



**DELTA
HOLDING
CSR
report 2017**

on Socially Responsible and Sustainable Business

www.deltaholding.rs

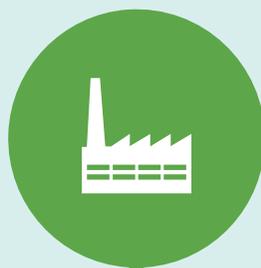
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DELTA HOLDING

Creating Business

DELTA
AGRAR



DELTA
FOOD PROCESSING

DELTA
REAL ESTATE





**DELTA
DISTRIBUTION**

**DELTA
MC**



**DELTA
FOUNDATION**

**DELTA
PAK**



DOMESTIC COMPANY DOING BUSINESS ACCORDING TO INTERNATIONAL STANDARDS

Delta Holding was founded in 1991. Company headquarters are located in Belgrade¹, and company business is predominantly carried out in Serbia, but in the countries across the region (Montenegro, Bosnia and Herzegovina), Russia and the EU as well.

Company's diversified operations include primary agricultural production, food production, real estate development, logistics and freight forwarding, and distribution of vehicles and consumer goods. Delta Holding Member Companies operate as limited liability companies, and a few of them are joint stock companies. Two non-profit organizations also operate within Delta Holding, namely Delta Foundation and waste management organization called Delta Pak.

Since its establishment, Delta Holding has been keeping up with international trends and introducing innovations on the Serbian market. In the previous period, apart from current businesses, the company developed the first Serbian private bank, private insurance and the largest retail chain in the region. These companies were sold to multinational corporations thanks to a well-established organizational system and top business results that they still achieve to date.

All members of the system achieve sustainable development by investing in the development and

satisfaction of human resources, respecting the needs of business partners, and taking care of the environment and the community in which they operate.

The following significant projects were carried out in 2017:

- Employment of 58 young people within the project called Young Leaders
- Donation of the 3rd endowment, sculpture 'From there to here' on the occasion of 10 years of Delta Foundation
- Winning 5 prestigious awards for socially responsible business in 2017
- Opening of the InterContinental Hotel in Ljubljana, Slovenia
- Construction of shopping malls in Banja Luka, Republic of Srpska and in Varna, Bulgaria
- Commencement of the construction of the Indigo hotel in Belgrade
- Development of the orchard in Zaječar
- Development of stock farming (sheep and pig breeding) and milk production

¹ 6, Vladimira Popovića St, Novi Beograd.



COMMITMENT TO SDGs

Delta Holding set the following Sustainability Development Goals, from UN 2030 Agenda, as priorities:

- 1 - End poverty,
- 2 - Fight against hunger,
- 3 - Healthy lives and well-being,
- 4 - Inclusive and quality education and promotion of lifelong learning,
- 5 - Gender equality
- 8 - Promotion of inclusive and sustainable economic growth, employment and decent work for all
- 12 - Responsible consumption and production
- 13 - Combat climate change and its impacts
- 17 - Strengthening global partnership for sustainable development

All members of Delta Holding contribute to accomplishing these goals by the way they carry out their daily business activities. Company development is primarily ensured by respecting and protecting human and labour rights of employees and stakeholders. The top management promotes the importance of lifelong learning and the transfer of knowledge to those who need to establish their own business and develop career. Employees are always updated with global environmental challenges and carry out daily business activities in a way that ensures their resolution. All member companies provide funds for the functioning of Delta Foundation, a corporate

foundation that contributes to reduction of poverty and hunger, to inclusive education and better health of fellow citizens through the implementation of its projects. A large number of employees participate in corporate volunteering actions that also contribute to improving the quality of life of fellow citizens and raising awareness about the needs of certain social groups.

During 2017, company representatives continued with the promotion of sustainable development goals at public events in partnership with other companies and organizations. They participated in a number of conferences and events where they presented examples of good practice for the implementation of the 2030 Agenda and shared their experiences with other domestic companies, small and medium enterprises, organizations and students, towards common development of the society.

In 2017, Delta Holding received 5 prestigious awards for corporate social responsibility, strategic approach to employee development, environmental protection, and meeting the needs of stakeholders and the community. These are the awards for: Socially responsible company of the year in 2017, Best talent development program, Virtus award for contribution at national level, Recognition for reporting according to GRI methodology, and the Anything but a car – an award for the largest number of participating employees in the project which promotes healthy means of transport.

ABOUT THE REPORT

For the last 10 years, Delta Holding has been reporting to the public about the progress made in sustainability and business development. Sustainability reports are issued annually, and the last seven reports were prepared in accordance with the GRI² (Global Reporting Initiative) methodology that ensures transparency, measurability and comparability of the data presented in the reports.

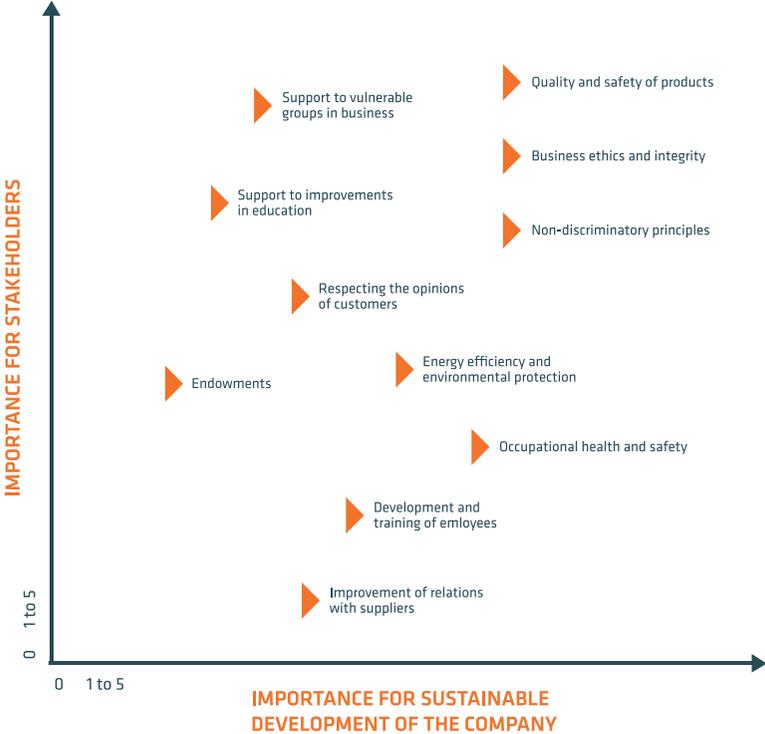
The report reflects on the projects and initiatives for improving sustainability and achieved results. All projects aimed at the sustainable development of the company and community are linked to the company's business strategy.

By providing information on its business operation, the Company intends to demonstrate that it is a responsible member of the community aware of the impact of its business on business partners, the environment and society.

This report is based on the core level G4 methodology, but it also meets the requirements of the advanced level of the United Nations Global Compact Progress Reports. The report refers to business operations in Serbia, unless otherwise indicated in the text. For the independent verifications of the report, the Company engaged the KPMG audit firm.



DETERMINING SUSTAINABILITY PRIORITIES



Once a year, while revising Delta Holding business strategy, the issues of relevance for further development of the company and for all stakeholders are also analysed. Areas or aspects of sustainable development that are identified in this way as strategically important are shown in the materiality diagram. Priorities include investing in product quality and safety, safety at work and environmental protection. Due to the high unemployment rate among the young and their lack of professional knowledge, the Company has set employment and education of young talents and young people from economically disadvantaged families as one of its priorities.

The importance of these areas to stakeholders was determined in a research conducted in 2015. Stakeholders rated the impact of certain sustainability aspects with respect to economic results, legislation, internal procedures and code of conduct, as well as with

the business strategy, health and safety of employees, environment and Company reputation.

External stakeholders included key business partners, customers, suppliers, contractors, banks, citizens' associations, non-governmental organizations, trade associations, educational institutions and the media. Internal stakeholders included the employees together with middle, senior and top management.

Delta Holding member companies conduct regular, annual customer satisfaction surveys of their business partners, primarily of buyers and suppliers³. Stakeholders are able to express their opinion by calling call centres or sending emails to addresses posted on the respective websites of all Delta Holding members companies. Company policy envisages responding to all messages within 48 hours.

³ The results of these surveys are presented in the section Market Responsibility



FOREWORD

BY THE PRESIDENT

Successful realization of the announced projects is one of Delta's greatest qualities and gives the greatest pleasure to all of us within the company, as that is how we see that our mission and vision are coming true.

Last year we carried out the announced plans: we opened the InterContinental hotel in Ljubljana and started the construction of shopping malls in Bulgaria and the Republic of Srpska; we made a new orchard in Zaječar, started sheep farming program, and continued with the digitization of agricultural production; we also continued with the expansion of product portfolios of our factories, increased sales volume in the domestic market and the countries of the region, the EU and Russia, expanded the areas of international transport, imported eco-friendly cars, and donated the 3rd endowment on the occasion of the 10th anniversary of our foundation.

We invested in people, their employment, constant training and career development. We are pleased to say that Delta's original Young Leaders program welcomed another generation of trainees, that 152 young people were employed and that the fellow-trainees from earlier generations hold important positions within our company today. Delta has been implementing this talent development process and strengthening of human resources for seven years now. Young Leaders program helps Serbia overcome two major challenges - youth unemployment and human capital flight.

We also disseminate knowledge through education projects for future farmers who are currently students of secondary agricultural schools taking part in the Fund for the Future program. In addition, within the framework of the Plantation for the Future program, we also teach citizens' associations belonging to the hard-to-employ categories of population on the principles of modern agriculture, and apart from financial assistance, we provide them the know-how of Delta Agrar experts.

Sustainability is the starting point of Delta's business, therefore, in the upcoming period, we intend to carry on with major investments in the field of agribusiness and real estate in the domestic market and countries of the region, respecting the needs of all stakeholders and respecting the highest ethical standards and principles of environmental protection. As ever before, our way of doing business will bring the highest quality products and services to the market.

All the mentioned community support programs will continue. We will supplement them with innovative projects in line with the times in which we do business. We will further develop sharing knowledge, employment assistance, and entrepreneurship through Delta's new project called Business Incubator.

We carry out all our activities according to the principles of the UN Global Compact. We are a proud and active member of its Board of Directors, applying these principles and intensely promoting them in the Serbian business community.

Miroslav Mišković
President, Delta Holding



OUR MISSION

It is with passion that we create companies that improve the society in which we live and work.

OUR VISION

To be a strong global company in the eyes of our clients, partners and employees, recognizable for the VALUES we uphold:

- **EXCELLENCE** makes us the best
- **INNOVATION** is how we change the world
- **INTEGRITY** is deeply-rooted in everything we do
- We always strive for the highest **ACHIEVEMENTS**
- **CARE FOR PEOPLE** is the foundation of our success

BOARD OF DIRECTORS

Delta Holding Board of Directors is made up of top experts with excellent leadership skills. They direct the Company's operations and employees towards achieving its vision and mission. They create corporate culture and environment in which each employee is aware of the Company's core values and its contribution in achieving set goals.

Setting an example to the employees, the Board motivates them to apply ethical principles and principles of sustainability in their daily operation to meet the interests of all stakeholders.

The Executive Board of Directors consists of the president, three senior vice presidents and three vice-presidents. Company president and vice presidents nominate the extended Board of Directors based on achieved results, ability to learn, accept changes and motivate others develop the company and society in which they live and work. The Extended Board of Directors includes another 5 managing and 6 sector directors. There are 10 women and 8 men among them.



Miroslav Mišković
President



Milka Vojvodić
Senior Vice President,
Finance and Economy



**Marija Desivojević
Cvetković**
Senior Vice President,
Strategy and Development



Dejan Jeremić
Senior Vice President,
Operations



Milorad Sredanović
Vice President



Ivana Mišković Karić
Head of Delta
Foundation



Ivan Kostić
Vice President,
Agriculture



Živorad Vasić
Vice President



Zorana Ždrale Burlić
CEO,
Delta Real Estate



Lazar Petrović
CEO,
Delta DMD



Aleksandra Đurđević
CEO,
Delta Auto



Ana Dišić
CEO,
Shopping Malls
Delta Real Estate



Jasminka Kiselčić
Director,
Plan and Analysis



Mira Cvjetić
Director,
Finance and
Accounting



Milica Pejnović
Director,
Internal Audit



Tomislav Mimica
Director,
HR



Ivan Vasić
Director,
IT



Tijana Koprivica
Chief Business
Sustainability Officer



STRATEGIC PLANNING

From its establishment, Delta Holding's strategic orientation is the introduction of new products and services and creation of new companies within the still undeveloped or non-existent business branches in Serbia and the region.

The vision of the company is to follow global trends, introduce innovations in the market of Serbia and the region and create values in new market segments. This is how Delta Holding creates habits and develops the needs of the population for new products.

Entering particular market segment as a "first-mover" ensures the leading position of Delta Holding. The process results in the creation of strong companies and their valorisation and sales in the market at the point when they reach maximum in business.

In 2017, the following plans were adopted on the Strategic College:

- Development of fruit growing and livestock breeding
- Investment in precision agriculture
- Expansion of Food Processing product portfolio
- Development of distribution network, domestic and international transport
- Construction of shopping malls in the country and region wide
- Support to the development of entrepreneurship in agriculture
- Support to young people in acquiring practical skills and knowledge

THE MOST IMPORTANT ENVISAGED RISKS IN 2017

RISK	DESCRIPTION
Domestic market	Instability and low purchasing power of local market
	Potential entry of foreign companies with better business conditions on domestic market
	Buyers insolvency
International market	Fluctuation of stock market prices
	Change in currency values
Climate impact	Climate impact on the agricultural production
Financial risk	Potential risk of decrease in banks' lending activities

Continuous forecasting and analysis of market trends are carried out in order to recognize opportunities, evaluate consumer behaviour, competition, and define risks. All risks are analysed according to their significance and probability of occurrence. Strategic planning ensures that the envisaged opportunities are used and the risks are avoided. Constant monitoring of employee satisfaction is vital in strategic planning, as well as investing in their development, monitoring the needs of business partners and society.

Plans for business development are created in strategic workshops of Delta Holding member companies. Chief Business Sustainability Officer defines corporate social responsibility strategy together with teams responsible for human resources, environmental protection, development of relations with customers, suppliers and the community. Plans to address identified social challenges in the

community are further developed and implemented by Delta Foundation.

Strategic plans are revised once a year. During this revision, plans are adjusted to reflect changes in internal and external environment and newly identified opportunities and risks.

The decision on the adoption of strategic plans is made by the Board of Directors at the strategic college meeting when development plans of all member companies are presented together with the plans for improvement of environmental protection, development of human resources, assistance to the community and society. Company President and Board of Directors are involved in making strategic decisions and plans for business development, as well as decisions on environmental protection and support of the community.

BUSINESS ETHICS AND INTEGRITY

Delta Holding operates in accordance with legislation and ethical principles. The company has set up its Code of Ethics which is available to the employees on the internal portal. Printed brochure is available to the employees working on the farms and estates who do not use PCs in their daily work.

This Code stipulates basic moral principles with regard to responsibility for conscientious and professional execution of tasks and activities, and high moral standards in the relations with the employer, colleagues, customers, suppliers, and other stakeholders.

The Code protects employees' rights and defines the obligations of the employer to respect diversity, prevent harassment at work, protect whistle-blowers, provide a healthy workplace and right to salary and limited working hours and allow career development and vocational trainings. The Code stipulates the responsibilities of employees about keeping trade secrets, prohibition of corruption and the protection of Company's reputation and assets. It is clearly defined that the employees should perform delegated tasks in such a way that the interests of the Company are not subordinated to personal interests, or that their actions may cause a conflict of interest.





Company Code of Ethics defines fair relations with all stakeholders that implies recognition and respect of their needs and interests in everyday work. Transparent and open communication is recommended as well as providing truthful and timely information, open communication and fair competition.

Since 2014, parts of the Code of Ethics were incorporated in employment contracts. In addition, corrective measures in case of violation of defined principles are clearly indicated. For any questions regarding the ethics and integrity, the employees can address the Human Resources Department and labour law officers.

Delta Holding also respects and promotes the Policy of corporate social responsibility which defines intention to integrate voluntary care for business

partners, the community and the environment in everyday business processes. In late 2017, negotiations commenced with the certification company for the introduction of SMETA standards that would confirm compliance with CSR principles in Delta Holding member companies. Up to the date of issuance of this report, SMETA standard was introduced in BU Hladnjača in Čelarevo. Certification of all factories within the Food Processing Group is planned until the end of 2018.

Delta Holding complies with the United Nations Global Compact Ten Principles, as well as with the principles of ISO 26000, the Code of Business Conduct, Pro Bono Policy and Etiquette in communication with persons with disabilities.

MEMBERSHIPS

United Nations Global Compact – a voluntary initiative of businesses that incorporated ten universal sustainability principles in their business operation. These principles include respect for human and labour rights, environmental protection and anti-corruption. As the world's largest civil initiative, Global Compact involves all the relevant social actors: public institutions, companies, trade unions and civil society organizations that represent the wider community and the United Nations. Delta Holding has been a member since 2007, and the member of Global Compact Board since 2015. The company actively participates in the meetings of European UN Global Compact Networks and transfers new knowledge and global trends to its members in Serbia. With other Board of Directors members, the company initiates and implements numerous conferences and events that contribute to the promotion of Sustainable Development Goals and 2030 Agenda.



**RESPONSIBLE
BUSINESS
FORUM**

European Venture Philanthropy Association – EVPA is a membership association and network made up of organisations interested in or practising venture philanthropy and social investment across Europe. Established in 2004, EVPA aims to be highest-value catalytic network of European social investors, venture philanthropists and foundations committed to using venture philanthropy and social investment tools to target societal impact. EVPA members work together across sectors in order to promote and shape the future of venture philanthropy and social investment in Europe and beyond. Association has over 210 members from 29 countries, mainly based in Europe. Delta Foundation has been a member of EVPA since 2016.

Responsible Business Forum – is a network of leading companies that contribute to community development, encouraging the development of corporate social responsibility. The Forum represents a platform that connects business leaders with the representatives of other sectors of society, fostering cross-sectoral dialogue, cooperation and exchange of good practices. The Forum develops practical and sustainable solutions for all four CSR pillars: the local community, environment, workplace and marketplace. Delta Holding became a member of the Responsible Business Forum and of the Board of Directors in 2015. Company representatives are actively involved in the promotion of the principles of social responsibility, social entrepreneurship, education of youth and corporate volunteerism.



STANDARDS

INTERNATIONAL QUALITY STANDARDS

STANDARD	DESCRIPTION	MEMBER
ISO 9001	ISO 9001 sets out the criteria for a quality management system in business organizations. ISO 9001:2008 helps ensure that customers get consistent, good quality products and services, which in turn brings many business benefits.	Delta Agrar Group (Seme Sombor, Yuhor), Delta Distribution (Delta DMD, DTS, Delta Auto, Delta Motors)
ISO 14001	ISO 14001 is an international standard for the development of effective environmental management systems (EMS) applicable to all industry types.	Delta Agrar Group (Yuhor)
FSSC 22000	Demonstrates that company has a robust Food Safety Management System in place that meets the requirements of customers and consumers. FSSC 22000 is fully recognised by the Global Safety Initiative and is based on existing ISO Standards	Food Processing (Danubius)
IFS	Standard that guarantees safe and high quality products.	Food Processing (Mioni), Delta Agrar Group (Cold Storage Čelarevo)
GLOBAL GAP	Global GAP is the pre-farm gate standard set in place by European leading food retailers to give their customers more assurance of food safety.	Delta Agrar Group (Podunavlje, Jedinstvo, Napredak, Topola, Kozara)
ISCC	Standard that defines use of biomass, produced under sustainable conditions of production and manufacturing process of the same biomass.	Delta Agrar Group (Kozara, Jedinstvo, Napredak, Topola, Podunavlje)
SMETA	A standard that confirms the implementation of business principles that ensure respect of human and labor rights, safety at work and environmental protection.	Delta Agrar Group (Cold Storage Čelarevo)
IFS logistic 2.1	IFC Logistic is a standard for auditing all logistics activities for food and non-food products.	Delta DMD, DTS
HACCP	HACCP is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.	Delta Agrar Group (Kozara, Jedinstvo, Napredak, Topola, Podunavlje, Fun&Fit, Mioni, Danubius, Yuhor), Delta DMD, DTS
HALAL	Halal Certification is the recognition that the products are permissible under Islamic law.	Delta Agrar Group (Yuhor)



AWARDS

AWARDS IN 2017

AWARD	AWARDEE (MEMBER)	ORGANIZATION GIVING THE AWARD	DESCRIPTION OF THE AWARD
Main Virtus Award for contribution at the national level	Delta Holding	Trag Foundation	VIRTUS Main Award is awarded to a company which supports activities and projects of public interest in a systematic and thoughtful manner
Socially Responsible Company of the Year Award	Delta Holding	Serbian Association of Managers	Largest socially responsible impact company in 2017
Best talent development program Award	Delta Holding	Serbian Association of Managers	Award for "Young Leaders" program
Contribution to the development of non-financial reporting Award	Delta Holding	Forum for Responsible Business	Award for reporting in line with the GRI methodology
"Anything but a Car" - 1st place	Delta Holding	Bicycleology and UNDP	Award for the company team with the highest number of participants

AWARDS IN 2017

AWARD	AWARDEE (MEMBER)	ORGANIZATION GIVING THE AWARD	DESCRIPTION OF THE AWARD
Grand Silver Cup Award for the exhibited heifer	Delta Agrar	Novi Sad Fair	Cattle category
Champion Cup Award for the Holstain Frize race cow	Delta Agrar	Novi Sad Fair	Cattle category
Great Champion Cup Award with the title of Absolute Champion	Delta Agrar	Novi Sad Fair	Cattle category
Champion Cup Award for the exhibited Duroc boar	Delta Agrar	Novi Sad Fair	Pig farming category
Champion Cup Award for the exhibited sow with piglets	Delta Agrar	Novi Sad Fair	Pig farming category
Champion Cup Award for the exhibited collection of breeding gilts	Delta Agrar	Novi Sad Fair	Pig farming category
BMW Presidents Award	Delta Motors	BMW Auto Group	Prestigious BMW Group Award for exceptional business results
BMW Brand Award	Delta Motors	BMW Auto Group	Award for the promotion of new models
Grand Prix Award	Delta Motors	Belgrade Fair	Prize for improving the overall fair performance
Contribution to the preservation of the environment Award	Delta Motors	Metro market, Serbian Chamber of Commerce and Automobile, and Motorcycle Association of Serbia	Award for the introduction of electric vehicles to the Serbian market
Golden Car Award	Delta Motors	Auto Bild	Award for the exceptional performance of the BMW 4 Series
Winner in the Limousine category	Delta Motors	Auto Bild	Award for the exceptional performance of the BMW 5 Series
Winner in the Green Car category	Delta Motors	Auto Bild	Award for the BMW i8 electric car
Excellence in Premium Core Award	Delta DMD	Diageo	Award for the best Festival Activation in Europe for the brand Smirnoff
IT Manager Star Awards	Crowne Plaza Belgrade	IHG Group	Do The Right Thing
IT Manager Star Awards	Crowne Plaza Belgrade	IHG Group	Work Better Together
Technology Manager of The Year 2017 Award	Crowne Plaza Belgrade	IHG Group (Europe)	Award for exceptional business results
Singidunum Winner Award	Restaurant Prime	Singidunum University, City of Belgrade, Serbian Chamber of Commerce, HORES, YUTA	Platinum recognition for quality
Ambassadors of good service Award	Crowne Plaza Belgrade	Editorial Board of "Tourism Council" under the auspices of Ministry of Trade, Tourism and Telecommunications	Winner in the category "Reception"

FINANCIAL RESULTS

Delta Holding achieved excellent business results in 2017.

Increase in turnover was 11.2% while EBITDA rose 20% compared to 2016.

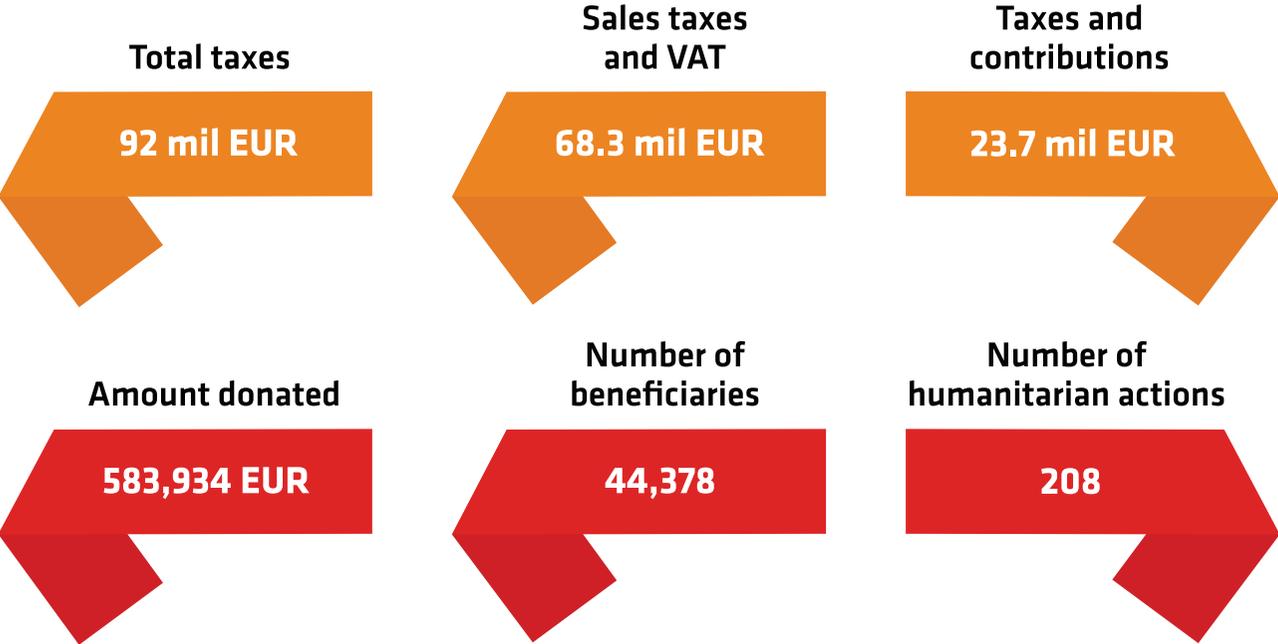
Total turnover of Delta Holding amounted to 457.82 million euros in 2017, and EBITDA was 38.67 million euros⁴. Consolidated balance sheet did not cover Delta MC which achieved 2.9 million euros in turnover.

Business activities in 2017 were financed from operative profits and credit lines from banks and other financial institutions. Ongoing business activities were also covered by subsidies prescribed by domestic laws that are available to all business entities.

In 2017 Delta has paid 92 million euros in taxes into the budget of the Republic of Serbia. Through the projects led by Delta Foundation, 583,934 euros were invested in the community, 208 projects were implemented, and 44,378 persons received aid.

DELTA HOLDING'S CONSOLIDATED RESULTS IN MILLION EUROS

MEMBER COMPANIES	INCOME	EBITDA
Delta Agrar Group	218.34	20.88
Delta Food Processing	55.91	1.16
Delta Real Estate Group	32.29	9.22
Delta Distribution	194.57	6.52
Other	7.89	0.90
Total	457.82	38.67



⁴ Revenue and EBITDA are based on the unaudited consolidated management accounts.

Delta Holding made 80.63 million euros in exports. Delta Agrar Group is the largest exporter among the members companies, with exports amounting to EUR 61.6 million. Export of goods produced in all the factories in 2017 amounted to EUR 7.8 million.

EXPORT IN MILLION EUROS

GROUP	2017
Delta Holding	80.63
Delta Agrar Group & Food Processing	61.59
Delta Agrar Group	53.76
Food Processing	7.83

FOOD AND AGRICULTURAL PRODUCTS EXPORT IN MILLION EUROS

GROUP OF PRODUCTS	2017
Fruit and vegetables	14.39
Field crops	29.56
Oilseeds	8.66
Seeds	0.50
Flour and pasta	3.02
Meat and meat products	3.07
Appetizers and cereals	1.10
Water	0.13
Other	1.15
Total	61.59

Delta Agrar Group & Food Processing

61.59
mil EUR
export

EU 40.12 mil EUR

RUSSIA 14.41 mil EUR

CEFTA 6.54 mil EUR

OTHER 0.52 mil EUR



MARKET RESPONSIBILITY

 **PRODUCT RESPONSIBILITY**

 **CUSTOMER CARE**

 **SUPPLIER ENGAGEMENT**

The quality of products and services of Delta Holding member companies is constantly improving. All members within the system apply international quality standards relevant to their business. In late 2017, negotiations commenced with the certification company for the introduction of SMETA standards that would confirm compliance with CSR principles in Delta Holding member companies. The first SMETA certified business unit is the cold storage plant for fruits and vegetables in Čelarevo. In 2017, there were no complaints regarding the impact of the products and services of the member companies to the health and safety of consumers. Products of all Delta Holding member companies are properly labelled and contain all the necessary information on the origin and amount of the components of which they are made, as well as the recommendations for their safe usage and disposal of packaging. In 2017, there were no complaints to the accuracy and correctness of information in marketing campaigns nor to the violation of privacy of customer information. Possible complaints about products are thoroughly analysed to determine if they are justified. The justification of a complaint is determined by analysing counter sample and relevant records from the production. If it is not possible to make a decision individually, a team for determining non-compliance is established to further analyse the complaint. In case of a justified complaint, a package of products is sent to the consumer. If it is found that the complaint is not justified, a valid explanation is sent to the consumer. Complaints are received by phone, orally or by e-mail, and they are resolved within the legally prescribed deadline of 8 days, and often more quickly. The company does not deal with the sale of prohibited or disputed products.

The company takes great care of the selection of its suppliers. Procedure for the selection of Delta Agrar suppliers is strictly controlled in order to ensure quality control of raw materials. Each potential supplier is evaluated in relation to the quality of products, degree of implementation of the quality management system and HACCP, and reliability and quality of delivery. Based on the results of eligibility with the mentioned criteria, each supplier is ranked with A, B or C. Products are procured from A-ranked suppliers whenever possible, while they are procured from B-ranked suppliers if they cannot be procured from the A rank supplier. Products are never procured from C-ranked suppliers.

The quality of services and products of Delta Real Estate Group suppliers and associates is also regularly verified. Foodstuffs used for food production in hotels are purchased exclusively from suppliers that comply with the requirements of the HACCP quality control system.

Suppliers for Delta Auto Group are selected through tenders, based on the list of references they possess, quality reviews/checks of their work, and certificates and licenses which they hold. After choosing the best offer, the supplier is enlisted in the list of recommended suppliers. An annual meeting is held with each supplier analyzing cooperation and giving recommendations for further improvements. Potential changes due to regulatory reasons are being monitored, and rise of awareness of importance of the quality of their organization, specific cooperation and business interrelationship is carried through. Based on the continuous reconsideration of suppliers' quality of the products and services, rating and ranking of the supplier is performed in compliance to the QMS.

Delta DMD and DTS review team regularly checks if the suppliers are performing their business chores in accordance with the requirements of the quality management standards. At the beginning of 2017, a questionnaire regarding compliance with CSR principles was sent to suppliers. This helps the company to educate domestic suppliers about the importance of respecting socially responsible principles and sustainable development. The questionnaire was sent to the addresses of all long-term suppliers of DMD and DTS (total of 31).

Suppliers of all member companies are bound by agreements to respect the principles of protection of human and labour rights, which, among other things implies prohibition of child labour, forced labour and abuse at work. Contracts with suppliers also stipulate their duty of compliance with the laws and ethical principles of business, human and labour rights, the implementation of anti-corruption principles and environmental protection. Thereby the Company further emphasized the importance of respecting the mentioned standards.



DELTA AGRAR GROUP

Delta Agrar is a renowned producer of agricultural products, with a focus on the highest quality and efficiency in the production of crops, animals and fruits and vegetables. It is a leader in the trade of agricultural products in Serbia and exports its products in more than 20 markets in the EU, Russia and Southeast Europe. It is also a leader in distribution of pesticides, seeds, and agricultural machinery.

It introduces western technologies, knowledge and skills to the markets of Serbia and the region, thus contributing to the development of agricultural production and economy as a whole. As a trusted partner to domestic agro-producers, it participates in creating effective synergy in the supply chain.

In 2017, 14% income growth was achieved, while EBITDA increased by 13%.

Exports to the EU countries, Russia and the CEFTA countries amounted to 53.76 million euros. Exports to the EU countries amounted to 72%, 27% to Russia, and 1% to the CEFTA countries.

Major part of exports, as much as 70%, accounted for cereals, followed by fruits and vegetables - 29%, and seeds -1%.

Delta Agrar invested EUR 20.4 million in 2017 in the improvement of business and production. Investment of 35.4 million euros is planned for 2018.

In 2017, the introduction of SAP, data collection and processing system continued in all areas of business.

Fruit and production

In 2017, Delta Agrar started planting fruit on the Zaječar estate. On an area of 100ha, club apples, cherries, peaches, seedless grapes and plums were planted. Cherry plantation is presently the largest in Serbia and it covers the area of 30ha. A 100,000 eur/ha investment was made in state-of-the-art protection and irrigation systems.



One of the most up-to-date apple plantations in Serbia and the region is located on the estate Podunavlje in Čelarevo. On a gross area of 600ha, the following traditional varieties of apples are produced: Gala, Braeburn Marriri Red, Golden Delicious Reinders, Red Delicious, Granny Smith, and the following club varieties: Modi, Kiku, Pink Lady and Evelina. Through cooperatives, Delta Agrar secures the following apple varieties: Idared, Granny Smith, Golden Delicious, Red Delicious, Jonagold, Jonagored, Cadel, Mucu.

Apples are densely planted according to Italian South Tyrol technology that ensures 3,900 trees per hectare. In some parts of the orchard, as much as 5,200 seedlings per hectare are planted which is an even more intensive production. In addition to planting density, high and stable yields are also ensured by high quality planting material, protection against adverse climatic factors, high quality irrigation and conservation. Irrigation system and meteorological station are covered by the GPRS system, which enables remote control and monitoring of parameters. Entire apple production is carried out according to Global GAP system, which enables top quality of products.

The orchard is equipped with modern Ultra Low Oxygen cold storage facilities with total capacity of 20.000 tons. Dynamic atmosphere in these cold storage systems maintains the entire apple yield fresh up to 300 days without any additional chemical treatments. New Aweta line for apple pre-calibration and sorting (by colour, diameter and grammage) was installed in the cold storage facility, with the capacity of 10t/h.

In 2017:

- The following income growth was achieved: 20% in fruit production, 60% in vegetable production and 27% in TTL segment
- Exports to the regional countries increased (Macedonia, Slovenia, Croatia)
- The number of customers in the EU countries increased (Czech Republic, Hungary, and Germany)
- Continuity in deliveries to existing customers and markets was achieved (Middle East, Great Britain and the EU)
- The range was expanded by 93 additional items
- More than 20,000t of apples were produced
- Club Apple Evelina, planted in 2016, made its first yield
- As much as 111 tonnes of Pink Lady club apple were planted on 33ha, thus doubling the yield compared to the previous year.
- The permit for the export of Pink Lady to the Russian market was obtained

Excellent results were achieved through strategic investment in knowledge, innovation in product range, product quality and customer relationship development.

The plans for 2018 include:

- Growth of apple production
- Planting additional 100ha of Pink Lady club apple
- Planting new club varieties of apples
- Growth in fruit sales by 18%, vegetables by 10%, and TTL by 16%
- Exports of cherries and an exclusive plum range to the EU
- The construction of cold storage facility in Zaječar

Donation to the Red Cross soup kitchen

Delta Agrar donated 6 tonnes of fruit products for the beneficiaries of the soup kitchen in the Red Cross Centre in Mala Krsna. The Red Cross Centre in Mala Krsna includes a shelter for socially vulnerable persons, soup kitchen and kindergarten for children from socially vulnerable families. The Red Cross Centre in Mala Krsna cooperates with Delta Agrar and it won two grants for improving agricultural production within the project Plantation for the Future.

Production of field crops

The following field crops are grown at Delta Agrar estates: wheat, corn, soybean, sunflower, rapeseed and sugar beet.

Extremely high and stable yields are the result of long-term investments in modern methodologies of production and improvement of knowledge for the application of methodologies.

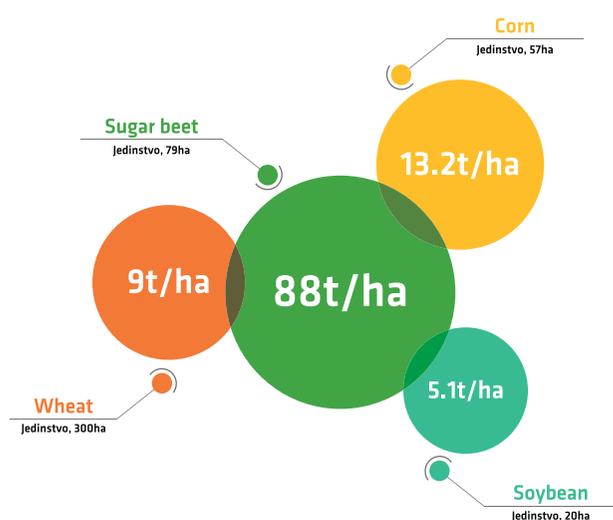
Of the total plantation crops, 40% of surfaces is under irrigation system. By 2020, 100% coverage is planned.

Vegetable production

Vegetable is produced on 1,038ha of own land and in cooperatives. The most commonly produced vegetables include peas, beans, potatoes, onions, peppers, celery, cabbage, cauliflower, kale and broccoli.

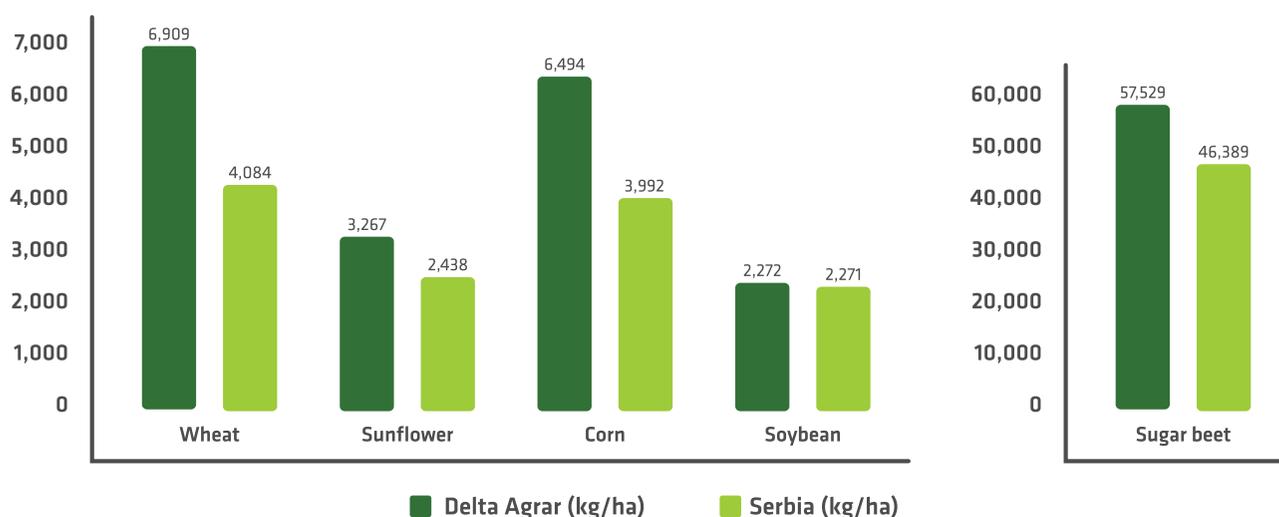
The entire area on which the vegetables are grown is covered by the irrigation system. Production and storage is carried out according to the Global GAP standard. Onion and potatoes storage capacity is over 2,000 tonnes. The storage facilities include a packing centre for sorting, calibrating, cleaning and packing onions and potatoes.

Record-breaking yields



In 2017:

- Investment was made in vegetable washing line in Čelarevo
- Area under plantations and storage capacities were increased
- Product range was increased



Agro distribution

Delta Agrar produces and distributes corn, soybean, wheat and barley seeds. In addition, it deals with the distribution of sunflower seed, rapeseed and microbiological program.

It is an exclusive producer and distributor of:

- **DuPont Pioneer** hybrids of corn, sunflower, rapeseed and microbiological program
- **KWS** wheat varieties *Modern* and *Solehio*
- **Saatcuht Donau** varieties of wheat called Balaton and Amicus, and barley variety Carmina
- **SELSEM** soybean seeds

In 2017, Delta Agrar cooperated with Dow Chemical & Dupont, which, like all its partners, respects all principles of sustainable development, human and labour rights, ethical principles and takes care of the environmental impact.

Results in 2017:

- Market share increase in distribution of seed corn by 45%
- Sunflower sales increased by 84% compared to 2016
- Sales of seed wheat and barley increased by 22%
- A new soybean variety registered in the territory of Serbia and two on the EU market
- Five new products from the pesticide category introduced and 5% sales growth achieved
- Landini tractor sales increased by 144%
- The best dealer of Valmont irrigation equipment in Europe

Plans for 2018:

- Construction of a finishing centre in Stara Pazova
- The growth of plantations under Pioneer Dupont corn and sunflower seeds
- Sales growth of all products

Precision agriculture

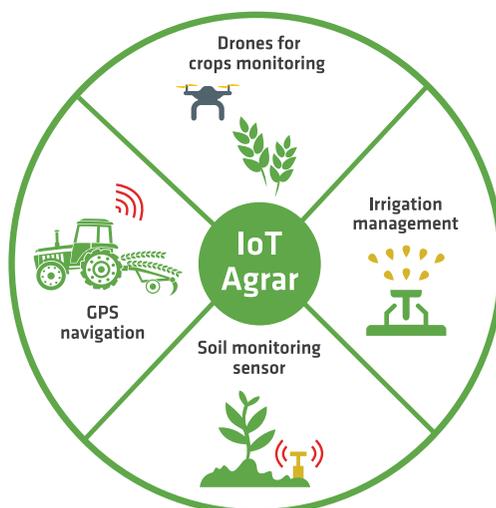
Since 2010 onwards, Delta Agrar has been constantly introducing new, modern technologies for precise agricultural production. So far, autopilot navigation, GIS, GPS system, automatic navigation and variable application of fertilizers, seeds and pesticides have been introduced on farms. Autopilot navigation completely replaces tractor drivers. Delta Agrar uses 26 tractors with navigation and 111 units with Global Positioning System (GPS).

Precision farming systems:

- Facilitate detailed land scanning
- Prevent ploughing outside furrow
- Enable variable sowing and fertilization in relation to plant requirements and soil concentration
- Facilitate satellite detection and monitoring of crops
- GPS vehicle tracking

Introduction of precise agriculture enables:

- Better control over the production process and less possibility of error
- Better conditions for plant growth and higher yields
- Reduced use of nitrogen fertilizers that may cause environmental problem by eroding into groundwater
- Increased operational efficiency, which means lower operating costs and less fuels, plant protection products and seeds



Livestock farming

Delta Agrar stock farming includes pig breeding, dairy farming, sheep farming and fishery. Pig production takes place on 5 farms:

- Nukleus and IVF centre – Stara Pazova
- Napredak – Stara Pazova
- Vladimirovac - Vladimirovac
- Halovo - Zaječar
- Kozara - Banatsko Veliko Selo

The results achieved on the farms are ranked along with those of the best farms in Denmark, the leader in pig breeding.

Farm Vladimirovac, with 42 piglets born alive per sow per year, is by 20% more successful than the best cattle breeders in Denmark. These results rank Vladimirovac in the top three farms in the world.

Last year, a record was broken at Napredak farm, where a sow farrowed 34 live-born pigs in the seventh farrowing.

The entire production is organized according to Danish DanBred methodology complying with the standards of working conditions, safety of employees, environmental protection and standards related to keeping animals to the highest possible extent. In accordance with European regulations, animals are allowed free movement. Climate conditions are controlled and maintained at an optimum level. In order to minimize the use of medicines and maintain excellent health of all animals on the farm, the highest external and internal biosecurity and hygiene measures are implemented.

External biosecurity measures include the separation of a farm from external environment, rodent control, the gravel belt around the facility,

rodent traps, and window grids. Prior to entering the premises of the facility, the employees must take shower and put on workwear and footwear used exclusively on the farm. Contact with pigs outside the farm is prohibited to the farm employees.

Internal biosecurity measures include production organized according to All in All Out system, which implies that groups of animals enter and leave a certain stage of production at the same time. The section is regularly washed and disinfected, and disinsectization and deratization are performed. Washing footwear between the sections is mandatory, and the so-called disinfection barriers are also installed. The work process is fully compliant with EU regulations.



Last year, farms produced 120,000 fatteners with a high percentage of meat content. The realization of the started investments and the expansion of accommodation capacities will enable achieving the planned 133,000 fatteners in 2018 and as many as 170,000 fatteners in the next two years.

During 2017, the farms Vladimirovac and Halovo (Zaječar) were renovated. On the farm Vladimirovac, 7 facilities were reconstructed, thus increasing the farm's capacity from 700 to 2,200 sows, that is, from 20,000 to 60,000 pigs per year. The production of 5,000 high-quality gilts for the market is thereby also enabled. In addition, the farm is equipped with state-of-the-art equipment with computerized systems for food, ventilation and production monitoring. The installed ProGrow system provides computer monitoring of feed consumption and growth via cameras and calculation and optimization software.

At the farm Napredak, capacities were expanded by 3,600m² and the plant for the production of premix, a mixture for quality feeding of animals was built.

In 2018, the construction of a feedlot with a capacity of 5,000 fatteners in turn or 15,000 fatteners per year is planned at the farm called Kozara. The total area of new capacities on this farm will be 7,500m².

Dairy farming

Dairy farming is carried out at the farms Napredak and Topola. In 2017, a new stage in milk production started.

At the farm Napredak, cattle stalls were expanded and the facilities were adapted. The import of 570 high quality Holstein Friz heifers was of particular importance in 2017. There are also 450 Black Holstein dairy cows on the farm, as well as 400 breeding animals of various categories (breeding heifers and female calves). Annual production plan is 5,000,000 litres of milk. State-of-the-art De Laval milking parlour fully compliant with EU standards is used on the farm. The equipment consists of a computer system for monitoring and control of animal health. The capacity of the milking parlour is 64 milking points (milking lasts 8 minutes per cow).

New heifer stalls were built on the farm Topola. At the moment, there are 650 Black Holstein dairy cows and 735 breeding stock of different categories (breeding heifers and female calves). In order to secure optimum growth conditions for the heifers, 80ha of different types of grass are sown, so that animals can move and eat freely. Annual production plan is 6,000,000 litres of milk.

The plans for 2018 are as follows:

- import of 200 heifers (Delta Agrar will then have 1,400 cows producing 10,000,000 litres of milk)
- construction of a new farm for 700 cows.

This will significantly increase the profitability of production, as 2,200 cows will produce 22,000,000 litres of milk annually.



Sheep farming

Sheep farming was organized on the farm Vražogrnac near Zaječar in 2017. 500 sheep and 20 rams of the Ile de France breed were imported from France. This is a very adaptable breed suitable for modern farm breeding in closed space and on pastures as well.

The newest method of sheep farming is applied with the ultimate goal of forming a 6,000 sheep herd with an annual production of over 15,000 lambs. The former fodder farm in Zaječar was reconstructed and adapted, and apart from the buildings with the latest boxes and mechanization, the farm is equipped with a modern laboratory for artificial insemination of sheep. The long-term plan involves the production of significant quantities of lamb meat for domestic and foreign markets.

Cooperation with individual agricultural producers

Delta Agrar organizes and develops cooperatives with agricultural producers through contracting cultivation of crop, fruit and cattle breeding.

This cooperation involves:

- Support in financing of production (procurement of animals, fertilizers, seeds, pesticides and advance purchase of mercantile goods)
- Professional monitoring of crop cultivation technology
- Safe placement of produced agricultural products
- Purchase of all market surpluses of produced crops
- Service storage

The contract stipulated technical and advisory support, monitoring and control of the entire production process in order to comply with the procedures required by the Global GAP standard and the HACCP system and achieve the highest quality of production. Delta Agrar guarantees the best service to its clients and partners by quality control at goods acceptance and the highest standards in packaging, storage and transport.

FOOD PROCESSING

Danubius

Factory Danubius from Novi Sad is the manufacturer and distributor of cereals, flour and pasta. It has become a member of Delta Holding system in 2006, and in 2018, it is marking a very important jubilee: 100 years of existence.

There are three business units within the factory:

- 65,000t capacity silo with continuous-flow Schmidt-Seeger dryer with the capacity of 50 - 70t/h
- Modern computer guided Swiss Bühler mill, with daily production of 300 tons top-quality flour. The range of flours packed in one-kilo sacks consists of 3 basic and 5 alternative types.
- Pasta factory with annual capacity of 14,350 tonnes

Adapting to the needs of customers and constantly investing in product development, Danubius has built the image of a trusted brand of high quality. In 2017, the quality of products was reinforced by the implementation of FSSC 22000 standard, while the introduction of BSCI/SMETA is envisaged for 2018, thereby confirming that Danubius complies with the principles of socially responsible business.

Investments in 2017 amounted to 1.5 million euros, while 1.3 million investment is planned for 2018.

INVESTMENT PLAN

	2017 ACT	2018 FUT
Increasing flour packaging and delivery capacities	478	710
Increasing goods acceptance, storage and transhipment capacities	431	500
Construction of rack warehouse for finished products	397	50
Other equipment	178	48
Total	1,484	1,308



Market share in the sale of Danubius pasta increased in 2017 compared to 2016 from 26.6% to 28.7% thereby confirming leading position in this segment. Danubius retained its leading position in the market of flour with a share of 34%.

The results of regular annual customer satisfaction surveys represent valuable source of information on their requirements. Therefore, in 2017, two surveys on customer satisfaction were carried out in June and October. The survey was carried out in the shops of Delhaize, Dis, Mercator and Univerexport retail chains in 4 cities (Belgrade, Novi Sad, Čačak and Niš). In the total sample of 254 consumers, men accounted for 30%, and women for 70%, of which 83% were between 20 and 60 years of age. The products' features were scored ranging from 1 to 5, with 5 being the highest score.

The target score for 2017 was 4.40. The achieved customer satisfaction score for flour is 4.50 and 4.53 for pasta, and they are higher than the 2016 scores (flour - 4.46, pasta - 4.53).

Product features	June	October	Average score
Quality	4.58	4.62	4.60
Price	4.24	4.13	4.19
Range	4.68	4.62	4.65
Packaging	4.53	4.46	4.50
Positioning	4.54	4.55	4.55
Average score	4.51	4.48	4.50

The survey results indicate that customer satisfaction with the quality of products has increased in relation to 2016. The housewives particularly commended the quality of T 400 type flour for cakes. Customers also expressed satisfaction with a wide range. In their comments, they stated that they have a greater need for flour made of a single type of cereal in relation to mixtures. In response, Danubius will distribute dark flour T-1100 in the upcoming period.

Product features	June	October	Average score
Quality	4.63	4.57	4.60
Price	4.35	4.37	4.36
Range	4.42	4.62	4.52
Packaging	4.65	4.56	4.61
Positioning	4.57	4.55	4.56
Average score	4.52	4.53	4.53

Consumers showed greater satisfaction with the quality of pasta compared to 2016, when it was scored 4.41. Regular quality control contributed to improved results, as well as the installation of a new line (FAWA) for the production of short pasta, which significantly improved the quality of this pasta.

A new design of printing and packaging for all pasta was made (vitaminized, durum and integral). This resulted in 4.61 score for packing compared to 4.18 in 2016.

In 2017, the Danubius Development Team was established comprising the company director, maintenance manager, two production engineers, a key customer manager and a marketing assistant.

Team members are responsible for development and improvement of the existing processes within the organization. Creation, development and implementation of ideas should provide better positioning to Danubius in the existing markets and conquering new market niches. In addition to the large number of innovations aimed at improving current processes and products, the development team is actively cooperating on the introduction of radical innovations, such as the introduction of new products (ready mixes for bakery and confectionery products).

Care for employees and their constant development is one of the main strategic goals, as team spirit, connectivity and high motivation of employees guarantee the quality of production and services, and thus the success and sustainable development of Danubius.

Yuhor

Factory Yuhor from Jagodina is one of the largest meat industries in Serbia with a wide range of high quality products. The factory has been in operation since 1902, and it has been a member of Delta Holding system since 2004. Yuhor started developing retail business in 2015. By the end of 2017, its retail chain consisted of 41 Yuhor stores.

In 2017, the following results in wholesale were achieved:

- Sales volume growth compared to 2016
- Optimized portfolio
- Redesigned packaging
- Beginning of cooperation with 3 retail chains in the production of Private Label products
- Extended network of HoReCa customers
- Exports increased by 7%

In 2017, our range was supplemented with the following products:

- Meat preparation – beef ćevapi, beef sausage and chicken sausage
- Marinated meat – marinated pork neck, and marinated chicken wings
- Raw products – shish-kebabs, netted rolled shoulder
- Fermented sausages – Njeguška sausage, Mini Njeguška sausage, Šumadija salami, Rustic salami, Domestic kulen, Piquant sandwich sausage
- Dried meat products – Country pork ham
- Boiled sausages – Balkan sausage, Bacon sausage, Spring sausage and Mini spring sausage
- Preserved products – Prosciutto Cotto

Yuhor's strategic orientation is the production of quality, healthy and safe and nutritionally-valuable products with minimum negative impact on the environment. This is achieved by applying the ISO 9000: 2008 Quality Management System, the ISO 14001: 2004 Environmental Protection System and the ISO 22000 Food Safety Management Standard. Yuhor is also Halal certified, thus allowing exports to the Muslim majority countries.

Yuhor exports its products to the markets of Macedonia, Russia, the EU, Bosnia and Herzegovina and Montenegro.

In 2017, customer satisfaction survey was conducted of 95 business customers.

KEY CUSTOMER SATISFACTION SURVEY

Features	Score
Quality	4.00
Price-quality ratio	3.08
Sales and distribution	4.06
Customer loyalty	4.03
Quality compared to other meat industry companies	4.01
Average score	4.02



In 2017, in the retail segment:

- Number of stores was optimized by closing 6 non-performing facilities, while 7 new ones were opened at busier locations
- Number of consumers increased by 20%
- Range redefined by type of facility
- Range extended in the segment of processing and grill program
- Cooperation with producers of dairy and other food products for daily use

Plans for 2018:

- Development of special recipes and products
- 15 new facilities in central and western Serbia, Vojvodina and Belgrade
- Portfolio extension by additional range in Yuhor stores



The Fun&Fit Company

Fun&Fit is the factory for packaging different types of muesli products, basic foods and dried fruits and appetizers. Its portfolio includes more than 200 different products, made from 70 different raw materials and food ingredients from all over the world. The commercial portfolio is organized in 3 brands: Jumbo, Fun&Fit and ABC.

The quality of products is significantly improved by changing recipes and by expanding range of muesli products for consumers with healthy eating habits.



In 2017, the following projects were implemented:

- Production of strawberry, apple, raspberry and chocolate flavoured oatmeal
- Redesign of traditional muesli flavours
- Extension of the limited edition range by two additional flavours - Choco Cookie and Mediterranean
- Improved recipes for Crunchy Muesli and introducing new flavours - Crunchy fruti and Crunchy nuts
- Corn Flakes redesign and the introduction of packaging in new grammage

Fun&Fit is a significant partner of retail chains in the production of private labels, and a reliable supplier for large industrial customers and manufacturers of confectioneries. In 2017, conditions were created for expanding the volume of business and engagement of a larger number of associates. Cooperation with the following retail chains was established: Corp, Mercator, Metro, Univerexport and Dis and confectionery manufacturers, namely with Bambi, Frikom, Štark, Medela, Jaffa, Ledo, and Swisslion.

Wholesomeness and top quality of products is secured by preventive fumigation of cereals, laser control of nuts and seeds, metal detectors and x-ray security devices. Internal control of product conformity, monitoring of moisture and salt content in end products is also present as an integral part of business. Regular analysis of compliance with legislation is carried out in accredited laboratories. In this way, the number of non-conformities is reduced from 22 in 2015, to 6 in 2017. The current conformity assessment is 98.66%.

Preserving the quality and safety of products during storage and distribution is guaranteed by the IFS FOOD, global food safety and quality standard, which was introduced in 2014.

The plans for 2018 include:

- Focus on basic foodstuffs and the introduction of premium ABC products
- Entry in the organic segment in the category of basic foodstuffs and cereals
- Entry in the HoReCa and healthy food markets
- Regional expansion
- Further production and expansion of business in the field of PL and industry

Mioni

Mioni is a water factory for bottling of natural mineral and spring water. It is situated in the municipality of Mionica, at the foot of mount Maljen. Mioni was built in 2007 and it is equipped with wells with capacity exceeding 20l/s for filling Aqua Gala water. It is equipped with the latest German technology for water bottling, with a capacity of 12,000 PET bottles, 1,000 PET jerrycans and 6,000 glass bottles per hour.



In 2017, investments were made in a new line for filling and packaging of carbonated water, which further expanded the range.

In 2017:

- Production of sodas under the brand called Crni and Žuti sok (Black and Yellow soda) in 2l and 0.5l bottles started
- Production of Aqua Gala carbonated water in 0,5l bottles started.
- Aqua Gala portfolio was expanded by water for children called Gala Mala
- Aqua Gala brand was redesigned
- New bottle and jerry can making machine was procured

In addition to developing its own brands, the plant expanded its business by service filling of non-carbonated water for private labels of Univerexport (Baš Baš) and Dis (Dobro water).

In order to ensure the quality and safety of products, the IFS standard was re-certified. In the course of certification, the higher level of IFS standard criteria called Foundation Level are met.

In order to assess consumer satisfaction with the quality of Gala water, a survey was conducted in 7 cities (Belgrade, Pančevo, Novi Sad, Čačak, Jagodina, Valjevo and Niš). The survey was carried out on 200 consumers, namely on 124 women and 76 men, out of which 13% of consumers were under 20 years of age, 76% of them between 20 and 60, and 11% over 60 years of age. During the survey, responses at the 5-point scale were collected for the following brand features: price, quality, positioning, range and packaging.

SURVEY ON CUSTOMER SATISFACTION WITH NON-CARBONATED WATER AQUA GALA

Features	Score
Quality	4.10
Price	4.17
Packaging	4.19
Range	3.81
Positioning	3.71
Total	4.00

Customers commended the quality of water and suggested extending the portfolio of water with different flavours.

In 2017, customer satisfaction survey related to the quality of “Crni and Zuti sok” (Black and Yellow soda) was carried, and the average score for quality was 3.75. The achieved score is satisfactory given that it is a new product and that the customers are still getting to know it.





DELTA REAL ESTATE GROUP

The activities of Delta Real Estate Group include:

- Strategic planning and project development,
- Project management and construction management,
- Real estate management, control and placement of developed structures on the market



Delta Real Estate develops high quality projects in accordance with international requirements, introducing new standards in the real estate industry throughout the region. It is a pioneer in shopping malls development in Serbia. According to the five-year strategic plan, shopping malls and hotels are the most important investment projects.

In the previous year, Delta Real Estate employed 4 Young Leaders with university degree in engineering. The new organization and team improvements enabled:

- independent project management
- in-house preparation of structures' concept

This enabled differentiation in relation to the competition, better adaptability, greater flexibility and cost reduction.

The most important activities of the Delta Real Estate Group in 2017:

Opening of the InterContinental Hotel in Ljubljana

In August 2017, the InterContinental Hotel was opened in Ljubljana. Delta Holding acknowledged the needs of the region and its own development opportunity in the construction of the 5-star hotel of the prestigious international IHG chain. Delta Holding is the owner of the hotel, but it operates according to the IHG standards that also relate to respect for human and labour rights, environmental protection and community development. These standards coincide with the high standards of sustainable business of Delta Holding.

The hotel has 165 rooms of which two suites are adapted to accommodate persons with disabilities, a restaurant on the 20th floor and a spa on the 18th floor. It is the only five star hotel and the tallest building in Ljubljana. It employs 150 people. Its construction and furnishing worth EUR 50 million represent the company's largest investment in the EU. Furthermore, it is an example of excellent cooperation

and synergy between the IHG Group and Delta with the support of the city of Ljubljana.

Hotel construction was managed by a young and talented Delta Real Estate team that had an opportunity to work on a very challenging task at the very beginning of their careers. In the course of construction, modern ecological materials were used and the strictest occupational safety and health measures were applied.

The entire area of the Bloom lounge cafeteria on the ground floor is decorated with greenery, which minimizes negative effects of artificial creation in the environment. The illumination of the facade is so designed that it does not in any way negatively affect the life of the birds in the surrounding area.

Delta Holding marked its arrival to Slovenia with a 35,000 euros donation to the Slovenian Youth Health Resort Debeli Rtič for the renovation of the facilities. This example of good practice demonstrates that the company takes into account the needs of local community. Owing to favourable climate, Debeli Rtič Youth Health Resort serves as the centre for the recovery of children, but also as a centre for holidays of socially vulnerable children, teaching in nature, and sports camps.



Commencement of construction of Delta Planet shopping mall in Banja Luka



Mall opening is envisaged in the first quarter of 2019. This unique building will cover the surface of 64,000m², with 110 shops. The investment value is 70 million euros. Access and movement through the facility will be completely adjusted for persons with disabilities, for whom 52 parking spaces are provided. There are also 9 chargers for electrically powered vehicles. Upon completion of the construction, the facility will obtain an energy passport.

Construction of Delta Planet Varna in Bulgaria continues

The shopping mall is a joint project of Delta Real Estate Group and Bulgarian company AP Investments. The investment of Delta Real Estate Group amounts to 120 million euros. Its opening is planned for November 2018.



There will be 150 shops in this shopping mall covering 110,000m² GBA. It consists of three underground and three above ground levels, which are interconnected by elevators and escalators. The garage with a total of 1,200 parking spaces also has 60 seats designated exclusively for persons with disabilities. The building is fully adjusted and equipped with ramps, and an electric ramp overcoming 7 steps at the entrance to the cinema which has 22 seats envisaged for persons with disabilities.

Delta Planet shopping mall in Niš

The construction of the facility will commence in the third quarter of 2018, and the value of the construction is 37.4 million euros.

The designed air conditioning and ventilation systems have high efficiency (84%) rotary recuperators, which considerably reduce the consumption of heat and electricity. Heat pumps as a green source are sources of heat energy for the major part of the building.

Commencement of construction of the Indigo Hotel in Belgrade



Hotel Indigo will be opened in second quarter of 2019, in downtown Belgrade, in Knez Mihajlova and Čika Ljubina Street. The hotel belongs to the IHG chain and it will have 47 rooms, of which one PWA accessible. The construction amounts to 7.6 million euros. Modern ecological materials are used for the construction.

Delta Park in Kragujevac

Delta Park, a retail park opened in 2010 in Kragujevac is also a part of Delta Real Estate Group. This centre covers gross area of 16,000m² and has 10 tenants.





Crowne Plaza Belgrade

The Crowne Plaza Belgrade that belongs to the IHG hotel chain is a hotel within Delta Real Estate Group. The hotel has 416 rooms, 14 conference rooms, three restaurants, spa centre and swimming pool.

The menu in restaurants includes conventional, vegan and gluten-free dishes as well as those prepared in accordance with HALAL standard. Once a month, foodstuffs are controlled by the Centre for Food Analysis (CIN), while IHG group checks the quality of food on annual basis.

The hotel is fully accessible to persons with disabilities (PWDs), so the menus in Braille are also available to the guests. For the guests who like to pursue a healthy lifestyle, the hotel offers bikes and detailed maps of jogging routes.

The hotel is implementing Green Engage program aimed at reducing the harmful impact of hotel business on the environment and increasing energy efficiency. The service is constantly enriched by technical improvements and extended offer in all hotel sectors.

In 2017, the following additional services were introduced:

- *Children Eat Free* IHG program
- Barista coffee station for breakfast
- Fresh juice station
- Music programme during Sunday lunch
- Renewal of menus in restaurants twice a year
- Free food tasting program for organizing private events
- Specialized service packages for holidays and seasonal events (Valentine's Day, New Year, and Easter), where in addition to overnight stay, the service includes dinner in the restaurant, massage, transport, etc.

Work standards are improved throughout the year and they are harmonized with the amendments of the IHG brand standards that are reviewed every three to four months. In 2017, the focus was on the adoption of a new way of communication with guests to make information more accessible and clearer.



During the year, the quality of the service was evaluated through questionnaires that were sent to each guest whose e-mail address was recorded in the hotel's operating system. Within the Cash Audit program, monitoring of the implementation of cash management standards by IHG Group was also carried out in 2017.

Sales and marketing department regularly sends greeting cards for national holidays, anniversaries, traditional holidays and other occasions to hotel guests as a sign of showing respect and loyalty.

Added value for regular guests is achieved by two loyalty programs within the IHG System, namely, *IHG Rewards Club* i *Meeting Rewards Club*. Both programs guarantee additional benefits in case of booking a room or meeting room. There are also special benefits for guests booking rooms via the IHG site.

The satisfaction of guests is monitored through the internal IHG platform called Medallie. The guests receive questionnaires and express their opinion by evaluating all segments of services. The result of the 2017 assessment is 92.47%.

The hotel responds to the guests' complaints and negative comments within 72 hours. All relevant departments receive records on the complaints in order to avoid the cause of complaint in the future. Justified complaints are accepted, and acknowledged by additional reward points, additional services or benefits for the next arrival.

Results achieved in 2017:

- 109,228 overnight stays and 71.5% occupancy rate
- 13 million euros of revenues
- Among European hotels of the same brand, the Crowne Plaza was rated:
 - 1st according to satisfaction of employees
 - 2nd as a hotel recommended by the guests
 - 3rd as a hotel for which the guests remain loyal to the brand

Hotel Holiday Inn

In 2016, Delta Holding became the owner of the Holiday Inn Belgrade, which also belongs to IHG chain. The Holiday Inn Belgrade is a 4 star hotel located in the business district of New Belgrade.



The hotel has 140 rooms, two of which are fully accessible to persons with disabilities. The floor with Executive Club rooms is especially isolated. The hotel restaurant called Singidunum offers gastronomic specialties and international dishes. For the organization of business events, promotions and celebrations, the hotel offers 7 conference rooms and a multifunctional Belexpocentar hall of 2,500m² to which it is directly connected.

The hotel offer includes a fully equipped gym and spa, and bikes available free of charge for rides across the city.

In the hotel garage, the owners of electric vehicles are able to recharge their batteries. Throughout the year, the hotel implements the IHG Group's programs aimed at promoting CSR principles. In 2017, within IHG Foundation Week, employees participated in humanitarian actions, activities promoting a healthy lifestyle and environmental protection. The hotel is highly rated by the guests on Booking.com (8.9) thereby confirming great pleasure with their stay.

Hotel Park

Hotel Park was built in 1974 and it has been under the ownership of Delta Holding since 2008. It is located in Belgrade, in the very city centre. The hotel was fully renovated in mid-2012 and it has a three-star rating. It has 122 rooms, 3 suites, Continental Restaurant, Parkić Café, two banquet halls, wellness and SPA area.

Hotel Park offers vegan, vegetarian and gluten-free food produced in accordance with HALAL standard. If necessary, the hotel also offers additional adjustments of the daily menu.

Room service is available from 06 to 23 h, while the reception is operational for 24 hours. The hotel is pet friendly so that the guests are able to enjoy the stay with their pets.

Light sensors are installed in the hotel thus contributing to energy savings, ecological, biodegradable products are used for cleaning in the kitchen and household sector. In 2017, the average hotel occupancy was 53%. The guests rated their stay in the hotel on Booking.com with 8.2 score, and they point out its location as its major advantage.



Office space: NBGP apartments and Mala kula

Office building called Mala Kula is a modern complex of offices completely renovated in 2014. It covers an area of 9,890m², of which 7,500m² is envisaged for lease. The facility has 40 parking spaces. As a single lessee uses this entire facility its occupancy rate is 100%.

Total surface area of NBGP apartments is 31,800m² with 170 garage places. A total of 15,272m² are used for lease, while occupancy rate is 100%.

In addition to office space, both premises offer other supporting facilities that allow business people

spend quality time during breaks and make use of their business day to a maximum. In the common garage, there is a car wash and dry cleaning. The office buildings also include restaurant, shop and fitness room. In 2017, parking for bikes was expanded to hold 18 more bikes.

Maximum occupancy rate is the result of high quality of services provided to tenants, continuous improvements of offer and careful monitoring of their needs. All tenants' requests are resolved within 24 hours, and their important dates are marked with appropriate gifts.

Maximum occupancy rate in 2017 led to the best results achieved so far: revenues totaled almost five million euros.





DELTA DISTRIBUTION

Delta DMD and DTS

Delta DMD deals with the distribution of consumer goods on the market of Serbia and Montenegro and provides sales, brand management, logistics and merchandising services. Distribution centres in Serbia are located in Stara Pazova, Novi Sad, Čačak and Niš, and the one on the territory of Montenegro is in Podgorica.

Delta DMD is a distributor of the of world-renowned brands of the companies such as Ferrero, Diageo, SC Johnson, Beiersdorf, British American Tobacco and realize excellent sales results on the markets of Serbia and Montenegro.

The company cooperates with more than 6,000 customers, providing goods for more than 10,000 retail stores, wholesale chain stores, independent stores, specialized wholesales, as well as HoReCa channel stores.

The WMS System (Warehouse Management System) enables monitoring of all warehouse activities (admission, storage and commissioning of goods) in real time. This allows timely information and quick response in order to meet customer needs. Delta DMD also provides various goods processing activities such as sorting, packing, “Co-packing”, declaring, repairing and the like.

Delta Transportni Sistem - DTS provides the services of warehousing, transportation (domestic, international, air, container, groupage and mercantile goods transport), of freight forwarding and customs clearance. DTS operates as a 4PL service provider (Fourth Party Logistics Provider), which means that they are able to manage the entire supply chain using modern information technology. In addition to transportation and storage services, it provides information support, integrated inventory management and warehouse management services to its customers.

DTS has a modern warehouse in Stara Pazova with 26,000 pallets for goods stored in 5 different temperature regimes (from -20 to + 25°C). Daily output amounts to 160,000kg of goods or 140,000 of labelled products. Cross-Dock stations are located in Vrbas, Čačak and Niš.

Domestic and international road transport

In domestic and international road transport, DTS successfully cooperates with more than 260 clients in more than 50 countries in Europe and Asia. Transport is carried out using the fleet of vehicles with the capacity from 2 to 25 tons and different temperature transportation regimes. On a daily basis, DTS fleet transports over 1,000 pallets and covers 12,000 kilometres. The Track & Trace System is used to monitor the vehicles, the volume of goods and the temperature of the load compartment so that at any time, a customer can receive information about its shipment and an automatic confirmation of the delivery of goods. Bearing in mind the fact that the response time in domestic transport is an extremely important factor, DTS vehicles are carefully allocated in the territory of Serbia so that they form a network which can promptly meet the needs of our clients.

DTS's groupage line road transport enables fast pick-ups and delivery of small shipments to the desired location. Consolidation of shipments is organized in three central warehouses in Italy (Milan), Germany (Gelsenkirchen) and Croatia (Zagreb). Shipment pick-up is allowed in any part of Europe within 24 hours.

Since 2013, DTS has been providing transportation services of mercantile goods and seeds and it also provides services of organized collection and transport of hazardous ADR cargo.

Air Freight

DTS offers its clients the possibility of transporting cargos from airport to airport or from door to door at any address across the world. It is a direct agent of all airlines flying from Belgrade and partner to other logistics companies at other airports in the world. DTS is also specialized in the transport of goods requiring special treatment and it has all the necessary licenses for performing airfreight.

Container transport

As a direct agent of shipping companies, DTS is able to provide the best transport solutions in this segment of logistics. It offers the services of container transport of full (FLC) and collective (LCL) shipments from the countries of the Far East (China, India, Japan, Korea, etc.) but also from all over the world, and container transport is suitable for cargos that require special temperature regimes (FRIGO containers). In order to optimize costs and find the most suitable options for the transport of goods, we also organize transport in the Mediterranean for our clients. We are directly present in the ports of Thessaloniki, Bar, Ploče, Rijeka, Koper and in partnership with other logistic firms, we also provide services in all other ports across the world. DTS is a direct agent of shipping companies such as Maersk, MSC, CMA, CGM, Hapag Loyd, Evergreen, Cosco and others.



Forwarding and customs clearance services

As an authorized consigner and consignee of the goods in the transit procedure, DTD provides services of direct shipment to its clients from its offices to the border customs office. There is also the possibility of delivering the goods for import customs clearance directly to DTS premises. The possibility of declaring goods using IT technologies (with mandatory subsequent submission of documents). Freight forwarders are located at customs offices Luka Beograd and Terminal Kvantaš. DTS also provides services of customs mediation at import or export of goods, temporary import, active and outward processing, as well as re-export and storage of goods to its clients. The plan is to carry out the AEO (Authorized Economic Operator) testing in 2018 and obtain a certificate that facilitates customs clearance of goods.



Since September 2017, DTS is a part of Combined Logistics Network (CLN), leading logistics network in the world that connects more than 300 independent international logistics companies.

All members go through a detailed check-up process, with a focus on tracking global trends and implementing them with respect to local particularities. The aim of the network is to create and maintain good partnerships between international logistics companies and easier mutual communication.

In 2017, re-certification for IFS Logistic 2.1 standard, ISO 9001: 2008, and HACCP system were carried out in Delta DMD and Delta DTS. During the recertification, the check was performed for a higher level of IFS logistic standards, and 97.22% compliance with the requirements was noticed.

Verification of operation and implementation of environmental protection principles, occupational health and safety and fire protection was performed by principals and clients. All checks were carried out successfully and to the satisfaction of the clients.



Results in 2017:

- Delta DMD income growth by 37%
- Increase in the market share of Delta Food Processing brands: Beiersdorf, British American Tobacco, Ferrero, Tikveš, Diageo
- Increase in the number of DTS clients by 32% (from 856 to 1,134)
- Increase in the number of clients in domestic transport by 9.2%
- Increase in revenues from domestic transport by 6.5%
- Increase in the number of clients in international transport by 42%
- Increase in revenues from international transport by 32%
- Increase in revenues from groupage transport by 200%
- Increase in revenues from air transport by 400%

Delta DMD regularly conducts key customer satisfaction surveys. Out of 14 key clients, 7 responded to the invitation and participated in the study. The participants were required to rank the accuracy of those statements on a scale of 1 to 5, with 1 meaning - very dissatisfied and 5 - very satisfied. Scores obtained in 2017 are somewhat lower than those from 2016.



KEY CUSTOMER SATISFACTION SURVEY

Features	Score
Range of products	3.82
Promotional activities	3.54
Communication and professional conduct of sales staff	4.18
Communication and professional conduct of merchandising	3.68
Delivery of goods	3.90
Documents	4.02
Complaints	3.77
Average score	3.84

In 2017, the company went through internal reorganization of business and the portfolio of brands it distributes, in order to focus on those with whom it has strategic cooperation. That is why the range score is slightly lower than the one in 2016. On the other hand, better scores are obtained with regard to customer satisfaction when it comes to the speed of delivery and handling of complaints, the adequacy of documentation, the condition of delivered goods and politeness of delivery personnel.



Delta Auto Group

Delta Auto Group consists of:

- Delta Motors - exclusive importer, distributor and servicer of BMW and MINI vehicles
- Delta Automoto - general representative of Honda vehicles and motorcycles for Serbia and Montenegro
- Car Market - seller of certified used vehicles

Delta Auto Group has been operating for years in accordance with ISO 9001/2008 quality management system. In 2017, system procedures were revised in order to extend its validity period. In late 2017, Delta Motors started preparations for moving to a higher level of ISO 9001/2015 standard, for which recertification is scheduled for 2018.

Results in 2017:

- Growth in sales revenues from new vehicles and motorcycles of all brands by 24%
- Growth in revenues from used vehicles 38%
- Growth in post-sales revenues by 11%
- Growth in sale of vehicles in the dealership network by 60%
- Growth in revenues from the dealer network in post-sales by 39%
- BMW Service 6+ authorized service opened in Belgrade

Excellent results are achieved owing to innovation in the range of offered vehicles and constant investment in improving services and benefits for customers.



Special benefits for clients were introduced as standard - 5BSI, 4MSI

- 5 years BMW Service Inclusive (5 years or 100,000km of free regular maintenance whichever comes first)
- 4 years MINI Service Inclusive (4 years or 100,000km of free regular maintenance whichever comes first)

Delta Motors won two prestigious BMW Auto Group awards:

- BMW Presidents award - for business result
- BMW Brand Award - for the promotion of new BMW models: BMW 5 Series and MINI Countryman

In addition to conventional models, Delta Motors imported BMW hybrid and electric vehicles in 2017. Although there is still no adequate infrastructure for their use in Serbia, company managers decided to go with it aware of climate changes and the importance of raising awareness about environmental protection. In order to provide customers with unobstructed use of electric vehicles, chargers were installed in the BMW service, in the yard of the showroom and office building and in the Holiday Inn and Crowne Plaza hotels.

The importance of introducing electric cars to the Serbian market has been recognized by Serbian Chamber of Commerce and Automobile and Motorcycle Association of Serbia that awarded Metro Market award to Delta Motors.



Poštovani gospodine / gospodo Despotović,

Čestitamo Vam na novom BMW. Nadamo se da uživate u vožnji svog novog X3 18D.

BMW teži da pruži najbolje iskustvo svim klijentima i Vaš komentar u vezi sa iskustvom prilikom kupovine u BMW Delta Motors nam je od velike važnosti.

Bili bismo veoma zahvalni na Vašem učešću u istraživanju, koje će Vam oduzeti samo minut.

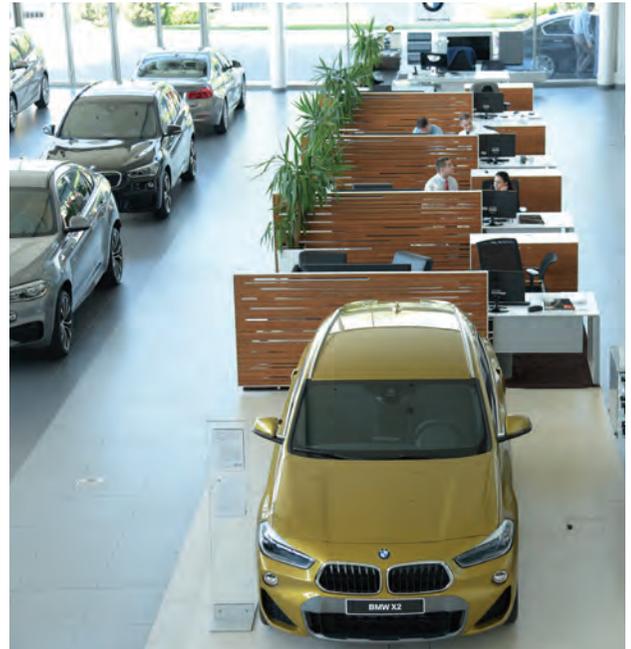
Započni anketu

Hvala Vam puno na Vašem značajnom doprinosu!

S poštovanjem,
Vaš BMW tim

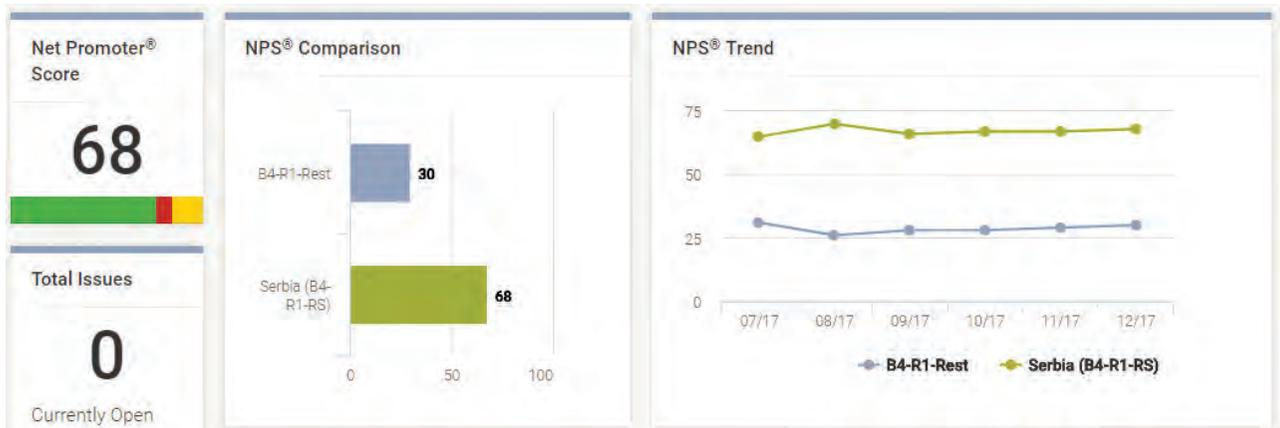
In 2017, a new customer satisfaction survey system called “Voice of the Customer” designed by the BMW Group was implemented.

The service shop clients and buyers of new vehicles are invited one week after their visit to the show room or service centre to fill in an online survey via e-mail or text message. In this way, clients are not limited to a formatted questionnaire and predefined questions. They have an opportunity to express their observations, satisfaction or dissatisfaction in open written comments. A responsible person gets in touch with each dissatisfied client and with those clients having additional requests within 24 hours.



The percentage of client satisfaction is measured by NPS score that represents the difference expressed in percentages between positive and negative grades in relation to the total. Each comment of the client is coded in accordance with defined topics for consideration and analysis at the meetings of Customer Board directors. On these meetings, all the positive and negative issues are discussed as well as the performance of related sector. In accordance with the conclusions from the meeting (which is organized once in two months), an action plan with measures for improvements is drafted.

In 2017, Delta Motors NPS score was 68, which is an excellent result compared to the NPS results of other countries in the region, bearing in mind that the average score is 30.



MYSTERY SHOPPING 2017 - RESULTS

	2017_Q1 Overall: 87%	2017_Q2 Overall: 99%	2017_Q3 Overall: 99%	2017_Q4 Overall: 98%	2017_TOTAL Overall: 96%
Retail Lead Documentation	44%	100%	100%	100%	86%
Test Drive Offer	100%	100%	100%	100%	100%
New Car Offer	100%	100%	100%	100%	100%
Financing Product Offer given	100%	100%	100%	100%	100%

The company continues with successful implementation of the Secret Customer project, for which it was declared the “best in practice” by its foreign Principal according to evaluation of labour standards.

In 2017, the CRM system was improved. This improvement refers to improving the efficiency of use and communication with clients. A reminder system was set up in the software that prevents neglecting a client by any of the given parameters such as a specific task, regular follow-up after 6 months of inactivity, birthday, or sending a newsletter. In order to unify all one-client-related activities in one place (360 degree view), the integration of the Voice of the Customer project, the service system and the Complaint management system in CRM is envisaged.



In line with the trends of digitalization of business, new digital equipment for communication with clients was installed in Delta Motors showroom within the Future Retail project. Using 3 digital displays and media players, promotional materials are displayed directly from the BMW Group headquarters. Virtual product presenter was also installed to display vehicle configuration, enabling the clients to see their future vehicle in various situations with animated features in full HD resolution.

As a part of the new presentation media package, tablets used by vendors to view the configuration using the Mobile Customizer application were also activated. The use of this application facilitates selection of vehicle equipment. Since the application has accesses to the database through the Internet, it can be used at any location.



During 2017, the benefits of introducing a BMW Genius position were evident. Its role is to inspire the buyers in the BMW Centre, to present the features and advantages of the latest BMW products and technology. This is accomplished through good communication with clients, and by organizing test drives and participating in marketing activities as a product presenter.

The colleague working in this position became a certified BMW Genius in 2017, having successfully completed initial certification training organized by the BMW Group. In cooperation with the marketing sector, he created a video about the BMW model that won a regional BMW competition. In addition, he was ranked one of the top five Geniuses among his peers from 50 countries, and among the top 100 in the world. A video about the BMW model that won the regional BMW competition in 2017 was created in co-operation with the marketing sector.



Post sale business was expanded by opening BMW Service 6+, a service shop for vehicles over 6 years. This unique project was designed according to the BMW Munich model and as much as 74% of clients serviced their vehicles in an authorized service shop for the first time. This only confirmed that the market needed such a service centre, putting together the expertise of an authorized service provider and the pricing policy adjusted to vehicles over six years.

Donations to schools

Delta Automoto and Delta Motors operate according to the standards of one of the most successful companies in the world. Aware of that fact, they transfer their knowledge over the year to a large number of pupils and students who spend their internships there and improve their professional skills and knowledge in order to find employment more easily. In addition, in 2017, teaching methods were improved through two significant donations to the Faculty of Mechanical Engineering and Technical School GSP.

In order to improve teaching methods and provide better access to modern technologies to pupils and students, in March 2017, Delta Motors donated a BMW 6 Series 650i convertible vehicle, as a teaching tool to the Faculty of Mechanical Engineering in Belgrade.

The same year in December, a body of the latest BMW 7 Series vehicle was donated to the GSP Technical School for trainings of students. The bodywork is made of different types of steel, aluminium and CFRP (Carbon Fibre Reinforced Plastic).



HUMAN RESOURCES DEVELOPMENT



EQUAL OPPORTUNITIES



INVESTMENT IN KNOWLEDGE



CAREER DEVELOPMENT SUPPORT



Investing in knowledge is a priority for all Delta Holding employees. People who are dedicated to lifelong learning, follow trends and adapt to changes more easily, identify opportunities for development and anticipate challenges. Owing to this, the Company achieves excellent results in its business and readily enters new ones.

In 2017⁵, there were 3,317 employees in Delta Holding. Another 1,145 persons were engaged through various types of engagement contracts on a monthly basis.

Expansion of business in fruit growing and animal husbandry resulted in the increase in the number of employed and engaged personnel in Delta Agrar Group. During the season, additional 1,500 workers are hired each month. For all seasonal workers in orchards in Čelarevo, whose place of residence is not near the estate, accommodation was provided in bungalows, and various sports and social activities were also organized to make their stay away from home as comfortable as possible. Due to the opening of the InterContinental Hotel in Ljubljana, the number of employees increased in the hotel industry. At the same time, the number of employees in DMD and DTS decreased as a result of business optimization.

NUMBER OF EMPLOYEES AS OF 31 DECEMBER 2017

MEMBER COMPANY	Employed in Serbia 2017	Employed in the region in 2017	Total in 2017	Total in 2016
Delta Agrar Group	911	5	916	858
Delta Food Processing	776	0	776	762
Delta Real Estate Group	468	97	565	494
Delta Distribution	732	94	826	895
Common Functions	206	0	206	198
Delta MC	28	0	28	28
Total	3,121	196	3,317	3,235
Engaged under various engagement contracts in 2017	1,145			

EMPLOYEE TURNOVER BY AGE IN 2017

MEMBER COMPANIES	Newly employed in 2017			Left the organization in 2017		
	18-29 YOA	30-50 YOA	Over 50 YOA	18-29 YOA	30-50 YOA	Over 50 YOA
Delta Agrar Group	92	86	14	33	66	31
Delta Food Processing	48	92	7	33	81	18
Delta Real Estate Group	65	53	8	39	90	19
Delta Distribution	95	106	10	64	191	18
Common Functions	24	14	2	10	22	1
Delta MC	0	0	0	0	0	0
Total	324	351	41	179	450	87

EMPLOYEE TURNOVER BY GENDER IN 2017

MEMBER COMPANIES	Newly employed in 2017		Left the organization in 2017	
	Women	Men	Women	Men
Delta Agrar Group	58	134	38	92
Delta Food Processing	59	88	56	76
Delta Real Estate Group	59	67	68	80
Delta Distribution	81	130	76	197
Common Functions	24	16	20	13
Delta MC	0	0	0	0
Total	281	435	258	458

Non-discriminatory employment principles

The Code of Ethics and policy and principles of Human Resources Sector ensure that no candidate applying for a job in Delta Holding will be discriminated in relation to his/her gender, nationality, colour of skin, age, pregnancy, health status, family responsibilities, sexual orientation, social origin, property, membership in trade unions, political organizations, political orientation, or any other personal characteristic. Minors are not allowed to work in the company. The company commits to the protection of data of all candidates.

Each newly employed becomes familiar with the code of ethics and standards and procedures of Human Resources Sector through a welcome email. It also includes the information on the rights and obligations of employees in relation to non-discriminatory

principles, prohibition of harassment and whistleblowing procedure. All the newly employed in 2017 spent minimum 85,920 hours (716 newly employed x 120 min) receiving information about their rights and company and business culture.

When opening new positions in Delta Holding, the colleagues can also apply and develop career in other parts of the system. Redirection of employees can be carried out at the initiative of the employee or management, for the needs of development of specific businesses. In both cases, the employee considers the proposal together with his supervising manager and he/she receives a written letter with an offer to which his/her respond is expected within 8 days.

In 2017, many employees had the opportunity to continue their career development in another member company of Delta Holding.

Equal opportunities for everyone

In Delta Holding, women and men have equal chances for career development. Currently, there are more women than men in management. External or internal lectures by Delta Holding's female managers on the successful career development and balance between private and business life motivate young women to be ambitious and persistent.

The company has a balanced age structure, so there is a synergy between the energy of young people, new ideas and experience needed for their successful implementation. Delta Holding hired 46 people with disabilities. Etiquette in communication with persons with disabilities, as an additional form of education to employees is available on the Company's internal portal.

EMPLOYEE GENDER STRUCTURE

MEMBER COMPANIES	Employed in Serbia		Employed in the Region		Total	
	Women	Men	Women	Men	Women	Men
Delta Agrar Group	241	670	1	4	242	674
Delta Food Processing	355	421	0	0	355	421
Delta Real Estate Group	225	295	45	52	270	295
Delta Distribution	231	501	26	68	257	569
Common Functions	109	97	0	0	109	97
Delta MC	7	21	0	0	7	21
Total	1,168	1,953	72	124	1,240	2,077

EMPLOYEE AGE STRUCTURE

MEMBER COMPANIES	Employed in Serbia			Employed in the Region		
	18-29 YOA	30-50 YOA	Over 50 YOA	18-29 YOA	30-50 YOA	Over 50 YOA
Delta Agrar Group	170	422	319	0	5	0
Delta Food Processing	98	516	162	0	0	0
Delta Real Estate Group	147	253	68	34	63	0
Delta Distribution	170	510	52	24	67	3
Common Functions	34	142	30	0	0	0
Delta MC	2	20	6	0	0	0
Total	621	1,863	637	58	135	3

EMPLOYEE QUALIFICATION STRUCTURE

MEMBER COMPANIES	PhD	Magistrate	Master	University Degree	College	Highly-qualified	Secondary school	Qualified	Semi-qualified	Non-qualified
Delta Agrar Group	2	2	16	258	33	2	263	176	16	148
Delta Food Processing	0	1	9	105	39	9	252	265	3	93
Delta Real Estate Group	0	2	12	167	58	65	186	51	1	23
Delta Distribution	1	3	23	203	100	8	357	107	15	9
Common Functions	2	3	5	100	19	1	62	14	0	0
Delta MC	0	0	0	7	3	0	18	0	0	0
Total	5	11	65	840	252	85	1,138	613	35	273

The earnings of employees are determined exclusively in accordance with the requirements of the subject position and employee qualifications regardless of gender or other differences. The earnings consist of basic earnings, a part related to work performance, and increased earnings. Basic salary is determined by the employer's general act (Company Work Regulations or Collective Agreement) and it is expressed in nominal gross value in the employment contract for a full-time work and standard work performance.

Earnings can be increased up to a prescribed percentage in accordance with the provisions of the general act, depending on the performance of employees or the achieved business results of the company. There are organized trade unions in the factories Danubius and Yuhor and on the estates Kozara, Topola, Jedinstvo and Napredak. They have a total of 629 members employed in the mentioned entities. A total of 367 employees is covered by collective agreement.

RATIOS OF DELTA HOLDING EMPLOYEES SALARIES COMPARED TO LOCAL SALARIES

Salaries as at 30 November 2017	Minimum gross salary		Average gross salary	
Delta Holding	Delta Holding	Official statistics of the Republic of Serbia	Delta Holding	Official statistics of the Republic of Serbia
Belgrade	39,433.28	30,957.00	96,949.22	81,061.00
Novi Sad	42,276.01	30,957.00	73,878.05	63,728.00
Čačak	47,902.00	30,957.00	69,001.02	55,155.00
Jagodina	42,275.26	30,957.00	58,472.48	55,155.00
Niš	39,563.25	30,957.00	61,909.57	57,536.00

Benefits, Solidarity Aid and other kinds of assistance to the employees

Delta Holding, provides financial assistance to the employees and their families in the event of the childbirth, illness, illness of an immediate family member, death of an employee or death of an immediate family member. The company provides financial support in schooling to the children of deceased employees until completion of high school.

In addition, the company provides supplementary health insurance in case of serious illnesses and surgical interventions to the employees, together with 24 hour collective insurance against accidents. Each year, Delta Holding provides New Year gifts for the children of employees up to 8 years of age. The company approves flexible working hours to mothers with children up to school age.

Delta Holding employees have the benefit of using loyalty cards for the purchase of Yuhor products. Hotel InterContinental Ljubljana also offers special prices for accommodation of employees within the system. In addition, the company has provided special discounts in health, cultural and educational institutions, bookstores, toy stores, sports facilities, hotels, etc.

Students' internships

Delta Holding is open to pupils and students who want to acquire professional knowledge and skills during on the job trainings. During 2017, 400 young persons spent their internships within the Company. The largest number of students came from the faculties with which the company has signed contracts on internships, namely from the Faculty of Economics, Faculty of Transportation and Organizational Sciences.

The interns were engaged in Delta Agrar, Delta DMD, DTS, Delta Auto, Delta Motors, as well as in the Crowne Plaza Hotel.

In 2017, Delta Holding also supported the project of the Youth with Disabilities Forum called "On the job trainings for the youth with disabilities", so that in 2018, three interns with disabilities will have the opportunity to gain new knowledge and skills within the Company.

Within the IHG Academy training program, in 2017, more than 290 students and high school pupils went through professional practical trainings in the Crowne Plaza. They had an opportunity to acquire professional skills and knowledge and attend trainings

in occupational health and safety, risk management, brand awareness, development of leadership skills, protection of data, as well as professional trainings in hotel management and human resources development.

The IHG Academy program is designed to facilitate entry in the labour market to the young and provide better chances for employment. The Crowne Plaza Hotel joined the project implemented by the European Union and the National Employment Service to increase the effectiveness of employment policy towards vulnerable groups. Within this project, 23 members of vulnerable groups attended practical trainings for chefs in the hotel. Upon completion of the training, two persons were employed.

Mentoring

Delta Business Café programme was launched in May 2015 for knowledge exchange within the company and to facilitate direct contact between leaders and employees. The programme is designed as a series of interactive lectures of top management transferring their knowledge and experience to young talents. In 2017, the participants of Delta's Future and Young Leaders programmes had the opportunity to listen to an interesting lecture on the Power of Women in Business.



Delta Holding managers gladly share their knowledge with young people outside the company. For the fourth year in a row, Delta Holding takes part in the AmChamps project. This project, organized by the American Chamber of Commerce is aimed at business education and easier career start for talented students with the support and help of 20 mentors from leading companies in the Serbian market.

Also, the experts from the company are mentors to the 12th generation of the economically disadvantaged young people from the Fund for the Future program⁶ and to a large number of pupils and students performing their professional practice in the company, as well as to the entrepreneurs from the Plantation for the Future program⁷.

⁶ The program is described in more details on page 75

⁷ The program is described in more details on page 74



Young Leaders

In 2017, Delta employed the fifth and the sixth generation of Young Leaders. Thus 68 young colleagues were given the opportunity to start their career in one of the most developed companies in Serbia.

Since 2012, Delta Holding has been implementing the programme called the Young Leaders aimed at employment of young talented people with no previous work experience and investing in their professional development. Due to diversified business, the company can respond to the interests of a large number of candidates from different faculties.

Over a one-year period, young leaders go through three or four rotations to become familiar with business processes for which they were educated. During the first week of their work, Young Leaders go through the induction process. For this purpose, in 2017, presentations were organized for them to become familiar with strategic business plans, sustainable development plans and socially responsible business, followed by a tour through Delta Holding member companies. To ensure efficient training and more adequate integration of these young people in the system, trainings for mentors were organized. Upon completion of each rotation, mentors perform evaluation of young leaders' performance and vice versa, thus improving the program each year.

For young leaders, external trainings are organized from various fields such as project management, leadership, basics of success, and so on. Within Delta Business Caffee lectures, top management conveys knowledge and experience to young colleagues. Program participants have the opportunity of working in small teams on innovative projects and initiating further business development of Delta Holding. Upon completion, they present their ideas to the top management who then make decisions on further implementation. Generation 2017 is included in the process of the company's digital transformation.

So far, 152 young leaders have participated in this program. Most of them successfully completed the program and integrated into Delta Holding system. They now hold positions involving high responsibility, among which: general manager of Danubius, general manager of Fun&Fit, Yuhor deputy manager, Key Account Manager in Delta DMD, External Communications Manager in Delta Holding, and design and construction coordinator in Delta Real Estate.

In this way, the company modernizes its corporate culture and develops business, at the same time helping the community in practical education and keeping young people in the country.

I spent my first rotation in Delta Agrar in the central finance department. I was finally able to see practical application of bills of exchange, guarantees and financial leasing of which I studied at the university. The support of mentors and other colleagues, their selfless sharing of knowledge, the opportunity to come to conclusions and present our ideas ourselves, are the greatest benefits of the Young Leaders Program.

- Anđela Jankovic, Young Leader of the VI generation.

When I started my master's studies in Vienna, I was completely sure that I would spend the rest of my life abroad. Today, I believe that working in a local company and living in your own country, i.e. in the environment that suits you best, is the best thing and a privilege. I was pleasantly surprised to find out that in Delta, much attention is paid to non-business activities. Within Delta Running team, we run, promote healthy lifestyle and take part in various humanitarian campaigns to improve the society in which we live and work. - Dusan Petkovic, Young Leader of the VI generation.

Career development

In 2017, the focus was on strengthening leadership skills with all levels of management. The training on negotiations was organized for top management, focusing on improving influence skills and achieving results in the negotiations with clients. Within Performance Management process, trainings were held for middle management on the basics of leadership, employee development and effective feedback.

Internal development project called Power of Positive Leadership was launched in DTS. For the first and second line managers, a series of workshops and assessments were organized on which they put an emphasis on the development of their leadership skills.

In 2017, the information business system SAP ERP was implemented in Delta Agrar doo, Napredak and Delta Vet Med. All employees went through intensive trainings in order to be able to apply the SAP system in each segment of the business. The new system integrated all business processes into one information system, which resulted in optimization and standardization of business processes, and transparency in business.

In 2017, induction trainings were organized for all newly employed in Yuhor retail sales aimed at their becoming familiar with the company. In addition, theoretical training for more than 80% of employees was held presenting the basics of customer care, communication, sales skills, etc. All heads of shops underwent specialized training for shop managers.

In 2017, apart from the semi-annual assessment, a pilot project of quarterly assessment of the managers and employees in retail sale was performed. Considering its positive impact, this practice will continue in 2018. In the course of the year, training for production managers was carried out. The plan for 2018 envisages that supervisors and plant managers and other services managers undergo the training that will be dealing with the following 4 topics: communication skills, motivation and conflict resolution, employee management and processes, and change and stress management.

In all parts of Delta Holding system, employees went through various professional trainings in the fields of marketing, finance, sales and improvement of customer relationship that can help them develop their careers and achieve business goals.

Delta supports the development and certification of employees at home and abroad aimed at further development of their careers and the company itself. The costs of certification maintenance are borne by the company.

On line school

Modern technologies enable information and education at any time and in any place. In 2016, Our Online School was launched in which renowned local experts provide answers to various questions in the fields of their expertise. Video clips with their lectures are posted on the internal portal and are available to employees at all times, providing them the opportunity to plan their own time for education independently. So far, 8 topics have been covered. In 2017, 350 employees attended the lecture on emotional intelligence. For employees at Yuhor retail sale, online lectures called Knowledge Store were organized. The following topics were covered on a monthly basis: the rules of communication, suggestive and alternative sales, dealing with complaints and objections, a glossary of retail terms, assertiveness, stages in sales process communication, teamwork, workplace conflicts and others.

TRAININGS

Years 2017	Number
Training hours	40,523.50
Employees	6,238
Women	2,612
Men	3,626

Digitalization of internal communications and business processes

In 2017, the focus was on digital transformation of the company in order to improve everyday internal communication and cooperation. Employees in managerial positions and certain positions are linked to the Office 365 application to facilitate access to information from anywhere at any given time. For more efficient use of Office 365, workshops and on-line trainings were organized for employees over the year.

Involvement of Young Leaders further strengthened the digitalization of internal communications and business processes. An outsourced associate gave trainings to Young Leaders for the use of Office 365, but also for recognizing internal business processes that can automate or digitize using this modern platform. In cooperation with Microsoft Serbia, a workshop was held for Young Leaders on which they learned about Microsoft Champions program that brings together the community of Office 365 users on a global level with a view to sharing experience. On that occasion, Young Leaders were given the opportunity to register and be active participants of this worldwide O365 community.

All young leaders had to come up with 3 to 5 ideas and plans for the digitization of everyday internal business processes. In addition, in line with strategic commitment to cultivate the culture of innovation, the Young Leaders were given a questionnaire on possible improvements in the work of their sector and the overall business of the company:

- Proposal of a new product or service
- The idea for increasing process efficiency
- The proposal of digitalization of a significant business process involving external associates
- Idea for the project supporting the community in which we operate or digital endowment

The final task of the young colleagues was to split into teams and further develop and elaborate on one of the above mentioned proposals and to present it to the office in charge of strategy and development in May next year. Each project presentation should contain

information about current initiative in the world in relation to field it deals with and the presentation of a group idea based on digital technology, which can be implemented in Delta.

In order to systematize the process and achieve ongoing digitization, and further emphasize the impact of innovation, a Committee for Innovation and Digital Transformation was established, which included all general managers of member companies and experts in individual fields. Bearing in mind the size of the company, subcommittees were formed, which included 77 employees from different member companies. The goal of the project is to improve work process in all parts of the system, and to save time, money and other resources, as well as to provide the opportunity for employees to present their ideas for a new way of organizing business, improving work process, new business, service or product.

The employees were informed about all developments within the company through an internal magazine called Delta Danas (Delta Today). In this way, employees who do not use PCs at work can find out the latest news and achievements of their colleagues from other member companies.

Team and sport spirit

Hiking, running and cycling teams were formed in 2017 in order to strengthen the team and sports spirit. Over the year, the employees were on hiking tours on the mountains of Kablar and Rtanj and the Gradac river canyon.

The employees comprising the running team participated in a total of 7 races in Belgrade, Novi Sad, Ljubljana, Palić and Kopaonik.

The company supported teams by financing a mountain guide and covering registration fees for marathon participants.





Choosing the best teams

In 2017, the internal campaign Choosing 5 best teams was completed. In order to point out the teams that best promote company values, a competition was launched to select the most effective, most innovative and most skilled team with the highest achievements and the team that cares for people the most.

A total of 32 teams applied for the competition. The top five teams were presented at the annual college in the categories they applied for, based on the decision of the expert jury.

The team called Zmajaska group, responsible for the construction of the InterContinental Hotel in Ljubljana in record time and within the budget was declared the most efficient team in 2017.

The team called InoWEBtivci was named the most innovative team. One of their most important projects was the development of the most up-to-date Enterprise Service Bus platform for connecting various parts of information system that was implemented in dozens of Delta's projects thus saving a lot of money in vendor licenses.

For 10 years of work, the High Voltage team has not had a single unresolved case during servicing of BMW and Mini vehicles. Numerous certificates and diplomas confirm their title of Delta's most skilled team.

Danubius Novi Sad Team is the team with the greatest achievements in business. Danubius marks the 100th anniversary of business as a leader in the production of flour in kilo packing and vitaminized pasta on the domestic market.

The agribusiness team is the team that, according to the expert jury, was deservedly declared the team that cares for people the most.

All members of the winning teams will have the opportunity to get together and enjoy themselves at the awarded joint team building that will be organized in spring 2018.

Occupational safety and health and fire protection

Delta Holding keeps up with modern trends in improving occupational safety and fire protection in order to preserve the health of employees and reduce injuries at work. In 2017, several lectures and trainings for employees for each position were organized. The employees attend lectures and undergo trainings on occupational safety and health and on fire protection, when they start their employment or engagement in the company, but also when they change workplace within the company or in case of introduction of new technologies or means of work in the work process. In addition to the mentioned trainings, employees continuously undergo first aid trainings and trainings on procedures in emergencies.

In 2017, a total of 7,253 hours of trainings in the fields of OSH and FH were held.

Over the year, out-dated equipment was replaced in ten locations within the Food Processing Group and Delta Agrar, while the correctness of existing equipment at other locations within the system was verified in accordance with legally prescribed timeframe. A high level of safe working conditions is maintained by inspections and examination of the work equipment, personal protective equipment, environmental conditions (microclimate conditions, lighting, chemical, biological and physical damage in work premises), and fire protection systems and equipment. Clear instructions for safe operation were posted on the equipment to prevent injuries and damage to the machinery.

In order to minimize or completely eliminate identified risks and hazards of individual workplaces, presentations for managers in all member companies were held. The focus was on the particularities of the work of each work unit. In addition, posters were made with warnings and instructions for the employees for safe work at workplaces with an increased risk (driving forklift, tractor driving, working in factory, work at height, handling pesticides, handling sharp objects, etc.).

Adequate workwear and personal protective equipment is provided to all the employees whose jobs require it. As a result, the risk of injuries is minimized, increasing efficiency and the satisfaction of employees at the same time.

Animal breeding is carried out according to international methodologies under the conditions that

require high hygiene in order to preserve animal health. Therefore, the employees are required to have showers and put on clean workwear before entering the farm. Modern bathrooms with showers and changing rooms with hairdryers and instructions for safe movement and break rooms are available to the employees.

On the estate Podunavlje, in cooperation with the fire department, a firefighting simulation was organized for the employees with the evacuation of persons on the silo. On that occasion, employees saw a demonstration of how to act in the event of a fire outbreak until the arrival of a fire brigade. The simulation involved a fire incident and rescuing of an employee stuck on the 8th floor of the silo. During this fire drill, the employees underwent training for extinguishing a fire in its initial stages using the S-9 fire extinguisher. The employees of AD Podunavlje went through the same training in the presence of a professional firefighter. Three firefighting vehicles, seven professional firefighters and five employees participated in the training held in AD Podunavlje.



In all legal entities and operating units of Delta Agrar, numerous activities were conducted in accordance with the specifics of each workplace, levels of risk and the need for special monitoring of OSH and PF status. A higher level of safety in buildings was achieved by undertaking technical, technological and organizational measures.

In 2017, the number of injuries at work was reduced compared to 2016. The largest number of injuries was recorded in Yuhor (33 light injuries) which resulted in taking additional measures through education and raising awareness of employees about the importance of respecting the rules for safe and healthy work.

STATISTICS OF WORK-RELATED INJURIES IN 2017

MEMBER COMPANY	Number of light injuries	Number of heavy injuries	Total number of injuries	Number of work days lost
Delta Agrar Group	23	7	30	660
Delta Food Processing	40	1	41	1,171
Delta Real Estate Group	0	2	2	115
Delta Distribution	12	1	13	398
Common functions	0	1	1	43
Total	75	12	87	2,387

Number of working hours in u 2017	6,866,190
⁸ IR rate	12.67
⁹ ODR rate	0.35
¹⁰ LDR rate	2.78

⁸IR rate - Total number of injuries / Total number of working hours x 1,000,000

⁹ODR rate - Total number of lost days / Total number of working hours x 1,000

¹⁰LDR rate - Sick leave due to injuries at work / Total number of working hours x 1,000



ENVIRONMENTAL CARE



ENERGY EFFICIENCY



PRESERVING NATURAL RESOURCES



INVESTMENTS IN ENVIRONMENTAL PROTECTION

Both Delta Holding management and employees are aware of the importance of environmental protection to human health. Clean air, safe drinking water, waste protection and preservation of resources are the basis for the well-being of present and future generations.

To develop the awareness of the employees that company's responsible business can contribute greatly to the preservation of the environment, a special part on the internal portal "eco corner" was created, where the employees can receive information about the current global and local challenges and measures for their overcoming. Office space is equipped with bins for waste sorting and posters with tips for saving energy and water. Over the year, various lectures are organized for the employees, which help them adopt and properly apply the principles of environmental protection. Managers of Delta Holding are the members of expert teams for the improvement of laws and regulations in the field of environment.

ENERGY CONSUMPTION IN 2017

MEMBER COMPANIES	Electric energy GJ	Coal consumption GJ	Natural Gas consumption GJ	Fuel consumption GJ	Biomass GJ
Delta Agrar Group	62,361	2,955	14,251	82,756	27,064
Delta Food Processing	61,051	0	62,916	5,657	0
Delta Real Estate Group	53,625	0	39,935	1,113	0
Delta Distribution	14,366	0	4,111	49,953	0

ENERGY INTENSITY

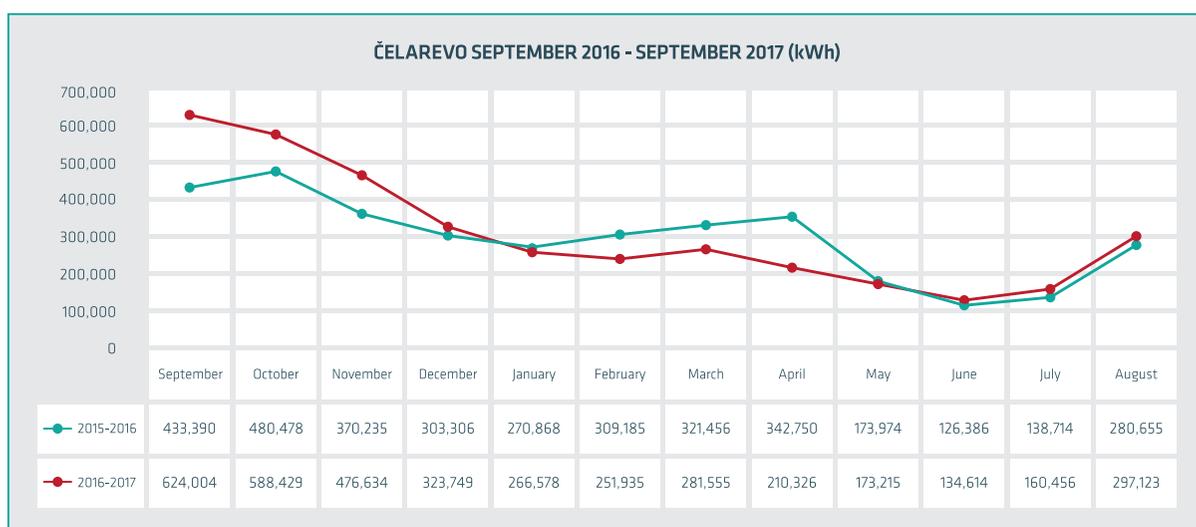
Year 2017	Energy consumption in GJ	Total sales in euros	Energy consumed per monetary unit of sales (GJ/€)
Amount	482,114	457,820,000	0.00105

Energy Efficiency Measures

In 2017, pigs farms in Vladimirovac and Halovo in Zajecar were reconstructed. On the farm in Vladimirovac, a heating network was reconstructed, thus achieving heating of more facilities using a smaller amount of gas. Consumption has been reduced by 38,049m³ compared to 2016, and 7 facilities are now being heated instead of 3 in the previous period. During the reconstruction, the latest equipment is installed, which enables the ventilation and air conditioning of the building in accordance with real needs.

At the Halovo farm, the heating network pipeline is reconstructed so that the temperature can be adjusted according to actual needs relating to the time of day, outside temperature and the number of animals in the facility.

In the cold storage plant in Čelarevo, in 2017, apple storage capacities were increased by 30%. By introducing energy measures and raising employees' awareness of the timely opening and closing of cooling chambers, optimizing the work of the sorting system and replacing existing light bulbs with LEDs, electricity consumption was increased by only 5 - 7% compared to consumption in 2016, and during some months, it was even lower.





Energy efficiency measures were also applied in the Food Processing Group factories. In the Fun&Fit factory, 100W LED spotlights have been replaced by 250W metal halogen lamps. The replacements were also made in the warehouse and within the factory area. Lighting was also replaced in production plant, in the heat treatment and in packaging plant. Expected annual saving is about 20,000kWh. In 2017, the factory made investment in a nitrogen generator to secure nitrogen supply in the future. It is estimated that the investment will pay off in a year and a half.

In 2017, in Yuhor factory electricity consumption was decreased by 5% in relation to 2016, despite 10% increased production.

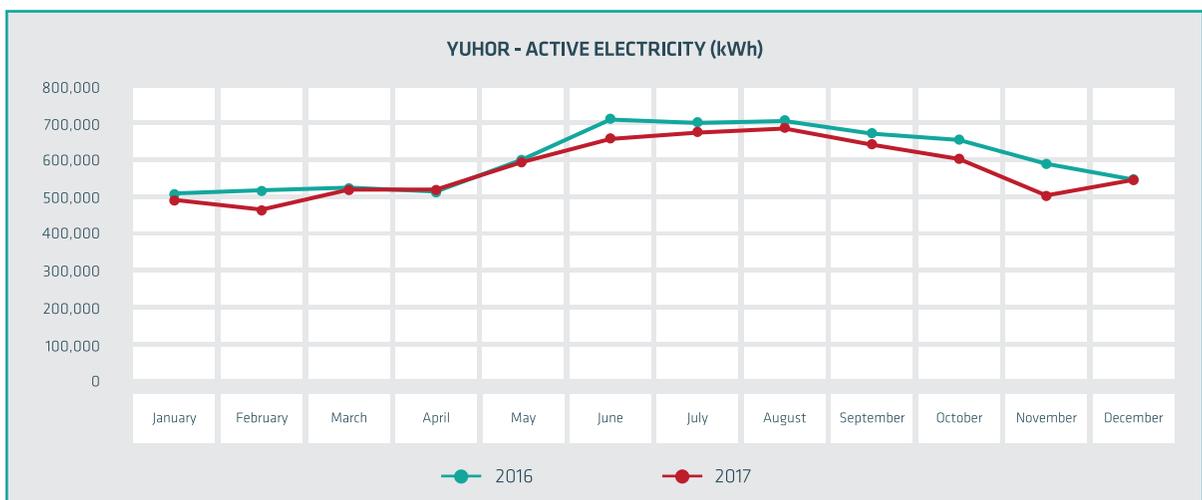
Different measures were taken in order to achieve savings. Two 110kW large air compressors working on “on/off” module were replaced by 45kW and 55kW compressors, of which one frequently regulates optimized energy consumption. This has led to significant reduction in energy consumption of at least 20%.

In addition, the exhaust energy from the compressors is recuperated now, i.e. is reused for heating of the plant, enabling additional savings. An air dryer was installed to improve the air quality required for operation of the machines.

Automatic defrosting of refrigeration chambers at -32°C system with hot gas was installed instead of electric heaters, and the operation of refrigeration compressor aggregates were optimized.

Motion sensors which regulate lighting in the plant were installed, and existing lighting were replaced by LED lights.

Decrease in gas consumption in relation to the volume of production was achieved by: improving the quality of feed water and boiler water by using table salt and adequate conditioning, reparation of all shut-off valves in the boiler room and 45°C and 85°C panel plates for water and also with replacement of worn-out insulation of steam lines with new, adequate insulation.



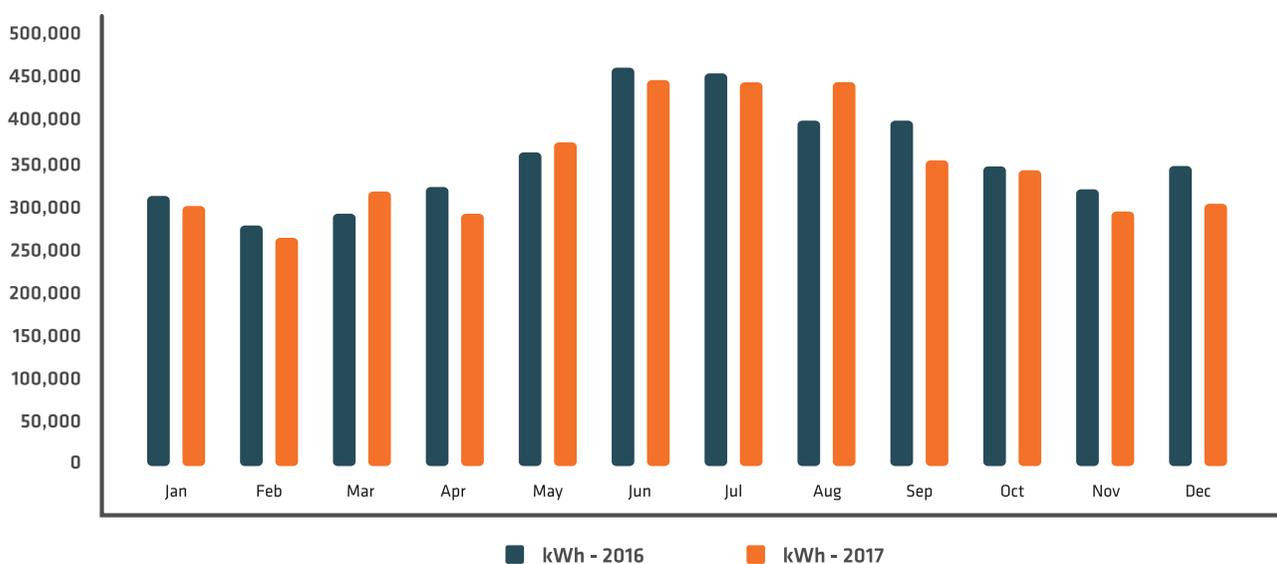
In the Delta Real Estate Group hotels and shopping malls under construction in Banja Luka and Varna, a modern and comprehensive Building Management System (BMS) was implemented. The focus is on energy management that monitors and coordinates the work of all sectors of facilities and energy devices in order to provide maximum savings. The system is adjusted to monitor the number of visitors and external influence (natural lighting and temperature) and adjusts the running of energy devices for the facility heating and cooling accordingly.

At the InterContinental Hotel in Ljubljana and the shopping mall Delta City in Varna, heating, cooling and ventilation of the facility is designed to enable maximum heat recovery of thermal energy through energy potential of extraction air. High efficiency air conditioning and ventilation systems (84%) will be installed in the shopping mall in Banja Luka with rotary recuperators, which will greatly reduce the consumption of heating energy and electricity. The facility in Banja Luka and most of the facility in Varna will be heated by heat pumps as green sources of thermal energy. This saves 30% of the electricity that would be consumed in case of using electricity as the source of heating.

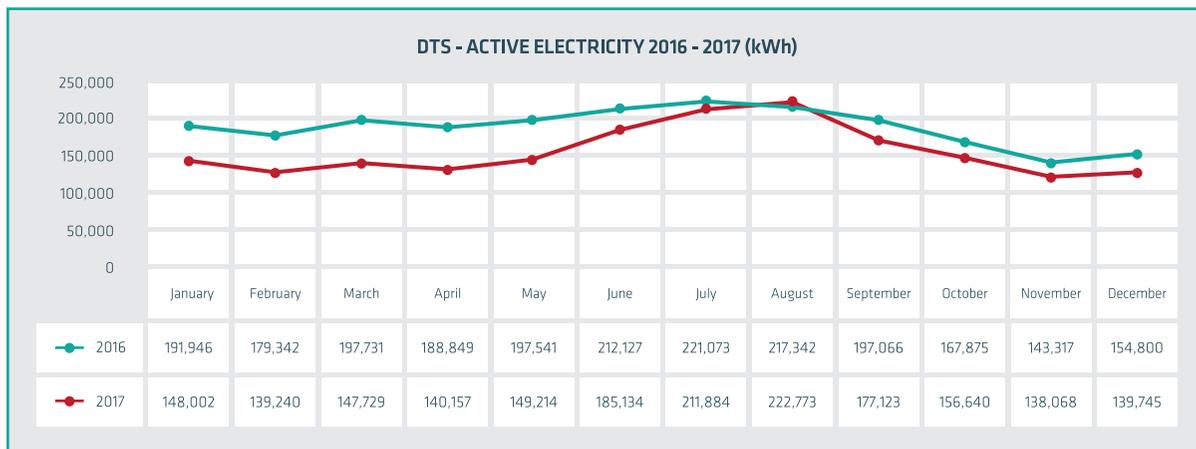
At the InterContinental Hotel in Ljubljana, the entire area of the Bloom lounge cafeteria on the ground floor is decorated with greenery, minimizing the negative effect of artificial creation in the environment. The illumination of the facade is designed so that it does not in any way negatively affect the life of the birds in the environment. The issuance of the Class B1 energy performance certificate for the hotel is expected upon finalization of the analysis of thermal insulation control of the facade from February 2018.

In the construction of the Indigo Hotel, modern ecological materials are used so that the facility will be classified under the C class according to its energy efficiency.

Buildings within NBGP Properties are supplied with energy from their own power plant. In 2017, an investment was made in measuring equipment to accurately distribute and monitor energy consumption across facilities and to spot critical points more easily. The Crowne Plaza Hotel additionally decreased power consumption by replacing 100 decorative lighting bulbs with Led Module lamps. It is estimated that it will make annual savings of around 13,800kWh of electricity. In addition, 12 panels with 96W fluorescent tubes have been replaced with 45W LED panels. The expected annual savings is 3,840kWh of electricity.



In 2016, BMS was introduced in the DTS distribution centre. Energy devices are programmed depending on the occupancy of the warehouse, the number of persons and the time of the year. Adjusting consumption to real needs resulted in a 13.8% reduction in electricity consumption in 2017 compared to 2016.



Monitoring and control through BMS contributed to reduced consumption of gas by 34.79% compared to 2016, and regular monitoring by the authorized laboratory showed that the emissions of pollutants (nitrogen oxide - NOx) from the DTS boiler room decreased by 43%. Emissions of pollutants were also reduced in Delta Motors facilities by 28% compared to 2016.

Owing to energy efficiency measures, the implementation of BMS in almost all locations, the use of vehicles with reduced gas emission and precision agriculture effects, total CO₂ emission has been reduced compared to 2016.

CO₂ EMISSIONS

Direct emissions CO ₂			Indirect emissions
Natural gas tCO ₂	Coal tCO ₂	Fuel tCO ₂	Electricity tCO ₂
754.38	364.45	2,234.06	4,053.46
3,330.59	0.00	206.18	3,968.33
2,114.02	0.00	57.43	3,485.65
217.66	0.00	461.28	933.79
9,740.06			12,441.24

GREENHOUSE GAS (GHG) EMISSIONS INTENSITY

Year 2017	CO ₂ emissions in t	Total sales in euros	CO ₂ emissions per monetary unit of sales (G/€)
Amount	22,181	457,820,000	0.000048

For the heating of two farms, namely Petrović Salaš and Nukleus within the estate Napredak, and on the estate Jedinstvo, soybean straw is used as biomass for heating machine shops. In the organizational unit Seme Sombor, corncobs remaining after the separation of seed corn from cobs are used for corn seed drying.

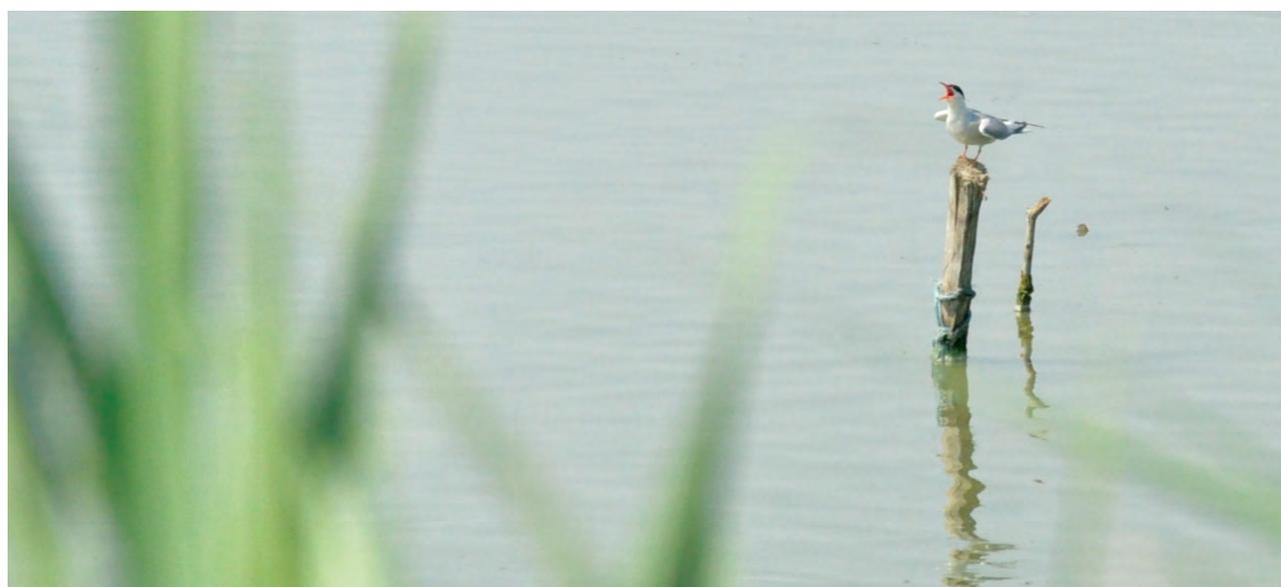
In the plum dryer in Kruševac, wood and pits remaining in plum cleaning are used in the drying process. By using biomass instead of conventional energy sources, carbon emissions are reduced to zero, in addition to financial savings.

Nature reserve

Delta Agrar also takes care of the nature reserve, i.e. a fishpond in Svilojevo, on the estate Jedinstvo. This environmental unit is inhabited by the flocks of swans in wintertime, and colonies of endangered birds in other periods of the year. This fishpond was declared a nature reserve in 2011 and it consists of several lakes and small isles with flora and fauna that cannot be affected without control and approval of the Institute for Environmental Protection of Serbia.

CONTRIBUTION TO ENVIRONMENTAL PROTECTION USING RENEWABLE ENERGY SOURCES¹¹

MEMBER COMPANY	Renewables (biomass)	Calorific value MJ/kg (biomass)	Calorific value (GJ)	Electricity (GWh)	CO ₂ emission reduction (t)
Napredak	900.15t soybean straw	15.00	13,502.25	3.75	3,188.29
Jedinstvo	49.50t soybean straw	15.00	742.50	0.21	175.33
OU Seme Sombor	826.00t corncob	14.70	12,142.20	3.37	2,867.14
Delta Agrar	47.00m ³ firewood	14.40	676.80	0.19	159.81



¹¹Calculation methodology was taken from the following web pages:

<http://www.slideshare.net/masfaknis/alternativni-izvori-toplote-alternativna-goriva-motora-sus-1355538>

<http://www.vusb.hr/~mcobovic/encert/Predavanje%20Jukic%20-%20202.pdf>

<http://library.certh.gr/libfiles/PDF/PAPYR-927-MARCH-2001-CALC-CO2-011-08-ISS1-CAD-ENE-EFF.pdf>

<https://serbia-energy.eu/sr/srija-analiza-troskova-proizvodnje-elektricne-energije-u-okviru-harmonizacije-sa-propisima-eu-iz-oblasti-zivotne-sredine-troskova-te-i-trgovine-elektricnom-energijom/>

Water consumption

Within Delta Agrar, elaborations on the wells' specific yield were carried out, water meters were installed and water permits obtained. In this way, the consumption of water for production is precisely monitored. Water quality in the wells is checked on a monthly level, and the consumption reports are submitted to the public enterprise Srbija vode. Furthermore, prepared elaborations provided insight into the capacities of the wells for fire extinguishing, which additionally increased the safety of employees and facilities.

All farms procured pressure washers, which significantly reduced water consumption. New watering places for animals have been procured that prevent excessive consumption of water for drinking and spraying.

The latest irrigation systems are used for watering orchards, vegetable and fruit crops. The introduction of precision agriculture additionally optimizes water consumption as the plants receive exactly as much water as necessary for smooth growth and development.

Pond in Sviljevo is fed from the DTD channel and is used for fish farming. Natural deoxidized water from the fishpond is used for watering sugar beets, mercantile and seed soybean, mercantile and seed corn and mercantile and seed wheat grown within the work unit Budućnost. Total amount of water consumed in 2017 amounted to 7,443,602.75m³.

All Delta Holding factories are equipped with wastewater treatment filters. Water quality is tested 4 times a year.

Delta Real Estate also pays attention to water consumption. The staff and hotel guests are reminded by written instructions to rationally use water when taking showers, wash their hands and wash up. In 2017, 137 existing perlaters were replaced by more economical ones in the Crowne Plaza Hotel, thus contributing to 3,800m³ expected annual savings of water. In the Hotel InterContinental Ljubljana, the water for the technological needs of the hotel is softened by adding a minimum amount of zinc without any risk to the quality of return water.

Through a series of regular measures implemented by the sector for technical maintenance and security in Delta DMD and DTS facilities in which all employees take active part, the water consumption is reduced by 8,300m³ annually. The following measures are applied: optimization of water consumption for watering of green areas, use of taps with sensors to stop runoff, care of employees about daily water consumption.

Wastewater from Delta Automoto and Delta Motors service shops are treated before discharge into the recipient (city collector) which prevents pollution of groundwater and watercourses. City Institute for Health Protection verified and performed laboratory tests of wastewater quality four times in 2017, with the content of waste materials within the limits of ecologically acceptable reference values.

EXTRACTED WATER IN m³

MEMBER COMPANY	Well water	Lake water	Surface water	Water from municipal waterworks	Volume of recycled water in m ³
Delta Agrar Group	1,158,585	5,315	23,677,773	29,335	7,443,603
Delta Food Processing	228,996	5,313	0	27,390	0
Delta Real Estate Group	0	0	0	16,552	0
Delta Distribution	0	0	0	123,256	0

Waste Management

Waste produced during the production process is selected and treated in all Delta Holding companies. Treatment of waste in 2017 was centralized by creating a system operator. This contributed to better treatment, since on all locations within Delta system, persons in charge of waste management were additionally trained.

QUANTITY OF GENERATED AND DISPOSED WASTE IN TONS

MEMBER COMPANIES	Non-hazardous waste generated in 2017	Quantity of non-hazardous waste as of 01.01.2017.	Quantity of non-hazardous waste as of 31.12.2017.	Total generated hazardous waste in 2017	Quantity of hazardous waste as of 01.01.2017.	Quantity of hazardous waste as of 31.12.2017.	Disposed quantities of non-hazardous waste	Disposed quantities of hazardous waste
Delta Agrar Group	402.44	33.52	27.99	21.43	6.56	8.15	407.97	21.07
Delta Food Processing	263.16	22.44	19.17	2.58	2.82	2.30	269.47	3.10
Delta Real Estate Group	96.48	0	0	2.02	0	0	96.48	2.02
Delta Distribution	160.44	0	0.55	27.28	0.90	0.60	159.89	27.58

A non-profit organization Delta Pak also exists within the company. Delta Pak manages packaging and packaging waste in line with the principles of environmental protection, aligned to the domestic legal regulations and international standards.

RECYCLED PACKAGING

Years 2017	Total placed on the market of non-returnable packaging (t)	Total placed on the market of reusable packaging (t)	Total recycled (t)	Total recycled (%)
Plastic	768.65	0	237.61	31%
Glass	216.73	0	67.19	31%
Metal	65.99	0	23.53	36%
Paper and cardboard	1,352.50	360.88	1,164.19	68%
Wood	338.60	20	69.24	19%
Other types of packaging waste	0.16	0	0	0%
Total	2,742.63	380.88	1,561.76	50%

Delta Pak had 98 clients in 2017, that also included all member companies of Delta Holding.

Delta Pak helps its clients to:

- Organize waste management on their locations
- Reach national goals which define the amount of waste which needs to be treated
- Keep track of quantities and report to national services

In 2017, Delta Pak enabled all of its clients fulfill National goals.

Total amount of packaging Delta Pak's clients distributed to the Serbian market is 12,286.81 tons.

Total amount of packaging waste that Delta Pak reused or recycled is 6,991.61 tons of which 1,770.58 tons is communal waste. Delta Pak fully fulfilled National general goals for the Republic of Serbia in 2017, with 56.90% reused packaging waste and for recycling of packaging waste.

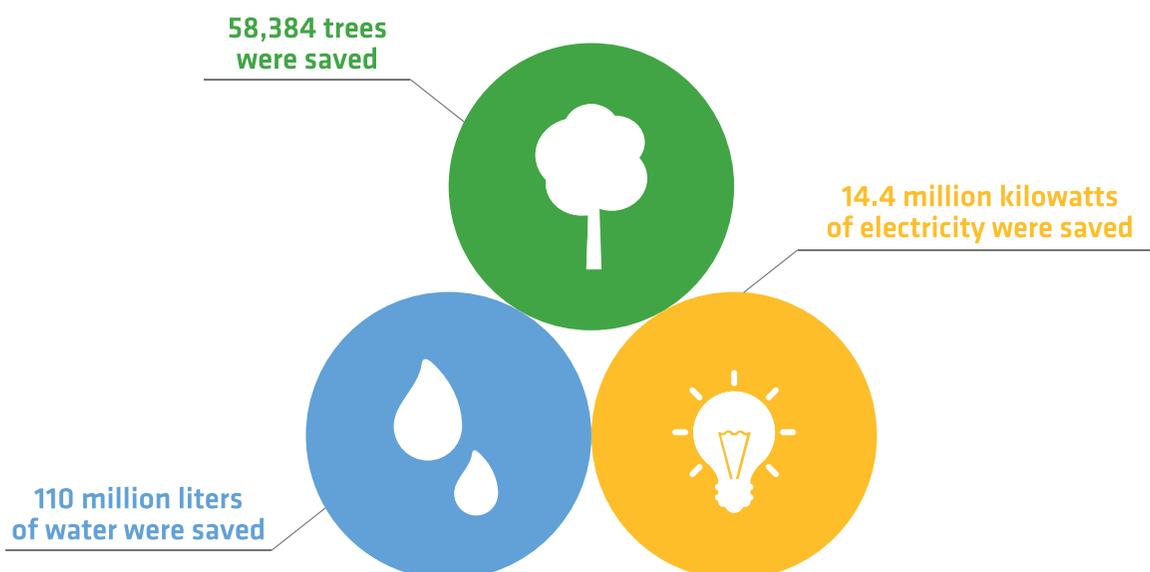
Quantities of generated waste increased in 2017 by 27.53% i.e. 198.32 tons. Profit from generated waste increased by 45.44%.

In addition to the activities of packaging operator, Delta Pak also provides services of environmental protection consulting, management of hazardous and nonhazardous waste, special chemical waste flows, and safe transport of hazardous goods. In 2017, Delta Pak advised 14 clients in the field of chemicals and safe transport of hazardous materials, which includes protection of health and the environment.

In the capacity of an advisor for the safe transport of dangerous goods, Delta Pak held a training for employees at Jedinstvo, Kozara, Napredak, Podunavlje and Topola to present them in details legal regulations and risks which arise from working with dangerous goods thus preventing possible accident situations.

As a packaging operator, Delta Pak takes part in drafting National Strategy/Directive for managing packaging and packaging waste. The strategy aims to envisage and harmonize the terms for the next 10 years. The national objectives by 2019 adopted by the government are high-level and require serious approach in creating collection network. It is necessary to align public utility companies, local self-government services, collector-operators, recyclers and packaging operators to take part in selective collection of recyclable packaging waste, each acting in their own capacity. Directive drafting project continues in 2018.

Thanks to the recycling of paper and cardboard packaging carried out by Delta Pak for its clients in 2017.





DELTA FOUNDATION



ENDOWMENTS



DEVELOPMENT PROJECTS



EDUCATIONAL PROGRAMS

In 2007, Delta Holding founded Delta Foundation, the first corporate foundation in Serbia. During 10 years it carried out 3,548 humanitarian actions and helped 703,304 citizens of Serbia. A total of EUR 37.27 million was invested in the community.

On the occasion of this anniversary, Delta Foundation donated the sculpture 'From there to here' to the City of Belgrade, made by world-famous sculptors Mrdan Bajic and Richard Deacon. This work of art will decorate pedestrian passageway from Kalemegdan to the Sava pier. This artwork is the third endowment of Delta Holding.

Delta Foundation was established with the aim of reviving the tradition of endowments in Serbia. The first endowment called Sunce (The Sun), a day-care centre for the accommodation of children and youth with disabilities was built on Bežanijska Kosa in 2012 and donated to the City of Belgrade. Day-care centre is now used by 126 persons with disabilities. They spend daily quality time working with special education therapists and participating in creative workshops.

In 2016, the second endowment called Iskra (Spark), sports and rehabilitation centre for persons with disabilities was donated to the City of Kragujevac. It is a unique facility of this kind in Serbia and the region. It is adapted to all forms of disability and gives the beneficiaries the opportunity to improve physical and mental wellbeing and to realize their full potential.

Over the past 10 years, Delta Foundation carried out numerous actions:

In the **field of education**, Delta Foundation granted scholarships to large number of pupils and students within the project of Serbian Business Club "Privrednik". For the students with outstanding results it founded the Serbian Business Foundation. It also improved and upgraded the education conditions through various donations. By the end of 2017, it supported 800 pupils and students, sponsored 17 young talents and helped 51 educational institution

(donating equipment, computers, vehicles, furniture).

It helped the community in **cases of natural disasters**: during the earthquake in Kraljevo, snow blizzards in Crna Trava and floods in towns across Serbia. In total, the foundation built and renovated 58 houses, extended assistance to 24 cities and helped 150,000 people.

It also provided **help to children and young people without parental care**. Based on identified needs, the work of 19 nursing homes for children without parental care was supported. Means of support included donations of equipment and furniture, computers, household appliances, foodstuffs, clothing, footwear, adaptation of sports halls and day care facilities. They also carried out projects aimed at raising self-confidence and motivation in children such as: Believe in Yourself, Happy New Spring, Jumbo Biker Adventure. In the period 2006 - 2015 within the framework of the Fund for the Future program, 264 children without parental care received scholarships, 36 young people were employed, and 24 students received support for further education.

The Foundation implemented numerous projects **supporting cultural and religious institutions**. They include the donation of instruments to Belgrade Philharmonic Orchestra, assistance extended to the theatre Atelje 212, the renovation of the Bosko Buha Theatre, support to the monastery of Hilandar, the Church of Saint Sava in Belgrade, the Church of Christ's Resurrection in Podgorica and others. It provided help to 14 cultural institutions, 16 churches, 5 films, 7 books and 2 musical compositions.

It improved the **quality of life of persons with disabilities** in a number of projects aimed at improving the conditions of education, living in homes and support in inclusion (employment, sports and cultural events). Within these activities, 99,205 persons with disabilities received help, 338 got jobs, 3 adapted vans were donated, and 39 day care centres and schools were renewed.

Since its establishment, Delta Foundation has provided **assistance to soup kitchens** in the territory of Serbia, Montenegro and Kosovo. There were 235 humanitarian actions with 142 tons of food donated to 20 soup kitchens and 33,389 users.

Currently ongoing long-term projects include the Plantation for the Future, Fund for the Future and the Third Parent. Traditional volunteer actions are also realized over the year.

Plantation for the Future

The Project Plantation for the Future was launched in 2015 with the aim of supporting associations and organizations dealing with agricultural production by the principles of social entrepreneurship and thus contributing to the reduction of unemployment and poverty in local communities.

Such model of support is designed as a sustainable method of assistance to local communities in those areas in which the Company can offer financial and other resources, the most important of which are experience and knowledge in modern agricultural production. This project covers primary and secondary production in fruit growing, vegetable production and pig farming in the territory of Serbia. Organizations that have been so far supported participated in public competition and presented their project ideas to the committee on a public presentation of projects. Upon completion of the selection process, organizations implemented projects with mentoring support and education.

So far, Delta Foundation has provided financial support to 17 projects in 12 local communities in Serbia (Šabac, Zemun polje, Užice, Priboj, Smederevo, Surčin, Kikinda, Golubinci, Grdelica, Bosilegrad, Arandjelovac and Stanišić). The total value of disbursed grants is 23,416,820 dinars.

During project implementation it was noted that organizations needed additional education in the field of strategic planning, needs assessment of the organizations themselves and public advocacy in order to become self-sustaining.

During 2017, meetings/educational workshops were organized on the following topics:

- Exchange of experience and plans for the implementation of 2017 projects
- Secondary production based on case studies of “Caritas” organization from Šabac and “Optimist” from Bosilegrad
- Outline of public advocacy
- Defining advocacy topics
- Visit to the estate within the Equestrian Club in Arandjelovac and Caritas estate in Bogatić
- Social entrepreneurship in agribusiness
- Basics of strategic planning for small enterprises

According to annual reports, the organizations generated 7,176,000.61 dinars of sales revenues and they produced and sold 53,223.23kg of fruits and vegetables and 693 pigs. A part of revenues and products were allocated for assistance to 1,945 inhabitants of local communities in which organizations carried out their activities.

Association called Save the villages from Priboj is an example of an organization that successfully combines agricultural production and the solution of social problems at the local community level, especially regarding the improvement of the position of women in rural environments. The mission of the association is to improve the quality of life in the villages of the municipality of Priboj, creating opportunities for generating basic and additional income through agriculture and agritourism, for unemployed women living in rural areas. Plantation for the Future supported two projects in 5 villages around Priboj, providing the unemployed female members of the association and multi-member families with 13 greenhouses equipped with irrigation system, 12 two-wheel tractors, and fertilizers for seedlings, and cauldrons with stoves for secondary production. During the two years of agricultural production, members were able to make regular sources of income selling their products on the local market (peppers, tomatoes, cucumbers, spinach, lettuce and onions). Vegetables are produced according to the principles of organic production. Part of their produce was donated to the local hospital and to the association of children with disabilities, thus further enhancing the social aspect of this project. Owing to this project, families planning to leave Priboj decided to stay in their villages and engage in agriculture. Encouraged by good results, the women’s association Save the village plans to establish a cooperative.

Delta Foundation cooperates with Trag Foundation on this project. Support for the selection of projects was also provided by Social Inclusion and Poverty Reduction Team of the Government of the Republic of Serbia as a member of the committee.



Fund for the Future

Over the past years, it was shown that education system is not able to follow the developments in the economy. This resulted in discrepancy between supply in the labour market and demand on the companies' side, and rising youth unemployment. Delta Foundation implements the Fund for the Future program in order to help economically disadvantaged young people acquire desired knowledge, practical skills and find jobs.

From 2006 to 2015, children without parental care were the beneficiaries of this program, and starting from 2015, in accordance with the Company's business development strategy and its corporate social responsibility strategy, young people from agricultural and catering schools are included in this project as well. By the end of 2017, 309 young people have participated in this program.

During the final two years of high school education, young people go through trainings in theory and practical work within Delta Holding member companies and receive a monthly scholarship in the amount of 10,000.00 dinars. Upon completion of this program, they receive an offer to start working in Delta Holding, which they are not required to accept.

In 2017, XI generation of scholarship students, namely 45 students from secondary agricultural schools completed the program. On large estates within Delta Agrar they gained practical work experience which is quite different from the one acquired during practical work in school. They performed various tasks according to their educational profiles and got acquainted with modern agricultural production under professional supervision of mentors in Čelarevo, Apatin, Banatska Topola and Stara Pazova. At the workshops on business theory, they acquired knowledge in various fields including business plan development, successful communication skills, workplace motivation, presentation skills, choosing the right job, writing CVs, etc.

Upon completion of the program in June, two young trainees were employed at the estates of Delta Agrar, while the best 6 scholarship students who enrolled in the Faculty of Agriculture were rewarded with further support during their studies.

In late 2017, a new competition for the XII generation of the Fund for the Future was launched for 24 scholarship students from agricultural schools in Futog, Sombor, Zrenjanin and Negotin and 4 students from the hospitality and catering high school from Belgrade.

My name is Dimitrije Jovanovic. I was born in Kragujevac and I am studying at the university in Novi Sad. I graduated from the School of Agriculture in Futog, study programme for agricultural technician. I have been practicing aikido for 10 years. I joined the Fund for the Future program in 2015/2016 school year, which included a series of lectures on CV writing, organization of work, business plan preparation, job interviews and many more useful things. In addition to theoretical lectures, we also had professional practice at Delta Agrar estates.

The scholarship students from my school performed their practical work in the orchard in Čelarevo where, with the help of experts, we became familiar with entire apple production process. The scholarship I received during high school meant a lot to me, it encouraged me to do even more and study harder, so I became the student of the year. I continued my education at the Faculty of Agriculture, at the department of Phytomedicine. Delta Foundation continued supporting me with a scholarship, and what is more important is that upon completion of my schooling, I will be able to find a job on some of Delta Agrar estates.



Third Parent

Under the Third Parent project, with the support of Delta Foundation and in partnership with the association Putokaz from Novi Sad, Delta Holding employees empower socially vulnerable families at risk that their children be displaced in social welfare institutions.

Project activities include:

- Engaging two social workers for work with families and their members through counselling, support in health care and legal protection and the rights of the child
- Material support (relief supplies kits for Easter, New Year, start of school year and birthdays)
- Inclusion of children in sports and cultural activities
- Educational support
- Improving housing conditions
- Economic empowerment of parents - small business start-ups



By the end of 2017, 203 employees in Delta Holding, individually or in groups, took care of 50 children. The goal of the project is to create functional families, conditions for healthier growing up of children and reduction of poverty.

Within this project, Delta Holding employees provide material support to families, oversee their improvement and take care of children from early age to adulthood. Several times a year, during holiday season, on the occasion of children's birthdays and start of schooling, our colleagues prepare supplies and presents for children containing clothing, toys, school supplies, foodstuffs and hygiene products.

With this project, children were given the opportunity to participate in extracurricular activities, competitions, field trips, and to spend summer holiday in Slovenia, Montenegro and Begečka jama. A visit to the Belgrade Zoo was organized for children on the Day of Families. The train ride to Belgrade was a particularly interesting experience for the children. Delta's employees and their children prepared New Year presents for all the children beneficiaries of the project and their siblings and Santa Claus distributed them during the New Year's show organized by Delta Foundation.

Since the beginning of the project, 25% of families have been fully empowered, and significant improvements are evident in education of children, nutrition, living conditions, health care and parental skills. A network of local community support was developed to ensure:

- Free extracurricular activities in cooperation with driving schools, foreign language schools, sports organizations
- Legal assistance in cooperation with law offices
- Health care assistance in cooperation with dental clinics and other medical institutions
- Employment in cooperation with local entrepreneurs

To the most economically disadvantaged families, additional support was provided by procuring kitchen equipment, heating material, damp removing products and paints, plumbing works, yards landscaping and trimming, repair of front doors, and procurement of TVs. The forms of assistance also included payment of kindergarten services for children, rents, and expenses.





Santa's Helpers

On the occasion of Christmas and New Year holidays, in 2017, for the fifth consecutive time, Delta Holding organized humanitarian action called "Santa's Helpers". The employees and their children took part in this action and prepared 103 gifts for the children from the "Third Parent" project.

Santa brought the prepared gifts to the "Youth Theatre" in Novi Sad in a caravan of MINI vehicles. Together with their parents, the children watched the New Year's play "Beauty and the Beast".

New Year's holiday in the Sun endowment

For the sixth time, Delta Foundation celebrated New Year's holidays in the Sun day care centre with an entertainment programme and New Year gifts. Santa Claus distributed 126 gifts.

Running for Butterfly Children

At the 30th Belgrade Marathon, Delta Holding employees traditionally gathered in large numbers to support Debra association. Members of Debra association are the persons suffering from a severe skin disease called Epidermolysis Bullosa also known as Butterfly Children.

Each year, there is a humanitarian campaign before the race in which the employees collect donations for the procurement of medical supplies. Dressed in uniform T-shirts, with the slogan Running for Butterfly Children, they participated in the Fun Run to draw attention of the fellow citizens to the needs of those suffering from this rare illness. In the fifth humanitarian race in 2017, the employees collected 261,700 dinars donation for Debra.



Refurbishment of the school Dušan Dugalić



In 2017, Delta Holding volunteers extended their help for the third time to their friends from the elementary school for children with special needs Dušan Dugalić in Belgrade to renovate the space in which they work and spend time. On that occasion, concrete in the schoolyard was decorated, the classroom walls were painted, and a protective fence was installed. It was a good opportunity for socializing and mastering new skills.

New Year's Greeting Cards Creative Workshop

Creative workshop for making quilted greeting cards was organized before New Year holidays in the Centre for care for the elderly, children and persons with disabilities in New Belgrade. On that occasion, Delta Holding employees spent time with the beneficiaries of the centre and enjoyed creative work.

Delta Holding sent the cards made by the beneficiaries to its business partners as New Year greeting cards, and made a donation to the Centre in return.



Anything but a car

In 2017, the third action for the promotion of healthy forms of transport called Anything but a car was organized. The aim of this action is to protect the environment and make positive impact on health. Once again, a large number of Delta Holding's employees took part, therefore for the third time, the company won the first place by the number of participants.

This is how Delta Holding employees show their responsibility towards health and environment in which they live.





Realization of the film *With my Eyes Wide Open*

Within 23rd Auteur Film Festival (FAF), the documentary “With My Eyes Wide Open” directed by Marko Novaković was shown in Belgrade’s Yugoslav Cinematheque.

Goran Nikolić, Head of “Iskra” Sport and Rehabilitation Centre for persons with disabilities in Kragujevac, intended to break the Guinness world record by running 55 marathons in 55 consecutive days. Goran was born with retina coloboma, a congenital condition which makes him able to see only five per cent with one eye while he cannot see with his other eye at all. With this feat, he wanted to show the strength of motivation and capabilities of people with disabilities as well as to turn public attention to the needs of sportsmen with disabilities.

“With My Eyes Wide Open” is a documentary about Goran Nikolić, the story about his life, thoughts and the feat he achieved. He tells his life story to the camera while running along the paths of Memorial Park “Šumarice” in Kragujevac. At the same time, this is a story about strong will and about pushing the limits of human stamina.

Delta Foundation followed his feat from its very beginning on 3 September 2016, in front of “Iskra” building in Kragujevac, through the towns of Serbia and Bosnia and Herzegovina, until the end in Budva, Montenegro on 27 October 2016. After his 55 marathons and a total of 2,321km covered, the Foundation produced this documentary as a permanent record of Goran’s personal humanitarian feat which will motivate the viewers and remind them that strong will, persistence and consistency are the most important factors in achieving set goals.



APPLICATION OF REPORTING PRINCIPLES

MATERIALITY

The vision of Delta Holding is for it to be in the eyes of its clients, partners and staff a strong global company recognisable for its values, and its operation is accordingly aimed at satisfying the needs of all interested parties. In this respect, the CSR Report focuses on information which may be of interest to all parties which are in direct or indirect contact with the Company.

INCLUSION

The Report states in all of its chapters the manner in which the Company promotes relations with interested parties, surveys their satisfaction levels and defines plans for further development. In this regard, the Company welcomes feedback on the content and quality of this Report and will duly take them into consideration for the purpose of preparing subsequent reports. Contact details for the provision of feedback are available at the end of this Report.

SUSTAINABILITY

The significance of the Company for further development of Serbia and the region is conditional upon continuous development of operations in line with sustainability principles. Memberships in international organisations and active participation in international conferences, fairs and seminars confirm that the Company strives to bring to Serbia the best international experiences. The five-year operating strategy clearly defines each segment of activity, also taking into account prospective changes in the region and the occurrence of other circumstances which may affect further growth and sustainability of operation.

COMPLETENESS

The Report contains information and data as at 31st December 2017 which, where applicable, was compared to the 2016 data. Financial and economic indicators were taken from the report compiled for the annual Company meeting.

BALANCE

The Report contains information on all areas included in the presented GRI indicators, which are of relevance to all interested parties. Achieved results are presented, as well as challenges that the Company faces in its operation. Thus, insight into segments that require improvement is given.

COMPARABILITY

Stakeholder will be able to compare the Report with the similar reports published by other companies. This is enabled by the application of GRI standards and indicators used for definition of GRI reporting levels. Data for the reporting period are also included; the same measurement methods were used throughout the report, were applicable. Application of different methodology, the reasons and effects of the aberration are also listed. There was no correction of the data edited in the 2016 Report.

ACCURACY

The Report contains qualitative and quantitative data, listed with the highest possible precision and accuracy. In absence of the original data, separate calculations were made and listed together with a detailed explanation of the methodology behind them. Financial and economic data are in the Company's financial statements.

TIMELINESS

The report data will allow the stakeholders to reach timely and informed decisions on cooperation with Delta Holding based on data from Report.

CLARITY

Principles of clarity and simplicity were observed and the wording of the Report is clear and simple. Explanation of certain terms and abbreviations is in the footnotes.

RELIABILITY

According to the reporting principles adopted by the Company, independent evaluation is necessary for ensuring information and data reliability. Accordingly, independent verification of this report was performed by the auditing firm KPMG d.o.o. Belgrade.

REPORT DRAFTING AND PREPARATION

Report was prepared by Strategy and Development Department in cooperation with Corporate Communication Department, HR Department, Controlling Department, Finance Department, Delta Foundation, Delta Agrar Group, Delta Food Processing Group, Delta Real Estate Group, Delta Distribution and Delta MC Company.

Tijana Koprivica, Chief business Sustainability Officer is contact person for questions regarding the report or its content (tijana.koprivica@deltaholding.rs).

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G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	10
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ASPECTS			Supplier Assessment for Impacts on Society
SO 9	Percentage of new suppliers that were screened using criteria for impacts on society		23

SUBCATEGORY			PRODUCT RESPONSIBILITY
ASPECTS			Customer Health and Safety
PR 1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement		23 - 49
PR 2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes		23
ASPECTS			Product and Service Labeling
PR 3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant products and service categories subject to such information requirements		23
PR 4	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements		23
PR 5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction		23 - 49
ASPECTS			Marketing Communications
PR 6	Sale of banned or disputed products		23
PR 7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes		23
ASPECTS			Customer Privacy
PR 8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		23
ASPECTS			Compliance
PR 9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		23



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TRANSLATION

Independent Limited Assurance Report

TO THE OWNERS

DELTA HOLDING D.O.O., BEOGRAD

We were engaged by the owners of Delta Holding doo, Beograd ("the Company") to provide limited assurance on the Sustainability Report for the year ended 31 December 2017 of Delta Holding doo, Beograd ("the Report").

Management's responsibilities

Management is responsible for the preparation and presentation of the Report in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative as described the "Application of Reporting principles" section of the Report, and the information and assertions contained within it; for determining the Company's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Procedures performed

A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Inquiries of management to gain an understanding of Company's processes for determining the material issues for Company's key stakeholder groups.
- Interviews with senior management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies for material issues, and the implementation of these across the business.
- Interviews with relevant staff at the corporate and business unit level responsible for providing the information in the Report.
- Visits to sites operating in Belgrade, selected on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria.
- Comparing the information presented in the Report to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the Report.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of the Company.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

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

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the Sustainability Report of Delta Holding doo, Beograd for the year ended 31 December 2017 is not presented, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative as described in the "Application of Reporting principles" section.

In accordance with the terms of our engagement, this independent limited assurance report on the Report has been prepared for Delta Holding doo, Beograd in connection with reporting to Delta Holding doo, Beograd and for no other purpose or in any other context.

Belgrade, 18 June 2018

KPMG d.o.o. Beograd

(L.S.)

James Thornley
Senior Partner

This is a translation of the original Independent Limited Assurance 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, 18 June 2018

KPMG d.o.o. Beograd



(L.S.)


James Thornley
Senior Partner

