Granolio Group

Consolidated Financial Statements and Annual Report for the year 2014,
together with the Independent Auditor's Report

This version of the report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over translation.

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GRANOLIO GROUP ANNUAL MANAGEMENT REPORT FOR 2014

General information about Granolio Group

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

The Company has a General Assembly, Supervisory Board and Management Board.

Members of the Management Board:	Hrvoje Filipović, President Tomislav Kalafatić, Member Drago Šurina, Member Vladimir Kalčić, Member
Members of the Supervisory Board:	Franjo Filipović, President Jurij Detiček, Vice-president Braslav Jadrešić, Member Davor Štefan, Member since 16 January 2015 Josip Lasić, Member since 16 January 2015

On 31/12/2014, the Company's total share capital amounted to HRK 19,016,430 and was divided into 1,901,643 ordinary shares with a par value of HRK 10.00. The shares have been traded under the ticker symbol GRNL and listed on the official market of the Zagreb Stock Exchange since 23 March 2015.
The Company's majority shareholder is Hrvoje Filipović, who holds 60.74% of the equity.
The 10 major shareholders of the Granolio company as at 30 March 2015 are listed in the table below.

The ten major shareholders of Granolio d.d.

No.	Shareholder	Equity share
1	Filipović Hrvoje	60.74%
2	Hypo alpe-adria-bank d.d./PBZ CO OMF - B category - custody account	7.89%
3	Societe Generale-Splitska banka d.d./Erste plavi OMF B category - custody account	7.85%
4	Prima ulaganja d.o.o.	5.89%
5	HOK- osiguranje d.d.	3.93%
6	Agrokor d.d.	2.75%
7	Hypo alpe-adria-bank d.d./SZAIF d.d. - custody account	1.58%
8	PBZ d.d. - custody account	1.47%
9	Primorska banka d.d. Rijeka - custody account	1.44%
10	Erste & Steiermarkische bank d.d. - custody account	0.79%
		94.33%

The Group's consolidated financial statements for the period from 1 January to 31 December 2014 represent the financial statements of the parent company and affiliates. The affiliates (jointly "the Group") own and operate production plants and activities in the food processing industry, agriculture and trade.

The consolidated financial statements encompass the financial statements of the following affiliates:
1. Granolio d.d. (the parent company)
2. Zdenačka farma d.o.o.
3. Prerada žitarica d.o.o.
4. Zdenka – mliječni proizvodi d.o.o.
5. Žitar d.o.o.
6. Žitar konto d.o.o.

The Granolio Group's main activity is the production of wheat flour, milk, pork, beef, dairy produce, and feed, the storage of oil crops and grains, trading in oil crops, grains and raw material for agricultural production, and the organisation of agricultural production through collaborative relations with the producers of agricultural produce.
The Group's operations can be grouped into the following business segments:
1. Milling
2. Wholesale trade
3. Dairy and cheese production
4. Agriculture and livestock breeding, feed production, and services (drying and storage of grains and oil crops, as well as the collection of goods at purchasing and selling stations).

At the end of the reporting period, the Group had the following at its disposal:
- 5 operating mills for wheat flour production with a total capacity of 289,000 tons per year,
- silos for the storage of grains and oil crops with a total capacity of approximately 160,000 tons,
- 2 dairy farms with a total capacity of 800 dairy cows,
- a farm for fattening pigs with a capacity of 2,800 pigs per cycle,
- a farm for fattening beef cattle with a capacity of 180 cows,
- 370 calves fattened on the premises of partners,
- a feed production plant with a capacity of 30,000 tons per year,
- approximately 1,100 ha of agricultural land,
- production capacities for milk processing amounting to 11.4 thousand tons of finished produce

The production capacities of the Group's mills as at 31/12/2014 are presented in the table below.

The production capacities of mills as at 31/12/2014

Mill	ton/year
Farina	108,900
Kopanica	79,200
Žitar	28,050
Vinkovci*	33,000
Beli Manastir*	39,600
	288,750

* mills under lease

Subsidiaries

Granolio d.d. holds 100% of the shares in the Zdenačka farma d.o.o. and Prerada Žitarica d.o.o companies.
It has a controlling influence in the decision-making process in the Zdenka mliječni proizvodi d.o.o. and Žitar d.o.o companies. The above companies have been consolidated in the Granolio Group since 2011.
Žitar d.o.o. has founded another company, Žitar konto d.o.o., which is fully owned by it. Žitar konto d.o.o. financial statements are part of the 2014 consolidated financial statements.

Cautio d.o.o. from Našice is the holder of a minority interest in Žitar d.o.o. and Zdenka – mliječni proizvodi d.o.o.

Granolio d.d. also holds minority interests in Žitozajednica d.o.o., Zagrebačke prekarne Klara d.o.o. and Prehrana trgovina d.d.

Significant business events in the accounting period

In the first half of 2014, Granolio d.d. acquired a milling business from the Agrokor Group.
The key reasons for Granolio's acquisition of the milling business from the Agrokor Group are:

- the strong market position of the Mlineta and Belje flour brands. Granolio took over a milling business with a strong position on the Croatian market, especially in the bakery and confectionery sector and in Konzum's retail and wholesale network. It is important to stress that up to the moment of the acquisition of the milling business from the Agrokor Group, Granolio's share in the sale of flour in Konzum through the Farina brand was almost insignificant. By making the acquisition and taking over existing contracts and concluding new contracts, the Company acquired the ability to sell its products through Konzum's retail and wholesale network to an amount correlating with the Company's market share, and to sell corn meal to members of the Agrokor Group

- synergy effects - by merging the acquired production into the buyer's existing portfolio and by optimising production capacities, the share of fixed costs per unit of measurement of the product decreases and makes production more competitive

- strong and stable cash flow - based on sustainable profit margins derived from an efficient cost structure and selling prices in line with the competition

- potential for growth – the possibility of additional market consolidation and exports

- co-operation with the Agrokor Group in the area of procurement of raw materials, warehousing, sales, logistics and distribution

- the tradition of quality of the purchased brands of Mlineta flour and Belje flour

The investment amounted to a total of HRK 204.2 million and included the following:

	HRK million
the "Mlineta" and "Belje brašno" brands	120.0
Compensation for the transfer of the milling business	60.4
Contract with the buyer Konzum d.d.	10.0
Annual lease of mills	2.0
Purchase of equipment	3.3
Purchase of inventories of raw materials and finished goods	8.5
	204.2

This acquisition is expected to increase the Granolio milling segment by almost 90%, and the sale of flour should rise from approximately 100,000 tons to 190,000 tons per year.

The acquisition was partly financed through a bank loan, and partly through recapitalisation of the company. With a view to recapitalisation, in the second half of 2014 the company conducted an IPO of 701,643 ordinary shares with a par value of HRK 10 per share. The shares were sold at HRK 134 each, thus reaching a share premium amounting to HRK 87 million. Recapitalisation costs to the amount of HRK 1.6 million were deducted from the share premium. Costs to the amount of an additional HRK 1 million are expected to be incurred in 2015. Their value will be deducted from the share premium.

A bridge loan for financing the acquisition was granted by Zagrebačka banka and partly repaid through recapitalisation.

In 2014, the company increased its number of purchasing and selling stations by renting three new ones. The only investment made in respect of these three stations was the acquisition of goods scales that were subsequently sold to the sole traders who were the owners of the stations.

Zdenačka farma d.o.o.

The company´s revenue increased in comparison to the previous year due to the increased quantity of sold milk, but also higher milk selling prices. The Company, with which Zdenačka farma concluded a milk sales contract in 2013, remained the major buyer in 2014, as well.

Zdenka – mliječni proizvodi d.o.o.

Total Zdenka production capacities amount to 11.4 thousand tons of finished goods.

In 2014, the Company employed 159 people (on a man-hour basis), which was a decrease of 11% in comparison to 2013 (in 2013: 178 employees). The reduction in the number of employees was one of the measures aimed at optimising production and enhancing business efficiency.

“Zdenka” is the Company´s own brand, but the Company also produces a significant number of products under trademarks. The Zdenka line of products currently encompasses 20 trademarks.

In 2014, the Company conducted value adjustments of current assets to the total amount of HRK 2 million.
The depreciation cost was lower due to depreciation rates for buildings being adjusted to the rest of the Granolio Group. In the first half of 2014, Zdenka applied the fast depreciation rate for buildings (10%), and in the second half of 2014 it applied the 5% rate.

The total debt of the Company as at 31/12/2014 amounted to HRK 73 million. The debt consists of HRK 53 million in long-term investment loans and HRK 18 million in short-term loans falling due in 2015.

In addition to increasing its share on the markets where Zdenka is already present, the Zdenka Management Board is also actively searching for new ones. Since 2014, products have been exported to Lebanon, and the Company is currently negotiating with a Chinese buyer.

Prerada žitarica d.o.o.

In 2014, by drying corn, and storing corn and wheat, the Company generated around HRK 2 million in revenues. Almost all of the revenue was generated in transactions with companies within the Granolio Group.

Žitar d.o.o.

In the first half of 2014, the key management of Žitar changed with the aim of improving the Company´s business performance. The new managing director of the company is Željko Tadić.

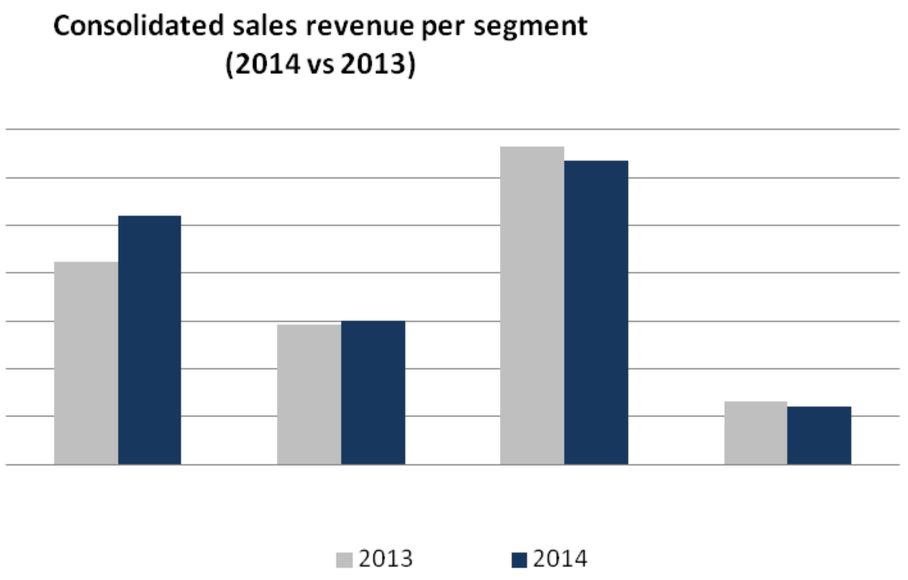
In 2014, Žitar’s operating revenue decreased by 16% in comparison to 2013.

The sale of agricultural produce decreased, both in terms of quantity and value.
In terms of quantity, the production of milk increased by 20% in comparison to 2013 as a result of better productivity per cow.
The year 2014 saw higher revenue from pig sales. The first shipment of pigs in 2013 was carried out on 12/09/2013, since the facilities were first populated in early June, which therefore resulted in only one cycle in 2013, unlike 2014 when there were two cycles.

Revenue analysis – Granolio Group

The 2014 Granolio Group sales revenue amounted to HRK 786 million, which was an increase of 4% in comparison to the sales revenue generated the year before.

The 2014 sales revenue generated within the Group amounted to approximately HRK 36.7 million (in 2013: HRK 37 million), and was eliminated from the total consolidated revenue.



The sales revenue is grouped into several business segments: milling, wholesale, dairy production and other.

The milling segment includes the sale of flour, realised by Granolio; the dairy segment includes the sale of milk at Zdenačka farma, the Žitar farm, and the sale of dairy produce of the Zdenka company.
The wholesale segment covers the trade in grains, oil crops and planting material realised by the Granolio and Žitar companies. The segment "Other" covers the grain and oil crop drying and storage services provided by Granolio, Žitar and Prerada žitarica, the sale of beef cattle at Granolio, the sale of beef cattle and pigs at Žitar, and revenue from agricultural produce and seed processing at Žitar.

An increase in sales was observed in the milling (over 20%) and dairy produce (3%) segments.

In the dairy produce segment, the sale of milk at Zdenačka farma accounts for around 10%.

Group financial expenses

Financial costs contain a loss realised through the sale of a share in Ecofarm d.o.o. of Bosnia and Herzegovina to the amount of HRK 3 million, and value adjustments to the total amount of HRK 18.9 million. Value adjustments cover the following:

- Value adjustment of commodity loans granted to the amount of HRK 5.5 million.
- Value adjustment of loans granted to affiliated companies to the amount of HRK 2.3 million and to Ecofarm of Bosnia and Herzegovina to the amount of HRK 1.5 million, as well as other loans granted to the amount of HRK 0.3 million.
- Impairment of investments in Zagrebačke pekarne Klara d.d. (HRK 1 million) and Prehrana trgovina d.d. (HRK 1.4 million), and impairment in PZ Zabara (HRK 1 million).
- Impairment of investments in Zagrebačke pekarne Klara d.d. (HRK 3.2 million). Shares of the Klara company have been reclassified as assets classified at fair value through profit or losses based on IAS 39, and the reserve formed by the application of the value of shares in previous years, as a result of constant losses being recorded by the Klara zagrebačke pekarne d.d. company, was debited from the current year result.
- Decrease in the value of bills of exchange from commercial dealings (HRK 2 million) and share portfolio (HRK 0.8 million)

Significant business events following the accounting period and Group's strategic objectives

The strongest competitors in the milling segment are the following: Žito, Čakovečki mlin, Podravka, and in the dairy and cheese produce segment: Dukat, Vindija, Agrokor, etc.

In order to meet the requirements of International Accounting Standard 16 and recognise all items of property owned by the Group according to the revaluation method, the valuation of buildings and land started in February 2015.

In early 2015, Granolio d.d. recapitalised its subsidy, Zdenačka farma d.o.o., with HRK 16 million by converting the granted loan into share capital.

In March 2015, the Group completed the process of business rationalisation and reorganisation in the production, development and technology segment, which resulted, for the purpose of business optimisation and the increased cost-efficiency of flour production, in the cancellation of flour production in the Vinkovci and Belje mills. The total flour production of these mills was allocated to other Group mills: the Farina and Kopanica mills.
Consequently, the redundant employee severance procedure was conducted for 26 employees in line with all the legal regulations. Severance pay was disbursed to the amount of HRK 2 million, and compensation for unused annual leave to the amount of HRK 70 thousand.

Business development and investment plan

Granolio

In 2016, the Company is planning to build a plant for biogas production in order to use slurry and solid manure from the cow farm, and whey and flotation sludge from cheese production.
The generated biogas will be used for the generation of electricity and thermal power with a total capacity of 300kW. Electricity will be placed on the market, and thermal power will be used to drive the future hay and wood drying facility.

The company is planning to purchase two goods vehicles and upgrade the ERP system to the total amount of HRK 1 million. The investment should be equally financed from EU funds (Measure 4 – Investments in Physical Assets) and a loan. Documentation for the application for EU funds is currently being prepared.

In 2012, when stations were constructed in Bijelo Brdo, Čeminec and Suza, the Company started introducing collection stations for grains and oil crops in its business operations for the purpose of intensifying the trade in grains and oil crops and improving its co-operation with agricultural producers. By bringing the location for delivery of the yield closer to the location of agricultural production, the end producers are provided with the possibility of increasing the harvest efficiency owing to a faster handover of the yield and lower transport costs.

The collection of grains and oil crops is currently conducted at 8 locations. The company is planning to increase the number of locations, but only by means of leasing.

In 2012, Granolio d.d. started to (re)define its key business processes and controls. The sales process and procedures for managing exposure to customers were implemented in the Company´s operations on 1 January 2013.
On 1 January 2013, the Company redefined its accounting controls for business changes in order to facilitate the monitoring of operations in several business segments, and the monitoring of operating costs with respect to responsibility centres in line with the organisational chart of the Company shown in Annex 1.

The following activities are also planned: the installation of a system for monitoring the efficacy of the production process and enhancing the efficiency thereof, the identification and implementation of procurement processes, and the setting up of internal controls for the operational efficiency of business processes.

The identification, implementation and control of the operational efficiency of business processes are planned to be implemented in all Granolio Group companies in the near future.

Zdenačka farma d.o.o.

An investment project regarding the modernisation of accommodation capacities at Zdenačka farma started in 2013.

In 2013, a system for monitoring rumination and detecting rutting in cows and heifers was implemented, and in 2014 a system for the air-conditioning and showering of cows was installed for the purpose of mitigating thermal stress in cows during the summer months.
The Zdenačka farma objectives are as follows:

1. to increase milk production in the next three years to 8,850 kg/cow during the standard lactation of 305 days (a daily average per cow amounting to 29 kg),
2. to increase, by the end of 2015, the number of cows from 460 to 480 from reproduction from its own livestock unit,
3. to reduce the intercalving period from the current 490 days to 430 days over the next couple of years,
4. to reduce the age of heifers at first calving from the current 28 months to 24 months over the next couple of years,
5. with a view to reducing feed costs in the long-term, to ensure additional arable land from the current 140 ha to 300-350 ha over the next couple of years,
6. in line with the expansion of arable land in the next three-year period, to provide the machinery necessary for agricultural production and more efficient daily farm operations.

The company is planning to purchase agricultural machinery in 2015 amounting to HRK 1.5 million. It is expected that half of the investment will be financed from European Union funds. Documentation for the application for EU funds (Measure 4 – Support for investments in agricultural holdings) is currently being prepared.

Zdenka - mliječni proizvodi d.o.o.

Since privatisation up until today, Zdenka has made significant investments in the modernisation of production plants and is still making new ones in order to be able to satisfy customers' needs and market trends.
The capital investment plan provides for investments in equipment (investments in a cooling tunnel and a refrigerator for raw materials, the purchase of a packer and a cheese block cutter, air-conditioning of the cheese processing plant, etc.) in the course of 2015, amounting in total to nearly HRK 7 million. The investment is to be financed from EU funds and from a long-term loan or financial lease (50:50). Documentation for the application for European funds is being prepared.

Žitar d.o.o.

The Žitar d.o.o. plans for the upcoming years are listed below:

One of the most important objectives is the irrigation of 600 ha of agricultural land for the purpose of seed and vegetable production.
The dynamics of achieving the above-mentioned objective foresee the irrigation of an additional 480 ha of land in the period 2015-2018.
The project is to be financed from the following sources: EU funds, own resources and bank loans.

Another objective is to expand the peer production segment from agriculture to livestock (pigs, calves) and collaboration with alfalfa producers.

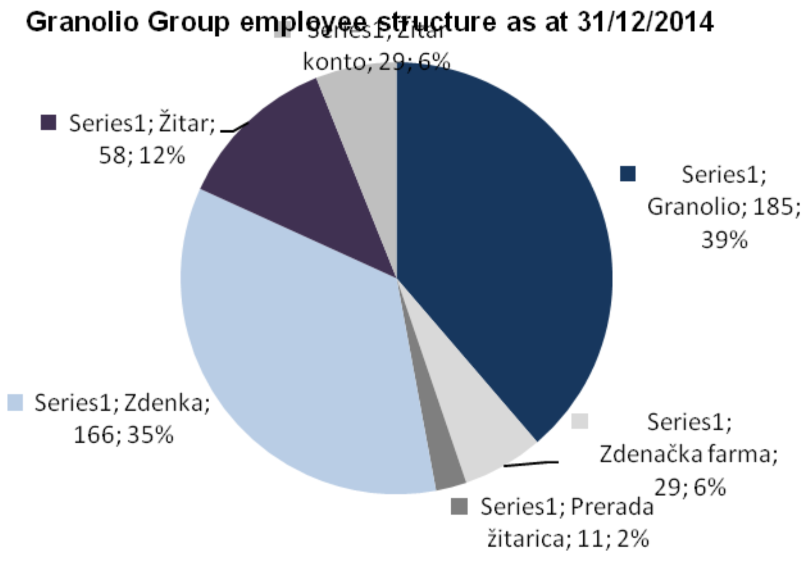
The purchase of 33 in-calf heifers in 2014 was the first step in the achievement of the target number of 400 dairy cows in lactation by the end of 2015. Further expansion or formation of the nucleus herd is planned from the reproduction of existing herd animals.

A new production line for pelleted feed for calves, poultry and pigs is to be introduced in the feed production plant. The project is to be funded from EU funds.

The procurement of necessary equipment for the dairy cow farm (a mixer and a tractor) is planned in the course of 2015. It will be partly financed from EU funds and the remaining amount will be covered by loans.

Employees

On 31/12/2014 The Group employed 478 people (in 2013: 437). The employee structure per respective company in the Group is shown in the figure below. The number of employees at Granolio increased due to the acquisition of the milling business and a higher number of production sites.
Some employees from Žitar d.o.o. were transferred to Žitar konto d.o.o., a company providing Žitar with accounting and other administrative and consulting services. The total number of employees in Žitar and Žitar konto in comparison to 2013 fell by 8 as a result of cost optimisation.



Research and development

In the observed period, the Groups did not undertake any R&D projects.

Redemption of treasury shares

In the period up to the publication of the Management's Annual Report, the Group had not engaged in the redemption of treasury shares.

Environment

As regards the environment, the Group has implemented comprehensive and systematic solutions and established environment-friendly production processes.

Risks

Risks faced by the Group are explained in detail in the notes to the consolidated annual financial statements.

The Code of Corporate Governance is contained in Annex 2 to the Annual Report.

Statement of the Management's Responsibility
for the preparation and approval of consolidated annual financial statements

Based on the current Croatian Accounting Act, the Management Board is required to ensure that the consolidated financial statements of Granolio Group (hereinafter "the Group") for each financial year are prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union and that they give a true and fair view of the financial position and results of the Group's operations in the given period.

The Management Board reasonably expects the Group to have adequate resources to continue its operational existence in the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing consolidated financial statements.

When preparing consolidated financial statements, the Management Board is responsible for:

- selecting and applying consistently suitable accounting policies;
- making judgements and estimates that are reasonable and prudent;
- applying applicable accounting standards, the publication and explanation of any deviation in consolidated financial statements; and
- preparing consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Management Board is responsible for maintaining proper accounting records which give a true and fair view of the financial position of the Group at any time, as well as their compliance with the applicable Accounting Act. The Management Board is also responsible for safeguarding the assets of the Group and undertaking reasonable measures to prevent and detect fraud and other irregularities.

The consolidated financial statements were authorised for publication on 20 April 2015.

Hrvoje Filipović, M. Econ.

President of the Management Board

Tomislav Kalafatić

Member of the Management Board

Granolio
d.d., Budmanijeva 5
Zagreb
2

BAKER TILLY

Revizorska tvrtka d.o.o.
Ulica grada Vukovara 269G
10000 Zagreb
Croatia

INDEPENDENT AUDITOR'S REPORT

To the Management Board and the Shareholders of Granolio d.d.

1. Introduction

We have audited the accompanying consolidated financial statements of Granolio d.d. ("the Company") and its affiliates (jointly "the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

3. Auditor´s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor´s judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity´s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group´s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In addition, we have reviewed the Consolidated Granolio Group Annual Report for the year ended 31 December 2014, as presented on pages 1 to 9 , in order to express an opinion on the compliance of the Consolidated Granolio Group Annual Report with the consolidated financial statements of the Group as of and for the year ended 31 December 2014.

4. Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Granolio Group as at 31 December 2014, and of its financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Reporting on other legal requirements
In accordance with the legal and regulatory requirements, the Management Board prepared the Consolidated Group Annual Report as presented on pages 1 to 9. The Board is responsible for the preparation and content of the Consolidated Group Annual Report in accordance with the Article 18 of the Accounting Act. Our responsibility is to express an opinion on the compliance of the Consolidated Group Annual Report with the audited consolidated financial statements based on the implementation of the procedures we consider appropriate in accordance with the Article 17 of the Accounting Act. In our opinion, the information presented in the enclosed Consolidated Group Annual Report for the financial year for which the consolidated financial statements have been prepared, are in line with the consolidated financial statements.

5. Emphasis of Matter
We draw attention to the Note 6 to the consolidated financial statements which describes uncertainty related to the outcome of the lawsuit filed against the Parent Company by the Osatina Group. Our opinion is not qualified in respect of this matter.

Zagreb, 20 April 2015

Baker Tilly d.o.o.
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10000 Zagreb
Croatia

For and on behalf of Baker Tilly d.o.o.:

BAKER TILLY
Revizorska tvrtka d.o.o.
Ulica grada Vukovara 269G
10000 Zagreb

Olivio Discordia
Director (Croatian Certified Auditor)

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2014

in thousands of HRK

	Note	2011 restated	2012 restated	2013 restated	2014
Revenues					
Sales revenue	8	773,188	804,740	753,237	786,681
Other operating income	9	30,987	24,745	27,536	28,801
Total operating income		**804,175**	**829,485**	**780,773**	**815,482**
Change in inventories of finished goods and work in progress		6,477	1,528	(3,190)	12,276
Material costs	10	(683,929)	(718,163)	(655,840)	(719,406)
Staff costs	11	(46,676)	(47,178)	(42,654)	(36,681)
Depreciation and amortisation	16	(29,091)	(35,974)	(34,444)	(31,364)
Other costs	13	(13,417)	(12,484)	(9,284)	(10,285)
Value adjustment costs	12	(895)	(184)	(13,746)	(18,913)
Provisions		-	-	-	(250)
Other operating expenses	14	(15,520)	(9,711)	(14,006)	(9,786)
Total operating costs		**(783,051)**	**(822,166)**	**(773,164)**	**(814,409)**
Operating profit		**21,124**	**7,319**	**7,609**	**1,073**
EBITDA		**51,110**	**43,477**	**55,799**	**51,350**
Financial income	15	5,190	10,475	7,468	6,422
Financial expenses	15	(35,925)	(38,298)	(32,668)	(56,442)
Net financial result		**(30,735)**	**(27,823)**	**(25,200)**	**(50,020)**
Result before tax		**(9,611)**	**(20,504)**	**(17,591)**	**(48,947)**
Income tax		(1,968)	(1,908)	(1,646)	-
Profit/(loss) after tax		**(11,579)**	**(22,412)**	**(19,237)**	**(48,947)**
Other comprehensive income					
Financial assets held for sale, reclassified to profit or loss		-	-	(3,205)	3,205
Total comprehensive income		**(11,579)**	**(22,412)**	**(22,442)**	**(45,742)**
Profit/ (loss) attributeble to:					
The Group		*(6,883)*	*(17,558)*	*(12,433)*	*(46,267)*
Minority interest	24	*(4,696)*	*(4,854)*	*(6,804)*	*(2,680)*
Earnings per share	23	(14)	(15)	(10)	(37)

*EBITDA = Operating (Loss)/profit + depreciation and amortisation + value adjustment costs

Approved on behalf of the Company as of 20 April 2015.

Hrvoje Filipović, M.Econ.
President of the Management Board

Tomislav Kalafatić, M.Econ.
Member of the Management Board

Granolio d.d., Budmanijeva 5 Zagreb 2

* The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Financial Position
As at 31 December 2014

in thousands of HRK

	Note	31 December 2011 restated	31 December 2012 restated	31 December 2013 restated	31 December 2014
I NON-CURRENT ASSETS					
Intangible Assets					
1. Goodwill		-	-	-	60,379
2. Trade and service marks, concessions, licences		7,274	8,195	-	120,000
3. Customers' list		-	-	-	9,029
4. Software and other intangible assets nematerijalna imovina		1,559	1,413	1,258	1,019
	16	**8,833**	**9,608**	**1,258**	**190,427**
Tangible Assets					
1. Land		26,509	27,065	27,980	27,383
2. Buildings		276,396	267,717	254,162	243,598
3. Plant and equipment		101,273	99,853	88,147	82,586
4. Biological Assets		11,636	10,983	10,761	10,943
5. Prepayments for tangible assets		962	934	1,522	770
6. Other tangible assets		60	57	60	90
7. Investments in progress		23,875	18,901	18,767	21,006
8. Investments in buildings		384	373	793	2,929
	16	**441,095**	**425,883**	**402,192**	**389,305**
Financial Assets					
1. Participating interest (shares)	17a	28,712	36,219	33,011	20,473
2. Loans, deposits and similar assets	17b	24,145	17,752	14,436	11,979
		52,857	**53,971**	**47,447**	**32,452**
Long-term Receivables		**231**	**122**	**108**	**1,388**
II CURRENT ASSETS					
Inventories	**18**	**93,027**	**131,604**	**121,966**	**143,416**
Receivables					
1. Trade receivables	19a	136,319	120,628	142,452	154,827
2. Receivables from employees		66	50	19	25
3. Receivables from government and other institutions	19b	9,297	8,119	24,536	10,727
4. Other receivables		3,289	2,309	8,468	5,408
		148,971	**131,106**	**175,475**	**170,987**
Financial Assets					
1. Investments in securities	20a	6,481	4,184	4,121	871
2. Loans, deposits and similar assets	20b	89,935	93,143	79,525	71,874
		96,416	**97,327**	**83,646**	**72,745**
Cash and cash equivalents	**21**	**4,328**	**8,011**	**9,965**	**3,350**
III PREPAYMENTS AND ACCRUED INCOME		1,107	2,349	1,220	1,525
TOTAL ASSETS		846,865	859,981	843,277	1,005,595

Consolidated Statement of Financial Position
As at 31 December 2014 (continued)

in thousands of HRK

	Note	31 December 2011 restated	31 December 2012 restated	31 December 2013 restated	31 December 2014
I CAPITAL AND RESERVES					
1. Subscribed capital		12,000	12,000	12,000	19,016
2. Capital reserves		-	-	-	85,379
3. Legal reserves		-	116	161	183
4. Revaluation reserves		92,528	89,620	83,504	67,384
5. Retained earnings		49,566	40,123	27,524	37,479
6. Result for the current year		(6,883)	(17,558)	(12,433)	(46,267)
	22	**147,211**	**124,301**	**110,756**	**163,174**
Minority interest	24	**70,855**	**63,203**	**56,399**	**53,729**
II PROVISIONS					**250**
III NON-CURRENT LIABILITIES					
1. Loans and deposits and similar	26	-	-	-	11
2. Amounts owed to banks and other financial institutions	27	209,227	207,643	219,149	158,430
3. Trade payables		372	318	318	292
4. Deferred tax liability	25	27,474	24,853	22,232	16,846
		237,073	**232,814**	**241,699**	**175,579**
IV CURRENT LIABILITIES					
1. Loans and deposits and similar	26	-	4,270	4,796	-
2. Amounts owed to banks and other financial institutions	27	272,553	296,156	256,950	328,819
3. Advance payments received		573	2,866	3,798	2,771
4. Trade payables	28	88,610	96,030	125,371	140,484
5. Securities payable	29	2,400	6,908	18,044	109,802
6. Payables to employees		2,562	2,436	2,014	2,129
7. Liabilities for taxes, contributions, etc.	30	4,168	7,411	3,545	7,348
8. Interests payable					5,030
9. Other current liabilities		2,373	3,512	2,130	723
		373,239	**419,589**	**416,648**	**597,106**
IV ACCRUED EXPENSES AND DEFERRED INCOME		**18,487**	**20,074**	**17,775**	**15,757**
TOTAL EQUITY AND LIABILITIES		**846,865**	**859,981**	**843,277**	**1,005,595**

Approved on behalf of the Company as of 20 April 2015.

Hrvoje Filipović, M.Econ.
President of the Management Board

Granolio d.d., Budmanijeva 5 Zagreb
2

Tomislav Kalafatić, M.Econ.
Member of the Management Board

* The accompanying notes are an integral part of these unconsolidated financial statements

Consolidated Statement of Changes in Shareholders' Equity for the years ended 31 December 2011 and 31 December 2012

in thousands of HRK

	Subscribed capital	Legal reserves	Revaluation reserves	Retained earnings	Profit/ (Loss) of the current year	Total for the Group	Minority interest	Total
As on 1 January 2011 (as previously published)	5,000	-	118,912	58,704	1,395	184,011	-	184,010
Reconciliation (see note 7)	-	-	(23,133)	(3,339)	-	(26,472)	3,341	(23,132)
As on 1 January 2011 (corrected)	**5,000**	-	**95,779**	**55,365**	**1,395**	**157,539**	**3,341**	**160,878**
Loss for the year 2011					(237)	(237)	1,967	1,730
Reconciliation (see note 7)	-	-	-	-	(6,646)	(6,646)	(6,646)	(13.310)
Other comprehensive profit, net of tax (revaluation depreciation)	-	-	(3,251)	3,251	-	-	-	-
Total comprehensive profit for the year	-	-	**(3,251)**	**3,251**	**(6,883)**	**(6,883)**	**(4.697)**	**(11,579)**
Recapitalization	7,000	-	-	(7,000)	-	-	-	-
Dividends payment	-	-	-	(18)	-	(18)	-	(18)
Consolidation reconciliation	-	-	-	(3,427)	-	(3,427)	-	(3,427)
Distribution of result 2010	-	-	-	1,395	(1,395)	-	-	-
Non-controlling interests	-	-	-	-	-	-	72,210	72,210
As on 31 December 2011 (corrected)	**12,000**	-	**92,528**	**49,566**	**(6,883)**	**147,211**	**70,855**	**218,066**
Reconciliation during 2012 (see note 7)	-	-	-	-	(11,906)	(11,906)	(2,414)	(14,320)
Loss for the year 2012	-	-	-	-	(5,652)	(5,652)	(2,440)	(8,092)
Other comprehensive profit, net of tax (revaluation depreciation)	-	-	(3,635)	3,635	-	-	-	-
Total comprehensive profit for the year	-	-	**(3,635)**	**3,635**	**(17,558)**	**(17,558)**	**(4,854)**	**(22,412)**
Reconciliation for 2013 – deferred taxes	-	-	727	-	-	727	-	727
Dividend payment	-	-	-	(8,040)	-	(8,040)	-	(8,040)
Consolidation reconciliation	-	-	-	1,961	-	1,961	-	1,961
Distribution of result 2011	-	116	-	(6,999)	6,883	-	-	-
Dividend payment Žitar d.d.	-	-	-	-	-	-	(2,796)	(2,796)
As on 31 December 2012 (corrected)	**12,000**	**116**	**89,620**	**40,123**	**(17,558)**	**124,301**	**63,203**	**187,504**

Consolidated Statement of Changes in Shareholders' Equity for the years ended 31 December 2013 and 31 December 2014

	Subscribed capital	Capital reserves	Legal reserves	Revaluation reserves	Retained earnings	Profit/ (Loss)of the current year	Total for the Group	Minority interests	Total
As on 1 January 2013 (corrected)	**12,000**		**116**	**89,620**	**40,123**	**(17,558)**	**124,301**	**63,203**	**187,504**
Reconciliation for 2013 (see note 7)	-	-	-	-	-	(5,119)	(5,119)	3,537	(1,582)
Loss for the year 2013	-	-	-	-	-	(7,314)	(7,314)	(10,341)	(17,655)
Other comprehensive profit, net of tax (revaluation depreciation and unrealised loss per portfolio available for sale)	-	-	-	(6,844)	3,639	-	(3,205)	-	(3,205)
Total comprehensive profit for the year	-	-	-	**(6,844)**	**3,639**	**(12,433)**	**(15,638)**	**(6,804)**	**(22,442)**
Reconciliation for 2013 – deferred taxes	-	-	-	728	-	-	728	-	728
Consolidation reconciliation	-	-	-	-	1,364	-	1,364	-	1,364
Distribution of result 2012	-	-	45	-	(17,603)	17,558	-	-	-
As on 31 December 2013 (corrected)	**12,000**	-	**161**	**83,504**	**27,523**	**(12,433)**	**110,755**	**56,399**	**167,154**
Loss for 2014	-	-	-	-	-	(46,267)	(46,267)	(2,680)	(48,947)
Revaluation reserve Farina d.o.o.	-	-	-	(16,414)	16,414	-	-	-	-
Reversal of fair value reserve for Klara d.d.	-	-	-	3,205		-	**3,205**	-	**3,205**
Other comprehensive income, net of tax (depreciation of revaluation and unrealised loss per portfolio available for sale)				(2,911)	2,911				
Total comprehensive income for the year				**(16,120)**	**19,325**	**(46,267)**	**(43,062)**	**(2,680)**	**(45,742)**
Distribution of result 2013	-	-	22	-	(12,455)	12,433	-	-	-
Share premium on IPO	-	87,004	-	-	-	-	**87,004**	-	**87,004**
Allocation of capital gains on IPO	7,016	-	-	-		-	**7,016**	-	**7,016**
Decrease of capital reserves for capitalisation costs	-	(1,625)	-	-		-	**(1,625)**	-	**(1,625)**
Income tax transfer (liability as on 31.12.2013)	-	-	-	-	107	-	**107**	-	**107**
Decrease of deferred tax liability	-	-	-	-	4,831	-	**4,831**	-	**4,831**
Dividends paid	-	-	-	-	(2,399)	-	**(2,399)**	-	**(2,399)**
Consolidation reconciliation	-	-	-	-	512	-	**512**	-	**512**
Other reconciliations	-	-	-	-	35	-	**35**	10	**45**
Balance as at 31 December 2014	**19,016**	**85,379**	**183**	**67,384**	**37,479**	**(46,267)**	**163,174**	**53,729**	**216,903**

Approved on behalf of the Company as of 20 April 2015.

Hrvoje Filipović, M.Econ.
President of the Management Board

Granolio
d.d., Budmanijeva 5
Zagreb
2

Tomislav Kalafatić, M.Econ.
Member of the Management Board

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

Consolidated Statement of Cash Flows

in thousands of HRK

	2011 restated	2012 restated	2013 restated	2014
Cash flow from operating activities				
1. Loss/ Profit before income tax	(9,611)	(20,504)	(17,591)	(48,947)
2. Depreciation of non-current tangible assets	27,466	34,865	33,298	30,045
3. Amortisation of non-current intangible assets	1,625	1,109	1,146	1,316
4. Increase/ decrease of prepayments and accrued income	(702)	(1,242)	1,128	(303)
5. Increase/ decrease of accrued expenses and deferred income	15,148	1,587	(2,299)	(2,018)
6. Loss on disposal of non-current tangible assets	(988)	911	8,154	537
7. Value adjustment of inventories	399		6,215	749
8 Value adjustment of receivables	496	184	157	18,164
9. Value adjustment of other assets				2,776
10. Other cash inflow/ outflow	(3,305)	(7,121)	526	18,898
11. Increase/ decrase in inventories	(10,517)	(38,577)	3,423	(22,199)
12. Increase/ decrease in current liabilities	20,761	8,998	18,522	24,543
13. Decrease/ increase in current receivables	(61,037)	17,681	(44,523)	(13,673)
A Net cash flow from operating activities	**(20,265)**	**(2,109)**	**8,156**	**9,888**
Cash flow from investing activities				
1. Proceeds from sale of tangible assets	4,595	1,983	3,327	2,093
2. Purchases of tangible and intangible assets	(117,134)	(24,430)	(13,885)	(149,896)
3. Goodwill acquisition	-	-	-	(60,379)
4. Cash outflow per loans given	(58,203)	(105,736)	(247,855)	(562,407)
5. Proceeds from loans given	27,032	108,993	265,005	565,710
B Net cash flow from investing activities	**(143,710)**	**(19,190)**	**6,592**	**(204,879)**
Cash flow from financial activities				
1. Proceeds from loans, borrowings granted	494,814	777,164	812,478	1,022,073
2. Repayment of borrowings	(335,840)	(751,175)	(839,208)	(1,016,319)
3. Repayment of earning from previous periods	(18)	(8,040)	-	(2,399)
4. Proceeds from IPO	-	-	-	93,850
5. Cash outflow for IPO costs	-	-	-	(1,625)
4. Other cash inflow/ outflow from financing activities	3,301	7,033	13,937	92,796
C Net cash flow from financing activities	**162,257**	**24,982**	**(12,793)**	**188,376**
Net increase/ decrease of cash and cash equivalents	**(1,718)**	**3,683**	**1,955**	**(6,615)**
Cash and cash equivalents at the beginning of the year	6,046	4,328	8,011	9,965
Cash and cash equivalents at the end of the year	**4,328**	**8,011**	**9,966**	**3,350**

Approved on behalf of the Company as of 20 April 2015.

Hrvoje Filipović, M.Econ.
President of the Management Board

Granolio d.d., Budmanijeva 5 Zagreb 2

Tomislav Kalafatić, M.Econ.
Member of the Management Board

* The accompanying notes are an integral part of these consolidated financial statements

Notes to the financial statements

1. GENERAL INFORMATION

Granolio d.d. was founded as a limited liability company in December 1996. The company seat is in Zagreb, and the Company's business units are located in Gornji Draganac, Slavonski Brod, Velika Kopanica, Osijek, Vinkovci and Belje.
Dependent companies of the Granolio Group are:

Zdenka - mliječni proizvodi d.o.o., Veliki Zdenci,
Žitar d.o.o., Donji Miholjac,
Žitar konto d.o.o., Donji Miholjac,
Zdenačka farma d.o.o., Veliki Zdenci,
Prerada žitarica d.o.o., Grubišno Polje.

The principal activities of Granolia d.d. and its subsidiaries include the production of food products, agricultural production, storage of agricultural products and trade in bakery products, agricultural products and production materials for agricultural production.

In mid 2007, 100% of shares in the company Zdenačka farma d.o.o., Veliki Zdenci were bought for the amount of HRK 2,820 thousand. The company produces high quality milk derived from dairy cows of excellent genetic potential.

Based on the General Assembly decision as of 16 March 2015, the share capital of Zdenačka Farma was increased by issuing new shares from the amount of HRK 13,520,000 by the amount of HRK 16,000,000 to the amount of HRK 29,520,000.

In mid 2008, 100% of shares in the company Prerada žitarica d.o.o., Grubišno Polje, were bought for the amount of HRK 5,206 thousand. The company is engaged in the storage and drying of grains.

In 2011, Granolio d.d. acquired a controlling interest enabling it to monitor the decision-making process regarding business operations of its subsidiaries and to make decisions on financial and business policies, on appointing members of the Management Board or to ensure the majority of votes of the members of the Management Board in Zdenka mliječni proizvodi d.o.o. and Žitar d.o.o.

Zdenka-mliječni proizvodi d.o.o. was registered on 10 April 2002 into the Court Register of the Bjelovar Commercial Court by decision number Tt-02/396-2 as a limited liability company. Court Registration Number (MBS) is 010048425. Personal Identification Number (PIN) is 45651553790.

The members of the Management Board are Mr. Željko Gatjal M.Econ., and the President of the Supervisory Board is Mr. Hrvoje Filipović M.Econ.

Granolio d.d. owns 49.9875% of shares in Zdenka – mliječni proizvodi d.o.o.

The company IPK Kapelna d.o.o. was registered on 4 December 1998 in the Court Register as a limited liability company. With Osijek Commercial Court decision number Tt-99/586-4 dated 7 May 1999 the company was registered in the main book of the court register with the Court Registration Number - MBS: 030064710 On 1 January 2011, a merger of the company Novi žitar d.o.o. Donji Miholjac to the company Kapelna d.o.o. was carried out.

With Osijek Commercial Court decision number Tt-11/314-2 dated 8 February 2011 the company Kapelna d.o.o. changed its company name into ŽITAR društvo s ograničenom odgovornošću za poljoprivrednu proizvodnju, trgovinu i usluge (ŽITAR limited liability company for agricultural production, trade and services). The company Personal Identification Number (PIN) is 66951972250.

Mr. Željko Tadić, as a member of the Management Board and director, represents the company individually.

Granolio d.d. owns 49.690% of shares in Žitar d.o.o.

1. GENERAL INFORMATION (CONTINUED)

Granolio d.d.

On 31 December 2014 the members of the Management Board of the company Granolio d.o.o. were:

Hrvoje Filipović - President,
Vladimir Kalčić - Member,
Drago Šurina - Member and
Tomislav Kalafatić - Member.

On 31 December 2014 members of the Supervisory Board of the company Granolio d.o.o. were:

Franjo Filipović - President,
Jurij Detiček - Member,
Braslav Jadrešić - Member.

2. BASIS OF PREPARATION

(i) Statement of compliance

The unconsolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

These unconsolidated financial statements have been prepared for the Company. Unconsolidated financial statements of the Company and its dependent companies, which have to be prepared by the Company in line with IFRS standards and Croatian law, have been issued separately.

These financial statements were authorised by the Management Board on 20 April 2015.

(ii) Basis of measurement

The financial statements of the Company have been prepared on the historical cost basis, except for land and building sites expressed based on an estimate, financial assets and liabilities at fair value through profit or loss and derivatives measured at fair value.

(iii) Functional and presentation currency

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

Business events and transactions in foreign currency are translated into HRK according to the exchange rate applicable on the day of the business event or transaction. Assets and liabilities expressed in foreign currency are translated based on the exchange rate applicable on the date of statements. Profit or loss from exchange differences from the day of transaction to the date of financial statements are recognized in the comprehensive profit statement.

(iv) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the Management Board to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about estimates on the value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

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

Judgements made by the Management Board in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material judgements in the next year are discussed in note 5.

3. SUMMARY OF BASIC ACCOUNTING POLICIES

The Group's principal accounting policies adopted in the preparation of these financial statements are set out below. These accounting policies have been applied consistently by the Company and all subsidiaries for all the periods included in these financial statements.

3.1 Principles of consolidation

The Group's consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (subsidiaries) on the day and for the year ended on 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014.

(i) Subsidiaries

Subsidiaries are all entities controlled by another entity. An investor controls an entity if, and only if it has power over this entity, is exposed or has the rights to variable returns from its involvement with this entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control over another business entity. Subsidiaries are fully consolidated from the date on which control has been transferred to the Group and are de-consolidated from the date when the control ceases.

The Group uses the purchase accounting method to account for business mergers. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Parent Company. The consideration transferred includes the fair value of any asset or liability resulting from the contingent consideration agreement. Acquisition related costs are shown in the statement of comprehensive income as they arise. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquired controlled entity at proportionate share of the non-controlling interest of the acquired controlled entity's net assets.

The excess of consideration transferred, the amount of any non-controlling interest in the acquired controlled entity and acquisition-date fair value of any previous equity interest in the acquired company over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the acquired controlled entity in case of bargain purchase, the difference is shown directly in the statement of comprehensive income.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealized gains arising from intra-group transaction are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associated and jointly controlled entities are eliminated to the extent of the Company's interest in these entities.

3.2 Revenue recognition

The revenue comprises the fair value of the consideration received or receivable for the sale of products, goods or services in the ordinary course of the Group's activities. The revenue is shown in the amounts which are decreased by value added tax, volume rebates and sale discounts.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the Group and specific criteria have been met for all the Group's activities as described below.

3. SUMMARY OF BASIC ACCOUNTING POLICIES (CONTINUED)

3.2 Revenue recognition (continued)

(i) Revenue from wholesale sale of products and merchandise

The Company manufactures and sells its own products and goods of third parties in the wholesale. Revenue from wholesale is recognized when the Company has delivered the products to the wholesaler, there is no continuing management involvement over the goods and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products.

The delivery is completed when the products have been shipped to the specified location, the risks of loss have been transferred to the wholesaler and either of the following has occurred: the wholesaler has accepted the products in accordance with the contract, or the acceptance provisions have lapsed or the Company has objective evidence that all criteria for acceptance have been satisfied.

Products are sold with volume discounts and customers have a right to return products in case of defect. Revenue from sale is recorded based on the price specified in the sale contract, decreased by estimated volume rebates and trade discounts and returns. Accumulated experience is used to estimate volume rebates and returns. Volume discounts are assessed based on anticipated annual purchase. The sale containing elements of financing, i.e. with a credit term longer that 60 days, is classified in short-term financial assets.

(ii) Revenue from retail sale of products and merchandise

Revenue from retail sale of products and merchandise is recognised when the Company sells the merchandise to the customer. Revenue from retail sale is realized in cash. The Company does not operate any customer loyalty programmes.

(iii) Revenue from services

Revenue from services is recognised in the accounting period in which the services are rendered, by reference to stage of completion, on the basis of actual service provided as a proportion of the total services to be provided.

(iv) Finance income

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised when the right to receive payment is established.

3.3 Leases

The Company leases certain property, plant and equipment. The lease of property, plant and equipment where the Company has substantially all the risks and rewards from the ownership are classified as finance leases. Finance leases are capitalized at the inception over the lower of lease at fair value of the leased property and the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the finance costs is charged to the comprehensive income statement over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Leases where the significant portion of risks and rewards of ownership are not retained by the Company are classified as operating leases. Payments made under operating leases are shown in the statement of comprehensive income on a straight-line basis over the period of the lease.

3. SUMMARY OF BASIC ACCOUNTING POLICIES (CONTINUED)

3.4 Foreign currencies

(i) Transactions and balances in foreign currencies

Transactions in foreign currencies are expressed in functional currency at the foreign exchange rate valid at the date of transaction. Monetary assets and liabilities denominated in a foreign currency at the reporting date are translated into the functional currency at the foreign exchange rate valid at the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the transaction of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Non-monetary assets and items that are measured in terms of historical cost of a foreign currency are not retranslated.

Non-monetary assets and liabilities denominated in a foreign currency, which are stated at historical cost are translated into functional currency at the foreign exchange rate valid at the date of transaction.

As of 30 June 20014, the official exchange rate for 1 EUR was 7.571371 HRK, on 31 December 2013 for 1 EUR it was 7.637643 HRK (on 31 December 2012: 7.545624 HRK for 1 EUR, and on 31 December 2011: 7.530420 HRK for 1 EUR).

(ii) Group companies

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

3.5 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised costs; any difference between the proceeds (net of transaction costs) and redemption value is recognised in the consolidated statement on comprehensive income over the period of the borrowing, using the effective interest method.

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

All other borrowing costs are charged to the statement of profit or loss in the period incurred.

Borrowings are classified as short-term liabilities, unless the Group has an unconditional right to defer settlement of the liability at least 12 months after the reporting date.

3. SUMMARY OF BASIC ACCOUNTING POLICIES (CONTINUED)

3.6 Government grants

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

3.7 Dividends

Dividend distribution to the Company's shareholders is recognised as liability in the financial statements in the period in which the dividends are approved by the General Meeting of the Company.

3.8 Segment reporting

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

At the consolidated level, the Company internally monitors and reports the following segments:

- milling
- dairy production
- wholesale
- other

The Group identifies operating segments on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (which was identified as being the Management Board of the Company) in order to allocate resources to the segments and to assess their performance. Details on the operating segments are disclosed in note 8 to the consolidated financial statements. Comparative information is presented using the comparability principle.

3.9 Taxation

(i) Corporate income tax

Corporate income tax expense comprises current and deferred tax. Corporate income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity in which case it is recognised in other comprehensive income.

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

(ii) Deferred tax assets and liabilities

Deferred tax is recognized 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 recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and the differences pertaining to investments into subsidiaries and jointly controlled entities where it is probable that the 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 in force on the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. A deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. SUMMARY OF BASIC ACCOUNTING POLICIES (CONTINUED)

3.9 Taxation (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and 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 their tax assets and liabilities will be realised simultaneously.

(iii) Tax exposure

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

(iv) Value added tax (VAT)

The Tax Administration requires the settlement of VAT on a net basis. VAT related to sales and purchases is recognised and disclosed in the consolidated statement of financial position on a net basis. Where a provision has been made for impairment of receivables, impairment loss is recorded for the gross amount receivable, including VAT.

3.10 Intangible assets

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

(i) Brands and customer agreements

Customer agreements have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is calculated using the straight-line method over their estimated useful life of 6 years.

Rights to acquired trademarks are carried at cost and have an indefinite useful life since, because based on an analysis of all the relevant factors at the reporting date, there is no foreseeable limit to the period of time over which identified rights are expected to generate net cash flows. Intangible assets with indefinite useful lives are tested annually for impairment and are stated at cost less accumulated impairment loss.

(ii) Computer software

Software licences are capitalised on the basis of costs incurred to acquire and bring the software to use. These costs are amortised over their estimated useful life of 5 years.

(iii) Goodwill

Goodwill and excess of fair value of acquired assets over the acquisition cost represent the difference of acquisition cost and acquirer share in the total fair value of assets and liabilities on the day of acquisition.

Goodwill is subject to the impairment test on any reporting date of statement, as defined in the note Intangible assets impairment test. The excess of fair value of acquired net assets over cost is recorded as income through the profit and loss account in the acquisition year.

3. SUMMARY OF BASIC ACCOUNTING POLICIES (CONTINUED)

3.11 Impairment of property, plant and equipment intangibles

At each reporting date, the Group reviews the carrying amounts of its property, plant, equipment and intangibles 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where 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 definite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

Where impairment loss subsequently reverses, the carrying amount of the asset (or the 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 the cash-generating unit) in prior years. A reversal of an impairment loss is credited immediately to income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase in accordance with the relevant Standard containing requirements for revaluation of the underlying asset.

3.12 Inventories

Inventories of raw material and spare parts are stated at the lower of acquisition cost and net realisable value. The cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The cost of work-in-progress and finished goods comprises raw material, 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).

Low valued inventory and tools are expensed when put into use.

3.13 Biological assets

The Group recognises a biological asset or agricultural produce, such as livestock or crops, only when the entity controls the asset as a result of past events, it is probable that future economic benefits will flow to the entity, and the fair value or cost of the asset can be measured reliably.

Biological assets are measured on initial recognition and at subsequent reporting dates at fair value less estimated costs to sell, unless fair value cannot be reliably measured.

Agricultural produce is measured at fair value less estimated costs to sell at the point of harvest.

For biological assets measured at cost, depreciation is recorded as the period cost, and calculated using the linear method during the assets expected useful life. 13 Granolio Grupa

3. SUMMARY OF BASIC ACCOUNTING POLICIES (CONTINUED)

3.14 Trade receivables

Trade receivables are recognised initially at cost which is equal to the fair value at the moment of recognition and subsequently measured at amortised cost using the effective interest method, if significant, if not , based on the face amount, less an allowance for impairment. An impairment allowance for trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade receivable may be impaired. The amount of the allowance is the difference between the asset's carrying amount and recoverable receivables account.

3.15 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid instruments with original maturities of three months or less. In the consolidated statement of financial position, bank overdrafts are included within current liabilities.

3.16 Share capital

Share capital consists of ordinary shares. Incremental costs directly attributable to the issue of new shares or options are shown net of the proceeds of those transactions and corporate income tax. Any excess of the fair value of the consideration received over the fair value of the shares issued is recognised as capital gain.

3.17 Employee benefits

(i) Pension obligations and post-employee benefits

In the normal course of business through salary deductions, the Group makes payments to mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Group is not obliged to provide any other post-employment benefits.

(ii) Termination benefits

The Group does not have a policy on either calculating or paying termination benefits.

(iii) Long-term employee benefits

The Group does not recognise the liability for long-term employee benefits (jubilee awards) due to the fact that jubilee award payment is neither included in the work contracts nor determined by other legal acts.

(iv) Short-term employee benefits

The Group recognizes a provision for employee bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Share-based compensation

The Group does not operate a share-based compensation plan.

3.18 Financial assets

Financial assets are recognised and de-recognised on the trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the time-frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through the statement on comprehensive income, which are initially measured at fair value.

Financial assets are classified into the following categories: "financial assets at fair value through profit or loss" (FVTPL), "available-for-sale financial assets" (AFS) and "loans and receivables". Classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3. SUMMARY OF BASIC ACCOUNTING POLICIES (CONTINUED)

3.18 Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

Financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future, or
- it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking, or
- it is a derivative that is not designated and effective as hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis, or,
- it forms a part of a contract containing one or more embedded derivatives and IAS 39 "Financial instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in a consolidated statement of comprehensive income. The net gain or loss recognised in the consolidated statement of comprehensive income incorporated any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 6.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale financial assets or are classified as a) loans and receivables, b) held-to-maturity investments or c) financial assets at fair value through profit or loss.

Dividends on available-for-sale financial assets equity instruments are recognised in statement of comprehensive income when the Company's right to receive the dividends is established.

Fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. Change in fair value related to foreign exchange differences arising from changes in amortised cost of the asset is recognised in the consolidated statement of comprehensive income, and other changes are recognised in the principal

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables, based on loans, and other receivables with fixed or determinable payments are measured at amortised cost using the effective interest method, less any cumulative impairment losses.

Income from interest is recognised by applying the effective interest rate except for short-term receivables where the recognition of interest is not material.

3. SUMMARY OF BASIC ACCOUNTING POLICIES (CONTINUED)

3.18 Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset., the estimated future cash flows of the investment have been affected.

For securities classified as available for sale, significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include

- significant financial difficulty of the Group or a counterparty or
- breach of contract, such as a default or delinquency in interest or principal payments or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 360 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When the trade receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity securities, impairment loss previously recognised in profit or loss are not reversed through profit or loss and any increase in fair value subsequent to an impairment loss is recognised as investment revaluation reserve. In respect of available-for-sale debt securities, impairment loss are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

De-recognition of financial assets

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

3. SUMMARY OF BASIC ACCOUNTING POLICIES (CONTINUED)

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

During the year, the Company has adopted the following new and amended IFRSs and guidelines of the Committee on International Financial Reporting Interpretations (IFRIC) approved by the EU. If the application of standards or guidelines has had an impact on the financial statements or performance of the Company, the impact is given below.

IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)

IFRS 12 includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet investments. The application of IFRS 12 had no impact on the financial statements. *IAS 28 (revised 2011) Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014)*
IAS 28 (revised 2011) includes the requirements for joint ventures and associates to be equity accounted following the issue of IFRS 11. The application of IAS 28 had no impact on the financial statements.

Amendments to IFRSs 10, 11 and 12 on transitional provisions (effective for annual periods beginning on or after 1 January 2014)

These amendments provide additional exemptions in the application of IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information for only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before the first application of IFRS 12. The adoption of these amendments did not have any impact on the financial statements.

Amendment to IAS 32 Financial Instruments: Disclosures related to the offsetting of assets and liabilities (issued in December 2012 and effective for annual periods beginning on or after 1 January 2014)

The amendments serve as guidelines for the application of IAS 32 Financial Instruments: Presentation and clarification of some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position. The adoption of the amendment did not have any impact on the financial statements.

The amendment to IAS 36 Disclosures related to the impairment of assets to the recoverable amount (published on 29 May 2013, effective for annual periods beginning on 1 January 2014)

The amendment outlines the information required to be disclosed in connection with the recoverable amount of impaired assets if the amount is based on fair value less costs of disposal. The amendment affects disclosure only and has no impact on the measurement and recognition of assets in the financial position or performance of the Company. The adoption of the amendment did not have any impact on the financial statements.

IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2015)

IFRS 9 is the first standard issued as part of a wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of the classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The Company does not expect IFRS 9 to have an impact on financial statements and plans to adopt the new standard on the date it comes into effect and after its approval by the EU.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

IFRIC 21 Levies (published on 20 May 2013, effective for annual periods beginning on 1 January 2014)

The interpretation relates to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 establishes the criteria for the recognition of a liability, one of which is the requirement that the entity has a present obligation as a result of a past event (binding event). The Interpretation clarifies that the binding event that creates the obligation to pay the levy represents the activity described in the relevant law which requires the payment of levies. Management does not expect IFRIC 21 to have an impact on financial statements and plans to adopt the new standard on the date it comes into effect and after its approval by the EU.

Amendments to IAS 19 - Defined employee benefits: Contributions for employees (published in November 2013, effective for annual periods beginning on 1 July 2014)

The amendment allows entities to recognise the contributions of employees as a reduction in labour costs in the period in which the employees performed the work, instead of recognising the contributions based on the years of work, in the event that the amount of contributions does not depend on the number of years of work. The amendment is not relevant to the Company's operations.

The Company has not previously applied any International Financial Reporting Standard whose application was not mandatory on the reporting date. Where the standards' transitional provisions allow for the choice between the prospective or retrospective application, the Company has chosen the prospective application as of effective date.

5. KEY ACCOUNTING JUDGEMENTS AND ESTIMATES

Key judgements in applying accounting policies

The preparation of financial statements in conformity with IFRS requires the Management Board to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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 and in any future periods affected.

(i) Consequences of certain court proceedings

Individual companies within the Company are parties in disputes and proceedings which have arisen from the regular course of their operations. The Management Board makes estimates of probable outcomes of the legal actions and the provisions for the Company's obligations arising from these legal actions are recognised on a consistent basis.

(ii) Recoverability of trade and other receivables

The recoverable amount of trade and other receivables is estimated at present value of future cash flows discounted at the market interest rate at the measurement date. Short-term receivables with no stated interest rate are measured by the amount of original invoice if the effect of discounting is not significant.

5. KEY ACCOUNTING JUDGEMENTS AND ESTIMATES

(iii) Impairment of intangible assets, including goodwill

Grupa provodi godišnje provjere goodwilla, brandova i prava zbog umanjenja vrijednosti. Oni su alocirani za potrebe testiranja umanjenja vrijednosti na jedinice stvaranja novca unutar poslovnih segmenata te im je neto knjigovodstvena vrijednost na dan izvještavanja kako slijedi:

	Milling	**Dairy production**	**31 December 2014 Total**
Trademarks	120,000	-	120,000
Goodwill	60,379	-	60,379
Customers' list	9,028	-	9,028
Software and other intangible assets	-	1,020	1,020
	189,407	**1,020**	**190,427**

The recoverable amount of cash generating units is determined based on value-in-use calculation based on cash flow projections from financial budgets approved by the Management Board and cover a period of five years.
Intangible assets other than software and other intangible assets were created as a result of acquisitions in the milling segment. On 31 December 2014, the Company conducted a test for the impairment of goodwill and registered trademarks. Calculations of value in use for goodwill and trademarks are based on the discounted rate of 8.2%.
The conducted test has not identified any indications of impairment of intangible assets.

6. CONTINGENT LIABILITIES

There is an ongoing dispute with Osatina Group Ltd., in which the Company is a defendant, for payment of the amount of 5,020,000 kuna along with the associated default interest.

The Management believes that the factual and legal basis do not provide the plaintiff with the legal standing to conduct these proceedings, and that the claim of the plaintiff, Osatina Group Ltd., will be rejected. It should be emphasised that on 26 March 2015, the Company received an official letter from Osatina Group Ltd. which acknowledged the above objection based on the lack of legal standing and announced the withdrawal of the complaint in the case but also an official letter from AC Osatina (another legal entity) which requires payment of the same debt under the threat of the initiation of enforced collection.

7. PARALLEL DATA AND OPENING BALANCE ADJUSTMENT

in thousands of HRK

		31 December 2011 published	Correction	31 December 2011 restated	31 December 2012 published	Correction	31 December 2012 restated
I NON-CURRENT ASSETS							
Trademarks, concessions, licences	(f)	7,274	-	7,274	8,195	-	8,195
Other fixed assets		495,742	-	495,742	481,389	-	481,389
II CURRENT ASSETS							
Inventories	(d)	93,027	-	93,027	141,115	(9,511)	131,604
Trade receivables	(b)	141,619	(5,300)	136,319	129,604	(8,976)	120,628
Granted loans, deposits and similar	(b)	86,345	3,590	89,935	89,260	3,883	93,143
Other current assets		23,461	-	23,461	22,673	-	22,673
Prepayments and accrued income	(e)	1,107	-	1,107	2,349	-	2,349
TOTAL ASSETS		**848,575**	**(1,710)**	**846,865**	**874,585**	**(14,604)**	**859,981**
I CAPITAL AND RESERVES			-			-	
1. Subscribed capital		12,000	-	12,000	12,000	-	12,000
2. Legal reserves			-	-	116	-	116
3. Revaluation reserves	(c)	115,661	(23,133)	92,528	112,023	(22,403)	89,620
4. Retained earnings		52,905	(3,339)	49,566	50,108	(9,985)	40,123
5. Result for the current year	(d)	(237)	(6,646)	(6,883)	(5,652)	(11,906)	(17,558)
Minority interest		80,858	(10,003)	70,855	75,622	(12,419)	63,203
II NON-CURRENT LIABILITIES			-			-	
1. Loans and deposits and similar	(a)	8,666	(8,666)	-	8,488	(8,488)	-
2. Amounts owed to banks and other financial institutions	(a)	200,561	8,666	209,227	199,155	8,488	207,643
3. Trade payables		372	-	372	318	-	318
4. Deferred tax liability	(c)	4,341	23,133	27,474	2,450	22,403	24,853
III CURRENT LIABILITIES			-			-	
1. Loans and deposits and similar	(a)	7,388	(7,388)	-	23,919	(19,649)	4,270
2. Amounts owed to banks and other financial institutions	(a)	265,165	7,388	272,553	276,507	19,649	296,156
3. Other liabilities		100,686	-	100,686	119,163	-	119,163
Accrued expenses and deferred income	(e)	209	18,278	18,487	368	19,706	368
TOTAL EQUITY AND LIABILITIES		**848,575**	**(1,710)**	**846,865**	**874,585**	**(14,604)**	**859,981**

7. PARALLEL DATA AND OPENING BALANCE ADJUSTMENT (CONTINUED)

in thousands of HRK

		31 December 2013 published	Correction	31 December 2013 restated
I NON-CURRENT ASSETS				
Trademarks, concessions, licences	(f)	7,373	(7,373)	-
Other fixed assets		451,005		451,005
II CURRENT ASSETS			-	
Inventories	(d)	131,997	(10,031)	121,966
Trade receivables	(b)	149,079	(6,627)	142,452
Granted loans, deposits and similar	(b)	75,755	3,768	79,525
Other current assets		47,109	-	47,109
Prepayments and accrued income	(e)	5,459	(4,239)	1,220
TOTAL ASSETS		**867,779**	**(24,502)**	**843,277**
I CAPITAL AND RESERVES			-	
1. Subscribed capital		12,000	-	12,000
2. Legal reserves		161	-	161
3. Revaluation reserves	(c)	105,181	(21,677)	83,504
4. Retained earnings		49,414	(21,890)	27,524
5. Result for the current year	(d)	(7,314)	(5,119)	(12,433)
Minority interest		70,392	(13,993)	56,399
II NON-CURRENT LIABILITIES			-	
1. Loans and deposits and similar	(a)	6,940	(6,940)	-
2. Amounts owed to banks and other financial institutions	(a)	212,209	6,940	219,149
3. Trade payables		318	-	318
4. Deferred tax liability	(c)	555	21,677	22,232
III CURRENT LIABILITIES			-	
1. Loans and deposits and similar	(a)	19,460	(14,664)	4,796
2. Amounts owed to banks and other financial institutions	(a)	242,286	14,664	256,950
3. Other liabilities		154,902	-	154,902
Accrued expenses and deferred income	(e)(h)	1,275	16,500	17,775
TOTAL EQUITY AND LIABILITIES		**867,779**	**(24,502)**	**843,277**

Notes to the consolidated financial statements (continued)

7. PARALLEL DATA AND OPENING BALANCE ADJUSTMENT (CONTINUED)

	Bilj.	2011 published	Correction	2011 restated	2012 published	Correction	2012 restated	2013 published	Correction	2013 restated
Sales revenue	(g)	774,898	(1,710)	773,188	809,833	(5,093)	804,740	756,096	(2,859)	753,237
Other operating income	(d)(h)	42,586	(11,599)	30,987	35,682	(10,937)	24,745	29,362	(1,826)	27,536
Total operating income		**817,484**	**-**	**804,175**	**845,515**	**-**	**829,485**	**785,458**		**780,773**
Material costs	(d)	(683,929)	-	(683,929)	(718,163)	-	(718,163)	(665,351)	9,511	(655,840)
Other costs	(e)	(13,417)	-	(13,417)	(12,484)	-	(12,484)	(6,267)	(3,017)	(9,284)
Value adjustment	(f)	(895)	-	(895)	(184)	-	(184)	(157)	(13,589)	(13,746)
Other	(g)	(84,810)	-	(84,810)	(93,045)	1,710	(91,335)	(99,380)	5,086	(94,294)
Total operating costs		**(783,051)**	**-**	**(783,051)**	**(823,876)**	1,710	**(822,166)**	**(771,155)**		**(773,164)**
Net financial result		**(30,735)**	**-**	**(30,735)**	**(27,823)**	**-**	**(27,823)**	**(25,200)**		**(25,200)**
Result before tax		**3,698**	**(13,309)**	**(9,611)**	**(6,184)**	**(14,320)**	**(20,504)**	**(10,897)**	**(6,694)**	**(17,591)**
Income tax		(1,968)	-	(1,968)	(1,908)	-	(1,908)	(1,646)		(1,646)
Profit/(loss) after tax		**1.730**	(13,309)	**(11,579)**	**(8,092)**	**(14,320)**	**(22,412)**	**(12,543)**	**(6,694)**	**(19,237)**
Pertains to the Group		*(237)*	-	*(6,883)*	*(5,652)*	-	*(17,558)*	*(7,314)*		*(12,433)*
Non-controlling interests		*1,967*	-	*(4,696)*	*(2,440)*	-	*(4,854)*	*(5,229)*		*(6,804)*

7. PARALLEL DATA AND OPENING BALANCE ADJUSTMENT (CONTINUED)

In order to issue a new series of shares on the capital market and publish a Prospectus, the Group has disclosed restated results from the previous years for the purpose of transparency, comparability and comprehensive overview of information in compliance with the International Accounting Standard (IAS) 8 as follows:

(a) The 2013, 2012 and 2011 current and non-current liabilities against leasing companies were reclassified from ”Liabilities for loans, deposits and similar" to ”Liabilities to banks and other financial institutions”.

(b) The 2013, 2012 and 2011 receivables for commodity loans were reclassified from ”Trade receivables” to ”Short-term loans, deposits and similar”.

(c) The 2013, 2012 and 2011 deferred tax liabilities were transferred from revaluation surplus in accordance with IAS 12.

(d) The 2012 and 2013 inventories were corrected in line with IAS 2 by their revalued amount. The result for the period decreased by HRK 9,511,000 in 2012 and by HRK 3,817,000 in 2013, and increased by HRK 9,511,000 due to the sale of inventories subject to revaluation. Furthermore, in 2013 the Group adjusted non-current inventory from PZ Osatina in the amount of HRK 6,215,000 that debited the result for the period.

(e) In 2013 "Prepaid expenses and accrued income" and "Accrued liabilities and deferred income" were adjusted by the value of the dispute PZ Osatina and the current period result was decreased by HRK 3,018,000.

Furthermore, "Accrued liabilities and deferred income" were adjusted in the years 2011, 2012 and 2013 by the amount of received subsidies recognized in previous periods on a one-time basis in income.

In 2013 "Prepaid expenses and accrued income" was decreased by HRK 4,238,000 while "Accrued liabilities and deferred income" was decreased by HRK 1,221,000, i.e. the amount from the court proceedings with PZ Osatina and increased by HRK 17,714,000 from received subsidies.

The position "Accrued liabilities and deferred income" was increased by HRK 19,704,000 in 2012 and HRK 18,278,000 in 2011 for received subsidies that had been incorrectly recorded in previous periods in the position "Other income".

(f) in 2013 the amount of HRK 7,373,000 referring to the brand Zdenka was adjusted and the current period loss was recognised in accordance with IAS 36. Furthermore, the current period result was distributed to the Group and the non-controlling interest which was decreased in the same period.

(g) The Group decreased its revenue from sales and other costs and decreased trade receivables by rebate for 2013, 2012 and 2011 in accordance with IAS 18.

(h) The Group adjusted one-time basis revenue from subsidies in previous periods and accrued it during the related assets useful life. Consequently, the profit is retained in 2011, 2012 and 2013 and future period income is increased in accordance with IAS 20.

8. SALES INCOME

in thousands of HRK

	2011	2012	2013	2014
Domestic sales revenue	685,738	695,328	557,323	711,533
Revenue from sales abroad	89,160	114,505	195,914	75,148
	774,898	**809,833**	**753,237**	**786,681**

Reporting segments form an integral part of internal financial statements. Internal financial statements are regularly reviewed by the Management Board of the Company which also makes all the most important business decisions and which then evaluates the business operations effectiveness and makes its business decisions accordingly.

The Group follows its business activities through the following segments:

- Milling
- Dairy production
- Wholesale
- Other

Analysis of revenues by type of activity

Set out below is an analysis of the Group's revenue and results by its reportable segments presented in accordance with IFRS 8 and a reconciliation of segment profits to profit or loss before tax as presented in the consolidated statement of comprehensive income.

The presented revenue relates to revenue from sales and other revenues realized from third-party sales. Inter-segment revenues are eliminated on consolidation.

in thousands of HRK

	2013	2014
Milling	211,567	259,531
Dairy	146,416	150,262
Commodities	332,198	317,948
Other	63,056	58,940
	753,237	**786,681**

Territorial analysis of revenue from sales

in thousands of HRK

Country	**2011**	**2012**	**2013**	**2014**
Croatia	685,738	695,328	557,323	711,533
Italy	7,564	20,290	63,738	11,402
Switzerland	-	8,166	33,616	6,155
Bosnia and Herzegovina	31,666	37,556	22,664	18,186
The Netherlands	8,142	7,536	16,160	-
Serbia	3,541	17,757	15,627	10,108
Other countries	38,247	23,200	44,109	29,297
	774,898	**809,833**	**753,237**	**786,681**

Notes to the consolidated financial statements (continued)

9. OTHER OPERATING INCOME

in thousands of HRK

	2011	2012	2013	2014
Revenues from subventions	7,671	1,834	9,665	9,618
Revenue on the account of the increase in livestock unit	1,772	2,460	3,051	5,103
Subsequent approvals from suppliers	4,441	5,600	4,397	4,751
Inventory surplus	1,268	2,329	858	1,732
Revenue from claims collection	654	1,902	2,438	1,696
Subsequently determined revenue	604	952	142	1,671
Revenue from sale of long-term assets	382	48	3,351	30
Revenue from sale of raw material	7,751	905	-	-
Other operating income	4,734	3,622	3,634	4,200
	29,277	**19,652**	**27,536**	**28,801**

10. MATERIAL COSTS

The structure of material costs is as follows:

in thousands of HRK

Raw material and material costs	2011	2012	2013	2014
Raw material and material costs	249,738	243,970	272,416	302,563
Consumed energy	16,953	17,928	19,031	28,339
Ullage, spillage, breakage and inventory defect	2,842	2,604	2,641	3,149
Inventory cost of sold livestock	3,613	4,726	4,598	1,662
Other material costs	688	608	1,069	1,309
	273,834	**269,836**	**299,755**	**337,022**
Cost of goods sold	**365,780**	**405,929**	**308,899**	**326,475**
Other external costs				
Telephone, postal and transport services	17,189	16,215	18,697	25,697
Rent services	5,336	5,178	4,534	8,419
Maintenance and security services	4,082	5,092	5,343	5,883
Marketing and sponsorship services	4,794	2,656	2,984	1,919
Intellectual services	2,703	2,358	2,185	1,873
Vehicle registration services	758	69	61	-
Other	9,453	10,830	13,382	12,118
	44,315	**42,398**	**47,186**	**55,909**
	683,929	**718,163**	**655,840**	**719,406**

Category „Other“ under Other external costs in 2014 comprises costs which are part of sales costs (shipping agent, goods manipulation etc.).

11. STAFF COSTS

in thousands of HRK

	2011	2012	2013	2014
Net salaries	27,777	28,575	26,118	23,130
Expenses for taxes and contributions from salaries	12,117	12,195	10,930	9,817
Contributions on salaries	6,782	6,408	5,606	3,734
	46,676	**47,178**	**42,654**	**36,681**

12. VALUE ADJUSTMENT

	2011	2012	2013	2014
Trade receivables	496	32	35	18,164
Inventories	399	-	6,215	749
Non-current inatngible assets	-	-	7,374	-
Other receivables	-	152	122	-
	895	**184**	**13,746**	**18,913**

13. OTHER COSTS

in thousands of HRK

	2011	2012	2013	2014
Bank charges and costs of payment operations	3,625	3,219	2,372	2,658
Employee reimbursements, gifts, help	2,846	3,533	2,734	2,377
Insurance premiums	1,115	1,505	1,383	2,183
Contributions, membership fees and other fees	1,619	983	741	887
Per diem for business trips	1,596	1,238	640	551
Other costs	2,616	2,006	1,414	1,629
	13,417	**12,484**	**9,284**	**10,285**

14. OTHER OPERATING EXPENSES

in thousands of HRK

	2011	2012	2013	2014
Subsequently approved cassa sconto	7,112	2,332	1,663	4,820
Subsequently determined operating expenses	-	1,844	5,136	707
Entertainment expenses and gifts	1,435	983	510	316
Fines, penalties, indemnification	203	446	1,239	625
Non-depreciated value of retired fixed assets	1,394	758	399	-
Indemnification based on court decisions	-	-	3,017	-
Write-offs of uncollected claims	-	1,395	711	-
Other operating expenses	5,376	1,953	1,331	3,318
	15,520	**9,711**	**14,006**	**9,786**

Category „Other operating expenses“ under Other operating expenses comprises costs of allowed production shortages, losses from the adjustments in the value of basic herd, costs of write-off of biological assets and other operating expenses.

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15. FINANCIAL INCOME AND EXPENSES

Financijski prihodi

in thousands of HRK

	2011	2012	2013	2014
Interests on granted loans	1.344	4.848	1.621	2.592
Penalty interests	2.034	2.316	3.335	1.829
Foreign exchange gains	1.797	3.299	1.119	1.685
Stock exchange gains	-	-	-	251
Other financial income	15	12	1.393	65
	5.190	**10.475**	**7.468**	**6.422**

Financijski rashodi

in thousands of HRK

	2011	2012	2013	2014
Interests on loans	28,922	28,306	23,676	24,629
Loss from value adjustment of financial assets	-	-	-	18,975
Foreign exchange loss	5,769	4,179	1,078	2,344
Discounted interests on bills of exchange	194	4,711	2,021	6,649
Penalty interests	1,028	721	4,170	819
Other financial expenses	12	381	1,723	3,026
	35,925	**38,298**	**32,668**	**56,442**

Other financial expenses in 2014 represent loss from sale of share in the company Ecofarm d.o.o. BiH (HRK 2,935 thousands).

Loss from value adjustment of financial assets for the year ended 31 Deecember 2014 includes value adjustement cost of financial assets, and relates to the following:

		in thousands of HRK
Value adjustment of trade loans		5,418
Value adjustment of granted loans	(a)	4,143
Investments in participating intereests	(b)	6,638
Investment in securities	(c)	2,776
		18,975

(a) Impairment of granted loans to related parties (Tepih galerija d.o.o. and Fives d.o.o.) amounts to 2,322 thousands of HRK.
(b) Impairment of investment in the company Zagrebačke pekarne Klara d.d. Shares of the company Klara are reclassified to the assets classified at fair value through profit or loss based on IAS 39, whereas the reserve formed by application of value of shares in previous years and due to constant loss being realised by the company Klara zagrebačke pekarne d.d. debited the current year result.
(c) Decrease of bill of exchange value in commercial operations (2,003 thousands of HRK) and portfolio (774 thousands HRK).

Notes to the consolidated financial statements (continued)

16. . INTANGIBLE AND TANGIBLE ASSETS

Movements in tangible and intangible assets in 2014

	Land	Buildings	Plant and equipment	Biological assets	Property investment	Other tangible assets	Investment in progress	**Total tangible assets**	Software	Trademarks	Customers' list	Intangible assets in progress	Goodwill	**Total intangible assets**
Purchase value														
As on 01.01.2014	27,980	337,312	193,176	15,889	827	154	18,767	594,105	3,230	-	-	-	-	3,230
Direct increase over the year	116	246	4,021	3,452	-	32	11,681	19,547	-	-	-	130,121	60,379	190,501
Transfer from investments	265	2,641	6,088	448	-	-	(9,442)	-	-	120,000	10,000	(130,000)	-	-
Transfer to property investment	(978)	(3,008)	-	-	3,986	-	-	-	-	-	-	-	-	-
Sale	-	-	-	(2,715)	(422)	-	-	(3,137)	-	-	-	-	-	-
Write-off	-	-	-		-	-	-	-	-	-	-	-	-	-
Increase	-	-	-	2,952	-	-	-	2,952	-	-	-	-	-	-
Death, forced slaughter, shortage, rendering	-	-	-	(1,036)	-	-	-	(1,036)	-	-	-	-	-	-
Transfer of bio.assets		-	-	(1,932)	-	-	-	(1,932)	-	-	-	-	-	-
As on 31.12.2014	27,383	337,191	203,285	17,058	4,391	186	21,006	610,500	3,230	120,000	10,000	121	60,379	193,730
Value adjustment														
As on 01.01.2014	-	83,150	105,029	5,128	34	94	-	193,435	1,972	-	-	-	-	1,972
Amortisation for 2014	-	11,932	15,630	2,461	8	2	-	30,033	360	-	971	-	-	1,331
Sale	-	-	-	(975)	(69)	-	-	(1,044)	-	-	-	-	-	-
Write-off and shortage	-	-	-	(499)		-	-	(499)	-	-	-	-	-	-
Transfer to property investment		(1,489)	-	-	1,489	-	-	-	-	-	-	-	-	-
Other	-	-	40	-		-	-	40	-	-	-	-	-	-
As on 31.12.2014	-	93,593	120,699	6,115	1,462	96	-	221,965	2,332	-	971	-	-	3,303
Current value as on 01.01.2014	**27,980**	**254,162**	**88,147**	**10,761**	**793**	**60**	**18,767**	**400,670**	**1,258**					**1,258**
Current value as on 31.12.2014	**27,383**	**243,598**	**82,586**	**10,943**	**2,929**	**90**	**21,006**	**388,535**	**898**	**120,000**	**9,029**	**121**	**60,379**	**190,427**

Advances for fixed assets amount to HRK 770,000 and relate to the advance for the purchase of land (HRK 735,000) and equipment (HRK 35,000).

16. INTANGIBLE AND TANGIBLE ASSETS (CONTINUED)

Movements in tangible and intangible assets in 2013

in thousands of HRK

	Land	**Buildings**	**Plant and equipment**	**Biological assets**	**Property investment**	**Other tangible assets**	**Investment in progress**	**Total tangible assets**	**Intangible assets**	**TOTAL**
Purchase value										
As on 01.01.2013	27,065	337,365	188,097	14,929	395	143	18,901	586,895	17,981	604,876
Direct increase over the year	-	103	2,124	183	1,793	11	4,574	8,788	170	8,958
Transfer from investments	-	822	3,886	-	-	-	(4,708)	-	-	-
Reclassifications	978	(978)	-	-	-	-	-	-	-	-
Sale	-	-	(910)	(2,516)	(1,361)	-	-	(4,787)	-	(4,787)
Write-off	(63)	-	(21)	(1,046)	-	-	-	(1,130)	(14,921)	(16,051)
Increase	-	-		4,339	-	-	-	4,339	-	4,339
As on 31.12.2013	27,980	337,312	193,176	15,889	827	154	18,767	594,105	3,230	597,335
Value adjustment										
As on 01.01.2013	-	69,648	88,244	3,946	22	86	-	161,946	8,373	170,319
Depreciation for 2013	-	11,337	15,951	2,351	12	8	-	29,659	1,146	30,805
Sale	-	-	(637)	(823)	-	-	-	(1,460)	-	(1,460)
Write-off and shortage	-	-	(3)	(346)	-	-	-	(349)	(7,547)	(7,897)
Depreciation of revaluation 2013	-	2,165	1,474	-	-	-	-	3,639	-	3,639
As on 31.12.2013	-	83,150	105,029	5,128	34	94	-	193,435	1,972	195,407
Current value as on 01.01.2013	**27,065**	**267,717**	**99,853**	**10,983**	**373**	**57**	**18,901**	**424,949**	**9,608**	**434,557**
Current value as on 31.12.2013	**27,980**	**254,162**	**88,147**	**10,761**	**793**	**60**	**18,767**	**400,670**	**1,258**	**401,928**

Advances for fixed assets amount to HRK 1,522,000 and relate to the advance for the purchase of land (HRK 737,000) and equipment (HRK 9,000), and purchase of packaging machinery in the amount of HRK 776 thousands in Zdenci.

16. INTANGIBLE AND TANGIBLE ASSETS (CONTINUED)

Movements in tangible and intangible assets in 2012

in thousands of HRK

	Land	Buildings	Plant and equipment	Biological assets	Property investment	Other tangible assets	Investment in progress	Total tangible assets	Intangible assets	TOTAL
Purchase value										
As on 01.01.2012	26,509	332,326	173,833	13,047	395	132	23,875	570,117	16,104	586,221
Direct increase over the year	556	724	1,742	1,947	-	11	16,902	21,882	189	22,071
Transfer from investments	-	4,315	15,841		-	-	(21,851)	(1,695)	1,695	-
Sale	-	-	(2,117)	(1,756)	-	-	-	(3,873)	-	(3,873)
Write-off	-	-	(1,202)	(721)	-	-	-	(1,923)	(7)	(1,930)
Increase	-	-	-	2,459	-	-	-	2,459	-	2,459
Other	-	-	-	(47)	-	-	(25)	(72)	-	(72)
As on 31.12.2012	**27,065**	**337,365**	**188,097**	**14,929**	**395**	**143**	**18,901**	**586,895**	**17,981**	**604,876**
Value adjustment										
As on 01.01.2012	-	55,930	72,560	1,411	11	72	-	129,984	7,271	137,255
Depreciation for 2012	-	11,554	16,814	2,837	11	14	-	31,230	1,109	32,339
Sale	-	-	(1,749)	(141)	-	-	-	(1,890)	-	(1,890)
Write-off and shortage	-	(1)	(851)	(161)	-	-	-	(1,013)	(7)	(1,020)
Depreciation of revaluation 2012	-	2,165	1,470	-	-	-	-	3,635	-	3,635
As on 31.12.2012	**-**	**69,648**	**88,244**	**3,946**	**22**	**86**	**-**	**161,946**	**8,373**	**170,319**
Current value as on 01.01.2012	**26,509**	**276,396**	**101,273**	**11,636**	**384**	**60**	**23,875**	**440,133**	**8,833**	**448,966**
Current value as on 31.12.2012	**27,065**	**267,717**	**99,853**	**10,983**	**373**	**57**	**18,901**	**424,949**	**9,608**	**434,557**

Advances for fixed assets amount to HRK 934,000 and relate to the advance for the purchase of land (HRK 735,000) and equipment (HRK 197,000).

16. INTANGIBLE AND TANGIBLE ASSETS (CONTINUED)

Movements in tangible and intangible assets in 2011

in thousands of HRK

	Land	Buildings	Plant and equipment	Biological assets	Property investment	Other tangible assets	Investment in progress	Total tangible assets	Intangible assets	TOTAL
Purchase value										
As on 01.01.2011	16,326	191,741	79,410	4,836	-	102	20,285	312,700	943	313,643
Consolidation increase	1,513	54,521	55,243	-	-	-	37,449	148,726	15,005	163,731
Direct increase over the year	8,469	38,937	7,797	8,086	395	30	49,329	113,043	112	113,155
Transfer from investments	201	47,127	35,860	-	-	-	(83,188)	-	44	44
Sale	-	-	(3,187)	(2,204)	-	-	-	(5,391)	-	(5,391)
Write-off	-	-	(1,290)	(646)	-	-	-	(1,936)	-	(1,936)
Increase	-	-	-	2,975	-	-	-	2,975	-	2,975
As on 31.12.2011	**26,509**	**332,326**	**173,833**	**13,047**	**395**	**132**	**23,875**	**570,117**	**16,104**	**586,221**
Value adjustment										
As on 01.01.2012	-	31,359	43,847	644	-	58	-	75,908	819	76,727
Consolidation increase	-	14,137	16,191	-	-	-	-	30,328	4,827	35,155
Depreciation for 2011	-	8,656	14,227	1,307	11	14	-	24,215	1,625	25,840
Sale	-	-	(428)	(367)	-	-	-	(795)	-	(795)
Write-off and shortage	-	-	(2,750)	(173)	-	-	-	(2,923)	-	(2,923)
Depreciation of revaluation 2011	-	1,778	1,473	-	-	-	-	3,251	-	3,251
As on 31.12.2011	**-**	**55,930**	**72,560**	**1,411**	**11**	**72**	**-**	**129,984**	**7,271**	**137,255**
Current value as on 01.01.2011	**16,326**	**160,382**	**35,563**	**4,192**	**-**	**44**	**20,285**	**236,792**	**124**	**236,916**
Current value as on 31.12.2011	**26,509**	**276,396**	**101,273**	**11,636**	**384**	**60**	**23,875**	**440,133**	**8,833**	**448,966**

Advances for fixed assets amount to HRK 962,000 and relate to the advance for the purchase of land (HRK 737,000), advance for project documentation (HRK 159,000), calf sheds (HRK 38,000) and purchase of equipment (HRK 28,000).

17. NON-CURRENT FIANNCIAL ASSETS

(a) Participating interest (shares)

in thousands of HRK

	31 December 2011	31 December 2012	31 December 2013	31 December 2014
Zagrebačke pekarne Klara d.d.	24,182	24,182	20,977	19,926
Prehrana trgovina d.d.	1,927	1,927	1,927	536
PZ Zabara	1,403	1,000	1,000	10
Žitozajednica d.o.o.	1	1	1	1
Zdenka m.p. Beograd	4	4	-	-
Ekofarma d.o.o., BiH	1,195	9,105	9,106	-
	28,712	**36,219**	**33,011**	**20,473**

Učešće u vlasničkoj strukturi

	31 December 2011	31 December 2012	31 December 2013	31 December 2014
Zagrebačke pekarne Klara d.d.	18.25%	18.25%	18.25%	18.25%
Prehrana trgovina d.d.	11.48%	11.48%	11.48%	11.48%
Poljoprivredna zajednica Zabara	75%	12.50%	12.50%	12.50%
Žitozajednica d.o.o.	1.28%	1.28%	1.28%	1.28%
Zdenka m.p. , Beograd	100%	100%	-	-
Ekofarma d.o.o., BiH	100%	100%	100%	-

(b) Loans, deposits and similar assets

in thousands of HRK

	31 December 2011	31 December 2012	31 December 2013	31 December 2014
Loans to legal entities related parties	20,916	15,719	13,365	10,853
Loans to individuals	289	268	300	329
Deposits	2,940	1,765	771	797
	24,145	**17,752**	**14,436**	**11,979**

Long-term loans maturity date:

in thousands of HRK

	Balance 31 December 2014	2015	2016	2017	2018	2019+
Loans to legal entities related parties	10,853	-	2,605	2,605	2,605	3,038
Loans to individuals	329	137	72	26	24	71
	11,182	**137**	**2,677**	**2,631**	**2,629**	**3,109**

17. NON-CURRENT FIANNCIAL ASSETS (CONTINUED)

During 2013 the Group liquidated the company Zdenka-mliječni proizvodi Beograd.

In 2014 the share in the company Ekofarma d.o.o. registered in Bosnia and Herzegovina was sold. The sale resulted in loss of HRK 2,935,000.

The investment into the agricultural cooperative Zabara was decreased to its fair value proportional to the Group's share in the cooperative. The loss from sale of shares in Ekofarma and the impairment of investment into PZ Zabara are recorded in the Comprehensive profit statement for the year ended 31 December 2014.

18. INVENTORIES

in thousands of HRK

	31 December 2011	31 December 2012	31 December 2013	31 December 2014
Commodities	17,526	21,698	70,195	88,479
Raw material	52,215	84,811	32,790	27,580
Finished goods	14,912	14,555	9,773	15,091
Work in progress	8,374	10,466	9,207	12,232
Assets held for sale	-	-	-	20
Advances for inventories	-	74	1	14
	93,027	**131,604**	**121,966**	**143,416**

19. TRADE RECEIVABLES, AND RECEIVABLES FROM GOVERNMENT AND OTHER INSTITUTIONS

a) Trade receivables

in thousands of HRK

	31 December 2011	31 December 2012	31 December 2013	31 December 2014
Domestic trade receivables	133,553	118,374	127,206	164,206
Foreign trade receivables	12,279	11,002	23,857	14,555
Value adjustments of trade receivables	(9,513)	(8,748)	(8,611)	(23,934)
	136,319	**120,628**	**142,452**	**154,827**

Value adjustment of trade receivables

	31 December 2011	31 December 2012	31 December 2013	31 December 2014
As on 1.1.	9,478	9,513	8,748	8,611
Increase	496	-	-	17,306
Write-off of adjusted claims	-	(81)	(54)	(328)
Collection of adjusted claims	(461)	(684)	(83)	(1,655)
Closing balance	**9,513**	**8,748**	**8,611**	**23,934**

19. TRADE RECEIVABLES, AND RECEIVABLES FROM GOVERNMENT AND OTHER INSTITUTIONS (CONTINUED)

Aging structure of due trade receivables for which value adjustment has not been performed has been shown in the following table:

in thousands of HRK

	31 December 2011	31 December 2012	31 December 2013	31 December 2014
Not due	69,063	63,562	76,038	81,687
0 - 90 days	44,032	35,624	42,354	57,434
91 - 180 days	6,931	4,757	3,409	7,659
181 - 360 days	7,410	3,321	4,527	1,002
> 360 days	8,883	13,364	16,124	7,045
	136,319	**120,628**	**142,452**	**154,827**

The Company has tested all trade receivables for impairment, and has assessed that trade receivables, which are comprised in the category „due more than 360 days“ as on 31 December 2014, are all collectible.

b) Receivables from government and other institutions

in thousands of HRK

	31 December 2011	31 December 2012	31 December 2013	31 December 2014
Receivables for incentives	6,432	5,924	9,721	5,992
Receivables for financing operations	-	-	-	1,847
Advances for corporate income tax	-	-	-	1,479
Receivables for VAT	2,168	702	14,528	595
Other receivables from the government and other institutions	697	1,493	287	814
	9,297	**8,119**	**24,536**	**10,727**

20. CURRENT FINANCIAL ASSETS

a) Investment in securities

in thousands of HRK

	31 December 2011	31 December 2012	31 December 2013	31 December 2014
Investment in other securities	5,181	2,884	2,821	377
Investment in shares	1,300	1,300	1,300	494
	6,481	**4,184**	**4,121**	**871**

b) Loans, deposits and similar assets

in thousands of HRK

	31 December 2011	31 December 2012	31 December 2013	31 December 2014
Loans for sowing	47,378	68,763	54,089	46,562
Granted short-term loans	34,017	24,355	24,843	25,247
Granted deposits	8,540	25	593	65
	89,935	**93,143**	**79,525**	**71,874**

Loans for sowing relate to granted trade loans in fertilizers and seed to the agriculturers, which are the Group's suppliers of goods for production and trade in the same time.

20. CURRENT FINANCIAL ASSETS (CONTINUED)

b) Loans, deposits and similar assets (continued)

Aging structure of the loans for sowing

	in thousands of HRK **31 December 2014**
Not due	26,745
0 - 90 days	15,906
91 - 180 days	1,546
181 - 360 days	-
> 360 days	2,365
	46,562

Granted short-term loans

in thousands of HRK

	31 December 2011	31 December 2012	31 December 2013	31 December 2014
Stanarka d.o.o.	6,856	9,553	10,604	10,718
Cautio d.o.o.	2,510	2,515	2,546	-
F.I.V.E.S. d.o.o.	1,173	1,173	1,173	-
Tepih galerija d.o.o.	1,149	1,149	1,149	-
Ecofarm d.o.o.	6,847	118	738	-
PZ Zabara	1,878	-	75	-
Loans to key management	5,624	2,681	3,336	5,111
Loans to individuals	1,907	1,045	4,067	4,350
Loans to third parties	6,073	6,121	1,155	5,068
	34,017	**24,355**	**24,843**	**25,247**

During 2014 the Company has tested for impairment the value of granted loans, and has value adjusted their value (Note 15).

21. CASH AND CASH EQUIVALENTS

in thousands of HRK

	31 December 2011	31 December 2012	31 December 2013	31 December 2014
Bank accounts - in HRK	3,420	7,813	4,229	2,725
Bank accounts - in foreign currencies	903	197	5,734	622
Petty cash	5	1	2	3
	4,328	**8,011**	**9,965**	**3,350**

22. CAPITAL AND RESERVES

Capital represents own permanent working capital. It includes basic shareholder's equity, including legal reserves, revaluation reserves, retained earnings and the current year loss.

Based on the decision of the General Assembly, Granolio d.o.o. was in 2012 conversed into a joint-stock company by issuance of ordinary shares. The share capital in the amount of HRK 5,000,000 was divided into 500,000 common shares of the series "A", with the nominal value of HRK 10 per share.

The company conversion was inscribed in the registry of the Commercial Court in Zagreb on 20 February 2012.

Based on the General Assembly decision the Company's share capital was increased by conversion of retained earnings from the amount of HRK 5,000,000 by the amount of HRK 7,000,000 to the amount of HRK 12,000,000. The share capital was increased by issuing ordinary shares of the nominal value of HRK 10 each, which are taken over by shareholders proportional to their share in the Company's share capital up to that moment. The share capital increase was inscribed in the registry of the Commercial Court in Zagreb on 28 September 2011.

Based on the General Assembly decision as of 2 September 2014 the Company's share capital was increased from the amount of HRK 12.000.000 for the amount of HRK 7.016.430 to the amount of HRK 19.016.430. Based on the call for initial public offering share capital was increased in cash by issuance of 701,643 new ordinary shares on name, nominal value of HRK 10 each, in the intangible form at final unique issue price for every new share of HRK 134. The Company has performed the call for initial public offering (IPO) to register new shares, at least 671,642 to 789,157 of them. IPO was performed in the period 25-27 November 2014.

As on 31 December 2014 the Company’s share capital amounts to HRK 19,016,430. Total number of shares amounts to 1,901,643. Nominal value of one share amounts to HRK 10.

The result of IPO was also capital gain in the amount of 87,003 thousands of HRK, which was decreased by the capitalisation costs incurred in the amount of 1,625 thousands of HRK.

As at 31 December 2014 ownership structure of share capital was as follows, while the first 10 shareholders as at 31 December 2014 holds 94.29% of the Company’s shares:

	In thousands **Number of shares**	**% ownership**
Hrvoje Filipović	1,155.00	60.74%
Hypo Alpe-adria-bank d.d./PBZ.CO. Obvezni mirovinski fond- kategorija B	150	7.89%
Societe Generale-Splitska banka d.d./Erste plavi OMF kategorija B	149.3	7.85%
Prima ulaganja d.o.o.	111.9	5.89%
HOK - osiguranje d.d.	44.8	2.35%
Agrokor d.d.	52.2	2.75%
Hypo Alpe-adria-bank d.d./SZAIF d.d.	30	1.58%
PBZ d.d.	28	1.47%
Primorska banka d.d. Rijeka	27.1	1.42%
Zagrebačka banka d.d./ZB GLOBAL	22.5	1.18%
Othersi	130.8	6.88%
	1,901.60	**100.00%**

23. EARNINGS PER SHARE

in thousands of HRK

	31 December 2011	31 December 2012	31 December 2013	31 December 2014
Loss attributed to the Group	(6,883)	(17,558)	(12,433)	(46,268)
Weighted average number of shares for calculation of basic earnings per share	500,000	1,200,000	1,200,000	1,239,003
Earnings per share	**(14)**	**(15)**	**(10)**	**(37)**

24. MINORITY INTEREST

in thousands of HRK

Minority interest	31 December 2011	31 December 2012	31 December 2013	31 December 2014
Subscribed capital	72,357	72,357	72,357	72,368
Retained earnings	411	(4,300)	(9,154)	(15,959)
Profit/(loss) of the period	(4,697)	(4,854)	(6,804)	(2,680)
Liabilities due to share in results	2,784	-	-	-
	70,855	**63,203**	**56,399**	**53,729**

25. DEFERRED TAX LIABILITIES

in thousands of HRK

	31 December 2011	31 December 2012	31 December 2013	31 December 2014
As on 1 January	4,341	27,474	24,853	22,232
Increase	23,133	-	-	-
Decrease	-	(2,621)	(2,621)	(5,386)
	27,474	**24,853**	**22,232**	**16,846**

26. LIABILITIES FOR LOANS, DEPOSITS AND SIMILAR

in thousands of HRK

	31 December 2011	31 December 2012	31 December 2013	31 December 2014
Long term loans	**-**	**-**	**-**	**11**
Short-term loans				
Loans from related parties	-	1,070	1,803	-
Loans from companies	-	3,200	2,993	-
Trade loans	-	-	-	-
	-	**4,270**	**4,796**	**11**

27. AMOUNTS OWED TO BANKS AND OTHER FINANCIAL INSTITUTIONS

in thousands of HRK

	31 December 2011	31 December 2012	31 December 2013	31 December 2014
Long-term liabilities				
Bank loans	200,551	199,155	212,209	154,841
Finance lease	8,676	8,488	6,940	3,589
	209,227	**207,643**	**219,149**	**158,430**
Short-term liabilities				
Bank loans	267,714	278,560	242,969	326,362
Finance lease	1,906	1,781	1,777	2,457
Factoring	2,933	15,815	12,204	-
	272,553	**296,156**	**256,950**	**328,819**
	481,780	**503,799**	**476,099**	**487,249**

Long-term loans are granted in euros and Croatian kuna and are intended for financing the purchase of shares and permanent working capital. Long-term liabilities to lending institutions refer to commercial banks' loans and loans from programmes IPARD, SAPA and the economy development model "Model razvoja gospodarstva" (MOD RG), as well as HBOR programmes.

The amount of long-term loans (including financial lease) due on 31 December 2015 is HRK 77,461 thousands and it is recorded in the position of short-term liabilities.

Remaining liabilities in the balance are due in the period from 31 December 2015 to the end of 2024.

Interest rates on long-term loans are related to the treasury bills of the Ministry of Finance of the Republic of Croatia, EURIBOR and LIBOR and, increased by the margin, range from 2.0% to 5.95% per annum.

Received short-term loans are intended for financing liquidity, export credit financing, financing spring sowing and wheat purchase and bridge financing up to closing the acquisition financial arrangement. Liabilities in the balance are due within a year and have fixed interest rates and floating interest rates based on EURIBOR and ZIBOR and treasury bills of the Ministry of Finance of the Republic of Croatia and they range from 2.0% to 9.0% per annum.

Fixed assets value under mortgage for borrowings from banks on 31 December 2014 amounted to HRK 301,994 thousand (on 31 December 2013: HRK 315,.760 thousands).

Bank loans are insured by shares in subsidiaries Žitar d.o.o. and Zdenka - mliječni proizvodi d.o.o.

27. AMOUNTS OWED TO BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

Movement of amounts owed to banks and other financial institutions in 2014:

Amounts owed to credit institutions	Opening balance	Reclass. of 2013 on short termport ion of liab	Reclass. Opening balance	Repaid	Increase	Transfer from long-term to short-term portion	Foreign exchange differences	Closing balance
Long-term loans								
Long-term finance lease liabilities	6,940	(1,877)	5,063	(945)	3,128	(3,660)	3	**3,589**
Long-term bank loans	212,209	(5,343)	206,866	-	20,000	(72,403)	379	**154,841**
Total long-term loans	**219,149**	**(7,220)**	**211,929**	**(945)**	**23,128**	**(76,063)**	**381**	**158,430**
Short-term loans								
Short-term bank loans	242,969	5,343	248,312	(348,731)	373,190	52,403	217	**325,391**
Short-term finance lease liabilities	1,777	1,877	3,654	(3,583)	-	3,660	14	**3,745**
Factoring	12,204		12,204	(17,780)	5,259	-	-	**(317)**
Total short-term loans	**256,950**	**7,220**	**264,170**	**(370,094)**	**378,449**	**56,063**	**231**	**328,819**
Total amounts owed to credit institutions	**476,099**	**-**	**476,099**	**(371,039)**	**401,577**	**(20,000)**	**612**	**487,249**

Loan balance in currency (EUR) is presented in the following table:

	31 December 2013	31 December 2014
Granolio d.d.	12,471	9,139
Žitar d.o.o.	11,131	9,324
Zdenka-mliječni proizvodi d.o.o.	5,044	3,309
	28,646	**21,772**

Due dates of bank loans and financial leases are as follows:

in thousands of HRK

	Balance 31.12.2014	2015	2016	2017	2018	2019+
Banks	479,927	325,087	42,409	42,733	18,850	50,848
Finance lease	7,322	3,733	2,233	811	369	176
	487,249	**328,820**	**44,642**	**43,544**	**19,219**	**51,024**

28. TRADE PAYABLES

in thousands of HRK

	31 December 2011	31 December 2012	31 December 2013	31 December 2014
Domestic trade payables	77,519	76,932	118,745	127,318
Foreign trade payables	10,973	19,098	6,245	12,769
Liabilities for non-invoiced goods	118	-	381	397
	88,610	**96,030**	**125,371**	**140,484**

Aging structure of trade payables as at 31 December 2014 was as follows:

in thousands of HRK

	31 December 2014
Not due	81,152
0 - 90 days	50,679
91 - 180 days	5,376
181 - 360 days	1,277
> 360 days	2,000
	140,484

29. OBVEZE PO VRIJEDNOSNIM PAPIRIMA

(b) Securities payable

Securities payable fully relate to liabilities for issued billes of exchange.

30. LIABILITIES FOR TAXES, CONTRIBUTIONS, ETC

in thousands of HRK

	31 December 2011	31 December 2012	31 December 2013	31 December 2014
VAT payables	876	5,001	2,292	5,942
Taxes and contributions from and on salaries	1,599	1,432	1,088	1,129
Corporate income tax liabilities	1,145	574	-	-
Other liabilities for taxes and contributions	548	404	165	277
	4,168	**7,411**	**3,545**	**7,348**

31. ASSUMED LIABILITIES

On 31 December 2014 the Company has liabilities arising from agreements on operating lease for long-term fixed assets acquisition in the total amount of HRK 5,137,000, and liabilities arising on rent contracts int he total amount of HRK 18,748 thousand, that have not yet been realised and are not recorded in the consolidated financial position statement.

The contracted payment of liabilities for operating lease for transportation means and production equipment use, and liabilities for contracted rent is as follows:

in thousands of HRK

	31.12.2014	2015	2016	2017	2018	2019+
Operating lease	5,137	1,760	1,349	941	706	381
Rent	18,748	4,947	3,863	3,426	3,256	3,256
	23,885	**6,707**	**5,212**	**4,367**	**3,962**	**3,637**

32. TRANSACTIONS WITH RELATED PARTIES

in thousands of HRK

	31 December 2011		31 December 2012		31 December 2013		31 December 2014	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Fives d.o.o.	1,173	-	1,173	-	1,173	-		
Tepih galerija d.o.o.	1,437	-	1,508	-	1,514	-		
Stanarka d.o.o.	6,856	-	9,553	-	14,991	-	15,110	
Zdenka MP Beograd	68	26	53	59	-	-		
Ekofarma d.o.o.	8,041	-	9,328	-	10,299	-		
Cautio d.o.o.	23,494	834	18,305	-	15,972	-	15,298	
PZ Zabara	3,481	379	1,297	-	1,200	18	183	
Krnjak d.o.o.	10,310	1,176	2,645	1,070	2,401	1,837	9,286	148
Miagro d.o.o.	-	-	-	-	-	-	1	9
Key management	6,361	-	3,418	-	4,073	-	5,111	
Total	61,221	2,415	47,280	1,129	51,623	1,855	44,989	157

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

Remuneration paid to the key management in 2014 amounts to HRK 2,004,000 (in 2013: HRK 2,872,000).

During 2014 HRK 194,000 of remuneration to the members of the Supervisory Board was paid (in 2013: HRK 143,000).

33. SUBSEQUENT EVENTS

In March 2015 the Group has finished the process of business rationalisation and reorganisation int he Sector for production, development and technology, as result of which, due to business optimisation and cost efficiency increase in the flour production, the flour production in the mills Vinkovci and Belje has ceased, while total production of flour was joined with the remaining mills of the Group.
In accordance to this, employment contracts for 26 employees were terminated by respecting all laws and regulations, and severance payments were paid out int he total amount of HRK 2,026 thousands, and reimbursements for unused vacation days were paid out in the amount of HRK 70 thousands. Stated events do not require adjustment of financial statements.

34. RISK MANAGEMENT

34.1. Operating risks

Market risk

The demand for food products is relatively inelastic in relation to product prices. The factors which affect the demand for food products are: demographic factors (increase in population), economic factors (increase in the number of tourists and consumption of food in the catering industry; increase of production in confectionery and bakery industry), social factors (changes in the living standard and eating habits of the population) and political factors (EU membership that allows unobstructed export into the countries of the European Union, but also increases competition on the domestic market with the arrival of producers from other member states).

Risk connected with purchase of raw materials and product delivery

The production of wheat, as the most important raw material for the production of flour, and wheat price trends on the domestic and foreign markets have a significant influence on the production and trends of the price of flour. An important local source of raw materials is a wide base of subcontractors with whom Granolio cooperates by providing them with the necessary seed and other production materials for sowing, which it settles through offsetting with the purchase price of the produced wheat/grain.

The risk of obtaining raw materials is also reduced by the fact that Granolio has an organizational trade unit present on the international commodities exchanges and can at present, at all moments, purchase sufficient amounts of wheat at the current market price. With the accession to the European Union, all administrative obstacles for the purchase of raw materials from the European Union have disappeared.

The risk of product non-delivery exists because of a possible production halt following a malfunction at the milling plant or a possibility of contract cancellation by the flour transporter.

The Group tries to reduce the risk of a production halt by hiring workers at mills who are adequately trained to handle malfunctions within a reasonable timeframe. Since larger orders of finished products are expected due to the expansion of the milling business, storage capacities are currently being extended with the goal of creating product stock in order to fill orders on time.

The risk of non-delivery of products due to the termination of the agreement with flour transporters exists but efforts are aimed at decreasing it due to the fact that the Group has an extensive database of transporters and, when it comes to the scope of use of transportation services, he does not depend on any of them.

Competition risk

The Group mostly sells its products and goods on the domestic market. Croatia's accession to the European Union eased its entry onto the markets of other member states in terms of administration, but it has also brought foreign competition onto the domestic market.

The flour market strives to achieve an increased concentration, that is, a decrease in the total number of flour producers (by consolidation or discontinuation of small mills) in order to achieve, based on economy of scales, minimum production costs per product unit and reinforce the competitive position on the market. To that end, in May 2014, the Group carried out the acquisition of the milling business of the company Belje d.d. Darda and PIK Vinkovci d.d. from the Agrokor Group, discussed in more detail below. Since Croatia's accession to the EU the Group is no longer facing only domestic competitors and must further strengthen its competitiveness.

34. RISK MANAGEMENT (CONTINUED)

34.1. Operating risks (continued)

The risk of exposure to the biggest buyers and suppliers

The Group's biggest buyers are the leading chain stores on the Croatia's market and the company ADM International (one of the top international cereal traders). The business cooperation agreement concluded on 2 May 2014 with the company Konzum d.d. regulates the representation of flour from the Group's line of products in the supply of Konzum's retail and wholesale network, according to the Group's market share. Therefore, the Group expects that, in the future, it will be exposed in the greatest extent to Konzum as the largest individual buyer and thus also to the potential risk of changed commercial relationships after the expiry of the agreement.

The Group's biggest suppliers are the suppliers of raw and planting material. Moreover, the Group strives to cooperate, in the supply of key raw material and services, with several suppliers in order to decrease the risks of the termination of cooperation with some of the largest suppliers for its business. Nevertheless, the Group cannot provide any guarantee that the termination of cooperation with some of the biggest suppliers will not have a significant impact on the Group's operating and financial position.

Risk of changed ownership

The Company's majority shareholder is Mr. Hrvoje Filipović whose share in the ownership amounts to 60.74%.

The majority shareholder, Mr. Hrvoje Filipović, has a prevailing impact at the Company's General Assembly based on his rights and authorizations as the Company's shareholder.

The majority share in the Company's ownership entitles Mr. Filipović to influence the adoption of all the decisions at the Company's General Assembly.

There are no guarantees that the influence of Mr. Filipović, as the majority shareholder, will not have a significant effect on the Group's business operations and financial situation.

The risk of making acquisitions

The Group's strategy includes a business expansion both organically and through acquisitions. Whether this strategy will continue to be applied depends, among other, on the identification of acquisition opportunities and their successful implementation. Future acquisitions might be subject to the evaluation of the admissibility of the concentration by the Croatian Competition Agency, that is, there is a risk that the concentrations will be evaluated as not allowed or allowed with the meeting of certain measures and conditions.

The Group's ability to effectively integrate and manage the assumed business operations or the economic operator, and to successfully handle future growth depends on many factors; potential failure could negatively affect the Group's operating and financial position. In the future, a large-scale acquisition could be made as well as an acquisition outside the market the Group operates on. The Group is not experienced in making acquisitions outside the markets it operates on which can affect the successfulness of the acquisition and also cause a significant increase of the costs of acquisition and integration. A large-scale acquisition could be much more difficult for the integration process and require much larger financial funds than it used to. Acquisitions beyond the market the Group operates on could represent a challenge in view of cultural and linguistic barriers and challenges in view of integration and management of a business which is geographically significantly distanced from the market on which the Group currently operates.

The Group cannot provide any guarantee that it will be able to adequately handle all the risks in the making of new acquisitions or integration thereof. An acquisition could also increase the Group's indebtedness, both owing to the indebtedness for financing the acquisition and owing to the liabilities of the acquired business or economic operator, which could significantly limit a certain Group's borrowing in the future. Any larger borrowing related to an acquisition could have a significant effect on the Group's business operations.

In the future acquisitions, as part of the process of assessment of the acquisitions, the Group will have to presuppose the expected savings on the debit side and the synergies. Such assessments are uncertain and subject to a number of significant business, economical and competition risks that could significantly affect the deviation of actual results from those initially foreseen. The Group faces the risk of non-realization of part of or all of the savings and synergies which were predicted at the moment of execution of the acquisitions.

34. RISK MANAGEMENT (CONTINUED)

34.1. Operating risks (continued)

The risk of making acquisitions (continued)

Moreover, in the execution of acquisitions, the Group usually takes over all the liabilities and all the assets of the business or economic operator being acquired. Although the Group carries out company analyses upon takeover and strives to obtain adequate guarantees and assurances regarding the assets and liabilities, the Group cannot provide any guarantee that it will be able to identify all real and potential liabilities before the execution of the acquisition. If the acquisition results in the taking over of unplanned liabilities, and if the Group has not obtained adequate insurance, the Group's operating and financial situation could be significantly affected thereby.

The risk of managing working capital

Successful management of working capital is an important segment of the Group's business. The Group could be subject to strong pressure both by the competitors and by the key suppliers demanding shorter payment deadlines; at the same time, it could be pressurized by the buyers to prolong the payment deadlines.

The Group has made significant investments in improving logistics operations for the purpose of increasing the turnover of stocks and increasing its operative efficiency. Although the Group has so far been successful at managing the working capital, no guarantees can be given that this will be the case in the future, which might significantly affect the Group's operating and financial position.

The risk of basic raw material price fluctuation

Business results are under the impact of the price of wheat, as the most important raw material in the Group's production, which is a market commodity. The volatility of wheat prices can be a consequence of adverse weather conditions, disease, political instability and other external factors. General economic conditions, unpredicted demand, problems with production and distribution, diseases, adverse weather conditions during crop growth and harvest can have a negative impact on the prices of wheat. Regardless of the fact that the Group can meet all its demands for wheat on the domestic market, the price fluctuation on the domestic market is under the impact of price fluctuations on international commodity markets. Based on the Group's business history, it can be established that the fluctuation of the purchase price of wheat has been positively correlated with the fluctuation of the price of flour. However, it should be pointed out that it requires some time for the price of flour to adjust to the changes in the price of wheat which, in certain shorter periods if time, negatively affects the Group's spread in case the price of wheat increases. Regardless of the historical facts which indicate that the prices of wheat and flour are correlated, the Group cannot guarantee that any future increase in the price of wheat would be fully compensated for by the growth of the prices of flour maintaining thereby the historical spreads.

The Group strives to alleviate the risk of changed prices of wheat by more actively accessing the futures markets.

Granolio actively manages the risks and purchase prices of raw materials using, as necessary, various futures contracts trading techniques on the international commodity markets, whereat the Group has no prominent open positions.

Dependence on the management and key employees

The Group firmly relies on its employees as one of its main competitive advantages. Therefore, the Group must strive to retain the best personnel at all levels in order to maintain its leading position on the market. The Group cannot provide any guarantee that it will be able to keep the existing management staff and other leading employees and that it will be able to attract new, quality employees in the future. Loss of key employees and the impossibility of attracting new ones could have significant impact on the Group's business.

34. RISK MANAGEMENT (CONTINUED)

34.1. Operating risks (continued)

The risk of disruption of the IT system

The Group relies on numerous IT systems which make it possible for the Group to efficiently manage distribution capacities, communicate with the buyers and suppliers, manage and evaluate employees and gather all necessary information the management might rely on in their decision making. The Group's business is becoming increasingly dependent on the use of this type of systems. Therefore, any disruptions in the operation of IT systems in the sense of computer viruses, hacker attacks, disruptions in the operation of IT equipment and programmes or disruptions caused by other factors could have significant impact on the Group's business and financial situation.

Risk of violation of market competition

Part of the Group's overall strategy is to become the leading producer of flour on the Croatian market and supplier of clients in the region, due to which his position could be evaluated as leading in the sense of regulations regulating market competition. The regulations of the Republic of Croatia which regulate the area of market competition and which are harmonized with the regulations of the European Union proscribe any abuse of the leading position and especially direct or indirect imposition of unfair buying or selling prices, that is, any unfair trade conditions, limitation of production, market or technological development to the consumer's detriment, application of unequal conditions to equal works with other entrepreneurs bringing them thereby into a less favourable position in regard to competition, as well as the conditioning of conclusion of contracts by the consent of the other contracting parties to additional obligations which, according to their nature or trade practice are not directly related to the subject of such contracts.

Moreover, the stated regulations also proscribe all agreements, decisions of associations of undertakings as well as coordinated activity of undertakings the aim or consequence of which is the disruption of market competition on the relevant market.

Although the Group is not aware of any violations of market competition regulations, and although no proceedings has been instituted against him at the Croatian Competition Agency, the Group cannot guarantee that there will be no such proceedings. Any violation of market competition regulations is subject to the application of administrative and criminal measures. For example, the penalty for concluding prohibited agreements and abuse of the leading position amounts up to 10 % of the value of the violating Group's total annual income in the last year for which financial statements have been concluded. Therefore, any imposition of fines could have an adverse effect on the operating and financial situation of the Group.

To decrease this risk, the Group intends to additionally educate its employees about the positive regulations on the protection of market competition and establish the codes of conduct upon conclusion of contracts and undertaking of other activities that could result in the violation of the rules on the protection of market competition and to ensure their consistent application.

Furthermore, before any future acquisition is made, the Group will may have to request the Croatian Competition Agency to carry out an assessment of the admissibility of the concentration. The Group cannot provide any guarantee that in any such case the concentration will be evaluated as allowed or that it will be allowed just with the fulfilment of certain measures and conditions, such as the sale of certain assets or undertaking of certain other activities that might affect the Group's income, profit or money flow. Also, the procedure of assessment of the concentration admissibility itself could affect the time frame for the realization of the acquisition.

The risk of the conducting of legal proceedings against the Group

The Group, just as any other economic operator, is susceptible to the risk of conducting of proceedings before courts, regulatory or other competent bodies, within the framework of regular business operations. These disputes relate mainly to disputes with debtors or suppliers. In the future, the risk of potential suits by the buyers of the Group's products due to the damage occurred by the consumption of the product cannot be excluded either. The Group cannot provide any guarantee that the results of future legal and regulatory disputes or measures will not significantly affect the Group's operating and financial situation.

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34. RISK MANAGEMENT (CONTINUED)

34.1. Operating risks (continued)

The risk of liabilities or losses not covered by insurance

The level of coverage by insurance is at the level usual for the industries the Group operates in. The concluded insurance policies are primarily related to injuries at work, machine defects, damage to objects and other material assets, and insurance of crops. However, it is impossible to cover with insurance all potential liabilities and losses and, therefore, the Group cannot provide any guarantee that he will not be exposed to situations which will not be covered with insurance and that such situations will not significantly affect the Group's operating and financial situation.

34.2. Financial risks

Exchange rate risk

The Group is exposed to the risk of changes of exchange rates. The exchange rate risk is related to the fact that a significant part of the Group's credit liabilities are related to the fluctuation of exchange rates of HRK in relation to EUR. Strong fluctuations in the EUR/HRK exchange rate could affect the Group's indebtedness in a foreign currency. Moreover, according to the data for 2014, the Group realizes app. 8% of its total income on foreign markets in EUR, so fluctuations in the EUR/HRK exchange rate could affect the Group's business operations even on that basis.

In the future, the Group could be exposed towards financial institutions by certain derivatives contracts such as currency hedging, and that being for the purpose of hedging certain financial risks.

The changes in fair value of such derivatives contracts could affect the Group's future profitability.

The Group is not currently using financial instruments of protection from unfavourable exchange rate fluctuations.

Credit risk

The Group is exposed to the risk of the inability to collect a certain part of the receivables from buyers. As a rule, the Group primarily trades with chain stores which represent the most significant buyers and with which it has been cooperating for many years now. This is why the Group's credit risk is primarily reflected in the aspect of possible problems in the retail sector. The Group strives to decrease the exposure to credit risk by monitoring the buyers' financial condition, strict collection control measures and obtaining of various insurance instruments such as promissory notes and bills of exchange.

Beside the credit risk towards buyers, the Group is exposed to credit risk arising from the relations with associates in the production of cereal and oil crops since, during the planting period, it provides them with merchandise credit in the form of necessary planting material. The associates settle their liabilities, in general, in the form of planting material through the delivery of produced oil crops and cereals if the parties agree on the price of the products at the time of the harvest. It is possible, and it actually happens, that a certain number of associates, for various reasons, may fail to produce sufficient quantities of oil crops and cereals for settling the merchandise credit. The Group protects itself from such situations by provision of additional insurance instruments such as personal guarantees of farm holders, personal guarantees of family members, liens of farm equipment and real estate, fiduciary ownership of crops or cereal stocks, co-ownership of the crops, etc. It must be stressed that insurance instruments are individually agreed with each collaborator depending on the former relationship. In its former business operations, the Group has kept the level of merchandise credits with repayment difficulties at an acceptable level.

When an associate is unable to repay the merchandise credit due to adverse weather conditions and/or unfavourable market prices of cereals/oil crops, in most cases, a grace period is agreed on with the payment of contractual interest as well as the repayment of debt from the next planting season, or the repayment is agreed in some other field crop which was not affected by weather conditions (e.g. rain during the wheat harvest period can decrease wheat quality but, at the same time, it can have a positive effect on the crops which are harvested in the autumn). Associates usually plant several different field crops in order to alleviate the risks of bad weather conditions for a certain crop. By doing so, they also protect themselves from the unfavourable fluctuation of the market price of a certain crop (risk dispersion).

34. RISK MANAGEMENT (CONTINUED)

34.2. Financial risks (continued)

Credit risk (continued)

The Group cannot provide any guarantee that the monitoring of the buyers' financial situation, the collection control measures or insurance instruments will be efficient and that possible credit risk will not significantly affect the Group's operating and financial condition nor that the situation of the given merchandise credits with repayment difficulties will not worsen.

As part of its activities, the Group enters into factoring agreements and/or agreement on bill of exchange discounting with factoring companies. The risk of the inability to collect receivables from main borrowers lies with the Group. The records of potential liabilities towards factoring companies are kept off balance sheet. The Group has potential liabilities on the recourse basis from factoring activities in the amount of HRK 128.9 million, of which HRK 124 million refer to the same bill of exchange debtor.

Interest risk

Considering the level of received credits from financial institutions which have mostly been contracted with an alterable interest rate based on the usual interest rates (EURIBOR, LIBOR, ZIBOR and the interest rates on treasury bills), the Group is exposed to the risk of increase of interest rates. The Group is not currently using financial instruments of protection from unfavourable interest rates.

In the future, the Group could be exposed towards financial institutions by certain derivatives contracts such as currency or interest rates hedging, and that being for the purpose of hedging certain financial risks.

The changes in fair value of such derivatives contracts could affect the Group's future profitability.

Liquidity risk

There is a risk that the Group will not be able to fulfil its obligations in due time which can be a consequence of inadequate collection of receivables from buyers, unfavourable time structure of debt maturity or the inability to provide credit financing by financial institutions. In order to decrease its liquidity risk, the Group continuously implements measures of active collection of receivables from buyers and monitors their liquidity status, aims at optimising the structure of debt maturity and at ensuring the availability of credit financing by financial institutions so as to be able to meet its liabilities in unforeseeable circumstances. Moreover, the Group strives to finance long-term investments from long-term sources of funds and to transform the short-term credits used in the previous periods for financing long-term investments into long-term credits.

Moreover, the Group has assessed that, in the mid-term, the level of the overall credit debt will be decreased, whereby the liquidity risk is expected to be additionally decreased.

The Group cannot provide any guarantee that the management of the liquidity risk will be efficient and that the potential liquidity risk will not significantly affect the Group's business operations and financial situation.

Industry risks

One of the risks which occur in the food industry is the fact that the consumers' eating habits and their awareness of the health impact of food have greatly changed in the last 20 years or so. Because of such trends, the producers are compelled to increase the existing line of products and further improve the quality of existing products.

Flour production

Flour production could be negatively affected by extraordinary events such as fire, explosion, defects to production equipment, extended or extraordinary maintenance, construction of roads or closing of main traffic routes, floods, storms or other exceptionally adverse weather conditions. Although the Group uses the insurance to cover the damage to these objects, such insurance will be subject to limitations in the sense of the amount of compensation and it might not suffice for covering all the costs. Moreover, the Group could be subject to costs which are not covered by insurance.

34. RISK MANAGEMENT (CONTINUED)

34.2. Financial risks (continued)

Dairy production

In its purchase of raw milk for the needs of dairy production, Zdenka relies on a large number of subcontractors, which exposes it to the risk of purchasing raw material of an unsatisfactory quality for the production of top quality products, risks of late delivery and insufficient amounts of raw material. The risk of raw material quality is minimized through laboratories that continually perform microbiological testing of raw milk. In case of market disruption, either due to raw material shortage or because of a price increase, the Group is able to, in a relatively short period of time, redirect the milk produced on Zdenačka farma for the needs of Zdenka and in that way partly reduce the mentioned risks. Shortage of milk on the domestic market can be compensated by milk imports. However, Zdenka cannot fully protect itself from the potential increase in the market price of milk nor can it guarantee that the price increase of raw material will be successfully compensated by the price increase of the final product, considering the strong competition.

In addition to raw milk, Zdenka buys raw materials for the production of processed cheese from several EU manufacturers that meet high-quality standards. The risks of raw material shortage or contract cancellation by one of the suppliers are not significant at the moment, considering that at present the supply of such products is bigger than the manufacturers' demand, and that in case of significant disruptions on the market, Zdenka can start its own production.

A significant risk in the process of production is the risk of spoilage, considering that dairy products belong to the category of products with high tendencies of spoilage. Zdenka attempts to reduce the risk of product spoilage through strict quality control of the raw materials, processing in technologically advanced facilities, and maintaining high standards of hygiene in the production facilities.

A significant market risk is present in Zdenka's operating activities, primarily manifested through import of cheap cheeses from the EU. Therefore, with the goal of protecting its margins, Zdenka focuses on the production and distribution of brand products, which are also Zdenka's great value. Maintaining this reputation and brand-related values is essential for the success of Zdenka's operating activities. Negative publicity, legal actions or some other factors might lead to a considerable erosion of the brand value, which might reduce the buyers' demand for the product and have a significant effect on the current and future operating activities and financial standing of Zdenka.

Livestock farming

Milk production (Zdenačka farma and Žitar) and swine fattening (Žitar) are exposed to the risk of livestock disease and death. In order to prevent diseases and death, veterinary clinics were established on the farms, which take constant care of the livestock. In order to achieve high-quality milk production, optimal nutrition standards are followed and care is taken of hygienic conditions in relation to milking and storing raw milk. All livestock is insured against death.

There is also a risk that the produced milk and meat do not satisfy high-quality standards. However, those risks are greatly reduced by the implementation of high production standards, such as ISO and HACCP.

34. RISK MANAGEMENT (CONTINUED)

34.2. Financial risks (continued)

Crop production

Field crop production is exposed to unfavourable weather conditions (drought, flood, hail). Unfavourable weather conditions can result in smaller yield of field crops or reduced quality, or both, and in certain circumstances, even complete ruin of crops. Unfavourable weather conditions affect the operating activities of the company Žitar, which deals with crop production among other, but also the subcontractors that the Group credits with production material, which can reduce the ability of the subcontractors to settle their obligations under the merchandise credit. This issue is described in more detail in section 3.2.2. Credit risk.

The risks of unfavourable weather conditions are reduced by crop insurance; the state also has an important role in this issue by subsidizing 25% of the insurance costs.

The Group also protects itself from unfavourable weather conditions risks by geographical diversification.

Same as with livestock production, the risk of field crop diseases can have a significant negative influence on expected yield (sometimes greater than 30%). Because of that, preventive plant disease control is implemented in the production nowadays, as the cheapest and most effective way of maintaining the expected level of crop yield.

In addition to diseases, vast damages in the field crop industry have lately been caused by increasing numbers of rodents, and their suppression is made difficult by legal regulations (higher damages are expected in the future).

34.3. General risks

Business environment risks

The risk of the business environment includes political, legal and macroeconomic risks of the environment the Group operates in, which primarily relates to the Croatian market on which the Group realizes over 90% of its total income (data for 2014) and, to a lesser extent, the markets of Italy, Slovenia and Bosnia and Herzegovina. The Group cannot provide any guarantee that the Croatian market on which the Group realizes most of its income will continue to successfully implement its political and economic reforms. Delayed or unsuccessful implementation of such reforms could affect the Group's business operations. State budget savings measures and tax burden growth which are currently ongoing in Croatia could result in the slowing down of economic growth or a decrease of available income which could affect both the Group's income and its profitability.

Former governments have implemented economic reforms with the aim of developing and stabilizing market economy through the privatization of state companies, attracting of foreign investments and implementation of the necessary reforms for accession into the EU. Although Croatia has put in significant efforts towards the establishment of market economy, Croatia will need several more years and a number of additional investments to achieve the level of the infrastructure of the West European countries. The Group cannot provide any guarantee that Croatia will realize the planned reforms or that its political environment will be stimulative for the implementation of reforms. The Group cannot provide any guarantee that the Government will not introduce any new regulation, fiscal or monetary policy, including a regulation or policy related to taxation, environment protection, public procurement, compensation to owners of nationalised assets or exchange rate policy.

The legal framework of the Republic of Croatia is still under development and this can cause certain legal uncertainties. The Group could be faced with the situation where it is unable to successfully realize or protect some of its rights.

Open issues between Croatia and its neighbouring countries do not affect the country's political stability, but represent a legitimate pursuit of Croatia's strategic and economic interests in international relations, as is the case with all other developed countries. As the Group's operations are focused on the Croatian market, the danger of it being affected by other countries is minimal.

34. RISK MANAGEMENT (CONTINUED)

34.3. General risks (continued)

Business environment risks (continued)

The Group's business operations are susceptible to the macroeconomic environment, economic opportunities and economic activity trends. In the periods of unfavourable conditions, the Group could have difficulties with expanding its business or settling its financial liabilities. Furthermore, in such conditions the Group may encounter difficulties in accessing financial markets. This could make funding significantly harder to obtain, increase its costs, and substantially impact its business operations and financial position. If the current economic situation persists, the access of the Group and its buyers and suppliers to the capital market could be aggravated and this could affect the existing level of income and profitability.

The Group is also affected by international trends since wheat, as the basic raw material for production in the Group, is a market commodity and thus could be susceptible to the effect of any political instabilities in the countries which are significant producers of this cereal (China, Russia, USA). Nevertheless, as indicated above, the Group can entirely settle its needs for raw material from domestic sources, and it strives to neutralize the price oscillations by actively approaching the futures markets.

The risk of changes in the legal framework

As a producer of food products, the Group is susceptible to strict regulations related to human nutrition, product safety, employees' safety and working conditions, environment safety and protection (including those related to waste waters, clean air, noise, waste disposal, environment cleaning, etc.), product composition, packaging, marking, advertising and market competition. A by-product of food production is the generation of waste, releasing of harmful substances into the atmosphere and waters; therefore, the Group must obtain various permits and comply with various regulations. The regulations related to health, safety and environment protection in Europe and the other developed regions are becoming increasingly strict and their implementation increasingly prominent. The Group tries to follow and anticipate all such changes; however, any failure in such efforts could result in various penalties. The Group believes that it is currently aligned with the existing regulations and deadlines prescribed by various regulators; however, it cannot guarantee that it will not be subject to significant costs of removal of potential violations or the obligation to, according to such regulations, respond to negative publicity or adjust to changes in the existing regulations, which could significantly affect the Group's operating and financial situation. For example, the Group is currently the owner or lessee of a certain number of real estate and facilities, including production plants and distribution centres which have been, in certain cases, previously used for certain commercial or industrial purposes. Although the Group is currently not acquainted with any facts that would be conducive of new obligations related to the environmental situation of such real estate and facilities, the detection of pollution based on current or prior business operations and the imposition of obligations for removal of the pollution could cause significant costs for the Group. Moreover, it is possible that, in the future, additional regulations might be introduced and that the current legislature (or its interpretation) might change, affecting thereby the Group's business operations and products. The Group cannot provide any guarantee that, in the future, the cost of adhering to such initiatives will not have a significant impact on the Group's operating and financial situation.

Granolio

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Zagreb, 24 April 2015

Statement of Executives responsible for preparing annual financial statements

Pursuant to the current Croatian Accounting Act (Official Gazzette 109/07), the Management Board is required to ensure that the financial statements of Granolio d.d. for each financial period are prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and that they give a true and fair view of the financial position and results of the Company's operations in the given period.

To the best of our knowledge, annual audited unconsolidated and consolidated financial statements for the year ended 31 December 2014 present a fair view of assets and liabilities, profit and loss, financial position and business operations of the Company, and all subsidiary companies involved in the consolidation as a whole.

Reports prepared by:	Responsible person:
Kordić	
Jasenka Kordić	Tomislav Kalafatić
Accounting Director	*Member of the Management Board*

Granolio
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Granolio d.d.
Supervisory Board
Number: 29-04-01/2015

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 29 April 2015, brings

THE DECISION
ON ESTABLISHING THE FINANCIAL STATEMENTS FOR 2014

Pursuant to Article 300.c of the Companies Act the Supervisory Board has examined the Company's Annual financial statements for 2014 together with the Audit Report, the consolidated Annual financial statements of the Granolio Group for 2014 together with the Audit Report, the Management Report for the Company and affiliated Companies as well as the draft decision on the coverage of loss.

It is the opinion of the Supervisory Board that the Company's Annual financial statements for 2014 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 2014.
Therefore, the Supervisory Board approved the Company's Annual financial statements for 2014 and the consolidated Annual financial statements of the Granolio Group for 2014 which are confirmed 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 2014 and the Auditor's Report regarding the consolidated Annual financial statements of the Granolio Group for 2014.

Article 2.

This Decision will be valid at the day of its adoption.

Franjo Filipović
(the president of the Supervisory Board)

Zagreb, 29 April 2015

F. Filipović

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manijeva 5
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Granolio d.d.
Supervisory Board
Number: 29-04-01/2015

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 29 April 2015, brings

THE DECISION
OF THE PROPOSAL ON COVERING THE LOSS IN BUSINESS YEAR 2014

Pursuant to Article 300.c of the Companies Act the Supervisory Board has examined the Company's Annual financial statements for 2014 together with the Audit Report, the consolidated Annual financial statements of the Granolio Group for 2014 together with the Audit Report, the Management Report for the Company and affiliated Companies as well as the draft decision on the coverage of loss.

The Supervisory Board agrees with the Board's draft decision that the loss in year 2014 in the amount of HRK 42,859,425 be covered through retained earnings in the amount of HRK 32,142,333 and partly carried forward in the amount of HRK 10,717,092.

Article 2.

This Decision will be valid at the day of its adoption.

Franjo Filipović
(the president of the Supervisory Board)

F. Filipović

Zagreb, 29 April 2015

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