Granolio Group

Annual Report for the Year 2020
together with the Independent Auditor's Report

The English version is a translation of the original in Croatian for information purposes only. In case of a discrepancy, the Croatian original will prevail.

Contents

Annual Management Report on the Business Performance and Position of the Group for the Year 2020

GRANOLIO d.d. ("the Company") is a joint stock company registered at the Commercial Court in Zagreb, Croatia. The Company's personal tax identification number (OIB) is 59064993527, and its company registration number (MBS) is 080111595.
The registered seat of the Company is in Zagreb, Budmanijeva 5.

The Company has a Shareholders' Assembly, a Supervisory Board, and a Management Board.

The members of the Management Board are as follows:	Hrvoje Filipović, President Drago Šurina, Member Vladimir Kalčić, Member
Members of the Supervisory Board are as follows:	Franjo Filipović, President Jurij Detiček, Deputy President Tihomir Osmak, Member Davor Štefan, Member

At 31 December 2020, the total share capital of the Company amounts to HRK 19,016,430 and is divided into 1,901,643 ordinary shares, with a nominal value of HRK 10.00 each. The shares are traded under the ticker GRNL and since 23 March 2015 have been listed on the Official Market of the Zagreb Stock Exchange.
The majority shareholder, holding over 58.11% of the Company's share capital at 31 December 2020, is Mr Hrvoje Filipović.

The principal activity of the Company comprises the production of and trade in agricultural products and cattle. At 31 December 2020 the business system of the Company had five active operations, of which two are production centres: grain mills Farina and Kopanica engaged in the production, packaging, warehousing and dispatch of grain mill products.

Consolidated Financial Statements of the Group for the period from 1 January to 31 December 2020 represent the financial statements for parent company and related parties. Related parties (jointly referred to as "the Group") own and manage manufacturing facilities and activities in the food processing industry, agriculture and retail.

The consolidated financial statements comprise the financial statements of the following related parties:

1. Granolio d.d. (parent company)
2. Zdenačka farma d.o.o.
3. Zdenka – mliječni proizvodi d.o.o.

The core business of the Granolio Group is the production of wheat flour, production of milk, production of pork and beef, production of dairy products, production of animal feed, storage of grains and oilseeds, trading cereals, oilseeds and raw materials for agricultural production, and organization of agricultural production through subcontracting relationships with producers of agricultural products.
The Group could be classified into the following business segments:

1. Milling
2. Wholesale
3. Dairy and cheese production
4. Other - livestock and service industry (drying and storage of grains and oilseeds, receipt of goods to the purchase and sales lines, lease income).

At the end of reporting period, the Group disposed with:

- 2 active mills to produce wheat flour;
- silos for storage of grains and oilseeds with a total capacity of about 96,500 tons;
- 1 dairy farm with a total capacity of 450 milking cows;
- 24 pieces of calves for fattening with subcontractors;
- approximately 170 hectares of agricultural land;
- milk processing production capacities of 11.4 thousand tons of finished products;

Group's mills production capacity as at 31 December 2020 is shown in the following table.

Mills production capacity as at 31 December 2020:

Mill	Ton/24 hours
Farina	320
Kopanica	230
	550

Subsidiaries

Granolio d.d. holds the entire equity interest in Zdenačka farma d.o.o.
It exercises the controlling influence in the decision-making process at Zdenka - mliječni proizvodi d.o.o. which has since 2011 been consolidated as part of the Granolio Group.

The owner of minority interest in Zdenka – mliječni proizvodi d.o.o. is Cautio d.o.o. from Našice.

Granolio d.d. has a minority interest in companies Žitozajednica d.o.o., Zagrebačke pekarne Klara d.d., and Prehrana trgovina d.d.

Significant transactions in the current accounting period

Granolio d.d.

In early 2020, a pandemic of the COVID-19 virus spread to the entire world. In addition to the health of the world's population, the pandemic has had an impact on the global economy, monetary and fiscal policies of individual countries, the movement of goods and services between countries, and the purchasing power.

As the Company operates within the food processing industry, the decline in sales revenue in 2020 amounted to only 5%, and there was no significant impact of the pandemic on the sale of the Company's products.

Despite the very unfavourable circumstances caused by the spread of the COVID-19 pandemic and the impact of that crisis on global and local flows of goods, long-term and strong relationships with suppliers have contributed to stable operations. The company managed to avoid interruptions or significant delays in production and ensured an uninterrupted supply of the market with the required products.

The Company's priorities in the uncertain epidemiological situation remain the maintenance of a positive health bulletin of employees, ensuring the smooth continuation of production and continuous supply of customers and consumers, and social responsibility in the broadest sense.

At the end of 2020, the Company entered into a Loan Agreement with companies that regulated loan obligations in such a way that the liability was written off in the amount of HRK 156,861 thousand, while the remaining debt of HRK 4,700 thousand should be settled in 2021.

From January 2020, the Company began to repay part of its liabilities to financial institutions, and the other part will be collected from July 2020, in accordance with the pre-bankruptcy settlement.

in HRK '000

	1-12 2020	1-12 2019	change	
Operating income	**445,493**	**306,350**	**139,143**	**45%**
EBIT	**39,282**	**(10,702)**	**49,984**	**467%**
margin %	9%	(3%)		
EBITDA	**53,745**	**(76)**	**53,669**	**(70617%)**
margin %	12%	(0%)		
Net financial result	**(6,054)**	**(3,441)**	**(2,613)**	**(76%)**
Net result	**33,228**	**(13,485)**	**47,373**	**351%**
margin %	7.5%	(4.4%)		

Zdenačka farma d.o.o.

Sales revenue in 2020 is lower than sales revenue in the previous period by about 8%. Revenue from the sale of milk increased by 8% compared to the previous year, while revenue from the sale of merchandise fell by 42%. In 2020, the total milk delivery of the company Zdenačka farma amounted to 4.3 million kg (2018: 4.3 million kg). The average sales price realized in 2020 is higher than the average sales price realized in the previous year by 6%.

Financial indicators for 2020 for the company Zdenačka farma d.o.o. are shown in the following table.

in HRK '000

	1-12 2020	1-12 2019	change	
Operating income	**22,904**	**23,660**	**(756)**	**(3%)**
EBIT	**951**	**(331)**	**620**	**(187%)**
margin %	4%	(1%)		
EBITDA	**3,981**	**2,711**	**1,270**	**47%**
margin %	17%	11%		
Net financial result	**(914)**	**(584)**	**(330)**	**(57%)**
Net result	**37**	**(915)**	**(878)**	**96%**
margin %	0%	(4%)		

Zdenka – mliječni proizvodi d.o.o.

Zdenka's total production capacity is 11.4 thousand tons of finished products (cheese). Its own brand is "Zdenka", but the company also produces a significant number of products under the private brands. Zdenka's range currently includes over 20 private labels.

In 2020, the company achieved a more favourable operating result compared to the previous year, and the reason for this is the increase in sales of products on foreign markets by 36% compared to the previous year.

The total debt of the company on 31 December 2020 amounts to HRK 21 million (31 December 2019: HRK 26 million). Debt consists of HRK 14 million of long-term liabilities to financial institutions (31 December 2019: HRK 20 million) and HRK 7 million of short-term liabilities to financial institutions maturing in 2021 (31 December 2019: HRK 6 million).

Financial indicators for 2020 for the company Zdenka – mliječni proizvodi d.o.o. are shown in the following table.

in HRK '000

	1-12 2020	1-12 2019	change	
Operating income	**167,844**	**156,058**	**11,786**	**8%**
EBIT	**5,137**	**3,784**	**1,353**	**(36%)**
margin %	3%	2%		
EBITDA	**20,150**	**16,406**	**3,744**	**23%**
margin %	12%	11%		
Net financial result	**(784)**	**(779)**	**(5)**	**(1%)**
Net result	1,103	-		
margin %	**3,250**	**3,005**	**245**	**(8%)**
Operating income	2%	2%		

Granolio group

Granolio Group's operating revenues are 30% higher than in the previous year. A more detailed analysis of revenue is presented below.

The Group's total debt is HRK 168 million lower than in the previous year. The decrease is the result of the Agreement on the regulation of loan liabilities in the amount of HRK 156 million, while the rest is the result of loan repayment in the companies Granolio d.o.o. and Zdenka - mliječni proizvodi d.o.o.

The financial indicators for 2020 for the Granolio Group are shown in the following table.

in HRK '000

	1-12 2020	1-12 2019	change	
Operating income	**632,272**	**486,128**	**146,144**	**30%**
Operating expenses	**(586,901)**	**(493,807)**	**(93,094)**	**(19%)**
EBIT	**45,371**	**(7,679)**	**37,692**	**(491%)**
EBIT margin	*7%*	*-5%*		
EBITDA	**77,875**	**19,429**	**58,446**	**301%**
EBITDA margin	*12%*	*2%*		
Net financial result	**(7,752)**	**(7,179)**	**(573)**	**(8%)**
Income tax	**1,103**	**(659)**		
Net result for the period	**36,516**	**(14,199)**	**22,317**	**157%**
Group result	34,891	(15,301)	50,192	328%
Minority interest	1,625	1,102	523	(47%)

in HRK '000

	31.12.2020	31.12.2019	change	
Net assets (capital and reserves)	83,582	46,407	37,175	80%
Total debt	**191,478**	**359,575**	**(168,097)**	**(47%)**
Cash and cash equivalents	7,541	3,298	4,243	129%
Loans granted, deposits and similar**	22,781	27,237	(4,456)	(16%)
Net debt	**161,156**	**329,040**	**(167,884)**	**(51%)**
Net debt/EBITDA	2,07	16,94		
EBITDA for the past 12 months	77,875	19,429		

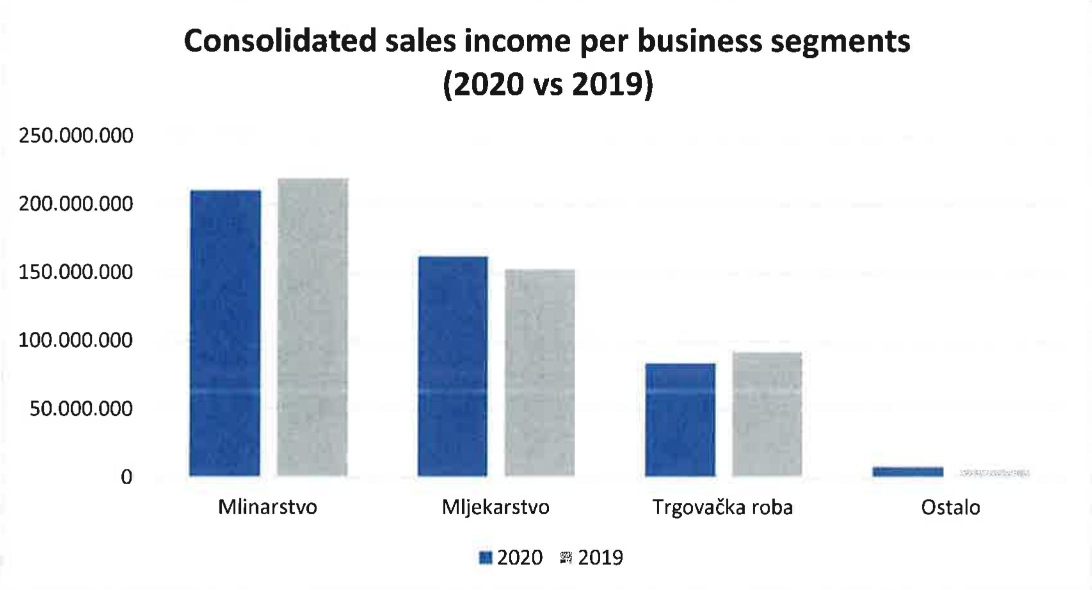
** Loans, securities and deposits

Total debt stated on 31 December 2020 includes financial liabilities of the parent company to financial institutions and companies amounting to HRK 157.4 million, liabilities of the company Zdenka - mliječni proizvodi in the amount of HRK 21 million and liabilities of the company Zdenačka farma in the amount of HRK 13 million.

Income analysis – Granolio Group

In 2020, the Granolio Group generated sales income in the total amount of HRK 469 million, which is 9% less than the sales income generated in the previous year.

Sales income generated within the Group during 2020 amounted to HRK 4 million (2019: HRK 5.1 million) and was eliminated from total consolidated income.



Sales revenues are classified into several business segments: milling, dairy, wholesale and others.

The milling segment includes the sale of flour, realized in the parent company; the dairy segment includes the sale of milk of the company Zdenačka farma and the sale of dairy products of the company Zdenka.

Wholesale includes trade in cereals, oilseeds and raw materials realized in the companies Granolio and Zdenačka farma. The segment other includes services for drying and storage of cereals and oilseeds provided by Granolio, sales of cattle in Granolio and income from own production of agricultural products which is part of Zdenačka farma.

Significant business events after the accounting period and strategic goals of the Group

The Parent Company expects that from 2021 onwards it will continue to operate smoothly and that it will successfully settle all obligations determined in the pre-bankruptcy proceedings, in the manner agreed in the pre-bankruptcy settlement. The further investment and business plan will depend on the implementation of the restructuring plan adopted as part of the pre-bankruptcy settlement.

In 2021, the Parent Company continued to repay part of its liabilities in accordance with the pre-bankruptcy settlement.

Plan of development and investment

Granolio

The Company expects to continue its operations in 2021 and to settle all liabilities determined in the pre-bankruptcy settlement procedure, in the manner agreed in the pre-bankruptcy settlement. A further investment and business plan will depend on the restructuring plan adopted under the pre-bankruptcy settlement.

Zdenačka farma d.o.o.

The goals of Zdenačka farma are as follows:

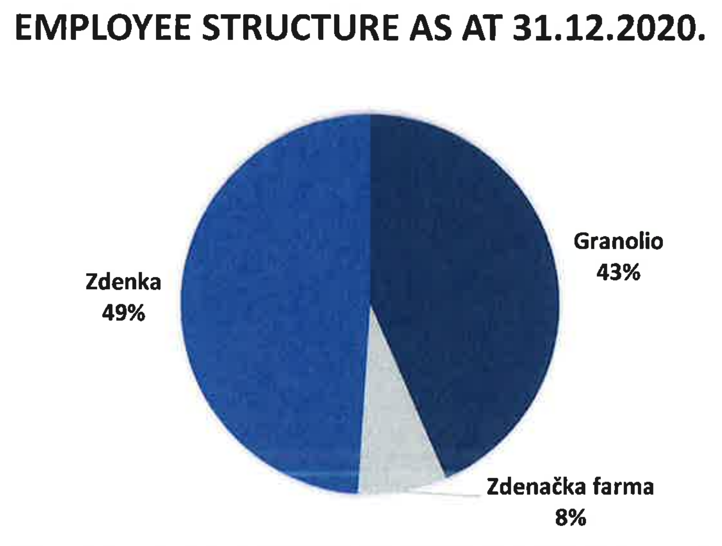
1. Decrease the financial liabilities to the parent company;
2. In the following period and in line with the financial circumstances, to build a stable for the dry period and heifers;
3. In the next two-year period, reach the production of 30 kilos / cows per day;
4. In the following two years reduce the inter-calving period to 400 days;
5. Reduced the age of heifers at calving to 24 months;
6. Double the calves' weight at birth within 60 days from birth;
7. In order to reduce feed cost in the long run, provide for additional arable areas, increasing their area from the existing 165 ha to 300-350 ha in the following years;
8. In accordance with the increase in arable areas during the following period, ensure the mechanization necessary for agricultural production and efficient day-to-day functioning of the farm.

Zdenka - mliječni proizvodi d.o.o.

From its privatization till today, Zdenka has invested significant resources in the modernization of production facilities and is still entering new investments in order to be able to keep up with the customers' needs and market trends.
The goal is to finance a part of the investments through EU funds grants, as so far.

Employees

In 2020, the Group employed 392 employees based on working hours (2019: 426), while on 31 December 2020 it employed 412 workers (31 December 2019: 377). The structure of employees by individual company in the group is shown in the following chart.



Research and development

In the reporting period, the Group had no research and development projects.

Purchase of own shares

As of the date of issue of the Annual Report of the Management, the Group did not engage in any purchases of its own shares.

Environmental protection

In the area of environmental protection, the Group applies integrated and systematic solutions and implements environmentally friendly production processes.

Risks

Details about the risks to which the Group is exposed to are presented in detail in the notes to the annual financial statements.

Corporate Governance Statement

The Corporate Governance Statement has been prepared pursuant to the provisions of Article 272.p of the Companies Act.

As a company whose shares are listed in the Official Market of the Zagreb Stock Exchange, Granolio d.d. (hereinafter: the Company) in 2020 applied the recommendations provided in the Code of Corporate Governance developed by the Croatian Financial Services Supervisory Agency and Zagrebačka burza d.d., and in force since 01 January 2020; with departures from certain recommendations and guidelines provided therein.

Deviations from the recommendations of the Code are limited to provisions whose application at a given time are not practical or enforceable given the circumstances of the business, or is not foreseen given the legal framework in which the Company operates.

In relation to the recommendations contained in Chapter 1 of the Code, in 2020 the Company published only the Articles of Association on its website and took actions to expand the number of acts published on its website. In relation to the recommendations contained in Chapter 2 of the Code, in 2020 the Company did not adopt special procedures for approving and publishing transactions between members of the Management Board or Supervisory Board and the Company but applies the regulations and Policies for Conflict of Interest Management.

In relation to the recommendations contained in Chapters 3 and 4 of the Code, the Company's Supervisory Board has not established an Appointing Committee and a Remuneration Committee due to the fact that the Supervisory Board has three to five members and performs tasks within the competence of these committees. The function of the Audit Committee, in accordance with the Audit Act, is performed by the appointed Audit Committee, whose members are also members of the Supervisory Board. Furthermore, the Supervisory Board, which consists of male members in a term that began before 2020, has set a target for the percentage of female members of the Supervisory Board and Management Board to be achieved in the next five years, but the plan is still under development. In this regard, given that in 2020 there were no new appointments of members of the Supervisory Board, the data from Art. 16. of the Code, and also the expected minimum time load of each member of the Supervisory Board is not determined at the time of his appointment. The Supervisory Board has two members, who are not independent, and in 2020 it did not evaluate the work and circumstances in accordance with the Code in 2019, but it is preparing to do the same for 2020.

In relation to the recommendations contained in Chapter 5 of the Code, the Company's Articles of Association and/or internal acts do not contain formal rules governing responsibilities and reporting procedures at the level of the parent company and subsidiaries, but financial managers of subsidiaries are responsible for reporting. No formal act on the profile of the management board for the effective execution of the management's responsibilities has been adopted, as the management board has been operating effectively in its current composition for many years. The management in 2020 did not evaluate its own work for 2019, but it is preparing to do the same in relation to its work in 2020.

In relation to Chapter 6 of the Code, as stated, the Remuneration Committee has not been established, and the remuneration policy of board members was adopted in 2020 and is expected to be approved at the first assembly to be held in 2021.

Regarding the recommendations from Chapter 7 of the Code, internal business control and risk management is performed partly through the activities of the business function Controlling, and partly through the activities of the Company's management bodies and external auditors and certification companies. Also, in 2020, no formal policies and procedures from this chapter of the Code were adopted, but the company was actively working on their adoption.

The Company applies the recommendations from Chapter 8 of the Code, except with regard to Art. 72, as already mentioned, and the information from Art. 74 of the Code, the Company plans to include in the annual report for 2021.

With regard to the recommendations from Chapter 9 of the Code, the Statute provides only for voting by raising ballots or handing over ballots, while with regard to the recommendations from Chapter 10 of the Code, the Company has started drafting policies under Art. 83 of the Code.

Detailed explanations related to the non-application or deviation from certain recommendations of the Code in 2020, the Company presented in the annual questionnaire which is an integral part of the Code and which is submitted to the Zagreb Stock Exchange d.d. together with the annual financial statements.

Internal control and risk management

Although the company does not have an established internal audit function, internal business supervision and risk management is partly performed through the activities of the business controlling function. Also, the main responsibilities of the Audit Committee of the Supervisory Board include monitoring the financial reporting process and submitting recommendations or proposals to ensure its integrity regarding financial reporting, as well as monitoring the effectiveness of the internal quality control system and risk management system.

In addition to the recommendations of the Code, the Management Board and the Supervisory Board are making increased efforts to establish adequate corporate governance and transparent information, respecting the structure and organization of the Company, strategy and business objectives, distribution of powers and responsibilities with special emphasis on effective identification, measurement and monitoring of business risks, as well as the establishment of appropriate internal control mechanisms.

The Company has prepared separate and consolidated financial statements for the Granolio Group, which consists of Granolio d.d. and the subsidiary Zdenačka farma d.o.o. which is owned by Granolio d.d. and for the subsidiary Zdenka - mliječni proizvodi d.o.o., where the Company is a co-owner.

Significant Shareholders and Limited Shareholders' Rights

The majority shareholder, holding over 58% of the Company's share capital and voting rights, is Mr Hrvoje Filipović.

All the shares have been fully paid in, and there are no restrictions to the rights arising from the shares.

Rules for the Appointment and Revocation of the Supervisory Board

The Supervisory Board of the Company consists of three or five members. The exact number of the Supervisory Board members is determined by the decision of the Company's shareholders at their General Assembly.

As long as there is a prescribed obligation, one member of the Supervisory Board is a representative of employees, who is appointed and revoked as specified in the Labour Act. One member of the Supervisory Board is appointed and revoked directly by Hrvoje Filipović, as long as he holds at least 25% of the total number of issued ordinary shares of the Company.

Other Supervisory Board members are elected and revoked by the Company's General Assembly, based on the proposals of shareholders who individually or collectively represent at least one twentieth of the share capital of the Company at the time of the election.

Rules for the Appointment and Revocation of the Management Board, Amendments to the Statute and Special Powers of the Management Board

Pursuant to the Statute of Granolio d.d., the Management Board consists of three to seven members, depending on the decision adopted by the Supervisory Board. The members and President of the Management Board are appointed by a decision of the Supervisory Board for a mandate of five years, with the possibility of re-appointment. The Supervisory Board may issue a decision revoking a member or the President of the Supervisory Board for a relevant reason.

The Statute can be amended only by a decision adopted in the General Shareholders Meeting by majority vote as defined for an amendment in the applicable legislation or the Statute.

The affairs and operations of the Company are managed by the President and members of the Management Board based on the principle of segregation of duties and responsibilities for individual areas of operations or scope of responsibilities. The work and segregation of duties and responsibilities are regulated by the Rules of Procedure for the Management Board, adopted by the Management Board with the consent of the Company's Supervisory Board. The President of the Management Board represents the Company solely, and the Management Board members represent the Company jointly with the President of the Management Board or another Management Board Member. The Company's Management Board must receive a consent from the Supervisory Board for, inter alia, deciding about the overall maximum indebtedness of the Company for a particular business year, maximum exposure on loans granted to related companies, maximum exposure of the Company with respect of guarantees, sureties and other security instruments issued to third legal and natural persons, about establishing and/or discontinuing any directly related companies, branch offices and business units, about purchasing or selling the shares in other companies in Croatia and abroad, about any fixed asset investments in excess of HRK 15,000,000.00, acquisition and sale of real estate with a net book value higher than HRK 5,000,000.00; establishing a charge on the real estate for purposes other than disposal in the ordinary course of business and conclusion of contracts worth in excess of HRK 5,000,000.00, with the exception of product, goods, energy, short-term debt and service sales contracts as part of the Company's ordinary business; decisions that affect the reputation of the Company and in all other cases determined by the Supervisory Board or the Assembly.

Composition and Operation of the Supervisory Board

Pursuant to the Companies Act and the Company's Statute, the principal responsibilities of the Supervisory Board comprise permanent supervision of the Company's operations and appointing and revoking the President and members of the Management Board. The composition of the Supervisory Board and changes of its members are presented in the accompanying financial statements.

In 2020, the Supervisory Board held 6 sessions. One member of the Supervisory Board, Mr. Davor Štefan, was not present at one meeting due to impediment, while all members of the Supervisory Board were present at the other meetings. In 2020, the Audit Committee held one meeting attended by all board members.

The Supervisory Board assessed the cooperation between the Supervisory Board and the Management Board, as well as the adequacy of the support and information it received from the Management Board during 2020, as satisfactory.

Composition and operation of the Management Board

Pursuant to the Companies Act, the Company's Statute and the Rules of Procedure for the Management Board, the principal power of the Management Board comprises managing the operations and affairs of the Company and representing the Company before third parties. In addition, the Management Board is charged with the responsibility to undertake, autonomously or with a prior consent of the Supervisory Board, any actions and adopt any decisions it considers necessary for effective management and control of the Company's operations. This, inter alia, implies adopting Company by-laws, decisions on the business and development plans of the Company, reporting to the Supervisory Board about the business performance and position of the Company, establishing bodies or boards of the Company, as well as deciding on all other issues for which the Management Board is responsible according to the

Statute or another by-law, and those issues that, under the positive law or Statute, do not fall within the area of responsibilities of another corporate body of the Company.

Description of the Work of the General Assembly

At the General Assembly, the Company shareholders may participate and vote themselves or through their proxies, which applies to the shareholders registered at the Central Depositary and Clearing Company 21 days before the Assembly. Each ordinary share entitles to one vote at the General Assembly. The Company shareholders may participate in a General Assembly in person or through their representatives, i.e. proxies. A General Assembly is convened in cases specified by law and the Company's Statute. The Assembly is convened by the Company's Management or Supervisory Board when it is necessary for the benefit of the Company. The invitation and the agenda are published at least one month before the date of the General Assembly. Any propositions of the shareholders which counter those of the Management Board and/or Supervisory Board, containing the full name of the proposing shareholder and his or her explanation, or propositions of the shareholders regarding the appointment of the Company's auditor must be received by the Company at least 14 days prior to the General Assembly, excluding the date of receipt of the counter-proposition.
Shareholders representing at least one twentieth of the share capital of the Company may require an issue to be included in the General Assembly agenda, by providing an explanation and the decision proposal. The request must be received by the Company at least 30 days in advance of the General Assembly, excluding the day of the request receipt.

The activities and decisions of the General Assembly are valid if at least 50% of the voting shares are present in a meeting. All decisions under the proposed agenda items are adopted by simple majority, except for those requiring qualified majority, i.e. three-quarters of the share capital being represented in the Assembly. Each share with a nominal amount of HRK 10.00 entitles to one vote in the Assembly.

The General Assembly is chaired by the Chairperson or Deputy Chairperson in case of the Chairperson's absence. The Chairperson and the Deputy Chairperson are elected by the General Assembly for a term of 4 (four) years based on the proposal of the Supervisory Board. The Chairperson chairs the Assembly and, before opening the discussion on the agenda items, determines the validity of proxies and the quorum. The Chairperson determines the sequence of the individual agenda item discussions, the sequence and manner of voting on the individual proposals, as well as on all procedural matters not regulated by law or the Statute. In addition, the Chairperson signs decisions adopted at the Assembly, the list of the present shareholders, the manner of voting and the voting results, makes other required notes, communicates on behalf of the Assembly with other bodies of the Company and third parties in cases stipulated by law and the Statute and performs other tasks, duties and responsibilities specified by law and the Statute.

The Members of the Management Board of Granolio d.d. in 2020 were the following:

President of the Management Board:	Hrvoje Filipović (re-appointed on 23 February 2016)
Members of the Management Board:	Drago Šurina (re-appointed on 23 February 2016) Vladimir Kalčić (re-appointed on 23 February 2016)

The members of the Supervisory Board of Granolio d.d. in 2019 were the following:

President of the Supervisory Board:	Franjo Filipović (re-appointed on 13 June 2019)
Members of the Supervisory Board:	Braslav Jadrešić (mandate expired on 13 June 2019) Davor Štefan (re-appointed on 13 June 2019) Jurij Detiček (re-appointed on 13 June 2019) Tihomir Osmak (first time appointed on 13 July 2019)

This Corporate Governance Statement forms an inseparable part of the Company's Annual Report for the year 2020.

Responsibility for the financial statements

The Management Board of Granolio d.d., Zagreb, Budmanijeva 5, Zagreb and its subsidiaries (hereinafter: the Group) is obliged to ensure that the annual consolidated financial statements of the Group for 2020 are prepared in accordance with the applicable Croatian Accounting Act and International Financial Reporting Standards established by the European commissions and published in the Official Journal of the European Union, so as to provide a true and fair view of the consolidated financial position, consolidated results of operations, consolidated changes in equity and consolidated cash flows of the Group for that period.

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

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

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

The Management Board is responsible for keeping proper accounting records, which disclose, with reasonable accuracy, at any time the consolidated financial position, consolidated business results, consolidated changes in equity and consolidated cash flows of the Group and their compliance with the applicable Croatian Accounting Act. Furthermore, the Management Board is responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of and for the Management Board:

29 April 2021

Hrvoje Filipović dipl.oec.
President of the Management Board

Drago Šurina dipl.oec.
Member of the Management Board

Vladimir Kalčić dipl.oec.
Member of the Management Board

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of the company Granolio d.d. Zagreb

Audit report on the annual consolidated financial statements

Qualified Opinion

We performed an audit of the annual consolidated financial statements of Granolio d.d., Zagreb, Budmanijeva 5 (the "Company") and its subsidiaries (the "Group"), for the year ended 31 December 2020, which include the Consolidated Statement of financial position as at 31 December 2020, the Consolidated Statement of comprehensive income, Consolidated Statement of changes in equity and Consolidated Statement of cash flows for the year then ended, and Notes to the consolidated financial statements, including a summary of significant accounting policies, including a summary of significant accounting policies.

In our opinion, apart from the possible adjustments that may arise from the disclosure in the Basis for Qualified Opinion section, the accompanying annual consolidated financial statements present a true and fair view of the Group's financial position as at 31 December 2020 and its financial performance and cash flows for the year then ended, in accordance with the Accounting Act and International Financial Reporting Standards established by the European Commission and published in the Official Journal of the European Union ("IFRS").

Basis for Qualified Opinion

As shown in Notes 15 and 12 to the annual consolidated financial statements, the Group sold the Mlinet and Belje brands in 2020, achieving a net loss from sales in the amount of HRK 115,000 thousand, which is shown within other operating expenses in the consolidated Statement of Comprehensive Income for 2020. As in previous periods, the Management Board was not able to gather enough information to be able to estimate the recoverable amount of these brands in accordance with International Accounting Standard 36 - Impairment of Assets, we were not able to gather sufficient appropriate audit evidence to confirm whether the entire amount of expenses of the current period or part of them relates to expenses of previous periods. Consequently, we have not been able to determine the effects of adjustments, if any, on the Group's annual consolidated financial statements for 2020.

We conducted our audit in accordance with the International Auditing Standards (ISAs). Our responsibilities under those standards are further described in our Independent Auditors' report under section Auditors' responsibilities for the audit of the consolidated annual financial statements. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

INDEPENDENT AUDITOR'S REPORT (continued)

Audit report on the annual consolidated financial statements (continued)

Material Uncertainty Related to Going Concern

We draw attention to Note 3.2. to the consolidated financial statements, which indicates that, based on the submitted request for pre-bankruptcy proceedings of the Company, the Commercial Court in Zagreb on 28 December 2018 adopted the final Decision on the Company's pre-bankruptcy settlement with its creditors. The Company continues to carry out measures included in the restructuring programme of the Company, maintaining the Company liquid and solvent. The Management Board of the Company believes that the Company can continue its operations as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, are of most significance in our audit of the consolidated annual financial statements for the current period, and include the most significant recognized risks of significant misstatement due to error or fraud with the greatest impact on our audit strategy, the allocation of our available resources, and the time spent by the engaged audit team.

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

We have determined the matters described below as the key audit matters to be communicated in our Independent Auditor's report:

Key audit matter	How we addressed the key audit matter
Revenue recognition In 2020, the Group in its Statement of comprehensive income has stated sales revenues in the amount of HRK 459,277 thousand. These revenues arise from the following activities: - revenues from wholesale of products and merchandise and - revenues from retail of products and merchandise Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the Company's activities. Revenues are stated in amounts less value added tax, quantity rebates and sales discounts. The Group recognizes revenue when the amount of revenue can be measured reliably, when the Group will have future economic benefits and when specific criteria for all activities of the Group are met. In accordance with International Financial Reporting Standard 15, Wholesale Revenue is recognized when the Group delivers goods to a wholesaler, when it no longer has the influence on the management of the goods and when there is no outstanding liability that could affect the acceptance of the product by the wholesaler.	Our audit procedures related to this matter included, but were not limited to: - Gaining an understanding of the sales process by interviewing key sales personnel; - Gaining an understanding of key controls related to the recognition of sales revenue; - Examining the effectiveness of internal controls related to the revenue recognition cycle; - Conducting detail tests on the sample in order to identify unusual or irregular items and the correct allocation of revenue between reporting periods;

Delivery is made when the products are shipped to a specific location; the risks of loss are transferred to the wholesaler and when one of the following is determined: the wholesaler accepts the products in accordance with the contract, or the deadline for acceptance of products has expired or the Group has objective evidence that all acceptance criteria are met. Given the significance of revenues presented in the Statement of Comprehensive Income and the risk of recognizing them in an inappropriate period in order to present a better result of the period, we concluded that the consistency, accuracy and completeness of revenues and their distribution in the correct reporting period is a key audit matter. *Related disclosures in the accompanying annual financial statements* See notes 3.10 and 6 in the accompanying annual financial statements.	-Comparison of obtained external confirmations of the amount of outstanding trade receivables at the reporting date and the balances presented in the Company's business books on the same date; - Assessment of the compliance of the sales revenue recognition policy with International Financial Reporting Standard 15 - Revenue from Contracts with Customers; - Assessing the adequacy of disclosures related to the recognition of sales revenue in accordance with International Financial Reporting Standard 15 - Revenue from Contracts with Customers.

Other information in the Annual Report

Management board is responsible for other information. Other information includes the Management Report and the Statement of Application of the Corporate Governance Code, but does not include the annual consolidated financial statements and our Independent Auditor's Report thereon.

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

In relation to our audit of the annual consolidated financial statements, it is our responsibility to read other information and consider whether the other information is materially inconsistent with the annual consolidated financial statements or our audit findings or otherwise appear to be materially misstated.

Regarding the Management Report and the Statement on the Application of the Corporate Governance Code, we also carried out the procedures required by the Croatian Accounting Act (the "Accounting Act"). These procedures include considering:

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

INDEPENDENT AUDITOR'S REPORT (continued)

Audit report on the annual consolidated financial statements (continued)

Other information in the Annual Report (continued)

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

- The information contained in the Management Report and the relevant parts of the Statement of Application of the Corporate Governance Code for the financial year for which the consolidated financial statements have been prepared is consistent, in all material respects, with the Company's annual consolidated financial statements set out on pages 20 to 90 and the opinion as set out in the Qualified Opinion section above;
- The Management Report and the relevant parts of the Statement on the Application of the Corporate Governance Code have been prepared, in all relevant respects, in accordance with Articles 21, 22 and 24 of the Accounting Act;
- The Statement on the Application of the Corporate Governance Code shall include the information required by Article 22, paragraph 1, items 2, 5 and 6 of the Accounting Act.

Furthermore, taking into account the knowledge and understanding of the Group's operations and the environment in which it operates, which we acquired during our audit, we are required to report whether we have identified material misstatements in the Management Report and Corporate Governance Statement received up to the date of this Independent Auditor's Report. In that sense, we have nothing to report.

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

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

In preparing the consolidated annual financial statements, Management board is responsible for evaluation of the Group'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 Group or discontinue its business or there is no realistic alternative but to do so.

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

Auditor's Responsibility for the audit of consolidated annual financial statements

Our goals are to obtain reasonable assurance about whether the consolidated annual financial statements, as a whole, are free from material misstatement as a result of fraud or error, and to issue an independent auditors' report that includes our opinion. Reasonable assurance is a higher level of assurance, but this is no guarantee that an audit performed in accordance with IAS will always detect a material misstatement when it exists. Misstatements may result from fraud or error and are considered as important, if it can reasonably be expected that, individually or in aggregate, they affect the economic decisions of users made based on these consolidated annual financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

Audit report on the annual consolidated financial statements (continued)

Auditor's Responsibility for the audit of consolidated annual financial statements (continued)

As an integral part of the audit report in accordance with ISA, we make professional judgments and maintain professional scepticism throughout the audit process. In addition, we:

- identify and assess the risks of material misstatement of the annual consolidated financial statements due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of non-detecting a material misstatement of fraud is greater than the risk of error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or circumvention of internal controls.

- acquire an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of the accounting basis used based on the going concern principle used by the Management Board and, based on the obtained audit evidence, we conclude on whether there is significant uncertainty regarding events or circumstances that may create significant doubts about the ability to continue operating for an indefinite period of time. If we conclude that there is significant uncertainty, in our independent auditors' report we are required to call our attention to related disclosures in the consolidated annual financial statements or, if these are inappropriate, to modify our opinion.

  Our conclusions are based on the audit evidence obtained up to the date of our independent auditors' report. However, future events or conditions may cause the Group to discontinue its operations on a going concern.

- evaluate the overall presentation, structure and content of the consolidated annual consolidated financial statements, including disclosures, as well as whether the annual consolidated financial statements reflect the transactions and events which they are based on in a way that achieves a fair presentation.

- obtain sufficient appropriate audit evidence regarding financial information from individuals and business activities within the Group to express an opinion on the annual consolidated financial statements. We are responsible for directing, overseeing, and performing the audit. We are solely responsible for expressing our opinion.

We communicate with those charged with governance, among other issues, the intended scope and timing of audit and important audit findings, including any significant deficiencies in internal controls identified during our audit.

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

Among the issues communicated to those charged with governance, we identify those issues that are the most important in auditing the annual consolidated financial statements of the current period and therefore present the key audit matters.

INDEPENDENT AUDITOR'S REPORT (continued)

Audit report on the annual consolidated financial statements (continued)

Auditor's Responsibility for the audit of consolidated annual financial statements (continued)

We describe these matters in our Independent Auditor's Report, unless the law or regulation prevents the matters from being publicly disclosed, or when we decide, in extremely rare circumstances, that the matter should not be reported in our Independent Auditors' Report because the negative consequences of the disclosure could reasonably be expected to outweigh the benefits of public interest from such communication.

Statement on other legal requirements

On 28 August 2020, we were appointed by the General Assembly of the Company to audit the annual unconsolidated financial statements of the Group for 2020.

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

In the audit of the annual consolidated financial statements of the Group for 2020, we determined the significance for the consolidated financial statements as a whole in the amount of HRK 6,900 thousand, which represents approximately 1.5% of the realized sales revenue for 2020.

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 consolidated financial statements of the Company for 2020 and the date of this Independent Auditor's Report, we did not provide prohibited non-audit services to the Company or its subsidiaries 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 engaged partner involved in the audit of the Group's annual consolidated financial statements for 2020 which results in this Independent Auditor's Report, is the certified auditor Vedrana Stipić.

Zagreb, 29 April 2021

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

Stipić

Vedrana Stipić, Member of the Management Board

Stipić

Vedrana Stipić, Certified Auditor

BDO CROATIA
BDO Croatia d.o.o.
za pružanje revizorskih, konzalting
i računovodstvenih usluga
Zagreb, J. F. Kennedy 6/b 1

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2020

	Note	2020	in HRK '000 2019
Income			
Sales revenue	6	459.277	468,983
Other operating income	7	172,995	17,146
Total operating income		**632,272**	**486,129**
Changes in inventories		(2,598)	(231)
Material expenses	8	(386,410)	(417,713)
Staff costs	9	(37,804)	(36,412)
Depreciation and amortisation	15,16,17	(22,438)	(27,087)
Other costs	11	(6,645)	(6,481)
Value adjustment expenses	10	(10,067)	(22)
Other operating expenses	12	(120,940)	(5,862)
Total operating expenses		**(586,902)**	**(493,807)**
Operating profit/(loss)		**45,371**	**(7,678)**
Financial income	13	1,160	1,512
Financial expenses	13	(8,912)	(8,692)
Net financial result		**(7,752)**	**(7,180)**
Result before taxation		**37,619**	**(14,858)**
Income tax	13	(444)	659
Profit/(loss) after taxation		**37,175**	**(14,199)**
Other comprehensive income			
Items later transferred to profit or loss			
Financial assets for sale, reclassification into profit or loss		-	-
Total comprehensive income /(loss)		**37,175**	**(14,199)**
Total comprehensive income / (loss) of the current year for distribution:			
To the owners of the Company		*35,550*	*(15,301)*
To owners of non-controlling interests	25	*1,625*	*1,102*
Earnings per share			
Basic and diluted earnings/(loss) per share (in HRK and lipas)	34	19,55	(8,05)

* The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Financial Position
as at 31 December 2020

in HRK '000

	Note	31 Dec 2020	31 Dec 2019
I NON-CURRENT ASSETS			
Intangible assets			
Trademarks, concessions, licenses		-	120,000
Customer list		-	698
Software and other intangible assets		147	178
Right of use assets		4,897	6,415
	15,16	**5,044**	**127,291**
Property, plant and equipment			
Land		13,824	13,824
Buildings		146,195	152,691
Plant, equipment, vehicles and tools		27,447	31,341
Biological assets		6,521	6,237
Advances for tangible assets		-	-
Other tangible assets		74	93
Tangible assets in preparation		13,924	11,716
Investment property		5,047	5,047
	17	**213,032**	**220,949**
Financial assets			
Shares at fair value through profit or loss	18a	1,030	1,030
Loans, deposits and similar	18b	222	222
		1,252	**1,252**
Deferred tax assets	14	-	**1,103**
II CURRENT ASSETS			
Inventories	19	**36,218**	**46,338**
Receivables			
Receivables from related parties	33	7,145	780
Receivables from participating interests		18	36
Trade receivables	20a	83,709	78,884
Receivables from the state and other institutions	20b	1,563	3,736
Other receivables	20c	16,463	24,539
		108,898	**107,975**
Financial assets			
Loans granted to affiliated companies	21b,33	11,261	10,191
Investing in securities	21a	150	150
Loans, deposits and similar	21b	11,150	16,674
		22,561	**27,015**
Cash and cash equivalents	22	**7,541**	**3,298**
Prepaid expenses and accrued income	23	**404**	**399**
TOTAL ASSETS		**394,950**	**535,620**

Consolidated Statement of Financial Position
as at 31 December 2020 (continued)

	Note	31 Dec 2020	31 Dec 2019
			in HRK '000
I EQUITY AND RESERVES			
Subscribed capital		19,016	19,016
Premiums for issued shares		84,196	84,196
Revaluation reserves		51,674	54,676
Legal reserves		3,497	3,497
Reserves for own shares		800	800
Retained earnings		(140,004)	(127,770)
Profit or loss for the year		35,550	(15,301)
	24	**54,729**	**19,114**
Non-controlling interest	25	**28,852**	**27,293**
II NON-CURRENT LIABILITIES			
Deferred tax liability	14	11,343	12,002
Liabilities to affiliated companies	33	10,000	10,000
Liabilities for loans, deposits and similar	26	-	159,567
Liabilities to banks and other financial institutions	27	121,557	133,829
Lease liabilities	16	3,933	3,397
Liabilities for securities	28	26,983	29,879
Trade liabilities	29	22,181	35,027
		195,997	**383,701**
III CURRENT LIABILITIES			
Liabilities for loans, deposits and similar	26	13,026	6,494
Liabilities to related parties	33	1,566	-
Liabilities to banks and other financial institutions	27	10,390	9,632
Lease liabilities	16	826	682
Liabilities for advances		523	4,404
Trade payables	30a	70,274	66,289
Liabilities under securities	28	8,522	9,666
Liabilities to employees		2,293	2,209
Liabilities for taxes, contributions and similar	30b	5,077	2,247
Interest liabilities		343	191
Prepaid expenses and accrued income	31	2,189	3,667
Other current liabilities		343	31
		115,372	**105,512**
TOTAL EQUITY AND LIABILITIES		**394,950**	**535,620**

* The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

in HRK '000

	Share capital	Capital reserves	Legal reserves	Reserves for own shares	Revaluation reserves	Retained earnings / (loss carried forward)	Profit/ (loss) for the current year	Total for Group	Non-controlling interest	Total
Adjustments of IFRS 16 at 01 Jan 2019						16		16		16
Balance at 1 January 2019	**19,016**	**84,196**	**408**	**800**	**57,678**	**(199,575)**	**81,861**	**44,385**	**60,437**	**104,822**
Profit for the current year	-	-	-	-	-	-	(15,301)	(15,301)	1,102	(14,199)
Total other comprehensive income for the year	-	-	-	-	-	-	**(15,301)**	**(15,301)**	**1,102**	**(14,199)**
Transfer of revaluation reserve to retained earnings	-	-	-	-	(3,002)	3,002	-	-	-	-
Distribution of 2018 results	-	-	3,088	-	-	78,773	(81,861)	-	-	-
Dividend payment	-	-	-	-	-	-	-	-	(2,000)	**(2,000)**
Sale of a subsidiary	-	-	-	-	-	(9,971)	-	(9,971)	(32,246)	**(42,217)**
Balance at 31 December 2019	**19,016**	**84,196**	**3,497**	**800**	**54,676**	**(127,770)**	**(15,301)**	**19,113**	**27,293**	**46,407**
Balance at 1 January 2020	**19,016**	**84,196**	**3,497**	**800**	**57,678**	**(127,770)**	**(15,301)**	**19,113**	**27,293**	**46,407**
Profit for the current year	-	-	-	-	-	-	35,550	35,550	1,625	**37,175**
Total other comprehensive income for the year	-	-	-	-	-	-	**35,550**	**35,550**	**1,625**	**37,175**
Transfer of revaluation reserve to retained earnings	-	-	-	-	(3,002)	3,002	-	-	-	-
Distribution of 2019 results	-	-	-	-	-	(15,301)	15,301	-	-	-
Consolidation adjustment	-	-	-	-	-	-	66	66	(66)	(66)
Balance at 31 December 2020	**19,016**	**84,196**	**3,497**	**800**	**51,674**	**(140,004)**	**35,550**	**54,726**	**28,852**	**83,516**

* The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows – indirect method

for the year ended 31 December 2020

in HRK '000

	Note	2020	2019
Result before tax		**37.619**	**(14.858)**
Reconciliation of results:			
Amortization and depreciation	15,16,17	22,437	27,087
Natural growth	17	(3,288)	(3,306)
Loss on sale and disposal of fixed assets, net		117,071	236
Value adjustment of receivables	10	10,070	-
Value adjustment of other financial assets	13	4,500	-
Inventory surplus		(754)	(3,024)
Net interest expense	13	2,906	2,952
Loss from other financial activities		-	3,829
Write-off of liabilities		(156,861)	(224)
Other		-	(2,006)
Operating result before changes in working capital		**33,700**	**10,686**
(Increase) / Decrease in inventories	19	10,874	(6,640)
Reduction of short-term receivables		(6,561)	10,883
Increase / (Decrease) in current liabilities		(5,358)	1,948
Advances received / (Paid)		(2,961)	8,596
Operating result after changes in working capital		**29,694**	**25,473**
Paid income taxes			-
Interest paid		(3,015)	(4,144)
Cash flow from operating activities		**26,679**	**21,329**
Interest charged		324	1,222
Cash outflows for the purchase of real estate, plant, equipment and intangible assets		(10.054)	(9,671)
Cash receipts from sold property		-	894
Cash receipts from sale of shares		-	5,000
Deposits (paid) / received		256	(1,012)
Cash outflows for loans granted	21	-	(24,108)
Cash receipts from collection of granted loans	21	27	4,481
Cash flow from investing activities		**9,445**	**(24,817)**

Consolidated Statement of Cash Flows – indirect method (continued)
for the year ended 31 December 2020

			in HRK '000
	Note	**2020**	**2019**
Cash outflows for repayment of loans and borrowings		(18,418)	(16,219)
Cash receipts on loans and borrowings		10,251	17,500
Net (expenses) under securities	28	(4,040)	(2,100)
Cash outflows for repayment of leases	15	(783)	(735)
Cash receipts from profit sharing		-	(2,000)
Cash flow from financing activities		**(12,990)**	**(3,554)**
Net changes in cash and cash equivalents		**4,243**	**(7,042)**
Cash and cash equivalents at the beginning of the period		3,298	10,340
Cash and cash equivalents at the end of the period	22	**7,541**	**3,298**

* The accompanying notes form an integral part of these financial statements.

1. GENERAL INFORMATION

Granolio d.d. ('the Company') was incorporated as a Croatian joint stock company in December 1996. The registered seat of the Company is in Zagreb and its business units are located in Gornji Draganac, Slavonski Brod, Velika Kopanica, Osijek, Vinkovci and Beli Manastir.

Based on Decision No. 48. St-2021/2017 dated 27 July 2018; Commercial Court in Zagreb has opened a pre-bankruptcy procedure against Granolio d.d. and nominated Nada Reljić for the commissioner. On 6 December 2018, at the hearing for the amended restructuring plan vote at the Commercial Court in Zagreb, the restructuring plan was approved. The Court's Decision confirming the pre-bankruptcy agreement entered into force on 28 December 2018.

At 31 December 2020 and at 31 December 2019 the Management Board of Granolio d.d. consisted of the following members:

Hrvoje Filipović - Chairman (since 23 February 2011),
Vladimir Kalčić - Member (since 23 February 2011),
Drago Šurina - Member (since 23 February 2011), and

At 31 December 2020 and at 31 December 2019 the Supervisory Board of Granolio d.d. consisted of the following members:

Franjo Filipović – Chairman (since 23 February 2011),
Jurij Detiček – Member (since 23 February 2011),
Braslav Jadrešić – Member (since 23 February 2011),
Davor Štefan – Member (since 16 January 2015).

Subsidiaries

Basic information of the Granolio Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Core activity	Place of incorporation and operation	Proportion of ownership interest and voting rights held by the Group	
			2019	2018
Zdenka - mliječni proizvodi d.o.o.	Production of dairy, trade and services	Veliki Zdenci	50%	50%
Zdenačka farma d.o.o.	Production of milk, cattle breeding and farm production	Veliki Zdenci	100%	100%

The Company has assessed that it has control over the Company Zdenka mliječni proizvodi d.o.o. in accordance with International Financial Reporting Standard 10.

1. GENERAL INFORMATION (CONTINUED)

The core activities of Granolio d.d. and its subsidiaries comprise the production of food, agricultural production, warehousing of agricultural products and trade in bakery industry products, agricultural products and raw materials for agricultural production.

In mid-2007, the Company acquired the entire share in Zdenačka farma d.o.o., Veliki Zdenci, for HRK 2,820 thousand. The subsidiary produces high-quality milk produced by dairy cows of high genetic potential.

Pursuant to the decision of the Company's General Assembly dated 16 March 2015, the share capital of Zdenačka farma was increased from HRK 13,520 thousand to HRK 29,520 thousand.

In mid-2008, the Company acquired the entire equity share in Prerada žitarica d.o.o., Grubišno Polje, for HRK 5,205,983. The subsidiary's activities include grains warehousing and drying. As at 27 November 2017, the share capital of Prerada Žitarica was increased from HRK 23,121 thousand to HRK 63,821 thousand by issuing a new business share in the amount of HRK 40,700 thousand. The company Prerada žitarica d.o.o. was merged to the parent company on 30 April 2018.

In 2011, Granolio d.d. acquired a controlling interest in the subsidiary, enabling it to exercise power in making operational decisions of its subsidiaries, as well as to govern the financial and business policies, the appointment of the members of the Management Board or the majority of vote at Zdenka mliječni proizvodi d.o.o. and Žitar d.o.o.

The Company Zdenka-mliječni proizvodi d.o.o. registered on 10 April 2002 at the Commercial Court in Bjelovar pursuant to the Decision number Tt-02 / 396-2 as a limited liability company.

Management Board of the Company consists of Mr Željko Gatjal, dipl.oec., and the Chairman of the Supervisory Board is Mr Hrvoje Filipović dipl. oec. Granolio d.d. participates in the ownership structure of Zdenka – mliječni proizvodi d.o.o. with a 50% share.

The Company IPK Kapelna d.o.o. registered on 4 December 1998 in the court register as a limited liability company. In line with the Commercial Court in Osijek Decision Tt-99 / 586-4 of 7 May 1999, the Company is recorded in the general ledger of the Court Registry under the registration number (MBS): 030064710. On 1 January 2011, the company Novi Žitar d.o.o., Donji Miholjac was merged to the company Kapelna d.o.o.

According to the Decision of the Commercial Court in Osijek Tt-11 / 314-2 of 8 February 2011, the company Kapelna d.o.o. changed the company name to ŽITAR društvo s ograničenom odgovornošću za poljoprivrednu proizvodnju, trgovinu i usluge, with the TAX ID number 66951972250. Mr Željko Tadić, as a member of the Management Board and CEO, represents the company independently. Granolio d.d has a 49.690% share in the company Žitar d.o.o.

Company Granolio d.d. acquired business shares in the company Zdenka in 2010, and in the company Žitar d.o.o. in 2011.

On 4 March 2019 the Company sold its shares in the company Žitar d.o.o. The transaction was entered into the court registry on 14 March 2019.

2. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) AND INTERPRETATIONS

2.1. Initial application of new amendments to the existing standards and interpretations effective for the current financial period

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

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of materiality, adopted in the European Union on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020)
- Amendments to IFRS 3 "Business Combinations" - Definition of Operations, adopted in the European Union on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and for acquisitions of funds that occur on or after the beginning of that period)
- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" - Reform of reference interest rates, adopted in the European Union on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020)
- Amendments to IFRS 16 "Leases" - Lease relief in the context of the COVID-19 Pandemic (adopted in the European Union on 9 October 2020, effective no later than 1 June 2020 for financial years beginning on or after 1 January 2020) *
- Amendments to the reference to the Conceptual Framework in IFRS, adopted in the European Union on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of these amendments to existing standards did not lead to significant changes in the Group's financial statements.

Standards and amendments to existing standards published by the IASB and adopted in the European Union, but not yet in force

At the date of approval of these financial statements, the following amendments to existing standards published by the IASB and adopted in the European Union were published, but not in force:

- Amendments to IFRS 4 "Insurance Contracts" - Extension of the temporary exemption from IFRS 9, adopted in the European Union on 16 December 2020 (the expiry date of the temporary exemption from IFRS 9 has been moved from 1 January 2021. for annual periods beginning on or after 1 January 2023)
- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7: "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16: "Leases" - Reform of reference interest rates - Phase 2, adopted in the European Union on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021).

2. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) AND INTERPRETATIONS (CONTINUED)

2.2. Standards and amendments to the existing standards issued by IASB and not yet adopted by the EU

IFRS currently adopted in the European Union do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to existing standards, the adoption of which the European Union has not yet decided on (date of entry into force set out below relate to IFRSs issued by the IASB):

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided to postpone the adoption of this transitional standard until its final version is published
- IFRS 17 "Insurance Contracts", including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 1 "Presentation of Financial Statements" - classification of short-term and long-term liabilities (effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 16 "Property, Plant and Equipment" - revenue before intended use (effective for annual periods beginning on or after 1 January 2022)
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - harmful contracts - costs of meeting contractual obligations (effective for annual periods beginning on or after 1 January 2022)
- Amendments to IFRS 3 "Business Combinations" - references to the conceptual framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022)
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Interests in Associates and Joint Ventures" - sale or investment of assets between an investor and its associate or joint venture and further amendments (initial effective date is deferred is until the completion of a research project on the application of the equity method)
- Amendments to various standards due to "Revision of IFRS from the 2018-2020 cycle)", resulting from the project of annual revision of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41), primarily to eliminate inconsistencies and clarify the text (Amendments to IFRS 1, IFRS 9 and IAS 41 effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 is for illustrative purposes only and does not specify the effective date.).

The Company expects that the adoption of these new standards and amendments to existing standards will not lead to significant changes in the Company's financial statements in the period of the first application of the standard.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not yet been adopted by the European Union is still not regulated. The Company estimates that the application of hedge accounting to a portfolio of financial assets or liabilities in accordance with IAS 39: "Financial Instruments: Recognition and Measurement" would not result in a material change in the financial statements if applied at the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by the Group in preparing these consolidated financial statements. These accounting policies have been consistently applied by the Group and all subsidiaries for all periods included in these consolidated financial statements.

3.1 Statement of compliance

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards ("the IFRSs") as adopted by the European Union.

3.2 Basis of preparation

The consolidated financial statements of the Group have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below, and in line with the International Financial Reporting Standards ("the IFRSs") as adopted by the European Union, and Croatian laws. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Group maintains its accounting records in the Croatian language, in Croatian Kuna and in accordance with Croatian laws and the accounting principles and practices observed by enterprises in Croatia.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. Management is also required to make judgments in the process of applying the Group's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

On 6 December 2018, at the hearing for the amended restructuring plan vote at the Commercial Court in Zagreb, the restructuring plan was approved. The Court's Decision confirming the pre-bankruptcy agreement entered into force on 28 December 2018.

Irrespective of the liabilities to creditors assumed by concluding the pre-bankruptcy settlement, the Management Board of the Company estimates that the indefinite duration of operations is not in any way questionable. The Company has a sufficient level of liquidity to ensure the fulfilment of liabilities to creditors and, in accordance with business plans, estimates that a positive cash flow will be generated from the core business in future periods.

Throughout 2020, a stable cash flow and funds were provided to meet due liabilities to suppliers, employees, and the state, which was achieved through careful planning and liquidity management. So far, the Company has regularly repaid its liabilities in accordance with the pre-bankruptcy settlement and it is expected that it will continue to operate smoothly and repay its liabilities in accordance with the final settlement in the future. The further investment and business plan will depend on the restructuring plan adopted as part of the pre-bankruptcy settlement.

The Management Board of the Company continues intensively with activities for achieving capital adequacy as an essential condition for ensuring the long-term survival of the Company.

3.3. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when:

- the Company has power or has the ability to use its power over the investee;
- the Company is exposed to or has rights to variable returns from its involvement with the investee;
- the Company is capable of using its power to affect its returns.

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Basis of consolidation (continued)

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- Share of voting rights in relation to the size and distribution of the voting rights of other persons entitled to vote;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements.
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Profit or loss and each component of other comprehensive income are separated on the part of the owners of the parent (Company) and on the part of the owners of non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and the owners of non-controlling interests, even if this leads to a negative balance of non-controlling interests.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between i) the total fair value of the fee received and the fair value of eventual retained interest ii) the previous carrying amount of assets (including goodwill) and liabilities of the subsidiary, and every non-controlling interest. All figures are based on the subsidiary previously been recognized in other comprehensive income are accounted as if the Group had directly sold the assets or liabilities of that company, i.e. figures are transferred to profit or loss, or in any of the components of shareholders' equity in accordance with applicable IFRS. The fair value of the retained interest in the former subsidiary at the date of loss of control at the subsequent accounting under IAS 39, regarded as the fair value of initial recognition and, if it is applicable, as a cost during the initial recording of shares in the associate or joint venture.

3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.5 Goodwill

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of associates or joint ventures are incorporated in financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Interests in associates and joint ventures (continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture, but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

a. Interests in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Any goodwill arising from the acquisition of the Group's shares in the common control of a given company is calculated in accordance with the Group's accounting policy for calculating of goodwill resulting from business merger.

Unrealized gains and losses from transactions between the Group and the companies over which it has joint control are eliminated in proportion to the Group's share in the joint venture. Gains and losses from transactions between the Group and jointly controlled companies in the consolidated financial statements of the Group are recognized only to the extent of interest in jointly controlled companies that are not related to the Group.

b. Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which entity from Group is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Functional and reporting currency

The financial statements are prepared in the Croatian currency, the Croatian kuna (HRK), which is also the Group's functional currency, rounded to the nearest thousand.

Transactions denominated in foreign currencies are translated to the Croatian kuna by applying the exchange rates in effect at the transaction dates. Assets and liabilities denominated in a foreign currency are retranslated at the exchange rates in effect at the reporting date. Gains and losses on the retranslation from transaction dates to the reporting date are included in the statement of comprehensive income.

3.8 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires from management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. These estimates and the underlying assumptions are based on past experience and various other pertinent factors and are believed to be reasonable under given circumstances and constitute a reliable basis for developing estimates of the carrying amounts of assets and liabilities that are not readily available from other sources. Actual results may differ from those estimates.

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

Areas of judgement made by the Management Board in applying IFRS that have a significant impact on the financial statements as well as areas of judgement involving a risk of material adjustment in the following year are presented in Note 4.

3.9 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for products, goods or services sold in the regular course of the Group's operations. Revenues are stated net of value added tax, quantity and sales discounts.

The Group recognises revenue when the amount of the revenue can be measured reliably, when future economic benefits will flow into the Group and when the specific criteria for all the Group's activities described below are met.

(i) Income from the wholesale of products and trade goods
The Group produces and distributes its own products as well as third-party merchandise (wholesale operations). Wholesale revenue is recognised when the Group has delivered the goods to the wholesaler, when it no longer controls the management of the goods and when there is no outstanding liability that could affect the acceptance of the products by the wholesaler.

A delivery is completed when the products are dispatched to a specific location, the risk of loss are transferred to the wholesaler and one of the following is met: the wholesaler has accepted the goods in accordance with the underlying contract; or the acceptance deadline has passed; or the Group has objective evidence that all the acceptance criteria are met.

Products are sold at the agreed volume discounts, with the right of the customers to return faulty goods. Sales revenue is recognised based on the price from the underlying sales contract, less any estimated volume and sales discounts, and returns. The discounts and returns are assessed based on past experience. Volume discounts are assessed based on anticipated annual sales. When sales are made under terms and conditions that involve financing elements, i.e. where the collection period is longer than 60 days, the receivables are classified as financial assets.

(ii) Income from the retail sale of products and merchandise
Retail product and merchandise sales are recognised upon the sale to the customer. Retail sales are generated in cash. The Group does not have specific customer award schemes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Revenue recognition (continued)

(iii) Service sales

Service sales are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iv) Financial income

Financial income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised when the right to receive payment has been established.

3.10 Foreign currencies

(i) Foreign-currency transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated into the functional currency at the foreign exchange rate ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary assets and items denominated in foreign currencies that are measured at historical cost are not re-translated.

Foreign-currency denominated non-monetary assets and liabilities measured at historical cost are translated to the functional currency using the exchange rate list in effect at the transaction dates.

At 31 December 2020 the official exchange rate of the Croatian kuna against 1 euro (EUR) was HRK 7, 536898; and at 31 December 2019 it was HRK 7, 442580, respectively.

(ii) Group members

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in the Croatian currency kuna ("HRK"), which is the Group's functional currency.

3.11 Borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. In future periods, borrowings are stated at amortized cost; all differences between receivables (minus transaction costs) and surrender value are recognized in the consolidated statement of comprehensive income over the period of the borrowing period using the effective interest rate method.

Borrowing costs that can be directly linked to the acquisition, construction or production of a qualifying asset, a means that necessarily requires a considerable amount of time to be ready for intended use or sale, are attributed to the cost of purchasing that asset until the asset is largely unavailable for Intended use or sale. All other borrowing costs are included in profit or loss for the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Governments grants and subsidies

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3.13 Employee benefits

(i) Pension obligations and other post-employment benefits
In the normal course of business the Group makes payments, through salary deductions, to mandatory pension funds on behalf of its employees, as required by law. All contributions paid to the mandatory pension funds are recognised as salary expense when accrued. The Group is not obliged to provide any other post-employment benefits.

(ii) Long-term employee benefits
The Group does not recognises obligation for long-term employee benefits (jubilee awards), as they are not included in the employment contracts or defined by other legal acts.

(iii) Short-term employee benefits
The Group recognises a provision for bonuses to employees when there is a contractual obligation or a past practice giving rise to a constructive obligation.

(iv) Share-based payments
The Company makes no share-based payments to its employees.

3.14 Dividend

Dividends payable to the Group's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved in the General Assembly of the Group's shareholders.

3.15 Operating segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Based on the internal reporting structure, the Group monitors the performance of the following segments:

- Milling
- Dairy
- Wholesale
- Other.

The Group identifies operating segments on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (Management Board) in order to allocate resources to the segments and to assess their performance. Details about the operating segments are disclosed in Note 6 to the consolidated financial statements. Comparative information has been presented on the principle of comparability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Taxation

(i) Income tax

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in profit or loss to the extent of the tax relating to items within equity when the expense is also recognised through other comprehensive profit.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the date of the financial statements, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax assets and liabilities

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, as well as differences which refer to investing into subsidiaries and joint undertakings when it is probable that the relevant situation will not change in the near future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are recognised only to the extent that it is probable that they could be utilised as a tax benefit.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and if they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or realise them simultaneously.

(iii) Tax exposure

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(iv) Value added tax (VAT)

The Tax Authorities require that VAT is settled on a net basis. VAT on sale and purchase transactions is recognised in the statement of financial position on a net basis. Where an amount receivable is impaired, the impairment loss is recognised in the gross amount of the receivable, i.e. including VAT.

3.17 Property, plant and equipment

Land and buildings used for goods or services production or delivery or administrative purposes are reported in the statement of financial position in revalued amounts, which represent their revaluation date fair value less the value adjustment (accumulated depreciation) and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Every increase resulting from land and building revaluation is reported in the statement of comprehensive income, except if it cancels the decrease resulting from the revaluation of the same asset which has been previously recognised in the statement of profit or loss, and in that case the increase is recorded in the statement of profit or loss up to the amount of the previously stated decrease. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Property, plant and equipment (continued)

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. The purchase cost entails the professional services fee cost, and in case of qualifying assets, borrowing costs capitalised pursuant to the Group's accountancy policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis

The following useful lives are used in the calculation of depreciation:

	2020	2019
Buildings	40 years	40 years
Plants and equipment	10 years	10 years
Office equipment	4 years	4 years
Telecommunications equipment	2 years	2 years
Personal cars	2.5 years	2.5 years
Delivery vehicles	4 years	4 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or during the lease period, if shorter of the two. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.19 Investment property

Investment property refers to property held for the purpose of lease income or increase in property value or both. After initial recognition, the Company chose for its subsequent measurement accounting policy a purchase cost model and applies its policy to all of its investment property.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Intangible assets

Intangible assets may be acquired in exchange for a non-cash asset or for cash, or a combination of both, where the cost of such an asset is determined at the fair value unless the exchange lacks commercial substance or the fair value of the asset received or disposed of cannot be determined reliably, in which case the cost is determined as the carrying amount of the asset disposed of.

(i) Brands and contracts with customers

Trademark licences are carried at cost and have an indefinite useful life, as the analyses of all relevant factors at the reporting date do not indicate any foreseeable limit to the period over which the identified rights will generate cash inflows. Intangible assets with indefinite useful lives are tested for impairment annually and are carried at cost less accumulated impairment losses.

Contracts with customers have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided using the straight-line method over the useful life which is estimated at 6 years.

(ii) Computer software

Software licences are capitalised based on the cost, which includes the cost of purchase and costs incurred in bringing software into a working condition for its intended use. The cost is amortised over the useful life of software, which has been estimated at 5 years.

3.21. Impairment of property, plant, equipment and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease, in line with the applicable Standard stipulating the requirements concerning the relevant asset revaluation.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. Impairment loss reversal is immediately recognised as income, unless the relevant asset is not stated as a revalued amount, in which case the reversed impairment loss is stated as an increase due to revaluation in line with the applicable Standard stipulating the requirements concerning the relevant asset revaluation. In 2020, the Group made a loss from the sale of brands.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Leases

All leases are calculated by recognizing the right to use and the lease liabilities except for:

- Low value leases; and
- Leases whose lease term ends in a period of 12 months from the date of first application or less.

The lease liability is calculated at the present value of the contractual future payments to the lessor over the term of the lease, less the discount rate determined in relation to the rate inherent in the lease, unless it is (as is usually the case) not easy to determine, in which case the Company's incremental borrowing rate at the inception of the lease is used. Variable lease payments are included in the calculation of lease obligations only if they depend on an index or rate. In this case, the initial calculation of the lease liability assumes that the variable element will remain unchanged for the duration of the lease. Other variable lease payments represent an expense in the period to which they relate.

At the date of initial recognition, the carrying amount of the lease liability includes:

- amounts expected to be paid by the lessee under residual value guarantees;
- the cost of executing the purchase option if it is certain that the lessee will use that option; and
- payment of fines for termination of the lease if the lease period reflects that the lessee will take the opportunity to terminate the lease

Assets with the right of use are initially measured at the amount of the lease liability, less all lease incentives received and increased by:

- all lease payments made on or before the start date of the lease;
- all initial direct costs; and
- the amount of the provision recognized in the event that the Group contractually bears the costs of dismantling, removing or rebuilding the location of the property.

Assets with the right to use is reduced by the accumulated depreciation calculated on a straight-line basis over the term of the lease, or the remaining economic life of the asset, if it is considered to be shorter than the lease term.

The useful life of the asset with the right of use is shown as follows:

	2020	2019
Land	50 years	50 years
Vehicles	5 years	5 years
Equipment	10 years	10 years

After the initial measurement, the lease liability increases to reflect interest on lease obligations and decreases to reflect lease payments made.

The lease liability is subsequently measured when there is a change in future lease payments resulting from a change in the index or rate, or when there is a change in the estimate of the term of any lease.

For financial leases, the Group recognizes assets with the right of use and the lease liability.

3.23 Inventories

Inventories of raw materials and reserve parts are stated at the lower of cost and net realizable value, determined using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less all variable selling costs.

The cost of work in progress and finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Trade goods are carried at the lower of purchase cost and selling price (less applicable taxes and margins).

Small inventory and tools are expensed when put into use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24. Biological assets

The Group recognizes a biological asset or agricultural products such as livestock and crops, when there is control over the property as a result of past events, when it is probable that future economic benefits associated with the asset will inflow to the Group and when the fair value or cost of the item can be measured determine reliably.

Basic herd of cows is kept separately by ID numbers for certain categories of cattle. The categories that make up the breeding stock are: cows, heifers and calves.

Supply of livestock valued at cost less accumulated depreciation and any impairment losses. The present value approximates the fair value of livestock.

Agricultural products harvested are measured at fair value less estimated costs to sell at the point of harvest.

For biological assets carried at cost, depreciation is recorded as an expense in the period and is calculated on a straight line basis over the expected useful life of the assets.

3.25. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, if significant, using the effective interest method. Otherwise, they are measured at nominal amounts, less an allowance for impairment. Impairment is made whenever there is objective evidence that the Group will not be able to collect all amounts due according to the originally agreed terms. Significant financial difficulties of the debtor, the probability of bankruptcy proceedings at the debtor, or default or delinquency in payment are considered indications of potential impairment. The amount of impairment loss of an item receivable is measured as the difference between the carrying amount and the recoverable amount of the receivable.

3.26. Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits with banks and other short-term highly liquid instruments with original maturities of up to three months or less. For the purposes of the consolidated statement of financial position, outstanding bank overdrafts are included in current liabilities.

3.27. Equity

The share capital consists of ordinary shares. Amounts recognised in equity as a result of issuing new shares or options are presented net of the related transaction costs and profit tax. Any fair value of the consideration received in excess of the nominal value of issued shares is recognised as capital gains.

3.28. Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position of the Group when the Group becomes a party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs which may be directly attributed to the acquisition or issuing the financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value of financial assets and financial liabilities at initial recognition, where appropriate. Transaction costs which may be directly attributed to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in profit and loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.29 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. All regular way purchases or sales represent purchases or sales of financial assets which require delivery in the framework established in regulations or market practice.

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

Classification of financial assets

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

- the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows; and
- contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(i) Depreciated cost and effective interest method

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

For financial assets, aside from purchased or incurred credit-impaired financial assets (i.e. assets which were credit-impaired during the initial recognition), the effective interest rate is a rate that accurately discounts the estimated future cash inflow (including all fees and points paid or received, which constitute an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding the expected credit losses, during the expected life of a debt instrument or, where appropriate, during a shorter period, to gross carrying amounts of the debt instrument at initial recognition. For purchased or incurred credit-impaired financial assets, the effective interest rate adjusted to the loan is calculated by discounting estimated future cash flows, including expected credit losses, to the depreciated cost of the debt instrument at initial measurement.

The depreciated cost of financial assets is the amount at which the financial instrument is measured at initial recognition, less of payments of principal and plus accumulated depreciation, using the effective interest rate method for any difference between the opening amount and amount at maturity, adjusted for any loss. Gross carrying amount of financial assets is the depreciated cost of financial assets before adjustments for any loss.

Interest income is recognised by applying the effective interest rate for debt instruments, which are subsequently measured at depreciated cost and FVTOCI.

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

For financial assets which subsequently became credit-impaired, interest income is recognised by applying the effective interest rate to the depreciated cost of financial assets. If, in the following reporting periods, the credit risk for the credit-impaired financial instrument improves in the way that the financial instrument is no longer credit-impaired, the interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial assets.

For the purchased or incurred credit-impaired financial assets, the Group recognises interest income by using the effective interest rate adjusted by the credit risk to the depreciated cost of financial assets at initial recognition. The calculation is not returned to a gross basis, even if the credit risk of the financial assets subsequently improves so that the financial assets are no longer credit-impaired.

Interest income is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.29 Financial assets (continued)

Impairment of financial assets

The Group recognises the provisions for expected credit losses from debt instruments measured at depreciated cost. The amount of expected credit losses is calculated at every reporting date in order to reflect the changes in the credit risk since the initial recognition of an individual financial instrument.

The Group always recognises life-long expected credit losses (ECL) for trade receivables based on a selected simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for debtor-specific factors. The Group currently does not adjust the loss rate for future macroeconomic conditions, since it has not performed an analysis of the impact of macroeconomic factors on historical loss rates, including the time value of money, where appropriate.

For all other financial instruments, the Group recognises the life-long ECL in case of a significant increase in credit risk since initial recognition. However, if the credit risk for the financial instrument has not significantly increased since the initial recognition, the Group measures the loss for this financial instrument in the amount equal to a 12-month ECL. Life-long ECL represents expected credit losses resulting from all potential cases of default during the expected lifetime of the financial instrument.

By contrast, a 12-month ECL represents a part of the life-long ECL, on account of the probability of a default status in the 12 months following the reporting date.

(i) Significant increase in credit risk

When assessing whether the credit risk for the financial instrument significantly increased since the initial recognition, the Group compares the risk of default on the reporting date to the risk of default of the financial instrument on the date of initial recognition.

During the assessment, the Group considers both quantitative and qualitative information which are reasonable and available, including the historical experience, which can be accessed without unnecessary costs or engagements.

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

Despite the aforementioned, we assume that the credit risk for the financial instrument has not significantly increased since the initial recognition if we determine that the financial instrument has a low credit risk at the reporting date. We conclude that the financial instrument has a low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong ability to settle his/her contractual obligations in the short term; and
- Adverse changes in economic and business conditions in the long term may, but do not necessarily have to, decrease the lessee's ability to meet his/her contractual cash flow obligations.

However, the Group does not currently use the simplification of a low credit risk when assessing the significant increase in credit risk. The Company regularly monitors the efficiency of criteria used to determine whether there has been a significant increase in credit risk and reviews them so that the criteria may identify a significant increase in credit risk before any default occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.29 Financial assets (continued)

(ii) Definition of default status

The following facts, which represent a case of default for internal credit risk management purposes are considered by the Group as a historical experience which proves that financial assets meeting any of the following criteria are in general not recoverable:

- if the debtor breached the financial clauses; or
- data developed internally or obtained from external sources point to the fact that it is highly unlikely that the debtor will pay his/her creditors, including the Group, in full (without considering any collateral held by the Group).

Despite the aforementioned analysis, the Group believes that default occurred if the financial assets are due more than 360 days and the relevant liabilities have not been settled, unless the Group disposes of reasonable and substantiated information to prove a more appropriate default criterion.

(iii) Credit-impaired financial assets

Financial assets are credit-impaired when one or more events with an adverse effect on estimated future cash flows and financial assets occurred. Proof of credit impairment of the financial asset includes data available on the following events:

- significant financial difficulties of the issuer or debtor;
- breach of contract, such as a default (defined above);
- when the issuer, due to the debtor's financial difficulties, grants the debtor a concession, which he would otherwise not consider;
- it becomes probable that the debtor will go into bankruptcy or undertake another type of financial restructuring;
- the disappearance of an active market for a specific financial asset because of financial difficulties.
-

(iv) Write-off policy

The Group writes off financial assets when there are data pointing to the fact that the debtor is in serious financial difficulties and that there is no real chances of return, for example when the debtor has gone into liquidation or bankruptcy or when trade receivables are due more than 3 years, whatever happens first. Written-off financial assets can still be subject to enforcement activities within the Group recovery procedures, with regard to the relevant legal advice, where appropriate. As previously described, revenue from the collection of financial assets is recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

Measurement of expected credit losses is the function of Probability of Default (PD), Loss Given Default (LGD), i.e. size of loss in case of default, and Exposure at Default (EAD). Assessment of Probability of Default and Loss Given Default is based on historical data and information provided in previous paragraphs. In terms of exposure in the moment of default, for the financial assets it represents a gross carrying amount of the assets at the reporting date.

When assessing the PD and LGD parameters, the Group relies on external investment rating agencies' publications.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.29 Financial assets (continued)

For the financial assets, the expected credit loss is assessed as the difference between all contractual cash flows maturing in line with the contract and all expected cash flows, discounted at the original effective interest rate. If the Group measured provisions for expected loan losses for financial instruments in the amount equal to life-long ECL in the previous reporting period, but at the current reporting date it determined that the life-long ECL conditions are no longer met, the Group measures the loss in the amount equal to a 12-month ECL at the current reporting date, except for the assets for which a simplified approach was used (trade receivables).

The Group recognises impairment gains and losses in the profit and loss account for all financial instruments with the appropriate adjustment of the carrying amount through the loss provisions account.

End of financial asset recognition

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

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the asset received.

In case of financial asset recognition measured at depreciated cost, the difference between the asset's carrying amount and the amount of the consideration received and receivable is recognised in profit or loss. Furthermore, in the event that recognition of debt investment measured at FVTOCI ceases, cumulative profit or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss, except in case of equity instruments for which the FVTOCI option has been selected.

Loans and receivables

The Group always reports the provisions for losses of trade receivables in the amount equal to the life-long ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The Group recognised a loss in the amount of 100% of all receivables over 360 days past due as past experience shows that the relevant receivables can usually not be recovered.

There were no changes in the assessment techniques or material assumptions during the current reporting period.

The Group writes off trade receivables when there are data pointing to the fact that the debtor is in serious financial difficulties and that there is no real chances of return, for example when the debtor has gone into liquidation or bankruptcy or when trade receivables are due more than 2 years, whatever happens first. None of the trade receivables are subject to enforcement activities. The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provisions for loss allowance based on past due status is not further distinguished between the Group's different customer base.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.30 Financial liabilities

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

The Group measures all financial liabilities at depreciated cost.

However, for financial liabilities which arise when the transfer of financial assets does not meet the derecognition criteria or when the continued participation approach is applied, and for contracts on financial guarantees issued by the Group, subsequent measurement takes place in line with specific accounting policies provided below.

Financial liabilities subsequently measured at amortised cost

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

The effective interest method is a method of calculating the depreciated cost of a financial liability and of allocating interest cost over the relevant period. The effective interest rate is a rate that accurately discounts the estimated future cash inflow (including all fees and points paid or received, which constitute an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or as principal pursuant to the essence of the agreement.

Equity instruments

An equity instrument is a contract which proves the rest of the share in the entity's assets after all its liabilities have deducted. The equity instruments issued by the Group are recorded in the amount of income, less direct issuance costs.

Financial liabilities

Other financial liabilities, including borrowings and loans, as well as bonds, are initially measured at fair value less transaction costs. Other financial liabilities are later measured at depreciated cost by applying the effective interest rate method, and the interest expenses are recognised based on the effective interest yield.

The effective interest rate method represents a method used for calculating the depreciated cost of the financial liability and distributing the interest expenses throughout the relevant period. The effective interest rate is the rate pursuant to which the estimated future cash flows are discounted during the expected lifetime of the financial liability or, where applicable, during a shorter period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's liabilities are paid, cancelled or expired.

3.31 Provisions

Provisions are recognised if the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. When the amount of the impairment is significant amount of provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. When discounting is used, every year the effect of discounting is recorded as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

4. KEY ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in Note 3, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in the application of accounting policies

The following are the critical judgements, apart from those involving estimations, that the Management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(i) Revenue recognition
In making their judgement, Management considered the individual criteria for the recognition of revenue from the sale of goods set out in IFRS 15 and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods.

(ii) Consequences of certain legal actions
There are a number of legal actions which have arisen from the regular course of operations of individual companies within the Group. Management makes estimates of probable outcomes of these legal actions, and recognises provisions for the Group's liabilities that may arise from these legal actions on a consistent basis.

(iii) Recoverable amount of trade and other receivables
The recoverable amount of trade and other receivables is determined as the present value of future cash flows, discounted using the market interest rate in effect at the measurement date. Current receivables without the interest rate are measured at the originally invoiced amounts if the discounting effect is not material.

(iv) Useful life of property, plant and equipment
As described in Note 3.19 above, the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

5. THE IMPACT OF COVID-19 PANDEMIC

In early 2020, a pandemic of the COVID-19 virus spread throughout the world. In addition to the health of the world's population, the pandemic has also affected the global economy, monetary and fiscal policies of individual countries, the movement of goods and services between countries and the purchasing power.

As the Company operates within the food processing sector, the decline in sales revenue in 2020 was only 2%, so there was no significant impact of the pandemic on the sale of the Company's products.

Despite the very unfavourable circumstances caused by the spread of the COVID-19 pandemic and the impact of that crisis on global and local flows of goods, long-term strong relationships with suppliers have contributed to stable operations. The company managed to avoid interruptions or significant delays in production and ensured an uninterrupted supply of the market with the required products.

Our priorities in these uncertain times remain the maintenance of a positive health bulletin of employees, ensuring the smooth continuation of production and continuous supply of customers and consumers, and social responsibility in the broadest sense.

6. SALES REVENUES

in HRK '000

	2020	2019
Sales revenue – domestic	364,907	393,119
Sales revenue – foreign	94,370	75,864
	459,277	**468,983**

The reporting segments form a part of the internal financial reporting. The internal reports are reviewed regularly by the Group's Management Board, as the chief decision-maker, which uses them as a basis for assessing the performance of the segments and making operating decisions.

The Group monitors its performance through the following operating segments:

- Milling
- Dairy
- Wholesale
- Other

Segment information – industry analysis:

The operating income of the Group, analysed by reporting segments presented in accordance with IFRS 8, and the reconciliation of the segment performance with the profit or loss on taxation as reported in the consolidated statement of comprehensive income.

Revenue consists of sales revenue and other revenue generated by sales to external customers. Sales between reporting segments are eliminated in the consolidation process.

in HRK '000

	2020	2019
Wholesale	83,455	90,602
Milling	206,335	216,667
Dairy	161,757	154,063
Other	7,730	7,649
	459,277	**468,983**

Territorial analysis of sales revenues

in HRK '000

Country	2020	2019
Croatia	364,907	393,119
Serbia	3,364	4,803
Bosnia and Herzegovina	23,694	21,268
Slovenia	32,063	26,024
Italy	13,540	5,925
Hungary	2,564	-
Macedonia	790	597
Montenegro	3,126	2,738
Romania	2,371	-
Other countries	12,858	14,510
	459,277	**468,983**

7. OTHER OPERATING INCOME

in HRK '000

	2020	2019
Revenues from subsidies	7,451	4,655
Inventory surpluses	984	3,028
Revenues from herd growth	3,288	2,795
Income from damages	1,429	1,694
Income from sale of fixed assets	373	797
Subsequent approvals from suppliers	717	586
Subsequent revenue	381	248
Other operating income	158,372	3,564
	172,995	**17,367**

Income from damages is related to income from damages from insurance companies. Other operating income comprises rental income, subsequently collected sued receivables and write-offs under the Loan Liability Agreement in the amount of HRK 156,861 thousand.

8. MATERIAL EXPENSES

Structure od material expenses is as follows:

in HRK '000

	2020	2019
Costs of raw materials and supplies	265,645	278,784
Energy consumed	14,835	15,389
Waste, breakage and stock failure	860	5,184
The cost of livestock sold	66	287
Other material expenses	2,903	2,010
	284,309	**301,655**
Cost of good sold	**71,440**	**84,162**
Transport, telephone and mail services	15,423	15,647
Maintenance and protection services	4,524	4,326
Intellectual services	1,546	1,773
Rental and leasing services	1,975	1,884
Quality control services	1,551	1,291
Advertising and sponsorship services	1,283	1,010
Other selling expenses	639	67
Other costs	3,720	5,898
	30,660	**31,896**
	386,410	**417,713**

The total fee to the auditor for 2020 amounts to HRK 162 thousand, of which HRK 162 thousand relates to the Group's audit.

The total fee to auditors for 2019 amounts to HRK 455 thousand, of which HRK 173 thousand relates to the Group's audit.

Other external costs are mostly brokerage services, foreign trade services, other export services, highway costs, registration services, and utilities, which in total amount to HRK 2,166 thousand in 2020 (2019: HRK 2,353 thousand)

9. EMPLOYEE COSTS

in HRK '000

	2020	2019
Net salaries	24,915	23,666
Costs of taxes and contributions from salaries	8,119	7,953
Contributions on salaries	4,770	4,793
	37,804	**36,412**

10. VALUE ADJUSTMENT

in HRK '000

	2020	2019
Trade and other receivables (Note 20)	10,066	22
	10,066	**22**

11. OTHER EXPENSES

in HRK '000

	2020	2019
Employee benefits, gifts and assistance	3,190	2,804
Insurance premiums	1,831	1,759
Contributions, membership fees and other	753	644
Banking services and payment costs	295	285
Business travel expenses	77	447
Other costs	499	542
	6,645	**6,481**

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2020

12. OTHER OPERATING EXPENSES

in HRK '000

	2020	2019
Subsequently approved cassa sconto	2,713	2,611
Waste, breakage and breakdown of goods	719	701
Loss on sale of non-current materials and intangible assets	115,371	204
Entertainment and donation costs	519	548
Penalties, damages	527	369
Write-offs of uncollected receivables	-	44
Other business expenses	1,091	1,385
	120,940	**5,862**

The category "Other operating expenses" includes losses from the adjustment of the value of the basic herd, the costs of death and write-off of biological assets, the costs of allowable production deficits and other operating expenses.

13. FINANCIAL INCOME AND EXPENSES

Financial income

in HRK '000

	2020	2019
Positive exchange rate differences	715	300
Interest on loans granted	244	642
Default interest	201	302
Other financial income	-	268
	1,160	**1,512**

Financial expenses

in HRK '000

	2020	2019
Interest on loans, borrowings and leases	2,856	3,852
Realized losses on financial assets	-	3,830
Negative exchange rate differences	1,143	477
Discount interest on bills of exchange	291	461
Default interest	75	28
Impairment of financial assets	4,500	-
Other financial expenses	47	43
	8,912	**8,692**

Losses from the value adjustment of financial assets relate to the impairment of the loan.

14. INCOME TAX

Income tax recognized in profit or loss

Tax expense / (income) comprise the following:

in HRK '000	2020	2019
Current tax expense	-	-
Deferred tax expense	-	-
Tax expense		-

Effective tax rate reconciliation

A reconciliation of tax expense per the statement of comprehensive income and taxation at the statutory rate is detailed in the table below

in HRK '000	2020	2019
(Loss)/profit before taxation	37,619	(14,858)
Income tax at a rate of 18%	6,771	(2,170)
Effect of non-taxable income	-	(6,065)
Effect of non-deductible expenses	6,797	926
Consolidation adjustment	-	8,395
Effect of unused tax losses and offsets not recognised as deferred tax assets	(45,433)	(582)
Income tax expense recognised in profit or loss (relating to continuing operations)		-
Effective tax rate	-	-

Deferred tax assets and deferred tax liabilities

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

in HRK '000	2020	2019
Deferred tax assets	-	1,103
Deferred tax liability	(11,343)	(13,887)
	(11,343)	**(10,972)**

Analysis of deferred tax assets reported in the Consolidated Statement of Financial Position:

in HRK '000	31 December 2020	31 December 2019
Balance at 1 January	1,103	1,103
Reversal of deferred tax assets	(1,103)	-
	-	**1,103**

14. INCOME TAX (CONTINUED)

Deferred tax assets arise from:

in HRK '000

2020	Opening balance	Recognised in the statement of comprehensive income	Closing balance
Tax loss	6,128	6,128	-
Deferred tax assets	**1,103**	**1,103**	**-**

Unused tax losses

In accordance with tax regulations, the Group had transferable tax losses in the amount of HRK 32,390 thousand as at 31 December 2020 (as at 31 December 2019, it had transferable tax losses in the amount of HRK 76,952 thousand). These tax losses are transferable 5 years in advance from the year of the tax loss.

Deferred tax assets are recognized only to the extent of the tax losses that are expected to be utilized in future periods.

Deferred tax liabilities arise from:

in HRK '000

2020	Opening balance	Retained earnings	Closing balance
Revaluation depreciation	12,002	(659)	11,343
Deferred tax liability	**12,002**	**(659)**	**11,343**

in HRK '000

2019	Opening balance	Retained earnings	Closing balance
Revaluation depreciation	12,661	(659)	12,002
Deferred tax liability	**12,661**	**(659)**	**12,002**

Movement in deferred tax liability

in HRK '000

	31 Dec 2020	31 Dec 2019
Balance at 1 January	12,002	12,661
Decrease	(659)	(659)
	11,343	**12,002**

Under Croatian regulations, the Tax Administration may at any time audit the books and records of a Croatian company in a period of three years following the year in which the tax liability is declared and impose additional taxes and penalties. Management of the Group is not aware of any circumstances which may give rise to a potential material liability in this respect.

15. INTANGIBLE ASSETS

Movement of intangible assets during 2020

in HRK '000

	Trademarks, concessions, licenses, goods and services brands	Customer list	Software and other rights	TOTAL
Purchase value				
Balance on 1 Jan 2020	**120,000**	**10,000**	**4,312**	**134,312**
Increase	-	-	212	**212**
Decrease	(120,000)	-	(7)	**(120,007)**
Balance on 31 Dec 2020	-	**10,000**	**4,517**	**14,517**
Value adjustment				
Balance on 1 Jan 2020	-	**9,302**	**4,134**	**13,436**
Depreciation	-	698	242	**940**
Decrease	-	-	(7)	**(7)**
Balance on 31 Dec 2020	-	**10,000**	**4,369**	**14,369**
Carrying value 1 Jan 2020	**120,000**	**698**	**178**	**120,876**
Carrying value 31 Dec 2020	-	-	**147**	**147**

15. INTANGIBLE ASSETS (CONTINUED)

Movement of intangible assets during 2019

in HRK '000

	Trademarks, concessions, licenses, goods and services brands	Customer list	Software and other rights	TOTAL
Purchase value				
Balance on 1 Jan 2019	**120,000**	**10,000**	**4,317**	**134,317**
Additions	-	-	135	**135**
Sale of a subsidiary	-	-	(140)	**(140)**
Balance on 31 Dec 2019	**120,000**	**10,000**	**4,312**	**134,312**
Value adjustment				
Balance on 1 Jan 2019	-	**7,636**	**3,864**	**11,500**
Depreciation	-	1,666	390	**2,055**
Sale of a subsidiary	-	-	(120)	**(120)**
Balance on 31 Dec 2019	-	**9,301**	**4,134**	**13,435**
Carrying value 1 Jan 2019	**120,000**	**2,364**	**453**	**122,817**
Carrying value 31 Dec 2019	**120,000**	**698**	**178**	**120,876**

Intangible assets in the amount of HRK 120,000 thousand (2018: HRK 120,000 thousand) are pledged as collateral for the Group's credit liabilities (Note 26).

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Assets with right to use

in HRK '000

	Land	Vehicles	Equipment	TOTAL
1 Jan 2019	**2,377**	**349**	**4,029**	**6,756**
Increase	-	-	357	357
Depreciation	(57)	(124)	(517)	(698)
1 Jan 2020	**2,320**	**225**	**3,870**	**6,415**
Increase	-	-	1,462	1,462
Transfer to assets	-	-	(2,276)	(2,276)
Depreciation	(57)	(124)	(523)	(704)
Balance at 31 Dec 2020	**2,263**	**101**	**2,533**	**4,897**

(b) Lease liability

in HRK '000

	Land	Vehicles	Equipment	TOTAL
1 Jan 2019	**2,377**	**319**	**1,915**	**4,612**
Increase	-	-	357	357
Lease payment	(23)	(100)	(612)	(735)
Interest expense	(95)	(10)	(54)	(159)
Exchange rate differences	-	-	5	5
1 Jan 2020	**2,259**	**209**	**1,610**	**4,079**
Increase	-	-	1,462	1,462
Lease payment	(24)	(91)	(483)	(598)
Interest expense	(94)	(14)	(79)	(187)
Exchange rate differences	-	-	3	3
Balance at 31 Dec 2020	**2,141**	**104**	**2,513**	**4,758**

in HRK '000

	31 Dec 2020	31 Dec 2019
Long term liability	**4,758**	**4,079**
(Current maturity)	(968)	(682)
Lease liability	**3,790**	**3,397**

Maturity overview as follows

in HRK '000

	31 Dec 2020	2021	2022	2023	2024	from 2025
Operating lease	4,664	874	806	602	457	1,925
Financial lease	94	94	-	-	-	-
	4,758	**968**	**806**	**602**	**457**	**1,925**

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2020

17. PROPERTY, PLANT AND EQIOPMENT

Movement of property plant and equipment in 2020

	Land	Buildings	Plant and equipment	Tools, inventory and vehicles	Biological assets	Advances for tangible assets	Other tangible assets	Assets under construction	Investment property	TOTAL
Purchase cost or revaluation										
Balance at 1 Jan 2020	**13,824**	**279,906**	**192,198**	**10,017**	**9,052**	-	**212**	**11,716**	**5,047**	**521,972**
Transfer from the right of use	-	-	3,006	-	-	-	-	-	-	**3,006**
Procurement during the year	-	264	2,700	159	-	-	-	6,499	-	**9,622**
Transfer from assets under construction	-	1,773	2,511	7	-	-	-	(4,291)	-	**0**
Natural growth	-	-	-	-	3,288	-	-	-	-	**3,288**
Sale	-	-	(1,008)	(492)	(2,207)	-	-	-	-	**(3,707)**
Write-off	-	-	(200)	(9)	(1,056)	-	(6)	-	-	**(1,271)**
Balance at 31 Dec 2020	**13,824**	**281,943**	**199,207**	**9,682**	**9,077**	-	**206**	**13,924**	**5,047**	**532,910**
Impairment										
Balance at 1 Jan 2020	-	**127,215**	**161,936**	**8,937**	**2,815**	-	**119**	-	-	**301,022**
Transfer from the right of use	-	-	730	-	-	-	-	-	-	**730**
Depreciation	-	6,015	8,770	794	1,207	-	17	-	-	**16,803**
Sale	-	-	(595)	(402)	(1,063)	-	-	-	-	**(2,060)**
Write offs	-	-	(193)	(7)	(403)	-	(5)	-	-	**(608)**
Revaluation depreciation	-	2,519	1,442	30	-	-	-	-	-	**3,991**
Balance at 31 Dec 2020	-	**135,749**	**172,090**	**9,352**	**2,556**	-	**131**	-	-	**319,878**
Carrying value at 1 Jan 2020	**13,824**	**152,691**	**30,262**	**1,080**	**6,237**	-	**93**	**11,716**	**5,047**	**220,950**
Carrying value at 31 Dec 2020	**13,824**	**146,195**	**27,117**	**330**	**6,521**	-	**74**	**13,925**	**5,047**	**213,032**

Tangible assets in the amount of HRK 153,716 thousand (2019: HRK 162,767 thousand) are pledged as collateral for the Group's credit liabilities (Note 27).

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Movement of property plant and equipment in 2019

in HRK '000

	Land	Buildings	Plant and equipment	Tools, inventory and vehicles	Biological assets	Advances for tangible assets	Other tangible assets	Assets under construction	Investment property	TOTAL
Purchase cost or revaluation										
Balance at 31 Dec 2018	**23,643**	**356,373**	**217,058**	**13,979**	**14,990**	**402**	**183**	**11,014**	**5,047**	**642,689**
Adjustment with IFRS 16 on 1 Jan 2019	-	-	(3,377)	-	-	-	-	-	-	(3,377)
Balance at 1 Jan 2019	**23,643**	**356,373**	**213,681**	**13,979**	**14,990**	**402**	**183**	**11,014**	**5,047**	**639,312**
Purchase	-	**1,173**	**2,209**	**352**	**959**	**162**	**29**	**6,581**	-	**11,141**
Transfer from assets under construction	-	1,809	2,543	577	-	-	-	(4,929)	-	-
Natural growth	-	-	-	-	3,284	-	-	-	-	**3,284**
Sale	(471)	(4,659)	(65)	(172)	(1,877)	-	-	-	-	**(7,244)**
Sale of subsidiary	(9,348)	(74,790)	(25,316)	(4,711)	(7,013)	(240)	-	(950)	-	**(122,368)**
Write offs	-	-	(854)	(8)	(1,291)	-	-	-	-	**(2,153)**
Balance at 31 Dec 2019	**13,824**	**279,906**	**192,198**	**10,017**	**9,052**	-	**212**	**11,716**	**5,047**	**521,972**
Impairment										
Balance at 31 Dec 2018	-	**141,584**	**169,147**	**11,749**	**5,051**	-	**103**	-	-	**327,633**
Adjustment with IFRS 16 on 1 Jan 2019	-	-	(495)	-	-	-	-	-	-	(495)
Balance at 1 Jan 2019	-	**141,584**	**168,652**	**11,749**	**5,051**	-	**103**	-	-	**327,138**
Depreciation	-	6,487	11,393	1,136	1,311	-	16	-	-	20,343
Sale	-	(813)	(65)	(85)	(890)	-	-	-	-	(1,853)
Sale of subsidiary	-	(22,562)	(18,639)	(3,884)	(2,095)	-	-	-	-	(47,180)
Write offs	-	-	(847)	(9)	(562)	-	-	-	-	(1,418)
Revaluation depreciation	-	2,519	1,442	31	-	-	-	-	-	3,992
Balance at 31 Dec 2019	-	**127,215**	**161,936**	**8,938**	**2,815**	-	**119**	-	-	**301,022**
Carrying value at 31 Dec 2018	**23,643**	**214,789**	**47,912**	**2,230**	**9,939**	**402**	**80**	**11,014**	**5,047**	**315,056**
Carrying value at 1 Jan 2019	**23,643**	**214,789**	**45,029**	**2,230**	**9,939**	**402**	**80**	**11,014**	**5,047**	**312,174**
Carrying value at 31 Dec 2019	**13,824**	**152,691**	**30,262**	**1,079**	**6,237**	-	**93**	**11,716**	**5,047**	**220,949**

Tangible assets in the amount of HRK 162,767 thousand (2018: HRK 214,128 thousand) are pledged as collateral for the Group's loan liabilities (note 27).

18. NON-CURRENT FINANCIAL ASSETS

(a) Share in far value at profit or loss

in HRK '000

	31 Dec 2020	31 Dec 2019
Zagrebačke pekarne Klara d.d., Zagreb	494	494
Prehrana trgovina d.d., Zagreb	536	536
Žitozajednica d.o.o., Zagreb	1	1
	1,031	**1,031**

Share in equity

	31 Dec 2020	31 Dec 2019
Zagrebačke pekarne Klara d.d., Zagreb	0.99%	0.99%
Prehrana trgovina d.d. , Zagreb	11.48%	11.48%
Poljoprivredna zajednica Zabara	-	12.75%
Žitozajednica d.o.o. , Zagreb	1.00%	2.08%

(b) Loans granted, deposits and similar

in HRK '000

	31 Dec 2020	31 Dec 2019
Loans to natural persons	144	146
Deposits	76	76
	220	**222**

The movement of long - term loans during the year is shown within note 20.

19. INVENTORIES

in HRK '000

	31 Dec 2020	31 Dec 2019
Raw materials	20,977	21,625
Merchandise	7,085	13,432
Finished products	5,535	9,184
Production in progress	2,621	2,097
Advances for inventories	-	-
	36,218	**46,338**

20. TRADE RECEIVABLES, RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS AND OTHER RECEIVABLES

a) Trade receivables and receivables from related parties

in HRK '000

	31 Dec 2020	31 Dec 2019
Customers in the country	101,495	93,126
Receivables from subcontractors	5,857	6,081
Customers abroad	14,823	14,877
Expected credit losses	(38,466)	(35,199)
	83,709	**78,884**

Receivables from subcontractors refer to commodity loans in raw materials for sowing given to farmers who are at the same time suppliers of raw materials for production and trade goods.

Expected credit losses on trade receivables

in HRK '000

	2020	2019
Balance on 1 Jan.	35,199	39,745
Increase in expected credit losses	3,592	-
Write-off of corrected receivables	(24)	(71)
Collection of value-adjusted receivables and receivables from subcontractors	(302)	(593)
Sale of a subsidiary	-	(3,882)
Balance on 31 Dec	**38,465**	**35,199**

The age analysis of overdue receivables from customers for which no impairment was performed is shown in the following table:

in HRK '000

	31 Dec 2020	31 Dec 2019
Not yet due	59,094	50,317
0-90 days past due	16,268	16,539
91-180 days past due	1,659	1,560
181-360 days past due	532	1,052
> 360 days	6,156	9,416
	83,709	**78,884**

The Group carried out a test of impairment of all receivables from customers and receivables from subcontractors and estimated that receivables from customers and subcontractors as at 31 December 2020 were reported in the age of 360 days, are collectible.

20. TRADE RECEIVABLES, RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS AND OTHER RECEIVABLES (CONTINUED)

b) Receivables from state and other institutions

in HRK '000

	31 Dec 2020	31 Dec 2019
VAT receivables	230	2,352
Grant and subsidies receivables	967	1,123
Profit tax advances	110	110
Other receivables from the state and other institutions	256	151
	1,563	**3,736**

c) Other receivables

in HRK '000

	31 Dec 2020	31 Dec 2019
Receivables under recourse factoring	10,096	16,571
Advances given	4,275	5,200
Interest receivables	1,020	1,016
Receivables from insurance companies	960	1,638
Receivables from assignments and compensation	-	-
Other receivables	112	114
	16,463	**24,539**

Receivables from recourse factoring in the amount of HRK 10,096 thousand (2019: HRK 16,571 thousand) relate to receivables based on bills of exchange with recourse rights, discounted with factoring companies. More details shown in note 27.

21. CURRENT FINANCIAL ASSETS

a) Investment in securities

in HRK '000

	31 Dec 2020	31 Dec 2019
Investment in bills of exchange	150	150
	150	**150**

b) Given loans, deposits and similar

in HRK '000

	31 Dec 2020	31 Dec 2019
Loans to legal entities	11,113	15,613
Short - term loans granted to natural persons	25	48
Deposits	12	1,013
Loans, deposits and similar	**11,150**	**16,674**
Loans given to related parties	**11,261**	**10,191**
	22,411	**26,865**

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2020

21. CURRENT FINANCIAL ASSETS (CONTINUED)

Movement of receivables from granted loans in 2020

in HRK '000

	1 Jan 2020	Increase in given loans	Collection of given loan	Value adjustment	Transfer from long to short term and vice versa	Exchange rate differences	31 Dec 2020
Given long-term loans							
Given long-term loans to natural persons	**146**	-	-	-	(2)	-	**144**
Total long-term loans	**146**	**-**	**-**	**-**	**(2)**	**-**	**144**
Given loans to related parties	**10,191**	1,070	-	-	-	-	**11,261**
Given loans to companies	**15,613**	-	-	(4,500)	-	-	**11,113**
Given loans to natural persons	**48**	-	(27)	-	2	2	**25**
Total short-term loans	**25,852**	**1,070**	**(27)**	**(4,500)**	**2**	**2**	**22,399**
TOTAL	**25,998**	**1,070**	**(27)**	**(4,500)**	**-**	**2**	**22,543**

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2020

21. CURRENT FINANCIAL ASSETS (CONTINUED)

Movement of receivables from granted loans in 2019

in HRK '000

	1 Jan 2019	Increase in given loans	Sale of Subsidiary	Collection of given loans	Transfer from long to short term and vice versa	Exchange rate differences	31 Dec 2019
Given long-term loans							
Given long-term loans to natural persons	**193**	-	-	-	(48)	1	**146**
Total long-term loans	**193**	**-**	**-**	**-**	**(48)**	**1**	**146**
Given loans to related parties	**10,191**	-	-	-	-	-	**10,191**
Given loans to companies	**21,573**	24,108	(5,860)	(24,208)	-	-	**15,613**
Given loans to natural persons	**532**	-	(369)	(163)	48	-	**48**
Total short-term loans	**32,296**	**24,108**	**(6,229)**	**(24,371)**	**48**	**-**	**25,582**
TOTAL	**32,489**	**24,108**	**(6,229)**	**(24,371)**	**-**	**1**	**25,998**

22. CASH AND CASH EQUIVALENTS

in HRK '000

	31 Dec 2020	31 Dec 2019
Bank accounts – domestic currency	6,933	3,130
Bank accounts – foreign currency	606	166
Cash in hand	2	2
	7,541	**3,298**

23. PREPAID EXPENSES AND ACCRUED INCOME

in HRK '000

	31 Dec 2020	31 Dec 2019
Prepaid expenses	404	399
	404	**399**

Movement in prepaid expenses was as follows

in HRK '000

	2020	2019
Balance at 1 January	**399**	**667**
Increase in prepaid expenses	637	10
Decrease in prepaid expenses	(632)	(278)
Balance at 31 December	**404**	**399**

24. CAPITAL AND RESERVES

Equity represents own permanent sources of funding the operations of the Group. It consists of the share capital, legal reserves, revaluation reserves, retained earnings and the loss for the year.

By decision of the Assembly of the Company in 2012 Granolio d.o.o. was transformed into a joint stock company by issuing ordinary shares. The share capital of the company in the amount of HRK 5,000,000 has been divided into 500,000 ordinary shares of the "A" series, each with a nominal amount of HRK 10.

The new legal form of the Group was registered at the Commercial Court in Zagreb on 21 February 2012.

Pursuant to the decision of the Company's Shareholders, the share capital of the Company was increased from HRK 5,000,000 to HRK 12,000,000 by transferring retained earnings in the amount of HRK 7,000,000. The share capital was increased through an issue of ordinary shares with a nominal value of HRK 10 per share, subscribed by the shareholders in proportion to their respective shares in the Company's capital as of that date. The share capital increase was registered at the Commercial Court in Zagreb on 28 September 2011.

Pursuant to the decision of the Company shareholders dated 2 September 2014, the share capital was increased by an additional contribution of HRK 7,016,430.00 from HRK 12,000,000.00 to HRK 19,016,430.00. Based on a public invitation to the subscription of the new shares, the share capital was increased by cash contributions made based on an issue of 701,643 new non-materialised shares in the nominal amount of HRK 10 per share at a single final issue price per share of HRK 134.00. The Company made a public invitation to subscribe minimum 671,642 up to maximum 789,157 new shares. The share subscription took place in the period from 25 to 27 November 2014.

As of 31 December 2018, the Company's subscribed capital, as registered in the court registry, amounts to HRK 19,016,430. The total number of shares is 1,901,643, and the nominal value per share amounts to HRK 10. The result of the sale of shares through the public offering is also capital gain, which, minus the recapitalization costs, amounted to HRK 84,196 thousand as at 31 December 2018.

24. CAPITAL AND RESERVES (CONTINUED)

The ownership structure of the share capital at 31 December 2020 is presented below, with the largest 10 shareholders holding 96.23% of the shares at that date:

	31 Dec 2020		31 Dec 2019	
	Number of shares (in thousands)	Ownership %	Number of shares (in thousands)	Ownership %
Filipović Hrvoje	1.105	58,11%	1.105	58,11%
HOK - osiguranje d.d.	379	19,90%	379	19,90%
Societe Generale-Splitska banka d.d./Erste plavi OMF kategorija B	149	7,83%	149	7,83%
C.I.M Banque	100	5,26%	100	5,26%
Auctus j.d.o.o.	38	2,00%	38	2,00%
Capturis d.o.o.	25	1,31%	25	1,31%
Addiko bank d.d.	14	0,74%	-	-
Addiko bank d.d./ SZAIF d.d.	8	0,44%	9	0,47%
HPB d.d./ HPB global - OIF s javnom ponudom	-	-	7	0,37%
OTP banka d.d./KD Victoria fond	7	0,37%	7	0,37%
Primorska banka d.d. Rijeka u likvidaciji	5	0,26%	5	0,26%
Other	72	3,78%	78	4,10%
	1.902	**100,00%**	**1.902**	**100,00%**

25. NON-CONTROLLING INTEREST

	2020	in HRK '000 2019
Balance at 1 January	**27,293**	**60,437**
Decrease in retained earnings of non-controlling interests	-	(34,246)
Reconciliation	(66)	-
Increase in retained earnings of non-controlling interests	1,625	1,102
Balance at 31 December	**28,852**	**27,293**

26. LIABILITIES UNDER LOANS, DEPOSITS AND SIMILAR

	Opening balance 1 January 2020	Increase in loan liabilities	Repayment of loan principle	Transfer from long to short term and vice versa	Write-off	Closing balance 31 Dec 2020
Non-current liabilities						
Liabilities for loans to trading companies	159,567	-	-	(5,320)	(154,247)	-
Total non-current loans	**159,567**	**-**	**-**	**(5,320)**	**(154,247)**	**-**
Current liabilities						
Current liabilities for deposits received		326	-	-	-	326
Current liabilities for corporate loans	6,494	-	(1,500)	5,320	(2,614)	7,700
Current loan liabilities to individuals	-	5,000	-	-	-	5,000
Total current loans and deposits	**6,494**	**5,326**	**-**	**5,320**	**(2,614)**	**13,026**
TOTAL	**163,061**	**5,326**	**(1,500)**	**-**	**(156,861)**	**13,026**

27. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

in HRK '000

	31 Dec 2020	31 Dec 2019
Non-current liabilities		
Bank loans	121,557	133,829
	121,557	**133,829**
Current liabilities		
Bank loans	10,390	9,632
	10,390	**9,632**
	131,947	**143,461**

Summary of borrowing arrangements

Long-term liabilities to credit institutions are related to loans from commercial banks and loans from IPARD, SAPA and IBRD programmes.

Long-term loans are granted in euro and Croatian kuna. Part of these loans relates to the financing of reconstruction and modernization of production facilities for the production of cheese and for financing permanent working assets.

Granolio d.d. at the end of 2018 signed a pre-bankruptcy settlement with creditors, which established new repayment dynamics for all loan liabilities. Thus, all bank loans became non-current. The write-off of liabilities to banks in accordance with the pre-bankruptcy settlement and the movement of loans over the last two years are shown below in Note 24.

Current bank loans contain short-term loans intended for financing current liquidity and a part of long-term loans maturing in the next year.

The value of assets secured by a mortgage to credit borrowings from banks as at 31 December 2020 amounted to HRK 190,643 thousand (as at 31 December 2019: HRK 325,535 thousand) which refer to:

Mortgages Granolio d.d., Zagreb:

1. Tangible assets: HRK 104,145 thousand (2019: HRK 107,860 thousand)
2. Intangible assets: - (2019: HRK 120,000 thousand)
3. Shares in Zdenka: HRK 42,767 thousand (2019: shares in Zdenka HRK 42,767 thousand)

Total value of mortgaged assets: HRK 146,912 thousand (2019: HRK 270,627 thousand)

Zdenka - mliječni proizvodi d.o.o., Veliki Zdenci- value of tangible assets encumbered by mortgage: HRK 22,342 thousand (2019: HRK 26,707 thousand)

Zdenačka farma d.o.o . - value of tangible assets encumbered by mortgage: HRK 27,229 thousand (2019: HRK 28,201 thousand).

27. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

Movement of liabilities to banks and other financial institutions in 2020

in HRK '000

	Opening balance 31 Dec 2020	Increase in loan liabilities	Repayment of loan principle	Transfer from long to short term and vice versa	Exchange rate differences	Closing balance 31 Dec 2020
Long-term loans						
Long-term bank loans	133,829	-	-	(12,400)	129	121,557
Total long-term loans	**133,829**	**-**	**-**	**(12,400)**	**129**	**121,557**
Short-term loans						
Total short-term loans	9,632	5,251	(16,918)	12,400	25	10,390
TOTAL	**9,632**	**5,251**	**(16,918)**	**12,400**	**25**	**10,390**
TOTAL	**143,460**	**5,251**	**(16,918)**	**-**	**154**	**131,946**

27. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

Movement of liabilities to banks and other financial institutions in 2019

in HRK '000

	Opening balance 31 Dec 2019	Adjustment for IFRS 15 on 01 Jan 2019	Sale of subsidiary	Increase in loan liabilities	Repayment of loan principle	Transfer from long to short term and vice versa	Exchange rate differences	Closing balance 31 Dec 2019
Long-term loans								
Long-term bank loans	383,932	-	(27,588)	(205,663)	(7,260)	(9,623)	31	133,829
Long-term finance lease liabilities	1,342	(297)	(1,045)	-	-	-	-	-
Total long-term loans	385,274	(297)	(28,633)	(205,663)	(7,260)	(9,623)	31	133,829
Short-term loans								
Short-term bank loans	29,185	-	(20,308)	-	(8,872)	9,623	4	9,632
Short-term portion of lease contracts	1,350	(458)	(892)	-	-	-		-
Total short-term loans	30,536	(458)	(21,200)	-	(8,872)	9,623	4	9,632
TOTAL	**415,810**	**(755)**	**(49,833)**	**(205,663)**	**(16,132)**	**-**	**35**	**143,461**

Maturity of bank loans:

in HRK '000

	31 December 2020	2021	2022	2023	2024	from 2025
Domestic banks	131.947	10,390	12,236	12,236	15,356	81,729
	131.947	**10,390**	**12,236**	**12,236**	**15,356**	**81,729**

27. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

Loan balance in foreign currency (EUR) is as follows:

	31 Dec 2020	31 Dec 2019
Granolio d.d., Zagreb	-	-
Zdenka-mliječni proizvodi d.o.o., Veliki Zdenci	1,309	1,623
Zdenačka farma d.o.o., Veliki Zdenci	-	-
	1,309	**1,623**

28. LIABILITIES UNDER SECURITIES

in HRK '000

	31 Dec 2020	31 Dec 2019
Long-term liabilities under securities	26,983	29,879
Short-term liabilities under securities	8,522	9,666
	35,505	**39,545**

Liabilities under securities refer to liabilities for bills of exchange to the companies Erste factoring d.o.o. HRK 21,928 (2019: HRK 22,750 thousand) and CIM Bank HRK 13,577 (2019: HRK 16,795 thousand).

Movement of liabilities under securities in 2020

	Opening balance 1 Jan 2020	Increase in liabilities under securities	Repayment	Transfer from long to short term and vice versa	Closing balance 31 Dec 2020
Long term liabilities					
Liabilities under securities	29,879	-	-	(2,896)	26,983
Total long term liabilities under securities	**29,879**	**-**	**-**	**(2,896)**	**26,983**
Short term liabilities					
Liabilities under securities	9,666	-	(4,040)	2,896	8,522
Total short term liabilities under securities	**9,666**	**-**	**(4,040)**	**2,896**	**8,522**
TOTAL	**39,454**	**-**	**(4,040)**	**-**	**35,505**

28. LIABILITIES UNDER SECURITIES (CONTINUED)

Movement of liabilities under securities in 2019

	Opening balance 1 Jan 2019	Increase in liabilities under securities	Repay ment	Transfer from long to short term and vice versa	Closing balance 31 Dec 2019
Long term liabilities					
Liabilities under securities	32,775	-	-	(2,896)	29,879
Total long term liabilities under securities	**32,775**	**-**	**-**	**(2,896)**	**29,879**
Short term liabilities					
Liabilities under securities	8,870	-	(2,100)	2,896	9,666
Total short term liabilities under securities	**8,870**	**-**	**(2,100)**	**2,896**	**9,666**
TOTAL	**41,645**	**-**	**(2,100)**	**-**	**39,545**

The maturity of the securities is shown as follows:

in HRK '000

	31 December 2020	2021	2022	2023	2024	from 2025
Long term liabilities under securities	26,983	2,896	2,896	2,896	2,896	15,399
	26,983	**2,896**	**2,896**	**2,896**	**2,896**	**15,399**

29. LONG-TERM TRADE PAYABLES

in HRK '000

	31 Dec 2020	31 Dec 2019
Domestic suppliers	20,702	32,843
Foreign suppliers	1,479	2,184
	22,181	**35,027**

Liabilities refer to liabilities to suppliers that will be paid according to the adopted pre-bankruptcy settlement from 2018. Liabilities mature in 48 equal monthly instalments, starting in July 2019.

30. CURRENT LIABILITIES

(a) Trade payables

in HRK '000

	31 Dec 2020	31 Dec 2019
Domestic suppliers	62,603	56,523
Foreign suppliers	7,668	9,766
Liabilities for non-invoiced goods	3	-
	70,274	**66,289**

30. CURRENT LIABILITIES (continued)

Ageing analysis of trade payables as at 31 December 2020:

in HRK '000

	31 Dec 2020	31 Dec 2019
Not yet due	41,775	44,924
0-90 days past due	23,166	17,920
91-180 days past due	2,895	2,006
181-360 days past due	1,451	433
> 360 days	987	1,002
	70,274	**66,289**

(b) Liabilities for taxes, contributions and similar

in HRK '000

	31 Dec 2020	31 Dec 2019
VAT payable	3,902	1,109
Taxes and contributions from and on salaries	1,038	1,046
Other taxes and contributions payable	137	92
	5,077	**2,247**

(c) Other current liabilities

in HRK '000

	31 Dec 2020	31 Dec 2019
Other current liabilities	343	31
	343	**31**

31. ACCRUED EXPENSES AND DEFERRED INCOME

in HRK '000

	31 Dec 2020	31 Dec 2019
Deferred income	2,149	3,580
Accrued expenses	40	87
	2,189	**3,667**

Movements in deferred income during the year were as follows:

in HRK '000

	2020	2019
Balance at 1 January	**3,580**	**10,225**
Movements during the year	(1,431)	(6,645)
Balance at 31 December	**2,149**	**3,580**

Movements in deferred income during the year were as follows:

in HRK '000

	2020	2019
Balance at 1 January	**87**	**917**
Movements during the year	(47)	(674)
Balance at 31 December	**40**	**243**

32. COMMITMENTS

As at 31 December 2020, the Group has liabilities under lease agreements in the total amount of HRK 517 thousand, which have not yet been realized or disclosed in the statement of financial position.

Contractual payment of obligations under contracted leases is shown as follows:

in HRK '000

	31 December 2020	2021	2022	2023	2024	from 2025
Leases	517	501	2	2	2	10

33. TRANSACTIONS WITH RELATED PARTIES

in HRK '000

31 Dec 2020

	Assets		**Liabilities**	
	Trade and other receivables	**Loans given**	**Long-term liabilities**	**Short-term liabilities**
Stan arka d.o.o.	160	4,430	-	-
Pet na treću d.o.o.	6,250			
SP ONE d.o.o.	-	1,070		1,508
Key management	735	5,761	10,000	58
	7,145	**11,261**	**10,000**	**1,566**

in HRK '000

31 Dec 2019

	Assets		**Liabilities**	
	Trade and other receivables	**Loans given**	**Long-term liabilities**	**Short-term liabilities**
Stan arka d.o.o.	160	4,430	-	-
Key management	620	5,761	10,000	
	780	**10,191**	**10,000**	**-**

The key management of the Group consists of members of the Management Board of Granolio d.d. and directors of subsidiaries.

Fees paid to key management during 2020 amount to HRK 2,074 thousand (in 2019: HRK 1,866 thousand).

During 2020, HRK 185 thousand of remuneration was paid to the members of the Supervisory Board (in 2019: HRK 170 thousand).

Income and expenses for the years ended 31 December 2020 and 31 December 2020, arising from transactions with related parties, were as follows:

in HRK '000

	2020		**2019**	
	Income	**Expenses**	**Income**	**Expenses**
Stan arka d.o.o.	-	-	-	-
Key management	115	-	115	-
	115	**-**	**115**	**-**

34. EARNING PER SHARE

	31 Dec 2020	**31 Dec 2019**
Profit/(loss) attributable to the Group	**37,175**	**(15,301)**
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	1,901,643	1,901,643
(Loss)/earnings per share (in HRK and lp)	**19,55**	**(8,05)**

35. RISK MANAGEMENT

35.1. Financial risks

Equity risk management

Net debt-to-equity (Gearing ratio)

The Group reviews the capital structure annually. As part of this review, the cost of capital and the risks associated with each class of capital are presented.

The gearing ratio at the date of the statement of financial position was as follows:

		in HRK '000
	31 Dec 2020	31 Dec 2019
Debt (long-term and short-term loans and liabilities for securities)	190,478	349,067
Lease liabilities (long-term and short-term)	4,819	4,080
Cash and cash equivalents	(7,541)	(3,298)
Net debt	187,756	349,849
Equity	83,582	46,407
Debt to equity ratio	**224%**	**754%**

Debt is defined as long-term and short-term loans, liabilities under securities and lease obligations. Equity represents the value of capital and reserves and non-controlling interest.

The Group's capital consists of a debt, which includes received loans and leases, cash and cash equivalents and of the equity attributable to the shareholders comprising share capital, reserves, retained earnings and profit for the year and non-controlling interest.

Categories of financial instruments

		in HRK
	31 Dec 2020	**31 Dec 2019**
Financial assets		
Cash	7,541	3,298
Loans and receivables	129,896	131,059
Financial liabilities held at depreciated cost:		
Liabilities under loans and securities	167,452	183,006
Trade payables	93,902	101,316
Loan liabilities	13,026	166,061
Lease liabilities	4,819	4,079
Other liabilities	18,580	20,502

Financial risk management objectives

The Group finances a part of its operations using foreign-currency denominated borrowings. Therefore, the Group is subject to an impact of changes in the applicable foreign exchange and interest rates. The Group is also exposed to credit risk which arises from the sales it has made with deferred payment.

The Group seeks to reduce the effects of these risks to the lowest possible level.

35. RISK MANAGEMENT (CONTINUED)

35.1. Financial risks (continued)

Price risk management

The largest market on which the Group provides its services is the market of the Republic of Croatia. The Group's Management Board determines the prices of the services based on market prices. The purchase function is centralised, which in itself provides the Group an image of a respectable customer with a good negotiating starting position.

Currency risk

The Group is exposed to the risk of changes in foreign exchange rates. The exchange rate risk arises from the portion of the Group's loan debt tied to the movements in the exchange rate of the Croatian kuna (HRK) against the euro (EUR). Significant fluctuations in the HRK/EUR exchange rate could affect the value of the Group's foreign-currency denominated assets and liabilities. In addition, according to the 2019 data, the Group generates around 16.2% of its total revenue on foreign markets and in euros, which is another aspect of the Group's performance being subject to the fluctuations in the EUR/HRK exchange rate.

At the reporting date, the Group did not use any financial instruments to hedge its position from unfavourable exchange rate movements.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows.

in original currency in '000

	Assets		Liabilities	
	31 Dec 2020	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
European Union (EUR)	1,828	1,875	3,848	4,604

Foreign currency sensitivity analysis

The Group is mainly exposed to the fluctuations in the exchange rate of the Croatian kuna (HRK) against the euro (EUR) because this is the currency in which the majority of intermediary food product purchase and sale transactions on international markets is carried out.

For a 5 % weakening of the HRK against the relevant currency, there would be an equal and opposite impact on the profit or equity, and the balances below would be negative. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for the 10-percent change in the relevant foreign exchange rate. A positive number below indicates an increase in profit or equity where the HRK increases by 5% against the relevant currency. For a 5% decrease in the HRK against the relevant currency, there would be an equal and opposite impact on the profit or equity, and the balances below would be negative.

in HRK '000

	Increase/decrease in exchange rate	**Effect on profit before tax**
<u>2020</u>	+5%	(852)
EUR	-5%	852
<u>2019</u>		
EUR	+5%	(1,135)
	-5%	1,135

35. RISK MANAGEMENT (CONTINUED)

35.1. Financial risks (continued)

Credit risk

The Group is exposed to the risk of default of a portion of its trade receivables. The Group transacts generally with retail chains with which it has a long history of cooperation. As a result, the Group's credit risk is lower and present mainly to the extent it reflects potential issues in the retail industry. The Group seeks to minimise its credit risk exposure by monitoring the financial position of its customers, applying strict collection measures and obtaining various instruments of collateral such as promissory notes and bills of exchange.

In addition to credit risk arising from trade debtors, the Group is also exposed to credit risk from dealing with subcontractors in the production of grains and oleaginous plants, as it extends credit to them for required seeds and intermediary products during the sowing season. The subcontractors generally settle the liabilities for the intermediary products and seeds by delivering oleaginous plants and crops if the parties agree on the product price during the harvest season. It is possible and it happens that, in practice, some cooperative farmers fail to produce crops and oleaginous plans in quantities sufficient to settle the commodity loans for a variety of reasons. The Group protects itself from such situations by obtaining additional collateral, such as personal guarantees of the agricultural farm owners, their family members, establishing pledge on the agricultural equipment and facilities, fiduciary title to harvested crops or grains on stock, co-ownership of the crops, and similar. The instruments to secure the settlement are negotiated separately with each individual farmer, depending on the relationship history.

Where an individual subcontractor cannot repay a commodity loan due to unfavourable weather conditions and/or market prices of crops/oleaginous plants, the Group enters into a deferred payment arrangement with such subcontractors at a certain interest rate, a settlement arrangement involving the next season's harvest or settlement in another crop not affected by poor weather conditions (e.g. rain during wheat harvest may reduce the wheat quality, but at the same time improve the quality of crops harvested in the autumn). It is common for subcontractors to sow several different types of crops/plants to reduce the risk of poor weather conditions adversely affecting a particular crop/plant, but also as a safeguard against unfavourable movements in the prices of a particular crop, i.e. to disperse the risk.

In the course of its operations, the Group enters into factoring contracts and/or discounted bills with factoring houses. The ultimate risk arising from the recoverability of the debt from the principal debtor is borne by the Group. At the reporting date, the contingent liabilities of the Group arising from factoring deals with recourse amount to HRK 22.7 million and arose from business operations with Agrokor, which is undergoing a restructuring and business model change.

The Group cannot provide any guarantees that the monitoring of the financial condition of customers, measurement of the control of the collection or collateral will be effective and that the eventual possible credit risk will not affect on operational and financial condition of the Group as neither that the balance of commodity loans with problems in repayment will increase.

Interest rate risk

Given the level of debt owed to financial institutions, which mostly bears interest at a variable rate based on benchmark interest rates (EURIBOR, LIBOR, ZIBOR and interest rates on the treasury bills of the Croatian Ministry of Finance), the Group is exposed to the risk of growth in interest rates. At the reporting date, the Group did not use any financial instruments to hedge its position from unfavourable interest rate movements.

Due to the fact that the Group uses loans with fixed and variable interest rates, it is exposed to the risk of changes in interest rates. Most loans are nevertheless contracted with fixed interest rates (as a result of the parent company's pre-bankruptcy settlement).

The sensitivity analysis below is based on the risk of changes in interest rates at the date of the statement of financial position. For variable-rate debt, the analysis is prepared assuming the amount of the liability outstanding at the date of the statement of financial position was outstanding for the whole year. If the interest rates would change by 0.5 percent, and all other variables remained constant, there would be a change in the interest expense of the Group in the amount of HRK 1 thousand at 31 December 2019 (2018: HRK 227 thousand). The increased level of long-term debt at variable rates increases the impact of a potential change in the interest rates on the Group's profit.

35. RISK MANAGEMENT (CONTINUED)

35.1. Financial risks (continued)

Liquidity risk

There is a risk that the Group may not be able to meet all of its obligations as they fall due, which may be caused by inadequate level of recoverability of amounts owed by customers, inappropriately matched maturities of the debt, or the inability to obtain loans from financial institutions. In order to reduce the liquidity risk, the Group applies on-going measures to recover its receivables and monitor the liquidity of its customers, seeks to optimise the maturity structure of the debt and obtain lines of credit available to it at financial institutions to be able to continue servicing its debt in unforeseen circumstances.

However, the Group cannot provide any assurance that its liquidity management will be efficient and that the potential liquidity risk will not have a significant impact on its performance and financial condition.

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

	Weighted average effective interest rate %	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2020							
Non-interest bearing		28,389	39,220	21,191	37,831	15,398	142,029
Interest bearing		2,060	6,506	12,235	83,734	56,205	160,740
		30,449	**45,726**	**33,426**	**121,565**	**71,603**	**302,769**
31 December 2019							
Non-interest bearing		43,888	16,538	12,769	35,002	-	108,197
Interest bearing		1,392	2,036	15,434	86,733	262,298	367,893
		45,280	**18,574**	**28,203**	**121,735**	**262,298**	**476,090**

The following table details the Group's remaining contractual maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

35. RISK MANAGEMENT (CONTINUED)

35.1. Financial risks (continued)

	Weighted average effective interest rate %	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2020							
Non-interest bearing		47,888	41,024	15,726	809	10,096	115,543
Interest bearing		144	2,736	2,070	18,886	24	23,860
		48,032	**43,760**	**17,796**	**19,695**	**10,120**	**139,403**
31 December 2019							
Non-interest bearing		43,469	21,033	22,854	18,509	56	105,921
Interest bearing		5	10	1,091	15,846	51	17,003
		43,474	**21,043**	**23,945**	**34,355**	**107**	**122,924**

35. RISK MANAGEMENT (CONTINUED)

35.1. Financial risks (continued)

Fair value measurement

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets and financial liabilities	**Fair value on the day**		**Fair value level**	**Valuation method and main input**	**Relevant unavailable input**	**Unavailable input in relation to fair value**
	31 Dec 2020	31 Dec 2019				
Shares and stakes in private equity companies (note 16)	1% in shares of Zagrebačka pekarna Klara d.d. engaged in the industrial production of bread, pastries and other related food products - HRK 494 thousand; and 11.48% in shares of Prehrana trgovina d.d. engaged in trade - HRK 536 thousand	18.25% in shares of Zagrebačka pekarna Klara d.d. engaged in the industrial production of bread, pastries and other related food products - HRK 9,323 thousand; and 11.48% in shares of Prehrana trgovina d.d. engaged in trade - HRK 536 thousand	Level 3	Income (profit) approach - the method of discounted cash flow is used to determine the present value of future economic benefits to be realized on the basis of ownership of the entities in which the investment is made	Long-term revenue growth rates determined according to management experience and knowledge of market conditions in the above economic segments, which amount to 3% (2019: 3%).	Shares and stakes in private equity companies (note 16)
					Long-term operating profit margins before tax determined based on management experience and knowledge of market conditions in the above economic segments, ranging from 8 to 11 percent..	A significant increase in operating profit margin before tax would, in isolation, lead to a significant increase in fair value.
					Average weighted cost of capital determined by the capital asset valuation model (CAPM) in the value of 12%	A slight increase in the weighted average cost of capital would, in isolation, lead to a significant decline in fair value.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties under common market conditions.

The Management Board considers that the carrying amounts reported in these financial statements of financial assets and financial liabilities carried at amortised cost approximate their fair values.

35.2. Industry risks

One of the food industry risks arises from the fact that eating and diet habits of consumers as well as consumer awareness of the impact of the diet on their health have significantly evolved over the past two decades. Such trends pose an imperative for the producers in terms of seeking to expand the existing line of products and further improve the quality of the current products, both in milling and milk processing (Zdenka).

Flour production

Flour production could be adversely affected by extraordinary events such as fire, explosions, failure of production equipment, prolonged or unplanned maintenance, construction of roads or closing of main transport routes, flooding, storms or other extreme weather conditions. Although the Group has arranged an insurance coverage for its facilities, the insurance coverage is inherently limited by caps on insured sums and may not be sufficient to cover all the costs. In addition, the Group may be exposed to costs not covered by insurance.

35. RISK MANAGEMENT (CONTINUED)

Dairy production

In purchasing raw milk for the purposes of dairy production, Zdenka - mliječni proizvodi relies to a large extent on a number of cooperative farmers, which exposes it to the risk of the input material not being of sufficient quality to produce premium-quality products or the risk that milk is not delivered in time or in sufficient quantity. The input quality risk is sought to be minimised using laboratories to perform microbiological tests of raw milk. In case of a market disturbance due to the lack of raw material or its increasing prices, the Group is capable to redirect the milk produced by Zdenačka Farma for Zdenka in a relatively short term and hence partly mitigate the risk. The lack of milk on the domestic market may also be compensated for by importing milk. However, because of the fierce competitive environment, Zdenka cannot protect itself from a potential increase in the milk market prices or provide assurance that any increase in the milk price will be successfully compensated for by higher prices of the end products.

In addition to raw milk, Zdenka also purchases inputs for processed cheese from several producers in the EU that meet high quality standards. The risk of the lack of input or cancellation of the contract by a supplier is currently not significant because the current level of offer exceeds the demand on the part of manufacturers, and Zdenka itself is able to launch its own production should the market experience a significant disturbance.

The risk of product spoilage is pronounced because dairy products fall within the category of products highly susceptible to deterioration. Zdenka seeks to minimise the risk by applying strict controls over the input, processing it in high-tech plants and maintaining high hygiene standards in its plants.

Market risk is a significant risk for Zdenka, as it arises mostly from purchases of cheap cheese from the EU. Therefore, in order to hedge its own margins, Zdenka focuses on the production and distribution of branded products which are also a component of Zdenka's value. Maintaining the image and values arising from the brand is key for a successful performance of Zdenka. Negative publicity, any legal measures or other factors could significantly impair the value of the brand and result in lower demand on the part of customers, as well as affect the current and future operations and financial position of Zdenka.

Livestock operations

In the milk production segment (Zdenačka farma) livestock morbidity and mortality are the prevailing risks. In order to prevent diseases and mortality, veterinary units have been established on the farms that carry out a continuous care of the livestock health condition. To be able to produce high-quality milk, optimum feeding standards and hygiene in milking operations and storage of raw milk are being observed. Mortality insurance has been arranged for all livestock.

There is also a risk that meat and milk produced may not meet the high quality standards. However, the risk is significantly reduced by applying high production quality standards, such as ISO and HACCP.

Crop operations

Crop production is exposed to unfavourable weather conditions (draught, floods, hail) which may lower the crop yield or impair its quality, or both, and in extreme cases result in completely devastated crops. Unfavourable weather affects the operations of Žitar which is engaged in crop operations, but also on cooperative farmers to whom the Group extends credits by offering seeds and intermediary products, which may ultimately reduce the farmers' ability to settle their commodity loan debt, as described in more detail in Note 35.1. Credit risk

The weather risk is sought to be mitigated by arranging crop insurance.

The Group also applies geographic diversification to mitigate the weather risk.

As in the case of livestock operations, the risk of crop morbidity may have a significant impact on the expected yield (which is sometimes higher than 30%). Therefore, according to the common practice, disease prevention activities are undertaken as the most cost-efficient and effective way of maintaining the expected yield levels.

In addition to diseases, damage caused to crops by a growing population of rodents becomes more difficult to manage because of the currently effective regulations (with increasing damage expected in the future).

Market risk

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2020

35. RISK MANAGEMENT (CONTINUED)
35.2. Industry risks (continued)

The food product demand is relatively steady in relation to product prices. Factors impacting the demand are of the following nature: demographic (increase of population), economic (increase in the number of tourists and food consumption at hospitality facilities; higher production volumes in the confectionery and baking industries), political (EU membership that enables seamless export to both EU Member States, but also a higher competition on domestic markets on the part of producers coming from other Member States). The fact that the Hungarian border is near to Žitar can affect the raw material market for the needs of the production process of Žitar.

Input commodity and product delivery risks

Wheat, being the key flour production input, has a significant influence on the flour production and prices, both in terms of wheat production and price levels. A key domestic source of the input is represented by a broad base of farmers with whom the Group cooperates by making deliveries of seeds and other intermediate products required for sowing and accepting settlement using mostly offsetting arrangements involving produced wheat/crops at a pre-defined purchase price.

The input commodity purchase risk is mitigated, as Granolio has established a sales division that is present on international commodity markets and is currently able to purchase, at an time, sufficient quantities of wheat at the current market price. Croatia's accession to the European Union has lifted all administrative barriers to input commodity purchases from the territory of the European union.

The product delivery risk arises from a potential discontinued production as a result of fault of the milling plant or cancellation of existing contract with the flour transporter.

The Group seeks to mitigate the production downtime risk by hiring staff resident in the vicinity of the mill plants who possess adequate skills to eliminate fault within a reasonable time. As the expansion of the milling operations is expected to bring a higher level of finished product orders, the warehousing capacities are being expanded to accommodate sufficient stock required to make timely deliveries.

The Group seeks to mitigate the product delivery risk arising from the potential cancellation of the contract with the flour transporter by relying on a broad base of transporters without being concentrated to either transporter by the scope of the services used.

In the dairy product segment, the risk of lack of raw material for the production of hot cheese is reasonable in the sense that there are enough bidders on the market and, in the case of a supplier's inability to supply, obtain raw material from another supplier in a relatively short time. Also, Zdenka has its own plant for the production of raw cheese for melted cheese and, if necessary, can produce the required amount of raw material itself.

The mentioned risks of raw material procurement and product delivery may be affected by the COVID-19 virus pandemic.

35. RISK MANAGEMENT (CONTINUED)

35.2. Industry risks (continued)

Competition risk

The Group sells its products and goods mainly on the domestic market. As a result of Croatia's accession to the European Union, the administrative burden to entering the markets of other Member States has become smaller, which also applies to competitors entering the Croatian market.

The flour market is being increasingly concentrated, i.e. the total number of flour producers is decreasing (by integration or liquidation of small mills), with the aim to leverage from the economies of scale in order to reduce the unit production cost and strengthen the competitive position on the market. To this end, the Group acquired in 2014 the milling operations of Belje d.d., Darda, and PIK Vinkovci d.d. from the Agrokor Group. Following the full EU membership of Croatia, the Group is no longer exposed to domestic competitors only, which is why the need to improve the Group's competitiveness has been gaining on importance.

The Group estimates that the potential entry of new competitors into the domestic market of hot cheeses after the accession of the Republic of Croatia to the EU membership does not represent a significant risk to the business results, given the consumer habits and the longstanding presence of Zdenka on the domestic market, where it is competitive both at cost and quality.

35.3. Risks arising from the ordinary course of business

Key supplier and key customer concentration risk

The largest customers of the Group are leading retail chains on the market of the Republic of Croatia, and ADM Internationl (one of the leading cereal traders). Pursuant to the Business Cooperation Agreement concluded with Konzum d.d. on 2 May 2014, the shares of the Group's line of flour products in the the Konzum retail and wholesale networks has been defined according to the Group's market share. Consequently, the Group expects to have a largest future exposure to Konzum as the largest single counterparty, which also bears the risk of potential changes in the commercial relationship with the counterparty after the expiry of the Agreement.

The Group's major suppliers are those supplying the raw material and seeds for sowing. The Group seeks to cooperate with as many suppliers as possible to mitigate the risk of discontinued cooperation with a key supplier. Despite this, the Group cannot provide any assurance that a potential termination of cooperation with a key supplier will not have a significant impact on the Group's performance and financial position.

The risk of owner change

The majority shareholder of the Group is Mr Hrvoje Filipović, who holds an ownership interest of 58.11%.

As the majority shareholder, Mr Hrvoje Filipović has the controlling influence over the shareholders of the Group, by means of the rights and powers pertaining to him as a Group shareholder. Mr Filipovic's share of the Group's ownership at the reporting date is 58.11%.

The majority share enables Mr Filipović to exercise his influence in all decisions made in a General Shareholders' Assembly.

No assurance can be provided that the influence of Mr Filipović, as the majority shareholder, will not have a significant effect on the performance and financial condition of the Group.

35. RISK MANAGEMENT (CONTINUED)

35.3. Risks arising from the ordinary course of business (continued)

Acquisition risk

The Group's strategy includes the expansion of operations, both through organic growth and acquisitions. Further implementation of the strategy will depend, among others, on identifying acquisition opportunities and their successful implementation. Future acquisitions may be scrutinised by the Competition Agency to identify any potential market concentration, which means that there is a risk of an acquisition to be found non-permissible or permissible under certain prerequisites.

The ability of the Group to efficiently integrate and manage the acquiree as well as to address adequately the future growth would depend on a number of factors, and a potential failure could have an adverse effect on the Group's performance and financial position. Major acquisitions as well as acquisitions outside the current markets of the Group are possible in the future. The Group has no experience in acquisitions outside its current markets, which could impact the success of an acquisition as well as the level of acquisition and integration costs. A large acquisition could prove to be much more difficult from the integration point of view as well as require significantly higher funds than any acquisition performed in the past. Acquisitions beyond the Group's current markets could be a challenge also because of cultural and language barriers as well as from the aspect of integrating and managing the operations in territories much more remote from the ones on which the Group presently operates.

The Group cannot provide any assurance that it will be able to address properly all the risks of future acquisitions or integrations. As a result of an acquisition, the Group's debt may increase, both through raising funds to finance the acquisition and through the assumption of the debt of the acquiree, which could considerably limit the level of debt the Group would be able to take on in the future. Any considerable increase in the Group's debt in connection with an acquisition could have a material impact on the Group's performance.

In undertaking any future acquisition and as part of the related acquisition analysis, the Group will have to make assumptions about expected cost savings and potential synergies to be achieved. Such estimates are uncertain and subject to a series of significant operational, economic and competition risks that might have a significant influence, as the actual results could differ from the initial estimates. The Group is faced with a risk of failure to achieve all or a part of savings and synergies envisaged at the beginning of an acquisition.

In addition, in an acquisition process, the Group usually assumes all the liabilities and acquires all assets of the acquiree. Although the Group performs acquisition due diligence and seeks to obtain adequate guarantees and assurance as to the value of assets and liabilities it will acquire, it cannot provide any assurance that it will be able to identify all actual and contingent liabilities in advance of the actual acquisition implementation. Acquisitions resulting in the Group assuming contingent liabilities without receiving adequate assurance or warranties could have a material impact on the performance and financial position of the Group.

Working capital risk

Managing working capital successfully is a key area of the Group's operations. The Group may become exposed to a pressure both by competitors and key suppliers to reduce the settlement period for purchases, while simultaneously being under pressure from customers to extend the payment periods on sales.

The Group has made significant investments in improving its logistics to improve the inventory turnover ratio and the operational efficiency ratio. Although the Group has been managing its working capital successfully, no assurance can be given that this will continue in the future, and the Group's performance and financial position may become affected.

35. RISK MANAGEMENT (CONTINUED)

35.3. Risks arising from the ordinary course of business (continued)

Input commodity price risk

The operating results are largely influenced by the price of wheat as the key input commodity for the Group's production. Poor weather conditions, diseases and pests, political instability and other external factors may cause the volatility of the wheat prices. Overall economic conditions, unforeseeable demand and problems occurring in the production and distribution, along with potential diseases and pests, as well as weather conditions at the time of harvest may have a negative impact on the wheat prices. Regardless of the Group's ability to satisfy the wheat demand on the domestic market, movements in wheat prices on the domestic market are affected by fluctuations in the wheat prices on global commodity exchanges. The Group's past performance is conclusive of the past wheat purchase price fluctuations positively correlating with historic flour price fluctuations. However, a certain period of time is required for the flour price to become aligned with the wheat price fluctuations, as a result of which there is a short time frame in which the Group's margin becomes negatively impacted where the wheat prices increase. Regardless of the past indications of the correlation between the flour and wheat prices, the Group cannot warrant that a potential future increase in wheat prices will be fully offset with higher flour prices and that the historic margin levels will be preserved.

The Group seeks to mitigate the risk of changes in wheat prices by participating actively on futures markets.

Granolio has been managing the risks and input commodity purchase prices actively, by using various future trading techniques on global commodity markets, and without any pronounced open positions.

In the dairy product segment, raw milk prices may have a decisive impact on Zdenka's business result. In the event of a significant increase in the market prices of raw milk, it is possible to divert the production of the Zdenačke farme d.o.o. (Zdenačka farm currently does not supply Zdenka milk for commercial reasons only because it has a better selling price for milk from another customer) on the supply of Zdenka, if it is determined that it is in the interest of the entire Granolio Group.

Dependence on the management and key personnel

The Group relies heavily on its staff as one of its key competitive advantages. This means that the Group should exercise great efforts in an attempt to retain top personnel at all levels in order to preserve its leading position on the market. The Group cannot warrant that it will be able to retain its current management and other leading employees or to attract new top personnel in the future. The potential loss of the current and the inability to attract new key personnel could have a significant impact on the Group's operations.

IT risks

The Group relies on a number of IT systems in support of the efficient management of the distribution capacities, for the purpose of communication with its customers and suppliers, human resource management and performance evaluation and to collect all information for management decision-making purposes. The Group's operations are becoming increasingly dependent on the use of such systems, and any system downtime or failure resulting from malicious codes, hacking attacks, hardware or software issues or otherwise could have a significant impact on the Group's operations and financial position.

Antitrust and competition law non-compliance risk

It is a part of the overall strategy of the Group to become the leading flour producer on the Croatian market and flour supplier in the region, which may render the Group non-compliant with the market competition rules. The Croatian legislation governing market competition, which is aligned with the EU rules, forbids any form of abuse of the dominant position, especially any direct or indirect imposition of purchase or selling prices or other unfair commercial terms and conditions, limiting production, markets or technological progress to the disadvantage of customers, or imposing any unequal conditions for the same type of deals with other enterprises that may bring them in a disadvantaged competitive position, or additional obligations to counterparties as a prerequisite for entering contracts with them that are in their nature and according to the customary commercial practice not directly related to the subject matter of such contracts.

35. RISK MANAGEMENT (CONTINUED)

35.3. Risks arising from the ordinary course of business (continued)

Antitrust and competition law non-compliance risk (continued)

In addition, the legislation forbids any agreements, decisions, associations or joint actions on the part of enterprises aimed at, or resulting in infringing the competition rules on a given market.

Although the Group is not aware of any infringement of competition rules and has never been a respondent in proceedings initiated before the Competition Agency, it cannot warrant that no such proceedings will never be initiated. Any infringement of the competition rules is subject to significant administrative sanctions. For instance, a fine of up to 10% of the total annual revenue generated in the most recent year for which final financial statements are available may be imposed for entering into non-permissible deals or abuse of the dominant position. Therefore, any administrative sanction could have an adverse impact on the financial position and performance of the Group.

To mitigate the risk, the Group intends to arrange additional education for its employees in the area of market competition rules and implement procedures to be followed in concluding contracts and undertaking other actions that may result in a breach of competition rules and make sure that the procedures are consistently followed.

Furthermore, before undertaking any future acquisition, the Group may have to ask from the Competition Agency to assess the eligibility of the intended concentration. The Group cannot warrant that a concentration will be assessed as permissible or permissible under conditions precedent, such as the disposal of certain assets or certain other steps that might affect the revenue, profit or cash flows of the Group. The concentration eligibility assessment itself could affect the timing of the acquisition.

Litigation risk

As any business entity, so is also the Group exposed to the risk of becoming a counterparty in legal actions initiated before courts, regulatory or other competent authorities that may arise from its ordinary course of business. These include mainly claims involving the Group's debtors or suppliers. The risk of potential future claims raised by customers on the grounds of losses or injuries caused by the consumption of products cannot be excluded. The Group cannot provide any assurance that the outcome of potential future legal and regulatory proceedings or measures will not have a significant impact on its performance and financial condition.

The risk of liabilities or losses not covered by insurance

The level of insurance coverage is common for the industry in which the Group operates. The insurance policies of the Group include mainly those providing coverage for occupational injuries, machinery faults, property damage, as well as crop insurance. Still, not all contingent liabilities and losses can be covered by insurance, and the Group cannot warrant that it will not be exposed to situations in which no insurance coverage will be available or that such situations would not have a material impact on the Group's operations and financial condition.

Business environment risk

The business environment risk includes political, legal and macroeconomic risks prevailing in the business environment of the Group, which is primarily the Croatian market on which the Group generates almost 83.7% of its total revenue (2018: 87.2%), followed by the markets of Bosnia and Herzegovina, Italy, Serbia, Hungary and Slovenia. The Group cannot provide any guarantee that the Croatian market where the Group realizes most of its revenues will continue with the successful implementation of political and economic reforms. Delays or failures in carrying them out could have an impact on the Group's business. The state budget savings and tax burden currently being implemented in the Republic of Croatia could result in slowing economic growth or reducing disposable income, which could affect both revenue and profitability of the Group.

35. RISK MANAGEMENT (CONTINUED)

35.4. General risks

Business environment risk (continued)

The governments in power so far have introduced economic reforms to develop and stabilise free market economy by privatising state-owned companies, attracting foreign direct investments and implemented reforms required in the pre-accession stage. Despite the significant progress towards establishing a full market economy, reaching the level of infrastructure of West European countries will take several more years and additional investments. The Group cannot warrant that Croatia will fully implement the intended reforms or that the political environment will favour their implementation. In addition, the Group cannot warrant that the Government in power will not introduce new regulations, fiscal or monetary policies, including taxation, environmental and public procurement policy, an indemnity policy for nationalised property or a new foreign exchange policy.

The legal framework of the Republic of Croatia is still evolving, which may give rise to a certain level of legal uncertainty. As a result, the Group may come into a position of not being able to succeed in exercising or protecting some of its rights.

The open issues Croatia has with its neighbours do not affect the political stability of the state but represent legitimate representation of the country's strategic and economic interests in international relations, as do all other developed states. As the Group's business is based on the market of the Republic of Croatia, the danger of the influence of other states in the environment is minimal.

The Group's operations are subject to the impact of the macroeconomic environment, economic conditions and economic activity developments. In the periods of disadvantaged economic conditions, the Group could have problems in expanding its business or meeting its financial obligations. Under such circumstances, the Group's access to financial markets could become more difficult, and its borrowing costs could increase, which would affect the performance and financial position of the Group. If the current economic situation would persist, the Group, its customers and suppliers could face difficulties in accessing capital markets, which could have an adverse impact on the current revenue and profit levels.

The Group is also under the influence of international trends, as wheat, being the Group's key input commodity, is an exchange traded commodity and hence subject to potential political instability in the major wheat producing countries (China, Russia, the USA). Still, as already mentioned above, the Group is able to meet its core input commodity needs entirely from domestic sources, while seeking to neutralise any fluctuations in the commodity price with an active access to futures markets.

35. RISK MANAGEMENT (CONTINUED)

35.4. General risks (continued)

Risk of changes in legal framework

As a food producer, the Group is exposed to strict regulatory requirements applicable to human foods, product safety, occupational health and safety, security and environmental protection (including those applicable to waste waters, sewage, clean air, noise, waste disposal, environmental cleaning and similar), as well as product ingredients and contents, packaging, designation, advertising and market competition. Food production generates waste, emission of hazardous agents into the atmosphere and waters, which is why the Group has the obligation to obtain various licences and adhere to a variety of regulation. Health, safety and environmental regulations in Europe and other developed countries are becoming increasingly stringent, and their implementation is increasingly gaining on importance. The Group seeks to keep pace and anticipate any such changes, as any non-compliance could result in various sanctions. The Group considers being currently compliant with all the applicable regulations and rules as well as deadlines set by different regulators. However, it cannot warrant that it will not incur significant costs to eliminate any potential instances of non-compliance or the resulting negative publicity, or to adapt to amended regulations, as well as that the resulting impact on its operations and financial condition would not be significant. For instance, the Group is the current owner or lessee of a number of properties and facilities, including production plants and distribution centres some of which were previously used for other commercial or industrial purposes. Although the Group is currently not aware of any facts that would give rise to additional obligations regarding the environmental status of the properties and facilities, any contamination identified as a result of current or previous operations and the resulting obligation to eliminate it could cause significant costs to the Group. Additional regulations, or interpretations of current regulations, could be introduced in the future, which may affect the Group's business and products. The Group cannot provide any warranty that any costs of complying with any such future initiatives will not have a significant impact on the performance and financial condition of the Group.

36. CONTINGENT LIABILITIES

On 31 December 2020 the Group has no contingent liabilities under guarantees or co-borrowings.

Litigation

There are no significant lawsuits against the Group. Consequently, the cost of provisions for litigation is not recognized.

37. EVENTS AFTER THE BALANCE SHEET DATE

The parent company continues to repay part of its liabilities in accordance with the pre-bankruptcy settlement.

In the period between the balance sheet date and the date of signing this report, there were no significant events that would affect the financial position of the Group.

38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Management Board and authorized for issue on 29 April 2021

Signed on behalf of and for the Management Board:

Hrvoje Filipović dipl.oec.
President of the Management Board

Drago Šurina dipl.oec.
Member of the Management Board

Vladimir Kalčić dipl.oec.
Member of the Management Board

ISSUER'S GENERAL DATA

Reporting period:	1.1.2020	to	31.12.2020
Year:	2020		

Annual financial statements

egistration number (MB):	01244272	Issuer's home Member State code:	Croatia
Entity's registration number (MBS):	080111595		
Personal identification number (OIB):	59064993527	LEI:	213800O3Z6ZSDBAKG321
Institution code:	15989		
Name of the issuer:	Granolio d.d.		
Postcode and town:	10000		Zagreb
treet and house number:	Budmanijeva 5		
E-mail address:	granolio@granolio.hr		
Web address:	www.granolio.hr		
Number of employees (end of the reporting	412		
Consolidated report:	KD	(KN-not consolidated/KD-consolidated)	
Audited:	RD	(RN-not audited/RD-audited)	

Names of subsidiaries (according to IFRS)	Registered office:	MB:
GRANOLIO D.D.	ZAGREB	1244272
ZDENAČKA FARMA D.O.O.	VELIKI ZDENCI	2095777
ZDENKA - MLIJEČNI PROIZVODI D.O.O.	VELIKI ZDENCI	1623982

Bookkeeping firm:	No	(Yes/No)	(name of the bookkeeping firm)
Contact person:	MIRJANA KELAVA (only name and surname of the contact person)		
Telephone:	01/6320-261		
E-mail address:	mkelava@granolio.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 31.12.2020.

in HRK

Submitter:Granolio d.d

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	**001**	0	0
B) FIXED ASSETS (ADP 003+010+020+031+036)	**002**	350.595.810	219.326.647
I INTANGIBLE ASSETS (ADP 004 to 009)	**003**	127.290.194	4.700.495
1 Research and development	**004**	0	0
2 Concessions, patents, licences, trademarks, software and other rights	**005**	126.592.028	4.700.495
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**	698.166	0
II TANGIBLE ASSETS (ADP 011 to 019)	**010**	220.950.334	213.375.547
1 Land	**011**	13.824.219	13.824.221
2 Buildings	**012**	152.690.506	146.194.468
3 Plant and equipment	**013**	30.262.269	27.459.384
4 Tools, working inventory and transportation assets	**014**	1.080.047	330.248
5 Biological assets	**015**	6.237.106	6.521.281
6 Advance payments for purchase of tangible assets	**016**	0	0
7 Tangible assets in preparation	**017**	11.715.891	13.924.394
8 Other tangible assets	**018**	93.296	74.551
9 Investment property	**019**	5.047.000	5.047.000
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	**020**	1.252.282	1.250.605
1 Investments in holdings (shares) of undertakings within the group	**021**	0	0
2 Investments in other securities of undertakings within the group	**022**	0	0
3 Loans, deposits, etc. to undertakings within the group	**023**	0	0
4 Investments in holdings (shares) of companies linked by virtue of participating interest	**024**	0	0
5 Investment in other securities of companies linked by virtue of participating interest	**025**	0	0
6 Loans, deposits etc. given to companies linked by virtue of participating interest	**026**	0	0
7 Investments in securities	**027**	0	0
8 Loans, deposits, etc. given	**028**	221.945	220.268
9 Other investments accounted for using the equity method	**029**	0	0
10 Other fixed financial assets	**030**	1.030.337	1.030.337
IV RECEIVABLES (ADP 032 to 035)	**031**	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
V. Deferred tax assets	**036**	1.103.000	0
C) CURRENT ASSETS (ADP 038+046+053+063)	**037**	184.625.158	175.218.745
I INVENTORIES (ADP 039 to 045)	**038**	46.337.925	36.218.032
1 Raw materials	**039**	21.625.009	20.977.191
2 Work in progress	**040**	2.097.780	2.621.254
3 Finished goods	**041**	9.183.611	5.534.859
4 Merchandise	**042**	13.431.525	7.084.728
5 Advance payments for inventories	**043**	0	0
6 Fixed assets held for sale	**044**	0	0
7 Biological assets	**045**	0	0
II RECEIVABLES (ADP 047 to 052)	**046**	107.974.086	108.898.302
1 Receivables from undertakings within the group	**047**	779.960	7.145.494
2 Receivables from companies linked by virtue of participating interest	**048**	0	0
3 Customer receivables	**049**	78.919.646	83.726.713
4 Receivables from employees and members of the undertaking	**050**	42	452
5 Receivables from government and other institutions	**051**	3.735.643	1.562.823
6 Other receivables	**052**	24.538.795	16.462.820
III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	**053**	27.014.667	22.560.966
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**	10.190.819	11.260.819
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**	149.624	149.624
8 Loans, deposits, etc. given	**061**	16.674.224	11.150.523
9 Other financial assets	**062**	0	0
IV CASH AT BANK AND IN HAND	**063**	3.298.480	7.541.445
D) PREPAID EXPENSES AND ACCRUED INCOME	**064**	398.663	403.919
E) TOTAL ASSETS (ADP 001+002+037+064)	**065**	535.619.631	394.949.311
OFF-BALANCE SHEET ITEMS	**066**	0	0

LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to	067	46.406.543	83.581.738
I. INITIAL (SUBSCRIBED) CAPITAL	068	19.016.430	19.016.430
II CAPITAL RESERVES	069	84.195.807	84.195.807
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	4.296.597	4.296.923
1 Legal reserves	071	3.496.597	3.496.923
2 Reserves for treasury shares	072	800.000	800.000
3 Treasury shares and holdings (deductible item)	073	0	0
4 Statutory reserves	074	0	0
5 Other reserves	075	0	0
IV REVALUATION RESERVES	076	54.675.895	51.673.648
V FAIR VALUE RESERVES (ADP 078 to 080)	077	0	0
1 Fair value of financial assets available for sale	078	0	0
2 Cash flow hedge - effective portion	079	0	0
3 Hedge of a net investment in a foreign operation - effective portion	080	0	0
VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)	081	-127.770.308	-140.003.649
1 Retained profit	082	0	0
2 Loss brought forward	083	127.770.308	140.003.649
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	084	-15.301.329	35.550.162
1 Profit for the business year	085	0	35.550.162
2 Loss for the business year	086	15.301.329	0
VIII MINORITY (NON-CONTROLLING) INTEREST	087	27.293.451	28.852.417
B) PROVISIONS (ADP 089 to 094)	088	0	0
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	0	0
C) LONG-TERM LIABILITIES (ADP 096 to 106)	095	383.700.218	195.995.231
1 Liabilities towards undertakings within the group	096	0	0
2 Liabilities for loans, deposits, etc. to companies within the group	097	10.000.000	10.000.000
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	159.566.584	0
6 Liabilities towards banks and other financial institutions	101	134.006.037	122.463.656
7 Liabilities for advance payments	102	0	0
8 Liabilities towards suppliers	103	38.246.489	25.205.715
9 Liabilities for securities	104	29.879.082	26.982.864
10 Other long-term liabilities	105	0	0
11 Deferred tax liability	106	12.002.026	11.342.996
D) SHORT-TERM LIABILITIES (ADP 108 to 121)	107	101.845.414	113.182.879
1 Liabilities towards undertakings within the group	108	0	1.565.559
2 Liabilities for loans, deposits, etc. to companies within the group	109	0	0
3 Liabilities towards companies linked by virtue of participating interest	110	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	111	0	0
5 Liabilities for loans, deposits etc.	112	6.494.159	13.025.500
6 Liabilities towards banks and other financial institutions	113	9.962.444	10.808.457
7 Liabilities for advance payments	114	4.403.875	522.875
8 Liabilities towards suppliers	115	66.640.953	70.680.949
9 Liabilities for securities	116	9.666.218	8.522.176
10 Liabilities towards employees	117	2.209.571	2.292.855
11 Taxes, contributions and similar liabilities	118	2.246.635	5.077.366
12 Liabilities arising from the share in the result	119	0	0
13 Liabilities arising from fixed assets held for sale	120	0	0
14 Other short-term liabilities	121	221.559	687.142
E) ACCRUALS AND DEFERRED INCOME	122	3.667.456	2.189.463
F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)	123	535.619.631	394.949.311
G) OFF-BALANCE SHEET ITEMS	124	0	0

STATEMENT OF PROFIT OR LOSS

for the period 1.1.2020 to 31.12.2020.

in HRK

Submitter:Granolio d.d.

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
I OPERATING INCOME (ADP 126 to 130)	125	486.127.984	632.272.320
1 Income from sales with undertakings within the group	126	0	0
2 Income from sales (outside group)	127	468.982.531	459.277.048
3 Income from the use of own products, goods and services	128	1.218.295	795.225
4 Other operating income with undertakings within the group	129	0	0
5 Other operating income (outside the group)	130	15.927.158	172.200.047
II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	493.807.240	586.901.520
1 Changes in inventories of work in progress and finished goods	132	231.301	2.598.335
2 Material costs (ADP 134 to 136)	133	417.712.938	386.409.664
a) Costs of raw material	134	301.654.750	284.309.483
b) Costs of goods sold	135	84.162.279	71.439.795
c) Other external costs	136	31.895.909	30.660.386
3 Staff costs (ADP 138 to 140)	137	36.411.471	37.803.945
a) Net salaries and wages	138	23.666.109	24.914.645
b) Tax and contributions from salaries expenses	139	7.952.573	8.118.746
c) Contributions on salaries	140	4.792.789	4.770.554
4 Depreciation	141	27.086.823	22.437.846
5 Other expenses	142	6.481.348	6.644.828
6 Value adjustments (ADP 144+145)	143	21.614	10.066.798
a) fixed assets other than financial assets	144	17.767	0
b) current assets other than financial assets	145	3.847	10.066.798
7 Provisions (ADP 147 to 152)	146	0	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	0	0
8 Other operating expenses	153	5.861.745	120.940.104
III FINANCIAL INCOME (ADP 155 to 164)	154	1.513.203	1.160.373
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	115.219	0
4 Other interest income from operations with undertakings within the group	158	0	0
5 Exchange rate differences and other financial income from operations with undertakings within the group	159	0	0
6 Income from other long-term financial investments and loans	160	145.858	120.786
7 Other interest income	161	683.311	324.035
8 Exchange rate differences and other financial income	162	299.461	715.552
9 Unrealised gains (income) from financial assets	163	0	0
10 Other financial income	164	269.354	0
IV FINANCIAL EXPENDITURE (ADP 166 to 172)	165	8.692.194	8.912.008
1 Interest expenses and similar expenses with undertakings within the group	166	74.685	756.919
2 Exchange rate differences and other expenses from operations with undertakings within the group	167	0	0
3 Interest expenses and similar expenses	168	4.267.241	2.465.465
4 Exchange rate differences and other expenses	169	477.354	1.142.945
5 Unrealised losses (expenses) from financial assets	170	0	0
6 Value adjustments of financial assets (net)	171	0	4.500.000
7 Other financial expenses	172	3.872.914	46.679
V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	173	0	0
VI SHARE IN PROFIT FROM JOINT VENTURES	174	0	0
VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	175	0	0
VIII SHARE IN LOSS OF JOINT VENTURES	176	0	0
IX TOTAL INCOME (ADP 125+154+173 + 174)	177	487.641.187	633.432.693
X TOTAL EXPENDITURE (ADP 131+165+175 + 176)	178	502.499.434	595.813.528
XI PRE-TAX PROFIT OR LOSS (ADP 177-178)	179	-14.858.247	37.619.165
1 Pre-tax profit (ADP 177-178)	180	0	37.619.165
2 Pre-tax loss (ADP 178-177)	181	-14.858.247	0
XII INCOME TAX	182	-659.030	443.970
XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183	-14.199.217	37.175.195
1 Profit for the period (ADP 179-182)	184	0	37.175.195
2 Loss for the period (ADP 182-179)	185	-14.199.217	0

DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)			
XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 187-188)	**186**	0	0
1 Pre-tax profit from discontinued operations	**187**	0	0
2 Pre-tax loss on discontinued operations	**188**	0	0
XV INCOME TAX OF DISCONTINUED OPERATIONS	**189**	0	0
1 Discontinued operations profit for the period (ADP 186-189)	**190**	0	0
2 Discontinued operations loss for the period (ADP 189-186)	**191**	0	0
TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)			
XVI PRE-TAX PROFIT OR LOSS (ADP 179+186)	**192**	0	0
1 Pre-tax profit (ADP 192)	**193**	0	0
2 Pre-tax loss (ADP 192)	**194**	0	0
XVII INCOME TAX (ADP 182+189)	**195**	0	0
XVIII PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	**196**	0	0
1 Profit for the period (ADP 192-195)	**197**	0	0
2 Loss for the period (ADP 195-192)	**198**	0	0
APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)			
XIX PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	**199**	-14.199.220	37.175.195
1 Attributable to owners of the parent	**200**	-15.301.329	35.550.162
2 Attributable to minority (non-controlling) interest	**201**	1.102.109	1.625.033
STATEMENT OF OTHER COMPRHENSIVE INCOME (to be filled in by undertakings subject to IFRS)			
I PROFIT OR LOSS FOR THE PERIOD	**202**	-14.199.220	37.175.195
II OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (ADP 204 to 211)	**203**	0	0
1 Exchange rate differences from translation of foreign operations	**204**	0	0
2 Changes in revaluation reserves of fixed tangible and intangible assets	**205**	0	0
3 Profit or loss arising from re-evaluation of financial assets available for sale	**206**	0	0
4 Profit or loss arising from effective cash flow hedging	**207**	0	0
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	**208**	0	0
6 Share in other comprehensive income/loss of companies linked by virtue of participating interest	**209**	0	0
7 Actuarial gains/losses on defined remuneration plans	**210**	0	0
8 Other changes in equity unrelated to owners	**211**	0	0
III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**212**	0	0
IV NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)	**213**	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)	**214**	-14.199.220	37.175.195
APPENDIX to the Statement on comprehensive income (to be filled in by entrepreneurs who draw up consolidated statements)			
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 216+217)	**215**	-14.199.220	37.175.195
1 Attributable to owners of the parent	**216**	-15.301.329	35.550.162
2 Attributable to minority (non-controlling) interest	**217**	1.102.109	1.625.033

STATEMENT OF CASH FLOWS - indirect method

for the period 01.01.2020. to 31.12.2020.

in HRK

Submitter: Granolio d.d.

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
Cash flow from operating activities			
1 Pre-tax profit	001	-14.858.247	37.619.165
2 Adjustments (ADP 003 to 010):	002	25.545.112	-3.918.407
a) Depreciation	003	27.086.823	22.437.846
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	6.142.309	117.070.912
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	3.772.057	-142.290.806
d) Interest and dividend income	006	-1.329.482	-444.820
e) Interest expenses	007	4.281.776	3.280.003
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	-14.408.371	-3.971.542
I Cash flow increase or decrease before changes in the working capital (ADP 001+002)	011	10.686.865	33.700.758
3 Changes in the working capital (ADP 013 to 016)	012	14.786.213	-4.006.677
a) Increase or decrease in short-term liabilities	013	5.906.862	-8.320.080
b) Increase or decrease in short-term receivables	014	15.519.539	-6.560.751
c) Increase or decrease in inventories	015	-6.640.188	10.874.154
d) Other increase or decrease in the working capital	016	0	0
II Cash from operations (ADP 011+012)	017	25.473.078	29.694.081
4 Interest paid	018	-4.143.617	-3.015.316
5 Income tax paid	019	0	0
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	21.329.461	26.678.765
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	021	894.178	0
2 Cash receipts from sales of financial instruments	022	0	0
3 Interest received	023	1.222.099	326.026
4 Dividends received	024	0	0
5 Cash receipts from repayment of loans and deposits	025	4.480.801	26.725
6 Other cash receipts from investment activities	026	5.000.000	999.031
III Total cash receipts from investment activities (ADP 021 to 026)	027	11.597.078	1.351.782
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-11.293.862	-10.053.567
2 Cash payments for the acquisition of financial instruments	029	0	0
3 Cash payments for loans and deposits for the period	030	-24.107.591	0
4 Acquisition of a subsidiary, net of cash acquired	031	0	0
5 Other cash payments from investment activities	032	-1.011.437	-743.531
IV Total cash payments from investment activities (ADP 028 to 032)	033	-36.412.890	-10.797.098
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)	034	-24.815.812	-9.445.316
Cash flow from financing activities			
1 Cash receipts from the increase of initial (subscribed) capital	035	0	0
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036	0	0
3 Cash receipts from credit principals, loans and other borrowings	037	17.500.000	10.250.633
4 Other cash receipts from financing activities	038	0	0
V Total cash receipts from financing activities (ADP 035 to 038)	039	17.500.000	10.250.633
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-16.219.351	-18.417.888
2 Dividends paid	041	-2.000.085	0
3 Cash payments for finance lease	042	-735.408	-782.969
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	043	0	0
5 Other cash payments from financing activities	044	-2.100.000	-4.040.260
VI Total cash payments from financing activities (ADP 040 to 044)	045	-21.054.844	-23.241.117
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)	046	-3.554.844	-12.990.484
1 Unrealised exchange rate differences in cash and cash equivalents	047	0	0
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 020+034+046+047)	048	-7.041.195	4.242.965
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	049	10.339.675	3.298.480

F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(ADP 048+049)	**050**	3.298.480	7.541.445

STATEMENT OF CHANGES IN EQUITY

for the period from 1.1.2020 to 31.12.2020

in HRK

Item	ADP code	Attributable to owners of the parent														Minority (non-controlling) interest	Total capital and reserves
		Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale	Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)
Previous period																	
1 Balance on the first day of the previous business year	01	19.016.430	84.195.807	408.227	800.000	0	0	0	57.678.142	0	0	0	-199.590.748	81.861.224	44.369.082	60.437.203	104.806.285
2 Changes in accounting policies	02	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3 Correction of errors	03	0	0	0	0	0	0	0	0	0	0	0	15.873	0	15.873	0	15.873
4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)	04	19.016.430	84.195.807	408.227	800.000	0	0	0	57.678.142	0	0	0	-199.574.875	81.861.224	44.384.955	60.437.203	104.822.158
5 Profit/loss of the period	05	0	0	0	0	0	0	0	0	0	0	0	0	-15.301.329	-15.301.329	1.102.110	-14.199.219
6 Exchange rate differences from translation of foreign operations	06	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7 Changes in revaluation reserves of fixed tangible and intangible assets	07	0	0	0	0	0	0	0	-3.002.247	0	0	0	3.002.247	0	0	0	0
8 Profit or loss arising from re-evaluation of financial assets available for sale	08	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9 Gains or losses on efficient cash flow hedging	09	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	11	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12 Actuarial gains/losses on defined benefit plans	12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13 Other changes in equity unrelated to owners	13	0	0	0	0			0	0	0	0	0	-9.970.536	0	-9.970.536	-32.245.777	-42.216.313
14 Tax on transactions recognised directly in equity	14	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16 Increase of initial (subscribed) capital by reinvesting profit	16	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	17	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18 Redemption of treasury shares/holdings	18	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19 Payment of share in profit/dividend	19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-2.000.085	-2.000.085
20 Other distribution to owners	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21 Transfer to reserves by annual schedule	21	0	0	3.088.369	0	0	0	0	0	0	0	0	78.772.855	-81.861.224	0	0	0
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	22	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23 Balance on the last day of the previous business year reporting period (ADP 04 to 22)	23	19.016.430	84.195.807	3.496.596	800.000	0	0	0	54.675.895	0	0	0	-127.770.309	-15.301.329	19.113.090	27.293.451	46.406.541
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)																	
I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)	24	0	0	0	0	0	0	0	-3.002.247	0	0	0	-6.968.289	0	-9.970.536	-32.245.777	-42.216.313
II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	25	0	0	0	0	0	0	0	-3.002.247	0	0	0	-6.968.289	-15.301.329	-25.271.865	-31.143.667	-56.415.532
III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 22)	26	0	0	3.088.369	0	0	0	0	0	0	0	0	78.772.855	-81.861.224	0	-2.000.085	-2.000.085
Current period																	
1 Balance on the first day of the current business year	27	19.016.430	84.195.807	3.496.596	800.000	0	0	0	54.675.895	0	0	0	-127.770.308	-15.301.329	19.113.091	27.293.451	46.406.542
2 Changes in accounting policies	28	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3 Correction of errors	29	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4 Balance on the first day of the current business year (restated) (ADP 27 to 29)	30	19.016.430	84.195.807	3.496.596	800.000	0	0	0	54.675.895	0	0	0	-127.770.308	-15.301.329	19.113.091	27.293.451	46.406.542
5 Profit/loss of the period	31	0	0	0	0	0	0	0	0	0	0	0	0	35.550.162	35.550.162	1.625.033	37.175.195
6 Exchange rate differences from translation of foreign operations	32	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7 Changes in revaluation reserves of fixed tangible and intangible assets	33	0	0	0	0	0	0	0	-3.002.247	0	0	0	3.002.247	0	0	0	0
8 Profit or loss arising from re-evaluation of financial assets available for sale	34	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9 Gains or losses on efficient cash flow hedging	35	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	36	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	37	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12 Actuarial gains/losses on defined remuneration plans	38	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13 Other changes in equity unrelated to owners	39	0	0	327	0	0	0	0	0	0	0	0	65.741	0	66.068	-66.068	0
14 Tax on transactions recognised directly in equity	40	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	41	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16 Increase of initial (subscribed) capital by reinvesting profit	42	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18 Redemption of treasury shares/holdings	44	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19 Payment of share in profit/dividend	45	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20 Other distribution to owners	46	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21 Transfer to reserves by annual schedule	47	0	0	0			0	0	0	0	0	0	-15.301.329	15.301.329	0	0	0
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	48	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23 Balance on the last day of the current business year reporting period (ADP 30 to 48)	49	19.016.430	84.195.807	3.496.923	800.000	0	0	0	51.673.648	0	0	0	-140.003.649	35.550.162	54.729.321	28.852.416	83.581.737
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)																	
I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 32 to 40)	50	0	0	327	0	0	0	0	-3.002.247	0	0	0	3.067.988	0	66.068	-66.068	0
II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31+50)	51	0	0	327	0	0	0	0	-3.002.247	0	0	0	3.067.988	35.550.162	35.616.230	1.558.965	37.175.195

III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 41 to 48)	**52**	0	0	0	0	0	0	0	0	0	0	0	-15.301.329	15.301.329	0	0	0

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (GFI)

Name of issuer: Granolio d.d.

OIB:59064993527
Reporting period: for the period 01.01.2020. to 31.12.2020.

The same accounting policies apply when preparing the financial statements for the twelve-month reporting period as in the last annual financial statements.

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Granolio d.d.
Supervisory Board
Number: 29-04-02/2021

Pursuant to Article 263. of the Companies Act and Article 39. of the Statute of the Company Granolio d.d. (hereon in the text: the Company), the Supervisory Board at its meeting held on April 29, 2021, adopted

THE DECISION
ON ESTABLISHING THE FINANCIAL STATEMENTS FOR 2020

Pursuant to Article 300.c of the Companies Act the Supervisory Board has examined the Company's Annual financial statements for 2020 together with the Audit Report, the consolidated Annual financial statements of the Granolio Group for 2020 together with the Audit Report, the Management Report for the Company and affiliated Companies for 2020 as well as the proposal of the decision on distribution of profit for 2020.

It is the opinion of the Supervisory Board that the Company's Annual financial statements for 2020 have been prepared in line with the Company's business books and that they reflect the true financial and business standing of the Company. Also, the Supervisory Board does not have any objections regarding the consolidated Annual financial statements of the Granolio Group for 2020. Therefore, the Supervisory Board approves the Company's Annual financial statements for 2020 and the consolidated Annual financial statements of the Granolio Group for 2020 which are thereby established by the Management Board and Supervisory Board in line with Article 300 d of the Companies Act.

The Supervisory Board has no objections concerning the Auditor's Audit Report regarding the Company's Annual financial statements for 2020 and the Auditor's Report regarding the consolidated Annual financial statements of the Granolio Group for 2020.

Article 2.

This Decision enters into force on the date of its adoption.

Franjo Filipović
(the president of the Supervisory Board)

F. Filipović

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Granolio d.d.
Supervisory Board
Number: 29-04-04/2021

Pursuant to Article 263. of the Companies Act and Article 39. of the Statute of the Company Granolio d.d. (hereon in the text: the Company), the Supervisory Board at its meeting held on April 29, 2021, adopted

THE DECISION
ON PROPOSAL FOR DISTRIBUTION OF BUSINESS YEAR 2020 PROFIT

Article 1.

Pursuant to Article 300.c of the Companies Act the Supervisory Board has examined the Company's Annual financial statements for 2020 together with the Audit Report, the consolidated Annual financial statements of the Granolio Group for 2020 together with the Audit Report, the Management Report for the Company and affiliated Companies for 2020, as well as the proposal of the decision on distribution of business year 2020 profit.

The Supervisory Board agrees with the Management Board's proposal that the 2020 business year profit in the amount of HRK 33.228.749,43 (after taxes) is to be distributed as follows:

- loss coverage in the amount of HRK 31.567.311,96,
- legal reserves in the amount of HRK 1.661.437,47.

Article 2.

This Decision enters into force on the day of its adoption.

Franjo Filipović
(the president of the Supervisory Board)

Granolio

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Pursuant to Article 263 of the Companies Act and Article 39 of the European Trade Agreement. statute of GRANOLIO d.d. (hereth following: Company), the Supervisory Board of the Company submits to the general meeting the following

REPORT
on the supervision of the management of the Company's operations in 2020.

I.

The Supervisory Board complies with the provisions of Article 263 of the. Companies Act and Article 39 of the Granolio d.d. statute supervised the conduct of the Company's operations, with special supervision of the legality of its work, and analyzed the achievement of planned results and implementation of the basic goals of the Company's established business policy.

In 2020, the Supervisory Board acted in the composition of:

- Franjo Filipović, President of the Supervisory Board,
- Jurij Detiček, Deputy Chairman of the Supervisory Board,
- Davor Štefan, Member of the Supervisory Board,
- Tihomir Osmak, Member of the Supervisory Board

Within the Supervisory Board of the Company, in accordance with the Audit Act, the Audit Committee operates. The Audit Committee has three members. The members of the Audit Committee are Mr. Jurij Detiček, Deputy Chairman of the Supervisory Board and Mr. Tihomir Osmak, Member of the Supervisory Board, and the President of the Audit Committee is Mr. Franjo Filipović, President of the Supervisory Board.

II.

In accordance with its obligations, the Supervisory Board audited and examined the Company's documentation. Examining the submitted business documentation, the Supervisory Board found that the Company acts in accordance with the positive regulations, statute and other acts of the Company, as well as decisions of the General Assembly of the Company.

III.

The Company's Management Board regularly and in a timely basis, according to the established standard form and content, informed the Supervisory Board about the Company's operations, as well as about organizational and other changes related to the management of the Company's operations.

During the business year 2020, the Supervisory Board held 6 sessions, at which was informed by the Management Board about significant business events and business development of the Company. One session of the Supervisory Board was not attended by a member of the Supervisory

MB: 1244272; OIB: 59064993527; IBAN HR6024020061100063532 Erste&Steiermarkische bank d.d. Rijeka;
IBAN HR1423400091110416692 Privredna banka Zagreb, IBAN HR5123900011100014261 Hrvatska poštanska banka Zagreb;
temeljni kapital: 19.016.430,00 kn uplaćen u cijelosti podijeljen na 1.901.643 redovnih dionica serije A nominalnog iznosa 10,00 kn;
tvrtka je upisana u Trgovačkom sudu u Zagrebu, MBS: 080111595; predsjednik Uprave: Hrvoje Filipović, članovi Uprave: Vladimir Kalčić i Drago Šurina, predsjednik Nadzornog odbora: Franjo Filipović

Board, Mr. Davor Štefan, while the other sessions were attended by all members of the Supervisory Board. The Supervisory Board has set out a timetable for regular sessions.

IV

In accordance with the provisions of Article 300.b of the Companies Act, the Management Board submitted to the Supervisory Board the Annual Financial Statements of the Company within the legal deadline together with the audit report, Annual consolidated financial statements of Granolio group together with audit report, Management Report on the state of the Company and related companies for 2020, as well as proposal of the decision on the profits distribution made by the Company during the business year 2020 in the total amount of HRK 33,228,749.43 .

V.

In accordance with the provisions of Article 300.c of the Companies Act, the Supervisory Board has examined the Company's Annual Financial Statements for 2020, together with the Audit Report, the Annual Consolidated Financial Statements of the Granolio Group for 2020, together with the audit report, the Company's State of the Company and related companies Report for 2020, as well as the proposal of the decision for business year 2020 profit distribution at a session held on 29.04.2021.. He also discussed the Audit Committee's 2020 report at the same session.

The Supervisory Board considers that the Company's annual financial statements for 2020 are compiled in accordance with the state of the Company's books and show the correct property and business status of the Company. The Supervisory Board also has no objection to Granolio group's annual consolidated financial statements for 2020. Consequently, at the aforementioned session held on April 29, 2021, the Supervisory Board approved to the Company's Annual Financial Statements for 2020 and the Annual Consolidated Financial Statements of the Granolio Group for 2020, thus establishing them by the Management board and the Supervisory Board, pursuant to Art. 300. d of the Companies Act.

The Supervisory Board has no objection to the auditors' report submitted on the audit of the Company's Annual Financial Statements for 2020 and the auditor's report on the audit of Granolio group's annual consolidated financial statements for 2020.

The Supervisory Board agrees with the proposal of the Management Board decision to distribute profits made in the business year 2020 in the amount of HRK 33,228,749.43 in the amount of HRK 31,567,311.96 to cover the loss of previous periods and the amount of HRK 1,661,437.47 to the legal reserves .

VI.

Analyzing the information obtained during the conduct of business supervision during 2020, as well as analyzing the report of the Company's Management Board, and monitoring the trends of financial indicators in the Company, the following was found:

- In 2020, the Company made a profit under the Agreement on the Regulation of Liabilities regarding the loan in total value of HRK 156,860,742.56.
- The Company achieved a positive EBITDA value in the amount of HRK 53,744,632, while in 2019 EBITDA amounted to HRK 145,114.
- The Company's net result worth HRK 33,228,749.43 is mostly the result of the regulation of the obligations of the debt under the Agreement.

Granolio Group achieved a positive net result of HRK 37,175,643.

The Company's net debt (total debt minus money and cash equivalents) as of December 31, 2020 amounted to HRK 136 million and decreased by HRK 182 million compared to December 31, 2019. The reduction is the result of the implemented Agreement on the Regulation of Liabilities by Loan and in smaller part for the value of debt repayments. The net debt of the Granolio Group on 31.12.2020 amounted to HRK 192 million, which represents a decrease compared to net debt as of December 31, 2019 by HRK 164 million.

Total capital investments in tangible assets in 2020 amounted to HRK 3.1 million (2019: HRK 3.4 million). Purchases relate to procurement of equipment for production facilities and tools, procurement of computer equipment and software upgrades.

VII.

Consequently, the Supervisory Board shall refer this report on the supervision of the management of the Company's operations in 2020 to the General Assembly of the Company, and proposes that the General Assembly of the Company adopts the proposed decision on the distribution of profits from the business year 2020.

President of the Supervisory Board

Zagreb, April 29, 2021

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Franjo Filipović