

**HŽ PUTNIČKI PRIJEVOZ d.o.o., Zagreb**  
**Strojarska cesta 11**

**Annual financial statements**  
**together with Independent Auditor's Report**  
**for the year 2015**

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## RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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The Management Board of company HŽ PUTNIČKI PRIJEVOZ d.o.o., Zagreb, Strojarska cesta 11, (hereinafter: "the Company") is responsible for ensuring that the annual financial statements for the year 2015, are prepared in accordance with the Accounting Act (Official Gazette No. 109/07, 54/13, 121/14) and International Financial Reporting Standards as adopted by EU, to give a true and fair view of the financial position, the results of operations, changes in equity and cash flows of the Company for that period.

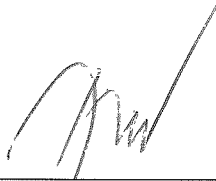
After making enquiries, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has adopted the going concern basis in preparing the financial statements of the Company.

In preparing these financial statements, the Board is responsible that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable financial reporting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless such assumption is not appropriate.


The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position and the results of operations of the Company and their compliance with the Accounting Act (Official Gazette No 109/07, 54/13, 121/14) and the International Financial Reporting Standards as adopted by EU. The Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed for and on behalf of the Management Board



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Dražen Ratković,  
President of the  
Management Board



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mr. Robert Frdelja,  
Member of the  
Management Board



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mr. Siniša Balent,  
Member of the  
Management Board

HŽ PUTNIČKI PRIJEVOZ d.o.o.  
Strojarska cesta 11  
10 000 Zagreb  
The Republic of Croatia

1 June 2016

## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of company HŽ PUTNIČKI PRIJEVOZ d.o.o., Zagreb

1. We have audited the accompanying annual financial statements of the company HŽ PUTNIČKI PRIJEVOZ d.o.o., Zagreb, Strojarska cesta 11, (hereinafter "the Company") for the year ended 31 December 2015, which comprise of the Balance sheet / Statement of financial position as at 31 December 2015, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended, and the accompanying Notes to the financial statements which concisely set out the significant accounting policies and other explanatory notes.

### The Management's Responsibility

2. The Management is responsible for the preparation and a fair presentation of the enclosed financial statements according to the International Financial Reporting Standards adopted by EU and also for those internal controls which are determined by the Company's management as necessary to enable preparation of the financial statements free from material misstatements whether due to fraud or error.

### Auditor's Responsibility

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

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

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

**Opinion**

4. In our opinion, the enclosed financial statements, in all material aspects, give a true and fair view of the financial position of the Company as at 31 December 2015, and its financial performance and cash flows for the year 2015 in accordance with the Accounting Act and International Financial Reporting Standards as adopted by EU.

**Emphasis of matter**

5. Without qualifying our opinion stated in Point 4 above, we draw attention to Note 2.22 to the financial statements, in which are presented restatement effects for years 2013 and 2014.

6. Without qualifying our opinion stated in Point 4 above, we draw attention to Note 41 to the financial statements, in which it is stated that on 19 January 2016, the shareholder of the Company, i.e. the Republic of Croatia, registered the increase of the share capital at the Commercial Court in Zagreb, in the amount of HRK 796,740 thousand. This share capital increase covered the negative amount of capital and reserves which amounted to HRK 30,635 thousand on 31 December 2015.

**Opinion on the compliance with other legal or regulatory requirements**

7. The Management Board is responsible for the preparation of the annual financial statements for the year ended 31 December 2015 in the prescribed form based on the Statute of structure and content of the annual financial statements (Official Gazette 38/08, 12/09, 130/10) and in accordance with other regulations governing the Company's operations ("Standard annual financial statements"). Financial information presented in the Company's standard annual financial statements are in accordance with the information presented in the Company's annual financial statements presented on pages 4 to 41 on which we have expressed our opinion as presented in the paragraph Opinion above.

**Opinion on the compliance with the Annual Report**

8. The Management Board is responsible for the preparation of the Company's Annual Report. Pursuant to the Article 17 of the Accounting Act, we are obliged to give our opinion on the compliance of the Company's Annual Report with the Company's annual financial statements. In our opinion, pursuant to the conducted audit of the Company's annual financial statements and comparison with the Company's Annual Report for the year ended 31 December 2015, the financial information presented in the Company's Annual Report are in compliance with the financial information presented in the Company's annual financial statements presented on pages 4 to 41 on which we have expressed our opinion as presented in the paragraph Opinion above.

Zagreb, 2 June 2016

BDO Croatia d.o.o.  
Trg J. F. Kennedy 6b  
10 000 Zagreb

**BDO**

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

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Zdenko Balen, Certified Auditor, Member of the  
Management Board

**HŽ PUTNIČKI PRIJEVOZ d.o.o., ZAGREB**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2015**

| DESCRIPTION   | Note  | 2015             | 2014             |
|---|-------|------------------|------------------|
|   |       | HRK '000         | HRK '000         |
| Sales revenue   | 3     | 301,613          | 307,351          |
| Other operating revenues                                    | 4     | 606,936          | 683,190          |
| <b>Operating revenues</b>                                   |       | <b>908,549</b>   | <b>990,541</b>   |
| Changes in the value of work in progress and finished goods |       | (65)             | 0                |
| Raw material and material costs                             | 5     | (112,428)        | (135,366)        |
| Costs of goods sold   | 6     | (10,033)         | (16,216)         |
| Other external costs  | 7     | (257,962)        | (255,592)        |
| Staff costs   | 8     | (239,524)        | (228,269)        |
| Depreciation  | 9     | (123,907)        | (209,644)        |
| Other costs   | 10    | (75,444)         | (65,249)         |
| Impairment  | 11    | (50,527)         | (46,801)         |
| Provisions  | 12    | (12,499)         | (10,745)         |
| <b>Operating expenses</b>                                   |       | <b>(882,389)</b> | <b>(967,882)</b> |
| <b>Net financial result</b>                                 | 13,14 | <b>(23,664)</b>  | <b>(19,663)</b>  |
| <b>PROFIT BEFORE TAXATION</b>                               |       | <b>2,496</b>     | <b>2,996</b>     |
| Corporate income tax expense                                | 15    | 0                | 0                |
| <b>PROFIT FOR THE YEAR</b>                                  |       | <b>2,496</b>     | <b>2,996</b>     |
| Other comprehensive income                                  |       | 0                | 0                |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>              |       | <b>2,496</b>     | <b>2,996</b>     |

The accompanying notes from 1 to 42, set out below, form an integral part of these financial statements.

**HŽ PUTNIČKI PRIJEVOZ d.o.o., ZAGREB**  
**BALANCE SHEET/STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2015**

| DESCRIPTION                                       | Note | 31 Dec           | Restated         | Restated         |
|---|------|------------------|------------------|------------------|
|   |      | 2015             | 31 Dec           | 1 Jan            |
|   |      | HRK '000         | HRK '000         | HRK '000         |
| <b>ASSETS</b>                                     |      |                  |                  |                  |
| Intangible assets                                 | 16   | 4,676            | 5,569            | 7,734            |
| Property, plant and equipment                     | 17   | 1,903,966        | 1,521,058        | 1,415,276        |
| Financial assets                                  | 18   | 56,887           | 59,139           | 51,022           |
| <b>LONG-TERM ASSETS</b>                           |      | <b>1,965,529</b> | <b>1,585,766</b> | <b>1,474,032</b> |
| Inventories                                       | 19   | 5,972            | 31,643           | 56,854           |
| Receivables from related parties                  | 38   | 17,075           | 32,789           | 44,102           |
| Trade receivables                                 | 20   | 22,605           | 12,319           | 13,836           |
| Receivables from employees                        | 21   | 5,575            | 5,666            | 5,499            |
| Receivables from the state and other institutions | 22   | 29,719           | 8,371            | 20,330           |
| Other receivables                                 | 23   | 2,958            | 3,082            | 692              |
| Financial assets                                  | 24   | 117,271          | 107              | 24,087           |
| Cash and cash equivalents                         | 25   | 25,120           | 25,588           | 9,347            |
| Prepayments and accrued income                    | 26   | 3,500            | 10,056           | 3,534            |
| <b>SHORT-TERM ASSETS</b>                          |      | <b>229,795</b>   | <b>129,623</b>   | <b>178,281</b>   |
| <b>TOTAL ASSETS</b>                               |      | <b>2,195,324</b> | <b>1,715,389</b> | <b>1,652,314</b> |
| <b>OFF-BALANCE SHEET RECORDS</b>                  | 37   | <b>289,186</b>   | <b>295,536</b>   | <b>290,902</b>   |

The accompanying notes from 1 to 42, set out below, form an integral part of these financial statements.

**HŽ PUTNIČKI PRIJEVOZ d.o.o., ZAGREB**  
**BALANCE SHEET/STATEMENT OF FINANCIAL POSITION - continued**  
**As at 31 December 2015**

| DESCRIPTION   | Note | 31 Dec           | Restated         | Restated         |
|---|------|------------------|------------------|------------------|
|   |      | 2015             | 31 Dec           | 1 Jan            |
|   |      | HRK '000         | HRK '000         | HRK '000         |
| <b>CAPITAL I LIABILITIES</b>                          |      |                  |                  |                  |
| <b>CAPITAL</b>  |      |                  |                  |                  |
|   | 27   |                  |                  |                  |
| Share (subscribed) capital                            |      | 75,627           | 75,627           | 569,012          |
| Capital reserves                                      |      | 0                | 0                | 0                |
| Accumulated loss                                      |      | (108,758)        | (107,035)        | (523,002)        |
| Profit/(Loss) for the year                            |      | 2,496            | 2,996            | (362,204)        |
| <b>TOTAL CAPITAL</b>                                  |      | <b>(30,635)</b>  | <b>(28,412)</b>  | <b>(316,194)</b> |
| <b>Provisions</b>                                     | 28   | <b>116,493</b>   | <b>118,277</b>   | <b>146,155</b>   |
| <b>Long-term liabilities</b>                          | 29   | <b>277,630</b>   | <b>681,316</b>   | <b>688,736</b>   |
| Liabilities to related parties                        | 38   | 76,929           | 75,874           | 112,861          |
| Liabilities for loans, deposits, etc.                 | 30   | 2,535            | 2,605            | 2,030            |
| Liabilities to banks and other financial institutions | 31   | 84,750           | 8,537            | 17,503           |
| Liabilities for received prepayments                  |      | 237              | 266              | 274              |
| Trade payables  | 32   | 81,378           | 24,979           | 29,719           |
| Liabilities due to employees                          | 33   | 13,155           | 11,670           | 26,029           |
| Liabilities for taxes, contributions and similar fees | 34   | 9,410            | 8,204            | 12,347           |
| Other liabilities                                     | 35   | 816,184          | 24,528           | 32,113           |
| Accrued expenses and deferred income                  | 36   | 747,258          | 787,545          | 900,741          |
| <b>Short-term liabilities</b>                         |      | <b>1,831,836</b> | <b>944,208</b>   | <b>1,133,617</b> |
| <b>TOTAL LIABILITIES</b>                              |      | <b>2,195,324</b> | <b>1,715,389</b> | <b>1,652,314</b> |
| <b>OFF-BALANCE SHEET RECORDS</b>                      | 37   | <b>289,186</b>   | <b>295,536</b>   | <b>290,902</b>   |

The accompanying notes from 1 to 42, set out below, form an integral part of these financial statements.



**HŽ PUTNIČKI PRIJEVOZ d.o.o., ZAGREB**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2015**

| DESCRIPTION                                   | Share capital  | Capital reserves | Accumulated loss | Profit/loss for the current year | TOTAL            |
|---|----------------|------------------|------------------|----------------------------------|------------------|
|   | HRK '000       | HRK '000         | HRK '000         | HRK '000                         | HRK '000         |
| <b>Balance on 31 December 2013</b>            | <b>569,012</b> | <b>0</b>         | <b>(415,967)</b> | <b>(362,204)</b>                 | <b>(209,159)</b> |
| Restatement                                   | 0              | 0                | (107,035)        | 0                                | (107,035)        |
| <b>Balance on 1 January 2014 (restated)</b>   | <b>569,012</b> | <b>0</b>         | <b>(523,002)</b> | <b>(362,204)</b>                 | <b>(316,194)</b> |
| Loss allocation in 2013                       | 0              | 0                | (362,204)        | 362,204                          | 0                |
| Increase                                      | 278,434        | 6,352            | 0                | 0                                | 284,786          |
| Decrease                                      | (771,819)      | (6,352)          | 778,171          | 0                                | 0                |
| Profit for the year                           | 0              | 0                | 0                | 2,996                            | 2,996            |
| <b>Balance on 31 December 2014 (restated)</b> | <b>75,627</b>  | <b>0</b>         | <b>(107,035)</b> | <b>2,996</b>                     | <b>(28,412)</b>  |
| Profit allocation in 2014                     | 0              | 0                | 2,996            | (2,996)                          | 0                |
| Merger, Željeznička tiskara d.o.o.            | 0              | 0                | (2,921)          | 0                                | (2,921)          |
| Profit payment into the State budget          | 0              | 0                | (1,797)          | 0                                | (1,797)          |
| Profit for the year                           | 0              | 0                | 0                | 2,496                            | 2,496            |
| <b>Balance on 31 December 2015</b>            | <b>75,627</b>  | <b>0</b>         | <b>(108,758)</b> | <b>2,496</b>                     | <b>(30,635)</b>  |

The accompanying notes from 1 to 42, set out below, form an integral part of these financial statements.

**HŽ PUTNIČKI PRIJEVOZ d.o.o. , ZAGREB**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2015 - indirect method**

| DESCRIPTION   | 2015<br>HRK '000 | 2014<br>HRK '000 |
|---|------------------|------------------|
| <b>Cash flow from operating activities</b>                    |                  |                  |
| Profit before taxation  | 2,496            | 2,996            |
| Depreciation  | 123,907          | 209,644          |
| Value adjustments   | 50,527           | 46,801           |
| Provisions  | 12,499           | 11,047           |
| State aid income for modernization of railway vehicles        | 82,566           | 157,418          |
| Interests expenses  | 22,971           | 20,667           |
| Interests income  | (1,102)          | (903)            |
| Changes in inventories  | 2,493            | 11,210           |
| Changes in receivables from related companies                 | 13,547           | 10,589           |
| Changes in trade receivables                                  | (12,172)         | (185)            |
| Changes in receivables from the employees                     | 91               | (167)            |
| Changes in receivables from the state and other institutions  | (21,347)         | 11,959           |
| Changes in other receivables                                  | 124              | (2,390)          |
| Changes in prepayments and accrued income                     | 6,556            | (6,522)          |
| Changes in liabilities to related companies                   | 1,055            | (36,987)         |
| Changes in liabilities for deposits and guarantees            | (71)             | 576              |
| Changes in liabilities for prepayments                        | (29)             | (8)              |
| Changes in trade payables                                     | 56,399           | (4,740)          |
| Changes in liabilities to the employees                       | 1,486            | (14,360)         |
| Changes in liabilities for taxes and contributions            | 1,205            | (4,143)          |
| Changes in other short-term liabilities                       | 24,355           | (7,585)          |
| Changes in accrued expenses and deferred income               | (122,852)        | (270,615)        |
| Use of provisions   | (14,283)         | (38,925)         |
| Interests paid  | (22,971)         | (20,667)         |
| Interests received  | 1,102            | 903              |
| <b>Net cash flow from operating activities</b>                | <b>208,551</b>   | <b>75,614</b>    |
| <b>Cash flow from investing activities</b>                    |                  |                  |
| Inflows from sale of long-term tangible and intangible assets | 1,500            | 1                |
| Inflows from deposits   | 0                | 24,000           |
| Outflows for assets prepayments                               | (47,945)         | (244,039)        |
| Outflows for given deposits                                   | (117,164)        | (20)             |
| Outflows for purchase of tangible and intangible assets       | (480,241)        | (99,598)         |
| Investments in securities                                     | (1,487)          | (1,671)          |
| Investments in equity of subsidiaries                         | (4,419)          | (6,446)          |
| <b>Net cash flows from investing activities</b>               | <b>(649,755)</b> | <b>(327,773)</b> |
| <b>Cash flow from financing activities</b>                    |                  |                  |
| Inflows from loans  | 449,217          | 264,225          |
| Recapitalization  | 0                | 284,786          |
| Outflows for loan repayments                                  | (8,482)          | (280,610)        |
| <b>Net cash flows from financing activities</b>               | <b>440,735</b>   | <b>268,401</b>   |
| <b>TOTAL NET CASH FLOW</b>                                    | <b>(468)</b>     | <b>16,241</b>    |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD          | 25,588           | 9,347            |
| CASH AND CASH EQUIVALENTS AT THE END OF PERIOD                | 25,120           | 25,588           |
| <b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>       | <b>(468)</b>     | <b>16,241</b>    |

The accompanying notes 1 - 42, set out below, form an integral part of these financial statements.

**1. GENERAL**

**1.1. Founding and development**

HŽ PUTNIČKI PRIJEVOZ d.o.o., Zagreb (HŽ Passenger Transport Limited Liability Company; hereinafter "the Company") was founded on 30 August 2006 pursuant to the Law on the Division of CR Croatian Railways Ltd. (HŽ HRVATSKE ŽELJEZNICE d.o.o. Zagreb), and registered with the Commercial Court in Zagreb under Company Subject Number (MBS) and Personal Identification Number (OIB) 80572192786. The Company's headquarters are in Zagreb, Strojarska 11.

On 31 December 2015, the registered share capital amounts to HRK 75,627 thousand HRK. The founder and sole owner of the Company is the Republic of Croatia.

The Company is registered for the transport of passengers in domestic and international railway traffic.

**1.2. Staff**

On 31 December 2015, the Company had 1,922 employees (31 December 2014: 1,905).

The structure of the staff by qualification level is presented below:

| DESCRIPTION                     | 31 Dec 2015  | 31 Dec 2014  |
|---------------------------------|--------------|--------------|
| Doctor's degree                 | 1            | 2            |
| Master's degree                 | 11           | 12           |
| University degree               | 148          | 143          |
| Two-year post-secondary diploma | 91           | 86           |
| Secondary school certificate    | 1,528        | 1,513        |
| Low-skilled qualification       | 100          | 99           |
| High skilled workers            | 11           | 15           |
| Skilled workers                 | 19           | 27           |
| Semi-skilled workers            | 2            | 2            |
| Unskilled workers               | 11           | 6            |
| <b>Total</b>                    | <b>1,922</b> | <b>1,905</b> |

**1.3. Companies Bodies**

Bodies of the Company are the General Assembly, Supervisory Board and the Management.

As the founder, the Republic of Croatia exercises its rights in the General Assembly through the Croatian Government.

The Supervisory Board had five members, four of which are elected by the General Assembly of the Company while the fifth member is elected by Company's employees.

The Management Board has three members appointed by the Supervisory Board.

**1.3. Companies Bodies (continued)**

**The Supervisory Board**

|                    |                  |
|--------------------|------------------|
| Snježana Josipović | president        |
| Marijan Drempetić  | deputy president |
| Dalibor Obradović  | member           |
| Hrvoje Livaja      | member           |
| Dalibor Petrović   | member           |

**The Management Board**

|                 |           |
|-----------------|-----------|
| Dražen Ratković | president |
| Robert Frdelja  | member    |
| Siniša Balent   | member    |

**1.4. Subsidy companies**

On 31 December 2015, the Company had the following subsidiaries:

| Subsidiary   | Share portion<br>in the capital | Basic activity  |
|--|---------------------------------|---|
| Tvornica željezničkih vozila Gredelj d.o.o. in<br>bankruptcy, Zagreb | 100                             | Manufacturing, reconstructing and<br>modernizing railway vehicles |
| Tersus eko d.o.o., Zagreb  | 100                             | Cleaning services   |
| Tehnički servisi željezničkih vozila d.o.o., Zagreb                  | 100                             | Railway vehicles maintenance                                      |
| Proizvodnja-Regeneracija d.o.o. in bankruptcy, Zagreb                |                                 | -   |
| Željeznička tiskara d.o.o., Zagreb                                   |                                 | Merged in 2015  |

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Set out below are the principal accounting policies.

**2.1. Statement of compliance and basis of presentation**

The financial statements of the Company for 2015 are prepared in accordance with the Accounting Act (Official gazette No 109/07, 54/13, 121/14) and the International Financial Reporting Standards ("IFRS") effective in the European Union, and in accordance with the Regulation on the Structure and Content of Annual Financial Statements (Official gazette No 38/08, 12/09, 130/10).

The International Financial Reporting Standards ("IFRS") issued by the Committee for Financial Reporting Standards nominated by the Government of the Republic of Croatia (Official gazette No 136/09, 8/10, 18/10, 27/10, 65/10, 120/10, 58/11, 140/11, 15/12, 118/12, 45/13, 69/13), which were effective till the date of entrance of Croatia into the European Union, are in accordance with International Financial Reporting Standards ("IFRS") which have been established by the European commission and promulgated in official gazette of European Union.

Financial statements are prepared with the application of the basic accounting assumption of the occurrence of a business event upon which the effects of operations are recognized when arisen and are shown in the financial statements for the period to which they relate and with the application of the basic accounting assumption of the concept of going concern.

## 2.1. Statement of adjustment and basis of presentation (continued)

The Company, beside the financial statements of the Company, also prepares the consolidated financial statements of the Company. These financial statements of the Company have to be read together with the consolidated financial statements of the Company which will be available in the register of the annual financial statements..

## 2.2. Adoption of new and revised International financial reporting standards (IFRS)

### *Standards and Interpretations applicable in the current period*

- Annual Improvements from 2011 to 2013 Cycle have been applied in the EU for accounting periods beginning on or after 1 January 2015, also with earlier application permitted. They include:
  - IFRS 3 Business Combinations,
  - IFRS 13 Fair Value Measurement,
  - IAS 40 Investment Property;
- IFRIC 21 Levies (Effective in the EU for accounting periods beginning on or after 17 June 2014, with earlier application permitted).

Application of the above mentioned Standards did not have effect on the on the financial statements for the period ended 31 December 2015.

### *New and revised IFRSs adopted by the EU in issue but not yet effective*

- Changes and amendments to IAS 19 Defined Benefit Plans: Employee Contributions - IAS 19 requires subjects to consider employee or third party contributions when accounting their earnings. This amendment is effective in the EU for accounting periods beginning on or after 1 February 2015, with earlier application permitted. The Management Board does not expect this amendment to be relevant to the Company.
- Annual Improvements from the 2010 to 2012 Cycle, as changes and amendments, are effective in the EU for accounting periods beginning on or after 1 February 2015, with earlier application permitted. It is not expected that they will have any significant impact on the Company. They include:
  - IFRS 2 Share-based Payment,
  - IFRS 3 Business Combinations,
  - IFRS 8 Operating Segments,
  - IFRS 13 Fair Value Measurement
  - IAS 16 Property, Plant and Equipment and IAS 38 Intangible assets,
  - IAS 24 Related Party Disclosures

### *New and revised IFRSs issued by the IASB but not yet adopted by the EU*

The following standards and amendments to the existing standards have not been adopted for use in the EU yet:

- IFRS 9 Financial Instruments - in July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments replacing IAS 39 Financial Instruments: Recognition and measurement and all other preceding versions of IFRS 9. IFRS 9 is effective for the annual period beginning on or after 1 January 2018; earlier applications are also permitted. The application of this standard will affect the classification and measurement of financial instruments.

## 2.2. Adoption of new and revised international financial reporting standards (IFRS) (continued)

- IFRS 14 Regulatory Deferral Accounts - this standard relates to subjects that operate on regulated markets and are applying the IFRS for the first time. IFRS 14 is effective for the annual period beginning on or after 1 January 2016. The Company prepares its Financial Statements in accordance with the IFRS and does not apply this standard.
- IFRS 15 Revenue from Contracts with Customers - IFRS 15 was issued in May 2014 and represents a new model in five steps that relate to revenue that results from contracts with customers. The Management Board performs detailed analysis regarding possible effects of the mentioned standards on the Company's financial statements.
- Annual Improvements to IFRSs 2012-2014 Cycle
  - IFRS 5 Long-term Assets Held for Sale and Discontinued Operations
  - IFRS 7 Financial Instruments: Disclosures (with consequential amendments to IFRS 1)
  - IAS 19 Employee Benefits
  - IAS 34 Interim Financial Reporting

The effective date of the amendments is 1 January 2016. Earlier application is allowed.

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (issued in December 2014)
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014)
- Amendments to IAS 1 Disclosure Initiative (issued in December 2014)
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014)
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (issued in June 2014)
- Amendments to IAS 27 Equity Method in Separate Financial Statements (issued in August 2014)

The Management Board expects that the application of the mentioned standards, amendments and interpretations will not have materially significant impact on the financial statements in the period of their initial application.

## 2.3. Key estimates and uncertainty of estimates

Certain estimates are used during the preparation of the financial statements which have inflow to the statement of property and liabilities of the Company, income and expenses of the Company and the disclosure of potential liabilities of the Company.

Future events and their inflows cannot be predicted with certainty, thus the real results may differ from those estimated. The estimates utilized during the preparation of the financial statements are subject to changes by the occurrence of new events, by

### **2.3. Key estimates and uncertainty of estimates (continued)**

gathering additional experience, obtaining additional information and comprehensions and by a change of environment in which the Company operates.

Key estimates used by the application of accounting policies during the preparation of the financial statements relate to the depreciation count of long-term intangible and tangible property, value decrease of property, value provision of inventories, value provision of receivables and provisions and the disclosure of potential liabilities.

### **2.4. Reporting currency**

The financial statements of the Company are prepared in the Croatian kuna as a measuring and reporting currency of the Company.

### **2.5. Foreign currency transactions**

Transactions in currencies other than Croatian Kuna are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Gains and losses arising on conversion are included in the Comprehensive Income Statement for the current year.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the rate valid on the date of the transaction.

Non-monetary items and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

On 31 December 2015 the official exchange rate was 7.64 HRK for 1 EUR (31 December 2014: 7.66 HRK), HRK 6.99 for 1 USD (31 December 2014: HRK 6.30) and HRK 7.06 for 1 CHF (31 December 2014: HRK 6.37).

### **2.6. Revenue recognition**

Revenue from the sale of goods and services is recognized when goods are delivered and services are rendered, and the title has passed. Interest from revenue is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

Revenue from dividends, or revenue from the share in the profit, is recognized when the right to receive payment has been recognized.

### **2.7. Operating expense**

Operating expense represents all expenses in relation to invoiced income from sale of goods and services.

Purchase value of sold goods represents all dependable expenses of the purchase of sold goods.

### **2.8. Borrowing costs - interest rate expenses**

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

## 2.9. Income tax

The tax currently payable is based on the result for the year, adjusted by non-taxable and tax non-deductible items (70% of business entertainment expenses, 30% of costs for the use of personal cars, etc.). Income tax is calculated using tax rates that were valid on the date of the Balance Sheet / Statement of Financial Position.

Deferred tax assets and deferred tax liability arise from temporary differences between the value of property and liabilities stated in the financial statements and the values stated for the purposes of determining the net income tax basis. Deferred tax assets are recognized for the non-utilized transferred tax losses if there is a possibility that in the future the net taxable income would be realized as the basis for the utilization of deferred tax assets. Deferred tax assets and deferred tax liability is accounted by the application of net income tax rates applicable to the future period when such property or liability has to be realized.

## 2.10. Long-term intangible and tangible assets

Long-term intangible and tangible assets are carried at historical acquisition cost which comprises purchase price, import duties and non-refundable sales taxes, after the deduction of commercial discounts and rebates, as well as all other costs directly attributable to bringing the asset to its working condition for its intended use.

Long-term intangible and tangible assets are recognized if it is likely that future benefits attributable to the property will inflow to the Company, and if the cost of the acquisition of an asset can be reliably measured, and if a single purchase value of property exceeds HRK 3,500.

After the first recognition, the property is carried at historical acquisition cost minus the accumulated depreciation and any accumulated impairment losses.

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Where it is obvious that the expenses incurred resulted in an increase of expected future economic benefits to be derived from the use of an item of long-term intangible or tangible property in excess of the originally assessed standard performance of the asset, they are added to the carrying amount of the asset. Gains or losses on the retirement or disposal of long-term intangible and tangible asset are included in the Comprehensive Income Statement in the period in which they occur.

Depreciation is calculated so that the cost of each asset, other than land, tangible and intangible assets under construction, is written off over their estimated useful lives of each item of property separately. Depreciation is calculated by the method corresponding to the realization of economic benefits. For buildings it is expected equal benefit throughout the year so its applied linear depreciation method. Depreciation is calculated individually for each assets, as follows:



## 2.10. Long-term intangible and tangible assets (continued)

|   | Depreciation rate<br>(from - to %) |        |
|---|------------------------------------|--------|
|   | 2015                               | 2014   |
| Concessions, patents, licenses, trade and service brands, software and other rights | 10 - 20                            | 20     |
| Buildings   | 2 - 10                             | 2 - 10 |
| Plant and equipment   | 5 - 50                             | 5 - 50 |
| Tools, plant inventories and transportation assets                                  | 2 - 25                             | 5 - 25 |
| Other material assets   | 10                                 | 10     |

## 2.11. Financial assets

Financial property represents the cash, the investments in cash, objects and the cession of rights with an intention of securing income and is classified on the date of the Balance Sheet / Statement of Financial Position, as follows:

- financial property intended for trade whose change in fair value is recognized in the Comprehensive Income Statement;
- investments held to the maturity date;
- loans and receivables.

## 2.12. Shares (stocks) in related parties

Subsidiary companies are the companies where the Company has a control over bringing and implementing financial and business policies.

Associated companies are the companies where the Company has significant influence, but not a control over bringing and implementing financial and business policies.

Investments in subsidiary and associated companies are stated at cost method.

## 2.13. Inventories

Inventories are stated per cost and net realizable value, depending on which is lower. The cost of inventories comprises all purchase costs, the cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition.

The net realizable value represents the estimated selling price during the normal course of operations minus all estimated costs of completion and necessary costs to be incurred in selling.

If the value of inventories is higher than the estimated net selling price, an allowance is created and charged to the Comprehensive Income Statement for the current year.

Small inventories, packing and car tires are written off by 100% at the moment they are put into use.

#### 2.14. Receivables

Receivables are initially measured at fair value. At each date of the Balance Sheet / Statement of Financial Position, receivables, whose collection is expected in a period longer than a year, are stated at depreciated cost by the application of the effective interest rate method minus impairment value. Short-term receivables are stated at the initially recognized nominal amount minus the corresponding amount of value provision for the estimated uncollectable amounts and the value decreases.

The value of receivables is decreased and impairment losses arise only and exclusively if objective evidence exists in respect of a value decrease resulted from one or more events which occurred after the initial recognition of property, when such an event has the impact on the estimated future cash flows from receivables which can be reliably determined. On the date of each Balance Sheet / Statement of Financial Position, it is estimated whether there is objective evidence in respect of a value decrease of a single receivable. If objective evidence exists in respect of a value decrease of receivables, the amount of loss is measured as a difference between the net book value and the estimated future cash flows. The net book value of receivables will be decreased directly or by using a separate account of value provision. The amount of a loss is recognized by charging the Comprehensive Income Statement for the current year.

#### 2.15. Cash and cash equivalents

Cash consists of balances with banks and cash in hand, demand deposits and securities payable at call or with maturities of up to three months.

#### 2.16. Impairment

On the date of each Balance Sheet / Statement of Financial Position, the Company reviews the carrying amounts of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Loss from the decrease in value of property is recognized as expense in the Income Statement/ Comprehensive Income Statement.

#### 2.17. Financial instruments

Financial instruments are classified as assets, liabilities or equity instruments in accordance with applicable contracts. Interest, dividends, gains and losses on financial instruments classified as financial assets or liabilities are recognized as income or expense when they arise.

Financial assets and financial liabilities are recognized on the Company's Balance Sheet / Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Liabilities are stated at their nominal amounts.

Investments are recognized on a trade-date basis of accounting and initially are measured at cost, which includes transaction costs.

## 2.17. Financial instruments (continued)

Interest-bearing bank borrowings and overdrafts are recorded in the proceeds received and to the extent of approved overdraft facility.

The Management Board of the Company believes that the fair values of all assets and liabilities stated in the Balance Sheet / Statement of Financial Position are not materially different from their carrying amounts.

## 2.18. Leases

Leases are classified as financial leases if all the risks and economic benefits connected with ownership are transferred from the lessor to the lessee. A financial lease is recognized in the Balance Sheet/ Statement of Financial Position of the lessee as property and liability for the financial lease.

Leases are classified as business/operating leases if all the risks and economic benefits connected with ownership are not transferred from the lessor to the lessee. A business/operative lease is recognized as an expense in the Comprehensive Income Statement of the lessee on the uniform basis during the period of lease.

## 2.19. Provisions

A provision is recognized only when the Company has a present obligation as a result of a past event and if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and if a reliable estimate can be made as to the amount of the obligation. Provisions are reviewed on the date of each Balance Sheet / Statement of Financial Position and adjusted to reflect the current best estimate.

## 2.20. Employee benefits

### Plans of defined contributions

For plans of defined contributions, the Company pays contributions to public or private insurance retirement plans on an obligatory, contractual or voluntary base. Once a defined contribution is paid, the Company has not further liabilities. Regularly defined contributions include net periodic cost for the disputable year and are included under staff cost.

### Other employee benefits

Expected cost of other benefits after the employment ceases as well as jubilee awards is accrued during the employment, estimating the amount of future benefits which the employee earned as a return for provided services in the current and previous periods. Benefits are discounted with the objective to determine their current value. Discounted rates are based on market inflow on high-quality corporate bonds. Work cost is allocated through average period until expired. Expenses connected to jubilee awards and retirement benefits are included in employee costs and evaluated once a year.

### Retirement benefits

Liability of a retirement benefit is created when an employment is cancelled prior to the usual retirement date or when an employee voluntarily accepts retirement in exchange for a retirement benefit.

### **2.21. State subsidies**

State subsidies are not recognised unless it is reasonable to expect that the Company will satisfy all the conditions defined in the subsidy agreement and that the subsidy will be received.

State subsidies are recognised in the statement of comprehensive income on a systematic base during the period in which the Company recognizes connected costs as expense which is to be covered by subsidies.

State subsidies connected to tangible assets which are depreciated are recognized in profit or loss in the periods and in portions in which the expense of the depreciation of that same asset is recognized.

State subsidies connected to tangible assets which are not depreciated are recognized in profit or loss in the periods in which expense of bearing these liabilities is covered, i.e. through expected usage life of that asset.

State subsidies received as compensation for expenses or losses that have arisen or to offer financial assistance to the Company without further related costs are recognised in the profit and loss account in the period they are received.

### **2.22. Correction of previous years - restatements of financial statements for 2013 and 2014**

In 2015, the Company restated certain positions of financial statements related to previous periods. Restatements were made retroactively by adjusting financial statements for previous comparative periods and their effects are stated below.

In accordance with the requirements of IAS 36 - Impairment of Assets, the Company implemented procedure for evaluation of estimated recoverable amount of investments in subsidiaries (100 % stake of ownership) in: TŽV Gredelj d.o.o. Zagreb, in bankruptcy; and Tehnički servisi željezničkih vozila d.o.o. Zagreb (TSŽV d.o.o.).

According to the report on the estimated value of subsidiaries, the decrease of value of share portion in TŽV Gredelj d.o.o. Zagreb (in bankruptcy) was made by HRK 93,017 thousand and decrease of value of share portion in TSŽV d.o.o. Zagreb by HRK 14,018 thousand. Given the fact that this decrease as an impairment indicator occurred in the previous periods (as decrease indicator), the Company recognized those impairments as the adjustment of opening balance as of 1 January 2014, all under provisions of IFRS 8. In accordance with paragraph 42 of mentioned Standard, the Company corrected error of the previous period retroactively and by the total impairment of HRK 107,035 thousand decreased the value of share portions in subsidiaries as of 31 December 2013.

The restatement was made by adjusting the value of investments in subsidiaries by HRK 107,035 thousand and reduced the retained profit by the same amount as at 1 January 2014 (as stated in the Statement of changes in capital). Since the indicators for impairment of financial assets existed in earlier years, there was no need to correct comparative statement of comprehensive income for 2014. Also, restatement has no effect on statement of comprehensive income for 2015.

### 2.23. Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements but disclosed in notes to the financial statements.

A contingent asset is not recognized in the financial statements but disclosed in the moment when an inflow of economic benefits is probable.

### 2.24. Events after the Balance Sheet

Events which occur after the date of the Balance Sheet / Statement of Financial Position that provide additional information about the Company's position on the date of the Balance Sheet / Statement of Financial Position (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

### 2.25. Comparative data

When necessary, comparative information was reclassified in order to be adjusted for the presentation of the current year.

## NOTES TO THE COMPREHENSIVE INCOME STATEMENT

### 3. SALES REVENUES

| DESCRIPTION   | 2015           | 2014           |
|---|----------------|----------------|
|   | HRK '000       | HRK '000       |
| Revenue from passenger transportation from domestic transport                     | 226,028        | 213,185        |
| Revenue from passenger transportation from domestic transport - related companies | 20,548         | 29,346         |
| Revenue from suburban passenger transportation                                    | 9,676          | 11,210         |
| Revenue from passenger transportation from international transport                | 33,653         | 37,371         |
| Revenue from the sale of material   | 74             | 16             |
| Revenue from the sale of material to related companies                            | 9,743          | 16,156         |
| Other sales revenues  | 616            | 0              |
| Other sales revenues from related companies                                       | 1,275          | 67             |
| <b>TOTAL</b>  | <b>301,613</b> | <b>307,351</b> |

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**4. OTHER OPERATING INCOME**

| DESCRIPTION   | 2015           | 2014           |
|---|----------------|----------------|
|   | HRK '000       | HRK '000       |
| Income from passenger transport incentives  | 498,325        | 504,553        |
| Income from the Budget at the level of proportional part of depreciation              | 82,566         | 157,418        |
| Income from rent  | 673            | 857            |
| Income from rent - related companies  | 5,781          | 925            |
| Income from sale of blank forms   | 7,128          | 3,865          |
| Income from insurance damages   | 2,589          | 1,469          |
| Income from insurance damages - related companies                                     | 24             | 0              |
| Collected receivables previously written-off  | 2,396          | 902            |
| Income from collection of impaired and written-off receivables from related companies | 443            | 4,482          |
| Income from penalties to related companies  | 544            | 1,288          |
| Surpluses   | 135            | 140            |
| Income from sale of tangible assets from related companies                            | 1,500          | 1,315          |
| Other income  | 3,138          | 3,076          |
| Other income - related companies  | 197            | 1,689          |
| Income from recalculation of costs to related companies                               | 1,497          | 1,211          |
| <b>Total</b>  | <b>606,936</b> | <b>683,190</b> |

**5. COST OF RAW MATERIAL AND SUPPLIES**

| DESCRIPTION                       | 2015           | 2014           |
|-----------------------------------|----------------|----------------|
|                                   | HRK '000       | HRK '000       |
| Cost of raw material and supplies | 3,729          | 7,603          |
| Spare parts                       | 342            | 1,520          |
| Cost of small inventory           | 2,789          | 2,364          |
| Energy                            | 105,568        | 123,879        |
| <b>Total</b>                      | <b>112,428</b> | <b>135,366</b> |

**6. COSTS OF GOODS SOLD**

Costs of goods sold in the amount of HRK 10,033 thousand (2014: HRK 16,216 thousand) relate to the purchase value of goods sold.

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**7. OTHER EXTERNAL CHARGES**

| DESCRIPTION   | 2015           | 2014           |
|---|----------------|----------------|
|   | HRK '000       | HRK '000       |
| Traction costs, telephone, postal services and transport cost | 16,489         | 13,299         |
| Maintenance (services)  | 136,814        | 143,050        |
| Rental costs and lease  | 2,324          | 3,025          |
| Manoeuvre and traction services                               | 21,696         | 22,138         |
| Route lease services (HŽ Infrastruktura d.o.o.)               | 75,075         | 68,374         |
| Traffic wardens services                                      | 1,770          | 2,133          |
| Advertising and promotion                                     | 535            | 426            |
| Safe - keeping services on property                           | 1,119          | 1,278          |
| Cleaning buildings service                                    | 1,307          | 1,174          |
| Other external costs  | 833            | 695            |
| <b>Total</b>  | <b>257,962</b> | <b>255,592</b> |

**8. STAFF COSTS**

| DESCRIPTION                           | 2015           | 2014           |
|---------------------------------------|----------------|----------------|
|                                       | HRK '000       | HRK '000       |
| Net salaries and wages                | 149,336        | 142,088        |
| Taxes and contributions from salaries | 55,026         | 53,581         |
| Contributions on salaries             | 35,162         | 32,601         |
| <b>Total</b>                          | <b>239,524</b> | <b>228,269</b> |

Total staff costs also include compensations for employee expenses as well as their material rights (Note 10) and for 2015 amounts to HRK 257,509 thousand (2014: HRK 241,097 thousand). Compensations for employee expenses cover commuting expenses, allowances and travelling expense, while employee's material rights imply occasion help, awards, presents and expenses for unused vacation days.

**Directors' and executives remuneration:**

| DESCRIPTION                           | 2015         | 2014         |
|---------------------------------------|--------------|--------------|
|                                       | HRK '000     | HRK '000     |
| Net salaries and wages                | 765          | 744          |
| Taxes and contributions from salaries | 697          | 741          |
| Contributions on salaries             | 256          | 248          |
| <b>Total</b>                          | <b>1,718</b> | <b>1,733</b> |

**9. DEPRECIATION**

| DESCRIPTION   | 2015           | 2014           |
|---|----------------|----------------|
|   | HRK '000       | HRK '000       |
| Depreciation of intangible assets (Note 16)             | 3,081          | 3,446          |
| Depreciation of property, plant and equipment (Note 17) | 120,826        | 206,198        |
| <b>Total</b>  | <b>123,907</b> | <b>209,644</b> |

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**10. OTHER COSTS**

| DESCRIPTION   | 2015          | 2014          |
|---|---------------|---------------|
|   | HRK '000      | HRK '000      |
| Compensation for employee expenses (Note 8)                         | 3,747         | 3,350         |
| Employees material rights (Note 8)                                  | 14,238        | 9,478         |
| Mileage   | 10,102        | 10,745        |
| Compensations to members of the Supervisory Board and Auditors com. | 399           | 354           |
| Insurance premiums  | 1,279         | 693           |
| Banking services and payment system costs                           | 2,561         | 2,002         |
| Services of HŽ Infrastruktura d.o.o., Zagreb (IT)                   | 2,567         | 5,053         |
| Intellectual services   | 5,827         | 4,226         |
| IT services - SAP   | 4,884         | 3,354         |
| Taxes not depending on income and fees                              | 14,127        | 13,683        |
| Travel agency commissions   | 1,197         | 1,017         |
| Professional training   | 485           | 266           |
| Scholarship fees  | 379           | 396           |
| Entertainment expenses  | 263           | 166           |
| Other costs   | 1,508         | 2,759         |
| Inventory deficit   | 75            | 37            |
| Fines, penalties, compensations and similar                         | 8,162         | 5,808         |
| Subsequently identified expenses                                    | 299           | 1,513         |
| Value of abolished material and inventories write-off               | 301           | 331           |
| Other operating expenses  | 3,044         | 18            |
| <b>Total</b>  | <b>75,444</b> | <b>65,249</b> |

**11. IMPAIRMENT**

| DESCRIPTION                                   | 2015          | 2014          |
|---|---------------|---------------|
|   | HRK '000      | HRK '000      |
| Value adjustment of long-term tangible assets | 22,994        | 30,375        |
| Value adjustment of inventories               | 23,481        | 14,000        |
| Impairment of short-term receivables          | 4,052         | 2,426         |
| <b>Total</b>                                  | <b>50,527</b> | <b>46,801</b> |

**12. PROVISIONS**

| DESCRIPTION                             | 2015          | 2014          |
|---|---------------|---------------|
|   | HRK '000      | HRK '000      |
| Provisions for incentive severance pays | 180           | 6,038         |
| Provisions for legal proceedings        | 12,300        | 4,707         |
| Provisions for jubilee awards           | 19            | 0             |
| <b>Total</b>                            | <b>12,499</b> | <b>10,745</b> |

**13. NET FINANCIAL RESULT**

| DESCRIPTION                     | 2015            | 2014            |
|---------------------------------|-----------------|-----------------|
|                                 | HRK '000        | HRK '000        |
| Financial income (Note 14 /i/)  | 16,653          | 10,232          |
| Financial income (Note 14 /ii/) | (40,317)        | (29,895)        |
| <b>Net financial result</b>     | <b>(23,664)</b> | <b>(19,663)</b> |



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14. FINANCIAL INCOME AND EXPENSES

/i/ Financial income is shown in the table below:

| DESCRIPTION  | 2015          | 2014          |
|--|---------------|---------------|
|  | HRK '000      | HRK '000      |
| <u>From related parties</u>                        |               |               |
| Interest income                                    | 849           | 568           |
|  | <u>849</u>    | <u>568</u>    |
| <u>From non-related parties and other entities</u> |               |               |
| Interest income                                    | 253           | 335           |
| Foreign exchange gains                             | 15,551        | 9,329         |
|  | <u>15,804</u> | <u>9,664</u>  |
| <b>Total</b>                                       | <b>16,653</b> | <b>10,232</b> |

/ii/ Financial expenses are shown in the table below:

| DESCRIPTION   | 2015          | 2014          |
|---|---------------|---------------|
|   | HRK '000      | HRK '000      |
| <u>From related parties</u>                               |               |               |
| Interest income   | 490           | 921           |
|   | <u>490</u>    | <u>921</u>    |
| <u>From non-related parties and other entities</u>        |               |               |
| Interest income   | 23,435        | 20,702        |
| Foreign exchange losses                                   | 11,973        | 8,272         |
|   | <u>35,408</u> | <u>28,974</u> |
| <u>Unrealized losses (expenses) from financial assets</u> |               |               |
| Impairment of shares in subsidiaries                      | 4,419         | 0             |
|   | <u>4,419</u>  | <u>0</u>      |
| <b>Total</b>  | <b>40,317</b> | <b>29,895</b> |

15. CORPORATE INCOME TAX

Corporate income tax is calculated using the tax rate of 20% (2014: 20%) according to legal regulations of the Law and Regulations on Corporate Income Tax. The tax balance for 2015 and 2014 is stated as follows:

| DESCRIPTION                       | 2015             | 2014             |
|-----------------------------------|------------------|------------------|
|                                   | HRK '000         | HRK '000         |
| Accounting profit/(loss)          | 2,496            | 2,996            |
| Tax non-deductible expenses       | 60,326           | 51,272           |
| Tax exemptions                    | 0                | 0                |
| Tax loss                          | 62,822           | 54,268           |
| Transferred tax loss              | (563,443)        | (632,329)        |
| <b>Tax loss to be transferred</b> | <b>(500,621)</b> | <b>(578,061)</b> |

**15. CORPORATE INCOME TAX (continued)**

Tax losses to be carried forward for the purpose of reducing taxable profit are available for the Company in the period of next five (5) years. As at 31 December 2015, total net accumulated losses are determined in the amount of HRK 500,621 thousand.

The net amount of tax losses of HRK 500,621 thousand available for transfer may be utilized as follows, until:

|                  | HRK '000 |
|------------------|----------|
| 31 December 2016 | 31,190   |
| 31 December 2017 | 108,922  |
| 31 December 2018 | 360,509  |

The benefits of tax losses carried forward have not been recognized in these financial statements because of uncertainty as to whether the conditions to utilize them will exist in the future periods.

**NOTES TO THE BALANCE SHEET / STATEMENT OF FINANCIAL POSITION**

**16. INTANGIBLE ASSETS**

| DESCRIPTION                       | Concessions, patents,<br>licenses, software and<br>other rights<br>HRK '000 |
|-----------------------------------|---|
| <b>Cost</b>                       |   |
| <b>1 January 2014</b>             | <b>31,426</b>   |
| Increase                          | 1,281   |
| <b>31 December 2014</b>           | <b>32,707</b>   |
| Increase                          | 2,145   |
| Merger Željeznička tiskara d.o.o. | 43  |
| <b>31 December 2015</b>           | <b>34,895</b>   |
| <b>Accumulated depreciation</b>   |   |
| <b>1 January 2014</b>             | <b>23,692</b>   |
| Depreciation for 2014             | 3,446   |
| <b>31 December 2014</b>           | <b>27,138</b>   |
| Depreciation for 2015             | 3,081   |
| <b>31 December 2015</b>           | <b>30,219</b>   |
| <b>Net carrying amount</b>        |   |
| <b>1 January 2014</b>             | <b>7,734</b>  |
| <b>31 December 2014</b>           | <b>5,569</b>  |
| <b>31 December 2015</b>           | <b>4,676</b>  |

HŽ PUTNIČKI PRIJEVOZ d.o.o., ZAGREB  
 NOTES TO THE FINANCIAL STATEMENTS - continued  
 For the year ended 31 December 2015

17. PROPERTY, PLANT AND EQUIPMENT

| DESCRIPTION                                  | Buildings      | Plant and equipment | Tools, plant inventories and transportation assets | Other         | Assets in preparation | Prepayments for tangible assets | Total            |
|--|----------------|---------------------|--|---------------|-----------------------|---------------------------------|------------------|
|  | HRK '000       | HRK '000            | HRK '000   | HRK '000      | HRK '000              | HRK '000                        | HRK '000         |
| <b>Cost</b>                                  |                |                     |  |               |                       |                                 |                  |
| <b>1 January 2014</b>                        | <b>170,421</b> | <b>10,171</b>       | <b>4,806,038</b>                                   | <b>10,323</b> | <b>25,411</b>         | <b>6,751</b>                    | <b>5,029,115</b> |
| Increase                                     | 0              | 0                   | 0  | 0             | 98,318                | 387,502                         | 485,819          |
| Transfer from tangible assets in preparation | 3,609          | 0                   | 70,058   | 0             | (73,667)              | 0                               | 0                |
| Decreases                                    | 0              | 0                   | 0  | 0             | 0                     | (143,463)                       | (143,463)        |
| Disposals or retirements                     | 0              | 0                   | (5)  | 0             | 0                     | 0                               | (5)              |
| <b>31 December 2014</b>                      | <b>174,029</b> | <b>10,171</b>       | <b>4,876,091</b>                                   | <b>10,323</b> | <b>50,062</b>         | <b>250,790</b>                  | <b>5,371,467</b> |
| Increase                                     | 0              | 0                   | 0  | 0             | 717,730               | 47,945                          | 765,675          |
| Merger of Željeznička tiskara d.o.o.         | 0              | 579                 | 108  | 0             | 0                     | 0                               | 687              |
| Transfer from tangible assets in preparation | 13,389         | 24                  | 709,153  | 0             | (722,566)             | 0                               | 0                |
| Decreases                                    | 0              | 0                   | 0  | 0             | 0                     | (239,634)                       | (239,634)        |
| Disposals or retirements                     | 0              | 0                   | (3)  | 0             | 0                     | 0                               | (3)              |
| <b>31 December 2015</b>                      | <b>187,418</b> | <b>10,774</b>       | <b>5,585,350</b>                                   | <b>10,323</b> | <b>45,226</b>         | <b>59,100</b>                   | <b>5,898,192</b> |

HŽ PUTNIČKI PRIJEVOZ d.o.o., ZAGREB  
 NOTES TO THE FINANCIAL STATEMENTS - continued  
 For the year ended 31 December 2015

17. PROPERTY, PLANT AND EQUIPMENT (continued)

| DESCRIPTION                     | Buildings      | Plant and equipment | Tools, plant inventories and transportation assets | Other        | Assets in preparation | Prepayments for tangible assets | Total            |
|---------------------------------|----------------|---------------------|--|--------------|-----------------------|---------------------------------|------------------|
|                                 | HRK '000       | HRK '000            | HRK '000   | HRK '000     | HRK '000              | HRK '000                        | HRK '000         |
| <b>Accumulated depreciation</b> |                |                     |  |              |                       |                                 |                  |
| 1 January 2014                  | 111,364        | 7,586               | 3,486,269  | 8,621        | 0                     | 0                               | 3,613,839        |
| Depreciation for 2014           | 3,128          | 481                 | 202,590  | 0            | 0                     | 0                               | 206,198          |
| Impairment of assets            | 0              | 0                   | 30,375   | 0            | 0                     | 0                               | 30,375           |
| Disposals or retirements        | 0              | 0                   | (4)  | 0            | 0                     | 0                               | (4)              |
| <b>31 December 2014</b>         | <b>114,491</b> | <b>8,067</b>        | <b>3,719,230</b>                                   | <b>8,621</b> | <b>0</b>              | <b>0</b>                        | <b>3,850,408</b> |
| Depreciation for 20145          | 3,358          | 716                 | 116,752  | 0            | 0                     | 0                               | 120,826          |
| Impairment of assets            | 0              | 0                   | 22,994   | 0            | 0                     | 0                               | 22,994           |
| Disposals or retirements        | 0              | 0                   | (3)  | 0            | 0                     | 0                               | (3)              |
| <b>31 December 2015</b>         | <b>117,849</b> | <b>8,783</b>        | <b>3,858,973</b>                                   | <b>8,621</b> | <b>0</b>              | <b>0</b>                        | <b>3,994,226</b> |
| <b>Net carrying amount</b>      |                |                     |  |              |                       |                                 |                  |
| 1 January 2014                  | 59,057         | 2,585               | 1,319,769  | 1,703        | 25,411                | 6,751                           | 1,415,276        |
| 31 December 2014                | 59,538         | 2,104               | 1,156,861  | 1,703        | 50,062                | 250,790                         | 1,521,058        |
| 31 December 2015                | 69,569         | 1,991               | 1,726,377  | 1,703        | 45,226                | 59,100                          | 1,903,966        |

/i/ As at 31 December 2015, a significant number of properties were recorded into the ledger for which the Company has not regulated its ownership in the land register. The procedure for settlement of the ownership rights' relations is pending.

**HŽ PUTNIČKI PRIJEVOZ d.o.o., ZAGREB**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
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**18. LONG-TERM FINANCIAL ASSETS**

| DESCRIPTION  | 31 Dec 2015   | Restated<br>31 Dec 2014 | Restated<br>1 Jan 2014 |
|--|---------------|-------------------------|------------------------|
|  | HRK '000      | HRK '000                | HRK '000               |
| <u>Shares (stocks) in related parties</u>                            |               |                         |                        |
| <i>Subsidiary companies</i>  |               |                         |                        |
| Tvornica željezničkih vozila Gredelj d.o.o.<br>in bankruptcy, Zagreb | 536,749       | 536,749                 | 536,749                |
| Tersus eko d.o.o., Zagreb  | 31,023        | 27,956                  | 25,404                 |
| Tehnički servisi željezničkih vozila d.o.o., Zagreb                  | 42,430        | 41,079                  | 37,185                 |
| Proizvodnja-Regeneracija d.o.o., Zagreb                              | 15,099        | 15,099                  | 15,099                 |
| Željeznička tiskara d.o.o., Zagreb                                   | 0             | 8,397                   | 8,397                  |
| Less: value adjustment   | (595,345)     | (595,584)               | (595,584)              |
|  | 29,956        | 33,695                  | 27,250                 |
| <u>Investments in securities</u>                                     |               |                         |                        |
| Eurofima   | 26,928        | 25,441                  | 23,770                 |
| BCC  | 3             | 3                       | 2                      |
|  | 26,931        | 25,444                  | 23,772                 |
| <b>Total</b>   | <b>56,887</b> | <b>59,139</b>           | <b>51,022</b>          |

**19. INVENTORIES**

| DESCRIPTION  | 31 Dec 2015  | 31 Dec 2014   |
|--|--------------|---------------|
|  | HRK '000     | HRK '000      |
| Raw material and supplies  | 6,638        | 4,801         |
| Spare parts  | 62,156       | 66,438        |
| Small inventory and packing  | 6,063        | 5,740         |
| Inventories of finished products   | 303          | 0             |
| Less: Value adjustments of raw material and supplies,<br>spare parts and small inventory and packing | (5,018)      | (4,647)       |
| Less: Value adjustments of obsolete inventories of materials<br>and raw materials                    | (64,170)     | (40,689)      |
| <b>Total</b>   | <b>5,972</b> | <b>31,643</b> |

**20. TRADE RECEIVABLES**

| DESCRIPTION                | 31 Dec 2015   | 31 Dec 2014   |
|----------------------------|---------------|---------------|
|                            | HRK '000      | HRK '000      |
| Domestic trade receivables | 89,880        | 66,343        |
| Foreign trade receivables  | 3,168         | 16,989        |
| Less: value adjustment     | (70,443)      | (71,013)      |
| <b>Total</b>               | <b>22,605</b> | <b>12,319</b> |

Movements in the value adjustment of trade receivables are shown below:

| DESCRIPTION                   | 2015            |
|-------------------------------|-----------------|
|                               | HRK '000        |
| <b>Balance on 1 January</b>   | (71,013)        |
| New value adjustment          | (1,886)         |
| Collection                    | 2,396           |
| Write-off during the year     | 60              |
| <b>Balance on 31 December</b> | <b>(70,443)</b> |

**HŽ PUTNIČKI PRIJEVOZ d.o.o., ZAGREB**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
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**20. TRADE RECEIVABLES (continued)**

Age analysis (structure) of trade receivables is as follows:

|                  | Undue    | Due       |            |            |             |            | Total    |
|------------------|----------|-----------|------------|------------|-------------|------------|----------|
|                  |          | < 30 days | 30-60 days | 60-90 days | 90-120 days | > 120 days |          |
|                  | HRK '000 | HRK '000  | HRK '000   | HRK '000   | HRK '000    | HRK '000   | HRK '000 |
| 31 December 2015 | 14,065   | 1,052     | 1,946      | 2,984      | 1,240       | 1,318      | 22,605   |
| 31 December 2014 | 7,455    | 2,376     | 1,753      | 131        | 46          | 558        | 12,319   |

**21. RECEIVABLES FROM EMPLOYEES**

| DESCRIPTION                           | 31 Dec 2015  | 31 Dec 2014  |
|---------------------------------------|--------------|--------------|
|                                       | HRK '000     | HRK '000     |
| Short-term receivables from employees | 5,575        | 5,666        |
| <b>Total</b>                          | <b>5,575</b> | <b>5,666</b> |

**22. RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS**

| DESCRIPTION                   | 31 Dec 2015   | 31 Dec 2014  |
|-------------------------------|---------------|--------------|
|                               | HRK '000      | HRK '000     |
| VAT receivables               | 29,701        | 8,324        |
| Overpaid Corporate income tax | 18            | 47           |
| <b>Total</b>                  | <b>29,719</b> | <b>8,371</b> |

**23. OTHER RECEIVABLES**

| DESCRIPTION  | 31 Dec 2015  | 31 Dec 2014  |
|--|--------------|--------------|
|  | HRK '000     | HRK '000     |
| Prepayments in the country                               | 1,979        | 1,965        |
| Receivables from the Croatian Health Insurance Institute | 941          | 895          |
| Other receivables  | 38           | 222          |
| <b>Total</b>   | <b>2,958</b> | <b>3,082</b> |

**24. SHORT-TERM FINANCIAL ASSETS**

| DESCRIPTION  | 31 Dec 2015    | 31 Dec 2014 |
|--|----------------|-------------|
|  | HRK '000       | HRK '000    |
| Given deposits   | 117,142        | 0           |
| Given bails  | 41             | 19          |
| Loans given to related companies                           | 11,288         | 11,288      |
| Less: value adjustment of loans given to related companies | (11,200)       | (11,200)    |
| <b>Total</b>   | <b>117,271</b> | <b>107</b>  |

Short-term loans in HRK and deposits in foreign currencies with Croatian banks mature within 4 months.

## 25. CASH AND CASH EQUIVALENTS

| DESCRIPTION                      | 31 Dec 2015   | 31 Dec 2014   |
|----------------------------------|---------------|---------------|
|                                  | HRK '000      | HRK '000      |
| Gyro account balance             | 15,224        | 8,316         |
| Foreign currency account balance | 1,970         | 10,507        |
| Cash in hand - HRK               | 7,926         | 6,765         |
| <b>Total</b>                     | <b>25,120</b> | <b>25,588</b> |

## 26. PREPAYMENTS AND ACCRUED INCOME

| DESCRIPTION                            | 31 Dec 2015  | 31 Dec 2014   |
|--|--------------|---------------|
|  | HRK '000     | HRK '000      |
| Prepayments for the accident in Rudine | 3,500        | 3,534         |
| HBOR fee                               | 0            | 6,522         |
| <b>Total</b>                           | <b>3,500</b> | <b>10,056</b> |

## 27. SUBSCRIBED CAPITAL

/i/ The subscribed capital of the Company amounts to HRK 75,627 thousand and represents permanent own sources for Company's operating as well as the share principal registered at the Commercial Court in Zagreb. The only member of the Company is the Republic of Croatia.

/ii/ On 31 December 2015, transferred loss is stated in the amount of HRK 108,758 thousand (31 December 2014: HRK 107,035 thousand).

/iii/ Current year profit was stated on 31 December 2015 in the amount of HRK 2,496 thousand (31 December 2014: HRK 2,996 thousand).

## 28. PROVISIONS

| DESCRIPTION   | 31 Dec 2015    | 31 Dec 2014    |
|---|----------------|----------------|
|   | HRK '000       | HRK '000       |
| Provisions for jubilee awards and retirement benefits | 10,242         | 11,593         |
| Restructuring expenses                                | 16,405         | 18,904         |
| Provisions for court litigations                      | 89,846         | 87,780         |
| <b>Total</b>  | <b>116,493</b> | <b>118,277</b> |

Movements in provisions are shown in the table below:

| DESCRIPTION   | 31 Dec 2014    | New provisions | Used provisions | 31 Dec 2015    |
|---|----------------|----------------|-----------------|----------------|
|   | HRK'000        | HRK'000        | HRK'000         | HRK'000        |
| Provisions for jubilee awards and retirement benefits | 11,593         | 199            | (1,550)         | 10,242         |
| Restructuring expenses                                | 18,904         | 0              | (2,499)         | 16,405         |
| Provisions for court litigations                      | 87,780         | 12,300         | (10,234)        | 89,846         |
| <b>Total</b>  | <b>118,277</b> | <b>12,499</b>  | <b>(14,283)</b> | <b>116,493</b> |

**HŽ PUTNIČKI PRIJEVOZ d.o.o., ZAGREB**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
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**29. LONG-TERM LIABILITIES**

| DESCRIPTION  | 31 Dec 2015<br>HRK '000 | 31 Dec 2014<br>HRK '000 |
|--|-------------------------|-------------------------|
| <i>Liabilities to banks and other financial institutions</i> |                         |                         |
| EUROFIMA, Basel, Switzerland                                 | 190,875                 | 191,537                 |
| Hrvatska poštanska banka d.d., Zagreb                        | 31,872                  | 40,510                  |
| Privredna banka Zagreb d.d., Zagreb                          | 0                       | 215,056                 |
| HBOR d.d., Zagreb  | 134,856                 | 242,750                 |
| IBRD   | 4,777                   | 0                       |
| <b>Total:</b>  | <b>362,380</b>          | <b>689,853</b>          |
| Less: Current portion (see Note 31)                          | (84,750)                | (8,537)                 |
| <b>Total</b>   | <b>277,630</b>          | <b>681,316</b>          |

Loan liabilities are secured by cessions and guarantees issued by the Finance Ministry. The interest rate moves from 0 to 6% annually.

The movements in liabilities to the banks and other financial institutions during the year may be summarized as follows:

| DESCRIPTION  | 2015<br>HRK '000 | 2014<br>HRK '000 |
|--|------------------|------------------|
| <b>1 January</b>   | <b>689,853</b>   | <b>695,113</b>   |
| New borrowings   | 449,236          | 264,225          |
| Amounts repaid (own assets)  | (8,482)          | (267,255)        |
| Amounts repaid (activated guarantees by the Finance Ministry) (Note 35/i/) | (766,000)        | 0                |
| Foreign exchange differences   | (2,227)          | (2,230)          |
| <b>31 December</b>   | <b>362,380</b>   | <b>689,853</b>   |

Matured liabilities on the base of equity collected by banks in 2015 by activating issued guarantees of the Finance Ministry are stated as liability to the Ministry of Finances (see Note 35).

The repayment schedule of long-term liabilities to banks and other financial institutions become due for the repayment:

| DESCRIPTION                | 31 Dec 2015<br>HRK '000 | 31 Dec 2014<br>HRK '000 |
|----------------------------|-------------------------|-------------------------|
| Maturity up to one year    | 84,750                  | 8,537                   |
| Due in one to two years    | 121,019                 | 85,223                  |
| Due in two to three years  | 19,115                  | 141,424                 |
| Due in three to four years | 27,779                  | 44,251                  |
| Due in four to five years  | 35,971                  | 42,117                  |
| Due in over five years     | 73,746                  | 368,301                 |
| <b>Total</b>               | <b>362,380</b>          | <b>689,853</b>          |



**HŽ PUTNIČKI PRIJEVOZ d.o.o., ZAGREB**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For the year ended 31 December 2015**

**30. LIABILITIES FOR LOANS, DEPOSITS AND SIMILAR**

| DESCRIPTION                               | 31 Dec 2015  | 31 Dec 2014  |
|---|--------------|--------------|
|   | HRK '000     | HRK '000     |
| Liabilities for deposits - reconciliation | 2,532        | 2,584        |
| Received deposits and guarantees          | 3            | 21           |
| <b>Total</b>                              | <b>2,535</b> | <b>2,605</b> |

**31. LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS**

| DESCRIPTION   | 31 Dec 2015   | 31 Dec 2014  |
|---|---------------|--------------|
|   | HRK '000      | HRK '000     |
| Current portion of long-term liabilities to banks (see Note 29) | 84,750        | 8,537        |
| <b>Total</b>  | <b>84,750</b> | <b>8,537</b> |

**32. TRADE PAYABLES**

| DESCRIPTION             | 31 Dec 2015   | 31 Dec 2014   |
|-------------------------|---------------|---------------|
|                         | HRK '000      | HRK '000      |
| Domestic trade payables | 81,132        | 24,832        |
| Foreign trade payables  | 246           | 147           |
| <b>Total</b>            | <b>81,378</b> | <b>24,979</b> |

**33. LIABILITIES TO EMPLOYEES**

| DESCRIPTION                                    | 31 Dec 2015   | 31 Dec 2014   |
|--|---------------|---------------|
|  | HRK '000      | HRK '000      |
| Liabilities for net salaries and contributions | 12,105        | 10,685        |
| Other liabilities to employees                 | 1,050         | 985           |
| <b>Total</b>                                   | <b>13,155</b> | <b>11,670</b> |

**34. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR**

| DESCRIPTION   | 31 Dec 2015  | 31 Dec 2014  |
|---|--------------|--------------|
|   | HRK '000     | HRK '000     |
| Liabilities for taxes and contributions from salaries | 6,277        | 5,396        |
| Liabilities for contributions on salaries             | 3,133        | 2,808        |
| <b>Total</b>  | <b>9,410</b> | <b>8,204</b> |

**35. OTHER LIABILITIES**

| DESCRIPTION  | 31 Dec 2015    | 31 Dec 2014   |
|--|----------------|---------------|
|  | HRK '000       | HRK '000      |
| Liabilities under accrued transport income                       | 3,733          | 2,845         |
| Liabilities for non-invoiced goods                               | 355            | 355           |
| Liabilities for cessions   | 0              | 1,345         |
| Liabilities to the Finance Ministry for activated guarantees /i/ | 808,129        | 16,633        |
| Other short-term liabilities                                     | 3,967          | 3,350         |
| <b>Total</b>   | <b>816,184</b> | <b>24,528</b> |

**35. OTHER LIABILITIES (continued)**

/i/ Liabilities to the Croatian Ministry of Finance relate to receivables of the Ministry of Finance based on the regress rights from the activated given guarantees. The Ministry of Finance settled part of the matured liabilities to commercial banks in 2015 instead of the Company. By the decisions of the Government of Republic of Croatia, Ministry of Finance issued several guarantees in recent years to commercial banks as collateral for the repayment of loan liabilities of the Company. On 24 September 2015, the Croatian Government passed a Decree on approval for conversion of receivables arising from debt assumption based on issued guarantees and uncollected payments into share portion of the Company's equity by the total amount of HRK 796,740 thousand. Recapitalization was registered at the Commercial court in Zagreb on 19 January 2016 (Note 41).

**36. ACCRUED EXPENSES AND DEFERRED INCOME**

| DESCRIPTION  | 31 Dec 2015    | 31 Dec 2014    |
|--|----------------|----------------|
|  | HRK '000       | HRK '000       |
| State subsidies for purchase and modernization of basic assets | 739,424        | 781,146        |
| Pre-collected income - damages requests                        | 1,219          | 348            |
| Calculated current year expense                                | 1,684          | 6,038          |
| Expenses for unused vacation days                              | 4,912          | 0              |
| Other  | 19             | 13             |
| <b>Total</b>   | <b>747,258</b> | <b>787,545</b> |

State subsidies for the modernization of railway "rolling stock" refer to funds provided by the Republic of Croatia for modernizing and regular maintaining of railway rolling stock.

**37. OFF BALANCE RECORDS**

| DESCRIPTION  | 31 Dec 2015    | 31 Dec 2014    |
|--|----------------|----------------|
|  | HRK '000       | HRK '000       |
| Received warranties  | 50,000         | 50,000         |
| Given warranties   | 9,982          | 14,800         |
| Actual costs for the utilization of space                              | 819            | 541            |
| Monoblocks in Goša   | 1,969          | 1,969          |
| Locomotives in the ownership of railways of the former SFRY in Croatia | 23,403         | 23,403         |
| Receivables for the passenger wagons in the former Yugoslavia          | 74,692         | 74,692         |
| Property in inaccessible area  | 13,458         | 13,458         |
| Receivables from the Zajednica JŽ (Union of Yugoslav Railways)         | 60,871         | 62,813         |
| Receivables from Herceg Bosna  | 41,827         | 43,379         |
| Cashiers balances - stations   | 10,680         | 9,642          |
| Other  | 1,485          | 839            |
| <b>Total</b>   | <b>289,186</b> | <b>295,536</b> |

**38. TRANSACTIONS WITH RELATED PARTIES**

The party is related to the subject when directly or indirectly, through one or more mediators' controls, is controlled by or is under a joint control over the subject, has a share portion in the subject that gives it a significant influence over the subject and has a joint control over the subject. The total transaction amounts with related parties, receivables and liabilities at the end of the year as well as the related expenses and income for 2015 and 2014 are shown below:

**HŽ PUTNIČKI PRIJEVOZ d.o.o., ZAGREB**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
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**38. TRANSACTIONS WITH RELATED PARTIES (continued)**

| Related party  | Business activities |               |               |                | Financial activities |             |            |            |
|--|---------------------|---------------|---------------|----------------|----------------------|-------------|------------|------------|
|  | Receivables         | Liabilities   | Income        | Expense        | Receivables          | Liabilities | Income     | Expense    |
|  | HRK '000            | HRK '000      | HRK '000      | HRK '000       | HRK '000             | HRK '000    | HRK '000   | HRK '000   |
| <b>2015</b>  |                     |               |               |                |                      |             |            |            |
| <u>Subsidy companies</u>   |                     |               |               |                |                      |             |            |            |
| TŽV Gredelj d.o.o. in bankruptcy, Zagreb                                       | 13,584              | 23,808        | 2,316         | 15,350         | 0                    | 10          | 15         | 64         |
| Tersus eko d.o.o., Zagreb  | 85                  | 291           | 404           | 1,260          | 0                    | 0           | 0          | 0          |
| Tehnički servisi željezničkih vozila d.o.o., Zagreb                            | 6,405               | 14,311        | 7,991         | 102,021        | 0                    | 0           | 0          | 0          |
| Proizvodnja i Regeneracija d.o.o. in bankruptcy, Zagreb                        | 603                 | 0             | 0             | 0              | 0                    | 0           | 0          | 0          |
| Less: value adjustment   | (13,903)            | 0             | 0             | 0              | 0                    | 0           | 0          | 0          |
| <b>Total</b>   | <b>6,774</b>        | <b>38,412</b> | <b>10,715</b> | <b>118,631</b> | <b>0</b>             | <b>10</b>   | <b>15</b>  | <b>64</b>  |
| <u>Other railway business companies owned by the State</u>                     |                     |               |               |                |                      |             |            |            |
| HŽ Infrastruktura d.o.o., Zagreb   | 4,072               | 24,415        | 9,508         | 132,114        | 5                    | 182         | 301        | 346        |
| HŽ Cargo d.o.o., Zagreb  | 4,889               | 5,684         | 14,276        | 21,456         | 0                    | 0           | 0          | 0          |
| Agencija za integralni transport d.o.o., Zagreb                                | 56                  | 18            | 86            | 64             | 0                    | 0           | 0          | 0          |
| OV Održavanje vagona d.o.o., Zagreb  | 223                 | 7,677         | 728           | 23,668         | 11                   | 0           | 16         | 83         |
| Radionica željezničkih vozila Čakovec d.o.o., Čakovec                          | 2                   | 0             | 50            | 0              | 1                    | 0           | 1          | 0          |
| Remont i proizvodnja željezničkih vozila Slavonski Brod d.o.o., Slavonski Brod | 181                 | 0             | 136           | 1              | 25                   | 0           | 25         | 0          |
| Croatia express putnička agencija d.o.o., Zagreb                               | 1,228               | 28            | 1,616         | 390            | 121                  | 0           | 121        | 0          |
| Pružne građevine d.o.o., Zagreb  | 2,536               | 0             | 3,996         | 0              | 278                  | 0           | 373        | 0          |
| Less: value adjustment   | (3,535)             | 0             | 0             | 0              | 0                    | 0           | 0          | 0          |
| <b>Total</b>   | <b>9,650</b>        | <b>37,822</b> | <b>30,396</b> | <b>177,693</b> | <b>441</b>           | <b>182</b>  | <b>837</b> | <b>429</b> |

**HŽ PUTNIČKI PRIJEVOZ d.o.o., ZAGREB**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For the year ended 31 December 2015**

**38. TRANSACTIONS WITH RELATED PARTIES (continued)**

| Related party                                | Business activities |               |               |                | Financial activities |             |            |            |
|--|---------------------|---------------|---------------|----------------|----------------------|-------------|------------|------------|
|  | Receivables         | Liabilities   | Income        | Expense        | Receivables          | Liabilities | Income     | Expense    |
|  | HRK '000            | HRK '000      | HRK '000      | HRK '000       | HRK '000             | HRK '000    | HRK '000   | HRK '000   |
| <b>2015</b>                                  |                     |               |               |                |                      |             |            |            |
| <u>Other companies owned by the State</u>    |                     |               |               |                |                      |             |            |            |
| Hep ODS d.o.o. , Zagreb                      | 0                   | 44            | 0             | 152            | 0                    | 0           | 0          | 1          |
| Hep Opskrba d.o.o., Zagreb                   | 0                   | 4             | 0             | 34             | 0                    | 0           | 0          | 1          |
| Hep-Toplinarstvo d.o.o., Zagreb              | 0                   | 408           | 0             | 1,108          | 0                    | 0           | 0          | 9          |
| HP-Hrvatska pošta d.d., Zagreb               | 0                   | 25            | 3             | 167            | 0                    | 0           | 0          | 1          |
| HRT-Hrvatska radio televizija d.o.o., Zagreb | 0                   | 0             | 0             | 28             | 0                    | 0           | 0          | 0          |
| Hrvatske vode, Zagreb                        | 0                   | 0             | 0             | 8              | 0                    | 0           | 0          | 0          |
| Hrvatske autoceste d.o.o., Zagreb            | 0                   | 0             | 0             | 38             | 0                    | 0           | 0          | 0          |
| Narodne novine d.d.                          | 0                   | 16            | 28            | 114            | 0                    | 0           | 0          | 0          |
| FINA Zagreb                                  | 210                 | 3             | 201           | 25             | 0                    | 0           | 0          | 0          |
| Other  | 0                   | 0             | 0             | 379            | 0                    | 0           | 0          | 0          |
| Less: value adjustment                       | 0                   | 0             | 0             | 0              | 0                    | 0           | 0          | 0          |
| <b>Total</b>                                 | <b>210</b>          | <b>502</b>    | <b>232</b>    | <b>2,051</b>   | <b>0</b>             | <b>0</b>    | <b>0</b>   | <b>12</b>  |
| <b>TOTAL:</b>                                | <b>16,634</b>       | <b>76,736</b> | <b>41,343</b> | <b>298,379</b> | <b>441</b>           | <b>192</b>  | <b>851</b> | <b>505</b> |

**HŽ PUTNIČKI PRIJEVOZ d.o.o., ZAGREB**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For the year ended 31 December 2015**

**38. TRANSACTIONS WITH RELATED PARTIES (continued)**

| Related party  | Business activities |               |               |                | Financial activities |             |            |            |
|--|---------------------|---------------|---------------|----------------|----------------------|-------------|------------|------------|
|  | Receivables         | Liabilities   | Income        | Expense        | Receivables          | Liabilities | Income     | Expense    |
|  | HRK '000            | HRK '000      | HRK '000      | HRK '000       | HRK '000             | HRK '000    | HRK '000   | HRK '000   |
| <b>2014</b>  |                     |               |               |                |                      |             |            |            |
| <u>Subsidy companies</u>   |                     |               |               |                |                      |             |            |            |
| TŽV Gredelj d.o.o. in bankruptcy, Zagreb                                       | 13,849              | 20,135        | 1,233         | 15,040         | 5                    | 7           | 5          | 413        |
| Tersus eko d.o.o., Zagreb  | 133                 | 413           | 515           | 1,265          | 0                    | 0           | 0          | 0          |
| Željeznička tiskara d.o.o., Zagreb   | 8                   | 1,732         | 206           | 650            | 0                    | 0           | 0          | 0          |
| Tehnički servisi željezničkih vozila d.o.o., Zagreb                            | 6,072               | 20,595        | 5,593         | 109,517        | 0                    | 0           | 0          | 0          |
| Proizvodnja i Regeneracija d.o.o. in bankruptcy, Zagreb                        | 603                 | 0             | 0             | 0              | 0                    | 0           | 0          | 0          |
| Less: value adjustment   | (13,919)            | 0             | 0             | 0              | 0                    | 0           | 0          | 0          |
| <b>Total</b>   | <b>6,747</b>        | <b>42,874</b> | <b>7,547</b>  | <b>126,473</b> | <b>5</b>             | <b>7</b>    | <b>5</b>   | <b>413</b> |
| <u>Other railway business companies owned by the State</u>                     |                     |               |               |                |                      |             |            |            |
| HŽ Infrastruktura d.o.o., Zagreb   | 7,101               | 22,989        | 9,511         | 125,289        | 133                  | 0           | 133        | 483        |
| HŽ Cargo d.o.o., Zagreb  | 7,727               | 3,346         | 19,414        | 22,886         | 0                    | 0           | 0          | 0          |
| Agencija za integralni transport d.o.o., Zagreb                                | 27                  | 6             | 76            | 86             | 0                    | 0           | 0          | 0          |
| OV Održavanje vagona d.o.o., Zagreb  | 184                 | 6,170         | 743           | 22,220         | 27                   | 0           | 27         | 25         |
| Radionica željezničkih vozila Čakovec d.o.o., Čakovec                          | 0                   | 0             | 29            | 0              | 0                    | 0           | 0          | 0          |
| Remont i proizvodnja željezničkih vozila Slavonski Brod d.o.o., Slavonski Brod | 158                 | 0             | 144           | 0              | 0                    | 0           | 0          | 0          |
| Croatia express putnička agencija d.o.o., Zagreb                               | 1,662               | 85            | 1,841         | 361            | 37                   | 0           | 37         | 0          |
| Pružne građevine d.o.o., Zagreb  | 10,430              | 0             | 15,859        | 58             | 365                  | 0           | 365        | 0          |
| Less: value adjustment   | (1,815)             | 0             | 0             | 0              | 0                    | 0           | 0          | 0          |
| <b>Total</b>   | <b>25,474</b>       | <b>32,597</b> | <b>47,617</b> | <b>170,899</b> | <b>563</b>           | <b>0</b>    | <b>563</b> | <b>508</b> |

**HŽ PUTNIČKI PRIJEVOZ d.o.o., ZAGREB**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For the year ended 31 December 2015**

**38. TRANSACTIONS WITH RELATED PARTIES (continued)**

| Related party                                | Business activities |               |               |                | Financial activities |             |            |            |
|--|---------------------|---------------|---------------|----------------|----------------------|-------------|------------|------------|
|  | Receivables         | Liabilities   | Income        | Expense        | Receivables          | Liabilities | Income     | Expense    |
|  | HRK '000            | HRK '000      | HRK '000      | HRK '000       | HRK '000             | HRK '000    | HRK '000   | HRK '000   |
| <b>2014</b>                                  |                     |               |               |                |                      |             |            |            |
| <u>Other companies owned by the State</u>    |                     |               |               |                |                      |             |            |            |
| Hep ODS d.o.o. , Zagreb                      | 91                  | 45            | 0             | 162            | 0                    | 0           | 0          | 0          |
| Hep Opskrba d.o.o., Zagreb                   | 0                   | 0             | 0             | 80             | 0                    | 0           | 0          | 3          |
| Hep-Toplinarstvo d.o.o., Zagreb              | 0                   | 316           | 0             | 1,362          | 0                    | 0           | 0          | 34         |
| HP-Hrvatska pošta d.d., Zagreb               | 0                   | 27            | 0             | 156            | 0                    | 0           | 0          | 1          |
| HRT-Hrvatska radio televizija d.o.o., Zagreb | 0                   | 0             | 0             | 30             | 0                    | 0           | 0          | 0          |
| Hrvatske vode, Zagreb                        | 0                   | 0             | 0             | 4              | 0                    | 0           | 0          | 0          |
| Hrvatske autoceste d.o.o., Zagreb            | 0                   | 0             | 0             | 36             | 0                    | 0           | 0          | 0          |
| Narodne novine d.d.                          | 0                   | 8             | 0             | 120            | 0                    | 0           | 0          | 0          |
| FINA Zagreb                                  | 0                   | 0             | 0             | 11             | 0                    | 0           | 0          | 0          |
| HŠ d.o.o. Zagreb                             | 48                  | 0             | 0             | 4              | 0                    | 0           | 0          | 0          |
| Other  | 0                   | 0             | 17            | 252            | 0                    | 0           | 0          | 0          |
| Less: value adjustment                       | (139)               | 0             | 0             | 0              | 0                    | 0           | 0          | 0          |
| <b>Total</b>                                 | <b>0</b>            | <b>396</b>    | <b>17</b>     | <b>2,217</b>   | <b>0</b>             | <b>0</b>    | <b>0</b>   | <b>38</b>  |
| <b>TOTAL</b>                                 | <b>32,221</b>       | <b>75,866</b> | <b>55,181</b> | <b>299,589</b> | <b>568</b>           | <b>7</b>    | <b>568</b> | <b>959</b> |

38. TRANSACTIONS WITH RELATED PARTIES (continued)

Age analysis (structure) of trade receivables is as follows:

|                  | Undue    | Due       |            |            |             |            | Total    |
|------------------|----------|-----------|------------|------------|-------------|------------|----------|
|                  |          | < 30 days | 30-60 days | 60-90 days | 90-120 days | > 120 days |          |
|                  | HRK '000 | HRK '000  | HRK '000   | HRK '000   | HRK '000    | HRK '000   | HRK '000 |
| 31 December 2015 | 14,130   | 1,002     | 287        | 115        | 632         | 909        | 17,075   |
| 31 December 2014 | 18,178   | 2,272     | 3,357      | 1,776      | 2,303       | 4,901      | 32,789   |

Age analysis (structure) of trade payables is as follows:

|                  | Undue    | Due       |            |            |             |            | Total    |
|------------------|----------|-----------|------------|------------|-------------|------------|----------|
|                  |          | < 30 days | 30-60 days | 60-90 days | 90-120 days | > 120 days |          |
|                  | HRK '000 | HRK '000  | HRK '000   | HRK '000   | HRK '000    | HRK '000   | HRK '000 |
| 31 December 2015 | 75,564   | 1,124     | (2)        | 52         | 1           | 190        | 76,929   |
| 31 December 2014 | 70,478   | 3,874     | 739        | 306        | 110         | 367        | 75,874   |

Movements in the value adjustment of trade receivables are shown below:

| DESCRIPTION                   | 2015            |
|-------------------------------|-----------------|
|                               | HRK '000        |
| Balance on 1 January          | (15,733)        |
| New value adjustment          | (2,167)         |
| Collection                    | 444             |
| Write-off during the year     | 18              |
| <b>Balance on 31 December</b> | <b>(17,438)</b> |

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

**Capital risk management**

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of debt, which includes credits, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, legal and other reserves and retained earnings.

**Gearing ratio**

The Management board reviews the capital structure on a semi-annual basis. As part of this review, Management considers the cost of capital and the risks associated with each class of sources of funding. The gearing ratio at the year's end is presented as follows:

**39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

| DESCRIPTION                     | 31 Dec 2015     | 31 Dec 2014     |
|---------------------------------|-----------------|-----------------|
|                                 | HRK '000        | HRK '000        |
| Debt                            | 362,381         | 689,853         |
| Cash and cash equivalents       | (25,120)        | (25,588)        |
| Net debt                        | 337,261         | 664,265         |
| Equity                          | (30,635)        | (28,412)        |
| <b>Net debt to equity ratio</b> | <b>(1.101%)</b> | <b>(2.338%)</b> |

\*Equity implies all equity of the Company

**Categories of financial instruments**

| DESCRIPTION   | 31 Dec 2015 | 31 Dec 2014 |
|---|-------------|-------------|
|   | HRK '000    | HRK '000    |
| <b>Financial assets</b>                                     |             |             |
| Loans and receivables (including cash and cash equivalents) | 220,323     | 87,923      |
| <b>Financial liabilities</b>                                |             |             |
| Depreciated cost  | 1,362,207   | 837,979     |

**Financial risk management objectives**

The Company controls and manages financial risk which could affect the Company's operations through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

**Market risk**

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below). Market risk exposures are supplemented by sensitivity analysis. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

**Interest rate risk**

The interest rate risk is a risk that the value of a financial instrument will fluctuate due to changes in market rates relative to the interest rate applicable to the financial instrument. Interest rate cash flow risk is the risk that the interest cost of an instrument will fluctuate over time.

There were no significant changes to the influence of interest risks to the Company's operations

**Credit risk management**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Financial assets that potentially expose the Company to credit risk consist mainly of cash, money equivalents and trade receivables. Trade receivables have been adjusted to allow for bad and doubtful accounts.

There were no significant changes to the influence of credit risks to the Company's operations.



39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

**Currency risk**

The official currency of the Company is the Croatian kuna ("HRK"). However, certain transactions denominated in foreign currencies are calculated in the Croatian kuna by applying the exchange rates in effect at the date of the Balance Sheet / Statement of Financial Position, and consequently, the Company is potentially exposed to risks of changes in currency rates.

Net carrying amount of cash and cash equivalents and liabilities of the Company denominated in foreign currencies on the Balance Sheet date is shown in the Table below:

| Balance on 31 December | Liabilities |          | Assets   |          |
|------------------------|-------------|----------|----------|----------|
|                        | 2015        | 2014     | 2015     | 2014     |
|                        | HRK '000    | HRK '000 | HRK '000 | HRK '000 |
| EUR                    | 331,515     | 435,325  | 27,244   | 12,419   |
| CHF                    | 0           | 0        | 26,954   | 24,324   |
| Other currencies (USD) | 0           | 0        | 30       | 32       |

**Solvency risk**

A solvency risk is a risk that the Company would not be able to fulfill its financial liabilities to the other contractual party.

A Company manages solvency risk in a way that observes continuously and analyses expected and actual cash flow on the basis of maturity of financial assets and liabilities.

**Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value is based on quoted market prices, if available. If market prices are not available, fair value is estimated using discounted cash flow models or other appropriate pricing techniques. Changes in the assumptions underlying the estimates, including discount rates and estimated future cash flows, significantly affect the estimates. For this reason, the estimated fair value cannot be obtained from the sale of a financial instrument at this point.

**Valuation techniques and assumptions in determining the fair value**

When calculating the fair value the Company takes into account the rules of IFRS fair value hierarchy that reflects the significance of inputs used in the valuation process. Each instrument is individually assessed in detail. The levels of the fair value hierarchy is determined based on the lowest level and input data which are important for determining the fair value of the instrument.

The balance sheet items that are measured at fair value are categorized into three levels of the IFRS fair value hierarchy, as follows:

- 1st level indicators - fair value indicators derived from (unadjusted) prices listed on active markets for identical assets and identical liabilities.
- 2nd level indicators - fair value indicators derived from other information, not the listed prices from the 1st level, and relating to observed asset or liability (i.e. their prices) or indirectly (derived from prices) and

**39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

- 3rd level indicators - indicators derived from valuation method in which used input data on assets or liabilities are not based on the available market information (unobservable inputs).

Fair value indicators in the Statement of financial position:

|   | Level 1   | Level 2   | Level 3       | Total         |
|---|-----------|-----------|---------------|---------------|
|   | u 000 HRK | u 000 HRK | u 000 HRK     | u 000 HRK     |
| <b>Financial assets stated at fair value through profit or loss</b> |           |           |               |               |
| Investments in securities   | 0         | 0         | 26,931        | 26,931        |
| <b>Total assets at fair value</b>                                   | <b>0</b>  | <b>0</b>  | <b>26,931</b> | <b>26,931</b> |

Company`s assets measured at fair value as at 31 December 2014 are shown in the following table:

|   | Level 1  | Level 2  | Level 3       | Total         |
|---|----------|----------|---------------|---------------|
|   | HRK`000  | HRK`000  | HRK`000       | HRK`000       |
| <b>Financial assets stated at fair value through profit or loss</b> |          |          |               |               |
| Investments in securities   | 0        | 0        | 25,444        | 25,444        |
| <b>Total assets at fair value</b>                                   | <b>0</b> | <b>0</b> | <b>25,444</b> | <b>25,444</b> |

The Company adopted IFRS 13 under which it is obliged to issue the hierarchy of fair value of financial assets which is not measured at fair value as well as the write-off of evaluation method and inputs used.

Loans and receivables (including deposits with banks) are stated at amortised cost less provision for impairment. Although the result of a variable/fixed interest rate, due to their specific nature, the Company`s Management believes that the carrying amount of these instruments does not significantly differ from their fair value, under the assumption that all payments based on exposure, the value of which was not reduced, will be collected as contracted, not taking into account any future losses.

The fair value of loans is estimated based on inputs the price of which is not market available; therefore, they would be classified on level 2 on the fair value hierarchy list. Investments with available market price which are classified under the portfolio of investment held to maturity would be allocated on level 1.

**40. COURT DISPUTES AND CONTINGENT LIABILITIES**

Court disputes initiated against the Company as at 31 December 2015 are shown as follows:

/i/ The Company, as the defendant, together with HŽ Infrastruktura d.o.o., Zagreb and HŽ Cargo d.o.o., Zagreb, takes part in numerous court litigations. Under the Law on the Division of Croatian Railways Croatian Railways Ltd. (HŽ Hrvatske Željeznice d.o.o), Zagreb, contingent liabilities arising from these litigations are borne by all newly founded companies on the basis of their participation in the capital.

As the legal successor of the merged company HŽ Vuča vlakova d.o.o., Zagreb, the Company inherited its court litigations. Furthermore, the Company is also the defendant in certain individual court litigations.

**40. COURT LITIGATIONS AND CONTIGENT LIABILITIES (continued)**

At 31 December 2015, the Company made provisions for contingent liabilities under these legal proceedings in the amount of HRK 89,846 thousand (see Note 28).

/ii/ The Company is exposed to contingent liabilities in the amount of HRK 9,982 thousand HRK (31 December 2014: HRK 14,800 thousand) based on the guarantees given to subsidiaries.

**41. EVENTS AFTER THE REPORTING PERIOD**

Pursuant to the Decree of the Commercial Court in Zagreb dated 19 January 2016, the Company's subscribed capital was increased from the amount of HRK 75,627 thousand HRK by the amount of HRK 796,740 thousand to the amount of HRK 872,367 thousand, all in accordance with the Decision of the Company's General Assembly on the increase of the subscribed capital dated 21 December 2015.

Besides the aforementioned, after the balance sheet / statement of financial position date there were no events that could significantly affect the annual financial statements for 2015, which should be published.

**42. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements, set out on previous pages, were prepared by the Management Board of the Company, and authorized for issue on 1 June 2016.

Signed for and on behalf of the Management Board:



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Dražen Ratković,  
President of the  
Management Board

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mr. Robert Frdelja,  
Member of the  
Management Board



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mr. Siniša Balent,  
Member of the  
Management Board

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