## Unconsolidated Statement of Financial Position (continued)

as at 31 December 2019

(all amounts in HRK '000)

	Note	31 Dec 2019	31 Dec 2018
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	22.1	249,600	249,600
Retained earnings		320,819	219,256
Capital reserves	22.2	10,368	10,368
Profit reserves	22.2	51,101	51,712
<b>Total capital</b>		<b>631,888</b>	<b>530,936</b>
<b>Provisions</b>	30	<b>7,450</b>	<b>8,835</b>
<b>Long-term liabilities</b>			
Liabilities under loans and finance leases	24	-	86,355
<b>Total long - term liabilities</b>		<b>-</b>	<b>86,355</b>
<b>Current liabilities</b>			
Liabilities under loans and finance leases	24	62,925	287,534
Liabilities for advances	26	6,945	25,171
Liabilities to suppliers and related companies	25	134,541	167,792
Other current liabilities	27	16,149	2,636
Accrued expenses and deferred income		144	791
<b>Total current liabilities</b>		<b>220,704</b>	<b>483,924</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>860,042</b>	<b>1,110,050</b>

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

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

(all amounts in HRK '000)

	Share capital	Capital reserves	Profit reserves	Retained earnings	Total
<b>Balance at 1 Jan 2018</b>	<b>249,600</b>	<b>10,368</b>	<b>56,347</b>	<b>246,142</b>	<b>562,457</b>
Current year loss	-	-	-	(17,663)	(17,663)
<b>Total comprehensive loss</b>	-	-	-	<b>(17,663)</b>	<b>(17,663)</b>
Impact of the application of IFRS 9 (note 2b)	-	-	-	(9,223)	(9,223)
Own shares	-	-	(4,635)	-	(4,635)
<b>Balance at 31 Dec 2018</b>	<b>249,600</b>	<b>10,368</b>	<b>51,712</b>	<b>219,256</b>	<b>530,936</b>
Profit for the current year	-	-	-	101,562	101,562
<b>Total comprehensive loss</b>	-	-	-	<b>101,562</b>	<b>101,562</b>
Own shares	-	-	(611)	-	(611)
<b>Balance at 31 Dec 2019</b>	<b>249,600</b>	<b>10,368</b>	<b>51,101</b>	<b>320,819</b>	<b>631,888</b>

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

# Unconsolidated Statement of Cash flows

for the year ended 31 December 2019

(all amounts in HRK '000)

DESCRIPTION	2019	2018
<b>Cash flows from operating activities</b>		
Profit before tax	101,562	(17,663)
Adjustments		
- Depreciation	8,291	23,854
Changes in working capital		
- Increase or decrease in current liabilities	4,762	(26,056)
- Increase or decrease of current receivables	(6,407)	61,383
- Increase or decrease in inventories	104,176	36,090
- Other increases or decreases in working capital	29,921	(105,289)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>242,305</b>	<b>(27,681)</b>
<b>Cash flows from investing activities</b>		
Cash receipts from sale of tangible and intangible fixed assets	87,809	555
Cash receipts from interest	12,032	9,296
Cash receipts from dividends	-	75
Other cash inflows from investing activities	41,627	35,887
Cash outflows for the purchase of tangible and intangible fixed assets	(23,600)	(5,060)
Other cash outflows from investing activities	(3,810)	(12,191)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>114,056</b>	<b>28,563</b>
<b>Cash flows from financing activities</b>		
Cash inflows from loans, credits and other borrowings	54,572	304,947
Other cash inflows from financing activities	1,900	9,200
Cash outflows for repayment of loans, borrowings and other loans and debt instruments	(406,449)	(356,373)
Cash outflows for finance leases	(364)	(798)
Cash outflows for repurchase of own shares and reduction of share capital	(611)	(5,023)
Other cash outflows from financing activities	(3,800)	(15,300)
<b>NET CASH FLOWS FROM FINANCIAL ACTIVITIES</b>	<b>(354,752)</b>	<b>(63,348)</b>
<b>NET INCREASE OR DECREASE IN CASH FLOWS</b>	<b>1,609</b>	<b>(62,466)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>217</b>	<b>62,683</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>1,826</b>	<b>217</b>



# Notes to the unconsolidated financial statements for the year ended 31 December 2019

(all amounts in HRK '000)

---

## 1. GENERAL INFORMATION

### 1.1 Introduction

Viro tvornica šećera d.d., Zagreb, Ulica grada Vukovara 269g, 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.

Viro tvornica šećera founded a new company Hrvatska industrija šećera d.d. on 18 March 2019 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, based on the Sale and transfer of the Company's shares contract, Viro tvornica šećera sold 960 ordinary and 240 preferred shares of HIŠ to Sladorana d.o.o. and 640 ordinary and 160 preferred shares to the company Tvornica šećera Osijek d.o.o.

### 1.2 Business activity

The main activity of the Company entered in the court register is sugar production.

Since the company Viro tvornica šećera d.d. sold assets related to sugar production, it will continue to operate as a holding company.

In 2019, the Company's operations are presented from both discontinued and continued operations. 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 sold by the Company to the company Hrvatska industrija šećera d.d. On 3 June 2019 the company sold its assets to the newly established company Hrvatska industrija šećera d.d. Continued operations present the purchase and sale of sugar as a commodity as well as other sales not related to finished products

Notes to the unconsolidated financial statements  
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>Robert Barnaki</i>  | <i>Member of the Supervisory Board</i>           |
| 5. <i>Zadro Svetlana</i>  | <i>Member of the Supervisory Board</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 unconsolidated financial statements  
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 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 Company:**

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)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Adoption of new and amended International Financial Reporting Standards 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 Company 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.

- **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 unconsolidated 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 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 Company 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 Company is currently assessing the impact of the amendments on the financial statements.

## Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

*(all amounts in HRK '000)*

### **Adoption of new and amended International Financial Reporting Standards 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 Company 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 Company will apply them and assess their impact from 1 January 2020.

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

## Notes to the unconsolidated 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 Company keeps accounting records in the Croatian language, in Croatian kuna (HRK) and in accordance with Croatian legal regulations. The Company'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.

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

#### 3.1.1. Going concern

The Company'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 consolidation of production resources for sugar production and processing capacities in Virovitica and Županja (Sladorana tvornica šećera d.o.o.) 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 d.o.o., and which was not part of the Viro Group, which led to an ownership reshuffle in such a way that Viro Group retained a 60% share in HIŠ, while 40% went to Tvornica šećera Osijek d.o.o. This consolidation will lead to significant savings while leaving production capacities that will be used optimally. 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 survival on the market and preservation of sugar production in the Republic of Croatia.

The transaction in question, i.e. the sale of assets related to the production of sugar, secured the funds for closing the existing loan liabilities.

As at 31 December 2019, the Company has current assets in the amount of HRK 320.9 million and has short-term liabilities in the amount of HRK 220.7 million. Short-term liabilities include short-term liabilities on collected letters of credit, loans and financial leases in the amount of HRK 63 million as stated in the Note 24 to the financial statements, where the collaterals on fixed assets have also been noted.

## Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

*(all amounts in HRK '000)*

---

### **3.1.1. Going concern (continued)**

All liabilities to institutions, which are under collateral, will be settled on time and in accordance with the agreement reached with 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 property foreclosure.

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 unconsolidated financial statements (continued)

for the year ended 31 December 2019

*(all amounts in HRK '000)*

---

### 3. BASIC ACCOUNTING POLICIES (continued)

#### 3.2. Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the event will flow to the Company 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 Company 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 Company 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.

#### 3.3. 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.

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

#### 3.4. 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.

## Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

---

### 3. BASIC ACCOUNTING POLICIES (CONTINUED)

#### 3.5. Corporate 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 Company'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 Company 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.

The determination of deferred tax liabilities and deferred tax assets reflects the tax consequences that would arise from the manner in which the Company 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.

## Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

---

### 3. BASIC ACCOUNTING POLICIES (CONTINUED)

#### 3.5. Corporate income tax (continued)

##### *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.

#### 3.6. 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:

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

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

## Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

*(all amounts in HRK '000)*

---

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

#### **3.7 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.

#### **3.8 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.

#### **3.9 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) that arises from past events, it is probable that the Company 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.

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

## Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

*(all amounts in HRK '000)*

---

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

#### **3.9 Provisions (continued)**

Provisions for restructuring are recognized if the Company 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.

#### **3.10 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.

#### **3.11 Events after the reporting date**

Events after the reporting date that provide additional information about the Company'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.

#### **3.12 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.

Financial assets and financial liabilities are recognized when the Company 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.

## Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

*(all amounts in HRK '000)*

---

### 3. BASIC ACCOUNTING POLICIES (CONTINUED)

#### 3.12. Financial instruments (continued)

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

##### *(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 loss 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.

## Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

---

### 3. BASIC ACCOUNTING POLICIES (CONTINUED)

#### 3.12. Financial instruments (continued)

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 Company 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.

#### *Impairment of financial assets*

The Company 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 Company 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 Company's historical experience with credit losses, adjusted for factors specific to debtors. The Company 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 Company 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 Company 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.

## Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

*(all amounts in HRK '000)*

---

### 3. BASIC ACCOUNTING POLICIES (CONTINUED)

#### 3.12. Financial instruments (continued)

##### *(ii) Significant increase in credit risk*

In assessing whether credit risk on a financial instrument has increased significantly since initial recognition, the Company 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 Company 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 Company relies on default days when assessing significant credit risk deterioration. If the borrower is more than 180 days late, then the Company assumes that there has been a significant increase in credit risk.

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 Company does not currently use low credit risk simplification when assessing a significant increase in credit risk. The Company 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 Company 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 Company).

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



## Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

*(all amounts in HRK '000)*

### 3. BASIC ACCOUNTING POLICIES (CONTINUED)

---

#### 3.12. Financial instruments (continued)

##### *(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

##### *(iv) Write-off policy*

The Company 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 Company 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 Company 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 Company 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).

## Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

*(all amounts in HRK '000)*

---

### 3. BASIC ACCOUNTING POLICIES (CONTINUED)

#### 3.12. Financial instruments (continued)

The Company 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 Company 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.

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

## Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

*(all amounts in HRK '000)*

---

### 3. BASIC ACCOUNTING POLICIES (CONTINUED)

#### 3.12. Financial instruments (continued)

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

The Company 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 Company,; subsequent measurement is performed in accordance with the specific accounting policies set out below.

Financial liabilities are subsequently measured at amortized cost

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.

#### 3.13 State grants and subsidies

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

Government grants are recognized in profit or loss on a systematic basis over the period in which the Company recognizes the costs to be covered by the grant as an expense. In particular, government grants for which the Company 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.

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

*(all amounts in HRK '000)*

---

**3. BASIC ACCOUNTING POLICIES (CONTINUED)**

**3.13. State grants and subsidies (continued)**

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 Company 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.

**3.14. Operating segment reporting**

The Company determines business segments according to internal reports on the components of the Company, 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.

**3.15. Key accounting judgments and key sources of estimation uncertainty**

In applying the Company'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 Company's accounting policies that most significantly affected the amounts recognized in the financial statements.

## Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

*(all amounts in HRK '000)*

### 3. BASIC ACCOUNTING POLICIES (CONTINUED)

---

#### 3.15. Key accounting judgments and key sources of estimation uncertainty (continued)

##### *The useful life of property, plant and equipment*

As described in Note 3.6, the Company reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period. Property, plant and equipment and intangible assets are stated at cost less accumulated impairment losses.

##### *Consequences of certain legal disputes*

The Company 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.

##### *Inventory value adjustment*

As described in Note 3.7, the Company 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.

Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

**4. SALES AND OTHER REVENUES**

**4.1 Sales revenues**

	<b>2019</b>	<b>2018</b>
Revenue from domestic sales	251,261	251,462
Revenues from sales abroad	37,334	276,219
	<u>288,595</u>	<u>527,681</u>

**4.2 Other revenues**

	<b>2019</b>	<b>2018</b>
Income from sale of fixed assets	-	1,864
Income from sales of raw materials	-	204
Income from collected value-adjusted and written-off receivables	-	6,190
Income from subsequently approved discounts	-	4,154
Income from cancellation of long-term provisions	-	2,334
Surpluses	-	3,438
Unrealized income	-	1,796
Income from previous years	-	26
Other income	-	35
	<u>-</u>	<u>20,041</u>

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

(all amounts in HRK '000)

**5. SEGMENT INFORMATION**

Business segments are formed according to the criterion of similarity of individual product groups. Two business segments have been identified: "sugar" and "molasses and dry beet".

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

**Revenues and operating results by segments**

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

	<b>Segment revenue</b>			
	<b>2019</b>		<b>2018</b>	
Sugar	251,822		439,257	
Molasses and dry beet	36,773		108,465	
	<b>288,595</b>		<b>547,722</b>	

  

	<b>Segment expenses</b>		<b>Segment loss</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Sugar	274,977	489,032	(23,155)	(49,775)
Molasses and dry beet	40,154	118,589	(3,381)	(12,070)
	<b>315,131</b>	<b>607,621</b>	<b>(26,536)</b>	<b>(61,845)</b>

  

	<b>2019</b>	<b>2018</b>
Segment profit	(26,536)	(61,845)
Financial income	17,226	68,674
Financial expenses	(3,941)	(24,492)
<b>Loss before taxes</b>	<b>(13,251)</b>	<b>(17,663)</b>

The "sugar" segment includes sugar production.

The "molasses and dry beet" segment includes the production of molasses and ndry beet.

Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

**5. SEGMENT INFORMATION (CONTINUED)**

The accounting policies of the operating segments are the same as the Company's accounting policies set out in Note 3. The segment's loss or profit represents the loss or profit incurred by each segment without allocating financial income and expenses. This is the information given to the decision-maker in for reaching decisions on resource allocation and evaluating the business performance of the segment.

<b>Segment assets and liabilities</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
<b>Segment assets</b>		
Sugar	153,216	277,615
Molasses and dry beet	22,374	67,321
<b>Total segment assets</b>	<u>175,590</u>	<u>344,936</u>
Unallocated	684,452	765,114
<b>Total assets</b>	<u>860,042</u>	<u>1,110,050</u>
	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
<b>Segment liabilities</b>		
Sugar	192,582	458,978
Molasses and dry beet	28,122	111,301
<b>Total segment liabilities</b>	<u>220,704</u>	<u>570,279</u>
Unallocated		
<b>Total liabilities</b>	<u>220,704</u>	<u>570,279</u>

In order to monitor the performance of the segment, all assets were allocated by segments except long-term and short-term financial assets (investments in subsidiaries, long-term financial assets and loans and deposits, see Notes 15, 16 and 20).

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



Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

**5. SEGMENT INFORMATION (CONTINUED)**

**Other segment information**

	Depreciation and amortisation of tangible and intangible assets		Increase in tangible and intangible assets	
	2019	2018	2019	2018
Sugar	530	19,198	20,621	4,560
Molasses and dry beet	77	4,655	3,011	1,106
<b>Total</b>	<b>607</b>	<b>23,853</b>	<b>23,632</b>	<b>5,666</b>

**Territorial business analysis**

The company operates in three main territorial areas in which sales revenues are reported, while all fixed assets are related to the Croatian market.

	Sales revenues	
	2019	2018
Croatia	255,009	271,215
European union	33,586	158,672
Other	-	117,835
<b>Total</b>	<b>288,595</b>	<b>545,388</b>

**Information about the biggest customers**

Sales revenues in the amount of HRK 446,438 thousand (2018: HRK 547,722 thousand) include HRK 40,169 thousand (2018: HRK 45,820 thousand) of revenues generated by the Company from the sale of products to its largest customer.

Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

**6. MATERIAL EXPENSES**

	<b>2019</b>	<b>2018</b>
Consumed raw materials and supplies	13,485	88,549
Energy consumed	376	19,086
Used spare parts	62	2,103
Write-off of small inventory	13	281
Other material costs	-	2
	<u><b>13,936</b></u>	<u><b>110,021</b></u>

**7. COSTS OF GOODS SOLD**

Costs of goods sold in the amount of HRK 280,292 thousand (2018: HRK 295,197 thousand) are expenses based on the cost of goods sold, which the Company delivered to customers during the reporting year.

**8. OTHER EXTERNAL EXPENSES**

	<b>2019</b>	<b>2018</b>
Leases and rents	6,922	2,886
Transportation services	3,765	18,390
External product development services	1,718	-
Intellectual services	876	1,890
Maintenance services	249	3,207
Banking and payment services	499	2,715
Insurance premiums	255	1,381
Utilities and fees	89	1,086
Intermediary services	357	832
Postal services	127	638
Data processing services	155	578
Advertising and trade fair services	190	453
Market research services	107	215
External staff services	9	1,711
Manipulative costs	0	1,171
Other services	223	1,137
	<u><b>15,541</b></u>	<u><b>38,290</b></u>

## Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

### 9. EMPLOYEE COSTS

	2019	2018
Net salaries and wages	1,174	15,246
Costs of taxes and contributions from salaries	628	5,695
Contributions on salaries	297	3,353
	<u>2,099</u>	<u>24,294</u>

As at 31 December 2019, the Company employed 11 employees (31 December 2018: 210 employees).

### 10. OTHER OPERATING EXPENSES

#### 10.1 Other expenses

	2019	2018
Prescribed fees, contributions and membership fees	612	1,355
Occasional awards and gifts to workers	77	1,542
Severance	653	112
Entertainment costs	365	750
Other taxes and fees to the fund	644	72
Transportation of workers	25	1,001
Material rights of employees (per diems, accommodation on business trips, grants)	54	620
Remuneration to members of the Supervisory Board	125	334
Vocational education and magazines	19	96
Fieldwork compensation	-	28
Other	82	300
	<u>2,656</u>	<u>6,210</u>

## Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

---

### 10. OTHER OPERATING EXPENSES (CONTINUED)

#### 10.2 Value adjustment of inventories

The value adjustment in the amount of HRK 10,759 thousand in 2018 referred to the value adjustment of inventories since the value of sugar stocks that can be realized on the market was lower than the value of the cost. In 2019, there was no value adjustment of inventories at the date of the reporting period.

#### 10.3 Other operating expenses

	2019	2018
Cost of goods and materials sold	-	204
Deficits	-	192
Subsequently granted discounts	-	410
Write-off of receivables	-	7,662
Subsequently determined expenses	-	3,237
Penalties and damages	-	1,717
Donations	-	630
The cost of provisions for expected credit losses on loans	-	1,946
Other	-	145
	<hr/>	<hr/>
	-	<b>16,143</b>

Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

**11. FINANCIAL INCOME**

	<b>2019</b>	<b>2018</b>
Income from realized gains from the sale of financial assets	17,226	46,849
Interest income from associates	-	12,575
Positive exchange rate differences	-	7,031
Positive exchange rate differences with associates	-	1,118
Interest income from unrelated companies	-	724
Unrealized gains on financial assets	-	301
Other financial income		76
	<u>17,226</u>	<u>68,674</u>

**12. FINANCIAL EXPENSES**

	<b>2019</b>	<b>2018</b>
Interest from unrelated companies	-	15,855
Negative exchange rate differences	-	3,593
Negative exchange rate differences from associates	-	3,082
Fees on bank loans	-	1,878
Interest from associates	-	83
Other financial expenses	3,941	-
	<u>3,941</u>	<u>24,492</u>

## Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

### 13. CORPORATE INCOME TAX

In 2019, the Company made a profit in the amount of HRK 101,562 thousand, and a tax profit in the amount of HRK 88,493 thousand. The tax loss carried forward from the previous period amounts to HRK 110,503 thousand, and therefore there is no liability to pay income tax.

	2019	2018
<b>Profit/(loss) before taxation</b>	<b>101,562</b>	<b>(17,663)</b>
Income tax - 18%	18,281	(3,179)
The effect of non-tax deductible expenses and non-taxable income	(2,352)	2,419
The effect of unrecognized deferred tax assets based on tax losses	(15,929)	760
<b>Income tax</b>	<b>-</b>	<b>-</b>

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	Amount of unrecognized deferred tax assets
Until 2023	22,010	3,962

Amounts of unused tax losses are not used to recognize deferred tax assets in the unconsolidated 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.

In accordance with tax regulations, the tax administration may at any time review the books and records of the Company 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.

## Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

### 13.1 DISCONTINUED OPERATIONS

---

Below is the result of the discontinued part of the business, i.e. sugar production, which is included in the result of the current year.

	<b>2019</b>
Sales revenue	206,876
Other income	157,843
	<hr/>
<b>Total operating income</b>	<b>364,719</b>
	<hr/>
Change in the value of inventories of work in progress and finished goods	(25,876)
Costs of raw materials and supplies	(172,904)
Cost of goods sold	-
Other costs	(7,864)
Amortization and depreciation	(7,684)
Staff costs	(9,932)
Other costs	(2,331)
Value adjustment	-
Other operating expenses	(19,093)
	<hr/>
<b>Total regular operating expenses</b>	<b>(245,684)</b>
	<hr/>
<b>Profit from regular operations</b>	<b>119,035</b>
	<hr/>
Financial income	15,336
Financial expenses	(19,558)
	<hr/>
<b>Net financial income</b>	<b>(4,222)</b>
	<hr/>
<b>Profit for the year</b>	<b>114,813</b>
Income tax	-
	<hr/>
<b>Profit from discontinued operations</b>	<b>114,813</b>
	<hr/>

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

(all amounts in HRK '000)

**14. PROPERTY, PLANT AND EQUIPMENT**

Cost	Land	Buildings	Plant and equipment	Artwork	Advances	Assets under construction	Other tangible assets	Total
<b>Balance at 1 January 2018</b>	<b>5,549</b>	<b>122,785</b>	<b>316,516</b>	<b>9</b>	<b>34,254</b>	<b>2,230</b>	<b>2,990</b>	<b>484,333</b>
Purchase	-	2,910	450	-	169	-	-	3,529
Sale, disposal, deficit	-	-	(9,888)	-	(607)	-	-	(10,495)
<b>Balance at 31 December 2018</b>	<b>5,549</b>	<b>125,695</b>	<b>307,078</b>	<b>9</b>	<b>33,816</b>	<b>2,230</b>	<b>2,990</b>	<b>477,367</b>
Purchase	21,366	-	2,087	-	179	-	-	23,632
Sale, disposal, deficit	(3,376)	(120,058)	(262,316)	-	(65)	-	(573)	(386,388)
<b>Balance at 31 December 2019</b>	<b>23,539</b>	<b>5,637</b>	<b>46,849</b>	<b>9</b>	<b>33,930</b>	<b>2,230</b>	<b>2,417</b>	<b>114,611</b>

Pledged assets relate to construction facilities with net carrying value of HRK 1,824 thousand (31 December 2018: HRK 180,593 thousand), land in the amount of HRK 23,539 thousand (31 December 2018: HRK 32,971 thousand) and equipment with net carrying value of HRK 3,660 thousand (31 December 2018: HRK 80,117 thousand).



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

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Value adjustment	Land	Buildings	Plant and equipment	Artwork	Advances	Assets under construction	Other tangible assets	Total
Balance at 1 January 2018	-	60,190	266,554	-	-	-	1,065	327,809
Depreciation	-	6,169	17,148	-	-	-	149	23,466
Sale, disposal, deficit	-	-	(9,333)	-	-	-	-	(9,333)
Balance at 31 December 2018	-	66,359	274,369	-	-	-	1,214	341,942
Depreciation	-	2,752	5,125	-	-	-	125	8,002
Sale, disposal, deficit	-	(65,298)	(235,029)	-	-	-	(198)	(300,525)
Balance at 31 December 2019	-	3,813	44,465	-	-	-	1,141	49,419

NET CARRYING VALUE

Balance at 31 December 2019	23,539	1,824	2,384	9	33,930	2,230	1,276	65,192
Balance at 31 December 2018	5,549	59,336	32,709	9	33,816	2,230	1,776	137,691

Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

15. SHARES IN SUBSIDIARIES

	Primary activity	31 Dec 2019	Ownership (%)	31 Dec 2018	Ownership (%)
Sladorana d.o.o.	Sugar production	407,187	100.00	407,187	100.00
Slavonija Županija d.d.	Production and trade of cereals	-	0.00	11,343	16.72
PD Gradina doo	Agriculture	-	0.00	4,578	31.79
VIRO BH d.o.o.	Trade	379	100.00	379	100.00
VIRO – kooperacija d.o.o.	Warehousing, laboratory analysis	20	10.00	20	100.00
		<u>407,586</u>		<u>423,507</u>	

In 2019, the company sold its shares in the companies Slavonija Županija d.d. and PD Gradina d.o.o.

16. NON-CURRENT FINANCIAL ASSETS

	31 Dec 2019	31 Dec 2018
Loans given to a subsidiary	63,022	86,406
Financial assets at fair value through other comprehensive income	18	232
Deposits, loans and guarantees paid	3,305	1,603
	<u>66,345</u>	<u>88,241</u>

Loans granted to a subsidiary in the amount of HRK 63,022 thousand (31 December 2018: HRK 86,406 thousand) relate to a loan granted to Sladorana d.o.o. A loan was raised with Raiffeisen Bank to close loans from other banks for Viro tvornica šećera d.d. and Sladorana d.o.o., and upon maturity of the loan, Sladorana d.o.o. repays the loan.

Deposits, loans and guarantees in the amount of HRK 3,305 thousand (31 December 2018: HRK 1,603 thousand) relate to a long-term loan granted to PD Gradina d.o.o. (In 2018 it was classified as a subsidiary).

Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

**17. INVENTORIES**

	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Raw materials	537	86,116
Finished products	7,687	44,354
Merchandise	18,728	9,115
Advances for inventories	1,260	3,875
Value adjustment of inventories	1	(11,071)
	<u>28,213</u>	<u>132,389</u>

**18. TRADE RECEIVABLES AND RECEIVABLES FROM RELATED PARTIES**

Trade receivables structure:

	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Receivables from related companies (note 30)	67,014	36,593
Trade receivables in the country	16,178	23,580
Trade receivables abroad	7,462	17,661
Impairment of trade receivables	(13,393)	(13,974)
	<u>77,261</u>	<u>63,860</u>

Ageing structure of trade receivables:

	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Undue	19,387	13,253
0-90 days	37,316	32,252
90-120 days	1,077	1,910
Over 120 days	19,481	16,445
	<u>77,261</u>	<u>63,860</u>

Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

**18. TRADE RECEIVABLES AND RECEIVABLES FROM RELATED PARTIES (CONTINUED)**

Movement in impairment during the year

	2019	2018
<b>Balance at 1 January</b>	<b>13,974</b>	<b>12,491</b>
New impairment	27	5,935
Collection of previously impaired receivables	(608)	(4,452)
<b>Balance at 31 December</b>	<b>13,393</b>	<b>13,974</b>

All impairment receivables are overdue for more than 120 days.

**19. RECEIVABLES FROM STATE AND OTHER INSTITUTIONS**

	31 Dec 2019	31 Dec 2018
Receivables for VAT	2,464	7,544
Other receivables from the State	27	126
	<b>2,491</b>	<b>7,670</b>

**20. CURRENT FINANCIAL ASSETS**

	31 Dec 2019	31 Dec 2018
Loans to related companies (note 28)	207,691	244,946
Given loans	1,107	7,714
Investments in securities - bills of exchange received	-	700
Deposits given	1,723	6
	<b>210,521</b>	<b>253,366</b>

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

(all amounts in HRK '000)

**21. CASH AND CASH EQUIVALENTS**

	31 Dec 2019	31 Dec 2018
Current accounts	274	216
Foreign currency accounts	50	1
Allocated funds	1,502	-
	<u>1,826</u>	<u>217</u>

**22. EQUITY 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 Company is as follows:

	Number 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%
	<b>1,386,667</b>	<b>1,386,667</b>	<b>100.00%</b>	<b>100.00%</b>

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

(all amounts in HRK '000)

**22. EQUITY AND RESERVES (CONTINUED)**

**22.2. Reserves**

	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Legal reserves	12,480	12,480
Capital reserves	10,368	10,368
Reserves for own shares	38,621	39,232
	<u><b>61,469</b></u>	<u><b>62,080</b></u>

**23. LOSS PER SHARE**

**Basic and diluted earnings per share**

Basic loss per share is calculated by dividing the Company's net loss by the weighted average number of total ordinary shares less the weighted average number of ordinary shares purchased and held by the Company as treasury shares.

	<b>2019</b>	<b>2018</b>
Profit/(loss) of the year attributed to the owners of the company (in thousands of HRK)	101,562	(17,663)
Average weighted number of ordinary shares used in calculating basic earnings per share	1,386,667	1,386,667
Basic profit/(loss) per share (in Croatian kunas and lipas)	<u><b>73,24</b></u>	<u><b>(12,74)</b></u>

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

Notes to the unconsolidated 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
<b>Long-term loans</b>		
Banks	-	86,146
Financial lease	-	-
Other creditors	-	209
	<u>-</u>	<u>86,355</u>
<b>Short-term loans</b>		
Banks	-	212,155
Banks - current portion of long-term loans (maturity within one year)	-	68,917
Banks - collected letter of credit	57,679	-
Financial loan - affiliated companies	837	-
Financial loan	4,200	6,100
Finance lease - part of a long-term lease due within one year	209	362
	<u>62,925</u>	<u>287,534</u>
<b>Total</b>	<u>62,925</u>	<u>373,889</u>

Other liabilities to banks relate to a letter of credit in the amount of HRK 57,679 thousand (31 December 2018: HRK 0 thousand) whose maturity is 31 October 2019. At 31 December 2019 the letter of credit 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.

Debentures were given as collateral for financial lease in the amount of HRK 209 thousand (31 December 2018: HRK 362 thousand).

The financial loan in the amount of HRK 4,200 thousand (31 December 2018: HRK 6,100 thousand) relates to a liability to Konzum d.d.

The movement of bank loans is shown as follows:

	2019	2018
:		
<b>Balance at 1 January</b>	<u>367,218</u>	<u>416,416</u>
New loans	37,972	304,945
Loan repayments	(404,257)	(351,062)
Exchange rate differences	(933)	(3,081)
<b>Balance at 31 December</b>	<u>0</u>	<u>367,218</u>

Notes to the unconsolidated 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	Balance at 31 Dec 2019
<b>Long-term loans</b>				
Raiffeisenbank Austria d.d.	31 Mar 2021	4%	EUR	-
<b>Short-term loans</b>				
CBRD	15 Apr 2019	3%	EUR	-
PBZ	31 Oct 2018	5%+yield on treasury bills	HRK	-
PBZ	31 Oct 2018	5%+yield on treasury bills	HRK	-
Kentbank d.d.	19 Mar 2019	3.5%	HRK	-
PBZ	31 Oct 2018	5%+yield on treasury bills	HRK	-
PBZ	31 Oct 2018	5%+yield on treasury bills	HRK	-
Erste&Steiermaerkische Bank	31 Dec 2018	4.9%	HRK	-
<b>Total long and short term loans</b>				<b>-</b>

Creditor	Maturity	Interest rate	Currency	Balance at 31 Dec 2018
<b>Long term loans</b>				
Raiffeisenbank Austria d.d.	31 Mar 2021	4%	EUR	155,063
<b>Short term loans</b>				
CBRD	15 Apr 2019	3%	EUR	74,176
PBZ	31 Oct 2018	5%+yield on treasury bills	HRK	33,379
PBZ	31 Oct 2018	5%+yield on treasury bills	HRK	31,317
Kentbank d.d.	19 Mar 2019	3.5%	HRK	30,000
PBZ	31 Oct 2018	5%+yield on treasury bills	HRK	20,000
PBZ	31 Oct 2018	5%+yield on treasury bills	HRK	14,000
Erste&Steiermaerkische Bank	31 Dec 2018	4.9%	HRK	9,283
<b>Total long and short term loans</b>				<b>367,218</b>



Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

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

Present value of minimum payments under finance leases:

	Minimum lease payments		Financing cost		Present value of minimum lease payments	
	2019	2018	2019	2018	2019	2018
Up to one year	-	362	-	2	-	360
Two to five years	-	-	-	-	-	-
	<u>-</u>	<u>362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360</u>
Less future financial expenses	-	2	-	-	-	-
Present value of minimum lease payments	<u>-</u>	<u>360</u>			<u>-</u>	<u>360</u>

**25. TRADE PAYABLES AND LAIBILITIES TO RELATED PARTIES**

	31 Dec 2019	31 Dec 2018
Liabilities to related companies	723	43
Accounts payable in the country	123,725	82,362
Accounts payable abroad	10,093	85,387
	<u>134,541</u>	<u>167,792</u>

**26. LIABILITIES FOR ADVANCES**

Liabilities for advances as at 31 December 2019 amount to HRK 6,945 thousand (31 December 2018: HRK 25,171 thousand) and relate to payments by foreign and domestic entrepreneurs who pay in advance for sugar.

Notes to the unconsolidated 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
Liabilities for commodity reserves	14,955	-
Liabilities to employees	164	1,554
Taxes, contributions and other benefits	624	841
Liabilities arising from share in the result	31	31
Other current liabilities	375	210
	<u>16,149</u>	<u>2,636</u>

**28. TRANSACTIONS WITH RELATED PARTIES**

Balances and transactions from the relationship between the Company and its related parties are set out below.

***Purchase and sale transactions***

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

**Operating income**

	Sales revenue		Other income	
	2019	2018	2019	2018
VIRO BH d.o.o.	7,412	28,736	-	-
SLADORANA d.o.o.	6,871	14,026	1,153	204
SLAVONIJA ŽUPANJA d.d.	-	5,222	-	-
OŠTRC PROMET d.o.o.	-	1,107	-	-
PD GRADINA	834	657	-	-
GRUDSKA PIVOVARA d.o.o.	334	458	-	-
HRVATSKA INDUSTRIJA ŠEĆERA d.d.	27,952	-	210,894	-
	<u>43,403</u>	<u>50,206</u>	<u>212,047</u>	<u>204</u>

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

(all amounts in HRK '000)

**28. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

**Operating expenses**

	Sales expenses		Other expenses	
	2019	2018	2019	2018
VIRO BH d.o.o.	7,471	39,390	-	-
SLADORANA d.o.o.	6,856	13,972	1,154	202
SLAVONIJA ŽUPANJA d.d.	-	5,465	-	-
OŠTRC PROMET d.o.o.	-	1,021	-	-
PD GRADINA	698	576	-	-
GRUDSKA PIVOVARA d.o.o.	236	452	-	-
HRVATSKA INDUSTRIJA ŠEĆERA d.d.	25,675	-	91,555	-
	<u>40,936</u>	<u>60,876</u>	<u>92,709</u>	<u>202</u>

**Financial income and expenses**

	Financial income		Financial expenses	
	2019	2018	2019	2018
SLADORANA d.o.o.	11,521	12,765	527	2,342
ROBIĆ d.o.o.	133	539	-	-
GRUDSKA PIVOVARA d.o.o.	262	204	143	642
VIRO BH d.o.o.	122	96	2	99
PD GRADINA	54	90	-	-
SLAVONIJA ŽUPANJA d.d.	-	-	25	82
HRVATSKA INDUSTRIJA ŠEĆERA d.d.	-	-	-	-
	<u>12,092</u>	<u>13,694</u>	<u>697</u>	<u>3,165</u>

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

(all amounts in HRK '000)

**28. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

Open balances from transactions at the end of the reporting period:

	Receivables from related parties		Liabilities to related parties	
	2019	2018	2019	2018
VIRO BH d.o.o.	13,072	17,996	-	-
SLADORANA d.o.o.	11,622	13,223	-	-
PD GRADINA	-	1,977	-	-
OŠTRC PROMET d.o.o.	491	1,490	-	-
SLAVONIJA ŽUPANJA d.d.	-	979	-	-
OŠTRC d.o.o.	865	469	-	-
GRUDSKA PIVOVARA d.o.o.	795	459	-	-
DALMACIJAVINO SPLIT doo	-	-	1	43
HRVATSKA INDUSTRIJA ŠEĆERA d.d.	40,169	-	722	-
	<u>67,014</u>	<u>36,593</u>	<u>723</u>	<u>43</u>

**Loans given to related parties**

	Receivables for given loans		Liabilities for received loans	
	2019	2018	2019	2018
SLADORANA d.o.o.	270,713	274,366	-	-
SLAVONIJA ŽUPANJA d.d.	-	40,770	837	-
ROBIĆ d.o.o.	-	11,938	-	-
PD GRADINA	-	3,375	-	-
VIRO-KOOPERACIJA d.o.o.	1,677	1,677	-	-
VIRO BH d.o.o.	-	4	-	-
	<u>272,390</u>	<u>332,130</u>	<u>837</u>	<u>-</u>

**Remuneration paid to key executives**

	2019	2018
Salaries	2,434	2,994
Other	242	347
	<u>2,726</u>	<u>3,341</u>

## Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

### 29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### Capital risk management

The Company 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 Company has not changed since 2012.

The Company'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 Company'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)	<u>62,925</u>	<u>373,889</u>
Cash and cash equivalents	<u>(1,826)</u>	<u>(217)</u>
Net debt	<u>61,099</u>	<u>373,672</u>
Capital (ii)	631,887	530,936
Gearing ratio%	9.67	69.23

(i) Debt comprises liabilities under long - term and short - term loans, as set out in Note 25.

(ii) Equity includes share capital, retained earnings, including current year loss or gain, and reserves.

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

(all amounts in HRK '000)

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

**Categories of financial instruments**

	<b>30 Dec 2019</b>	<b>31 Dec 2018</b>
<b>Financial assets</b>		
Long-term financial assets	66,345	88,241
Receivables from affiliated companies	67,014	36,568
Trade receivables	10,247	27,292
Current financial assets	210,521	253,366
Other receivables	533	2,348
Cash and cash equivalents	1,826	217
Prepaid expenses and accrued income	74	761
	<u><b>356,560</b></u>	<u><b>408,793</b></u>
<b>Financial liabilities</b>		
Liabilities under loans and finance leases	-	86,355
Liabilities to related companies	1,560	43
Liabilities under loans and finance leases	62,088	287,534
Liabilities for advances	6,945	25,171
Accounts payable	133,819	167,749
Other current liabilities	15,525	1,795
Accrued expenses and deferred income	144	791
	<u><b>220,081</b></u>	<u><b>569,438</b></u>

The above carrying amounts represent the Company's largest exposure to credit risk on loans and receivables.

## Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

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

#### Financial risk management objectives

The Company's treasury function provides services to the Company's activities, coordinates access to the domestic and international financial markets, monitors financial risks related to the Company'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 Company seeks to minimize the effects of these risks. The Company 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 Company 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 Company 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 Company 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 Company'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)	112,901	248,918	167,690	194,601
USD			1,717	2,524

## Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

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

#### Exchange rate risk management (continued)

##### Currency risk sensitivity analysis

The Company 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 Company'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 Company 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.

	EUR influence		USD influence	
	2019	2018	2019	2018
Gain or loss	5,479	(5,432)	172	252

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 Company is exposed to interest rate risk due to the fact that the Company borrows funds at fixed and variable interest rates. The Company manages interest rate risk by maintaining an appropriate loan ratio with fixed and variable interest rates. The Company'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 unconsolidated financial statements (continued)  
for the year ended 31 December 2019

(all amounts in HRK '000)

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

**Interest 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 Company's loss for 2018 would be lower by HRK 797 thousand (in 2017: loss higher/lower by HRK 649 thousand), which can mainly be related to the Company's exposure to loans and borrowings 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 Company. The Company 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 Company 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 Company is shown as follows:

	Receivables	
	31 Dec 2019	31 Dec 2018
Customer A	40,169	17,996
Customer B	13,072	12,962
Customer C	11,622	4,173
Customer D	1,874	3,438
Customer E	1,761	1,976
	<u>68,498</u>	<u>40,545</u>

## Notes to the unconsolidated financial statements (continued)

for the year ended 31 December 2019

(all amounts in HRK '000)

### 29. FINANCIAL INSTRUMENT AND RISK MANAGEMENT (CONTINUED)

#### Credit risk management (continued)

##### Collaterals

The company 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 Company 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 Company'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 Company. 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 Company.

	Weighted average effective interest rate	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Total
<b>2019</b>						
Non-interest bearing		194,170	9,802	15,163	-	219,135
Interest bearing	0%	840	7	3	-	850
		<b>195,010</b>	<b>9,809</b>	<b>15,166</b>	<b>.</b>	<b>219,985</b>
<b>2018</b>						
Non-interest bearing		123,334	3,478	73,146	209	200,167
Interest bearing	5.12%	7,625	55,441	228,402	88,757	380,225
		<b>130,959</b>	<b>58,919</b>	<b>301,548</b>	<b>88,966</b>	<b>580,392</b>

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

(all amounts in HRK '000)

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

**Liquidity risk management (continued)**

The following table analyses the remaining period up to the agreed maturities of the Company'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 Company 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 5 years	Total
<b>2019</b>						
Non-interest bearing assets		78,745	415	2,256	398	81,814
Interest bearing assets	2.05%	772	1,393	215,853	66,327	284,345
		<u>79,517</u>	<u>1,808</u>	<u>218,109</u>	<u>66,725</u>	<u>366,159</u>
<b>2018</b>						
Non-interest bearing assets		59,438	3,955	4,258	1,372	69,023
Interest bearing assets	5.54%	6,077	37,791	262,416	50,150	356,434
		<u>65,515</u>	<u>41,746</u>	<u>266,674</u>	<u>51,522</u>	<u>425,457</u>

**Fair value of financial instruments**

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

- the fair value of financial assets and financial liabilities 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.

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

(all amounts in HRK '000)

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

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

**Fair value indicators recognized in the statement of financial position**

The following table analyses financial instruments that have been reduced to fair value after initial recognition, classified into three groups depending on the availability of fair value indicators:

Level 1 indicators - fair value indicators are derived from (unadjusted) prices quoted in active markets for the same assets and the same liabilities

Level 2 indicators - fair value indicators are derived from other data on assets or liabilities that are not quoted prices from level 1, either directly (i.e. as prices) or indirectly (i.e. derived from their prices) and,

Level 3 indicators - indicators derived from the application of valuation methods in which data on assets or liabilities that are not based on available market data are used as input data

<b>31 Dec 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through other comprehensive income	-	-	-	-
<b>Total</b>	-	-	-	-
<b>31 Dec 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through other comprehensive income	700	232	-	932
<b>Total</b>	<b>700</b>	<b>232</b>	-	<b>932</b>

Standard annual unconsolidated financial statements as at and for the year ended 31  
December 2019

### 30. 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:

	<b>2019</b>	<b>2018</b>
As at 1 January	8,835	-
New provisions	-	11,169
Discontinued provisions	(1,385)	(2,334)
<b>As at 31 December</b>	<b>7,450</b>	<b>8,835</b>

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

	<b>2019</b>	<b>2018</b>
As at 1 January	1,794	3,537
Increase in expected credit losses	-	-
Decrease in expected credit losses	(48)	1,743
<b>As at 31 December</b>	<b>1,746</b>	<b>1,794</b>

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

Level 1	<b>2019</b>	<b>2018</b>
As at 1 January	7,041	5,686
Increase in expected credit losses	-	-
Decrease in expected credit losses	(1,337)	1,355
<b>As at 31 December</b>	<b>5,704</b>	<b>7,041</b>

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

For the purpose of assessing impairment, for loans to related parties and other parties, the Company 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 Company'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.

Standard annual unconsolidated financial statements as at and for the year ended 31  
December 2019

### 31. OPERATING LEASES

#### The Company as a lessee

##### Operating lease agreements

Operating leases relate to the lease of passenger cars for a period of 5 years. The Company has no option to repurchase the leased asset at the end of the lease term.

##### Lease paid recognized as an expense

	2019	2018
Minimum lease payments	426	131

##### Irrevocable commitments under operating leases

	2019	2018
Up to 1 year	90	213
From 2 to 5 years	78	647
	168	860

### 32. LEGAL DISPUTES

Nineteen lawsuits are being filed against the Company for the collection of receivables, the total value of which is HRK 14,305 thousand. The assessment of the Company's Management Board is that it is not necessary to make provisions for them.

### 33. 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.

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.

Standard annual unconsolidated financial statements as at and for the year ended 31  
December 2019

**34. APPROVAL OF THE MANAGEMENT BOARD FOR THE ISSUE OF UNCONSOLIDATED  
FINANCIAL STATEMENTS**

The Management Board adopted the unconsolidated 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



**BALANCE SHEET**  
as at 31 December 2019

in HRK

VIRO TVORNICA ŠEĆERA d.d.			
POSITION	ADP	Last day of the previous year	Reporting date of the current period
1	2	3	4
<b>A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID</b>	<b>001</b>	0	0
<b>B) FIXED ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	649,438,487	539,123,292
<b>I INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	2,266,166	0
1 Research and development	004	0	0
2 Concessions, patents, licences, trademarks, software and other rights	005	2,266,166	0
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
<b>II TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	135,424,536	65,191,679
1 Land	011	5,548,592	23,538,630
2 Buildings	012	59,336,370	1,824,100
3 Plant and equipment	013	32,708,188	2,384,080
4 Tools, working inventory and transportation assets	014	0	0
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	2,230,095	2,230,095
8 Other tangible assets	018	9,300	9,300
9 Investment property	019	1,775,707	1,275,194
<b>III FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	511,747,785	473,931,613
1 Investments in holdings (shares) of undertakings within the group	021	424,406,807	407,586,783
2 Investments in other securities of undertakings within the group	022	0	0
3 Loans, deposits, etc. to undertakings within the group	023	85,506,383	63,021,922
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	13,670	17,908
8 Loans, deposits, etc. given	028	1,820,925	3,305,000
9 Other investments accounted for using the equity method	029	0	0
10 Other fixed financial assets	030	0	0
<b>IV RECEIVABLES (ADP 032 to 035)</b>	<b>031</b>	0	0
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	0	0



**BALANCE SHEET**  
as at 31 December 2019

in HRK

VIRO TVORNICA ŠEĆERA d.d.			
POSITION	ADP	Last day of the previous year	Reporting date of the current period
1	2	3	4
V. Deferred tax assets	036	0	0
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>459,850,497</b>	<b>320,845,210</b>
<b>I INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>132,389,263</b>	<b>28,212,969</b>
1 Raw materials	039	86,116,520	536,944
2 Work in progress	040	0	0
3 Finished goods	041	33,585,691	7,687,154
4 Merchandise	042	8,812,000	18,727,690
5 Advance payments for inventories	043	3,875,052	1,261,181
6 Fixed assets held for sale	044	0	0
7 Biological assets	045	0	0
<b>II RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	<b>73,878,194</b>	<b>80,285,191</b>
1 Receivables from undertakings within the group	047	36,568,429	67,013,639
2 Receivables from companies linked by virtue of participating interest	048	0	0
3 Customer receivables	049	27,291,561	10,247,084
4 Receivables from employees and members of the undertaking	050	15	0
5 Receivables from government and other institutions	051	7,670,427	2,491,595
6 Other receivables	052	2,347,762	532,873
<b>III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>253,366,282</b>	<b>210,520,857</b>
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	244,945,825	207,690,998
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	7,720,457	2,829,859
9 Other financial assets	062	700,000	0
<b>IV CASH AT BANK AND IN HAND</b>	<b>063</b>	<b>216,758</b>	<b>1,826,193</b>
<b>D ) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>760,923</b>	<b>73,778</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>1,110,049,907</b>	<b>860,042,280</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>80,761,205</b>	<b>32,571,803</b>

December 2019

**BALANCE SHEET**  
as at 31 December 2019

in HRK

VIRO TVORNICA ŠEĆERA d.d.			
POSITION	ADP	Last day of the previous year	Reporting date of the current period
1	2	3	4
<b>PASIVA</b>			
<b>A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)</b>	<b>067</b>	<b>530,936,108</b>	<b>631,887,468</b>
<b>I. INITIAL (SUBSCRIBED) CAPITAL</b>	<b>068</b>	249,600,060	249,600,060
<b>II CAPITAL RESERVES</b>	<b>069</b>	10,368,101	10,368,102
<b>III RESERVES FROM PROFIT (ADP 071+072-073+074+075)</b>	<b>070</b>	<b>51,711,553</b>	<b>51,100,618</b>
1 Legal reserves	071	12,480,003	12,480,003
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	0	0
<b>IV REVALUATION RESERVES</b>	<b>076</b>	0	0
<b>V FAIR VALUE RESERVES (ADP 078 to 080)</b>	<b>077</b>	<b>0</b>	<b>0</b>
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
<b>VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)</b>	<b>081</b>	<b>236,919,469</b>	<b>219,256,394</b>
1 Retained profit	082	236,919,469	219,256,394
2 Loss brought forward	083	0	0
<b>VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)</b>	<b>084</b>	<b>-17,663,075</b>	<b>101,562,294</b>
1 Profit for the business year	085	0	101,562,294
2 Loss for the business year	086	17,663,075	0
<b>VIII MINORITY (NON-CONTROLLING) INTEREST</b>	<b>087</b>	0	0
<b>B) PROVISIONS (ADP 089 to 094)</b>	<b>088</b>	<b>8,834,992</b>	<b>7,450,057</b>
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	0	0
4 Provisions for renewal of natural resources	092	0	0
5 Provisions for warranty obligations	093	0	0
6 Other provisions	094	8,834,992	7,450,057
<b>C) LONG-TERM LIABILITIES (ADP 096 to 106)</b>	<b>095</b>	<b>86,354,623</b>	<b>0</b>
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	208,554	0
6 Liabilities towards banks and other financial institutions	101	86,146,069	0

**BALANCE SHEET**  
as at 31 December 2019

in HRK

VIRO TVORNICA ŠEĆERA d.d.			
POSITION	ADP	Last day of the previous year	Reporting date of the current period
1	2	3	4
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	0	0
11 Deferred tax liability	106	0	0
<b>D) SHORT-TERM LIABILITIES (ADP 108 to 121)</b>	<b>107</b>	<b>483,133,105</b>	<b>220,560,841</b>
1 Liabilities towards undertakings within the group	108	43,081	723,005
2 Liabilities for loans, deposits, etc. to companies within the group	109	0	837,342
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	6,462,091	4,408,554
6 Liabilities towards banks and other financial institutions	113	281,072,338	57,679,599
7 Liabilities for advance payments	114	25,170,938	6,944,781
8 Liabilities towards suppliers	115	167,748,686	133,818,512
9 Liabilities for securities	116	0	0
10 Liabilities towards employees	117	1,554,340	164,390
11 Taxes, contributions and similar liabilities	118	840,710	624,287
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	0
14 Other short-term liabilities	121	209,958	15,329,408
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>122</b>	<b>791,079</b>	<b>143,914</b>
<b>F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)</b>	<b>123</b>	<b>1,110,049,907</b>	<b>860,042,280</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>124</b>	<b>80,761,205</b>	<b>32,571,803</b>

**PROFIT AND LOSS ACCOUNT**  
as at 31 December 2019

in HRK

<b>VIRO TVORNICA ŠEĆERA d.d.</b>			
<b>POSITION</b>	<b>ADP</b>	<b>Last day of the previous year</b>	<b>Reporting date of the current period</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>I OPERATING INCOME (ADP 126 to 130)</b>	<b>125</b>	<b>547,721,980</b>	<b>653,313,666</b>
1 Income from sales with undertakings within the group	126	50,205,871	43,403,466
2 Income from sales (outside group)	127	477,419,070	453,417,504
3 Income from the use of own products, goods and services	128	56,096	34,469
4 Other operating income with undertakings within the group	129	200,947	1,152,821
5 Other operating income (outside the group)	130	19,839,996	155,305,406
<b>II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)</b>	<b>131</b>	<b>609,567,032</b>	<b>560,814,363</b>
1 Changes in inventories of work in progress and finished goods	132	84,799,681	25,875,196
2 Material costs (ADP 134 to 136)	133	443,507,607	490,537,284
a) Costs of raw material	134	110,021,200	186,840,468
b) Costs of goods sold	135	295,196,809	280,291,683
c) Other external costs	136	38,289,598	23,405,133
3 Staff costs (ADP 138 to 140)	137	24,293,618	12,031,230
a) Net salaries and wages	138	15,245,560	7,454,377
b) Tax and contributions from salaries expenses	139	5,695,085	2,965,677
c) Contributions on salaries	140	3,352,973	1,611,176
4 Depreciation	141	23,853,533	8,290,916
5 Other expenses	142	6,210,291	4,987,179
6 Value adjustments (ADP 144+145)	143	10,759,251	0
a) fixed assets other than financial assets	144	0	0
b) current assets other than financial assets	145	10,759,251	0
7 Provisions (ADP 147 to 152)	146	1,945,949	0
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	1,945,949	0
8 Other operating expenses	153	14,197,102	19,092,558
<b>III FINANCIAL INCOME (ADP 155 to 164)</b>	<b>154</b>	<b>68,674,110</b>	<b>32,561,765</b>
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	0	0

**PROFIT AND LOSS ACCOUNT**  
as at 31 December 2019

in HRK

<b>VIRO TVORNICA ŠEĆERA d.d.</b>			
4 Other interest income from operations with undertakings within the group	158	12,576,189	12,092,528
5 Exchange rate differences and other financial income from operations with undertakings within the group	159	1,117,718	0
6 Income from other long-term financial investments and loans	160	0	0
7 Other interest income	161	723,691	918,856
8 Exchange rate differences and other financial income	162	7,031,200	2,323,918
9 Unrealised gains (income) from financial assets	163	300,500	0
10 Other financial income	164	46,924,812	17,226,463
<b>IV FINANCIAL EXPENDITURE (ADP 166 to 172)</b>	<b>165</b>	<b>24,492,133</b>	<b>23,498,775</b>
1 Interest expenses and similar expenses with undertakings within the group	166	82,639	24,771
2 Exchange rate differences and other expenses from operations with undertakings within the group	167	3,082,572	671,993
3 Interest expenses and similar expenses	168	15,854,716	13,970,950
4 Exchange rate differences and other expenses	169	3,593,433	3,162,327
5 Unrealised losses (expenses) from financial assets	170	0	0
6 Value adjustments of financial assets (net)	171	0	0
7 Other financial expenses	172	1,878,773	5,668,734
<b>V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>173</b>	<b>0</b>	<b>0</b>
<b>VI SHARE IN PROFIT FROM JOINT VENTURES</b>	<b>174</b>	<b>0</b>	<b>0</b>
<b>VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>175</b>	<b>0</b>	<b>0</b>
<b>VIII SHARE IN LOSS OF JOINT VENTURES</b>	<b>176</b>	<b>0</b>	<b>0</b>
<b>IX TOTAL INCOME (ADP 125+154+173 + 174)</b>	<b>177</b>	<b>616,396,090</b>	<b>685,875,431</b>
<b>X TOTAL EXPENDITURE (ADP 131+165+175 + 176)</b>	<b>178</b>	<b>634,059,165</b>	<b>584,313,138</b>
<b>XI PRE-TAX PROFIT OR LOSS (ADP 177-178)</b>	<b>179</b>	<b>-17,663,075</b>	<b>101,562,293</b>
1 Pre-tax profit (ADP 177-178)	180	0	101,562,293
2 Pre-tax loss (ADP 178-177)	181	-17,663,075	0
<b>XII INCOME TAX</b>	<b>182</b>	<b>0</b>	<b>0</b>
<b>XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)</b>	<b>183</b>	<b>-17,663,075</b>	<b>101,562,293</b>
1 Profit for the period (ADP 179-182)	184	0	101,562,293
2 Loss for the period (ADP 182-179)	185	-17,663,075	0
<b>DISCONTINUED OPERATIONS (to be filled in by the entrepreneur liable to IFRS only if it has discontinued operations)</b>			
<b>XIV. PROFIT OR LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXATION (ADP 187-188)</b>	<b>186</b>	<b>0</b>	<b>114,812,861</b>
1. Profit from discontinued operations before tax	187	0	114,812,861
2. Loss of discontinued operations before tax	188	0	0

**PROFIT AND LOSS ACCOUNT**  
as at 31 December 2019

in HRK

<b>VIRO TVORNICA ŠEĆERA d.d.</b>			
<b>XV. INCOME TAX FOR DISCONTINUED BUSINESS</b>	<b>189</b>	<b>0</b>	<b>0</b>
1. Profit from discontinued operations for the period (ADP 186-189)	190	0	114,812,861
2. Loss from discontinued operations for the period (ADP 189-186)	191	0	
<b>TOTAL BUSINESS (to be filled in only by an entrepreneur subject to IFRS who has discontinued operations)</b>			
<b>XVI. PROFIT OR LOSS BEFORE TAXATION (ADP 179+186)</b>	<b>192</b>	<b>0</b>	<b>216,375,154</b>
1. Profit before taxation (ADP 192)	193	0	216,375,154
2. Loss before taxation (AOP 192)	194	0	0
<b>XVII. CORPORATE INCOME TAX (ADP 182+189)</b>	<b>195</b>	<b>0</b>	<b>0</b>
<b>XVIII. PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)</b>	<b>196</b>	<b>0</b>	<b>216,375,154</b>
1. Profit for the period (ADP 192-195)	197	0	216,375,154
2. Loss for the period (ADP 195-192)	198	0	0
<b>APPENDIX to the PLA (to be completed by the entity compiling the consolidated annual financial report)</b>			
<b>XIX. PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)</b>	<b>199</b>	<b>0</b>	<b>0</b>
1. Attributable to equity holders of the parent	200	0	0
2. Attributable to minority (non-controlling) interest	201	0	0
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (to be completed by the entity required to apply IFRS)</b>			
<b>I. PROFIT OR LOSS FOR THE PERIOD</b>	<b>202</b>	<b>-17,663,075</b>	<b>101,562,293</b>
<b>II. OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAXATION (ADP 204 to 211)</b>	<b>203</b>	<b>0</b>	<b>0</b>
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
<b>III. TAX ON OTHER COMPREHENSIVE PROFIT FOR THE PERIOD</b>	<b>212</b>	<b>0</b>	<b>0</b>
<b>IV. NET OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD (ADP 203-212)</b>	<b>213</b>	<b>0</b>	<b>0</b>
<b>V. TOTAL COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD (ADP 202+213)</b>	<b>214</b>	<b>-17,663,075</b>	<b>101,562,293</b>

**CASH FLOW STATEMENT – indirect method**  
for the period 1 January 2019 – 31 December 2019

in HRK

VIRO TVORNICA ŠEĆERA d.d.			
POSITION	ADP	Same period of the previous year	Current period
1	2	3	4
<b>Cash flow from operating activities</b>			
1. Profit before tax	001	-17,663,075	101,562,294
2. Adjustments (ADP 003 to 010):	002	23,853,533	8,290,916
a) Depreciation	003	23,853,533	8,290,916
b) Gains and losses on disposals and value adjustments of property, plant and equipment and intangible assets	004		
c) Gains and losses on disposals and unrealized gains and losses and value adjustments of financial assets	005		
d) Interest and dividend income	006		
e) Interest expenses	007		
f) Provisions	008		
g) Exchange rate differences (unrealized)	009		
h) Other adjustments for non-monetary transactions and unrealized gains and losses	010		
<b>I. Increase or decrease in cash flows before changes in working capital(ADP 001 + 002)</b>	011	6,190,458	109,853,210
3. Changes in working capital (ADP 013 to 016)	012	-33,871,692	132,451,565
a) Increase or decrease in short-term liabilities	013	-26,055,677	4,761,716
b) Increase or decrease in current receivables	014	61,383,036	-6,406,997
c) Increase or decrease in inventories	015	36,089,805	104,176,294
d) Other increases or decreases in working capital	016	-105,288,856	29,920,552
<b>II. Cash from operations (ADP 011 + 012)</b>	017	-27,681,234	242,304,775
4. Cash interest expenses	018	0	
5. Paid income tax	019	0	
<b>A) NET CASH FLOWS FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	020	-27,681,234	242,304,775
<b>Cash flow from investment activities</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021	555,061	87,808,549
2 Cash receipts from sales of financial instruments	022	0	
3 Interest received	023	9,296,176	12,031,908
4 Dividends received	024	75,390	
5 Cash receipts from repayment of loans and deposits	025	0	
6 Other cash receipts from investment activities	026	35,886,737	41,627,170
<b>III Total cash receipts from Investment activities (ADP 024 to 026)</b>	027	45,813,364	141,467,627
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-5,059,667	-23,600,442
2 Cash payments for the acquisition of financial instruments	029	0	
3 Cash payments for loans and deposits	030	0	
4 Acquisition of a subsidiary, net of cash acquired	031	0	

**CASH FLOW STATEMENT – indirect method**  
for the period 1 January 2019 – 31 December 2019

in HRK

Obveznik: VIRO TVORNICA ŠEĆERA d.d.			
POSITION	ADP	Same period of the previous year	Current period
1	2	3	4
5 Other cash payments from investment activities	032	-12,191,005	-3,810,998
<b>IV Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-17,250,672</b>	<b>-27,411,440</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 + 033)</b>	<b>034</b>	<b>28,562,692</b>	<b>114,056,187</b>
<b>Cash flow from financing activities</b>			
1 Cash receipts from the increase of initial (subscribed) capital	035		
2 Cash receipts the from issue of equity financial instruments and debt financial instruments	036	0	
3 Cash receipts from credit principals, loans and other borrowings	037	304,946,725	54,571,775
4 Other cash receipts from financing activities	038	9,200,000	1,900,000
<b>V Total cash recelpts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>314,146,725</b>	<b>56,471,775</b>
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-356,373,260	-406,448,638
2 Cash payments for dividends	041	0	
3 Cash payments for finance lease	042	-798,048	-363,729
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	043	-5,023,251	-610,935
5 Other cash payments from financing activities	044	-15,300,000	-3,800,000
<b>VI Total cash payemts from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-377,494,559</b>	<b>-411,223,302</b>
<b>C) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 039 +045)</b>	<b>046</b>	<b>-63,347,834</b>	<b>-354,751,527</b>
1 Unrealised exchange rate differences in cash and cash equivalents	047		
<b>D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP020+034+046+047)</b>	<b>048</b>	<b>-62,466,376</b>	<b>1,609,435</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD</b>	<b>049</b>	<b>62,683,134</b>	<b>216,758</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(ADP 048+049)</b>	<b>050</b>	<b>216,758</b>	<b>1,826,193</b>





**TVORNICA ŠĆERA d.d.**  
**ZAGREB, ULICA GRADA VUKOVARA 269 g**

**STATEMENT OF PERSON RESPONSIBLE FOR PRODUCTION OF THE  
ANNUAL FINANCIAL REPORT FOR 1Y 2019**

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

- the set of revised financial reports of VIRO TVORNICA ŠĆERA d.d., Zagreb for 1Y 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 company.
- the Management report contains a true overview of business results and position of the company, with a description of the most significant risks and uncertainties to which the company is exposed.
- The annual financial reports are audited.

In Zagreb, on June 23, 2020



RESPONSIBLE PERSON

PRESIDENT OF THE  
MANAGEMENT BOARD:

  
Željko Zadro, dipl.oec

Darko Krstić, Member of the  
Management Board



Ivo Rešić, Member of the  
Management Board



### ISSUER'S GENERAL DATA

Reporting period:

1.1.2019

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 269 g

E-mail address:

viro@secerana.hr

Web address:

www.secerana.hr

Number of employees (end of the reporting

11

Consolidated report:

KN

(KN-not consolidated/KD-consolidated)

Audited:

RD

(RN-not audited/RD-audited)

Names of subsidiaries (according to IFRS)

Registered office:

MB:

Bookkeeping firm:

No

(Yes/No)

(name of the bookkeeping firm)

Contact person:

ZDENKA SMOJVER

(only name and surname of the contact person)

Telephone:

033 840 122

E-mail address:

racunovodstvo-viro@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

<b>Submitter: VIRO TVORNICA ŠECERA d.d.</b>			
Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
<b>A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID</b>	<b>001</b>	0	0
<b>B) FIXED ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	<b>649.438.487</b>	<b>539.123.292</b>
<b>I INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>2.266.166</b>	<b>0</b>
1 Research and development	004	0	0
2 Concessions, patents, licences, trademarks, software and other rights	005	2.266.166	0
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
<b>II TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>135.424.536</b>	<b>65.191.679</b>
1 Land	011	5.548.592	23.538.630
2 Buildings	012	59.336.370	1.824.100
3 Plant and equipment	013	32.708.188	2.384.080
4 Tools, working inventory and transportation assets	014	0	0
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	2.230.095	2.230.095
8 Other tangible assets	018	9.300	9.300
9 Investment property	019	1.775.707	1.275.194
<b>III FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>511.747.785</b>	<b>473.931.613</b>
1 Investments in holdings (shares) of undertakings within the group	021	424.406.807	407.586.783
2 Investments in other securities of undertakings within the group	022	0	0
3 Loans, deposits, etc. to undertakings within the group	023	85.506.383	63.021.922
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	13.670	17.908
8 Loans, deposits, etc. given	028	1.820.925	3.305.000
9 Other investments accounted for using the equity method	029	0	0
10 Other fixed financial assets	030	0	0
<b>IV RECEIVABLES (ADP 032 to 035)</b>	<b>031</b>	<b>0</b>	<b>0</b>
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	0	0
<b>V. Deferred tax assets</b>	<b>036</b>	<b>0</b>	<b>0</b>
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>459.850.497</b>	<b>320.845.210</b>
<b>I INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>132.389.263</b>	<b>28.212.969</b>
1 Raw materials	039	86.116.520	536.944
2 Work in progress	040	0	0
3 Finished goods	041	33.585.691	7.687.154
4 Merchandise	042	8.812.000	18.727.690
5 Advance payments for inventories	043	3.875.052	1.261.181
6 Fixed assets held for sale	044	0	0
7 Biological assets	045	0	0
<b>II RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	<b>73.878.194</b>	<b>80.285.191</b>
1 Receivables from undertakings within the group	047	36.568.429	67.013.639
2 Receivables from companies linked by virtue of participating interest	048	0	0
3 Customer receivables	049	27.291.561	10.247.084

4 Receivables from employees and members of the undertaking	050	15	0
5 Receivables from government and other institutions	051	7.670.427	2.491.595
6 Other receivables	052	2.347.762	532.873
<b>III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>253.366.282</b>	<b>210.520.857</b>
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	244.945.825	207.690.998
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	7.720.457	2.829.859
9 Other financial assets	062	700.000	0
<b>IV CASH AT BANK AND IN HAND</b>	<b>063</b>	<b>216.758</b>	<b>1.826.193</b>
<b>D ) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>760.923</b>	<b>73.778</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>1.110.049.907</b>	<b>860.042.280</b>
<b>OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>80.761.205</b>	<b>32.571.603</b>
<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (ADP 068 to 084)</b>	<b>067</b>	<b>530.936.108</b>	<b>631.887.468</b>
<b>I. INITIAL (SUBSCRIBED) CAPITAL</b>	<b>068</b>	<b>249.600.060</b>	<b>249.600.060</b>
<b>II CAPITAL RESERVES</b>	<b>069</b>	<b>10.368.101</b>	<b>10.368.102</b>
<b>III RESERVES FROM PROFIT (ADP 071+072-073+074+075)</b>	<b>070</b>	<b>51.711.553</b>	<b>51.100.618</b>
1 Legal reserves	071	12.480.003	12.480.003
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	0	0
<b>IV REVALUATION RESERVES</b>	<b>076</b>	<b>0</b>	<b>0</b>
<b>V FAIR VALUE RESERVES (ADP 078 to 080)</b>	<b>077</b>	<b>0</b>	<b>0</b>
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
<b>VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)</b>	<b>081</b>	<b>236.919.469</b>	<b>219.256.394</b>
1 Retained profit	082	236.919.469	219.256.394
2 Loss brought forward	083	0	0
<b>VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)</b>	<b>084</b>	<b>-17.663.075</b>	<b>101.562.294</b>
1 Profit for the business year	085	0	101.562.294
2 Loss for the business year	086	17.663.075	0
<b>VIII MINORITY (NON-CONTROLLING) INTEREST</b>	<b>087</b>	<b>0</b>	<b>0</b>
<b>B) PROVISIONS (ADP 089 to 094)</b>	<b>088</b>	<b>8.834.992</b>	<b>7.450.057</b>
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	0	0
4 Provisions for renewal of natural resources	092	0	0
5 Provisions for warranty obligations	093	0	0
6 Other provisions	094	8.834.992	7.450.057
<b>C) LONG-TERM LIABILITIES (ADP 096 to 106)</b>	<b>095</b>	<b>86.354.623</b>	<b>0</b>
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	208.554	0
6 Liabilities towards banks and other financial institutions	101	86.146.069	0
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	0	0

11 Deferred tax liability	106	0	0
<b>D) SHORT-TERM LIABILITIES (ADP 108 to 121)</b>	<b>107</b>	<b>483.133.105</b>	<b>220.560.841</b>
1 Liabilities towards undertakings within the group	108	43.081	723.005
2 Liabilities for loans, deposits, etc. to companies within the group	109	0	837.342
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	6.462.091	4.408.554
6 Liabilities towards banks and other financial institutions	113	281.072.338	57.679.599
7 Liabilities for advance payments	114	25.170.938	6.944.781
8 Liabilities towards suppliers	115	167.748.686	133.818.512
9 Liabilities for securities	116	0	0
10 Liabilities towards employees	117	1.554.340	164.390
11 Taxes, contributions and similar liabilities	118	840.710	624.287
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	0
14 Other short-term liabilities	121	209.958	15.329.408
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>122</b>	<b>791.079</b>	<b>143.914</b>
<b>F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)</b>	<b>123</b>	<b>1.110.049.907</b>	<b>860.042.280</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>124</b>	<b>80.761.205</b>	<b>32.571.803</b>

**STATEMENT OF PROFIT OR LOSS**  
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
<b>I OPERATING INCOME (ADP 126 to 130)</b>	<b>125</b>	<b>547.721.980</b>	<b>653.313.666</b>
1 Income from sales with undertakings within the group	126	50.205.871	43.403.466
2 Income from sales (outside group)	127	477.419.070	453.417.504
3 Income from the use of own products, goods and services	128	56.096	34.469
4 Other operating income with undertakings within the group	129	200.947	1.152.821
5 Other operating income (outside the group)	130	19.839.996	155.305.406
<b>II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)</b>	<b>131</b>	<b>609.587.032</b>	<b>560.814.363</b>
1 Changes in inventories of work in progress and finished goods	132	84.799.681	25.875.196
2 Material costs (ADP 134 to 136)	133	443.507.607	490.537.284
a) Costs of raw material	134	110.021.200	186.840.468
b) Costs of goods sold	135	295.196.809	280.291.683
c) Other external costs	136	38.289.598	23.405.133
3 Staff costs (ADP 138 to 140)	137	24.293.618	12.031.230
a) Net salaries and wages	138	15.245.560	7.454.377
b) Tax and contributions from salaries expenses	139	5.695.085	2.965.677
c) Contributions on salaries	140	3.352.973	1.611.176
4 Depreciation	141	23.853.533	8.290.916
5 Other expenses	142	6.210.291	4.987.179
6 Value adjustments (ADP 144+145)	143	10.759.251	0
a) fixed assets other than financial assets	144	0	0
b) current assets other than financial assets	145	10.759.251	0
7 Provisions (ADP 147 to 152)	146	1.945.949	0
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	1.945.949	0
8 Other operating expenses	153	14.197.102	19.092.558
<b>III FINANCIAL INCOME (ADP 155 to 164)</b>	<b>154</b>	<b>68.674.110</b>	<b>32.561.765</b>
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	0	0
4 Other interest income from operations with undertakings within the group	158	12.576.189	12.092.528
5 Exchange rate differences and other financial income from operations with undertakings within the group	159	1.117.718	0
6 Income from other long-term financial investments and loans	160	0	0
7 Other interest income	161	723.691	918.856
8 Exchange rate differences and other financial income	162	7.031.200	2.323.918
9 Unrealised gains (income) from financial assets	163	300.500	0
10 Other financial income	164	46.924.812	17.226.463
<b>IV FINANCIAL EXPENDITURE (ADP 166 to 172)</b>	<b>165</b>	<b>24.492.133</b>	<b>23.498.775</b>
1 Interest expenses and similar expenses with undertakings within the group	166	82.639	24.771
2 Exchange rate differences and other expenses from operations with undertakings within the group	167	3.082.572	671.993
3 Interest expenses and similar expenses	168	15.854.716	13.970.950
4 Exchange rate differences and other expenses	169	3.593.433	3.162.327
5 Unrealised losses (expenses) from financial assets	170	0	0
6 Value adjustments of financial assets (net)	171	0	0
7 Other financial expenses	172	1.878.773	5.668.734
<b>V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>173</b>	<b>0</b>	<b>0</b>

<b>VI SHARE IN PROFIT FROM JOINT VENTURES</b>	174	0	0
<b>VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	175	0	0
<b>VIII SHARE IN LOSS OF JOINT VENTURES</b>	176	0	0
<b>IX TOTAL INCOME (ADP 125+154+173 + 174)</b>	177	616.396.090	685.875.431
<b>X TOTAL EXPENDITURE (ADP 131+165+175 + 176)</b>	178	634.059.165	584.313.138
<b>XI PRE-TAX PROFIT OR LOSS (ADP 177-178)</b>	179	-17.663.075	101.562.293
1 Pre-tax profit (ADP 177-178)	180	0	101.562.293
2 Pre-tax loss (ADP 178-177)	181	-17.663.075	0
<b>XII INCOME TAX</b>	182	0	0
<b>XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)</b>	183	-17.663.075	101.562.293
1 Profit for the period (ADP 179-182)	184	0	101.562.293
2 Loss for the period (ADP 182-179)	185	-17.663.075	0
<b>DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)</b>			
<b>XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 187-188)</b>	186	0	114.812.861
1 Pre-tax profit from discontinued operations	187	0	114.812.861
2 Pre-tax loss on discontinued operations	188	0	0
<b>XV INCOME TAX OF DISCONTINUED OPERATIONS</b>	189	0	0
1 Discontinued operations profit for the period (ADP 186-189)	190	0	114.812.861
2 Discontinued operations loss for the period (ADP 189-186)	191	0	0
<b>TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)</b>			
<b>XVI PRE-TAX PROFIT OR LOSS (ADP 179+186)</b>	192	0	216.375.154
1 Pre-tax profit (ADP 192)	193	0	216.375.154
2 Pre-tax loss (ADP 192)	194	0	0
<b>XVII INCOME TAX (ADP 182+189)</b>	195	0	0
<b>XVIII PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)</b>	196	0	216.375.154
1 Profit for the period (ADP 192-195)	197	0	216.375.154
2 Loss for the period (ADP 195-192)	198	0	0
<b>APPENDIX to the P&amp;L (to be filled in by undertakings that draw up consolidated annual financial statements)</b>			
<b>XIX PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)</b>	199	0	0
1 Attributable to owners of the parent	200	0	0
2 Attributable to minority (non-controlling) interest	201	0	0
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (to be filled in by undertakings subject to IFRS)</b>			
<b>I PROFIT OR LOSS FOR THE PERIOD</b>	202	-103.442.212	101.562.293
<b>II OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (ADP 204 to 211)</b>	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
<b>III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	212	0	0
<b>IV NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)</b>	213	0	0
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)</b>	214	-103.442.212	101.562.293
<b>APPENDIX to the Statement on comprehensive income (to be filled in by entrepreneurs who draw up consolidated statements)</b>			
<b>VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 216+217)</b>	215	0	0
1 Attributable to owners of the parent	216	0	0
2 Attributable to minority (non-controlling) interest	217	0	0

**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
<b>Cash flow from operating activities</b>			
1 Pre-tax profit	001	-17.663.075	101.562.294
2 Adjustments (ADP 003 to 010):	002	23.853.533	8.290.916
a) Depreciation	003	23.853.533	8.290.916
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	0	0
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	0	0
d) Interest and dividend income	006	0	0
e) Interest expenses	007	0	0
f) Provisions	008	0	0
g) Exchange rate differences (unrealised)	009	0	0
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	0	0
<b>I Cash flow increase or decrease before changes in the working capital (ADP 001+002)</b>	<b>011</b>	<b>6.190.458</b>	<b>109.853.210</b>
3 Changes in the working capital (ADP 013 to 016)	012	-33.871.692	132.451.565
a) Increase or decrease in short-term liabilities	013	-26.055.677	4.761.716
b) Increase or decrease in short-term receivables	014	61.383.036	-6.406.997
c) Increase or decrease in inventories	015	36.089.805	104.176.294
d) Other increase or decrease in the working capital	016	-105.288.856	29.920.552
<b>II Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>-27.681.234</b>	<b>242.304.775</b>
4 Interest paid	018	0	0
5 Income tax paid	019	0	0
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>-27.681.234</b>	<b>242.304.775</b>
<b>Cash flow from investment activities</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021	555.061	87.808.549
2 Cash receipts from sales of financial instruments	022	0	0
3 Interest received	023	9.296.176	12.031.908
4 Dividends received	024	75.390	0
5 Cash receipts from repayment of loans and deposits	025	0	0
6 Other cash receipts from investment activities	026	35.886.737	41.627.170
<b>III Total cash receipts from investment activities (ADP 021 to 026)</b>	<b>027</b>	<b>45.813.364</b>	<b>141.467.627</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-5.059.667	-23.600.442
2 Cash payments for the acquisition of financial instruments	029	0	0
3 Cash payments for loans and deposits for the period	030	0	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
<b>IV Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-17.250.672</b>	<b>-27.411.440</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)</b>	<b>034</b>	<b>28.562.692</b>	<b>114.056.187</b>
<b>Cash flow from financing activities</b>			
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	304.946.725	54.571.775
4 Other cash receipts from financing activities	038	9.200.000	1.900.000
<b>V Total cash receipts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>314.146.725</b>	<b>56.471.775</b>
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-356.373.260	-406.448.638
2 Dividends paid	041	0	0
3 Cash payments for finance lease	042	-798.048	-363.729



4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	043	-5.023.251	-610.935
5 Other cash payments from financing activities	044	-15.300.000	-3.800.000
<b>VI Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-377.494.559</b>	<b>-411.223.302</b>
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)</b>	<b>046</b>	<b>-63.347.834</b>	<b>-354.751.527</b>
1 Unrealised exchange rate differences in cash and cash equivalents	047	0	0
<b>D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 020+034+046+047)</b>	<b>048</b>	<b>-62.466.376</b>	<b>1.609.435</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD</b>	<b>049</b>	<b>62.683.134</b>	<b>216.758</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(ADP 048+049)</b>	<b>050</b>	<b>216.758</b>	<b>1.826.193</b>

