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TRANSLATION

Independent Auditors' Report

TO THE SHAREHOLDERS OF
„CRVENKA“ FABRIKA ŠEĆERA AD, CRVENKA

Report on the Financial Statements

We have audited the accompanying financial statements of „Crvenka“ Fabrika Šećera A.D., Crvenka (“the Company”), which comprise the balance sheet as at 31 December 2016, the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and true and fair view of these financial statements in accordance with accounting regulations effective in the Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation and true and fair view of 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 entity'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 financial statements.

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

Basis for Qualified Opinion

As disclosed in the Note 3.10 to the financial statements, the Company realizes sales on a "bill and hold" basis. During our audit we identified a certain number of bill and hold transactions where the applicable revenue recognition criteria have not been met. If the Company recognised sales in accordance with the relevant criteria in IAS 18 "Revenue", trade receivables would be decreased by RSD 103,550 thousand, inventories would be increased by RSD 605,505 thousand, deferred income would be increased by 768,800 thousand, income tax liability would be decreased by RSD 26,818 and retained earnings would be decreased by RSD 240,027 thousand as at 31 December 2016, total revenues would be decreased by RSD 872,350 thousand, the change in value of finished products would be increased by RSD 605,505 thousand, current income tax would be decreased by RSD 26,818 thousand and the net profit would be decreased by RSD 240,027 thousand for the year ended 31 December 2016.

Qualified Opinion

In our opinion, except for the matter described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the accounting regulations effective in the Republic of Serbia.

Report on Other Statutory and Regulatory Requirements

We reviewed the Company's annual business report. The Company's management is responsible for preparing and presenting the annual business report, in accordance with the Law on Accounting (Official Gazette of RS number 62/2013) and Law on capital market (Official Gazette of RS number 31/2011 and 112/2015). Our responsibility is to express an opinion on the extent to which the annual business report is reconciled with the financial statements for the financial year 2016. In this respect our test procedures are limited to the assessment of the extent to which the accounting information contained in the annual business report is reconciled with the annual financial statements which are the subject of the audit. In accordance with this, our procedures did not include a review of other information contained in the annual business report which originate from information and records which were not the subject of audit.

In our opinion, the accounting information presented in annual business report is, in all materially significant aspects, reconciled with the Company's financial statements for the year ended 31 December 2016.

Belgrade, 15 March 2017

KPMG d.o.o. Beograd

(L.S.)

James Thornley
Certified Auditor

This is a translation of the original Independent Auditors' Report issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.

Belgrade, 15 March 2017

KPMG d.o.o. Beograd

(L.S.)

James Thornley
Certified Auditor

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