



DELTA
HOLDING
CSR

report 2018

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

ABOUT THE REPORT

Delta Holding has implemented sustainability principles and contributed to the development of the community since the day of its foundation. By introducing the highest standards in all areas, the Company has built a reputation of a reliable partner whose development simultaneously contributes to the development of all stakeholders, economy and society in general.

The first report on sustainable business was issued for the period 2008/2009. From that point, Sustainable Business Reports have been issued once a year. The previous 8 reports were written in accordance with GRI¹ (Global Reporting Initiative) methodology. The reports also meet the requirements of high-level standard of the UN Global Agreement Progress Reports.

The Report lists the reasons why sustainability is important for the operation of Delta Holding, the way it is connected with the business strategy of the Company and the methods of measuring the level of realized progress. The data was collected in 2018, and it refers to the operation of the Company in Serbia, unless otherwise indicated in the text. At the request of the Company, the assurance, tax, transaction and advisory services firm EY Serbia was engaged for the purpose of independent verification of the Report.

As Delta Holding fosters transparency at work, the Report lists exact, measurable and comparable data relevant for the operation of the Company.

The Report is available in PDF form on the official website of the Company. Interested parties may be provided with a printed version upon request.

ABOUT COMPANY

Delta Holding was founded in 1991². The Company mainly operates in Serbia, but it is also present in the region (Montenegro, Bosnia and Herzegovina), Russia and the countries of EU. The companies³ that constitute Delta Holding are divided into four groups.

Delta Agrar Group - in charge of primary agricultural production

Food Processing Group - produces food and water

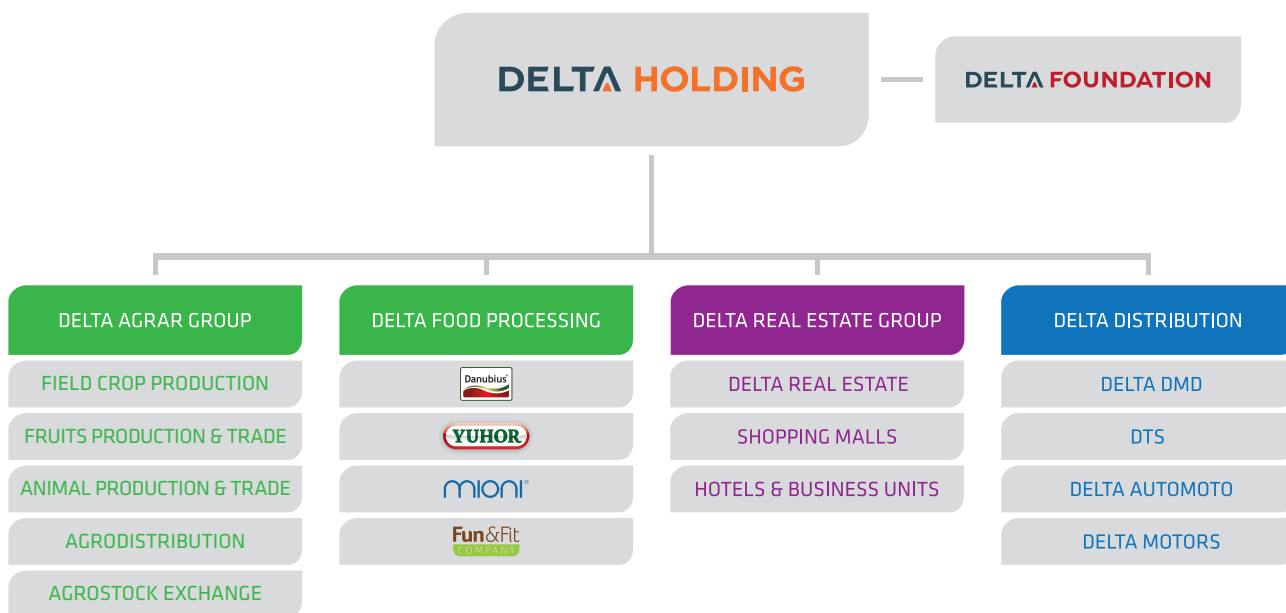
Delta Real Estate Group - manages real estate and construction

Delta Distribution - provides the services of logistics and forwarding, distributes vehicles and consumer goods

There are two non-profit organizations within the Company:

Delta Foundation, established with a mission to find permanent solutions for the fulfillment of social, educational, cultural and medical needs of the community through the creation and realization of endowment projects and humanitarian projects.

Delta Pak, operator, in charge of the management of packaging waste.



²The Company has its registered headquarters at the address Vladimira Popovića 6, Belgrade.

³Delta Holding members operate as limited liability companies, whereas a minor part of units operate as joint-stock companies.



OUR MISSION

With passion we create the companies that improve the society we live in.

OUR VISION

To be perceived by clients, partners and employees as a strong global company recognized for its **VALUES**:

- **EXCELLENCE** that makes us the best
- **INNOVATIVITY** that helps us change the world
- **INTEGRITY** deeply ingrained in everything we do
- We always strive for the highest **ACHIEVEMENTS**
- **CARE ABOUT THE PEOPLE** is the foundation of our success





INTRODUCTION FROM THE PRESIDENT

KNOWLEDGE IS OUR GREATEST VALUE.

Knowledge sets the successful apart from the unsuccessful – whether we are speaking of individuals, companies or entire countries.

As a regional leader, our company is responsible to share the knowledge it has acquired with others. To this purpose, we have created a number of projects and practices. As a regional leader, our company is responsible to share the knowledge it has acquired with others. To this purpose, we have created a number of projects and practices.

In order to share our agricultural knowledge, we have created the project “Our Village”. The aim of the project is to teach small producers on how to organize efficient and profitable agricultural production. However, this project also has a broader, social impact - it affects demographic policy and prevents rural depopulation, the issue our company perceives as one of the greatest problems in the Republic of Serbia.

We have organized a separate project to support entrepreneurship, with the emphasis on the early stage of business development. Delta Business Incubator is a program that provides financial support to startup projects, but more importantly, it is devised to provide mentoring support, helping business beginners acquire vast knowledge and experience the management of our company already possesses.

Moreover, we are helping the young obtain expertise, develop their career or start their own business. The base of our human resources stems from a unique project “Young Leaders”, the purpose of which is to employ young, newly-graduated experts. This is the way we keep our business sustainable while helping our country at the same time – we create top managers that will contribute to the development of the Serbian economy. We have also initiated the program Compass – a series of lectures for the students of the University of Belgrade, which allows them to acquire knowledge and skills from Delta’s top management practices. The young participating in this program learn about the latest business methods, which provides them the possibility to obtain a part of the education they are not able to obtain in the course of their regular schooling.

I am pleased with the fact that all these projects were created by Delta’s employees. The projects are original, created and implemented by the employees of our company, and most importantly - they are sustainable in the long term.

At the same time, they are innovative, which is one of the values our company is particularly devoted to. To foster innovativity, the Committee for Innovations gathers management and employees throughout the year in order to encourage the colleagues to present their innovative ideas and discuss their practical implementation with the team. Special emphasis is placed on the programs for the improvement of energy efficiency through the use of renewable energy sources.

As Delta is approaching its 30th anniversary, I am proud that, to this day, it has set a good example to others. I am particularly pleased that we are setting an example on the markets in the region as well. From Slovenia to Bulgaria, we are spreading much more than our business operations - we are spreading good practices and observance of sustainable business principles, thus contributing to the realization of the 2030 Agenda for Sustainable Development launched by the UN.

Miroslav Mišković
President, Delta Holding



BOARD

The Board of Delta Holding consists of the President of the Company, 4 Senior Vice Presidents. Among the Vice Presidents are 2 women and 2 men. They direct the business of the Company towards the realization of its vision and mission, identify priority development operations, approve

long-term development strategy, budget and investment program. They create corporate culture which promotes values of the Company, business ethics, never-ending acquisition of new knowledge and changes that contribute to corporate and social sustainability.



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,
CEO, Delta Agrar



Živorad Vasić
Senior Vice President,
IHG Regional Director

MANAGEMENT



Zorana Burlić
CEO,
Delta Real Estate



Aleksandra Đurđević
CEO,
Delta Auto



Lazar Petrović
CEO,
Delta DMD



Ljubomir Babić
CEO,
Delta Transportni
Sistem



Ana Dišić
CEO,
Shopping Malls
Delta Real Estate



Jasminka Kiselčić
Director, Plan
and Analysis



Mira Cvijetić
Director, Finance
and Accounting



Milica Pejnović
Director, Internal
Audit



Dragan Miladinović
General Manager,
Yuhor



Saša Mičić
General Manager,
Mioni



Stefan Prolović
General Manager,
Fun&Fit Company



Ivan Kostić
General Manager,
Danubius



Ivana Mišković Karić
Head of
Delta Foundation



Ivan Vasić
Director,
IT



Monika Pejčić
Director,
HR



Tijana Koprivica
Chief Business
Sustainability Officer



Ana Brzaković
Director,
Communications

Delta Holding Management adopts strategic plans which ensure development of the Company, profit increase and business sustainability. In order to achieve overall business goals and satisfy interests of all stakeholders, they motivate the employees to respect the values of the Company, human right, employment rights and environmental protection principles in their everyday work, as well as to improve the quality of life in the community where they live and work. Among Management are 10 women and 7 men.

DEVELOPMENT STRATEGY

Every year, the Board and Management of Delta Holding adopt revised strategic plans which are harmonized with economic and social trends at the global and local level. An integral part of the development strategy are plans for human resources development, environmental protection and support to the local community.

In 2018, the Company adopted ambitious strategic plans that are realized by teams of employees motivated to learn, predict, change and adapt. In the period to come, innovative ideas and principles of sustainable business will be the backbone of the Company development.

The main strategic initiative of Delta Agrar Group is to launch initial public offering (on the international exchange market). Agricultural production development plan includes:

- The increase in the production of club apple varieties
- To double the production of high-quality pigs
- The increase in the capacity of dairy farming by 40% and continual increase of milk production per dairy cow
- Further development of sheep farming by the procurement of high-quality breeding material from import
- Positioning of Delta Agrar stock farming segment as the leading producer of high-quality genetic material
- Expansion of the supplier network through the education of individual producers
- The increase in the production capacity by the construction of a new processing center
- Investing in irrigation systems that are to ensure intense crop growing
- Implementation of precision agriculture with the aim of optimal use of resources and the reduction of adverse environmental impact

Factories of the Food Processing Group are also planning to invest heavily in the production processes, product quality and brand recognition.

Danubius will use its leading position in the sale of pasta and 1-kg flour to strengthen the brand

position and become the most recognizable producer in the region. Due to consumers' demand, the key strategic initiative in the period to come will focus on the beginning of the production of ready bakery mixes, and the production and packaging of mixes intended for households. Investments into technology, product quality, development of marketing and sale will lead to the placement of a wider range of products and will consequently increase market share in the country and abroad, as well as full exploitation of installed capacities.

In 2018, Yuhor was the second largest producer of meat and meat products on the Serbian market. In the following five years, the sale will continue to grow, with improved profitability. The goals for the following five years include: investments into product quality, brand recognition and consumer loyalty, the growth of the high-value product segment market share and extension of the Yuhor Dućan network.

Fun&Fit bases its growth and development strategy on continual investments into the improvement of quality and positioning of Fun&Fit and JUMBO brands in Serbian and foreign markets. In addition, the Company will continue to invest in the segment of basic provisions through the ABC brand, which has become a synonym for top quality. An important segment of growth in the following 5 years will stem from more comprehensive cooperation with retail chains and the growth of sale of PL product in Serbia and the region.

Mioni d.o.o. aims to become the third largest company in the area of still bottled water (Aqua Gala and PL) in Serbia in the following five years. After becoming the leader in the production of branded still water in 2018, in the following 5 years, the Company plans to assume the leading position in PL product manufacture in the area of carbonated beverages. In addition, new tastes will be introduced to extend the brand Black and Yellow Juice (Bitter Lemon, Exotic, Cherry Cola).

One of the key segments of Delta Holding operation lies in the real estate business. Delta Real Estate is known as the largest regional investor in this area. The Company will continue to adhere to its long-term strategy – the construction of the first-class, “green” facilities in the most prominent locations.

Plans for the following five-year period include:

- opening of Indigo Hotel in Belgrade
- The construction of Delta Center which consists of office building and hotel InterContinental Belgrade
- The construction of Holiday Inn Ljubljana
- The construction of Delta Planet shopping malls in Belgrade and Niš
- The construction of Delta Holding office building

The results of Delta DMD Group, distribution and logistics sector, are perceived through permanent growth in sales and market share of its strategic partners whose products the Company exclusively distributes on the territory of Serbia and Montenegro. In the period to come, Delta DMD and DTS will focus on the development and extension of its portfolio and the development of cooperation with responsible companies whose visions go hand in hand with the vision of Delta. Operative business segment will focus on the optimization of energy product consumption in order to reduce pollution in transport.

For more than two decades, Delta Auto is a strategic partner of BMW Group and Honda Company. In auto industry, the latest and most innovative trends are implemented in environmental protection and sustainability. Speaking of environmental protection, as a leader in the production of premium electric vehicles, BMW Group and Delta Holding, a pioneer in this segment, will continue to promote electric vehicles on the market of the Republic of Serbia by lobbying for the improvement of the infrastructure necessary for their uninhibited use.



As leaders in corporate responsibility, all Delta Holding members have integrated sustainable

development goals in every segment of their operation and undertook the obligation to continually raise awareness of their employees and communicate with stakeholders about the importance of the implementation of sustainability principles. With respect to the previously mentioned, the scope of work covered with the five-year strategic plan includes:

- Care about the employees
- Environmental protection
- Community support
- Inclusion of stakeholders

Realization and adoption of the strategy on social responsibility, environmental protection, employee development and inclusion of stakeholders are within the competence of the Chief Business Sustainability Officer and relevant experts, whereas the Board approves the strategy at the strategic council. Chief Business Sustainability Officer informs Senior Vice President of Strategy and Development about the realization of the abovementioned strategies.

Delta Foundation designs and realizes plans which aim to solve social issues in the community. General Manager of Delta Foundation informs the President of the Company about plan realization, as well as Senior Vice President of Strategy and Development and Senior Vice President of Finance and Economy.

The inclusion of internal and external stakeholders in the process of making decisions significant for business development is extremely important for the operation of the entire Company. All employees participate in the development of strategic plans and define sustainability priorities. As for external stakeholders, the Company organizes annual surveys to investigate their satisfaction with the quality of services and products, and provides open communication channels (email addresses, call centers, comments books) they can use to express their opinion on the operation of the Company anytime. Their opinion is integrated into strategic and development plans. In addition, as our Company has the responsibility to transfer its good practice to the associates as well, the period to come will be devoted to the education of suppliers on business sustainability.

The Company regularly informs all interested parties about development plans and business results at press conferences that are held quarterly, and daily, through social networks, its website and intranet portal.

One of the greatest challenges for the sustainability of the Company is personal and professional development, motivation and satisfaction of its employees. Therefore, the implementation of non-discrimination principles and investing into education remain imperatives. It is also very important to support the employees in the harmonization of work and family life. In the period to come, **the focus will be placed on the harmonization of work and parenthood, support of employees and their children through education, and support of the families in need of medical treatment through the expansion of the scope of solidarity allowance.**

In order to improve the system of safety and protection at work, the Company will strive to raise employees' awareness of the importance of following the Safety at Work and Fire Protection procedures, review high-risk positions and implement the standard OHSAS 18001. In order to improve the information system and increase work efficiency of the managers in charge of Safety at Work and Fire Protection, the Company will introduce e-trainings and SAP applications. **The aim is to reduce the number of work injuries by 50% on a yearly basis until the year 2023.** In addition to care about its employees, the Company has the responsibility to influence its associates (suppliers and contractors) to provide safe and secure working environment for their employees.

Within the company, strategic activities are implemented with the aim of environmental protection: improvement of energy efficiency, optimal consumption of water and other resources, investing into renewable energy sources, recycling. In 2018, the Company continued to introduce UNIDO methodology for energy efficiency into all parts of the system. The procedures for the implementation of the standard ISO 50001 and standard ISO 14001 will be conducted simultaneously. **The overall goal is to improve the energy efficiency by 20% until 2023.**

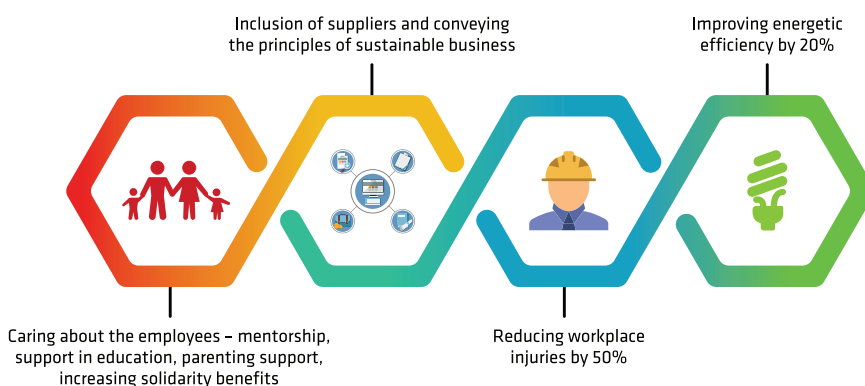
In addition to the abovementioned, there is an ongoing feasibility study that analyzes the possibility of introducing alternative energy sources at various sites, which would ultimately reduce the consumption of conventional energy sources from 25 to 75%.

The Company has the resources and staff necessary to contribute to the progress of the community:

- By transferring knowledge and skills, the employees may contribute to the quality of education, development of entrepreneurship, reduction of unemployment and poverty
- By participating in the conferences on sustainable business and financing them
- By active participation in the associations that promote sustainable development
- By including its employees in humanitarian and ecological actions

In accordance with the character of their business, every member will continue to realize specific activities within corporate responsibility. Through the work of Delta Foundation, all members manage to realize humanitarian projects which leave a permanent mark on the community.

At the Annual Council, representatives of all members present their business results and realization of strategic plans and goals within the fields of economy, social responsibility and environmental protection. Throughout the year, an internal audit and the department of control and planning continually verify the realization of plans in all business areas and management levels. In accordance with the predefined award policy, members of the board, management and employees are stimulated and de-stimulated financially, and they have the possibility to assume lower or higher-ranking positions in the organization.



THE MOST IMPORTANT ENVISAGED RISKS IN 2018

NAME	DESCRIPTION	SIGNIFICANCE OF IMPACT	PROBABILITY OF RISK
Domestic market	Instability and low purchasing power of local market	Significant	High probability
	Potential entry of foreign companies with better business conditions on domestic market	Significant	High probability
	Buyers insolvency	Significant	High probability
International market	Fluctuation of stock market prices	Significant	High probability
	Change in currency values	Medium	Possible
	Growth of production and consumption of agricultural products	Medium	Possible
Climate impact	Climate impact on the agricultural production	Medium	Possible
Financial risk	Potential risk of decrease in banks' lending activities	Significant	Possible

Continual forecast and analysis of market movements allow the Company to recognize opportunities, evaluate the behavior of consumers and the competition and define risks. With all this in mind, the annual strategic plans are revised when necessary. Thanks to strategic planning, the opportunities are taken, whereas dangers are successfully avoided. It is very important for the Company to continually monitor employee satisfaction, invest in their development and monitor the needs of its business partners and the society in general.

At quarterly councils, the Board is informed of the results, possible risks and changes in the internal and external surroundings that have occurred in the past months. The risks are then analyzed in accordance with their relevance and probability.

MATERIALITY MATRIX



Prior to the announcement of the reports for 2018, stakeholders were surveyed to define important issues that have a crucial impact on the sustainable development of stakeholders and society in general. Stakeholders include the management, employees, buyers, suppliers, contractors, office area tenants, banks, associations of citizens, nongovernmental organizations, commercial organizations, educational institutions, and media.

The subjects defined in the materiality matrix stood out upon survey of the management, employees and external stakeholders about the significance of these subjects in relation to economic results, legislation, internal procedures and code of conduct, business strategy, health and safety of employees, environmental protection and Company's reputation. The diagram shows the assessment of their significance.

MATERIALITY MATRIX

Number	Sustainable business topic	GRI Indicators	Sustainable development goals	Description of activity
1	Product quality and safety	416	12	Responsibility for product/service
2	Safety and health at work	403	8, 3	Responsibility towards employees
3	Responsible informing of consumers	417	12	Responsibility for product/service
4	Energetic efficiency	302	7, 9, 13	Environment protection
5	Endowments	413	10, 11	Support to the community
6	Job security	402	8	Responsibility towards employees
7	Water care	303	6, 9, 12	Environment protection
8	Waste management	306	12, 15	Environment protection
9	Empowering sensitive social groups (through financial support and transmittion of knowledge)	413	4, 10	Support to the community
10	Reduction greenhouse gas emission	305	13	Environment protection
11	Ethics and integrity	102-16, 102-17	8, 16	Responsibility towards employees
12	Economic results	201	8	Responsibility for product/service
13	Improving customer relationships	416-418	12	Responsibility for product/service
14	Improving supplier relationships	414	12	Responsibility for product/service
15	Development of employees	401.2	4, 5, 8	Responsibility towards employees
16	Awarding scholarships to talented students	413	4	Responsibility towards employees
17	Investing in the community	413	9, 11	Support to the community
18	Non-discrimination principles	405, 406	5, 16	Responsibility towards employees
19	Employee training and development	404	4, 8, 10	Responsibility towards employees
20	Employing young people	404	4, 8, 9	Responsibility towards employees
21	Employee volunteering	413	1, 2	Support to the community

All the mentioned subjects, activities and results achieved in these areas will be presented under the chapters Responsible Provision of Products and Services, Environmental Protection, Employee Development, and Community Investing.

Throughout the year, a number of surveys were conducted with the aim of investigating customer, supplier and employee satisfaction, and their opinion on the matter. In addition to participating in surveys, stakeholders have the possibility to present their opinion by contacting our call center or sending a message to one of the email addresses available at the webpages of Delta Holding members. The rule of the Company is to answer all the messages within 48h.

Representatives of the Company have participated in a number of events organized by the governmental and nongovernmental sectors with the aim of improving significant social areas: protection of human and employment rights, fight against corruption, environmental protection, energy efficiency, health and safety at work, educating students and citizens about the goals of sustainable development and the 2030 Agenda, development of social entrepreneurship, etc. This is yet another way the Company exchanges its experience with other commercial entities, whereas their mutual dialogue contributes to the development of the society in general.

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.



WE SUPPORT



**RESPONSIBLE
BUSINESS
FORUM**

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.

Serbian Association of Managers is a manager association established in 2006, which continuously improves the managerial profession by developing it according to the values of economic security, friendship, continuous transformation and responsible leadership in order to achieve goals in areas of professional development improvement and connecting managers, as well as when it comes to dialogues with economic policy makers and international cooperation. As a full member of European Management Association (EMA) and associate member of Confederation Europeenne des Cadres (CEC), SAM focuses on promoting the best business practices, companies and responsible business, launching socially responsible initiatives, affirmation of young people, professional development of managers and promotion of the managerial profession. Delta Holding has been a member of SAM and its Managing Board since 2017. Company representatives have actively promoted sustainable business and leadership, life-long learning, inclusive digitalization and participated in the work of the gender equality group Voice of European Managers in EU.

CEO Alliance on Gender Equality

Serbian Philanthropic Forum is the umbrella organization of foundations and donors in Serbia and a platform for different companies, organizations and individuals who are leaders of investment in a better society in Serbia. With its business it inspires strategic approaches to investing in the society, it creates an environment which stimulates giving and it promotes philanthropy as a social value. Since January 2018 Serbian Philanthropic Forum has been a full member of the Donors and Foundations Network in Europe (DAFNE) which bring together over 10,000 foundations from 26 countries around Europe. Delta Foundation has been a member since 2018.



**SRPSKA ASOCIJACIJA
MENADŽERA**

The Gender Equality Alliance promotes the idea of an inclusive culture in which both women and men are appreciated due to their unique contributions at work, in society and in family. Delta Holding is one of the first companies that joined the Alliance and signed the Charter on Gender Equality. The signatory companies obliged to create and promote equal opportunities for career development of men and women, to promote equal representation at all levels and positions and to ensure equal wages for the same jobs in companies. Delta Holding, as a good business practice example in the area of gender equality, has been actively participating in creating strategic goals of the Alliance for achieving greater results by promoting all the benefits of the well-balanced gender structure and by strengthening the local community in this area.



**SRPSKI
FILANTROPSKI
FORUM**

STANDARDS

INTERNATIONAL QUALITY STANDARDS		
STANDARD	DESCRIPTION	MEMBER
ISO9001	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)
ISO14001	ISO 14001 is an international standard for the development of effective environmental management systems (EMS) applicable to all industry types.	Delta Agrar Group (Yuhor)
ISO 22000	Food safety management - Requirements for systems of any organization in the food chain.	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, Delta Agrar d.o.o.)
ISCC	Standard that defines use of biomass, produced under sustainable conditions of production and manufacturing process of the same biomass.	Delta Agrar Group (Delta Agrar, 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 d.o.o. (Cold Storage Čelarevo)
IFS logistic	IFC Logistic is a standard for auditing all logistics activities for food and non-food products.	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), Food Processing (Fun&Fit, Mioni, Danubius, Yuhor), Delta DMD i DTS
HALAL	Halal Certification is the recognition that the products are permissible under Islamic law.	Food Processing (Yuhor)

AWARDS

AWARDS IN 2018			
AWARD TITLE	AWARD-WINNER (MEMBER)	AWARDING ORGANIZATION	AWARD DESCRIPTION
CSR company of the year	Delta Holding	Serbian Association of Managers	For the development of social entrepreneurship and youth education
The best socially responsible campaign	Delta Holding	Diplomacy&Commerce	For the project "Our Village"
Special award Aurea for socially beneficial engagement	Delta Holding	eKapija	For the project "Our Village"
The most gender-sensitive company	Delta Holding	Association of Business Women in Serbia	For good practice with regard to equal terms of employment and career development for men and women and supporting female entrepreneurship
For development and promotion of corporate volunteering	Delta Holding	Responsible Business Forum	For the support its employees provided to the community



AWARD IN 2018

AWARD TITLE	AWARD-WINNER (MEMBER)	AWARDING ORGANIZATION	AWARD DESCRIPTION
The Great Champion Cup	stock-farming	Novi Sad Fair	The cup for public performance and the presentation of corporate identity
The great champion cup for the absolute champion in pig farming	pig farming	Novi Sad Fair	The great champion cup for the absolute champion in pig farming
The Cup with the golden medal for a sow with piglets	pig farming	Novi Sad Fair	The Cup with the golden medal for a sow with piglets
A cup for duroc boar	pig farming	Novi Sad Fair	A cup for duroc boar
A cup for the collection of duroc female pigs	pig farming	Novi Sad Fair	A cup for the collection of duroc female pigs
A cup for the collection of F1 female pigs	pig farming	Novi Sad Fair	A cup for the collection of F1 female pigs
The Great Champion Cup for the absolute champion in Cattle Farming	cattle farming	Novi Sad Fair	The Great Champion Cup for the absolute champion in Cattle Farming
A cup with a golden medal for the Holstein Friesian champion cow	cattle farming	Novi Sad Fair	A cup with a golden medal for the Holstein Friesian champion cow
A cup for the Holstein Friesian champion heifer	cattle farming	Novi Sad Fair	A cup for the Holstein Friesian champion heifer
Silver medal for a Holstein Friesian champion heifer	cattle farming	Novi Sad Fair	Silver medal for a Holstein Friesian champion heifer
Golden medals	stock-farming	Novi Sad Fair	Management in a free ecological area
Golden medals	stock-farming	Novi Sad Fair	Visual aspect of fish farm arrangement
Golden medals	stock-farming	Novi Sad Fair	Sheep farming with a farm as a contribution to corporate identity
Golden medals	stock-farming	Novi Sad Fair	Advertising material graphic design
Golden medals	stock-farming	Novi Sad Fair	Medal for a global contribution to the presentation of results in the field of pig and cattle farming

AWARD IN 2018

AWARD TITLE	AWARD-WINNER (MEMBER)	AWARDING ORGANIZATION	AWARD DESCRIPTION
BMW Presidents Award	Delta Motors	BMW AG	The most important recognition of the BMW Group for the overall business achievement
Option Take Rate	Delta Motors	BMW AG	Award for sales results
MINI Marketing Award	Delta Motors	BMW AG	Award for the campaign "MINI WAS HERE"
The best conference hotel in Serbia	Crowne Plaza, Belgrade	Serbia Convention Bureau	The best service and capacity for convention purposes
The best internet service in Europe	InterContinental Ljubljana	IHG Corporation	For high-quality Internet service
„Singidunum award-winner“	Holiday Inn	The City of Belgrade, Tourism Organization, University of Singidunum	Touristic offer quality improvement
Leader in the hotel industry & the ambassador of good service Živorad Vasić	Žile Vasić	The World of Tourism, TOB, TOS	The best regional leader in the hotel industry
Elite status (in Guest Satisfaction survey)	Holiday Inn Belgrade	InterContinental Hotels Group	The highest status according to the results of the HeartBeat Questionnaire completed by the guests.
Q4 Winner in HeartBeat: Top Performing Hotel	Holiday Inn Belgrade	InterContinental Hotels Group	For the results from the HeartBeat questionnaires completed by the guests.
Q4 Loyalty Recognition: Top Performing Hotel	Holiday Inn Belgrade	InterContinental Hotels Group	Recognition provided by the guests, members of our loyalty program - IHG Rewards Club.
Singidunum award-winner Platinum Award	Holiday Inn Belgrade	Faculty of Tourism and Hospitality Management - University of Singidunum, City of Belgrade Secretariat for the Economy, TOB, PKB, HORES and YUTA	Platinum award in the category of 4-star hotels for the improvement of quality of City of Belgrade touristic offer.
Certificate Meeting Star - Proof of excellence	Holiday Inn Belgrade	CONVENTA and Conference of the New Europe Meetings Industry Magazine	The award confirms the quality, clear position on the market, continual improvement of services and the satisfaction of customers and participants in the conventions/conferences organized.



ECONOMIC RESULTS

In accordance with the values it adheres to, Delta aspires to top achievements. Therefore, once again, in 2018, financial results of the Company were extraordinary.

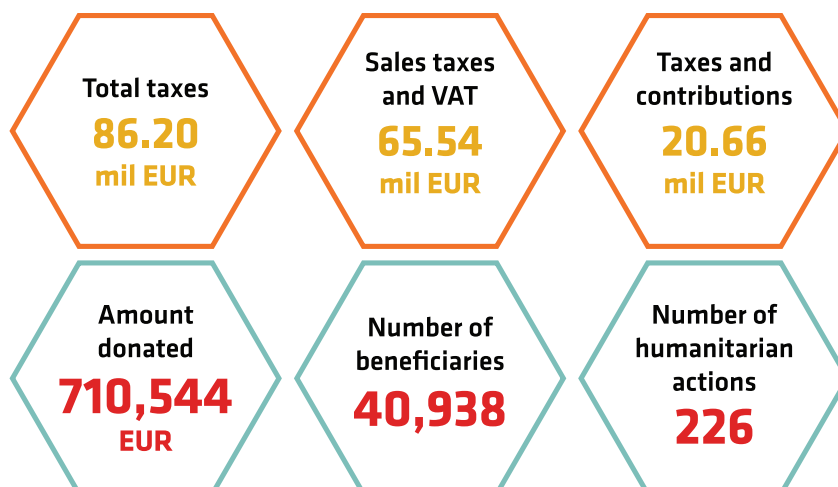
The overall income of Delta Holding increased by 8.4% in comparison with the year 2017, amounting to 496.25 million euros. EBITDA of 41.50 million euros⁴ marked an increase of 8.2% in comparison with 2017.

In 2018, the Company financed its operations from the operating profit and loans granted by banks and other financial institutions. For regular activities, the Company also used subsidies provided by applicable laws and regulations, accessible to all business entities.

In 2018, the Company paid 86.2 million euros to the Republic of Serbia for tax purposes. We invested 710,544 euros into the community, whereas 40,938 of our fellow citizens received aid through humanitarian projects realized by Delta Foundation and other activities aimed at social responsibility.

DELTA HOLDING'S CONSOLIDATED RESULTS IN MILLION EUROS

MEMBERS	2018	
	INCOME	EBITDA
Delta Agrar Group	237.73	17.92
Delta Food Processing	72.24	3.13
Delta Real Estate Group	38.99	11.80
Delta Distribution	178.37	6.90
Other	8.75	1.75
Total	496.25	41.50



⁴Income and EBITDA were taken from unaudited consolidated reports drafted for the management

The 2018 export amounted to 83.54 million, which is an increase of 3.4 % in comparison with the year 2017. The largest exporters were Delta Agrar Group and Food Processing, the overall value of their export amounting to 65.02 million euros.

EXPORT IN MILLIONS OF EUR

AGRO SECTION	2018
Cereals	35.64
Fruit and vegetables	10.80
Oil plants	10.66
Seed goods	0.51
Machinery	0.17
Pesticides	0.05
TOTAL per product group	57.83

EXPORT IN MILLIONS OF EUR

GROUP	2018
Delta Holding	83.54
Delta Agrar Group	57.83
Food Processing	7.19

EXPORT IN MILLIONS OF EUR

FOOD SECTION	2018
Meat and meat products	3.30
Appetizing snacks and cereals	0.99
Flour and pasta	2.57
Cereals	0.13
Chocolate bars	0.06
Water	0.13
TOTAL per product group	7.19

EU 44.19 million EUR

RUSSIA 9.83 million EUR

CEFTA 3.80 million EUR

OTHERS 0.01 million EUR

57.83

mil EUR
export

**Delta Agrar
Group**

**Food
Processing**

7.19
mil EUR
export

EU 0.57 million EUR

RUSSIA 1.43 million EUR

CEFTA 5.11 million EUR

OTHERS 0.08 million EUR





RESPONSIBILITY FOR PRODUCTS AND SERVICES



PRODUCT RESPONSIBILITY



CUSTOMER CARE



SUPPLIER ENGAGEMENT



In accordance with the opinion of the management, employees and external stakeholders, the community identifies the provision of healthy and high-quality products and services as one of the most important issues. With this in mind, the part of the report “Responsible Provision of Products” presents the operation of each and every member, method of production and standards implemented in the operation of the Company, together with the plans for future products. The Reports also presents the way the Company fosters its relationship with customers, adapts products and services to their needs, presents true information about the products, shares its system of values with suppliers and helps them adopt sustainability principles.

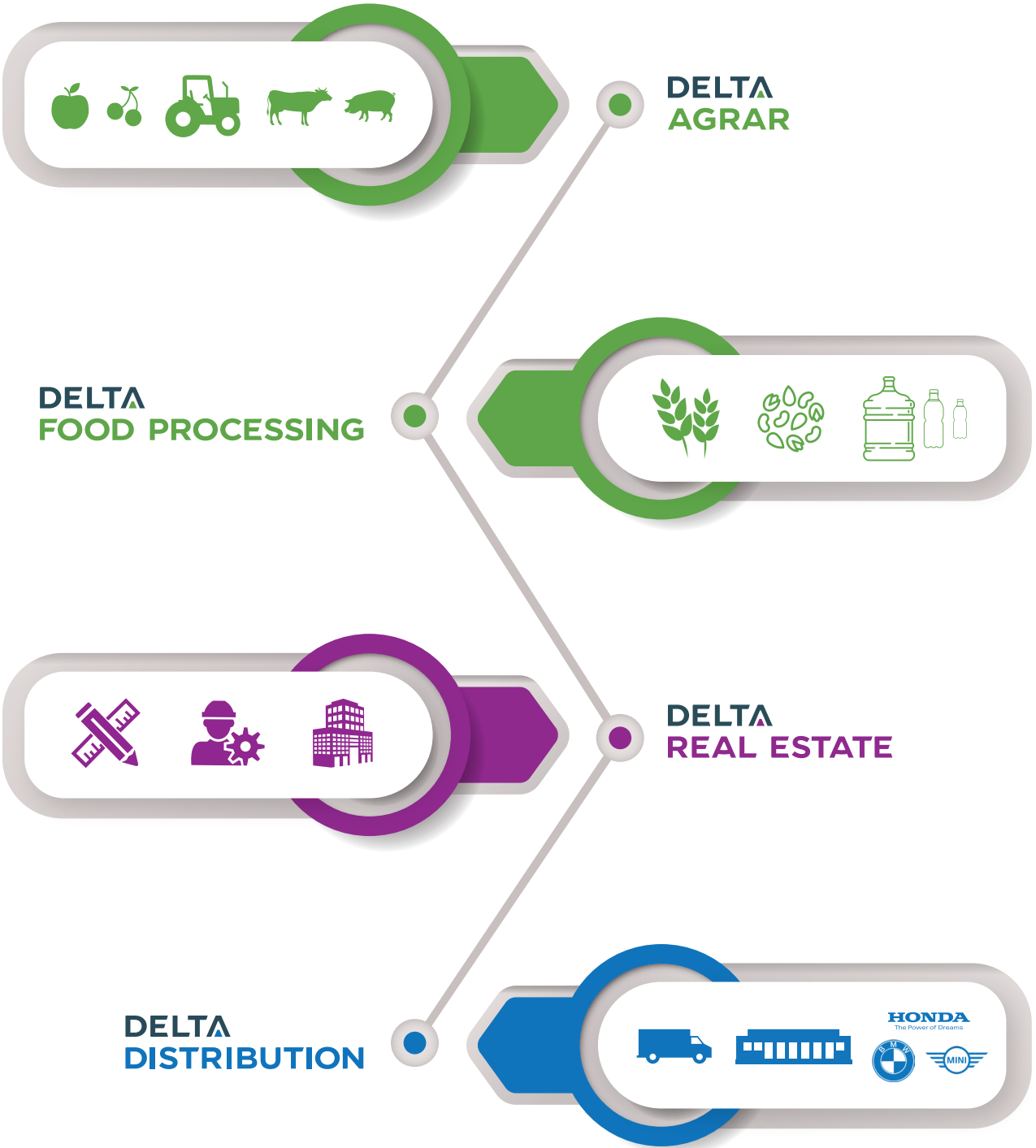
Delta Holding is devoted to continual development of products and improvement of their quality. The highest quality is achieved through perfection of work and production processes, implementation of international quality standards and selection of reliable suppliers. The suppliers of all company members undergo standard tendering procedure and the quality of their operation is being inspected. In order to ensure the quality of raw and processed material inspection, Delta Agrar evaluates each supplier with regard to: the quality of product, level of implementation of the quality management system and HACCP system, reliability and quality of delivery. Taking into account the level of fulfillment of these requirements, suppliers are awarded with A, B or C level rank. The Company cooperates with A and B level suppliers only. The advantage is always given to an A-level supplier, whereas the products of a B-level supplier are procured only in case it is impossible to procure them from an A-level supplier.

The ingredients used for food production in the hotels of Delta Real Estate Group are procured only from the suppliers that abide by HACCP quality system.

The selection of contractors is based on the quality of performance they have demonstrated so far and their valid licenses for design and construction. When organizing tendering procedures, Delta Auto Group invites the companies which have good references, evidence of high-quality performance, and all the necessary certificates and licenses for the activities within their scope of business. Upon the selection of the best offer, supplier is listed as a company with good recommendations for further cooperation. The Company organizes yearly meetings with each supplier in order to: analyze past cooperation and suggest its future improvements, monitor potential work changes in accordance with applicable laws and regulations and raise awareness of the importance of the quality of their organization, specific cooperation and mutual relations. An integral part of the Quality Management System is constant monitoring of the quality of suppliers’ products and services, their evaluation and ranking in accordance with the results. In addition, Delta DMD and DTS team for supplier selection also verifies whether suppliers operate in accordance with the standards of quality management system.

Delta Holding member companies transfer their knowledge about quality standards to their suppliers, teaching them how to implement appropriate standards. In 2018, Delta Agrar was particularly focused on educating suppliers about the implementation of Global GAP Standard. Fruit and vegetables cold store in Čelarevo is a holder of SMETA Standard, which certifies that the Company abides by CSR principles.

Suppliers of all members sign agreements which bind them to obey the principles of the protection of human and employment rights, which, among other, prohibit child labor, forced labor and work abuse. Contractual obligations also include observance of the law and ethical principles.



DELTA AGRAR GROUP



Delta Agrar is the largest domestic producer of agricultural products. Its growth and development arise from continuous investing into the production of cereals, fruit, vegetables, industrial plants and animal farming.

Delta Agrar also trades in exchange goods, machinery, pesticides, fruits and vegetables.

The leading position in all segments of business is achieved through continuous education of employees, who are constantly acquiring new knowledges. These knowledges originate from the world leading agricultural countries. The introduction of modern technology, new knowledges and skills are key elements that contribute to the development of agriculture and overall economic growth.

In 2018, Delta Agrar invested 31.1 million EUR into the advancement of business and production. It is planning to invest another 12.6 million EUR in 2019.

In 2018, income increased by 9%. The company exported 235,564 t of maize and wheat, whereas in 2017 this export amounted to 201,387 t. The largest amount of rape exported so far amounted to 19,915 t in 2018.



Agro-distribution

Delta Agrar produces and distributes seed products and microbiology programs. So far, it has successfully represented and distributed seed maize and sunflower of renowned companies such as DowDuPont Pioneer, KWS and Syngenta.

In addition, it also distributes seed wheat and barley, including the varieties of KWS Company (Solehio and Modern) and Saatzucht Donau Company (Amicus, Balaton and Carmina variety of seed barley).

In its processing center, the largest center of this kind in Serbia, Delta Agrar exclusively produces and processes seed maize for the company DowDuPont Pioneer.

Delta Agrar continues to develop a domestic selection of soybean, as well as its own brand SELSEM, which has been present on the market for more than 30 years.

In its cooperation with seed companies and other partners, the Company respects all the principles of sustainable development, human rights, employment rights and code of ethics, while taking care of the environmental impact of its business at the same time.

The most prominent results achieved in 2018 are the following:

- Seed sunflower sales grew by 29% in comparison to the year 2017
- The highest sales of seed wheat and barley together with the growth of 20% when compared with the previous year

- Two new varieties were registered in Serbia and one in EU
- Advancement of cooperation with companies S.A.S (Spain) and Goemar (France) and the beginning of the distribution of high-quality liquid foliar fertilizers and biostimulators by introducing 7 new products into the assortment.
- The beginning of cooperation with the renowned company Belchim (Belgium) - exclusive distribution of 2 products within the pesticides range.
- The growth of sales of Rivulis "drop by drop" irrigation system of 25%
- The Company was recognised as the second largest dealer of Valmont irrigation equipment in Europe
- Introduction of the first irrigation systems in cherry orchards – the largest systems in this part of Europe

Plans for 2019:

- Growth of sales for all products
- Expansion of seed product plantations
- Expansion of the irrigation system in cherry orchards
- Introduction of VRI irrigation system
- Growth of sales of Landini tractor and connecting machinery
- Introduction of a new brand "Nobili Italia" in the range of connecting machinery



Fruit Farming

The property of Podunavlje in Čelarevo hosts one of the most modernized apple orchards in Serbia and the region, with the gross surface of 500 ha. This orchard is home to the apple varieties: Gala, Breburn Marriri Red, Golden Delicious Riders, Red Delicious, Granny Smith, club varieties: Modi, Kiku, Pink Lady, Evelina, and two new varieties - Red Moon and Red Sun.



Apple trees are densely planted, in accordance with the Italian South Tyrol technology. There are 3,900 trees per one hectare, which guarantees high and stable yield.

Top results are also the product of high-quality seeds, proper protection from adverse weather conditions, the use of high-quality irrigation and fertilizers. Orchards are equipped with moisture sensors and other indicators of soil quality. These devices are connected to GPRS irrigation system and weather station, which enables remote control and parameter monitoring.

The overall apple production is in accordance with the GLOBAL GAP system, which ensures high quality of products and work processes.

Within the orchard, there are Ultra Low Oxygen cold stores with the capacity of 20,000 t, in which, due to the dynamic atmosphere, the entire apple yield can be stored in chambers up to 300 days, without a single chemical treatment. Within the cold store itself, there is a MAF Roda line for sorting and calibration of apples (per colour, diameter and weight), with the capacity of 10 t/h.

In addition to the apple varieties produced by Delta Agrar, in cooperation with other producers, the following varieties have become a part of the assortment as well: Idared, Granny Smith, Golden Delicious, Red Delicious, Jonagold, Jonagored, Cadel, Mucu.

In 2018, Delta Agrar planted another 8.7 ha of the Pink Lady apple in Zaječar.

Near Veliki Jasenovac, at the altitude of 400 meters, 40 ha were planted with the following varieties: Pink Lady, Rubens, Mineska, Evelina, Isaaq and the red meat apples Red Moon and Red Sun.

In 2018, Delta Agrar produced the following:

- 22,623 t of apple:
 - The orchard in Čelarevo - 19,337 t
 - Orchards in Zaječar - 1,986 t
 - In cooperation with individual producers - 1,300 t
- The turnover of imported goods increased by 30%, which made Delta Agrar one of the largest suppliers in Serbia
- The number of suppliers increased; partnerships were firmly established with suppliers from Greece, Turkey, Albania and Netherlands
- The position in Russia was strengthened with the help of the company Delta Frukt in Moscow

Plans for 2019 include the following:

- Planting a new apple orchard on 43 ha of land
 - 25 ha of Pink lady
 - 6 ha of Isaaq
 - 5 ha of Rubens
 - 7 ha of Granny pollenizer
- The increase in turnover volume of 44%
- The increase of financial turnover of 41%



Vegetable Farming

In Delta Agrar's vegetable gardens that cover the surface of 1,038 ha, the following vegetables are produced: peas, green bean, potato, onion, pepper, celery, cabbage, cauliflower, kale, and broccoli.

The overall surface is under the irrigation system, and the production and storage are performed in accordance with Global GAP Standard. Onion and potato storage has the capacity of more than 2,000 t. Within the storage, there is a pak center for sorting, calibration, cleaning and packaging of onion and potato.

The average yield in 2018:

- Average onion yield on the properties amounted to 61 t/ha

Plans for 2019 include the following:

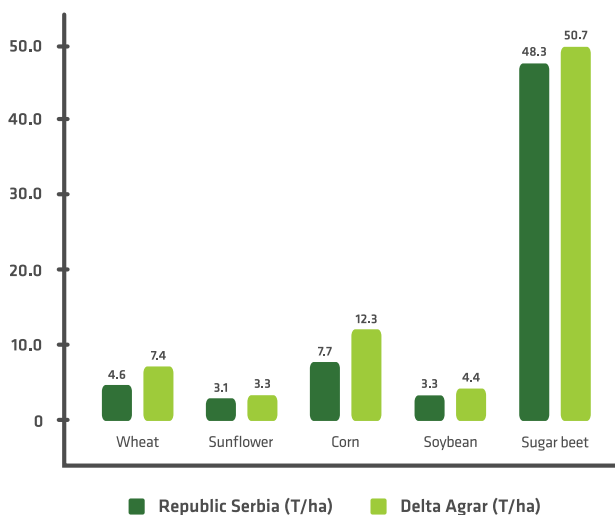
- Introduction of Global GAP standard into the properties of Delta Agrar's partners
- Growth of vegetable distribution – opening of new distribution centers and the extension of the partner network.

Crop Farming

On its arable land, Delta Agrar grows basic types of cereals and millet-like cereals, grain legumes, industrial plants and a variety of fodder and grass used at livestock farms.

Crops that are most commonly grown include wheat, maize, soybean, sunflower, rape, and sugar beet. High and stable yield is the result of long-term investments into machinery, modernization of production processes and the advancement of knowledge necessary for the implementation of new technologies.

Yield comparison (t/ha) for the production year 2018



Out of the overall amount of planted crops, 40% is under the surfaces that use irrigation systems. Until the year 2020, the Company plans to cover 100% of surfaces with irrigation systems.





Precision Agriculture

On its properties, Delta Agrar has introduced planting with autopilot navigation, GIS, GPS systems, automatic navigation and variable rate fertilizer, seed and pesticide application.

Delta Agrar uses 26 tractors with navigation and 111 units with Global Positioning System (GPS). Autopilot navigation completely replaces the tractor driver.

The systems of precision agriculture enable the following:

- Detailed ground scanning
- Prevention of tillage outside the furrow
- Variable rate planting and fertilizing, in accordance with plants' needs and soil analysis

- Satellite detection and crop monitoring
- GPS vehicle monitoring

Achievements of precision agriculture include:

- Improved efficiency and better control of the production process
- Improved conditions for plant growth and higher yield
- Decreased use of nitrogen fertilizers

Stock Farming

Within Delta Agrar, stock farming includes pig farming, dairy farming, sheep and fish farming.

Pig Farming

There are 5 farms used for pig production: Nucleus, Napredak, Kozara, Vladimirovac and Halovo.

In terms of results, these farms can compete with some of the best farms in Denmark, one of the leading countries in pig farming. Within the Nucleus farm in Stara Pazova, there is a center for artificial insemination.



The overall production is organized according to Danish DanBred technology. It relies on the fulfillment of all standards that regulate animal keeping and animal health protection, the safety of employees and environmental protection. In accordance with European regulations, animals are maintained in optimal surroundings and allowed to move freely under controlled weather conditions. In order to reduce the use of medications as much as possible and maintain the health of all the animals on the farm, the farm implements strict hygienic biosafety measures both inside and outside of the facilities. Before entering the facility, employees have to take a shower and put on the clothes and footwear that are used on the farm only. The employees who work on the farm are not allowed to have contact with the pigs outside the farm.

Due to the internal biosafety measures, the movement of animals is organized in accordance with the system “All in All Out”, which means that groups of animals go into a certain production stage simultaneously and leave the stage in the same way. Sections are regularly washed and disinfected; disinsectization and deratization are regularly conducted. When moving from one section to another, it is mandatory to wash the footwear. In addition, disinfection barriers were placed between different sections.

In 2018, these farms produced 110,989 fatlings and 22,790 pigs, which means that they produced 133,779 high meat content animals. The realization of initiated investments and the expansion of housing capacity will result in the production of 130,000 fatlings and 40,000 pigs in 2019.

In 2018, the reconstruction of Vladimirovac farm was brought to an end.

Seven facilities were reconstructed, expanding the capacity of the farm from 700 to 2,200 sows, i.e. from 20,000 to 60,000 piglets a year. The farm also has the capacity to produce 5,000 high-quality sows for sale. In addition, the farm uses state-of-the-art equipment with computerized systems for feeding, ventilation and production monitoring.

The system ProGrow enables computerized monitoring of food consumption and growth through the use of cameras and software solutions for calculation and optimization.



Dairy Farming

In 2018, the farms Napredak in Stara Pazova and Topola in Banatska Topola produced 9,100,000 liters of milk.



Excellent results are the product of optimal ambient conditions and biotechnology of cow housing, as well as quality feed.

Topola farm is home to 650 Holstein dairy cows and 735 breeding cows of different categories (breeding heifers and female calves). The farm has a surface of 80 ha planted with different types of grass, where animals can move and feed freely. 6,000,000 liters of milk is the amount envisaged by the yearly production plan.

Napredak farm is home to 1,400 cows and 1,550 breeders. In 2018, the farm was equipped with a modernized stable that can house 700 dairy cows and two housing facilities for 150 heifers.

This will significantly increase the profitability of production, as 2,100 cows will be able to produce 21,000,000 liters of milk a year.

Milk is produced in a modern De Laval milking parlour, which meets all relevant EU standards. The equipment includes computer system for monitoring and control of animal health condition. Milking parlour has the capacity of 64 places. At each of these places, milking lasts 8 minutes per cow.

Sheep Production

Delta Agrar has organized sheep production on the farms Vražognac and Alapin in Zaječar.

The production was initiated in 2017 on the farm Vražognac, where 2,000 sheep and 80 rams of Il de France breed were imported from France. This breed is very adaptable and suitable for modern farming within closed space.

In 2018, the farm was equipped with the latest laboratory for artificial insemination of sheep. Each and every sheep inseminated by laparoscopic method gives birth to 2.2 live lambs per year.

The production of sheep relies on the latest methods, the final aim of which is the formation of stock of 6,000 breeding sheep and a yearly production of more than 15,000 lambs.



The reconstruction of the farm Alapin was completed in 2018. The previous farm for bullock fattening was reconstructed and adapted. The facilities were equipped with the latest production machinery.

The long-term plan includes the production of substantial amounts of lamb meat for both domestic and international market.



Cooperation with individual agricultural producers

Delta Agrar organizes and develops cooperative relationships with agricultural producers with whom it has agreements on cattle, crop and fruit farming.

This cooperation includes:

- Financial support to production (the supply of animals, fertilizers, seeds, pesticides and advance purchase of mercantile goods)
- Expert monitoring of crop growing technology
- Guaranteed placement of manufactured agricultural products
- The purchase of all surplus crops that have been produced
- Service storage

Agreements define technical and advisory support, monitoring and control of the entire production process, in order to reach the highest quality of production and comply with all the procedures specified by Global GAP Standard and HACCP system. Delta Agrar guarantees the best quality control to its clients and partners, as well as the fulfillment of the highest standards that refer to packaging, storage, and transport.

Production of Livestock Feed

The year 2018 marked the beginning of the construction of a new factory of livestock feed in Stara Pazova. This investment is expected to increase livestock feed production capacities for livestock farming within the Company. However, a part of the produced amounts will be placed on the market as well.

The new production plant will be modeled after the world-renowned livestock feed factories, and its benefits lie in the production of high-quality pellet feed that meets all microbiological standards.

The entire feed production complex will have the capacity of about 70,000 t yearly.



AMBAR
— DELTA AGRAR —



FOOD PROCESSING

YUHOR

Yuhor from Jagodina is one of the leading meat industries in Serbia, the tradition of which dates back to the year 1902. As of 2004, this factory operates within Delta Holding. In addition to placing its products on the Serbian market, Yuhor is also present in the countries of the region: Bosnia and Herzegovina, Montenegro, Macedonia, as well as Russia and EU. Apart from producing meat products, Yuhor is also the owner of a retail chain "Yuhor Dućan" which, in 2018, consisted of 55 sales units in 33 different cities. Yuhor is a synonym for tradition, safety, quality, innovation and creativity. These are the basic principles the business of this meat industry relies on.

Speaking of wholesale, in 2018, Yuhor boasts the following achievements:

- When compared to the year 2017, the sales volume grew in all segments: domestic market, export and PL

- The growth of market share in the category of processing and pâtés
- The leading position in the category of cooked meat products
- Packaging redesign
- The beginning of cooperation with the largest European retail chain Lidl
- The opening of 16 new Yuhor stores

Yuhor's assortment of products is very rich and it includes a number of high-quality products which suit the tastes and meet the needs of the most demanding consumers.

In 2018, the assortment was expanded by new products in the category of fresh meat and shaped meat, processing and pate.

- Meat: barbecue chicken, chicken sticks, spicy meat sticks, chicken skewers, marinated pork ribs, smoked beef sausage, smoked chicken sausage
- Cooked sausages: Bavarian sausage, Debrecener
- Pates: fish pâté with hake
- Fermented products: classic salami, rustic salami sliced, spicy salami sliced, Shumadian salami sliced, sandwich salami sliced, spicy sandwich salami sliced, domestic salami sliced

The strategy of the Yuhor Company is to produce safe, high-quality products with high nutritional value and minimal adverse effect on the environment. In order to reach this goal, the Company implements the systems of quality monitoring ISO 9000:2008, ISO 14001:2004, the system for the environmental protection and ISO 22000 standard that addresses food safety management. In addition, Yuhor is a holder of HALAL Certificate, which allows it to export products to the Muslim-majority states.

In 2018, Yuhor successfully completed certification for the food safety standard IFS, which regulates food safety and quality control. The producers that are able to meet strict requirements of this standard have the possibility to gain consumers' trust and protect their customers by manufacturing safe products of high quality. The fulfilment of this standard also contributes to better cost-efficiency in the production chain and food sale.

In 2018, the Company conducted a customer satisfaction survey in which 88 buyers were asked to rate the following:

KEY CUSTOMER SATISFACTION SURVEY	
Features	Grade
Quality	4.17
Quality-Price-Ratio	3.98
Sales and distribution	4.66
Customer loyalty	4.35
Quality in comparison with other meat industry companies	4.14
Average grade	4.46



DANUBIUS

Danubius Factory, situated in Novi Sad, is the producer and distributor of flour, pasta, and cereals. As of 2006, the factory operates within Delta Holding, and in 2018, it marked an important anniversary – an entire century of successful operation.

There are three entities that operate within Danubius:

- Silo of the capacity of 65,000 t with a continuous dryer Schmidt-Seeger, with the capacity of 50 – 70 t/h
- A modern, computer-operated mill produced by the Swiss company Bühler, which manufactures 300 t of the highest-quality flour on a daily basis. The assortment of Danubius 1 kg flours consists of three basic and five alternative types of flour
- Pasta factory with a yearly capacity of 14,350 t



The factory continually invests into product development and adapts to customer needs. The quality of Danubius products is confirmed by Standard FSSC 22000.

The overall realization of mill products in 2018 amounted to 75,197 t, meaning that the production grew by 3,000 t in comparison to the year 2017.

The realization of mill products (1/1 package) amounted to 19,241 t, i.e. it grew by 24% in comparison to the year 2017, when 15,515 t of the product was manufactured.

Durum pasta realization amounted to nearly 1,500 t, whereas the production of vitaminized pasta amounted to 5,920 t. On the domestic market, the factory produced 6,351 t of pasta, which means that the production grew by 20% in comparison to the year 2017.

Danubius exported 3,230 t of flour (1/1 package) – an increase of 12% in comparison to 2017. The export of pasta in 2018 exceeded one thousand tons and amounted to 1,034 t.

In 2018, the income of the Danubius Factory reached 20,655,000 euros. The Company envisages that the income will grow by 10.7% in 2019. EBITDA in 2018 amounted to 1.628.000 euros, and the plan is to increase it by 40% in 2019. According to the data obtained from Žitounija, in 2018, Danubius's market share in the category of flour amounted to 42% (1/1 package).

Based on the analysis of the data obtained in the research conducted by Nielsen Company, it is possible to conclude that Danubius is the market leader (with 39% of market share) in the category of vitaminized pasta on the territory of the Republic of Serbia. In durum pasta category, Danubius reached the market share of 17.7% and it continues to grow.

In 2018, wheat processing reached an unprecedented level - 81.370 t. In addition, 10,000 t of flour was exported. The company set aside nearly 1.8 million euros for investment purposes. In 2019, the Company plans to invest another 1.3 million euros.

The hundredth year of Danubius's operation was a year of innovation. A Development Team was assembled to implement strategic initiatives with regard to the development of new products. Due to the specific demands of buyers from confectionery and similar industries, one of Danubius's strategic initiatives is to produce ready mix products. Danubius is the first mill in Serbia with the capacity to produce ready mixes. The aim of this initiative is to win new buyers and expand the existing portfolio. The company also plans to develop new products in the economy and premium biscuit segment, and implement innovations in the assortment of premium products. Each and every team member and the entire collective of Danubius factory invest all their efforts to achieve predetermined goals and strengthen the brand.

In 2018, a customer satisfaction survey was conducted in the shops of the retail chains Delhaize, Mercator and Univerexport in Belgrade, Novi Sad, Čačak and Niš. Two hundred and forty consumers were included in the survey; 35% of them were men, 65% women, and 80% of the respondents were aged from 20 to 60.



Product features were graded from 1 to 5, where 1 was the lowest and 5 the best grade. The target grade for the year 2018 was 4.50. As for consumers' satisfaction with the flour, this grade was reached, whereas for pasta, it was even higher than expected – 4.52.

surveyed consumers praised the quality of pasta and organization of sales promotions.

THE SURVEY ON CUSTOMER SATISFACTION WITH DANUBIUS FLOUR	
Features	Grade
Quality/safety	4.56
Price	4.32
Packaging	4.50
Positioning	4.51
Range	4.60
Average grade	4.50

THE SURVEY ON CUSTOMER SATISFACTION WITH DANUBIUS PASTA	
Features	Grade
Quality/safety	4.58
Price	4.36
Packaging	4.55
Positioning	4.55
Range	4.57
Average grade	4.52

Speaking of consumers' satisfaction with flour, the surveyed consumers often commented on the following: they praised the quality and wide range of products (particularly of the cake flour T-400) and they demanded spelt flour. This demand shall be considered in the period to come, and in 2019, the assortment will be additionally improved by the placement of dark flour T1100.

As for consumers' satisfaction with Danubius pasta, the survey showed excellent results. The

In 2019, the efforts will be focused on the presentation of the factory and product history, presentation of the quality system implemented by the company, as well as the education of the public on a healthy diet, the differences and nutritional advantages of durum and whole-grain pasta. In addition to the care about its customers, another strategic aim of the Danubius factory is the care about its employees, their continuous training and education. By encouraging teamwork, synergy and high level of motivation of its staff, the Company is able to fulfill its final goal - quality, success and sustainable development.

FUN&FIT

Fun&Fit Company produces and packs cereals, food staples, dried fruits, and apetic snacks. The assortment of the Company includes over 200 different products based on 70 different raw food materials and components supplied from over the world. As for commercial portfolio, the Company includes 3 different brands: Jumbo, Fun&Fit and ABC.



In 2018, the Company focused on quality improvements: recipes were amended, brands modernized, assortment expanded, new design introduced, and the system of communication with customers was improved. The Company entered into a new category of operation.

The following projects were realized in 2018:

- Jumbo brand was expanded by three new mix products – Power, Protein and Energy mix
- The entire Jumbo assortment was redesigned
- The assortment was expanded in Kids Segment
- The assortment of dried fruit was expanded – Fruit Mix
- Premiumization of ABC was achieved by launching two new rice varieties, Arborio and Parboiled
- Six new products were added to the Organic segment in the domain of cereals and food staples

For a number of years, Fun&Fit has been a significant partner in the production of private labels for retail stores and a reliable supplier for large industrial buyers and confectionery producers.

Preventive fumigation of cereals, laser control of nuts and seeds, metal detector and X-ray are merely a part of the entire system of care about the quality and wholesomeness of products in the manufacturing process.

As an integral part of its business activities, the Company conducts internal control of product conformity, monitors the percentage of moisture and salt in final products and conducts regular analyses of compliance with applicable laws and regulations through accredited laboratories. Operation of the Company has been improved since 2014 when the System of food safety and quality control (IFS FOOD) was introduced. At the moment, conformity is 99.23%. The number of non-conformities was reduced from 6 in 2017 to only 4 in 2018.

In 2018, the scope of business activities was expanded in the domain of PL and industry. The number of PL products with key buyers was increased and the cooperation with new retail stores was established. In addition, the Company continued its cooperation with confectionery companies Bambi, Frikom, Štark, Medela, Jaffa, Ledo, Swisslion and established cooperation with new factories at the same time.

In the period to come, the Company plans to:

- Expand Jumbo brand in the domain where it holds the leading position – unique mix products
- Enter the category of Raw and Protein bars
- Premiumize ABC brand by redesign
- Enter the markets of HoReCa, wholesome food and sport facilities
- Expand regionally
- Continue producing and expanding its business activities in the domain of PL and industry





MIONI

At the foot of the mountain Maljen, in the municipality of Mionica, there is a natural mineral water bottling plant - Mioni. Built in 2007, the factory now operates with five production lines for bottling of still and sparkling water and non-alcoholic carbonated beverages. The portfolio of the factory includes the following brands: Aqua Gala, Black & Yellow Juice, and as of 2018, Mioni became the exclusive importer and distributor of the Green Cola brand.

Bottle blowing equipment purchased in 2018 significantly facilitated the production process. In accordance with the expansion of the assortment, the Company also invested in the tools for new bottle formats.

In 2018:

- The Company started providing manufacturing services for eight articles of the Lidl retail chain
- The Company started providing manufacturing services for two articles of the Alpina brand
- Mioni became the exclusive importer and distributor of the Green Cola brand in Serbia
- The bottle blowing machinery for new bottle formats was installed

In order to ensure the quality and wholesomeness of its products, the Company performed re-certification of IFS standards. In the

course of certification, the criteria of the Higher Level of IFS standards were met. The grade of compliance was 97.24%

In order to inspect customer satisfaction, Mioni conducted a survey questioning 10 buyers with whom the company has cooperated for a number of years. The answers to six questions about the main features of the cooperation were collected by means of a scale. The grades ranged from 1 to 5.

Buyers praised courteousness of the employees and the quality of service, whereas they had minor objections to the delivery waiting time. The average grade of customer satisfaction is 4.5.

SURVEY ON CUSTOMER SATISFACTION

Feature	Grade
Service	4.60
Prices	4.20
Delivery time	4.10
Requirement Response	4.80
Discounts	4.40
Employees' courteousness	4.90
Satisfaction	4.50

DELTA REAL ESTATE GROUP



The business of Delta Real Estate Group includes:

- strategic planning and project development,
- project management and construction management,
- real estate management, control and market placement of built facilities.

Delta Real Estate develops high-quality projects in accordance with international requirements and introduces new standards into the real estate industry in the region.

There are several advantages that set us apart from the competition: internal organization of project management, control of design and construction, improved adaptability, flexibility and cost reduction.

In 2018, Delta Real Estate built two shopping malls in the region - Delta Planet in the cities of Banja Luka and Varna, and Indigo hotel in Belgrade. Both shopping malls were designed by internal staff. The completion of works and opening of these two malls were envisaged for March 2019. Hotel Indigo, which was also designed within the Company, is going to be opened in the second half of 2019.



With the surface of 64,000 m², **Delta Planet Banja Luka** is planned to offer world-renowned brands in 110 different shops. Facility access and movement through the facility will be entirely adapted to persons with disabilities, for whom the center is going to provide 52 parking spaces. The shopping mall will also be equipped with 9 electric vehicle chargers. Upon the completion of construction, the building will obtain an energy passport. Natural lighting in the mall stems from the continual glass lantern on the roof, whereas artificial lighting comes from LED illumination. Energy efficiency is achieved through the use of the latest materials for façade and hydro isolation. Chambers with highly efficient rotating recuperators enable 87% of warm air waste, which is the product of air conditioning, to be used for fresh air processing. In the periods of transition (spring, autumn), the building uses heat recovery pumps for heating and, thanks to the large glass surfaces, the energy of the sun. The investment is worth 70 million euros.

Shopping mall **Delta Planet Varna** in Bulgaria is a joint project realized by Delta Real Estate Group and Bulgarian company AP Investments. Shopping mall includes 150 shops on the gross surface of 110,000 m², three underground and three above-ground levels. Special emphasis was placed on the area intended for children, a safe play area where children can enjoy while their parents go shopping. The building is fully adapted to persons with disabilities. It is equipped with wheelchair ramps and an electric ramp that overcomes 7 steps at the cinema entrance. The cinema includes 22 places adapted to persons with disabilities. The garage consists of 1,200 parking spaces, 60 of which

are intended for persons with disabilities. With the aim of raising ecological awareness of its visitors, solar benches and electric vehicle chargers were installed. The investment of Delta Real Estate Group is worth 120 million euros.



Within Delta Real Estate Group, there is an operative retail park - **Delta Park in Kragujevac**, which was opened in 2010. The center has 10 tenants and covers gross surface of 16,000 m².



Hotel InterContinental in Ljubljana

operates in compliance with IHG standards which regulate observance of human and employment rights, environmental protection and community development. These standards correspond to high standards of sustainable business fostered by Delta Holding, the owner of the hotel.

InterContinental consists of 165 rooms (two rooms are fully adapted to persons with disabilities), spa center on the 18th and a restaurant on the 20th floor. It employs 120 people and it is the only five-star hotel in Ljubljana.

In 2018, the hotel fulfilled 9 out of 10 goals with regard to loyalty and satisfaction of customers with their stay and service in general, satisfaction of the employees and economic indicators. These parameters are monitored on a monthly level throughout the entire year.

The hotel was recognized as an attractive place where guests can stay and organize exclusive events. The fact was demonstrated by its admission to the exclusive community “Virtuoso” and “Fine Hotels & Resorts” and a number of awards and recognitions it has received:

- Turistička Prizma – award for a new quality in tourism in 2018

- Conventa – Best Event Award

- SEEBTM – award for the best newly-opened hotel in SE region
- Booking.com – award for the hotel with the highest rank among competitors

In addition to contributing to the overall appeal of Ljubljana and attracting a number of tourists, the hotel participates in socially responsible activities that improve the quality of living in the community. Partnership with hospitality schools gives the young the opportunity to acquire the latest knowledge in the area of hospitality and learn about high work standards of IHG Group. In addition, the hotel provides its support to the young and the development of sports by sponsoring the football club “Olimpija”.

The latest ecological materials were used for the construction of the hotel. In order to minimize negative effects of the artificial creation in the environment, the surface of the lounge cafeteria Bloom on the ground floor was landscaped with greenery. Facade lighting was designed in such a way that it cannot have adverse effects on the birds that inhabit the surrounding area. The relationship towards the environment and the society is also demonstrated by the fact that the employees of the hotel participated in the initiative to save the bees in cooperation with the Beehive Foundation.



Hotel Crowne Plaza Belgrade belongs to the InterContinental hotel group chain. It implements business standards of the group, while fostering traditional Serbian hospitality at the same time. In the category of luxury hotels, it earned the title of the best hotel in 2018, whereas for 5 years in a row, it holds the ELITE status.



The hotel has 416 rooms, 14 conference rooms, three restaurants, spa center and a swimming pool. Employees are focused on the recognition of habits, needs and wishes of their guests. The service is constantly advanced through technical improvements and extension of offer in all sectors of the hotel. Restaurant guests have special conveniences at their disposal: IHG program “Children Eat Free”, barista coffee station for breakfast, fresh juice station, musical programs at lunch time, Prime restaurant menu innovations twice a year, free “Food Tasting” for private events, specialized service packages for holidays and seasonal events (Valentine’s Day, New Year, Easter) which, in addition to overnight stay, include dining, massage, transport etc.

The hotel is fully accessible to persons with disabilities and has 4 specially designed rooms. The restaurant offers menus in Braille alphabet. The offer of dishes in the restaurants include conventional, vegan, gluten-free and HALAL meals. A new project that has been introduced includes aromatic herb growing for the needs of the hotel kitchen. The Center for food analysis controls ingredients once a month, whereas IHG inspects the quality of food on a yearly level.

The implementation of IHG work standards is monitored and upgraded every three to four months. In

2018, the implementation of cash handling standards was inspected within the program Cash Audit. In addition, a Mystery Guest inspected the fulfillment of standards and gave a 98.5% grade. Throughout the year, the quality of service was also evaluated through survey questionnaires presented to the guests that used accommodation or banquet area. Customer satisfaction is monitored by an internal IHG platform Medallia, through which the guests express their opinion on each and every segment of the service. In 2018, the grade for the overall service amounted to 93.19%. Complaints and negative comments of the guests are resolved within 72 hours. All relevant departments are provided with the complaint record in order to avoid the situation that led to the complaint in the future. Justified complaints are always accepted, and the guests are provided with additional reward points, services or benefits they can use in the course of their future stay in the hotel.

In 2018, the hotel recorded 103,906 overnight stays, booking of 68.43% and income of 13.9 million euros.

Among the European hotels of the same brand, Crowne Plaza Belgrade won: the 1st place as for employee satisfaction, the 2nd place for loyalty of its guests and the 3rd place with regard to customer satisfaction.

Director Živorad Vasić was recognized as the most successful regional general director in the category of luxury hotels.

The hotel fulfilled 10 out of 10 goals regarding loyalty and customer satisfaction with their stay and overall service in the hotel, employee satisfaction and economic indicators.

In order to show respect for its clients and foster their loyalty, sales and marketing department always sends cards on national holidays, anniversaries, traditional holidays and other occasions. The hotel provides additional value to its regular guests through IHG System Loyalty programs: IHG Rewards Club and Meeting Rewards Club guarantee additional benefits for the guests who book accommodation or conference rooms. In addition, there are special perks for the guests that book rooms through IHG website.

To promote healthy lifestyle, the guests have bicycles and maps with running routes at their disposal, as well as special RUN STATION with fruit, water and hygiene products.

The hotel also implements Green Engage Program, the aim of which is to reduce adverse environmental impact of the hotel operation and increase energy efficiency.

Delta Holding is the owner of the Hotel Holiday Inn as well, which belongs to the IHG chain. Holiday Inn Belgrade is a 4 star hotel. It has 139 rooms, 2 of which are completely adapted to persons with disabilities. A separate floor of the hotel is intended for Executive Club rooms.



The hotel restaurant Singidunum offers gastronomic specialties and international dishes. Numerous celebrations, promotions and other events are organized in 7 conference rooms and multifunctional Belexpocentar hall of 2,500 m², which is directly connected to the hotel.

Guests have a fully equipped gym and SPA center at their disposal, whereas for recreation and city tour, they can use free bicycles. To promote environmental protection, the garage is equipped with electric vehicle chargers.

IHG Group surveys customer satisfaction through HeartBeat questionnaires. Questionnaires are sent systematically and randomly, to the guests that provide their email address upon booking or registration. Based on the obtained grades, the hotel is ranked on a monthly and yearly level in relation to other European Holiday Inn hotels. Customer satisfaction with the overall hotel experience in 2018 amounted to 93.68%, due to which the hotel earned the 4th place in the category of the European Holiday Inn hotels. Thanks to this result, Holiday Inn Belgrade has earned the prestigious Elite status.

For the results of the Hart Beat questionnaire and fostering loyalty of the regular guests, in the fourth quarter of the year 2018, Holiday Inn Belgrade was awarded with the Top Performing Hotel plaque. The hotel managed to fulfill 5 out of 5 goals set by IHG Group, regarding loyalty and customer satisfaction with their stay and hotel service, employee satisfaction and economic indicators. Throughout the year, the hotel implements IHG Group programs that promote social responsibility. In 2018, within IHG foundation Week, the employees took part in humanitarian actions and activities promoting healthy lifestyle and environmental protection.

Office space Mala kula is a modern office complex which was completely renovated in 2014. Tenants are provided with modern and flexible work environment, peaceful and private premises, and a special area for social interaction and exchange of information.

It covers the surface of 9,890 m², 7,500 m² of which is intended for lease. The facility is equipped with 40 garage spaces. Office building Mala Kula is currently used by one tenant and it is 100% occupied.





NBGP properties cover the area of 31,800 m² with 170 garage spaces. The surface of 15,272 m² is used for lease, and 100% of the capacity is currently occupied.

Both office spaces have a number of possibilities at their disposal, allowing business persons to spend quality time during break time and use their working day in the best possible manner. Office buildings are equipped with a restaurant, store and gym. In addition, there is a bicycle parking, car wash and dry cleaning.

PROJECTS PLANNED FOR 2019 INCLUDE:



Hotel Indigo, to be opened towards the end of 2019 in the central zone of Belgrade, in the Streets of Knez Mihaiova and Čika Ljubina. This hotel is also a part of the IHG chain. It is going to have 47 rooms, one of which will be adapted to persons with disabilities. The construction is worth 7.6 million euros. The latest ecological materials are used for the construction.

The beginning of the construction of the **shopping mall Delta Planet in Niš** is expected in the second quarter of the year 2019. The value of the construction amounts to 80 million euros.

New **Delta Holding Headquarters**, with the area of 22,300 m², modern office space, restaurant, gym and a fitness hall. The investment is worth 35 million euros.



Delta Planet shopping mall in Autokomanda, with the surface of 189,000 m². The investment is worth 200 million euros.



DELTA DISTRIBUTION

Delta Auto Group consists of:

- Delta Motors – the exclusive importer, distributor and maintenance provider for BMW and MINI vehicles
- Delta Automoto – the general representative of Honda automobiles and motorcycles for Serbia and Montenegro
- Car Market - seller of certified pre-owned vehicles

For a number of years, Delta Auto Group has based its business on the principles of quality management system in accordance with the standard ISO 9001/2008.



Re-certification audit of Delta Motors' Quality management system was performed in 2018, in compliance with a higher level of the standard ISO 9001/2015. In the course of the audit, not a single non-conformity was found within the system, upon which Delta Motors was awarded a new three-year certificate, as a confirmation of the quality of its Management System. Re-certification audit was performed by SGS.

Business activities in 2018 were marked by success:

- sales income increased by 5%
- EBITDA by 6%
- sales of new Delta Motors vehicles grew by 5%
- sales of the pre-owned vehicles of BMW Premium Selection grew by 14,5%
- sales of BMW motorcycles grew by 32%
- turnover of Delta Motors maintenance center grew by 17%

- in post-sale, the turnover of dealer network grew by 21%
- sales of new Delta Automoto vehicles by 9%
- sales of pre-owned Car Market vehicles by 39%
- sales of HONDA motorcycles grew by 29%
- turnover of the Delta Automoto maintenance center by 17%

The Company owes this success to the innovations it introduced in the vehicle offer and continuous investments in the advancement of services and creation of additional value for its customers.

For excellent results, the BMW Auto Group presented Delta Motors with three prestigious awards:

- “BMW Option take rate Competition”- first place
- MINI marketing award for the Project MINI Alternative guide to Belgrade and the Exhibition of photography at the event center Karbon
- “BMW Presidents Award” for the second year in a row, which represents an exceptional achievement in BMW community

In addition to the conventional models, since 2017, Delta Motors has focused on the promotion of BMW i sub-brand hybrids and electrical vehicles on the Serbian market. In this domain, Delta Motors was recognized as the Leader in the promotion and presentation of electrical vehicles, and it continued to improve its position in 2018 by taking part in a number of forums and conferences, which include the following: “Maintenance Forum”, “Climate Diplomacy Week” and “E mobility Forum 2.0”.





Aware of the climate changes and the necessity to raise community's awareness of the importance of environmental protection and the need to commercialize electric vehicles, managers of the Company decided to embark on this project, even though the appropriate infrastructure for the use of electric vehicles is yet to be introduced.

In order to make the use of these vehicles easier to its customers, electric vehicle charges were installed in BMW service centers, as well as two chargers in the yard of the showroom and office building. For maintenance purposes, in accordance with the standards of the foreign principal, one charger was installed in the service workshop. Within the Delta Motors business facility, a procedure was established to regulate charging of the vehicles owned by clients. Electric vehicle chargers were also installed in Delta Real Estate Group hotels - Holiday Inn and Crowne Plaza.

In 2018, Delta Motors became a member of the Foreign Investors Council. The aim of was to join other interested parties when addressing state authorities in order to obtain their support and engagement in the matters that are important for the auto industry. The two most important matters are the following: the prevention of illegal import of unoriginal car parts which present a hazard to traffic safety; and fabrication of EUR 1 certificate for used imported vehicles, which makes the trade in used vehicles non-market and non-transparent.

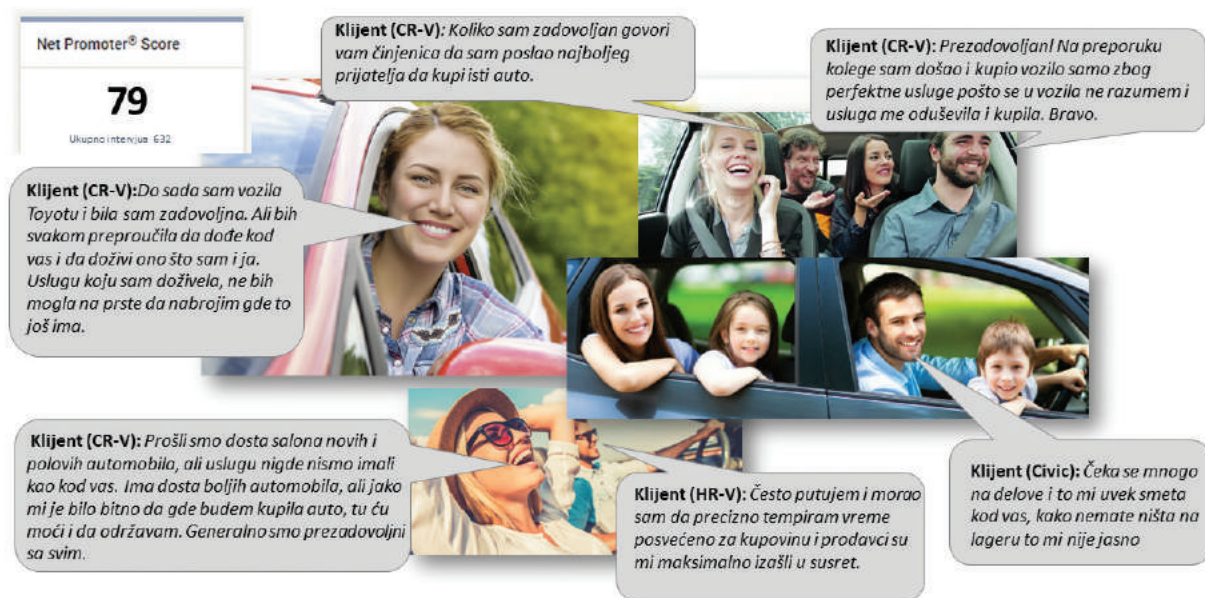
In accordance with the requirements of the foreign principal, in 2018, **MINI, BMW GKL+ and BMW Motorrad showrooms** were renovated. Special attention was paid to the clients of the BMW luxury segment. To meet their needs, the Company created the **BMW GKL** section of the store. Within its premises, there is a VR presenter for the so-called **“Closed Room” promotions of the latest models**. Delta Motors is one of the first companies in the world with the possibility of showing the latest models to its clients in such a

manner. The clients are presented with the opportunity to explore the latest models before, or immediately after they have been presented worldwide.

In 2018, the Company continued with the successful implementation of the customer satisfaction survey “Voice of the Customer”, which was designed and suggested by BMW Group in 2017. A week after their visit to any of the company stores, maintenance clients and new vehicle buyers are invited to fill in an online survey via email or SMS. Clients are not limited by a pre-modeled questionnaire and predefined questions, but have the opportunity to express their opinion, satisfaction or dissatisfaction with an open comment. The clients that express the need to obtain further clarifications or have any sort of requirement are contacted by the responsible person within 24h.

Clients' comments are coded in accordance with the appropriate criteria BMW has uploaded on their online platform, where each comment, client's grade and the action taken are recorded. The percentage of client satisfaction is measured by NPS result which represents the percentual difference between positive and negative grades in comparison to the overall number of surveyed clients. Client's coded comments are arranged in accordance with defined topics that are to be considered. They are analyzed at the meeting of the directors of all Company segments, which constitute “Customer Board”. According to the conclusions of the meeting (which is organized quarterly), the Company drafts an action plan with the measures to improve customer satisfaction. So far, the Company has successfully implemented action plans focused on the prevention of the causes of client dissatisfaction

In 2018, Delta Motors NPS index amounted to 69, which is an exceptional result when it comes to client satisfaction, especially in comparison with NPS indexes of other countries in the region, whose average NPS amounts to 32.



Towards the second half of the year 2018, the project “Voice of the Customer” was also successfully implemented in Delta Automoto Company, as an internal solution modeled after the project realized by Delta Motors. The Company also monitors HONDA client satisfaction, which contributes to the improvement of communication and clients’ perception that the company cares about every issue and comment delivered. Delta Automoto NPS index in 2018 amounted to 79. Nevertheless, the project is continually improved and upgraded.

The Company continues to successfully implement **the project “Mystery Shopping”**, within which it achieved the best results on a global scale in early 2018, earning the title “Best In Class Market” in BMW community in the region:

MYSTERY SHOPPING 2018 - RESULTS					
Mystery Shopping Radni Standardi 2018	Q1 100%	Q2 100%	Q3 93%	Q4 93%	SUM 96%
Test drive offered	100%	100%	100%	100%	100%
Sales documents	100%	100%	89%	83%	93%
The offer given	100%	100%	100%	100%	100%
Financial offer given	100%	100%	100%	100%	100%
Follow up 48h after the offer	100%	100%	78%	83%	90%



CRM system is continually upgraded, as it addresses the functionality of the user department. The aim of this system is efficient use and improvement of relationship with clients. In 2018, Delta Motors successfully established a reporting system in accordance with the project "Blue" Print", suggested by BMW. This system helped increase the transparency of reports on sales activities and results. The Company successfully integrated the project Voice of the Customer with CRM system, and included the maintenance segment into CRM, which enables monitoring of the entire life cycle of the vehicle by a number of chassis and client. The next step is to implement "Complaint management", a system that would allow the consolidation of all activities, information and actions referring to one client ("360-degree view").

The foreign principal declared Delta Motors "Best Practice" market when it comes to project implementation, quality of data and campaign monitoring.

In accordance with digitalization trends, the Company continues to equip its premises with the latest digital equipment for communication with clients, which represents an integral part of the "Future Retail" project. A Virtual Product Presenter was installed to display the configuration of client's future vehicle in different situations, with animations in "full HD" resolution. Serbia is the fourth market in the world where the system of virtual reality was implemented.

As a part of the package of the new presentation media, we activated tablets that are used by sellers to show the configurations through the application "Mobile Customizer". With the help of this application, it is possible to choose vehicle equipment in a simple, transparent way. As the application has the option of accessing databases online, it is possible to use it

anywhere, even outside the store, wherever the client chooses.

In 2018, we witnessed the benefits of introducing "BMW Genius", whose role is to address clients' emotions in a unique way and present the characteristics and advantages of the latest BMW products and technology. Product presenter achieves these goals by organizing test drives, communicating with clients and taking part in marketing activities. In 2018, for the second year in a row, the employee who held this position in Delta Motors was declared 1 of the 5 best BMW Geniuses among the colleagues from 50 different countries.

In 2018, the Company went on with the promotion of the special post-sale concept by opening BMW Service Center 6+, intended for the vehicles that are over 6 years old. This unique project was modeled after BMW concept in Munich. Thanks to this project, a large number of clients – 74% of those who had previously used maintenance services, finally had the opportunity to have their vehicle serviced in an authorized service center for the first time. This data shows that the market needs this kind of service center, which combines the expertise of the authorized service center with the pricing policy adapted to the vehicles which are over 6 years old.



In cooperation with Generali Insurance, Delta Motors was the first company in Serbia to introduce "One Stop Point" in late 2018. This service significantly facilitates and simplifies the process of vehicle inspection in case of an accident, reduces respond waiting time, the number of steps that need to be taken in order to perform the evaluation and arrange for the damage recovery with the insurance company, and enables that vehicle repair begins as soon as possible. By providing this service to its clients, Delta Motors improved the efficiency of the entire process and brought client satisfaction to a new level. This service provides the benefit of time-saving, faster completion of the entire process and increase of satisfaction of service users.

Delta DMD and **DTS** consolidate the services of distribution, storage and logistics.

Delta DMD offers its customers the services of sale, brand management, logistics and merchandising. The distributive centers include: Stara Pazova, Novi Sad, Čačak, Niš and Podgorica. The Company also provides product processing services: sorting, packaging, co - packing, labeling, reparation and similar.

The portfolio of Delta DMD Company includes regional brands such as Tikveš and Fun&Fit, as well as the brands of world-renowned companies: Ferrero, Diageo, SC Johnson, Beiersdorf and Glaxo Smith Kline.

The sale of these brands in the Serbian and Montenegrin market is exceptional, as Delta DMD cooperates with more than 6,000 buyers and supplies over 10,000 retail and wholesale chains, independent retailers, specialized wholesale outlets and HoReCa channels.

In 2018 the company completed the implementation of SAP ERP solutions. By introducing SAP modules MM, SD, FI & Co the company got an integrated system which monitors business changes in real time, provides a higher level of informativeness and better control of the business processes, especially the process of ordering goods for the customer,

managing the inventory of goods, automatic and fully controlled accounting of regular and additional discounts on the invoice and the automatization of the process of return of goods from buyers.

Delta Transport System - DTS provides the services of storage, home and international transport (road transport, air transport, container transport, multi-stop and mercantile product transport), forwarding and clearing.

DTS manages the entire supply chain by using the latest information technologies. In addition to transport and storage services, as a 4PL Service Provider (Fourth party logistics provider), DTS enables real time delivery monitoring to its clients, as well as integrated management of product supply and the inventory on hand.

DTS Warehouse has the capacity of 26,000 pallet places for the products that need to be stored under various ambient conditions (there are 5 temperature regimes ranging from -20 to +25°C). The company dispatches 160,000 kg of goods or 140,000 of labeled products on a daily basis. DTS has Cross Dock stations in Vrbas, Čačak and Niš which enable that the goods be handed over without keeping them in a warehouse.





Road transport

DTS fleet transports over 1,000 pallets and crosses 12,000 kilometers on a daily basis. Transport is performed under various temperature regimes, by vehicles whose capacity ranges from 2 to 25t.

To monitor the vehicles, goods quantity and the temperature of the cargo area, DTS uses Track & Trace System, which enables the client to obtain information about his/her shipment anytime, together with the automatic confirmation of delivery.

The consolidation is organized within three central warehouses - in Italy (Milan), Germany (Gelsenkirchen) and Croatia (Zagreb), and within 24h, the shipment can be taken over anywhere in Europe.

Since 2013, DTS transports seed and mercantile goods and provides the services of organized collection and transportation of dangerous ADR goods.

Air transport

Delta Transport System offers its clients the possibility to transport their goods from one airport to another or from one door to another - anywhere in the world. It operates as a direct agent of all airlines flying from Belgrade, and a partner of other logistics providers at the airports worldwide. The company specializes in the transportation of goods that require special treatment and possesses all the licenses necessary to perform air transport.

Maritime transport

DTS operates as a direct agent of shipping companies in the ports of Thessaloniki, Bar, Ploče, Rijeka, and Koper. In cooperation with other logistics providers, it also provides its services in the ports located anywhere in the world. DTS is a direct agent of the following shipping companies: Maersk, MSC, CMA, CGM, Hapag-Lloyd, Evergreen, Cosco and others. It provides transportation of FLC and LCL shipments from the countries of the Far East: China, India, Japan, Korea, and other parts of the world. The transport is adapted to the goods that need to be stored under specific temperature regimes (FRIGO containers). In order to optimize the costs, clients are also provided with the possibility to organize the transport in the Mediterranean.

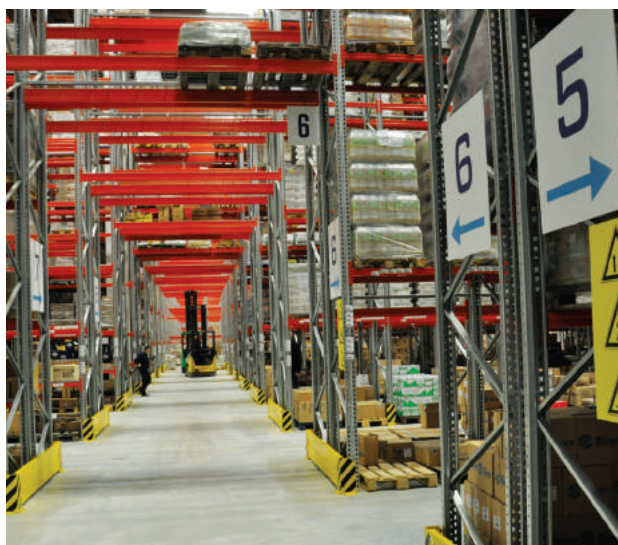


Clearance and Forwarding

DTS provides the services of import/export customs brokerage, temporary admission, inward and outward processing, re-exportation and storage of goods.

As an authorized consignor and recipient of goods in transit, DTS enables its clients to dispatch the goods directly, without waiting, from DTS premises to the customs outpost at the border, or to present the imported goods for clearing at the premises of DTS. Forwarding offices are located at the customs outpost Luka Beograd and Terminal Kvantaš.

In addition, clients have the possibility to declare goods with the use of IT technology. The only condition is to deliver the documents afterwards.



In 2018, new certification audits were performed in Delta DMD and DTS for the following standards: IFS Logistic 2.2 Standard, ISO 9001:2015 and HACCP System. In the course of certification, the audit was performed in accordance with the higher level of IFS Logistic Standard. The compliance with the requirements was 96.27%.

In the course of the year, both principals and clients inspected the operation and implementation of the principles of environmental protection, health and safety at work and fire protection. All the inspections were realized successfully, at clients' satisfaction.

In 2019, the Company plans to realize the final section of the AEO (Authorized Economic Operator) certification audit. Upon completing this audit, the Company will obtain a certificate which will provide a number of advantages with regard to goods clearing.

The results achieved in 2018 include the following:

- Delta DMD operation grew by 139%
- Increased market share of the brands distributed by the Company

Delta DMD regularly conducts customer satisfaction surveys. As for client satisfaction, the grades obtained in 2018 are the following:

KEY BUYERS SATISFACTION SURVEY	
Features	Grade
Assortment	4.59
Promotional activities	4.42
Communication and professionalism of sales persons	5.00
Communication and professionalism of merchandisers	4.38
The delivery of goods	4.04
Documents	4.25
Complaints	4.08
Average grade	4.39

In 2018, the Company was reorganized internally, as well as the portfolio of the brands it distributes. The aim of the Company was to focus on the brands owned by its strategic partners. The overall grades obtained in 2018 exceed the previous ones, which confirms that all strategic decisions had a positive effect on the improvement of the overall operation and the advancement of all processes and communication channels.

In 2018, there were no suits filed with regard to the impact of products and services of member companies on the health and safety of consumers. Products of all Delta Holding members were appropriately labeled, containing all the necessary information on the origin and quantity of their ingredients and recommendations for safe use and packaging disposal. There were no suits with regard to the accuracy and precision of information presented in marketing campaigns, or with regard to violation of buyers' data privacy. To establish whether potential complaints about products are justified, each complaint is thoroughly analyzed. Justification of complaint is determined through the analysis of counter-reasons and relevant production records. If it is not possible to make a decision autonomously, the

Company organizes the Team for resolution of non-compliances which further analyzes the complaint in question.

In case the complaint is justified, a package full of products is delivered to the concerned consumer. If a complaint is not justified, consumer is provided with a valid reasoning. Complaints are filed via telephone, orally or in writing, via e-mail, and they are resolved within 8 days or less.







HUMAN RESOURCES DEVELOPMENT



EQUAL OPPORTUNITIES



INVESTMENT IN KNOWLEDGE



CAREER DEVELOPMENT SUPPORT



The key to our Company's success lies in the continual development and progress, which also stem from the prosperity of the local communities in which the Company operates. Active knowledge acquisition and its unselfish distribution, the introduction of changes and implementation of innovations are promoted on a daily basis.

While creating the materiality matrix, the management of the Company, its employees and external stakeholders recognized the main areas that are responsible for employee satisfaction, the fulfillment of Company's goals and sustainable development of the society. They include the following: observance of ethical and non-discrimination principles, ongoing education, safe, secure and healthy work environment, supporting the employment and education of the young through internship programs.

By introducing improvements into these areas in 2018, the Company clearly shows it appreciates the opinion of its employees, their needs and interests. This is the way the Company achieves top results and readily faces new business challenges.

In 2018, the total number of employees amounted to 3,488. On the basis of other agreements, in the course of the year, the Company engaged another 1,234 workers.

THE NUMBER OF EMPLOYEES ON 31 DECEMBER 2018

MEMBER	Employees in Serbia 2018	Employees in the Region in 2018	Total in 2018	Total in 2017
Delta Agrar Group	966	8	974	916
Delta Food Processing	916	0	916	776
Delta Real Estate Group	410	109	519	565
Delta Distribution	747	104	851	826
Common Functions	200	0	200	206
Delta MC	28	0	28	28
TOTAL	3,267	221	3,488	3,317

Business Ethics and Integrity

Led by non-discrimination principles, mission and the company values in the process of hiring new employees, Delta Holding has positioned itself as one of the most desirable employers.

The Company operates in accordance with the law, Business Etiquette and Ethical Code, which is made available to the employees on the intranet portal and in the form of a printed brochure.

This Code specifies the rules of conduct for employees and employer, including the right of employees to salary and defined business hours, professional education, healthy work environment, as well as the obligation of the employer to respect diversity, prevent abuse at work, enable career development, professional education and protect whistleblowers.

In addition to protecting the rights of the employees, the Code defines basic responsibilities, i.e. diligent and professional performance of work tasks, keeping of business secrets and Company assets, prevention of the conflict of interests, compliance with anti-corruption and anti-monopoly principles, responsible communication with stakeholders and respect of their needs and interests in everyday work.

The Company integrated certain parts of the Ethical Code in the Employment Contract of 2014, thus allowing every new employee to learn the abovementioned rules and principles, the business culture of the Company, as well as standards and procedures implemented by the HR Department.

Delta Holding has never discriminated, nor will it ever discriminate any job applicant on the basis of gender, nationality, age, race, pregnancy, family responsibilities, health, social background, financial situation, sexual orientation, political orientation, membership in a trade union or political organization or any other personal characteristic. When a new vacancy appears, employees have the possibility to apply and develop their career in another part of the system.

Initiative for redirection may stem from an employee or the management, when the need for the development of a certain business segment arises. In both cases, the employee is presented with a written offer he/she is supposed to consider with his/her immediate manager. The employee should respond to the offer within eight days.

As regards ethics and integrity, the employees may always address the HR Department and the specialist for labor law. In addition to the Ethical Code, the employees are required to sign documents which clearly define the procedures of the prohibition of abuse and the protection whistleblowers.

Within Delta Holding, the everyday work processes are intertwined with voluntary care about the employees, business partners, community and environment, in accordance with the principles of Corporate Social Responsibility. In addition, the Company complies with the Ten Principles of the UN Global Compact, principles of the standard ISO 26000, Code of Business Conduct, Pro Bono Policy and Business Etiquette.



Opportunity for Everyone

Delta Holding offers equal opportunities for professional development to all its employees.

From the very day the Company was founded, gender equality has been recognized as a constituent that significantly contributes to the goal achievement and good business results. The management structure includes more women than men.

The empowerment of women is the activity that is continually on the agenda of the Company's sustainable development strategy. The aim is to instigate ambition, self-confidence and raise awareness of the society on the importance of women in business. The activity is implemented both internally - Company directors share their knowledge and experience with younger colleagues, and externally - at the lectures presented to female students and other young women.

EMPLOYEE GENDER STRUCTURE

MEMBERS	Employees in Serbia		Employees in the Region		TOTAL	
	Women	Men	Women	Men	Women	Men
Delta Agrar Group	269	697	2	6	271	703
Delta Food Processing	423	493	0	0	423	493
Delta Real Estate Group	217	193	49	60	266	253
Delta Distribution	246	501	32	72	278	573
Common Functions	145	55	0	0	145	55
Delta MC	7	21	0	0	7	21
TOTAL	1,307	1,960	83	138	1,390	2,098

EMPLOYEE AGE STRUCTURE

Age structure	Serbia			Region		
	18-29 years	30-50 years	Over 50 years	18-29 years	30-50 years	Over 50 years
Delta Agrar Group	144	473	349	1	7	0
Delta Food Processing	135	590	191	0	0	0
Delta Real Estate Group	129	228	53	59	45	5
Delta Distribution	195	486	66	17	78	9
Common Functions	26	141	33	0	0	0
Delta MC	2	20	6	0	0	0
TOTAL	631	1,938	698	77	130	14

EMPLOYEE QUALIFICATION STRUCTURE

MEMBERS	PhD	Magistrate	Master	University Degree	College	Highly qualified	Secondary school	Qualified	Semi-qualified	Non-qualified
Delta Agrar Group	3	3	24	253	42	1	270	190	16	172
Delta Food Processing	0	2	6	124	50	7	313	316	5	93
Delta Real Estate Group	0	1	18	150	36	5	198	76	9	26
Delta Distribution	1	1	16	189	87	8	393	132	5	19
Common Functions	1	3	4	97	19	1	60	15	0	0
Delta MC	0	0	0	7	3	0	18	0	0	0
TOTAL	5	10	68	820	237	22	1,252	729	35	310

The key to Company success also lies in the balanced age structure, which enables the synergy of the enthusiasm and creativity of the young and the knowledge of the experienced colleagues. Delta Holding employs 48 persons with disabilities. The intranet portal also includes Etiquette for the communication with persons with disabilities, which helps the employees create a welcoming atmosphere and support their colleagues with disabilities.

In 2018 there were no complaints of violations of human rights and anti-discriminatory principles.

Salaries are determined solely on the basis of employees' knowledge and skills, and job requirements, regardless of gender and other diversities. The salary consists of the basic salary, performance-related pay and increased salary. The basic salary is regulated by the employer's corporate bylaws (Work Regulations or

Collective Agreement) and its gross nominal value for full-time work and standard performance is indicated in the employment contract. Salary may be increased by the percentage specified under the provisions of corporate bylaws, depending on the performance of the employee or business results the Company has achieved.

Within Danubius and Yuhor factories and on the properties of Topola, Jedinstvo, Kozara, and Napredak there are organized trade unions, which, on 31/12/2018, consisted of 339 members overall.

Delta Holding is an employer that fosters collective negotiations and supports the activities of trade unions. The rights and obligations of 350 employees are regulated by the provisions of collective agreements concluded between the Company and trade unions.

RATIOS OF DELTA HOLDING EMPLOYEES SALARIES COMPARED TO LOCAL SALARIES

Salaries as at 30 November 2018	Minimum gross salary		Average gross salary	
	Delta Holding	Official statistics of the Republic of Serbia	Delta Holding	Official statistics of the Republic of Serbia
Belgrade	40,248.28	33,763.19	99,827.62	85,171.00
Novi Sad	44,537.01	33,763.19	77,796.90	76,482.00
Čačak	43,468.10	33,763.19	71,124.99	60,489.00
Jagodina	44,715.65	33,763.19	65,801.12	56,204.00
Stara Pazova	40,253.00	33,763.19	70,066.07	63,399.00
Apatin	52,341.59	33,763.19	76,012.64	59,347.00
Kikinda	46,447.79	33,763.19	79,542.08	65,530.00



Care for the Employees

In 2018, the focus was placed on care for the employees - one of the basic values of the Company. The existing procedures were upgraded and new ones were introduced with the aim of improving employees' welfare and satisfaction.

The solidarity allowance amounts for the birth of the first, second and third child were doubled, and the amount provided in case of death of a nuclear family member was increased five times. More employees earned the right to private health insurance. The Company prolonged scholarship funding for the children of the deceased employees from the age of 18 to the age of 24.

The procedure for aiding the employees and their nuclear family members in case of severe illness was introduced at the level of the entire Company. All employees have the right to a number of days off from work as defined by the law. In addition, they have the right to paid leave in the case of: illness - up to two business days, change of residence, education/professional training in one's own organization.

In order to support parenthood, the following benefits have been introduced:

- Yearly financial aid for single parents with minor children (in accordance with the number of children)
- Gift package for a newborn child
- Flexible working hours for mothers with preschool children
- A day off for parents on child's first day of school (on the beginning of school year)
- Gift package containing school utensils for first graders

The activity that brings the greatest joy to employees' children is the distribution of New Year and Christmas gifts for the children under the age of 8. The abovementioned procedures and benefits are communicated by superiors and made available to all employees. The documents that define these procedures can be found on the intranet portal of Delta Holding.

In early 2019, the Company plans to introduce:

- Flexible working hours for all employees
- Working from home two days a month
- More days of annual leave

We're strengthening the spirit of sport

In accordance with the values of the Company, when it comes to sports, the employees also strive for top results. In 2018, Delta Running Team participated in 15 races. In a number of races, Delta employees won both individual and team medals. At the Plitvice Lake Marathon and Belgrade Business Run Race, the employees finished 3rd in the mixed team relay, at Kopaonik Trail Race they finished 2nd and 3rd in the business race in pairs, whereas at the Zrenjanin Half Marathon they won 3rd place in the relay.

The Company financed employees' entry fees for all races. When they participated in Amsterdam Half Marathon, the Company also financed racers' flight tickets.

In 2018, Delta Holding's streetball team participated in the humanitarian tournament organized by UNICEF. All the collected funds were donated to the division of neonatology at the Clinic for obstetrics and gynecology Narodni Front. At the proposal of the employees, the Company has introduced weekly basketball training sessions.

Career Development

In 2018, the Company organized internal and external career development lectures for its employees. Within Delta Agrar, the focus was on talent programs including: training courses for Young Leaders and the Future of Delta, selection of the second generation of the Future of Delta and the creation of a two-year program of their development. In 2018, managers attended leadership courses, regular specialization in the country and abroad and learned about the evaluation of employees' performance. Directors of various segments of Delta Agrar (fruit farming, livestock farming, and primary production) attended courses in accordance with defined development plans and needs: coaching, advanced negotiation skills, situational leadership etc.

In 2019, the Company will focus on the creation of development plans with regard to management and succession plan.

Within Yuhor retail, in 2018 all new employees attended motivational and induction lectures where they were informed about the Company and motivated to build a successful career. Investing in knowledge was a priority. A series of specialized lectures and training courses were implemented, such as meat industry trends, presentation of company products, allergen management, development of shaped meat program, etc. In addition to theoretical courses, the employees in Yuhor participated in the courses addressing the improvement of communication skills, conflict resolution, sales skills, change management, stress management and similar.

The hotel employees also attended a number of courses. In the hotel Crowne Plaza Belgrade, in 2018, the Company devoted 3,153 hours (i.e. 131 days) to

lectures and courses, i.e. 13 hours of individual or group work per employee on average. Educational cycle of each employee consists of four equally important segments:

- "Room to Have a Good Start" - the process of adaptation to new environment, informing employees about the brand, colleagues, standards and procedures, the importance of duties of each individual position and the contribution to goal achievement at the level of the entire sector, hotel and the Company.
- "Room to Grow" - a program that consists of universal courses intended for all employees and specific courses for particular positions. In addition to these courses, it also includes a specially designed six-month program of leadership capabilities development entitled "Leading Others". This course consists of interactive individual or group work with Training Manager.
- "Room to Be Involved" segment includes integration of the employees in all activities of corporate social responsibility - environmental protection, cleaning of the surrounding area, planting of greenery in the hotel surroundings, water and electricity saving, waste recycling courses and community support.
- "Room to Be Yourself" segment provides each employee with the possibility to express their interests and personal qualities through a series of different projects - innovations, advancement of technological work processes, organization of field trips, team building, joint activities, competitions, award-winning quizzes etc.





Two times a year, surveys are conducted to evaluate satisfaction of the employees with the work in the hotel Crowne Plaza. The percentage of satisfaction (98%) obtained in November positioned the hotel at the very top of the list of the best IHG hotels in Europe.

Once a month, the Company selects the employees of the month who receive financial award in the amount of 10,000 RSD each, whereas the managers of the quarter are elected 4 times a year. Gratitude for the effort invested by the colleagues is also expressed by personalized cards “Thank you for delivering True Hospitality”.

“Green Engage“ is the program created by the hotel group IHG and, at the same time, it represents one of the standards that is being implemented. The first level of the Program involves the tasks that require the following:

- Organization of the Green Team in charge of task performance
- Presentation of the method of preventive facility maintenance and waste management
- Implementation of energy management – outside of business hours, office lights and computers need to be switched off

- Functioning of lighting – are there light sensors and where; are there timers, in which way does lighting function in the rooms that use cards, in which way is the stair, garage and public space lighting controlled, the locations in which LED lighting is used
- Presentation of lighting timetable, i.e. when are the lights turned on and off manually in the public space
- The use of water for room cleaning, switching off of lights and television sets in rooms
- Placement of notifications on energy saving and the necessity to turn off the lights in the premises intended for employees

Each task was to be documented and uploaded to Green Engage website as a confirmation of its completion.

In the hotel Holiday Inn, a set of educational courses and workshops was implemented with the aim of employee development. The focus was placed on leadership skills strengthening at all management levels. In order to additionally improve management leadership competences, a six-month training course “Leading Others = Great Team” was organized, whereas supervisors attended the series of courses “Leading Others = Great Results”. All reception desk employees, F&B team and management (43 employees), successfully completed the course “True Hospitality”, which was focused on the improvement of the quality of service provided to the guests.



Sales and marketing team of the hotel Holiday Inn attended numerous workshops which addressed motivation as the key factor for the achievement of top results.

Brand champion of Holiday Inn attended the course “Training for Guest Experience Champions”, which was organized in Prague, in September 2018.

The plans for the year 2019 include:

- “Leading Others” course for a group of newly promoted managers and supervisors, with the aim of developing leadership competences and “Feedback essentials” course intended for supervisors.
- The training course in Warsaw, “Make guest Smile”, intended for Director, F&B Manager and Brand Champion, the aim of which is to monitor guest satisfaction, as well as the courses for the employees that have direct contact with the guests, which will be implemented in the second part of the year.

In 2018, Delta Auto Group continued to invest into its most valuable resource – its employees. It organized International course on new models, a number of local courses and certification of the employees in the key quality management positions, and it continued to advance its business activities. For the abovementioned purposes, 265 days were devoted to courses and lectures in 2018. As the process continues to digitalize, in the following period the Company will focus on digital education of the employees and verification of knowledge about certain products. In order to make these courses available to as many employees as possible, 80% of the courses will be organized online.

The employees of DTS i Delta DMD attended the Kick off Session, upon which the Company organized courses on conflict management, leadership and the promotion of communication skills.

The plan for Delta DMD Group development includes the implementation of activities for all employees with the aim of improving the skills of communication, sales, motivation and conflict resolution, people and process management, as well as changes and stress management. Employees in DTS office positions are to undergo an internal Excel training course. In 2019, the employees within Delta DMD are going to attend courses on situational management, negotiation skills, etc.

Both companies are planning to draft individual management development plans and to implement performance-based employee development.

TRAININGS	
Year 2018	Number
Training hours	222.330
Number of employees present at education	12.149
Women	4.835
Men	7.314



The Future of Delta

The Future of Delta lies in the two-year talent program intended for the best young managers and experts in the Company. In 2018, the most successful candidates went through a selection process consisting of interviews, assessments and presentations, upon which 19 participants were chosen at the end of the year. In the following two years, they are going to develop their potentials through a series of individual and group training courses.

In addition, they will have the opportunity to acquire knowledge and skills by participating in teamwork on innovative corporate projects, cooperating with experienced mentors and exchanging their opinions with Company leaders. Moreover, they will have organized internships in different companies in the country and abroad, where they will have the chance to learn about different experiences and business approaches.

The Power of Positive Leadership

Through this program, young generation leaders are learning how to implement the techniques of self-management and use all their available capacities at the same time. First, they need to get to know themselves (their values, visions, objectives and obstacles), in order to be able to lead and understand other people.

The program focuses on 6 basic positive leader skills:

1. Focus and self-management
2. Vision creation
3. Planning and self-discipline
4. Relationship building
5. Motivation and people development
6. Creation of team synergy



First Time Manager

A two-day training “First Time Manager” is intended for the employees assuming the positions that will allow them to manage people for the first time. The training was designed to teach managers about the importance of vision, mission and values of the Company for effective management.

In addition, they are learning how to set objectives and measure the performance of their people, delegate tasks successfully, organize time, motivate, develop employees and provide feedback.



Internships for Students and Pupils

In 2018, Delta Holding members organized internships for 907 students and high school pupils. In the course of these internships, the young had the chance to implement their school knowledge and acquire new skills that will help them obtain a job or start their own business in the future. The majority of interns, 790 of them, participated in the educational program “IHG Academy” organized in the hotel Crowne Plaza.

This program gave them the opportunity to learn about all the departments and business activities in the hotel, and to improve their organizational and leadership competences at the same time.

Students and pupils of various educational profiles attended the internship program and learned about the business activities in the hotel Holiday Inn and all other members of the system: Delta Motors, Delta Auto, DTS, Delta DMD, Delta Agrar, Podunavlje, Danubius, Yuhor.





Young Leaders

In 2018, the selection process for the 7th generation of Young Leaders was completed. We chose 38 young candidates, who will start working for the Company in January 2019.

Young Leaders Program has been implemented since 2012 and its aim is to employ young talented people without work experience and invest in their development. In the course of one year, Young Leaders work in three different divisions of Delta Holding and learn about business processes. By balancing between the needs of the Company and their own interests, we choose the sector in which they will continue to develop their career. Due to its diversified business, the Company is able to respond to interests of a large number of candidates from different faculties.

In the first week of work, Young Leaders are going through an induction process. In order for them to learn about the strategic plans in the field of business, sustainable development and corporate social responsibility, we organize presentations and visits to Delta Holding members.

With the aim of efficient education and easier integration of the young into the system, there are training courses for mentors as well. Upon the completion of each rotation, mentors evaluate the work of Young Leaders and vice versa, which enables the Company to improve the program every single year.

In addition, there are external training courses for Young Leaders covering the topics such as project management, emotional intelligence, foundations of success etc.

As of 2017, Young Leaders have been included in the process of digital transformation of the Company. In 2018, they gave their contribution by suggesting possible innovations for the existing business processes.

So far, the project has included 190 Young Leaders. The majority of them successfully completed the program and managed to integrate in the system. The most successful candidates assumed managerial positions: Director of Danubius Factory, Director of the oil factory Dunavka, Director of Delta Frukt, Director of Fun & Fit factory, Director of the HR Department, Director of Communications, Deputy Director of Yuhor factory, the Manager in charge of key buyers in Delta DMD, Marketing Manager in Fun & Fit factory, Design and Construction Coordinator in Delta Real Estate, etc. Creativity and new energy of the young rejuvenate the corporate culture of Delta Holding and contribute to the development of business operations, helping the community to provide educational internship and keep the young in the country at the same time.



When I was informed by Delta Holding HR Department that I managed to enter the Young Leaders Program, I was overwhelmed. I graduated from the Faculty of Economics, and as I was drawn by the agriculture since early childhood, my biggest wish was to obtain a job in Delta Agrar. However, I spent my first rotation in the hotel Holiday Inn, in the department of sales and finance. It was a big challenge I managed to overcome with the help of my mentor and colleagues, which allowed me to acquire an exceptional experience. My second rotation started in Delta Agrar, in the fruit and vegetables sales department. It was extremely dynamic, and colleagues' unselfish share of knowledge helped me overcome all the tasks in a short period of time. Two months later, I was already offered a permanent employment contract. I am currently at the position of SAP specialist and I am pleasantly surprised by all the attention and support provided by my colleagues on a daily basis. I believe that this kind of approach represents the most significant factor of sustainability of such a large system as Delta's. – **Stojan Miljević, Young Leader of VI generation**

Young Leaders Program strongly influenced my personal and professional progress, primarily because it provides the opportunity to acquire new knowledge, i.e. learn from the colleagues who are the best at what they do. I was at the same position until the very end of the program, and I had enough time to learn and comprehend how the system works. The experience I acquired from working with my mentor is invaluable. I was provided with undivided attention, I learned a lot, but I am also pleased with the fact that the mentor accepted some ideas of mine and supported their implementation. – **Katarina Minić, Young Leader of VI generation**



I believe it's a huge privilege to perform the work that you actually like, in a motivating environment. I have always wanted to be an engineer, so I enrolled at the Faculty of Transport and Traffic Engineering. Towards the end of my studies, my interests were drawn by information technologies. Young Leaders Program gave me the opportunity to specialize in this new field of interest and use the knowledge I obtained at the faculty. Soon I earned the trust of my mentor and the entire team, so I took part in major projects from the very beginning. By observing experienced colleagues, I consumed knowledge and improved myself businesswise, but personally as well. Thanks to all this, my team won at the internal competition of Young Leaders innovative ideas. Our project „Trigger“, can be used by the participants of the program “Delta Business Incubator“ for the evaluation of the sustainability of their ideas. – **Nikola Đokić, VI Generation Young Leader**



Innovations

Innovations are often defined as the implementation of a new, improved idea, procedure, service or process which enables new benefits and quality in practice. In other words, innovations are all the solutions that have not been implemented in the corporate practice so far, but facilitate and improve the performance of tasks and duties and, as for the company itself, bring higher profit or save money.

Despite demonstrating innovativity and the capacity to create novelties on the market from the very beginning, in December 2017, the Company established the Innovation and Digital Transformation Committee in order to digitalize and improve business activities through the use of innovations. Members of the Committee are the holders of managerial positions, and subcommittee members are the employees working within their delegated sectors, i.e. work units.

This Committee meets 4 times a year (once in three months) to fulfill the following tasks:

- present new innovation ideas,
- consider the possibility of their realization,
- consider the status of the adopted ideas (whether they have been realized or not) and
- consider the ideas suggested by the employees through intranet portal.

In 2018, 11 members and 84 subcommittee members participated in the work of the Innovation Committee.

The members discussed 163 ideas, 37 of which were implemented or are currently in the implementation phase, 92 are being developed, whereas for 34 ideas, the Committee decided that there are no conditions for their practical implementation.

An example of innovation:

Delta Motors is the first car showroom in Serbia, and the fourth market in the world where BMW implemented “Virtual Reality” as an innovative way of exploring the vehicles that are not available in stock. The virtual reality (3D experience) enables the client to choose all car features in high resolution before his/her vehicle leaves the factory. In addition to digital shopping experience, the Company also offers interactive experience, which provides clients with the possibility to configure the vehicle according to their own wishes and to get visual presentation within a few seconds only. The BMW Group application Virtual Reality is the solution that provides clients with the possibility to experience clear and vivid vehicle presentation.

In 2018, Young Leader Program teams had their own competition of innovative ideas. The winning team presented a guide to the innovation process under the name “Trigger” – a useful tool that consists of 6 steps through which an idea is evaluated:

1. Motivation: why do you find the idea important?
2. Visualization: imagine your idea in practical implementation
3. Concretization: how to distinguish between good and bad ideas?
4. Research: test your idea
5. Iteration: analyze the results of testing in order to improve the idea
6. Breakthrough: present the utility of the idea for the Company.

“Trigger” was implemented in Delta Business Incubator.

Delta Business Incubator

Delta Business Incubator Program was organized to support the development of entrepreneurship in Serbia and encourage startup ideas at the very beginning of their realization. Program is intended to support the development of startup ideas in the area of logistics, distribution, agriculture and real estate, i.e. in the areas in which Delta Holding members operate. This way, in addition to providing financial assistance, which is crucial for the beginning of a new business, the Company can also help by providing mentors, education, and the opportunity to test ideas and establish business contacts.

At the competition of 2018, 163 ideas were submitted, 27 of which were presented to future members of the commission. Six teams participated in the incubation process, as one of the 7 selected teams gave up.

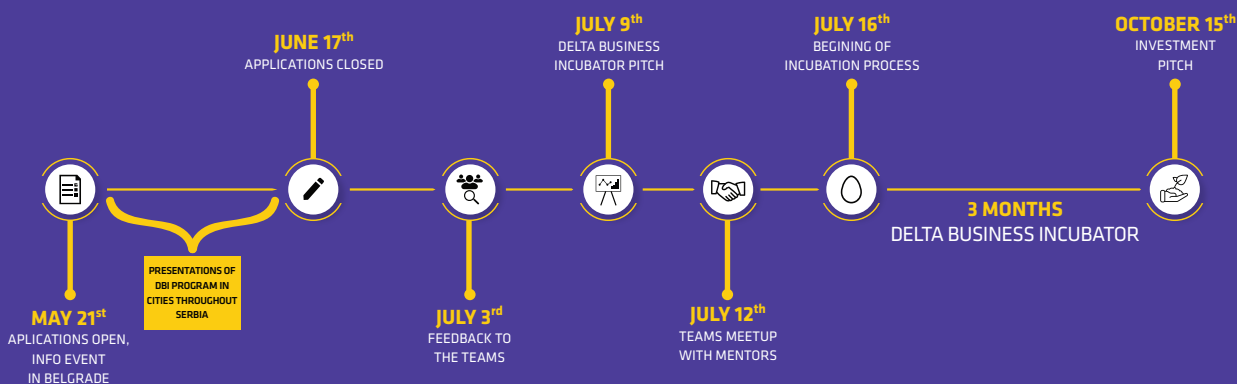
In the three-month incubation period, the teams attended lectures on various business-related topics such as law and marketing, etc. They also had the chance to test their ideas within the Company and develop them through a business plan devised in cooperation with their mentors.

The members of the commission, consisting of the holders of the highest positions in the world of banking, IT, agriculture and four members of Delta Holding top management, decided that the investment will be allocated to the team that presented Frigo gel - anti-frost system for the protection of orchards and vineyards from spring frost.

Delta Business Incubator team promoted its program in 13 cities in Serbia, in cooperation with its partner Propulsion fund and the local community.

For more information about Delta Business Incubator visit: www.deltabiznisinkubator.rs

TIMELINE DELTA BUSINESS INCUBATOR



Health and Safety at Work and Fire Protection

Safe and healthy work environment was identified by the management, employees and external stakeholders as one of the most important topics with regard to sustainable development. The management was centralized in 2016, whereas in 2018 the Company introduced a procedure which defines obligations and responsibilities of the management and employees. This procedure is applicable to all employees and persons engaged upon various contracts within Delta Holding. The procedure is available on the internal company portal.

Chief Business Sustainability Officer is in charge of strategic improvements and monitoring of Health and Safety at Work and Fire Safety. Strategy implementation is under direct responsibility of the HSW and FS Manager of Delta Holding whose task is to consult, direct and control the work of experts in this area in every member of the system.



Monitoring, recording and evaluation of factors that may lead to damages and impair health of the employees are regular activities the Company performs in order to control the safety at work. When new positions are introduced, the Risk Assessment Act is amended, and the measures for the removal of hazards to health and safety of employees are undertaken in accordance with its provisions.

High level of safety at work is maintained through the evaluation of work environment conditions (microclimatic conditions, illumination, chemical, biological and physical hazards in work premises), organized inspections and control of work equipment and regular procurement of personal protection equipment, evaluation of the fire protection system and equipment.

Upon the establishment of an employment relationship or another form of engagement, transfer to another position, introduction of new technologies or work equipment or introduction of changes into the existing work processes, employees undergo theoretical and practical training about health and safety at work, fire protection and response in case of an emergency. For the employees working in the high-risk positions, the trainings are organized once a year, whereas other employees are obliged to undergo the trainings once in every four years. In this way, the employees are motivated to properly implement measures that secure health and safety at work. Fire protection training is organized once in three years and the employees are continually educated about the ways to provide first aid.

In 2018, the Company initiated the production of SAP application for health and safety at work and fire protection. The aim of this initiative is to keep employees properly informed and record and analyze all relevant data.

In 2018, the Company devoted 10.801 hours to lectures and trainings in the fields of Health and Safety at Work, Fire Protection and First Aid:

- Delta Agrar 8,506 h
- Delta Distribution 311 h
- Delta Real Estate d.o.o. 42,
- Delta Security System 186
- NBGP Properties d.o.o. 1,756 h.

In addition to regular trainings in health and safety at work and fire protection, all employees at these positions underwent trainings for the use of SAP application.

In the hotel Crowne Plaza, another 80 courses were organized each morning during 189 days. The purpose of these ten-minute training courses was the improvement of safety of both employees and the guests. They included the following: response in case of an emergency, prevention of illnesses and diseases and the introduction to standard procedures for the location of potentially polluted objects.

When hiring contractors for the construction or renovation of facilities Delta Real Estate company hires work coordinators who monitor and control the safety and health and fire protection at construction sites.

Within Delta Agrar legal entities and work units, the conditions within HSW and FP were improved by implementation of a number of activities in accordance with specific job duties and the level of risk. These trainings were also attended by Delta Agrar suppliers and partners.

The safety at work at Danubius factory was improved by the introduction of robotic palletizing and modern production line for flour packages of 1, 2 and 5 kg.

In Yuhor factory, projects for new fire alarm and gas detection systems have been designed. Notices containing warnings and information on the responsibilities were placed at the entrance of the factory and within the work area. The level of HSW and FP was significantly improved in all retail facilities

through the implementation of employee training courses and documented procedures.

In the center for distribution and logistics of Delta Transport System in Stara Pazova, a demonstration exercise for evacuation was held; personal fire protection equipment for sub-carriers was procured and yearly audits of health and safety at work and fire protection systems were successfully completed by clients Ferrero and OMV. The audit for re-certification of IFS Logistic was also completed successfully by TUV SUD Czech s.r.o.

In comparison with the year 2017, in 2018 the number of injuries at work was reduced. The largest number of injuries was recorded in Yuhor (48 minor and 7 severe injuries). Most of them were caused by slipping and sharp objects used for in the workplace.

STATISTICS OF WORK-RELATED INJURIES IN 2018

MEMBER	Number of light injuries	Number of heavy injuries	Total number of injuries	Number of work days lost
Delta Agrar Group	19	7	26	814
Delta Food Processing	54	8	62	1,438
Delta Real Estate Group	8	1	9	82
Delta Distribution	9	0	9	128
Common Functions	0	0	0	0
Delta MC	0	0	0	0
TOTAL	90	16	106	2,462

Number of working hours in 2018

2,088

Rate of fatalities as a result of work-related injury

0

Rate of high-consequence work-related injuries⁵

7,662.83

Rate of recordable work-related injuries⁶

50,766.28

⁵ Rate of high-consequence work-related injuries (excluding fatalities)/number of hours worked x 1,000,000

⁶ Number of recordable work-related injuries/number of hours worked x 1,000,000





ENVIRONMENTAL CARE



ENERGY EFFICIENCY



PRESERVING NATURAL RESOURCES



INVESTMENTS IN ENVIRONMENTAL PROTECTION



By investing into business processes and raising employees' environmental awareness, Delta Holding has successfully ingrained sustainable business practices into its corporate identity.

Both management and employees are aware of the limitedness of natural resources, which represent the foundation of well-being, human health and life on Earth. For this reason, they invest all their efforts into finding the means to achieve sustainable development, with the aim of preserving the planet for future generations. As stakeholders have recognized the importance of ecological issues such as energy efficiency, reduction of greenhouse gas emissions, water protection, and waste management, this part of the report will focus on the most important activities Delta Holding members implemented to improve these areas in 2018, as well as the goals set for the period to come.

What sets Delta Holding apart from other companies is the way it incorporated sustainability into its everyday practices. Its methods include installation of energy efficient appliances, responsible use of materials, numerous lectures and education of employees about the proper use of work equipment.

Delta's business premises are equipped with segregated waste bins and posters with useful advice on the ways to save water and energy. Employees are regularly informed about local and global ecological challenges through the internal portal and specialized lectures.

By implementing energy efficiency methods at every location of the company, we have managed to optimize the use of energy products.

ENERGY CONSUMPTION IN 2018					
MEMBERS	Electric energy GJ	Coal consumption GJ	Natural Gas consumption GJ	Fuel consumption GJ	Biomass GJ
Delta Agrar Group	69,704	314.89	12,523	89,240	53,964
Delta Food Processing	69,595	0	67,832	10,013	0
Delta Real Estate Group	48,694	0	42,972	985	0
Delta Distribution	14,237	0	3,194	34,071	0
Overall consumption	202,231	314.89	126,521	134,309	53,964

ENERGY INTENSITY			
Year 2018	Overall Energy consumption in GJ	Overall income in euros	Consumed energy per sales unit (GJ/€)
Amount	517,341	496,250	0.00104

Energy Efficiency Measures

In 2018, in addition to the three facilities that were already present on the Vladimirovac farm, another 7 were built. However, there was no increase in the consumption of electricity. On the contrary, the consumption decreased by 32% per facility. In addition, the consumption of natural gas decreased in relation to the upturn in production. Due to the automated switch-on of gas installations, parallel operation of gas appliances and turn-off of one of the gas boilers when needed, the consumption was decreased by 21,883 m³, or, in terms of percentage, by 75% in comparison with year 2017.

In addition, factories of the Food Processing Group modernized their business processes, which also contributed to the decrease in the consumption of energy products.

The staff at Danubius is working on the replacement of fluorescent, mercury and metal-halide lamps with LED lamps. Within the factory perimeter, 20 metal-halide lamps of 400W LED were replaced with 110W light bulbs. Within the factory itself, 50 fluorescent 72W lamps were replaced by 36W LED lamps, and seven 250W mercury light bulbs were replaced by 110W LED lamps. The amount of electricity that is expected to be saved by these measures is substantial (about 50,000 kWh). In 2019, another 100 fluorescent lamps of 72W LED will be replaced by 36W lamps.

The factory was also equipped with a 40 kW robotic line for palletization of small flour packages. The line reduces the amount of manual work and increases the efficiency of production at the same time. A new

packing machine for small flour packaging (1-5 kg) was installed, due to which yearly capacity increased by 15,000 t, whereas the amount of consumed energy remains the same.

Fun&Fit factory is not a major consumer of energy products. This factory uses natural gas for heat treatments, electricity in the process of packaging and water to wash and disinfect the lines for heat treatment and packaging. However, in order to additionally decrease the consumption of energy products, Fun&Fit factory also implements energy efficiency measures. In 2018, 45 end-of-life metal-halide floodlights were replaced with new, more efficient LED floodlights. Metal-halide floodlights of 250W were replaced with LED floodlights of 100W, and the ones with the power of 150W – with 50W LED floodlights. Incandescent light bulbs of 60 and 75W were replaced with LED light bulbs of 7 and 9W. This way, the illumination was enhanced and, percentagewise, electricity was saved by 9% in comparison with year 2017.

In 2019, the factory plans to extend the range of products by purchasing new Italian “MIELE“ packaging machine, which will increase productivity and reduce energy consumption. The speed will improve to 20 packaging units in one minute.

Complete renovation of the facility that took place in 2018 also contributed to energy saving. A new facade was added to the administration building and parts of the roof were restored.

As the facility uses natural gas for heating (production premises use infrared heaters and the administration building gas central heating), responsible staff strictly controls the operation of heaters in the premises that are not being used.



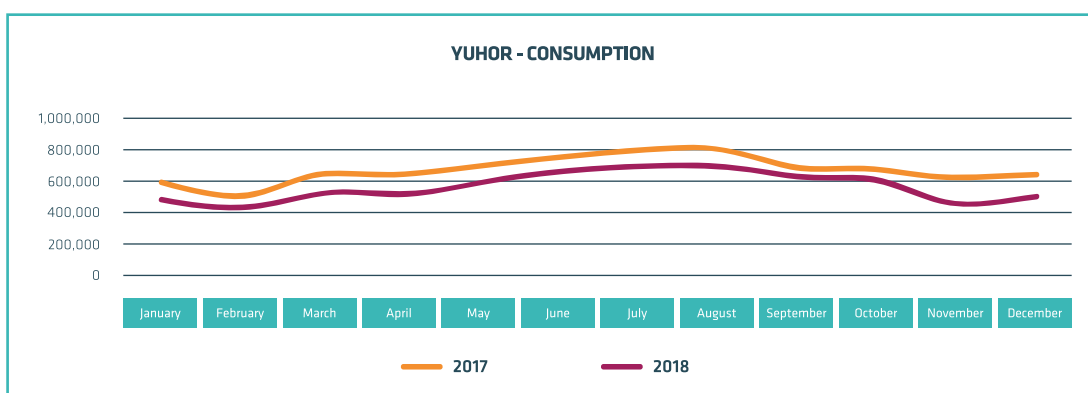
CO ₂ EMISSIONS				
MEMBERS	Direct emissions CO ₂			Indirect emissions
	Natural gas tCO ₂	Coal tCO ₂	Fuel tCO ₂	Electricity tCO ₂
Delta Agrar Group	662.93	314.89	3,437.61	4,530.79
Delta Food Processing	3,590.81	0	238.49	4,523.69
Delta Real Estate Group	2,274.83	0	0.30	3,165.14
Delta Distribution	169.09	0	820.36	925.43
Overall consumption	11,509.31			13,145.05

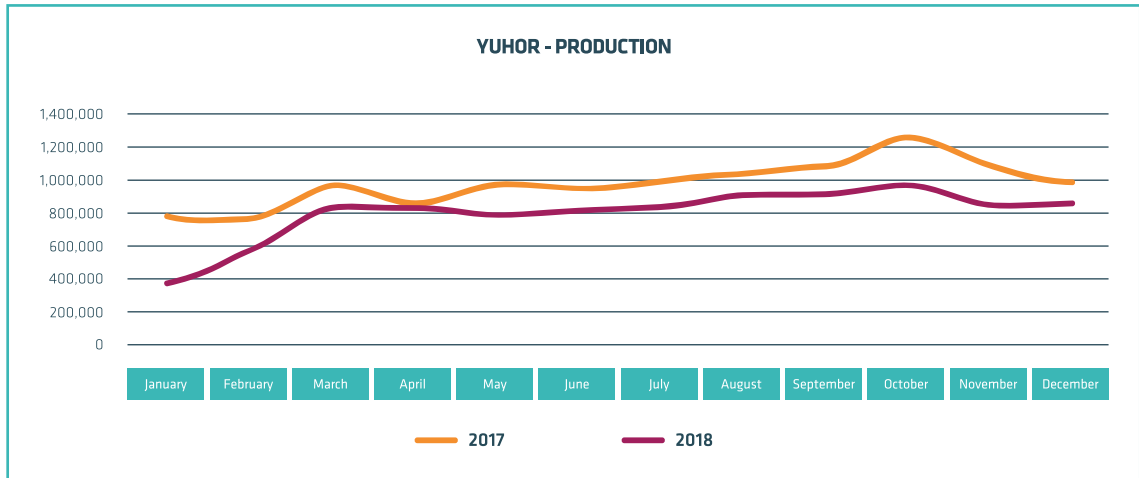
INTENSITY OF GREENHOUSE GAS EMISSION			
Year 2018	Emission of CO ₂ in t	Overall income in euros	Overall emissions of CO ₂ per sales unit (GJ/€)
Amount	24,654	496,250	0.000050

In Yuhor factory, two new compressors were installed – screw compressor, which consumes much less power than the one that was previously used, and another one – compressor with frequency control, which only uses the amount of energy needed at the exact moment of production. These compressors helped reduce the consumption of electricity by 309 kWh.

The installation of screw compressors has minimized the consumption of oil. Old reciprocating compressors used to consume 400l. In addition, this type of compressor has significantly improved the quality of the compressed air used in the production process.

New compressors also have automatic regulation of condensate drainage. Together with the absence of oil in the pneumatic installation, this feature significantly improves the quality of the compressed air used in the production process. In the air preparation units within the pneumatic installation, condensate drainage is minimal (new compressors have substantially lower operating temperature). In the period when reciprocating compressors were used, oil mixed with condensate, thus creating emulsion which blocked the operation of pneumatic valves and occasionally brought the production process to a halt, which additionally increased the costs of machinery maintenance.



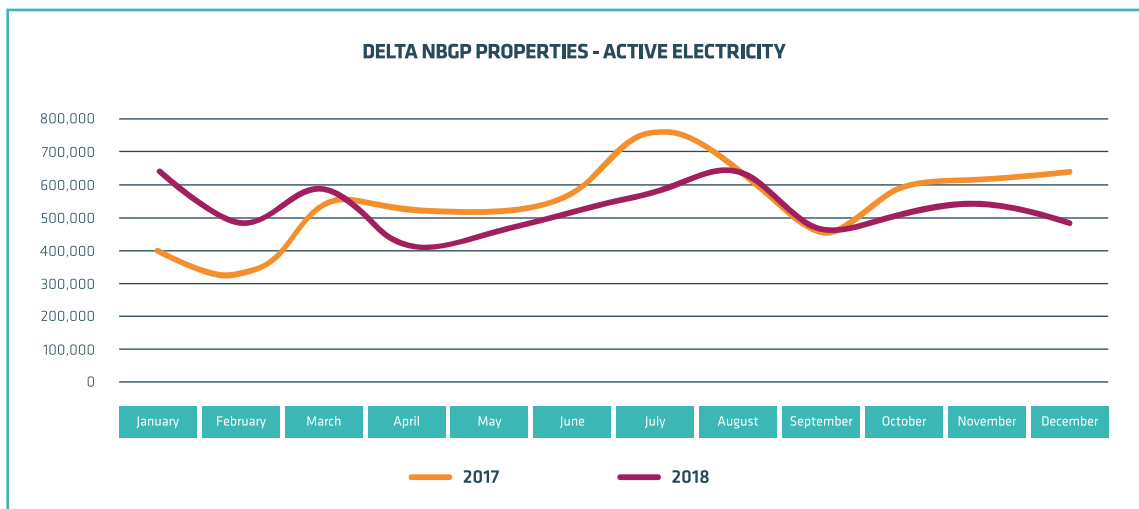


In Mioni factory, the volume of production of juices and water was increased by 30% in 2018. The factory also started manufacturing large water bottles. New production line and the increase in the production volume led to the increase of electricity consumption by 30%. The increase in the consumption results from the use of a new plastic bottle blowing machine.

As for Delta Auto Company, the process of gasification was initiated. To heat the premises, all three facilities of the company previously used hot water from the Public Utility Company “Beogradske elektrane”. The company obtained building permits

and installed condensing boilers. Expected energy saving exceeds 60%.

In the hotel Crowne Plaza, a number of energy efficiency measures were implemented in the course of the year 2018. Lighting was reconstructed - 36 inefficient metal-halide light bulbs were replaced with new, efficient LED lamps. In addition, instead of 232 fluorescent lamps, the hotel now uses 154 panels, which not only provide better illumination, but consume less energy at the same time.



In 2019, the Company plans to focus on the possibility of exploiting renewable energy sources. Installation of solar panels on several locations is under consideration. A panel for electric vehicle charging is to be placed in front of the Crowne Plaza hotel. In order to meet the needs of the production processes in the cold store Čelarevo, the construction of solar thermal energy is under consideration.



The most substantial project envisaged for 2019 is the construction of biogas facility in the proximity of commercial cattle farm situated in Petrović Salaš. The plan is to use manure and silage and produce heat and electricity by cogeneration.

Business Center NBGP Properties applied to obtain the license for the production, distribution and supply of thermal energy, which would be further delivered to adjacent facilities.

The next step is cogeneration, i.e. combined production of thermal and electrical energy in this facility. The Company is considering the possibility of introducing similar cogeneration facility in Yuhor factory as well.

CONTRIBUTION TO ENVIRONMENTAL PROTECTION THROUGH THE USE OF RENEWABLE SOURCES ⁷					
MEMBER	Renewables sources (biomass)	Thermal Power MJ/kg (biomass)	Thermal Power (GJ)	Electricity energy (GWh)	Reduced Emission of CO ₂ (t)
Napredak	1,694.18 t soybean straw	15	25,412.7	7,060	6,000.70
Jedinstvo	197.87 t soybean straw	15	2,968.05	0.825	700.85
OU Seme Sombor	1,211.54 t corncob	14.7	17,809.638	4,948	4,205.39
OU Kruševac	358.83 m ³ firewood	14.7	5,167.152	1,435	1,220.12

⁷Calculation method 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-%202.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/>

Nature reserve

Within its operation, Delta Agrar takes care of a nature reserve, i.e. a fishpond in Svilojevo, on the estate Jedinstvo. This environmental unit is also inhabited by flocks of swans in wintertime, and colonies of endangered birds in other periods of the year. The 50 ha isles are covered in reeds and rushes. This fishpond was declared a nature reserve in 2011 and it consists of several lakes and small isles with flora and fauna which can not be affected without control and approval of the Institute for Environmental Protection of Serbia.

Water Consumption

Serbia still has enough water to fulfill its needs, but the degree of pollution of river flows and sources of drinking water is rising. The main pollutants of Serbian rivers are untreated industrial and communal wastewater. Waste is also a major water pollutant and the consequences of irresponsible treatment are polluted rivers and springs. Groundwater is also contaminated by the excessive use of artificial fertilizers and pesticides.

Delta Holding wants to set an example and demonstrate that responsible business is a solution to these problems. That is why all members that may have an impact on preserving water quality do their business in accordance with strict eco standards. Delta Agrar continues to invest into state-of-the-art irrigation systems that additionally optimize water consumption. In other words, these systems precisely determine the quantity of water needed for proper

growth and development of plants.

By using studies on well yield and placing water meters, the Company optimizes the consumption of water at every location. The quality of well water is inspected on a monthly basis, and the reports on the consumption are regularly submitted to JVP "Srbijavode".

In addition, precision in the approach to agriculture facilitates monitoring and optimization of water consumption for production purposes. Delta Agrar uses state-of-the-art irrigation systems to water orchards, vegetable patches and arable crops. Farms use drinkers with a system that prevents spilling and excess consumption of drinking water. The consumption of surface water in 2018 was reduced by 128,354 m³ in comparison with year 2017. The consumption of tap water was also reduced by 45%, when compared with year 2017.

In 2018, the overall quantity of recycled water from the ponds amounted to 7,526,045.77 m³; 7.44% of this water was used to irrigate Budućnost properties, which are planted with commercial and seed soybean, commercial and seed maize, commercial and seed wheat and barley.

On the farm Halovo 1/2, out of the overall quantity of water from the well (12,154.5 m³) is used to rinse channels. All the factories that belong to the Food Processing Group use filters to purify waste waters. The quality of water is tested four times a year.

In Delta Automoto Company, all the employees have joined the optimization of water consumption, upon which the consumption was noticeably reduced (499 m³).



Waste waters from Delta Automoto and Delta Motors Service Center are treated before being released into the collecting system of the city, which prevents the pollution of ground water and tap water. Upon conducting tests and analyses of waste waters, the City Institute of Public Health found that the content of waste waters is within the permitted ecological limits.

Due to the controlled consumption, economic use of green surface irrigation water, regular maintenance of facility infrastructure and a number of measures that are regularly implemented by technical maintenance department, DTS facility has also joined the saving. Active implementation of the aforementioned measures has decreased water consumption by 2,780 m³.

Within Delta Distribution, i.e. DTS, Delta DMD, Delta Automoto and Delta Motors facilities, the consumption of water was reduced by 17% in comparison with the previous year.

Delta Real Estate also takes care of water consumption. Written instructions are used to remind the employees and hotel guests to be rational when using water while washing their hands, face or taking shower.

In 2018, Crowne Plaza hotel has installed water saving tap aerators in 200 rooms. The plan for the following year is to install water saving aerators in all the rooms and introduce pool water heating system that will use the heat from cooling aggregates, as well as sensors that detect presence.

EXTRACTED WATER IN m ³					
MEMBERS	Well water	Pond water	Surface water	Tap Water	Quantity of Recycled Water in m ³
Delta Agrar Group	1,167,308	263,793	23,549,419	16,087	7,526,045.77
Delta Food Processing	230,627	5,313	0	33,221	0
Delta Real Estate Group	0	0	0	126,115	0
Delta Distribution	0	0	0	13,753	0

Waste Management

All the members of Delta Holding have regulated waste disposal in accordance with the provisions of the Law on Environmental Protection and Law on Waste Management, in cooperation with an operator for the disposal of non-hazardous packaging waste, the services of which are used by the entire Delta Holding Company. The company continues to raise awareness of its employees about proper waste management and the ways to reduce the amount of waste.

Work premises are equipped with segregated waste bins for paper and plastic, as well as the bins for the disposal of tin cans that are located in canteens. Waste disposal points are marked with posters which instruct the employees how to segregate waste and point out the value of recycling.

In 2018, the Company initiated the action "Protect the Ozone Layer". As a part of this project, on the International Day for the Preservation of Ozone Layer, each and every employee of the company was presented with a reusable bag made of natural materials. A major part of this action was the education on the importance of the preservation of ozone layer, and the ways to introduce environmentally friendly changes in our everyday behavior.

The operators chosen for the disposal of hazardous waste have proper experience and reputation which demonstrates that they treat hazardous waste responsibly and in accordance with all applicable laws and regulations.

As the packages for plant production products represent hazardous waste, all Delta Agrar units are obliged to wash them three times. This way, the package becomes non-hazardous waste even before the operator collects it, which additionally contributes to the protection of environment.

One of the priorities of Delta Agrar in 2019 is the construction of manure lagoons. In order to prevent ecological issues that may arise from improper disposal of manure (pollution of ground water, air and soil),

Delta Agrar Group is planning to construct lagoons in two locations that host dairy farms, i.e. Topola d.o.o. and Napredak ad.

In addition to the abovementioned, in 2019 the Group plans to install machinery for pesticide package rinsing. This machinery will make the process of package rinsing easier for the employees and thus simplify the transformation of hazardous waste into non-hazardous.

The company is also planning to install the system for the collection of waste water from the devices used for pesticide application.

The undertaken measures and major projects envisaged for the year in progress demonstrate ecological awareness of Delta Agrar Group, its care for the protection of environment and efforts to leave healthier and greener world to the future generations.

QUANTITY OF GENERATED AND DISPOSED WASTE IN TONS

MEMBERS	Non-hazardous waste generated in 2018	Quantity of non-hazardous waste as of 01.01.2018.	Quantity of non-hazardous waste as of 31.12.2018.	Total generated hazardous waste in 2018.	Quantity of hazardous waste as of 01.01.2018.	Quantity of hazardous waste as of 31.12.2018.	Disposed quantities of non-hazardous waste	Disposed quantities of hazardous waste
Delta Agrar	295.356	30.396	37.303	23.805	16.751	17.152	288.449	23.404
Delta Food Processing	403.827	12.659	13.160	0.770	2.300	2.910	403.326	0.160
Delta Real Estate Group	166.268	0	0	6.533	0	0	166.270	6.530
Delta Distribution	135.990	0.550	0.300	54.590	0.600	0.600	136.240	54.590

DELTA PAK

Within Delta Holding, there is a non-profit organization Delta Pak, the responsibility of which is to organize an integrated system for the management of packaging waste in accordance with the environmental principles, international standards and applicable laws and regulations of the Republic of Serbia.

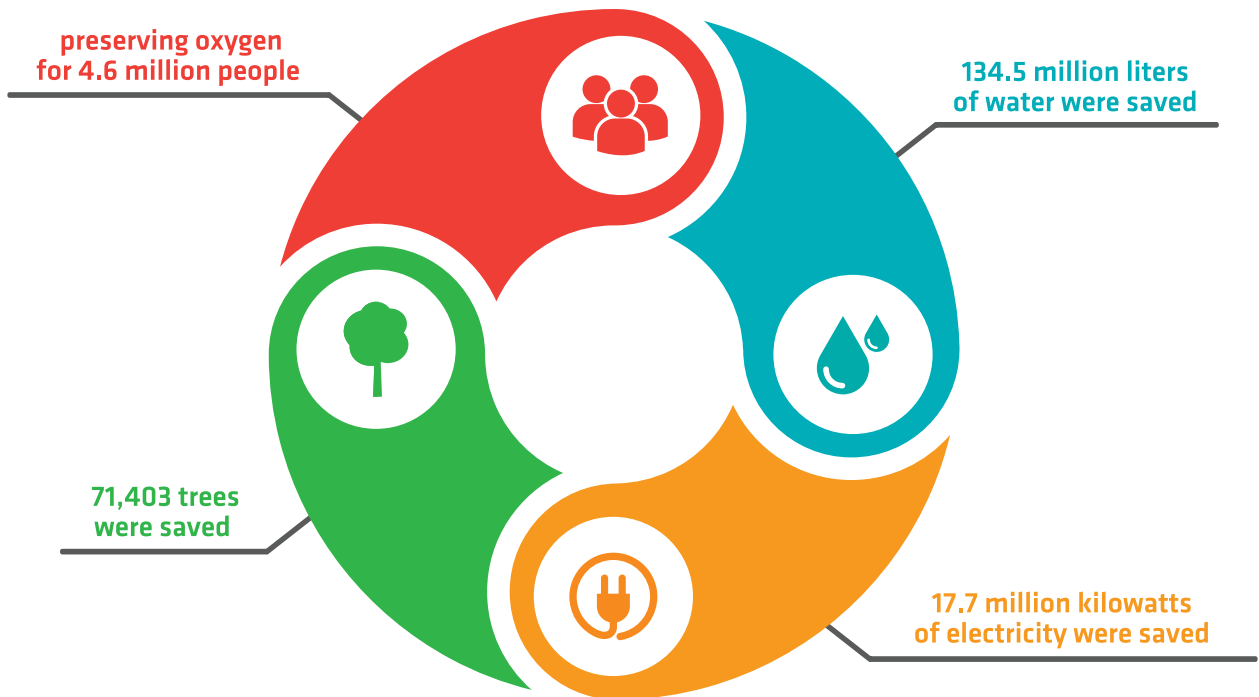
Delta Pak maintains regular communication and cooperation with its clients. This cooperation includes field trips, problem solving, provision of expert counseling and recommendations on waste management, keeping records on the waste quantities and filing reports to national services. The purpose of its work is to help each client establish a sustainable system of waste management in accordance with the law.

In 2018, as the operator in charge of the system for packaging management and packaging waste management, Delta Pak concluded contracts with 123 clients (all the companies of Delta Holding included).

The overall quantity of packagings launched to the Serbian market by Delta Pak clients amounts to 18,369.40 t.

The Republic of Serbia set the overall national goal to 55% in 2018. The operator Delta Pak reused and recycled packaging waste, the overall quantity of which amounted to 10,937.90 t. By doing so, Delta Pak met National Goals for the Republic of Serbia for year 2018 - 60% for the reuse of packaging waste and packaging waste recycling.

PACKAGINGS LAUNCHED - DELTA HOLDING		
Year 2018	Non-returnable packagings on the market (t)	Returnable packagings on the market (t)
Plastic - total	996.58	0
Glass - total	120.82	0
Metal - total	83.05	0
Carton and paper - total	1,523.16	0
Wood - total	512.62	355.63
Other packaging	0.09	0
Total	3,236.32	355.63
	3,591.95	
The share of returnable packaging percentagewise (%)	10.99	



Yearly reports of the Serbian Environmental Protection Agency confirm the leading position of Delta Pak in the fulfillment of national goals. According to their latest report, referring to the year 2017, Delta Pak undertook 61.4% of packaging waste, whereas national goals envisaged 50%.

In 2018, Delta Pak concluded cooperation agreements for the fulfillment of national goals for packaging management and packaging waste management with 9 companies which have permits to collect and recycle non-hazardous packaging waste.

In addition to its activities with regard to packaging management, Delta Pak also acts as a consultant in the field of environmental protection, management of hazardous and non-hazardous waste, specialized ways to dispose of waste, chemicals and safe transport of dangerous goods (dangerous load). In 2018, Delta Pak provided advisory services to 31 clients.

In the course of 2018, training courses about waste management and environmental protection were implemented for the clients of DM drogerie market, Adidas Serbia and J.u.A. Frischeis. Clients were introduced to laws and regulatory rules, applicable documentation and responsibilities with regard to waste management to be fulfilled on a daily basis.

As a special kind of training, Delta Pak introduced an online Guide for the protection of

environment and efficient use of energy – Ekokutak. Ekokutak was launched in 2016 with the idea of raising ecological awareness of all the employees in the company.

Delta Pak published 12 interesting, educational texts in 2018, which provided the company employees with the possibility to learn more about the innovations of ecological world and adopt recommendations on how to contribute to environmental protection on a daily basis.

It only takes 10 minutes a month to read a text from Ekokutak, i.e. about 120 minutes a year, which means that Delta Holding employees have approximately 6,000 hours of mini-education at their disposal on a yearly basis. As a consultant for the safe transport of dangerous load, Delta Pak introduces clients to laws, regulations and the risks that may arise in the process of handling dangerous goods, with the aim of preventing accidents.

Delta Pak participated in the conference “Sustainable Development 2018”, giving its contribution to the concept of sustainable development once again. In addition, it accepted to be a member of the Working Group for the promotion of the system of packaging management and packaging waste management. The working group was established by the Serbian Chamber of Commerce.



SUPPORTING LOCAL COMMUNITY



DEVELOPMENT PROJECTS



EDUCATIONAL PROGRAMS



SUPPORT FOR VULNERABLE GROUPS



When it comes to project planning and realization, the first corporate foundation in Serbia - Delta Foundation relies on the resources and business strategy of Delta Holding while encouraging the development of local communities in a significant and sustainable manner. It was established in 2007 with the mission of reviving the spirit of endowment philanthropy in Serbia. Today, we have two beautiful buildings, the endowments "Sunce" and "Iskra" and the sculpture "From There To Here". So far, we have invested 37.98 million euros in the community, and provided aid for more than 744,000 citizens of Serbia. We have organized 3,774 humanitarian actions with a focus on sustainable development projects in the following areas: social entrepreneurship and agricultural production in rural areas, providing aid to the children and youth with disabilities, talented pupils and students, and socially deprived families.

The scope of work:

- Care about the local community and its development
- Social entrepreneurship
- Education
- Providing aid to socially deprived part of the population
- Endowment philanthropy



Our Village

“Our Village“ is a new project realized by Delta Holding with a mission to encourage the development of villages. The aim of the project is to prevent Serbian villages from dying out by introducing improvements into the agricultural production and social life. This project is to demonstrate that the Serbian villages can match the developed European villages in terms of quality of life.

The project was initiated in late 2018 in the villages of Mala Jasikova and Dubočane near Zaječar. These two villages were selected because, among their inhabitants, there are still young people working in agriculture who wish to remain in the countryside.

As knowledge is the key to modern agriculture, the first stage of the project focused on the education in the area of fruit and stock farming. By applying knowledge, contemporary agro-technical measures and improving the overall organization, farmers will be able to obtain better yield and thus increase income. Delta Agrar experts have the task to advise farmers when it comes to protection, growing and the selection of fruit varieties and animal breeds, their proper farming and all other activities that have influence on the outcome of agricultural production.

As product placement presents one of the greatest problems for the producers in this area, Delta guarantees to purchase the produced goods, and by doing so, it will ensure the sustainability of production. In addition, as a partner in this project, Erste Bank will provide favorable loans for households, whereas the interest will be paid by Delta Agrar.

In addition to better economic conditions, more vivid and diverse social life will further motivate the locals to remain in the villages.

The Company is also planning to renovate important institutions such as schools, local infirmaries and cultural centers and organize cultural and social activities with the help and donations from Delta Foundation.

In late December 2018, the New Year celebration for little ones from the villages of Mala Jasikova and Dubočane was organized for the very first time. In the Cultural Center of Mala Jasikova, National Theatre “Zoran Radmilović“ from Zaječar performed the play “The New Year Case of Wizardess Lily“. After the play, the New Year gifts prepared by Delta Holding employees were distributed to 79 children from the two villages in Zaječar.



The project is realized with the full support of the local authorities of the city of Zaječar.



Plantation for the Future

The project Plantation for the Future was initiated in 2015 as a pilot phase of the project which focuses on the social entrepreneurship in Serbia. Within this project, social entrepreneurship was recognized as a sustainable solution for the reduction of poverty. The priority is to employ the part of population which has difficulties finding employment, whereas support is provided in the area of agriculture. This area was selected on the basis of Delta Holding business strategy, which is primarily oriented towards agricultural production. This allows Delta Foundation to maximally exploit the resources of the Company, not only financially, but in terms of expertise as well, and place the products in repurchase centers and retail stores of Yuhor Dućan. The project was also supported by Trag Foundation and the Team for social inclusion and reduction of poverty of the Government of the Republic of Serbia.

In February 2018, the third competition for social enterprises was launched supporting nine organizations with financial grants in the total amount of 5 million dinars. The following organizations obtained support: **Women's association "Preserve the Village" from Priboj, Horse Riding Club "Arandelovac", Association for aid of mentally challenged persons "Biser" from Srbobran, Association "Optimist" from Bosilegrad, Youth Office**

Grdelica, Red Cross Smederevo, the Center of Mala Krsna, Association for local development "Kamenica", Humanitarian Organization "Caritas", Agricultural cooperative society "Ekodel mreža Boljevci".

In the course of project realization, the team comprised of Delta and Trag foundation members and Delta Agrar expert associates visits the organizations and advises them how to implement the project successfully and obtain the best results.

Grant awardees also enjoy mentoring assistance of Delta Holding employees from the departments of strategic and financial planning and units for organization of business, sales and marketing.

Within their plantations and farms, from June until the end of November 2018, social enterprises produced 73 tons of fruit and vegetables, 40 pigs and 197 fatlings.

From the beginning of the project, fourteen organizations from twelve Serbian municipalities have been supported, whereas the overall value of awarded grants amounted to 28.5 million dinars. The initiative to network all grant-winning organizations was launched in 2018 through an informal channel. The purpose of the network is to establish mutual cooperation and improve the capacity of its members by creating market partnership and representing the interests of network members before public, corporate and civil sector.

Fund for the Future

Due to the decreasing number of children without parental care in the institutions of social protection and in accordance with the strategic orientation of the Company to base its development on the improvement of agriculture and hotel industry, as of 2015 “Fund for the Future” redirected its operations to the pupils of the schools of agriculture and hospitality.

The aims of the Fund for the Future program are the following:

- Financial support (scholarships) for socially deprived children
- To motivate the young to work in agriculture and hospitality
- To organize business trainings with the aim of preparing the young for employment
- To introduce new technologies and adapt to contemporary business conditions thorough the program of internship in the Company

- To share corporate expert knowledge with the young
- Cooperation between private sector and public schools through dual education
- To provide employment opportunities immediately upon completed education, depending on the available vacancies.

In the course of 2018, 28 pupils underwent theoretical and practical business training.

Pupils had the chance to learn about modern techniques of agricultural production and contemporary machinery at the Company properties, they took part in the protection and fertilization of maize, soybean, and fruit, established the quality of irrigation in an orchard, learned about the ways and criteria of apple fruit thinning, assisted in the provision of care and feeding of in-calf heifers, etc.

Until the end of 2018, 337 high school students and 31 undergraduates participated in the program.



The Documentary “With My Eyes Wide Open“ and The Book “Marathon Runner“

Towards the end of the year 2017, Delta Foundation produced a documentary “With My Eyes Wide Open“ about Goran Nikolić, a partially sighted fifty-year-old marathon runner who broke the Guinness world record by running 55 marathons in 55 consecutive days in order to introduce the public with the work of the sport center “Iskra“ in Kragujevac. This center was built and donated to the city of Kragujevac by Delta Foundation at his initiative.

On the International Day of Persons with Disabilities, this documentary was shown on the second channel of the Radio Television of Serbia, and later on previewed at three international and two Serbian film festivals.

In 2018, Delta Foundation published the autobiography of Goran Nikolić entitled “Marathon Runner“, which was presented at the 63rd Book Fair in Belgrade.



On the occasion of the 11th anniversary of its foundation, Delta Foundation provided a seven-day stay for 15 athletes from the Belgrade Sports Association of Persons with Disabilities in the “Iskra“ center.





Supporting Persons with Disabilities

Internship and employment of youth with disabilities – in cooperation with Youth with Disabilities Forum, Delta Holding realized two phases of the program “Internship for Youth with Disabilities” with the aim of improving employability of youth with disabilities through professional development and implementation of internship programs.

Raising awareness of the public about social entrepreneurship – Delta Foundation supported publishing of the brochure “Social Entrepreneurship – an opportunity for a decent life”. The Brochure was edited and published by the Communication Agency “Parola”, with the support of Ministry of Culture and Information of the Government of the Republic of Serbia, and it was published in the October edition of the financial magazine “Magazin Biznis”.

This brochure addresses the possibilities of persons with disabilities and social enterprises as a manner of their organization.





Running for the Butterfly Children – Delta Holding employees traditionally participated in the 31st Belgrade Marathon in order to support “Debra” association of parents whose children suffer from epidermolysis bullosa – a severe skin illness due to which these children are known as “butterfly children”.

Every year, a large number of employees collect voluntary donations for the procurement of the necessary medical material for butterfly children. In 2018, 236,780 dinars were donated to “Debra” association.

Creative workshop for the design of New Year cards for business partners – On the eve of New Year holidays, in the Day Care Center for elderly, children and youth with disabilities Novi Beograd, a creative workshop was organized with the aim of making New Year cards by quilling technique.

“Blue Circle around Ada” – For three years in a row, Delta Foundation has supported the Belgrade association for fight against diabetes “Blue Circle”. In 2018, the Foundation supplied apples for all the participants of the race around Ada.

Third Parent

Our employees have also recognized the importance of investing into the community in which the Company operates and its efforts to improve the quality of life of all its fellow citizens. For this reason, as of 2015, they have participated in the project “Third Parent”. The project has been implemented in cooperation with the association “Putokaz” from Novi Sad.

The aim of the project is to recognize the needs of the children that need to be empowered in the process of healthy growing up, education and acquisition of different skills necessary for the functionality of family.



Project activities include engagement of two social workers whose task is to help families through counseling, support in health and legal protection and representation of children’s rights. This project has gathered 219 employees whose task is to take care about 51 children. They prepare packages and gifts for holidays, birthdays and the beginning of school. The children were provided with the educational support and the opportunity to attend extracurricular activities and field trips. The mission of all “Third Parents” is to provide happier childhood.

The joy of giving encouraged all “Third Parents” to enrich Christmas and New Year holidays for the little ones together with their children. Each year, they organize humanitarian action “Santa’s Helpers” and prepare New Year gifts. In 2018, this action was organized for the sixth time.

The Region



Delta Holding also implements the projects of social responsibility in the countries of the region where it operates. In Banjaluka, where the Company has built Delta Planet shopping mall, a significant donation was given for the improvement of the preschool capacities. The Company renovated and equipped the kindergarten “Bubamara”, the official opening of which was planned for February 2019. In Montenegro, DMD Delta continually supports the work of soup kitchens.

The Day of Giving

Delta Foundation is a member of the Management Board of the Serbian Philanthropic Forum which was founded in 2010 with the idea to encourage the development of philanthropy in Serbia. The Forum established the National Day of Giving, on which in 2018 Delta Foundation donated the funds for the procurement of spectrometer to be donated to the Research Center “Petnica”.





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 2018 which, where applicable, was compared to the 2017 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 2017 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).

Additional information about Delta Holding's business can be found at www.deltaholding.rs



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INDEPENDENT ASSURANCE STATEMENT

TO THE MANAGEMENT OF DELTA HOLDING D.O.O. BEOGRAD

The 2018 Corporate Responsibility Report ("the Report") of Delta Holding d.o.o. Beograd ("the Company") has been prepared by the Company's management which is responsible for the collection and presentation of the information contained therein. Our responsibility is limited in carrying out a limited assurance engagement on specific scope on the Report, which is prepared in accordance with the "In accordance - Core" option level of the GRI Sustainability Reporting Guidelines ("GRI"). Our responsibility in performing our assurance engagement is solely to the management of the Company and in accordance with the terms of reference agreed between us. We neither accept nor we assume any responsibility and for any other purpose to any other person or organization. Any reliance any third party may place on the Report is entirely at its own risk and responsibility.

The Company's management is responsible for the preparation of the Report in accordance with the GRI. In particular, the Company's management is responsible for internal controls being designed and implemented to prevent the Report from being materially misstated. In addition, the Company's management is responsible for ensuring that the documentation provided to us is complete and accurate. The Company's management is also responsible for maintaining the internal control system that reasonably ensures that the documentation described above is free from material misstatements, whether due to fraud or error.

WORK SCOPE AND CRITERIA

The assurance engagement has been planned and performed in accordance with the International Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ("ISAE3000" revised), in order to provide a limited level assurance opinion on:

1. The accuracy and completeness of quantitative data and the plausibility of qualitative information related to the GRI General Standard Disclosures, required for the "In accordance - Core" option.
2. The accuracy and completeness of quantitative data (performance indicators) and plausibility of statements (GRI Disclosures on Management Approach) related to the GRI Specific Standard Disclosures, which correspond to the most material issues, as presented in the Company's materiality analysis.
3. The Report's "In accordance - Core" adherence against the related GRI requirements.



WHAT WE DID TO FORM OUR CONCLUSIONS

In order to form our conclusions we performed (but were not limited to) the steps outlined below:

- Performed interviews with Management executives in order to understand the Company's corporate responsibility processes, policies and activities during the reporting period.
- Reviewed information in order to substantiate data and statements regarding the Company's sustainability performance in 2018, as these are presented in the Report.
- Reviewed the Company's processes for determining material issues to be included in the Report, as well as the coverage of these material issues within the Report, material issues covered by media, and sustainability reports of selected peers.
- Interviewed specialists responsible for managing, collating and reviewing data related to the GRI General and Specific Disclosures under the scope of our engagement, for internal and public reporting purposes.
- Reviewed relevant documentation and reporting systems, including collation tools, templates used, and guidance documents.
- Reviewed the Report for the appropriate presentation of the GRI General and Specific Standard Disclosures under the scope of our engagement, which included discussions of limitations and assumptions relating to the way data are presented.
- Reviewed the GRI Content Index and the references included therein, against the GRI Standards' requirements for the "In accordance - Core" option.

LEVEL OF ASSURANCE

Our procedures were designed in order to obtain a limited level of assurance (as set out in ISAE 3000-revised) on which we formed our conclusions. The extent of these procedures is less than those designed to obtain a reasonable level of assurance and therefore a lower level of assurance is obtained.

LIMITATIONS OF OUR REVIEW

- ▶ Our review was limited to the Serbian version of the Report. In the event of any inconsistency in translation between the English, Russian and Serbian versions, as far as our conclusions are concerned, the Serbian version of the Report prevails.
- ▶ We do not provide any assurance relating to future information such as estimates, expectations or targets, or their achievability.
- ▶ The scope of our work did not include any review of third party activities or performance, nor attending any stakeholder engagement activities.
- ▶ Our review did not include testing of the Information Technology systems used or upon which the collection and aggregation of data was based by the Company.



CONCLUSIONS

Based on our review and according to the terms of reference and the limitations of our work, we report the following conclusions. Our conclusions are based on the appropriate application of the selected criteria and should be read in conjunction with the “What we did to form our conclusions” section above.

1. How complete and accurate are the quantitative data and how plausible is the qualitative information related to the GRI General Standard Disclosures under the scope of our engagement?
 - Nothing has come to our attention that causes us to believe that any reporting unit, according to the set boundary and time period stated in the Report, is not included in the quantitative data of the Report related to the GRI General Standard Disclosures under the scope of our engagement.
 - Nothing has come to our attention that causes us to believe that errors or inaccuracies exist in the collation of the qualitative data related to the GRI General Standard Disclosures under the scope of our engagement, or in the transposition of these data to the Report, that would materially affect the way they are presented.
 - We have reviewed information and explanations on selected Management statements (qualitative information) related to the GRI General Standard Disclosures, as these are presented in the Report and no material misstatements came to our attention.
 - Nothing has come to our attention that causes us to believe that materiality analysis is inaccurately presented based on the procedures followed by the Company.
2. How complete and accurate are the quantitative data (performance indicators) and how plausible are the statements (GRI Disclosures on Management Approach) related to the GRI Specific Standard Disclosures under the scope of our engagement?
 - Nothing has come to our attention that causes us to believe that any reporting, according to the set boundary per material issue and the time period stated in the Report, is not included into the quantitative data (performance indicators) of the Report related to the GRI Specific Standard Disclosures under the scope of our engagement.
 - Nothing has come to our attention that causes us to believe that errors or inaccuracies exist in the collation of the data related to the GRI Specific Standard Disclosures under the scope of our engagement, or in the transposition of these data to the Report that would materially affect the way they are presented.
 - We have reviewed information and explanations on selected Management statements (GRI Disclosures on Management Approach) related to the GRI Specific Standard Disclosures, as presented in the Report and no material misstatements came to our attention.
3. Does the Report meet the GRI requirements of the “In accordance - Core” option?
 - Based on our review, nothing has come to our attention that causes us to believe that the Report does not meet the requirements of the “In accordance - Core” option, as presented in the GRI Content Index.



INDEPENDENCE

We conducted our assurance engagement in accordance with International Assurance Standards, particularly ISAE 3000 (revised). These regulations require that we comply with ethical standards and plan and perform our assurance engagement to obtain limited assurance about the specific scope explained above.

We apply International Standard on Quality Control 1 (ISQC 1), and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements in law or regulation.

We comply with the independence and other ethical requirements of the IFAC Code of Ethics for Professional Accountants, which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Belgrade, 4 July 2019

A handwritten signature in blue ink, appearing to read 'Danijela Mirković', is written over the printed name.

Danijela Mirković
Authorized Auditor
for Ernst & Young d.o.o. Beograd



