Granolio d.d., Zagreb

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 Board Report on the Business Performance and for the Year 2020

General information on the company Granolio d.d.

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 Davor Štefan, Member Tihomir Osmak, 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.
At 31 December 2020, the ten largest shareholders of Granolio held a total ownership interest of 96.23%.

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.

The business unit Bjeliš is a grain drying and storage silo.
The Osijek business unit is responsible for the storage, sale and dispatch of seed material, sale of grains and oleaginous plants and sales platform management.
The Granolio unit in Zagreb provides logistic, management, accounting and IT support to the Company's business.
Farina and Kopanica mills are subject to International Food Standards (IFS), which enables the Company to export its flour to EU Member States.
The Company sells five flour brands on the market: Farina, Mlin Kopanica, Ekoklas, Mlineta, and Belje.

farina mlin Kopanica ekoklas

Mlineta 

Because of Granolio's focus on the product and delivery quality as well as on building long-term relationships with customers, Granolio is engaged in the production of private labels for many retail chains in Croatia. Currently, flour is produced for 12 private labels.

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

Mills production capacity as at 31 December 2020:

Mill	Ton / 24 hours
Farina	320
Kopanica	230
	550

Subsidiaries

As at 31 December 2020, the Company held the entire equity interest in Zdenačka farma d.o.o.
It had a controlling interest in the company Zdenka - mliječni proizvodi d.o.o. which is consolidated in the Granolio Group since 2011.

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

The ownership interests of Granolio in its subsidiaries as at 31 December 2020 are presented in the chart below:

Granolio Group Structure as at 31 December 2020

Significant transactions in the current accounting period

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 which 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 liabilities to financial institutions and continues to repay liabilities to suppliers, in accordance with the pre-bankruptcy settlement.

Analysis of the 2020 business performance

In '000 HRK

	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	**33,888**	**(13,485)**	**47,373**	**351%**
margin %	7.6%	(4.4%)		

In 2020, a more favourable operating result was achieved compared to the same period last year. A better operating result was achieved in the milling segment, and in the position of other operating revenues. The company did not have sufficient working capital to increase operations in the segments of wholesale of sowing raw materials, cereals and oilseeds.

The net financial result represents the difference between financial income and financial expenses.

Net debt/EBITDA

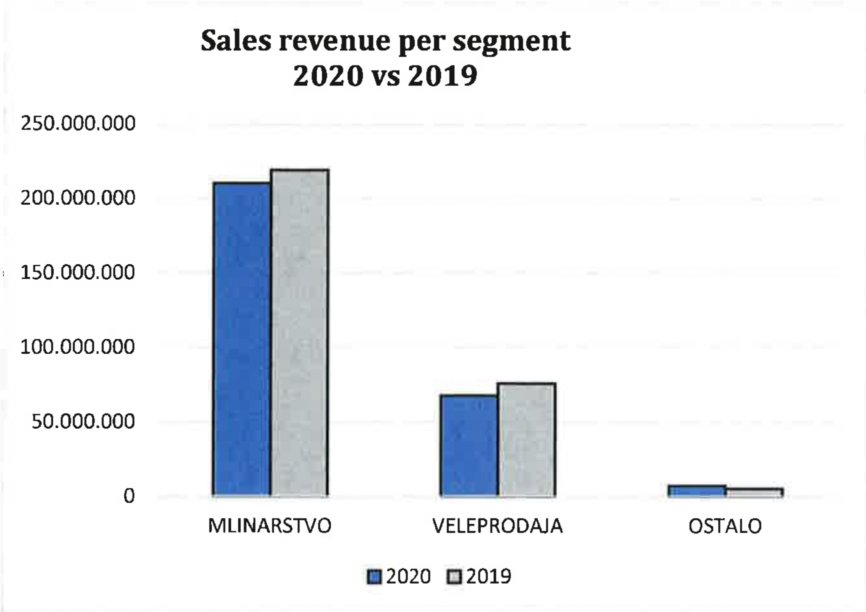
In '000 HRK

	31 Dec 2020	31 Dec 2019	change	
Total debt	**157,444**	**320,486**	**(163,042)**	**(51%)**
Cash and cash equivalents	1,636	2,710	(1,074)	(40%)
Financial assets	20,140	24,644	(4,504)	(18%)
Net debt	**135,668**	**293,132**	**(157,464)**	**(54%)**
EBITDA	**53,745**	**(76)**		
Net debt/EBITDA	2,52			

The total debt reported as at 31 December 2020 includes liabilities to financial institutions.

The total debt of the Company was reduced based on the Agreement which regulates the obligations under the loan and by repayment to financial institutions in regular operations.

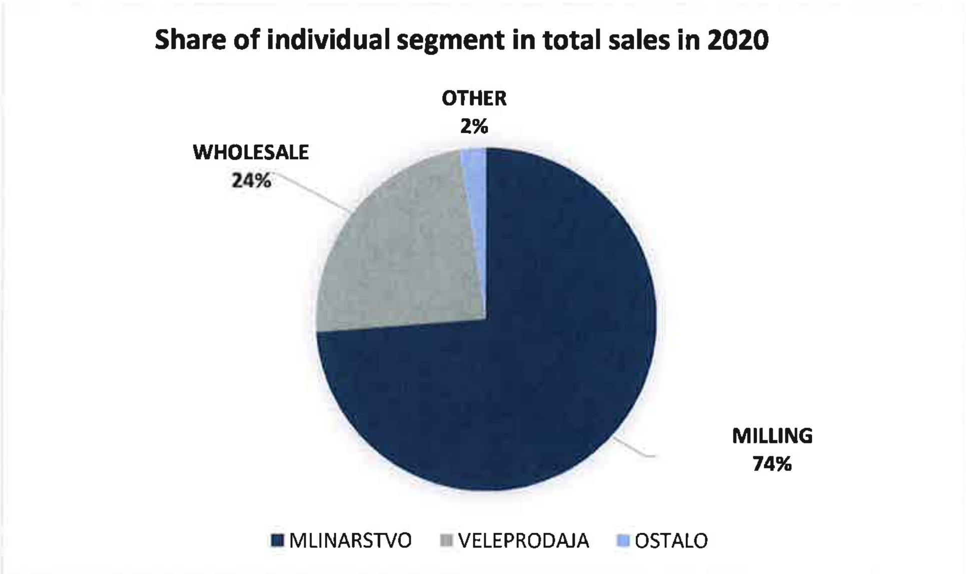
The total revenue from sales of products and services realized in 2020 is lower than the revenues realized in the previous year by 5%. A slight decline is visible in the milling and wholesale segments.



The company sold 116 thousand tons of flour in 2020, 122 thousand tons in the previous year. The average selling price of flour realized in 2020 is higher by 2% than the average selling price in the previous year.

The wholesale segment consists of the sale of raw materials and the sale of cereals and oilseeds. The volume of business in this segment mostly depends on the availability of funds.

The Other segment represents, for the most part, revenues from the provision of drying and storage services, revenues from the re-invoicing of sales costs to customers and revenues from the sale of livestock.



The cost of employees is higher than in the previous year by 5% as a result of an increase in part of salaries.

Total capital investment in tangible assets in 2020 amounted to HRK 4.3 million (2019: HRK 3.4 million). Procurement refers to the procurement of equipment and tools for production plants and to software upgrades.

The net financial result in 2020 amounted to HRK (6) million (2019: HRK (3) million). The financial cost in 2020 also includes a loss from the value adjustment of a part of financial assets in the amount of HRK 4.5 million and accrued interest on financial liabilities in accordance with the pre-bankruptcy settlement in the amount of HRK 1 million.

Financial income in 2020 includes income from interest, default interest and exchange rate differences, while in 2019 it contained income from dividends from an associated company in the amount of HRK 2 million.

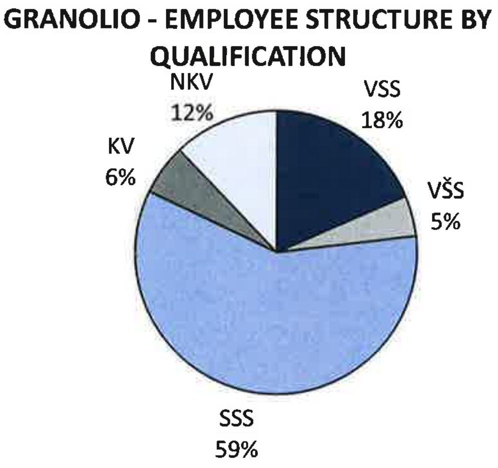
Significant events after the end of the accounting period and the strategic goals of the Company

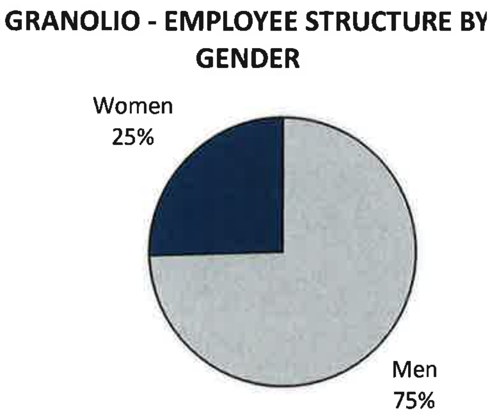
The company expects that from 2021 onwards it will continue to operate smoothly and that it will successfully settle all obligations determined in the pre-bankruptcy proceedings, in the manner agreed in the pre-bankruptcy settlement. The further investment and business plan will depend on the implementation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

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

Employees

In 2020, the Company employed 170 employees based on working hours (2019: 162 employees). The structure of employees as at 31 December 2020, according to the criteria of education and gender, is shown in the following graphs:





Research and development
In the period observed, the Company had no research and development projects.

Purchase of own shares
As of the date of issue of the Annual Management Board Report on the business performance and the position of the Company, the Company did not engage in any purchases of its own shares.

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

Risks

Details about the risks to which the Company is exposed are presented 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:
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 (hereinafter: the Company) is obliged to ensure that the annual unconsolidated financial statements of the Company 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 unconsolidated financial position, unconsolidated results of operations, unconsolidated changes in equity and unconsolidated cash flows of the Company for that period.

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

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

- selecting and then consistently applying suitable accounting policies.
- making reasonable and prudent judgments and estimates.
- 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 unconsolidated financial position, unconsolidated business results, unconsolidated changes in equity and unconsolidated cash flows of the Company and their compliance with the applicable Croatian Accounting Act. Furthermore, the Management Board is responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of and for the Management Board:

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

Tel: +385 1 2395 741
Fax: +385 1 2303 691
E-mail: bdo-croatia.hr

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

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Granolio d.d., Zagreb:

Report on the audit of the unconsolidated annual financial statements

Qualified Opinion

We have audited the annual unconsolidated financial statements of Granolio d.d., Zagreb, Budmanijeva 5 (" the Company "), for the year ended 31 December 2020, which comprise the Unconsolidated Statement of Financial Position as at 31 December 2020, Unconsolidated Statement of Comprehensive Income, the Unconsolidated Statement of Cash Flows and the Unconsolidated Statement of Changes in Equity for the year then ended, as well as the accompanying notes to the unconsolidated financial statements, 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 unconsolidated financial statements present a true and fair view of the Company'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 unconsolidated financial statements, the Company sold the Mlineta 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 unconsolidated 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 Company's annual unconsolidated 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 unconsolidated 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 3.2. to the unconsolidated 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.

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.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of the unconsolidated annual financial statements (continued)

Emphasis of Mater

The Company has prepared the annual consolidated financial statements of the Company, and in order to better understand the operations of the Company as a whole, users should read the annual consolidated financial statements of the Company related to these annual unconsolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, are of most significance in our audit of the unconsolidated 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 unconsolidated 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 Company in its Statement of comprehensive income has stated sales revenues in the amount of HRK 285,041 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 Company recognizes revenue when the amount of revenue can be measured reliably, when the Company will have future economic benefits and when specific criteria for all activities of the Company are met. In accordance with International Financial Reporting Standard 15, Wholesale Revenue is recognized when the Company 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; - 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;

INDEPENDENT AUDITOR'S REPORT (continued)

Key audit matters (continued)

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 Company 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 3.8 and 6 in the accompanying annual financial statements.	- 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 unconsolidated financial statements and our Independent Auditor's Report thereon.

Our opinion on the annual unconsolidated 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 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)

Report on the audit of the unconsolidated annual 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 unconsolidated financial statements set out on pages 18 to 80 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 and 22 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 Company'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 unconsolidated annual financial statements

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

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

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

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

Our goals are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated annual financial statements.

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 unconsolidated 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of the unconsolidated annual financial statements (continued)

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

- 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 Company'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 unconsolidated 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 Company to discontinue its operations on a going concern.
- evaluate the overall presentation, structure and content of the unconsolidated annual consolidated financial statements, including disclosures, as well as whether the annual unconsolidated financial statements reflect the transactions and events which they are based on in a way that achieves a fair presentation.

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 unconsolidated financial statements of the current period and therefore present the key audit matters. 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of the unconsolidated annual financial statements (continued)

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 Company for 2020.

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

In the audit of the annual unconsolidated financial statements of the Company for 2020, we determined the significance for the unconsolidated financial statements as a whole in the amount of HRK 4,280 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 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 Company's annual unconsolidated 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

VStipić

Vedrana Stipić, Member of the Management Board

VStipić

Vedrana Stipić, Certified Auditor

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

Unconsolidated Statement of Comprehensive Income

for the year ended 31 Dec 2020

in '000 HRK

	Note	2020	2019
Income			
Sales revenue	6	285,041	300,179
Other operating income	7	160,452	6,171
Total operating income		**445,493**	**306,350**
Changes in inventories	18	(233)	1,155
Material expenses	8	(253,120)	(285,423)
Staff costs	9	(18,891)	(17,857)
Depreciation and amortisation	15, 16,17	(7,987)	(10,626)
Other costs	11	(2,607)	(2,580)
Value adjustment expenses	10	(6,475)	-
Other operating expenses	12	(116,895)	(1,721)
Total operating expenses		**(406,210)**	**(317,052)**
Operating profit/(loss)		**39,283**	**(10,702)**
Financial income	13	557	3,497
Financial expenses	13	(6,611)	(6,939)
Net financial result		**(6,054)**	**(3,442)**
Result before taxation		**33,229**	**(14,144)**
Income tax	14	659	659
Profit/(loss) after taxation		**33,888**	**(13,485)**
Other comprehensive income			-
Total comprehensive income/(loss)		**33,888**	**(13,485)**
Earnings per share			
Basic and diluted earnings/(loss) per share (in HRK and lipas)	31	**17.82**	**(7.09)**

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

Unconsolidated Statement of Financial Position
as at 31 Dec 2020

in '000 HRK

	Note	31 Dec 2020	31 Dec 2019
I NON-CURRENT ASSETS			
Intangible assets			
Trademarks, concessions, licenses		-	120,000
Customer list		-	699
Software and other intangible assets		117	165
Right of use assets		1,562	2,855
	15,16	**1,679**	**123,719**
Property, plant and equipment			
Land		8,684	8,684
Buildings		104,099	108,104
Plant, equipment, and tools		9,952	8,031
Other tangible assets		75	93
Investment property		4,615	4,615
Tangible assets under construction		9,410	9,384
	17	**136,835**	**138,911**
Financial assets			
Investment in subsidiaries	18a	70,427	70,428
Shares at fair value through profit or loss	18b	1,031	1,031
Given loans, deposits and similar	18c	144	145
		71,602	**71,604**
II CURRENT ASSETS			
Inventories	13	**13,340**	**20,383**
Receivables			
Receivables from related parties	30	12,890	9,669
Trade receivables	20a	51,998	45,084
Receivables from the State and other institutions	20b	280	2,282
Other receivables	20c	15,437	22,838
		80,605	**79,873**
Financial assets			
Given loans to related parties	21, 30	11,396	10,375
Investments in securities	21a	150	150
Given loans, deposits and similar	21b	8,450	13,974
		19,996	**24,499**
Cash and cash equivalents	22	1,636	2,710
Prepaid expenses and accrued income	23	379	390
TOTAL ASSETS		**326,072**	**462,088**

Unconsolidated Statement of Financial Position (continued)
as at 31 Dec 2020

in '000 HRK

	Note	31 Dec 2020	31 Dec 2019
I EQUITY AND RESERVES			
Subscribed capital		19,016	19,016
Capital reserves		84,196	84,196
Revaluation reserves		51,674	54,676
Legal reserves		3,497	3,497
Reserves for own shares		800	800
Loss carried forward		(118,158)	(107,675)
Profit or loss for the year		33,888	(13,485)
	24	**74,913**	**41,025**
II NON-CURRENT LIABILITIES			
Deferred tax liability	14	11,343	12,002
Liabilities to banks and other financial institutions	25	107,139	113,619
Loan liabilities	26	-	159,567
Lease liabilities	16	907	177
Trade payables		22,074	34,896
Liabilities for securities	27	26,983	29,879
		168,446	**350,140**
III CURRENT LIABILITIES			
Liabilities to related companies	30	1,533	55
Liabilities to banks and other financial institutions	25	3,774	3,754
Loan liabilities	26	9,700	3,494
Lease liabilities	16	419	330
Liabilities for pre-payments		523	4,404
Trade payables	28a	53,053	47,183
Liabilities for securities	27	8,522	9,666
Taxes, contributions and similar duties payable	28b	3,382	525
Accrued expenses and deferred income		51	193
Other current liabilities	28c	1,756	1,320
		82,714	**70,924**
TOTAL LIABILITIES		**326,072**	**462,089**

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

Unconsolidated Statement of Changes in Equity
for the year ended 31 Dec 2020

in '000 HRK

	Share capital	Capital reserves	Legal reserves	Reserves for own shares	Revaluation reserves	(Accumulated loss) /retained earnings	Share capital	Total
As at 1 January 2018	**19,016**	**84,196**	**409**	**800**	**57,678**	**(169,386)**	**61,767**	**54,480**
Adjustments of IFRS 16 at 01 Jan 2019	-	-	-	-	-	30	-	**30**
As at 1 January 2019	**19,016**	**84,196**	**409**	**800**	**57,678**	**(169,356)**	**61,767**	**54,510**
Distribution of results for 2018	-	-	3,088	-	-	58,679	(61,767)	-
Revaluation depreciation	-	-	-	-	(3,002)	3,002	-	-
Total transactions with owners	-	-	*3,088*	-	*(3,002)*	*61,681*	*(61,767)*	-
Net loss for the year	-	-	-	-	-	-	(13,485)	(13,485)
Total other comprehensive income for the year	-	-	-	-	(3,002)	3,002	(13,485)	**(13,485)**
As at 31 December 2019	**19,016**	**84,196**	**3,497**	**800**	**54,676**	**(107,675)**	**(13,485)**	**41,025**
Distribution of results for 2019	-	-	-	-	-	(13,485)	13,485	-
Revaluation depreciation	-	-	-	-	(3,002)	3,002	-	-
Total transactions with owners	-	-	-	-	*(3,002)*	*(10,483)*	*13,485*	-
Net profit for the year	-	-	-	-	-	-	33,888	33,888
Total other comprehensive income for the year	-	-	-	-	-	-	33,888	**33,888**
As at 31 December 2020	**19,016**	**84,196**	**3,497**	**800**	**51,674**	**(118,158)**	**33,888**	**74,913**

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

Unconsolidated Statement of Cash Flows – indirect method
for the year ended 31 Dec 2020

	Notes	in '000 HRK **2020**	in '000 HRK **2019**
Result before taxation		**33,229**	**(14,144)**
Adjusted by:			
Depreciation	15,16,17	7,987	10,626
(Profit)/loss from sale and disposal of fixed assets, net	12	115,510	(695)
Value adjustment of other receivables	10	6,475	-
Value adjustment of other financial assets	13	4,500	-
Write-off of liabilities/receivables	7	(156,859)	(185)
Inventory surplus		(879)	(2,994)
Net interest expense		1,353	1,720
Dividend income		-	(2,000)
Net (profit)/loss from other financial activities		-	3
Net investment gains		-	3,829
Operating result before changes in working capital		**11,319**	**(3,840)**
Decrease/(increase) in inventories		7,922	(7,215)
(Increase)/decrease in receivables		(3,500)	7,065
(Decrease)/increase in liabilities		(2,438)	4,988
(Paid)/Collected advances		(2,950)	10,054
Operating result after changes in working capital		**10,353**	**11,052**
Income tax paid		-	-
Interest paid		(1,567)	(2,662)
Cash flow from operating activities		**8,786**	**8,389**
Interest charged		701	1,119
Cash outflows for the purchase of real estate, plant, equipment and intangible assets		(3,139)	(3,490)
Cash receipts from sale of financial assets		-	5,000
Deposits paid		(70)	(991)
Cash outflows for loans granted	21	(3,830)	(27,780)
Cash receipts from collection of granted loans	21	3,905	17,542
Cash flow from investing activities		**(2,433)**	**(8,600)**

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

	Note	in '000 HRK **2020**	in '000 HRK **2019**
Cash outflows for repayment of loans and borrowings	25	(7,959)	-
Cash receipts on loans received	26	5,000	-
Cash receipts on loans and borrowings		-	2,000
Net expenses on securities	27	(4,040)	(2,100)
Cash outflows for repayment of leases	15	(429)	(554)
Cash flow from financing activities		**(7,428)**	**(654)**
Net changes in cash and cash equivalents		**(1,075)**	**(864)**
Cash at beginning of the period		2,710	3,574
Cash at the end of the period	**21**	**1,635**	**2,710**

*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 and Osijek.

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.

The following subsidiaries made up the Granolio Group as at 31 December 2020:

Zdenka - mliječni proizvodi d.o.o., Veliki Zdenci,
Zdenačka farma d.o.o., Veliki Zdenci.

The core activities of the company 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 by issuing a new business share in the amount of HRK 16,000 thousand.

Around the middle of 2008 the Company acquired the entire equity share in Prerada žitarica d.o.o., Grubišno Polje, for HRK 5,206 thousand. 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. On 30 April 2018, the Commercial Court in Zagreb adopted the Decision on the Merger, formally ceasing the operations of the company Prerada žitarica.

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.

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.

At 31 December 2020 the Management Board of the company 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 the Supervisory Board of the company Granolio d.d. consisted of the following members:
Franjo Filipović – Chairman (since 23 February 2011),
Jurij Detiček – Member (since 23 February 2011),
Tihomir Osmak– Member (since 13 June 2019),
Davor Štefan – Member (since 16 January 2015

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 Company'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)

2.1. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The unconsolidated 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 financial statements of the Company 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 Company 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.

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.

The Company expects to continue its operations as a going concern and to settle all liabilities determined in the pre-bankruptcy settlement procedure. The Company has a sufficient level of liquidity to ensure the fulfilment of obligations to creditors and, in accordance with the business plan, 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 Interests in associates and joint ventures

An associate is an entity over which the Company 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 reported in these unconsolidated financial statements at cost, 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 "Non-current Assets Held for Sale and Discontinued Operations".

The requirements of IAS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company'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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3.5 Investments in subsidiaries

Subsidiary is an entity in which the Company has significant influence in making financial and business policy decisions and controlling such policies. The assumption is that control exists when a parent owns, directly or indirectly through a subsidiary, more than half of the voting power of the entity, unless in exceptional cases when can be clearly proven that such ownership is not control. Control also exists when the parent company has half or less than half the voting power of the entity when there is:

a) the power over more than half of the voting rights under agreements with other investors

b) the power to manage the financial and business policies of the entity based on a statute or agreement

c) the power to appoint or dismiss most of the members of the management or equivalent administrative body or

d) the power to give a decisive vote at the meetings of the management or the equivalent administrative body.

Investments in companies over which the Company has control and significant impact in these financial statements are stated at cost, less any impairment losses, if necessary.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Functional and presentation currency

The financial statements are prepared in the Croatian currency, the Croatian Kuna (HRK), which is also the Company'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.

3.7 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.

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

3.8 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 Company's operations. Revenues are stated net of value added tax, quantity and sales discounts.

The Company 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 the entire Group's activities described below are met.

(i) Income from the wholesale of products and trade goods

The Company produces and distributes its own products as well as third-party merchandise (wholesale operations). Wholesale revenue is recognised when the Company 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 Company 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 short-term 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 Company does not have specific customer award schemes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Revenue recognition (continued)

(iii) Sale of services

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 consists of interest earned on investments and foreign exchange 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.

3.9 Foreign currencies

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 currencies 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.

3.10 Borrowing costs

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

Investment income earned on the temporary investment of earmarked loan funds until the beginning of their spending on a qualifying asset is deducted from borrowing costs whose capitalization is acceptable.

All other borrowing costs are included in profit or loss in the period in which they are incurred.

3.11 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 Company is not obliged to provide any other post-employment benefits.

(ii) Long-term employee benefits

The Company does not recognise liability for long-term employee benefits (jubilee awards), as they are not included in the employment contracts or defined by other legal acts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Short-term employee benefits

The Company 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.

3.12 Dividends

Dividends payable to shareholders are recognized as a liability in the financial statements in the period in which they are approved by the Company's Assembly of Shareholders.

3.13 Operating segment reporting

A segment is a distinguishable component of the Company 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 Company monitors the performance of the following segments:

- Milling
- Wholesale
- Other (services, livestock, other activities)

The Company identifies operating segments on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker (Management Board) in order to allocate resources to the segments and to assess their performance. Details about the operating segments are disclosed in Note 5 to the unconsolidated financial statements. Comparative information has been presented on the principle of comparability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 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 Company 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 Company 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 unconsolidated 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 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.

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 Company'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 property's 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16. 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.

3.17. 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

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.

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.

(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.

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

At the end of each reporting period, the Company 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 Company 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 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 Company contractually bears the costs of dismantling, removing or rebuilding the location of the property.

Assets with the right to use are 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
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 Company recognizes assets with the right of use and the lease liability.

3.20. Inventories

Inventories of raw materials and spare 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)

3.21. Cash and cash equivalents

Cash and cash equivalents consist of balances on accounts with banks and cash in hand. For the purposes of the unconsolidated statement of financial position, outstanding bank overdrafts are included in current liabilities.

3.22. 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.

3.23. Financial instruments

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

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

3.24. Financial assets

Financial assets and financial liabilities are recognised in the statement of financial position of the Company when the Company 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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

All regular 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24. Financial assets (continued)

(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 Company 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.

(ii) Impairment of financial assets

The Company recognises the provisions for expected credit losses from debt instruments measured at depreciated cost and for trade receivables. 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 Company 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 Company's historical credit loss experience, adjusted for debtor-specific factors. The Company 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 Company recognises the lifelong 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 Company 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24. Financial assets (continued)

Significant increase in credit risk

When assessing whether the credit risk for the financial instrument significantly increased since the initial recognition, the Company 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 Company 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 Company relies on days of default when assessing significant credit risk deterioration. If the debtor is in default more than 360 days, then the Company 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 Company 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.

(iii) Definition of default status

The following facts, which represent a case of default for internal credit risk management purposes are considered by the Company 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 Company, in full (without considering any collateral held by the Company).

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

(iv) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24 Financial assets (continued)

(v) Write-off policy

The Company 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 Company 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.

(vi) 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. As for the exposure at the time of default, for financial assets it represents the gross carrying amount of the asset at the reporting date.

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

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 Company 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 Company 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 Company 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.

(vii) End of financial asset recognition

The Company 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.

(viii) Measurement and recognition of expected credit losses

If the Company 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 Company 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24. Financial assets (continued)

Loans and receivables

The Company 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 Company 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 Company 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 Company's provision matrix. As the Company'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 Company's different customer bases.

3.25 Financial liabilities and equity instruments

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 Company 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 Company, 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 depreciated cost of financial liability

Classification as debt or equity

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

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 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.

4. KEY ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Company's accounting policies, which are described in Note 3, management of the Company 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 Board has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the unconsolidated financial statements.

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

(ii) Consequences of certain legal disputes
There are a number of legal actions which have arisen from the regular course of operations of individual companies within the Company. The Management Board makes estimates of probable outcomes of these legal actions and recognises provisions for the Company'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 3.15 above, the Company 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 5%, so there was no significant impact of the pandemic on the sale of the Company's products. (Note 6)

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.

The Company's 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 REVENUE

in '000 HRK

	2020	2019
Sales revenue – domestic	235,345	257,324
Sales revenue – foreign	42,575	37,944
Revenue from services	7,121	4,911
	285,041	**300,179**

the reporting segments form a part of the internal financial reporting. the internal reports are reviewed regularly by the company'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 Company monitors its performance through the following operating segments:

- Milling
- Wholesale
- Other (services, livestock)

Segment information – industry analysis:

The operating income of the Company, 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 separate statement of comprehensive income.

in '000 HRK

	2020	2019
Milling	210,254	219,083
Wholesale	67,605	75,916
Other	7,182	5,180
	285,041	**300,179**

Territorial analysis of sales

in '000 HRK

	2020	2019
Croatia	242,467	262,235
Bosnia and Herzegovina	9,109	8,564
Serbia	4	1,822
Slovenia	12,713	10,895
Austria	2,240	9,881
Italy	13,540	5,925
Kosovo	296	857
Hungary	2,418	-
Slovakia	-	-
Libya	-	-
Bulgaria	62	-
Romania	2,130	-
Montenegro	62	-
	285,041	**300,179**

7. OTHER OPERATING INCOME

	2020	2019
		in '000 HRK
Inventory surplus	953	2,999
Income from subsidies	950	191
Subsequent credit notes from suppliers	412	184
Other operating income	158,137	2,797
	160,452	**6,171**

Other operating income consists of income from rent, collection of damages, sale of fixed assets, subsequently collected sued receivables and write-off of the loan under the Agreement on the regulation of loan obligations in the amount of HRK 156,861 thousand.

8. MATERIAL EXPENSES

The structure of material expenses is as follows:

	2020	2019
		in '000 HRK
Raw materials and consumables used	162,936	180,791
Energy consumption	7,796	8,067
Inventory spillage, breakage and similar costs	860	5,184
Cost of small inventory	362	421
Cost of inventories for sold livestock	66	287
Other material expenses	205	258
Raw materials and consumables used	**172,225**	**195,010**
Cost of goods sold	**60,720**	**69,174**
Telephone, post and transportation services	10,807	11,321
Maintenance and security services	2,447	2,330
Intellectual services	1,206	1,545
Rental costs	1,258	1,135
Quality control services	1,281	1,039
Promotions and sponsorships	581	523
The cost of service grinding	-	500
Selling costs (freight-forwarding, goods handling, etc.)	564	915
Other external costs	2,031	1,931
Other external costs	**20,175**	**21,239**
	253,120	**285,423**

Inventory spillage, breakage and similar costs comprise mostly the standard spillage and breakage in the production in the amount of HRK 860 thousand (2018: HRK 5,184 thousand)

Auditor's fee for 2020 amounts to HRK 113 thousand (2019: HRK 402 thousand): HRK 113 thousand for the audit of the Company (2019: HRK 120 thousand).

9. EMPLOYEE COSTS

in '000 HRK

	2020	2019
Net salaries	12,336	11,423
Taxes and contributions from salaries	4,285	4,214
Contributions on salaries	2,270	2,220
	18,891	**17,857**

As at 31 December 2020, the Company has 174 employees (31 December 2019: 168).

10. VALUE ADJUSTMENTS EXPENSES

in '000 HRK

	2020	2019
Value adjustment of other receivables (Note 20c)	6,475	-
	6,475	**-**

11. OTHER EXPENSES

in '000 HRK

	2020	2019
Reimbursement of expenses to employees	1,101	1,096
Insurance premiums	484	465
Contributions, membership fees and other compensations	528	422
Business travel expenses	22	146
Banking services and payment costs	98	129
Taxes that do not depend on the result	120	109
Other costs	254	213
	2,607	**2,580**

Reimbursement of expenses to employees mainly relates to compensation for transportation costs to work HRK 719 thousand (2019: HRK 675 thousand) and Christmas bonuses, severance pay and other compensation for employees in the amount of HRK 382 thousand (2019: HRK 381 thousand).

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

12. OTHER OPERATING EXPENSES

		in '000 HRK
	2020	**2019**
Subsequently approved cassa sconto	507	465
Entertainment costs	390	425
Penalties, damages	524	357
Donations and sponsorships	90	100
Waste, breakage and breakdown of goods	144	141
Write-offs of receivables	-	44
The carrying amount of intangible assets sold	115,000	-
Other operating expenses	240	189
	116,895	**1,721**

13. FINANCIAL INCOEM AND EXPENSES

Financial income

		in '000 HRK
	2020	**2019**
Dividend income	-	2,000
Default interest	201	657
Interest on loans granted	130	492
Income from write-off of liabilities under PSN	-	269
Positive exchange rate differences	227	79
	557	**3,497**

In 2019, income from investments in shares in the entrepreneur relates to the payment of profit in the Company Zdenka in the amount of HRK 2,000 thousand.

Financial expenses

		in '000 HRK
	2020	**2019**
Realized losses on financial assets	-	3,830
Value adjustment of other financial assets (Note 21b)	4,500	-
Interest on loans and borrowings	1,318	2,444
Discount interest on bills of exchange	291	461
Negative exchange rate differences	381	137
Default interest	74	23
Other financial expenses	47	44
	6,611	**6,939**

Realized losses in 2019 relate to losses incurred during the sale of Klara shares.

14. INCOME TAX

Income tax comprises:

in '000 HRK

	2020	2019
Current income tax	-	-
Total income 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 '000 HRK

	2020	2019
Profit/(loss) before taxation	33,229	(14,144)
Income tax at a rate of 18%	5,981	(2,546)
Effect of non-taxable income	(9,489)	(5,792)
Effect of non-deductible expenses	-	33,693
Effect of (reversal)/generating transferred tax losses	(42,718)	25,355
Income tax	-	-
Effective tax rate	-	-

14. INCOME TAX (CONTINUED)

Unused tax losses

In accordance with tax regulations, the Company has transferable tax losses in the amount of HRK 25,658 thousand as at 31 December 2020 (as at 31 December 2019, HRK 68,376 thousand).

Deferred tax assets are not recognized in the Company's books due to the uncertainty of making sufficient future tax gains that would be reduced by tax losses carried forward.

Deferred tax liabilities arise from the following:

in '000 HRK

2020	Opening balance	Recognised in profit or loss	Merger of subsidiary	Closing balance
Revaluation depreciation	12,002	(659)	-	11,343
Deferred tax liability	**12,002**	**(659)**	**-**	**11,343**

in '000 HRK

2019	Opening balance	Recognised in profit or loss	Merger of subsidiary	Closing balance
Revaluation depreciation	12,661	(659)	-	12,002
Deferred tax liability	**12,661**	**(659)**	**-**	**12,002**

Movement of deferred tax liability

in '000 HRK

	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. The Management Board of the Company 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 in 2020:

in '000 HRK

	Goodwill	Trademarks, concessions, licenses	Customer list	Software	TOTAL
Cost					
Balance 1 January 2020	-	120,000	10,000	2,486	**132,486**
Increase	-	-	-	183	183
Sale	-	(120,000)	-	-	(120,000)
Balance 31 December 2020	**-**	**-**	**10,000**	**2,669**	**12,669**
Value adjustment					
Balance 1 January 2020	-	-	9,302	2,320	**11,622**
Amortisation	-	-	699	231	930
Balance 31 December 2020	**-**	**-**	**10,000**	**2,552**	**12,552**
Carrying value 1 January 2020	**-**	**120,000**	**699**	**165**	**120,864**
Carrying value 31 December 2020	**-**	**-**	**-**	**117**	**117**

15. INTANGIBLE ASSETS (CONTINUED)

Movement of intangible assets in 2019:

in '000 HRK

	Goodwill	Trademarks, concessions, licenses	Customer list	Software	TOTAL
Cost					
Balance 1 January 2019	60,379	120,000	10,000	2,351	**192,730**
Increase	-	-	-	135	135
Balance 31 December 2019	**60,379**	**120,000**	**10,000**	**2,486**	**192,865**
Value adjustment					
Balance 1 January 2019	60,379	-	7,636	2,101	**70,116**
Amortisation	-	-	1,665	220	1,885
Balance 31 December 2019	**60,379**	-	**9,301**	**2,321**	**72,001**
Carrying value 1 January 2019	-	**120,000**	**2,364**	**250**	**122,614**
Carrying value 31 December 2019	-	**120,000**	**699**	**165**	**120,864**

Intangible assets in the amount of HRK 120,000 thousand (2018: HRK 120,000 thousand) have been pledged as collateral for the Company's borrowings (Note 25).

16. RIGHT TO USE ASSETS AND LEASE LIABILITY

(a) Right-to-use assets

in '000 HRK

	Vehicles	Equipment	TOTAL
Balance at 1 January 2019	**349**	**2,824**	**3,173**
Depreciation	124	194	318
Balance at 31 December 2019	**225**	**2,630**	**2,855**
Increase	-	1,242	1,242
Transfer to property	-	(2,228)	(2,228)
Depreciation	(124)	(184)	(307)
Balance at 31 December 2020	**101**	**1,461**	**1,562**

(b) Lease liability

in '000 HRK

	Vehicles	Equipment	TOTAL
Balance at 1 January 2019	**319**	**748**	**1,067**
Lease payment	(100)	(454)	(554)
Interest expense	(10)	-	(10)
Exchange rate difference	-	4	4
Balance at 31 December 2019	**209**	**298**	**507**
Increase	-	1,242	1,242
Lease payment	(91)	(297)	(388)
Interest expense	(14)	(25)	(39)
Exchange rate difference	-	3	3
Balance at 31 December 2020	**104**	**1,221**	**1,325**

(c) Maturity of liabilities

in '000 HRK

	31 Dec 2020	31 Dec 2019
Lease liability	**1,325**	**507**
(Current maturity)	(418)	(330)
Long-term lease liability	**907**	**177**

The maturity of the lease liability is as follows:

in '000 HRK

	31 Dec 2020	2021	2022	2023	2024	from 2025
Operating lease	1,231	324	256	253	263	135
Financial lease	94	94	-	-	-	-
	1,325	**418**	**256**	**253**	**263**	**135**

Interest on operating and finance leases ranges from 4% to 5%.

17. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment in 2020:

in '000 HRK

	Land	Buildings	Plant, equipment, and tools	Other tangible assets	Investment property	Current investments	TOTAL
Cost							
Balance 1 January 2020	**8,684**	**176,491**	**93,005**	**213**	**4,615**	**9,384**	**292,391**
Transfer from the right of use	-	-	2,657	-	-	-	2,657
Increases	-	264	2,666	-	-	26	2,956
Sale and write-off	-	-	(1,483)	(6)	-	-	(1,489)
Balance 31 December 2020	**8,684**	**176,755**	**96,845**	**207**	**4,615**	**9,410**	**296,516**
Impairment allowance							
Balance 1 January 2020	-	**68,387**	**84,974**	**119**	-	-	**153,480**
Transfer from the right of use	-	-	429	-	-	-	429
Revaluation depreciation	-	2,189	1,472	-	-	-	3,661
Depreciation	-	2,079	992	18	-	-	3,089
Sale and write-off	-	-	(974)	(4)	-	-	(974)
Balance 31 December 2020	-	**72,655**	**86,893**	**133**	-	-	**159,681**
Carrying value at 1 January 2020	**8,684**	**108,104**	**8,031**	**93**	**4,615**	**9,384**	**138,911**
Carrying value at 31 December 2020	**8,684**	**104,099**	**9,952**	**75**	**4,615**	**9,410**	**136,835**

Tangible assets in the amount of HRK 104,145 thousand (2019: HRK 107,860 thousand) are pledged as collateral for the Company's credit liabilities (Note 25). The last assessment of tangible assets was performed in 2019 and was in accordance with the situation in the business books on 31 December 2019. The value of buildings, if shown at cost, would amount to HRK 47,256 thousand, and land to HRK 2,510 thousand as at 31 December 2020.

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Movements in property, plant and equipment in 2019:

in '000 HRK

	Land	Buildings	Plant, equipment, and tools	Other tangible assets	Investment property	Current investments	TOTAL
Cost or revaluation							
Balance at 31 December 2018	**9,155**	**180,127**	**94,708**	**183**	**4,615**	**9,334**	**298,122**
Reconciliation of IFRS 16 on 01 Jan 2019	-	-	(3,273)	-	-	-	**(3,273)**
Balance at 1 January 2019	**9,155**	**180,127**	**91,435**	**183**	**4,615**	**9,334**	**294,849**
Additions		1,023	2,262	29	-	50	3,364
Sale and disposal	(471)	(4,659)	(692)	-	-	-	(5,822)
Balance at 31 December 2019	**8,684**	**176,491**	**93,005**	**213**	**4,615**	**9,384**	**292,391**
Impairment allowance							
Balance at 31 December 2018	-	**64,844**	**82,055**	**104**	-	-	**147,003**
Reconciliation of IFRS 16 on 01 Jan 2019	-	-	(449)	-	-	-	(449)
Balance at 1 January 2019	-	64,844	81,606	104	-	-	146,554
Revaluation depreciation	-	2,189	1,472	-	-	-	3,661
Depreciation and amortisation	-	2,167	2,579	15	-	-	4,761
Sale and disposal	-	(813)	(683)	-	-	-	(1,496)
Balance at 31 December 2019	-	**68,387**	**84,974**	**119**	-	-	**153,480**
Carrying value at 1 January 2019	9,155	115,283	12,653	79	4,615	9,334	151,119
Carrying value at 31 December 2019	8,684	108,104	8,031	93	4,615	9,384	138,911

Tangible assets in the amount of HRK 107,860 thousand (2018: HRK 112,155 thousand) have been pledged as collateral for the Company's borrowings (Note 25).

18. NON-CURRENT FINANCIAL ASSETS

(a) Investment in subsidiaries

	31 Dec 2020	31 Dec 2019
Zdenka mliječni proizvodi d.o.o., Veliki Zdenci	42,767	42,767
Zdenačka farma d.o.o., Veliki Zdenci	27,661	27,661
	70,428	**70,428**

(b) Shares at fair value through profit or loss

in '000 HRK

	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**

Ownership interest

	31 Dec 2020	31 Dec 2019
Zdenačka farma d.o.o., Veliki Zdenci	100.00%	100.00%
Zdenka mliječni proizvodi d.o.o., Veliki Zdenci	50.00%	50.00%
Zagrebačke pekarne Klara d.d., Zagreb	1%	1%
Prehrana trgovina d.d., Zagreb	11.48%	11.48%
Žitozajednica d.o.o., Zagreb	1.28%	1.28%

Voting rights are the same as ownership rights.

(c) Given loans, deposits and similar

in '000 HRK

	31 Dec 2020	31 Dec 2019
Loans to natural persons	144	145
	144	**145**

Movements in non-current loans for the year are provided in Note 21.

19. INVENTORIES

in '000 HRK

	31 Dec 2020	31 Dec 2019
Raw material	7,189	7,055
Trade goods	4,855	11,272
Finished goods	1,206	1,972
Work in progress	90	84
	13,340	**20,383**

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

a) Trade receivables

in '000 HRK

	31 Dec 2020	31 Dec 2019
Domestic sales	72,934	65,103
Subcontractor receivables	5,857	6,081
Foreign sales	5,281	6,268
Expected credit losses	(32,074)	(32,368)
	58,248	**45,084**

Subcontractor receivables refer to commodity loans for intermediate products required for sowing given to farmers who simultaneously supply raw materials for production and trade goods.

Expected credit losses of trade receivables

	2020	2019
Balance at 1 January	**32,368**	**32,998**
Value adjustment of trade receivables	-	-
Impaired receivables write-off	(0)	(71)
Recovery of impaired receivables	(294)	(559)
Balance at 31 December	**32,074**	**32,368**

The ageing analysis of outstanding receivables from customers where no impairment has been made is shown in the following table:

in '000 HRK

	31 Dec 2020	31 Dec 2019
Not yet due	34,925	28,487
0-90 days past due	13,702	12,799
91-180 days past due	1,199	1,315
181-360 days past due	315	1,021
> 360 days	1,857	1,462
	51,998	**45,084**

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

b) Receivables from the State and other institutions

in '000 HRK

	31 Dec 2020	31 Dec 2019
VAT receivables	-	2,077
Income tax advance payments	110	110
Other receivables from the State and other institutions	170	95
	280	**2,282**

c) Other receivables

in '000 HRK

	31 Dec 2020	31 Dec 2019
Receivables with recourse factoring	10,096	16,571
Prepayments made	4,252	5,182
Interest receivables	987	983
Other receivables	103	102
	15,437	**22,838**

Receivables from recourse factoring in the amount of HRK 10,096 (31 December 2019: HRK 16,571 thousand) refer to receivables based on bills of exchange with recourse right, discounted at factoring companies. Movements in receivables from recourse factoring are presented in the following table:

Receivables from recourse factoring

in '000 HRK

	2020	2019
Balance at 1 January	**16,571**	**16,571**
Value adjustment of trade receivables	(6,475)	-
Balance at 31 December	**10,096**	**16,571**

21. CURRENT FINANCIAL ASSETS

a) Investment in securities

in '000 HRK

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

b) Given loans, deposits and similar

in '000 HRK

	31 Dec 2020	31 Dec 2019
Loans to legal entities	8,413	12,913
Short-term loans to natural persons	24	48
Given deposits	13	1,013
	8,450	**13,974**

21. CURRENT FINANCIAL ASSETS (CONTINUED)

Movement in given loans in 2020

in '000 HRK

	1 Jan 2020	Increase in given loans	Collection of given loans	Transfer of a portion of long-term loans to short-term and vice versa	FX differences	Value adjustment	31 Dec 2020
Given long-term loans							
Given loans to natural persons	145	-	-	(3)	1	-	144
Total long-term loans	**145**	**-**	**-**	**(3)**	**1**	**-**	**144**
Short-term loans							
Given loans to natural persons	48	-	(27)	3	1	-	24
Given loans to related parties	10,375	4,899	(3,878)	-	-	-	10,327
Given loans to companies	12,913	-	-	-	-	(4,500)	8,413
Total short-term loans	**23,336**	**4,899**	**(3,905)**	**3**	**1**	**(4,500)**	**19,833**
TOTAL	**23,482**	**4,899**	**(3,905)**	**-**	**2**	**(4,500)**	**19,976**

Movement in given loans in 2019

	1 Jan 2019	Increase in given loans	Collection of given loans	Transfer of a portion of long-term loans to short-term and vice versa	FX differences	31 Dec 2019
Given long-term loans						
Given loans to natural persons	193	-	-	48	1	146
Total long-term loans	**193**	**-**	**-**	**48**	**1**	**146**
Short-term loans						
Given loans to natural persons	64	-	(63)	48	1	48
Given loans to related parties	22,935	4,918	(17,478)	-	-	10,375
Given loans to companies	12,913	22,863	(22,863)	-	-	12,913
Total short-term loans	**35,912**	**27,781**	**(40,404)**	**48**	**1**	**23,336**
TOTAL	**36,105**	**27,781**	**(40,404)**	**96**	**2**	**23,482**

22. CASH AND CASH EQUIVALENTS

in '000 HRK

	31 Dec 2020	31 Dec 2019
Bank accounts – domestic currency	1,253	2,577
Bank accounts – foreign currency	381	131
Cash in hand	2	2
	1,636	**2,710**

23. PREPAID EXPENSES AND ACCRUED INCOME

in '000 HRK

	31 Dec 2020	31 Dec 2019
Prepaid expenses	379	390
	379	**390**

Movements in prepaid expenses during the year were as follows:

in '000 HRK

	2020	2019
Balance at 1 January	**390**	**504**
Increase in prepaid expenses	463	68
Decrease in prepaid expenses	(474)	(182)
Balance at 31 December	**379**	**390**

24. EQUITY AND RESERVES

Equity represents own permanent sources of funding the operations of the Company. It consists of the share capital, legal reserves, revaluation reserves, retained earnings and the result 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 thousand 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 thousand to HRK 12,000 thousand by transferring retained earnings in the amount of HRK 7,000 thousand. 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 thousand 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 2017, 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 amounting to HRK 87,004 thousand, which in the period from 1 January 2014 to 31 December 2015 had been decreased by recapitalization costs incurred in that period of total value of HRK 2,817 thousand.

24. EQUITY 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. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

		in '000 HRK
	31 Dec 2020	**31 Dec 2019**
Non-current liabilities		
Bank loans	107,139	113,619
	107,139	**113,619**
Current liabilities		
Bank loans	3,774	3,754
	3,774	**3,754**
	110,913	**117,373**

Summary of borrowing arrangements

Non-current liabilities for bank loans refer to loans received before the opening of the pre-bankruptcy procedure. All loan liabilities are contained in the pre-bankruptcy settlement establishing the further repayment dynamics. The repayment dynamics is presented in Note 25 through the liability maturity review.

The value of non-current assets secured by a mortgage to credit borrowings from banks as at 31 December 2020 amounted to HRK 104,1045 thousand (as at 31 December 2019: HRK 270,627 thousand).

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

Movement in liabilities to banks and other financial institutions for 2020:

	Opening balance 1 January 2020	Increase in loan liabilities	Payment of loan principal	Transfer to loan liabilities	Transfer from non-current to current and vice versa	FX differences	Closing balance at 31 December 2020
Long-term loans							
Long-term bank loans	113,619	-	-	-	(6,480)	-	107,139
Total long-term loans	**113,619**	**-**	**-**	**-**	**(6,480)**	**-**	**107,139**
Short-term loans							
Short-term bank loans	3,754	-	(6,460)	-	6,480	-	3,774
Total short-term loans	**3,754**	**-**	**(6,460)**	**-**	**6,480**	**-**	**3,774**
TOTAL	**117,373**	**-**	**(6,460)**	**-**	**-**	**-**	**110,913**

Movement in liabilities to banks and other financial institutions for 2019:

	Opening balance 1 January 2019	Increase in loan liabilities	Payment of loan principal	Transfer to loan liabilities	Transfer from non-current to current and vice versa	FX differences	Closing balance at 31 December 2019
Long-term loans							
Long-term bank loans	330,296	-	(49,862)	(163,061)	(3,754)	-	113,619
Total long-term loans	**330,296**	**-**	**(49,863)**	**(163,061)**	**(3,754)**	**-**	**113,619**
Short-term loans							
Short-term bank loans	-	-	-		3,754	-	3,754
Total short-term loans	**-**	**-**	**-**	**-**	**3,754**	**-**	**3,754**
TOTAL	**330,296**	**-**	**(49,862)**	**(163,061)**	**-**	**-**	**117,373**

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

Bank loans and finance leases' maturity is as follows:

in '000 HRK

	Balance 31 Dec 2020	2021	2022	2023	2024	from 2025
Liabilities to banks	110,913	3,774	6,324	6,324	12,761	81,730
	110,913	**3,774**	**6,324**	**6,324**	**12,761**	**81,730**

Foreign-currency loans are detailed in the following table:

	31 Dec 2020	31 Dec 2019
Total liabilities to financial institutions stated in thousands of EUR.	15	34

26. LOAN LIABILITIES

	Opening balance at 1 Jan2020	Increase in loan liabilities	Repayment of loan principle	Transfer from long-term to short-term and vice versa	Write off	Closing balance at 31 Dec 2020
Long-term liabilities						
Long-term liabilities for corporate loans	159,567	-	-	(5,320)	(154,247)	-
Total long - term loans	**159,567**	**-**	**-**	**(5,320)**	**(154,247)**	**-**
Short-term liabilities						
Short-term liabilities for corporate loans	3,494	-	(1,500)	5,320	(2,614)	4,700
Short-term liabilities for loans of natural persons	-	5,000	-	-	-	5,000
Total short - term loans	**3,494**	**5,000**	**(1,500)**	**5,320**	**(2,614)**	**9,700**
TOTAL	**163,061**	**5,000**	**(1,500)**	**-**	**(156,861)**	**9,700**

At the end of 2020, the Company entered into a Loan Agreement with companies which 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.

26. LOAN LIABILITIES (CONTINUED)

	Opening balance at 1 Jan 2019	Increase in loan liabilities	Repayment of loan principle	Transfer from long-term to short-term and vice versa	Closing balance 31 December 2019
Long-term liabilities					
Long-term liabilities for corporate loans	-	163,061	-	3,494	159,567
Total long - term loans	**-**	**163,061**	**-**	**3,494**	**159,567**
Short-term liabilities					
Short-term liabilities for corporate loans	-	-	-	3,494	3,494
Total short - term loans	**-**	**-**	**-**	**3,494**	**3,494**
TOTAL	**-**	**163,061**	**-**	**-**	**163,061**

27. LIABILITIES FROM SECURITIES

in '000 HRK

	31 Dec 2020	31 Dec 2019
Long-term liabilities from securities	26,983	29,879
Short-term liabilities from 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 thousand (2019: HRK 22,750 thousand) and CIM Bank HRK 13,577 thousand (2019: HRK 16,795 thousand).

Movement of liabilities from securities in 2020

	Opening balance 1 1 Jan 2020	Increase of liabilities from securities	Repay ment	Transfer from long term to short term	Closing balance on 31 December 2020
Long-term liabilities					
Liabilities from securities	29,879	-	-	(2,896)	26,983
Total long - term liabilities by securities	**29,879**	**-**	**-**	**(2,896)**	**26,983**
Short-term liabilities					
Liabilities from securities	9,666	-	(4,040)	2,896	8,522
Short - term liabilities from securities	**9,666**	**-**	**(4,040)**	**2,896**	**8,522**
TOTAL	**39,545**	**-**	**(4,040)**	**-**	**35,505**

27. LIABILITIES FROM SECURITIES (CONTINUED)

Movement of liabilities from securities in 2019

	Opening balance 1 January 2019	Increase of liabilities from securities	Repay ment	Transfer from long term to short term	Closing balance on 31 December 2019
Long-term liabilities					
Liabilities from securities	32,775	-	-	(2,896)	29,879
Total long - term liabilities by securities	**32,775**	**-**	**-**	**(2,896)**	**29,879**
Short-term liabilities					
Liabilities from securities	8,870	-	(2,100)	2,896	9,666
Short - term liabilities from 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 '000 HRK

	Balance 31 Dec 2020	2021	2022	2023	2024	from 2025
Long-term liabilities under securities	26,983	3,822	2,896	2,896	2,896	14,472
	26,983	**3,822**	**2,896**	**2,896**	**2,896**	**14,472**

28. CURRENT LIABILITIES

(a) Trade payables

in '000 HRK

	31 Dec 2020	31 Dec 2019
Suppliers in the country	51,641	45,953
Suppliers abroad	1,411	1,229
Liabilities for uninvoiced goods	1	1
	53,053	**47,183**

28. CURRENT LIABILITIES (CONTINUED)

Age structure of trade payables as at 31 December 2020:

in '000 HRK

	31 Dec 2020	31 Dec 2019
Not yet due	30,120	30,415
0-90 days past due	19,558	15,215
91-180 days past due	1,931	639
181-360 days past due	772	137
> 360 days	672	777
	53,053	**47,183**

(b) Liabilities for taxes, contributions and similar

in '000 HRK

	31 Dec 2020	31 Dec 2019
Taxes and contributions from and to salaries	520	546
Other tax and contribution liabilities	119	81
VAT liabilities	2,743	(102)
	3,382	**525**

(c) Other current liabilities

in '000 HRK

	31 Dec 2020	31 Dec 2019
Liabilities to employees	1,091	1,113
Interest payable to financial institutions	323	180
Other current liabilities	341	27
	1,755	**1,320**

29. COMMITMENTS

As at 31 December 2020, the Company has commitments under rental agreements in the total amount of HRK 517 thousand which do not qualify for recognition in accordance with IFRS 16 and are not yet realised or disclosed in the statement of financial position.

The contractual commitments under space rental agreements are as follows:

in '000 HRK

	31 Dec 2020	2021	2022	2023	2024	Od 2025
Rentals	517	501	2	2	2	10
	517	**501**	**2**	**2**	**2**	**10**

30. RELATED-PARTY TRANSACTIONS

in '000 HRK
31 Dec 2020

	Assets		Liabilities	
	Trade and other receivables	**Given loans**	**Non-current liabilities**	**Current liabilities**
Zdenačka farma d.o.o., Veliki Zdenci	5,744	135	-	-
Zdenka- mliječni proizvodi d.o.o., Veliki Zdenci	-	-	-	26
Stan arka d.o.o., Zagreb	160	4,430	-	-
Pet na treću d.o.o.	6,250			
SP ONE d.o.o.		1,070		1,508
Key management	736	5,761	-	-
	12,890	**11,396**	**-**	**1,534**

in '000 HRK
31 Dec 2019

	Assets		Liabilities	
	Trade and other receivables	**Given loans**	**Non-current liabilities**	**Current liabilities**
Zdenačka farma d.o.o., Veliki Zdenci	8,889	184	-	-
Zdenka- mliječni proizvodi d.o.o., Veliki Zdenci	-	-	1	55
Stan arka d.o.o., Zagreb	160	4,430	-	-
Key management	620	5,761	-	-
	9,669	**10,375**	**1**	**55**

Income and expenses for the year ending on 31 December 2020 and 31 December 2019, arising from transactions with related parties, were as follows

in '000 HRK

	2020		2019	
	Income	**Expenses**	**Income**	**Expenses**
Zdenačka farma d.o.o., Veliki Zdenci	3,928	23	5,359	109
Zdenka- mliječni proizvodi d.o.o., Veliki Zdenci	-	24	1	55
SP ONE d.o.o.	-	4,611	-	-
Key management	115	-	115	-
	4,043	**47**	**5,475**	**164**

The key management of the Company consists of members of the Management Board and the Supervisory Board of Granolio d.d.

Compensation paid to key management personnel during 2020 amounted to HRK 1,164 thousand (2019: HRK 1,375 thousand).

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

31. EARNING PER SHARE

in '000 HRK

	31 Dec 2020	31 Dec 2019
Profit/(loss)	33,888	(13,485)
Profit/(loss) attributable to the shareholders	33,888	(13,485)
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	1,901,643	1,901,643
Profit/(loss) per share (in HRK and lp)	**17,82**	**(7,09)**

32. RISK MANAGEMENT

32.1. Financial risk

Equity risk management

Net debt-to-equity (Gearing ratio)

The Company 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 '000 HRK
	31 Dec 2020	**31 Dec 2019**
Debt (long-term and short-term loans and liabilities for securities)	146,418	156,918
Lease liabilities (non-current and current)	1,326	507
Loan liabilities (non-current and current)	9,700	163,061
Cash and cash equivalents	(1,636)	(2,710)
Net debt	**155,808**	**317,776**
Equity	74,913	41,025
Debt to equity ratio	**2.08**	**7.75**

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

The Company'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.

Categories of financial instruments

		in '000 HRK
	31 Dec 2020	**31 Dec 2019**
Financial assets		
Cash	1,636	2,710
Loans and receivables	100,846	102,625
Financial liabilities held at depreciated cost:		
Liabilities for loans and securities	146,418	156,918
Payables to suppliers	76,636	82,079
Loan liabilities	9,700	163,061
Lease liabilities	1,326	507
Other liabilities	2,356	5,972

Financial risk management objectives

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

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

32. RISK MANAGEMENT (CONTINUED)

32.1. Financial risk (continued)

Price risk management

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

Currency risk

The Company is exposed to the risk of changes in foreign exchange rates. The exchange rate risk arises from the portion of the Company'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 Company's foreign-currency denominated assets and liabilities. In addition, according to the 2020 data, the Company generates around 15% of its total revenue on foreign markets and in euros, which is another aspect of the Company's performance being subject to the fluctuations in the EUR/HRK exchange rate.

At the reporting date, the Company 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 HRK

	Assets		Liabilities	
	31 Dec 2020	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
European Union (EUR)	532	714	421	545

Foreign currency sensitivity analysis

The Company 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 are carried out.

The following table analyses the Company's sensitivity to a five percent (5%) increase and decrease in the HRK exchange rate against the relevant foreign currencies. A sensitivity rate of 5% is a rate representing management's assessment of realistically possible changes in exchange rates. Sensitivity analysis includes only open monetary items in foreign currency, and it recalculates items adjusted for a 10% change in exchange rates. A positive number indicates an increase in profit or principal when the value of the HRK increases by 5% in relation to the currency in question. In the event of a fall in the value of the HRK by 5% in relation to the currency in question, the impact on profit or principal would be the same but opposite, i.e. the amounts in the table would be negative.

in '000 HRK

	Increase/decrease in exchange rate	Effect on profit before taxes
2020		
EUR	+5%	42
	-5%	(42)
2019		
EUR	+5%	63
	-5%	(63)

32. RISK MANAGEMENT (CONTINUED)

32.1. Financial risk (continued)

Credit risk

The Company is exposed to the risk of default of a portion of its trade receivables. The Company transacts generally with retail chains with which it has a long history of cooperation. As a result, the Company's presents mainly to the extent it reflects potential issues in the retail industry. The Company 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 Company 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 Company 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 Company 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.

During its operations, the Company 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 Company. At the reporting date, the contingent liabilities of the Company arising from factoring deals with recourse amount to HRK 22.7 million and arose from business operations with Agrokor, which has since 2017 underwent a restructuring and business model change.

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 Company is exposed to the risk of growth in interest rates. At the reporting date, the Company did not use any financial instruments to hedge its position from unfavourable interest rate movements.

As the Company borrows both at fixed and variable rates, it is exposed to the interest rate risk. A vast majority of the loans raised by the Group bear interest at variable rates.

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 Company in the amount of HRK 0,6 thousand at 31 December 2020 (2019: HRK 1 thousand).

32. RISK MANAGEMENT (CONTINUED)

32.1. Financial risk (continued)

Liquidity risk

There is a risk that the Company 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 Company 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 Company 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 Company'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 Company 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 Company can be required to make the payment

	Weighted average effective interest rate %	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
At 31 December 2020							
Non-interest-bearing		16,144	32,741	17,435	36,159	15,398	117,876
Interest bearing		1,087	1,773	7,033	55,841	56,205	121,939
		17,231	**34,514**	**24,468**	**92,000**	**71,603**	**239,816**
At 31 December 2019							
Non-interest-bearing		28,189	13,649	11,239	34,896	-	87,973
Interest bearing		918	791	7,277	54,148	260,576	323,710
		29,107	**14,440**	**18,516**	**89,044**	**260,576**	**411,683**

32. RISK MANAGEMENT (CONTINUED)

32.1. Financial risk (continued)

Liquidity risk (continued)

The following table details the Company'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 Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	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
At 31 December 2020							
Non-interest-bearing		26,526	28,548	15,726	737	10,096	81,634
Interest bearing		144	4	2,069	18,887	24	21,128
		26,670	**28,552**	**17,795**	**19,624**	**10,120**	**102,761**
At 31 December 2019							
Non-interest-bearing		19,328	15,072	24,500	20,810	-	79,710
Interest bearing		5	193	1,058	24,320	51	25,627
		19,333	**15,265**	**25,558**	**45,130**	**51**	**105,337**

32. RISK MANAGEMENT (CONTINUED)

32.1. Financial risk (continued)

Fair value measurement

Some of the Company'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 technique(s) 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 units in private equity firms (Note 17).	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	1% 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%).	A slight increase in revenue growth rates, observed in isolation, would lead to an increase in fair value (see under 1).
					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 an increase in fair value.
					The weighted average cost of capital determined by the capital asset valuation model (CAPM) is 12%.	A slight increase in the weighted average cost of capital would, observed in isolation, lead to a 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.

32. RISK MANAGEMENT (CONTINUED)

32.2. Industry risk

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.

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 Company 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 Company may be exposed to costs not covered by insurance.

32.3. Risks arising from the ordinary course of business

Market risk

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).

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 Company 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 the Company has established a sales division that is present on international commodity markets and is currently able to purchase, at a 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 Company 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 Company 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.

Competition risk

The Company 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), and with the aim to leverage from the economies of scale in order to reduce the unit production cost and strengthens the competitive position on the market. To this end, the Company 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 Company is no longer exposed to domestic competitors only, which is why the need to improve the Company's competitiveness has been gaining on importance.

32. RISK MANAGEMENT (CONTINUED)

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

Key supplier and key customer concentration risk

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

The risk of owner change

The majority shareholder of the Company 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 Company, by means of the rights and powers pertaining to him as a Company shareholder. The majority share in the Company enables Mr Filipović to exercise his influence in all decisions made in a General Shareholders' Meeting.

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 Company.

Working capital risk

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

Input commodity price risk

The operating results are largely influenced by the price of wheat as the key input commodity for the Company'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 Company'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 Company'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 Company'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 Company 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 Company 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.

Dependence on the management and key personnel

The Company relies heavily on its staff as one of its key competitive advantages. This means that the Company 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 Company 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 Company's operations.

32. RISK MANAGEMENT (CONTINUED)

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

IT risks

The Company 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 Company'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 Company's operations and financial position.

Antitrust and competition law non-compliance risk

It is a part of the overall strategy of the Company to become the leading flour producer on the Croatian market and flour supplier in the region, which may render the Company 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.

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 Company 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 ever 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 Company.

To mitigate the risk, the Company 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 Company may have to ask from the Competition Agency to assess the eligibility of the intended concentration. The Company 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 Company. The concentration eligibility assessment itself could affect the timing of the acquisition.

Litigation risk

As any business entity, so is also the Company 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 Company'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 Company 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.

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

The risk of obligations or losses not covered by insurance

The level of insurance coverage is common for the industry in which the Company operates. The insurance policies of the Company 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 Company 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 Company's operations and financial condition.

32.4. General risks

Business environment risk

The business environment risk includes political, legal and macroeconomic risks prevailing in the business environment of the Company, which is primarily the Croatian market on which the Company generates almost 87% of its total revenue (data for 2020), followed by the markets of Serbia, Italy, Bosnia and Herzegovina, Slovenia, Hungary and Romania.
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 Company cannot warrant that Croatia will fully implement the intended reforms or that the political environment will favour their implementation. In addition, the Company 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 Company may come into a position of not being able to succeed in exercising or protecting some of its rights.

The Company'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 Company could have problems in expanding its business or meeting its financial obligations. Under such circumstances, the Company'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 Company. If the current economic situation would persist, the Company, 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 Company is also under the influence of international trends, as wheat, being the Company'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 Company 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.

32. RISK MANAGEMENT (CONTINUED)

32.4. General risks (continued)

Risk of changes in legal framework

As a food producer, the Company 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 Company 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 Company seeks to keep pace and anticipate any such changes, as any non-compliance could result in various sanctions. The Company 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 Company 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 Company 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 Company. Additional regulations, or interpretations of current regulations, could be introduced in the future, which may affect the Company's business and products. The Company 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 Company.

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

33. CONTINGENT LIABILITIES

		Amount	Balance in original currency on 31 December 2020	Balance in HRK on 31 December 2020	Maturity
Zdenka-mliječni proizvodi d.o.o.	Loan 1	EUR 3,294,190	EUR 829,415	6,251,218	31 Dec 2024
Zdenka-mliječni proizvodi d.o.o.	Loan 2	HRK 40,000,000	HRK 11,164,622	11,164,621	30 Apr 2024
Zdenka- mliječni proizvodi d o.o	Loan 3	EUR 1,395,751	EUR 479,942	3,617,275	31 Dec 2023
Total				**21,033,114**	

Legal disputes

There are no significant legal actions outstanding against the Company. The Management Board of the Company is confident of a successful defence as well as of no losses suffered by the Company. Hence, no provision for legal disputes has been recognised.

34. EVENTS AFTER THE BALANCE SHEET DATE

The 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 Company.

35. APPROVAL OF THE 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	**174**		
Consolidated report:	**KN**	(KN-not consolidated/KD-consolidated)	
Audited:	**RD**	(RN-not audited/RD-audited)	

Names of subsidiaries (according to IFRS)	Registered office:	MB:

Bookkeeping firm:	**No**	(Yes/No)	(name of the bookkeeping firm)
Contact person:	**Mirjana Kelava** (only name and surname of the contact person)		
Telephone:	**01/6320-261**		
E-mail address:	mkelava@granolio.hr		
Audit firm:	BDO CROATIA (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**	334.232.722	210.114.823
I INTANGIBLE ASSETS (ADP 004 to 009)	**003**	123.718.667	1.336.023
1 Research and development	**004**	0	0
2 Concessions, patents, licences, trademarks, software and other rights	**005**	123.020.500	1.336.023
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**	698.167	0
II TANGIBLE ASSETS (ADP 011 to 019)	**010**	138.910.272	137.176.694
1 Land	**011**	8.684.216	8.684.216
2 Buildings	**012**	108.103.601	104.098.745
3 Plant and equipment	**013**	7.761.619	10.294.327
4 Tools, working inventory and transportation assets	**014**	268.460	0
5 Biological assets	**015**	0	0
6 Advance payments for purchase of tangible assets	**016**	0	0
7 Tangible assets in preparation	**017**	9.384.080	9.409.855
8 Other tangible assets	**018**	93.296	74.551
9 Investment property	**019**	4.615.000	4.615.000
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	**020**	71.603.783	71.602.106
1 Investments in holdings (shares) of undertakings within the group	**021**	70.427.762	70.427.762
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**	145.684	144.007
9 Other investments accounted for using the equity method	**029**	1.030.337	1.030.337
10 Other fixed financial assets	**030**	0	0
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**	0	0
C) CURRENT ASSETS (ADP 038+046+053+063)	**037**	127.465.224	115.578.969
I INVENTORIES (ADP 039 to 045)	**038**	20.383.369	13.340.116
1 Raw materials	**039**	7.054.842	7.189.454
2 Work in progress	**040**	83.677	89.499
3 Finished goods	**041**	1.972.395	1.206.131
4 Merchandise	**042**	11.272.455	4.855.032
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**	79.873.131	80.606.435
1 Receivables from undertakings within the group	**047**	9.668.968	12.889.868
2 Receivables from companies linked by virtue of participating interest	**048**	0	0
3 Customer receivables	**049**	45.084.020	51.997.552
4 Receivables from employees and members of the undertaking	**050**	0	449
5 Receivables from government and other institutions	**051**	2.281.646	280.812
6 Other receivables	**052**	22.838.497	15.437.754

III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	053	24.498.478	19.996.454
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	10.374.630	11.396.307
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	13.974.224	8.450.523
9 Other financial assets	062	0	0
IV CASH AT BANK AND IN HAND	063	2.710.246	1.635.964
D) PREPAID EXPENSES AND ACCRUED INCOME	064	390.423	378.620
E) TOTAL ASSETS (ADP 001+002+037+064)	065	462.088.369	326.072.412
OFF-BALANCE SHEET ITEMS	066	9.163.871	10.139.857
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to	067	41.025.022	74.912.801
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	4.296.923	4.296.923
1 Legal reserves	071	3.496.923	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	-107.675.312	-118.157.786
1 Retained profit	082	0	0
2 Loss brought forward	083	107.675.312	118.157.786
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	084	-13.484.721	33.887.779
1 Profit for the business year	085	0	33.887.779
2 Loss for the business year	086	13.484.721	0
VIII MINORITY (NON-CONTROLLING) INTEREST	087	0	0
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	350.139.554	168.446.400
1 Liabilities towards undertakings within the group	096	0	0
2 Liabilities for loans, deposits, etc. to companies within the group	097	0	0
3 Liabilities towards companies linked by virtue of participating interest	098	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	099	0	0
5 Liabilities for loans, deposits etc.	100	159.566.584	0
6 Liabilities towards banks and other financial institutions	101	113.796.135	108.045.929
7 Liabilities for advance payments	102	0	0
8 Liabilities towards suppliers	103	34.895.727	22.074.611
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	70.731.895	82.662.206
1 Liabilities towards undertakings within the group	108	54.341	1.533.510
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**	3.494.159	9.700.000
6 Liabilities towards banks and other financial institutions	**113**	3.969.541	4.193.070
7 Liabilities for advance payments	**114**	4.403.875	522.875
8 Liabilities towards suppliers	**115**	47.298.180	53.053.172
9 Liabilities for securities	**116**	9.666.218	8.522.176
10 Liabilities towards employees	**117**	1.112.640	1.090.981
11 Taxes, contributions and similar liabilities	**118**	525.372	3.381.792
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**	207.569	664.630
E) ACCRUALS AND DEFERRED INCOME	**122**	191.898	51.006
F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)	**123**	462.088.369	326.072.413
G) OFF-BALANCE SHEET ITEMS	**124**	9.163.871	9.163.871

STATEMENT OF PROFIT OR LOSS

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
I OPERATING INCOME (ADP 126 to 130)	125	306.350.131	445.493.057
1 Income from sales with undertakings within the group	126	5.000.748	3.918.730
2 Income from sales (outside group)	127	295.178.333	281.122.705
3 Income from the use of own products, goods and services	128	26.818	23.960
4 Other operating income with undertakings within the group	129	0	0
5 Other operating income (outside the group)	130	6.144.232	160.427.662
II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	317.052.065	406.210.535
1 Changes in inventories of work in progress and finished goods	132	-1.154.745	233.498
2 Material costs (ADP 134 to 136)	133	285.422.528	253.120.413
a) Costs of raw material	134	195.010.317	172.225.464
b) Costs of goods sold	135	69.173.733	60.720.498
c) Other external costs	136	21.238.478	20.174.451
3 Staff costs (ADP 138 to 140)	137	17.857.126	18.891.075
a) Net salaries and wages	138	11.423.193	12.336.034
b) Tax and contributions from salaries expenses	139	4.214.048	4.285.141
c) Contributions on salaries	140	2.219.885	2.269.900
4 Depreciation	141	10.625.817	7.987.411
5 Other expenses	142	2.580.419	2.607.012
6 Value adjustments (ADP 144+145)	143	0	6.474.700
a) fixed assets other than financial assets	144	0	0
b) current assets other than financial assets	145	0	6.474.700
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	1.720.920	116.896.426
III FINANCIAL INCOME (ADP 155 to 164)	154	3.496.787	557.320
1 Income from investments in holdings (shares) of undertakings within the group	155	2.000.085	0
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	156	48.121	0
3 Income from other long-term financial investment and loans granted to undertakings within the group	157	0	0
4 Other interest income from operations with undertakings within the group	158	359.854	9.353
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	131.709	120.786
7 Other interest income	161	657.225	200.655
8 Exchange rate differences and other financial income	162	78.559	226.526
9 Unrealised gains (income) from financial assets	163	221.234	0
10 Other financial income	164	0	0
IV FINANCIAL EXPENDITURE (ADP 166 to 172)	165	6.938.604	6.611.091
1 Interest expenses and similar expenses with undertakings within the group	166	26.255	0
2 Exchange rate differences and other expenses from operations with undertakings within the group	167	0	0
3 Interest expenses and similar expenses	168	2.902.544	1.683.715
4 Exchange rate differences and other expenses	169	136.890	380.699
5 Unrealised losses (expenses) from financial assets	170	3.126	0
6 Value adjustments of financial assets (net)	171	3.829.533	4.500.000
7 Other financial expenses	172	40.256	46.677
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	309.846.918	446.050.377
X TOTAL EXPENDITURE (ADP 131+165+175 + 176)	178	323.990.669	412.821.626
XI PRE-TAX PROFIT OR LOSS (ADP 177-178)	179	-14.143.751	33.228.751
1 Pre-tax profit (ADP 177-178)	180	0	33.228.751
2 Pre-tax loss (ADP 178-177)	181	-14.143.751	0
XII INCOME TAX	182	-659.030	-659.030
XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183	-13.484.721	33.887.781
1 Profit for the period (ADP 179-182)	184	0	33.887.781
2 Loss for the period (ADP 182-179)	185	-13.484.721	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**	-14.143.751	33.228.749
1 Pre-tax profit (ADP 192)	**193**	0	33.228.749
2 Pre-tax loss (ADP 192)	**194**	14.143.751	0
XVII INCOME TAX (ADP 182+189)	**195**	-659.030	-659.030
XVIII PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	**196**	-13.484.721	33.887.779
1 Profit for the period (ADP 192-195)	**197**	0	33.887.779
2 Loss for the period (ADP 195-192)	**198**	-13.484.721	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**	0	0
1 Attributable to owners of the parent	**200**	0	0
2 Attributable to minority (non-controlling) interest	**201**	0	0
STATEMENT OF OTHER COMPRHENSIVE INCOME (to be filled in by undertakings subject to IFRS)			
I PROFIT OR LOSS FOR THE PERIOD	**202**	-13.484.721	33.887.779
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**	-13.484.721	33.887.779
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**	0	0
1 Attributable to owners of the parent	**216**	0	0
2 Attributable to minority (non-controlling) interest	**217**	0	0

STATEMENT OF CASH FLOWS - indirect method
for the period 01.01.2020. 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	-14.143.750	33.228.749
2 Adjustments (ADP 003 to 010):	002	10.304.419	-21.907.786
a) Depreciation	003	10.625.816	7.987.411
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-694.836	115.510.053
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	3.605.759	-145.886.043
d) Interest and dividend income	006	-3.148.789	-330.794
e) Interest expenses	007	2.868.649	1.683.715
f) Provisions	008	0	0
g) Exchange rate differences (unrealised)	009	0	3.493
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	-2.952.180	-875.621
I Cash flow increase or decrease before changes in the working capital (ADP 001+002)	011	-3.839.331	11.320.963
3 Changes in the working capital (ADP 013 to 016)	012	14.891.940	-966.515
a) Increase or decrease in short-term liabilities	013	8.948.018	-6.319.083
b) Increase or decrease in short-term receivables	014	13.159.021	-2.569.445
c) Increase or decrease in inventories	015	-7.215.099	7.922.013
d) Other increase or decrease in the working capital	016	0	0
II Cash from operations (ADP 011+012)	017	11.052.609	10.354.448
4 Interest paid	018	-2.662.250	-1.566.976
5 Income tax paid	019	0	0
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	8.390.359	8.787.472
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	021	0	0
2 Cash receipts from sales of financial instruments	022	5.000.000	0
3 Interest received	023	1.118.755	700.899
4 Dividends received	024	0	0
5 Cash receipts from repayment of loans and deposits	025	17.541.796	3.904.853
6 Other cash receipts from investment activities	026	0	999.031
III Total cash receipts from investment activities (ADP 021 to 026)	027	23.660.551	5.604.783
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-3.489.527	-3.138.986
2 Cash payments for the acquisition of financial instruments	029	0	0
3 Cash payments for loans and deposits for the period	030	-27.780.252	-3.829.806
4 Acquisition of a subsidiary, net of cash acquired	031	0	0
5 Other cash payments from investment activities	032	-991.389	-1.069.031
IV Total cash payments from investment activities (ADP 028 to 032)	033	-32.261.168	-8.037.823
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)	034	-8.600.617	-2.433.040
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	2.000.000	5.000.000
4 Other cash receipts from financing activities	038	0	0
V Total cash receipts from financing activities (ADP 035 to 038)	039	2.000.000	5.000.000
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	0	-7.959.391
2 Dividends paid	041	0	0
3 Cash payments for finance lease	042	-553.847	-429.062
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	-2.653.847	-12.428.713
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)	046	-653.847	-7.428.713
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	-864.105	-1.074.281
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	049	3.574.350	2.710.246
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(ADP 048+049)	050	2.710.245	1.635.965

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	408.554	800.000	0	0	0	57.678.142	0	0	0	-169.386.014	61.767.391	54.480.310	0	54.480.310
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	29.433	0	29.433	0	29.433
4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)	04	19.016.430	84.195.807	408.554	800.000	0	0	0	57.678.142	0	0	0	-169.356.581	61.767.391	54.509.743	0	54.509.743
5 Profit/loss of the period	05	0	0	0	0	0	0	0	0	0	0	0	0	-13.484.721	-13.484.721	0	-13.484.721
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	0	0	0	0	0	0	0
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	0	0
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	58.679.022	-61.767.391	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	3.496.923	800.000	0	0	0	54.675.895	0	0	0	-107.675.312	-13.484.721	41.025.022	0	41.025.022
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	3.002.247	0	0	0	0
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	3.002.247	-13.484.721	-13.484.721	0	-13.484.721
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	58.679.022	-61.767.391	0	0	0
Current period																	
1 Balance on the first day of the current business year	27	19.016.430	84.195.807	3.496.923	800.000	0	0	0	54.675.895	0	0	0	-107.675.312	-13.484.721	41.025.022	0	41.025.022
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	3.496.923	800.000	0	0	0	54.675.895	0	0	0	-107.675.312	-13.484.721	41.025.022	0	41.025.022
5 Profit/loss of the period	31	0	0	0	0	0	0	0	0	0	0	0	0	33.887.779	33.887.779	0	33.887.779
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	0	0	0	0	0	0	0	0	0	0	0	0	0	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	0	0	-13.484.721	13.484.721	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	-118.157.786	33.887.779	74.912.801	0	74.912.801
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	0	0	0	0	0	-3.002.247	0	0	0	3.002.247	0	0	0	0
II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31+50)	51	0	0	0	0	0	0	0	-3.002.247	0	0	0	3.002.247	33.887.779	33.887.779	0	33.887.779
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	-13.484.721	13.484.721	0	0	0

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (GFI)

Name of issuer:Granolio d.d.

OIB:59064993527
Reporting period:01.01.2020. - 31.12.2020.

The same accounting policies apply when preparing the financial statements for 2019 as in the last annual financial statements.

Granolio
25 GODINA S VAMA
Granolio d.d.
Budmanijeva 5, HR-10000 Zagreb
tel.: +385 1 6320 200; faks: +385 1 6320 222; e-mail: granolio@granolio.hr; http://www.granolio.hr

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

FOOD SAFETY SYSTEM DNV·GL HACCP
QUALITY SYSTEM CERTIFICATION DNV·GL ISO 9001
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

Granolio 25

25 GODINA S VAMA

Granolio d.d.
Budmanijeva 5, HR-10000 Zagreb
tel.: +385 1 6320 200; faks: +385 1 6320 222; e-mail: granolio@granolio.hr; http://www.granolio.hr

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)

F Filipović

FOOD SAFETY SYSTEM DNV·GL HACCP
QUALITY SYSTEM CERTIFICATION DNV·GL ISO 9001

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

Granolio
25 GODINA S VAMA
Granolio d.d.
Budmanijeva 5, HR-10000 Zagreb
tel.: +385 1 6320 200; faks: +385 1 6320 222; e-mail: granolio@granolio.hr; http://www.granolio.hr

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

FOOD SAFETY SYSTEM DNV·GL HACCP
QUALITY SYSTEM CERTIFICATION DNV·GL ISO 9001

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

Franjo Filipović