

AUTOCESTA RIJEKA-ZAGREB d.d.
Širolina 4, Zagreb

**Annual Financial Statements and
Independent Auditor's Report
for 2018**

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RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management Board of Autocesta Rijeka-Zagreb d.d., Zagreb, Širolina 4 (the „Company“) is responsible for ensuring that the annual financial statements for the year 2017, are prepared in accordance with the Accounting Act (Official Gazette No. 78/15,134/15,120/16,116/18) and International Financial Reporting Standards established by the European Commission and published in the Official Journal of the European Union, 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 Management 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 Management Board is responsible for:

- selection and consistent application of suitable accounting policies in accordance with the applicable financial reporting framework;
- giving reasonable and prudent judgments and estimates;
- using the going concern basis of accounting, unless it is inappropriate to presume so.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position, the results of operations, changes in equity and cash flows of the Company and their compliance with the Accounting Act and the International Financial Reporting Standards. The Management 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,

Miro Škrgatić, President of the Management Board



Tomislav Tkalčić, Member of the Management Board



Autocesta Rijeka-Zagreb d.d., Zagreb

Širolina 4

10000 Zagreb

The Republic of Croatia

28 May 2019

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Autocesta Rijeka-Zagreb d.d., Zagreb

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the annual financial statements of AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb, Širolina 4 (the "Company") for the year ended 31 December 2018 which comprise the Statement of financial position (Balance Sheet) as at 31 December 2018 the Income Statement, the Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Cash Flows Statement for the year then ended and the accompanying Notes to the Financial Statements, including a summary of significant accounting policies and other explanations.

In our opinion, the accompanying annual financial statements, give a true and fair view of the financial position of the Company as at 31 December 2017 and of its financial performance and cash flows of the Company for the year then ended in accordance with the Accounting Act and the International Financial Reporting Standards ("IFRS") which were established by the European Commission and published in the official list of the European Union.

Basis for Opinion

We conducted our audit in accordance with the Accounting Act, Auditing Act and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in our Independent Auditor's report under section Auditor's responsibilities for the audit of the annual financial statements. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those issues that were, by our professional judgment, of the utmost importance in our audit of the annual financial statements of the current period and include the most significant risks of misstatement due to error or fraud with the greatest impact on our audit strategy, the disposition of our available resources and the time spent by the engaging audit team. These issues were dealt with in the context of our audit of the annual financial statements as a whole and in the formation of our rational regarding them, and we do not give a separate opinion on these issues.

We have determined that the issues below are the key audit matters to be reported in our Independent Auditor's Report.

Key Audit Issues	How we addressed the Key Audit Issues
<p>Court disputes and potential obligations</p> <p>At 31 December 2018, the Company had provisions for legal disputes and contingent liabilities. During the company's regular business activities, potential exposure to court disputes may arise. Any liabilities disclosed or disclosed contingent liabilities, or non-disclosures in the financial statements, are inherently uncertain and depend on a number of significant assumptions and judgments. The determination of the amount for disclosure in the financial statements, if applicable, is subject to a particular assessment regarding these potentially significant obligations. Because of all this, we regard this area as a key auditor's issue.</p> <p><u>Related disclosures in the annual financial statements</u> See Notes 3.17 (Accounting Policies) and Note IV.</p>	<p>Our audit procedures related to this area, among other things, included:</p> <ul style="list-style-type: none"> - Receiving and analysing the attorney's responses to our written inquiries addressed to them and evaluating underlying issues with them; - Critical review of the assumptions used and estimates pertaining to the claims. This includes assessing the likelihood of unfavourable outcome of court proceedings and the reliability of the assessment of the related amount of obligation; - assessing the adequacy of disclosure in the financial statements, taking into account sensitivity and possible prejudice in the disclosure of detailed information. <p>The results of our audit procedures were satisfactory and we agree that the assumptions used in the estimation model are appropriate.</p>
<p>Valuation of intangible assets under the concession contract</p> <p>At 31 December 2018, the Company has reported intangible assets under the Concession Contract.</p> <p>The carrying amount of the concession on 31 December 2018 amounts to HRK 4.032.636 thousand. Reduction in the value of investment in concession is defined as a key audit issue because it involves significant judgement in the estimate. In accordance with IAS 36, the Company has made a test of impairment of the carrying amount of the concession.</p> <p><u>Related disclosures in the annual financial statements:</u> See Notes 3.9 (Accounting Policies) and Note 18.</p>	<p>In the audit, we focused on the risk of overestimating the book value of the concession. We reviewed the key assumptions used in the impairment test, including the discount rate and the long-term growth rate. We included our valuation experts to review the model used by the Company and key assumptions, and we have analysed the sensitivity.</p> <p>Additionally, we have considered whether the Company's disclosure of judgments in assessing the cash flows and the sensitivity of the results of those judgments adequately reflect the risks associated with the reduction of the value of the concession.</p> <p>The results of our auditing procedures were satisfactory. We reviewed the key assumptions used in the impairment test, including the discount rate, as reasonable.</p>

Other Matters

The Company's annual financial statements for the year ended 31 December 2017 were audited by the auditing company BDO Croatia d.o.o., Zagreb, which in its Independent Auditor's Report of 20 June 2018 issued an unmodified opinion on these annual financial statements.

Other Information in the Annual Report

The Management of the Company is responsible for other information. Other information include information included in the Annual report, but do not include the annual financial statements and our Independent auditor's report on them.

Our opinion on the annual financial statements does not include other information, except to the extent explicitly stated in the part of our Independent auditor's report, entitled Report on compliance with other legal or regulatory requirements, and we do not express any kind of conclusion with assurance on them.

In connection with our audit of the annual financial statements, it is our responsibility to read the other information and consider whether other information have significant contradictions to annual financial statements or our knowledge gained while performing the audit, or otherwise appear to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of other information, we are required to report this fact. In this sense, we do not have anything to report.

Responsibilities of the Management and Those Charged with Governance for the annual financial statements

The Management is responsible for the preparation of annual financial statements that give a true and fair view in accordance with the IFRS and for such internal control as the Management Board determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Independent Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management's Board use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Independent Auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Independent Auditor's report.
- However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Opinion on the Compliance with Other Legal or Regulatory Requirements

Opinion based on the requirements of Regulation (EU) No. 537/2014

1. On 3 July 2018, the Company's General Assembly appointed us on the basis of the proposal of the Supervisory Board of the Company to carry out the audit of the annual financial statements for the year 2018.
2. Audit of the Company's Annual Financial Statements for 2018 is the first year in which we are engaged as auditors of the Company's annual financial statements

3. In addition to the issues, we have mentioned in our Report of the Independent Auditor as Key Audit Issues, we do not have any information on point (c) of Article 10 of Regulation (EU) No. 537/2014.

4. By our statutory audit of the Company's annual financial statements for the year 2018, we are able to detect irregularities, including fraud under Section 225, Response to Non-Compliance with the IESBA Code and the Rules of the IESBA Code that requires us to audit our engagement to see if the Company has complied with the laws and regulations are generally recognized to have a direct impact on the determination of significant amounts and disclosures in its annual financial statements as well as other laws and regulations that do not have a direct impact on the determination of significant amounts and disclosures in its annual financial statements, but compliance with which may be crucial for operational aspects the Company's business, its ability to continue with unlimited business time or to avoid significant penalties.

Except in cases we encounter, or find out about, non-compliance of any of the foregoing of the aforementioned laws or regulations that are apparently insignificant, according to our judgment its content and its influence, financial or otherwise, for the Society, its stakeholders and the wider public, we are obliged to notify the Company and ask to investigate this case and take appropriate measures to resolve the irregularities and to prevent the occurrence of these irregularities in the future. If the Company does not correct any irregularities that result in misstatements in the audited annual financial statements that are cumulatively equal to or greater than the amount of significance for the financial statements as a whole, we are required to modify our opinion in the Independent Auditor's Report.

In the audit of the Company's annual financial statements for the year 2018, we determined the significance for the financial statements as a whole in the amount of HRK 11.611 thousand, which represents approximately 1.8% of the realized sales revenue for 2018 given the significant fluctuations in profit before tax and earlier periods

5. Our audit opinion is consistent with the additional audit report prepared by the Company in accordance with the provisions of Article 11 of Regulation (EU) No. 537/2014.

6. During the period between the initial date of the Company's audited annual financial statements for the year 2018 and the date of this report, we have not provided the Company with any prohibited non-scheduled services and we did not provide services for the design and implementation of internal control or risk management procedures related to the preparation and / or control of financial information or the design and implementation of technological systems for financial information, and we have maintained independence in the performance of the audit in relation to the Company.

Report based on Accounting Act requirements

1. In our opinion, based on the work that we performed during the audit, information's in the Management Report for the year 2018 are in accordance with the financial information's stated in the annual financial statements of the Company for the year 2018.
2. In our opinion, based on the work that we performed during the audit, the Company's Management Report for 2018 is prepared in accordance with the Accounting act.
3. Based on the knowledge and understanding of the Company and its environment obtained while performing the audit, we have not found that there are material misstatements in the Company's Management Report.

Zagreb, 25 April 2019

Audit d.o.o.
Radnička cesta 54
10000 Zagreb



Darko Karić, director



Darko Karić, certifičen auditor

AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

DESCRIPTION	Note	2018 HRK'000	2017 HRK'000
OPERATING INCOME			
Income from tolls	4.	657.232	631.283
Income from construction based on concession agreement	5.	425.383	4.229
Other operating income	6.	90.390	91.555
Total operating income		1.173.005	727.067
OPERATING EXPENSES			
Material costs	7.	(220.906)	(195.810)
Staff costs	8.	(10.522)	(9.606)
Depreciation	9.	(280.535)	(282.033)
Other expenses	10.	(30.630)	(22.486)
Value adjustment of current assets	11.	(820)	(425)
Provisions	12.	(2.022)	(363)
Expenses from construction based on concession agreement	13.	(383)	(4.219)
Total operating expenses		(545.818)	(514.942)
PROFIT FROM OPERATING ACTIVITIES		627.187	212.125
FINANCIAL INCOME	14.	74.713	54.879
FINANCIAL EXPENSES	15.	(61.690)	(92.627)
WRITE-OFF FROM SHARE PORTION METHOD	16.	0	(355)
PROFIT / (LOSS) FROM FINANCIAL ACTIVITIES		13.023	(38.103)
TOTAL INCOME		1.247.718	781.945
TOTAL EXPENSES		(607.508)	(607.924)
Profit before tax		640.210	174.021
Corporate Income Tax	17.	0	0
CURRENT YEAR PROFIT		640.210	174.021
Other comprehensive income		0	0
TOTAL COMPREHENSIVE INCOME		640.210	174.021

The notes below form an integral part of these financial statements

AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
STATEMENT OF FINANCIAL POSITION /BALANCE SHEET
as at 31 December 2018

DESCRIPTION	Note	Restated		
		31 Dec 2018. HRK'000	31 Dec 2017 HRK'000	31 Dec 2017 HRK'000
ASSETS				
Long term assets				
Intangible assets	18.	4.033.372	3.906.272	3.906.272
Property, plant and equipment	19.	18.758	19.810	19.810
Total Lon term assets		4.052.130	3.926.082	3.926.082
Short term assets				
Inventories	20.	744	154	154
Trade receivables	21.	28.329	28.258	28.258
Receivables for given prepayments		13	3	3
Other receivables	22.	1.467	1.169	1.169
Financial assets	23.	179.836	280.565	280.565
Cash and cash equivalents	24.	189.454	127.073	127.073
Total short term assets		399.843	437.222	437.222
Prepaid expenses and accrued income				
Prepaid expenses	25.	307	22	22
Accrued income		7	130	130
Total expenses and accrued income		314	152	152
TOTAL ASSETS		4.452.286	4.363.456	4.363.456
LIABILITIES				
Equity				
Subscribed capital	26.	2.152.000	2.152.000	2.152.000
Loss carried forward		(2.434.204)	(2.607.698)	(4.759.698)
Other reserves	27.	(2.152.000)	(2.152.000)	0
Current year profit	28.	640.210	174.021	174.021
Total capital		(1.793.994)	(2.433.677)	(2.433.677)
Provisions				
Provisions	29.	12.316	12.773	12.773
Total provisions		12.316	12.773	12.773
Long term liabilities				
Liabilities to banks and other financial institutions	30.	5.041.473	5.280.890	5.280.890
Obligations for grants		573.052	618.185	618.185
Total long term liabilities		5.614.525	5.899.075	5.899.075
Sshort term liabilities				
Trade payables	31.	48.791	47.568	47.568
Liabilities for taxes and contributions	32.	6.929	6.253	6.253
Liabilities to employees	33.	522	462	462
Current loans	34.	531.928	799.960	799.960
Total short term liabilities		588.170	854.243	854.243
Deferred payment of expenses and income for future periods				
	35.	31.269	31.042	31.042
TOTAL LIABILITIES		4.452.286	4.363.456	4.363.456

The notes below form an integral part of these financial statements

AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

DESCRIPTION	Subscribed capital	Other reserves	Loss carried forward	Profit for the year	TOTAL
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Balance as at 1 January 2017	2.152.000	0	(5.349.409)	589.711	(2.607.698)
Schedule of previous year results	0	0	589.711	(589.711)	0
Profit for the year	0	0	0	174.021	174.021
Balance as at 31 December 2017	2.152.000	0	(4.759.698)	174.021	(2.433.677)
Restated balance 31 December 2017	2.152.000	(2.152.000)	(2.607.698)	174.021	(2.433.677)
First Adoption of Accounting Standard - IFRS 9	0	0	(527)	0	(527)
Restated balance as at 1 January 2017	2.152.000	(2.152.000)	(2.608.225)	174.021	(2.434.204)
Schedule of previous year results	0	0	174.021	(174.021)	0
Profit for the year	0	0	0	640.210	640.210
Balance as at 31 December 2018	2.152.000	(2.152.000)	(2.434.204)	640.210	(1.793.994)

The notes below form an integral part of these financial statements

AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
CASH FLOW STATEMENT – INDIRECT METHOD
for the year ended 31 December 2018

P O S I T I O N	2018. HRK'000	2017. HRK'000
<u>Cash flows from operating activities</u>		
Profit before tax	640.210	174.021
Depreciation	298.537	300.035
Impairment	293	425
Reversal of concession reductions	(425.000)	0
Interest income	(215)	(314)
Interest expenses	61.690	92.604
Non-depreciated value of sold and disposed assets	1.146	1.468
Decrease in non-current provisions	(458)	(2.674)
Changes in inventories	(591)	464
Changes in trade receivables	(892)	2.554
Changes in other receivables	(301)	1.732
Changes in accrued expenses and deferred income	(162)	4.389
Changes in trade payables	1.224	(1.622)
Changes in liabilities for taxes and contributions	676	(714)
Changes in liabilities to employees	60	31
Accrued expenses and deferred income	227	(1.988)
Interest paid	(61.690)	(92.604)
Interest collected	215	314
Net cash flows from operating activities	514.969	478.121
<u>Cash flows from investment activities</u>		
Acquisition of tangible and intangible assets	(836)	(5.057)
Other changes in tangible and intangible assets	106	0
Expenditure for acquisition of non-current financial assets	100.724	(278.756)
Proceeds from sale of long-term financial assets	0	30.925
Net cash flow from investment activities	99.994	(252.888)
<u>Cash flows from financial activities</u>		
Non-current liabilities repayment	(284.550)	(658.105)
Repayment of current loans	(268.032)	71.313
Net cash flow from financial activities	(552.582)	(586.792)
TOTAL NET CASH FLOW	62.381	(361.559)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	127.073	488.632
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	189.454	127.073

The notes below form an integral part of these financial statements.

I GENERAL

1.1. Legal framework, activity and employees

The joint stock company Autocesta Rijeka-Zagreb, Širolina 43 (the "Company") was founded on 26 January 1998 based on the Decision on foundation and it was registered at the Commercial Court in Zagreb, based on Decision No. Tt-98/906-2 dated 26 February 1998. The decision on foundation of the company Autocesta Rijeka-Zagreb d.d. was adopted by General Assembly held on 11 December 1997 in accordance with Articles 42 and 36, Par. 1 of the Public Roads Act.

At the same Assembly, a Decision was adopted concerning granting concessions to the concessionaire that would be responsible for the financing, construction, management and maintenance of the Rijeka-Zagreb motorway, which is registered as the core business of the Company. The Croatian Government authorized the Ministry of the Maritime Affairs, Transport and Development to conclude a concession agreement with the Company on behalf of the Republic of Croatia.

As such and as part of the payment of shares at the time of founding the Company, the Republic of Croatia transferred the right of management to the Company of the then constructed infrastructure on the Rijeka – Delnice, Delnice – Kupjak and Karlovac – Zagreb motorway.

On 24 June 1998, the Company signed a Concession Agreement for a period of 28 years. The Company's stock capital, which represents the value of the concession on the constructed segments of the Rijeka-Zagreb motorway determined on the day the concession was granted, amounted to HRK 2.152.000 and is divided into 21.520 shares with a nominal value of HRK 100.000 per share.

At the General Assembly held on 2 August 2007, the Croatian Government adopted a Decision on Amendments to the Decision on the establishment and the awarding of the concession for the construction and management of the motorway, which extended the concession contract and the Company was approved an extension of the concession for the then constructed infrastructure from the Orehovica Junction to the Rup border crossing and from the Orehovica Junction to the Križišće junction and also for the Krk bridge.

Therefore, on 23 August 2007, based on the Agreement IV on Amendments of the Concession Agreement, the concession was extended from 28 years to a period of 32 years and 11 months commencing from the date of the beginning of the concession. In addition, in 2007 the Company paid the amount of HRK 1,480,000 the expanded and extended concession.

Based on the Memorandum of Association of 7 November 2012, AUTOCESTA RIJEKA - ZAGREB d.d. founded ARZ - ON d.o.o., which was registered at the Commercial Court of Zagreb on 14 November 2012 under Registration Number: 080814054. In carrying out the restructuring process, the Company has, in accordance with the authorization of the concession contract, entrusted to ARZ-ON d.o.o. provision of regular highway maintenance and toll collection, based on the Contract for the provision of regular highway maintenance services and toll collection from 30 December 2013.

On 27 January 2014, the ARZ-ON d.o.o. General Assembly adopted a Decision to merge ARZ-ON d.o.o. as a related company to the transferee HAC-ONC d.o.o., by which Autocesta Rijeka-Zagreb d.d. gained 27% of the share of the founding capital of HAC-ONC d.o.o. The merger was subsequently registered with the Commercial Court on 31 January 2014.

Based on the decision of the Supervisory Board of the Company dated 22 September 2017, on September 29, 2017, the Company entered into a contract on the transfer of the business share in Croatian Motorway Company maintenance and collection of tolls d.o.o. with the company of Hrvatske autoceste d.o.o., Širolina 4 and a transfer of the business share to the Croatian Motorway d.o.o. for a fee of HRK 44.776.081,21.

AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

After transferring the business share to Hrvatske autoceste d.o.o. the contract for the provision of services for the regular maintenance of the motorway and toll collection has been carried out. Following the procedure of public procurement of the regular maintenance of the highway and the collection based on the approval of the Supervisory Board of the Company, on December 14, 2018, the Agreement on provision of services for the regular maintenance of the highway, toll collection and supervision and traffic management was concluded with Hrvatske autoceste d.o.o. for a period of 4 years.

The number and structure of employees according to professional qualification on 31 December 2018 and 31 December 2017 was as follows:

Structure of qualifications	31 December 2018	31 December 2017
PhD	1	1
Master's degree	3	3
Mag.	20	19
Higher Education	2	0
Highly qualified worker	5	7
Qualified worker	9	8
Total	40	38

1.1. **Company's Bodies**

The Company's bodies are the General Assembly, Supervisory Board and Management Board.

The General Assembly:

The Government of the Republic of Croatia represented by the Minister of Maritime Affairs, Transport and Infrastructure - Mr. Oleg Butković

The Supervisory Board:

Name	Position	Appointed	Relieved of duty
Josip Ostrogović	president	28 August 2017.	
Marko Šoštarić	vice president	28 August 2017.	
Boško Jolić	member - employee representative	23 January 2015.	21 January 2019.

The Management Board:

Name	Position	Appointed	Relieved of duty
Miro Škrđatić	Chairman of the Management Board	01 May 2018.	-
Tomislav Tkalčić	Member of the Management Board	01 July 2018.	-
Josip Šala	Director of the Company	23 July 2015.	30 April 2018.

On 24 April 2018, at the Extraordinary General Assembly of the Company, the Assembly of the Company elected two members of the Supervisory Board of the Company: Josip Ostrogović and Dr. Marko Šoštarić, on the basis of a procedure for electing or appointing members of the Supervisory Board of the Company in accordance with the decision on the conditions and procedure for the election and / or appointment of candidates for members of supervisory boards in companies of strategic and special interest to the Republic of Croatia (Official Gazette, 33/16 and 109/16) for a period of four years.

At its constitutive session held on 27 April 2018, the Supervisory Board of the Company made a decision on the election of the President and Deputy Chairman of the Supervisory Board, so that the Supervisory Board of the Company, on 27 April 2018, has the following structure:

- Josip Ostrogović, President
- doc.dr.sc. Marko Šoštarić, Vice President
- Boško Jolić, član – Employee Representative

The Supervisory Board of the Company at its constitutive session held on 27 April 2018, on a proposal from the Government Conclusions of 14 April 2018 (Class: 080-02 / 18-01 / 46, Reg. No: 50301-15 / 07-18- 02) issued a Decision on the Appointment of Mr. Mire Škrgatić to the President of the Management Board (beginning of the mandate on 1 May 2018) and the term of office of four years.

At the same session of the Supervisory Board, a decision was made on appointing a member of the Management Board of Mr. Tomislav Tkalčić (beginning of the mandate 1 July 2018 and term of office of four years).

II BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

2.1. Compatibility statement and the basis for preparation

The annual financial statements of the Company for 2018 are prepared in accordance with the Accounting Act (Official Gazette 78/15, 134,15, 120/16, 116/18) and the International Financial Reporting Standards ("IFRS") and in accordance with the Ordinance on the structure and content of the annual financial statements (Official Gazette 95/16).

The annual financial statements are compiled by applying basic accounting assumptions of occurrence of an event by which the effects of transactions are noted when they happened and are shown in the financial statements in the correct period as well as by applying the basic accounting assumptions of unlimited conducting of business.

The annual financial statements are presented in Croatian HRKs (HRK). Croatian HRK is the currency of the company and therefore financial statements are presented in that currency. All amounts disclosed in these financial statements are presented in thousands of HRKs ('000 HRK) unless stated otherwise. On 31 December 2018, the official exchange rate of the Croatian HRK against 1 US dollar and 1 euro was HRK 6,47 for 1 USD and HRK 7,42 for 1 EUR (exchange rate on 31 December 2017: 6,27 for 1 USD and 7,51 for 1 EUR).

2.2. Basis for preparation

The annual financial statements are prepared in accordance with International Financial Reporting Standards, International accounting standards and their Interpretations (together: IFRS) established by the European Commission("adopted IFRS")

The annual financial statements are prepared by the historical cost method, modified by the revaluation of financial assets available for sale, and financial assets and liabilities, including derivative financial instruments at fair value through profit or loss.

In preparing the financial statements, the Management Board is required to make decisions, estimates, judgements and assumptions, which influence the amounts recognised in the financial statements.

The most significant judgements by Management Board, which affected the amounts in the financial statements, were estimate of the recoverability of investment in intangible

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concession assets and the estimate of asset impairment. During the calculation of impairment of investment in intangible concession asset. the Company used the following judgements: increase in cash inflow by 1% in 2016-2019, 0% onwards; Increase in cash outflow by 1% 2016-2019 0% onward; and a discount rate of 5.67%.

All amounts are stated in Croatian Kuna and rounded off to the nearest thousand, unless stated otherwise. The foreign exchange rate applied on 31 December 2018 was 1 EUR = HRK 7.42 (31 December 2017: 1 EUR = HRK 7.51).

Future events and their influence cannot be predicted with certainty. Accordingly, accounting estimates require the use of assumptions, which can change depending on experience gained, if new events occur, and in the case of new information and changes in the Company's environment. Therefore, the actual results might differ from the estimates used in the preparation of the financial statements.

The Company's activities are regulated by:

- The Public Roads Act (Official Gazette 84/11, 18/13, 22/13, 54/13, 148/13, 92/14) placing the Public Roads Act out of force;
- Regulation on the protection and maintenance of public roads (Official Gazette 90/14);
- The Law on Concessions (Official Gazette 69/17) placing the Law on Concessions out of force Official Gazette 125/08, 143/12;

In July 2011 a new Public Roads Act entered into force defining the legal status of public roads and categorized roads, the method of use, categorization of public roads, construction and maintenance plans for public roads, management of public roads, measures of protection of public and uncategorized roads and their traffic, concessions, financing and supervision of public roads. Public roads are a public good for general use and neither ownership nor other actual rights over public roads can be acquired on any grounds.

Public roads are constituted from road land, road construction and buildings on the road land ports, traffic signs and devices to control traffic that necessarily expropriated from real estate.

In July 2017, the new Concession Law regulating the procedures for granting concessions, concession contracts, termination of concession, legal protection in concession procedures, concession policies, and other issues related to concessions was introduced.

A concession is the right that is acquired under contract.

In accordance with the Concession Agreement, the right of management over immovables and movables is transferred to the Company, but the Company is obliged to return the motorway once the concession expires to the grantor (the Republic of Croatia) without compensation and in the projected state.

In accordance with the Concession Agreement, the Company has the right to charge a fee for use of the road - Toll from the users, while for the granted concession and the Company is obliged to pay compensation to the Republic of Croatia that corresponds to the amount of the Company's overall profit reduced by the amount that is allocated to the reserves pursuant to a General Assembly decision.

Since public roads are a public good given for the management and the grantor controls or regulates the services, the concessionaire must provide the use of infrastructure, to whom they should they should be provided and at what price, the grantor manages - through ownership, real rights, or otherwise - any significant remaining portion of the infrastructure at

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the end of the concession period. The Concession Agreement has been entered in the accounts in accordance with the interpretation of IFRIC 12.

The Company has prepared its financial statements as follows:

- the value of the concession agreement of HRK 2.152.000 thousand is recorded as intangible assets-concession and equity of the Company;
- the value of the original intangible asset is amortized directly on the capital charge over the life of the concession contract (32 years and 11 months). The Company has commenced operations to consider the need to reduce the share capital and the assets continue to be recognized in the business books as long as the process of reducing the share capital is continued;
- Investments in the construction of new sections are recorded as construction income based on the concession agreement and as increases in intangible assets at the time of release, and are depreciated over the remaining duration of the concession;
- Pursuant to the decision on the expansion of the concession, the value of a one-time fee in the amount of HRK 1.480.000.000 increases construction expenses based on the concession agreement and construction income based on the concession agreement and the Company's intangible assets in the amount of HRK 1.483.700.000 and depreciation is carried out through a prolonged period of the concession agreement (32 years and 11 months);
- All regular and extraordinary costs of investment maintenance, as well as borrowing costs are capitalized as intangible assets;
- All regular and extraordinary costs of current maintenance are charged to expenses in the income statement;
- Movables that by the concession contract belong to the concessionaire and are overtaken by takeover protocol on 1 January 1999, as well as property overtaken by protocol dated 30 August 2007 by Decision on expansion of concession, were recorded in the accounts as other tangible assets and liabilities;
- On 8 April 2003 and 6 November 2003 the Company concluded Contracts on sub concession with the company Petrol trgovina d.o.o. and Tifon d.o.o. for the transfer of rights for financing, construction and management of the secondary facilities on supporting service facilities at Desinec and Ravna Gora, and the ownership rights over facilities.
- On 26 July 2005, the Company concluded a Contract on sub-concession with the company INA d.d. for the transfer of rights for financing, construction and management of the secondary facilities on supporting service facility Vukova Gorica, and the ownership rights over the facilities.
- On 31 January 2006, the Company concluded a Contract on sub-concession with the company OMV Hrvatska for the transfer of rights for financing, construction and management of secondary facilities on supporting service facility at Stupnik (west), and the ownership rights over the facilities.
- On 4 October 2006, the Company concluded Contract on sub-concession with the company Tifon d.o.o. for the transfer of rights for financing, construction and management of the secondary facilities on supporting service facility at Lepenica, and the ownership rights over facilities.
- On 10 February 2007, the Company concluded a Contract on sub-concession with the company INA d.d. for the transfer of rights for financing, construction and management of secondary facilities on supporting service facility at Lepenica, and the ownership rights over the facilities;
- On 23 February 2007 the Company concluded a Contract on sub-concession with the company INA d.d. for the transfer of rights for financing, construction and management of secondary facilities on supporting service facility at Vrbovsko - north, and the ownership rights over the facilities.

- On 23 November 2007, the Company concluded a Contract on sub-concession with the company OMV Hrvatska d.d. for the transfer of rights for financing, construction and management of secondary facilities on supporting service facilities at Rupa (east, west) and Tuhobić, and the ownership rights over the facilities.
- By decision on extending concessions, sub-concessions contracts for the transfer of rights for financing, construction and management of secondary facilities at Vrata Jadrana and Kraljevica, and on the use of land for the infrastructure of mobile networks, water supply pipeline for the Krk bridge and the main gas pipeline Pula - Karlovac were transferred from Hrvatske ceste d.o.o. and Hrvatske autoceste d.o.o.
- On 16 June 2011 the Company concluded Contract on sub-concession with the County Fužine for the transfer of rights for financing, construction and management of the secondary facilities on supporting service facilities at Lepenica - south, and the ownership rights over the facilities.
- On 14 June 2012 the company concluded an agreement on the use of road land for construction of accompanying service facility at Cernik with the company RI-PETROL d.o.o.
- On 30 October 2012 the company concluded an agreement on the use of road land for construction of accompanying service facility at Zamet with the company RI-PETROL d.o.o.

2.3. Key estimates and uncertainty of estimates

During the preparation of the financial statements certain estimates were used that affect the Company's statement of assets and liabilities, revenues and expenses and disclosure of the Company's potential liabilities.

Future events and their effects cannot be predicted with certainty, as such, actual results could differ from those estimated. The estimates used in preparing the financial statements are subject to change as new events occur, additional experience is acquired, additional information and insights is obtained and changes occur to the environment in which the Company operates.

The key estimates used in applying accounting policies in preparing the financial statements relate to the depreciation of intangible and tangible assets, decrease in value of assets, impairment of inventories, impairment of receivables and provisions, and disclosure of potential liabilities.

III SUMMARY OF ACCOUNTING POLICIES

3.1. Changes in accounting policies

Adoption of New and Revised International Financial Reporting Standards

Standards and Interpretations effective for the current period

The following standards, amendments to existing standards and interpretations, which are issued by the International Accounting Standards Board and adopted for implementation in the EU and are in effect for the current period, are the following:

- ***FRS 9 Financial Instruments: Classification and Measurement 9***

The standard is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Final version of IFRS 9 Financial instruments reflects all phases of the project on financial instruments and modifies IAS 39 Financial instruments: Recognition and measurement as well as all other previous versions of IFRS 9. This

standard introduces new requirements concerning classification and measurement, value reduction and accounting protection.

In accordance with the above standard, the accounting method of recognition and measurement of financial instruments is defined, and the current method of determining the amount of required provisions for impairment of financial instruments, including receivables, is changed.

Given the capability of the standard, the first-time effect of IFRS 9 is reported in the business books as at 1 January 2018 as a correction of initial balances that has an impact on the retained results of the previous periods, without any adjustments to the terms of previous periods.

Provisions for impairment according to IFRS 9 have been determined by applying a simplified approach to receivables without significant financial components.

Impairment loss is measured as the expected credit loss over the entire life of the instrument using the matrix for bookings at rates applied to the group of financial assets.

Financial assets are grouped on receivables from legal and physical entities.

The impairment rates are determined based on the historical credit loss experience, adjusted to the expected information.

Given the past experience, claims that have not been paid for in over a year usually represent ultimate loss. The same experience applies to legal and physical entities.

The percentage of provisions for each group of unpaid receivables by maturity (up to 30 days, from 31 to 90, from 91 to 180, from 181 to 360, over 361 days) was determined as the ratio of total annual loss - write off of 360 receivables over the unpaid amount by specified maturity categories.

Since the release of reservations was made in 2017, the amount of annual write-down of HRK 424.462,20 was used to calculate the reduction rate. For 2018, the net annual write-off amount of HRK 397.333,42 was used, with receivables older than 361 days in the amount of 100%.

As all receivables are short-term, it is estimated that the expected macroeconomic trends and the employment rate will not have a significant impact on the historically established loss rates.

• **Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts: (Amendments to IFRS 4)**

The overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date.

Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

The adoption of these amendments and amendments to the standard did not significantly affect the financial statements of the Company.

- **IFRS 15 Revenue from Contracts with Customers**

The standard is effective for annual periods beginning on or after 1 January 2018. Within the standard a five-step model framework is introduced to be applied to income achieved based on contracts with customers (with limited exceptions), regardless of the type of income transaction or industry. Standard requirements will also apply to recognition and measurement of gains and losses from sale of some non-financial assets that are not part of Company's regular activities (sale of property, plant and equipment or intangible assets). Extensive disclosures will be requested, including also disaggregation of total revenue; information on performance; changes in the amounts of the contracted assets and liabilities between the period and the key evaluation and audit. Adoption of this changes did not have significant impact on financial statements of the Company.

- **IFRS 15 Revenue from Contracts with Customers (clarification)**

The Clarification is in effect for the annual periods beginning on or after January 1, 2018, with earlier implementation permitted. The purpose of the Clarification is to clarify the purpose of the Board when defining the requirements of IFRS 15 Revenues From Contracts with Customers, in particular accounting treatment of identified performance obligations by supplementing the definition of a "separately recognizable" principle, application guidance on principal versus agent considerations including an assessment of whether the Company is principal or agent in the transaction as well as application of access control and licensing by providing additional instructions for accounting for intellectual property and royalties. Clarification also provides additional practical expedients for companies applying IFRS 15 using a fully retrospective approach or for those who opt for the use of a modified retroactive approach.

- **IFRIC INTERPRETATION 22: Foreign Currency Transactions and Advance Consideration**

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

- **Amendments to IAS 40: Transfer of investment properties**

The Amendments are effective for annual periods beginning on or after 1 January 2018. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

- **Amendments to the IFRS 2: Classification and measurement of share based payment transactions**

The Amendments are in effect for the annual periods beginning on or after January 1, 2018, with earlier implementation permitted. Amendments have defined the accounting treatment of the impact of performance and non-performance measures on cash-settled share-based payments, share-based payments with the option of net settlement of a withholding tax liability and changes in share-based payment conditions that change the transaction's classification from the one settled in cash to the one settled by equity instruments.

- **The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. The overview of IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle is presented below:
 - **IFRS 1 First-time Adoption of International Financial Reporting Standards:** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
 - **IAS 28 Investments in Associates and Joint Ventures:** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

At the date of authorization of these financial statements the following standards, revisions and interpretations were in issue but not yet effective:

- **IFRS 17: Insurance contracts**

The standard is effective for annual periods beginning on or after 1 January 2021. Earlier application is permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. This Interpretation has not yet been endorsed by the European Union.

- **IFRIC 23: Uncertainty over Income Tax Treatments**

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. This Interpretation has not yet been endorsed by the European Union.

- **Prepayment Features with Negative Compensation (Amendments to IFRS 9)**

The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

- **Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)**

The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. These Amendments have not yet been endorsed by the European Union.

- **The IASB has issued the Annual Improvements to IFRS Standards 2015–2017 Cycle, which** is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019.

These annual improvements have not yet been endorsed by the European Union. The overview of the Annual Improvements to IFRSs 2015 – 2017 Cycle issued by the IASB is presented below:

- **IFRS 3 and IFRS 11:** *The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.*
- **IAS 12:** *The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.*
- **IAS 23:** *The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.*

- **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)**

The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendments are in cases when plan amendment, curtailment or settlement occurs, it is then mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

- **Amendments to References to the Conceptual Framework in IFRS Standards**

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

- **IFRS 3: Definition of a Business (Amendments to IFRS 3)**

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted, these amendments are not yet been endorsed by the European Union.

These amendments clarify;

- that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

• **AS 1, IAS 8: Definition of Material (Amendments to IAS 1 and IAS 8)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. The amendments clarifies the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

The Management Board of the Company provides that the application of these standards, amendments and interpretations, with the exception of IFRS 16 as stated above, will have no material impact on the Company's financial statements for the period of their first application.

3.2. Recognition of income

Income consists of fair value of income or receivables received for products or services sold during the Company's regular operating activities. Income is stated to the amount less Value Added Tax, estimated return, rebate and discounts.

The company recognises income when it can be reliably measured and when the Company will gain some economic benefit and when all specific criteria of the Company's activities are met.

a) *Income from services based on concession agreement*

Construction and reconstruction services

The Company is obliged to calculate income and expenses relating to construction and reconstruction services in accordance with IAS 11 Accounting for Construction Contracts. Income from construction and reconstruction services are recognised pursuant to concession agreements and are recognised using the method of completed works.

Maintenance services – income from road tolls

Income from maintenance services pursuant to the concession agreement are recognised in the period when the services are rendered.

Pursuant to Article 7 of the Concession Agreement, the Company has the right to collect payments for the use of roads – tolls from users in the manner and amount defined under Concession Agreement.

Income from road tolls represent the Company's own income, collected from customers on public roads increased by Value Added Tax (VAT) and serve to cover maintenance costs in the broader sense, to cover operating, financial and extraordinary costs and depreciation of public roads in the amount of the Company's total income.

When the Company offers services pursuant to a concession agreement, income is allocated in relation to the fair value of the service rendered when that amount can be reliably identified.

b) *Interest income*

Income generated from receivables from business relations is stated in financial income. Interest income is considered to be generated on the day of the contracted gaining the right to interest and is stated as calculated income until the balance sheet date. Default interest is stated in financial income at the time of payment.

3.3. Operating expenses

Expenses are recognised based on direct relations between costs that have arisen Pursuant to the above, operating expenses represent all expenditure with regard to invoiced income for services provided or goods delivered.

3.4. Maintenance costs

Expenditure for maintenance of tangible assets relates to the reconstruction and maintenance of future economic benefit that can be expected from the originally estimated useful life of an individual asset. These expenses are recognised as an expense in the period they are incurred

3.5. Borrowing costs – interest costs

Borrowing costs that can be directly attributed to the acquisition, construction or production of a qualified asset, i.e. intangible asset pursuant to a concession agreement and that necessarily takes a substantial period of time to get ready for its intended use or sale are included in the cost of acquisition until such time that the asset is significantly ready for its intended use or sale. Other borrowing costs are recognised as an expense

3.6. Transactions in foreign currencies

Transactions in foreign currencies are initially translated into HRK at the exchange rate at the date of the transaction. Financial assets and liabilities stated in foreign currencies are translated on the date of the balance sheet at the Croatian National Bank medium exchange rate ruling on that date. Gains and losses resulting from translation are included in the statement of comprehensive income as net profit or loss for the period

3.7. Taxation

Corporate income tax is the cumulative amount of current tax liabilities and deferred tax.

a) Current tax liability

Current tax liability is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's current tax liability is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Tax losses can be used over the following five years commencing with the year in which they arise.

b) Deferred tax

Deferred tax is calculated with the use of the liability method and represents tax effects on all significant temporary differences between the tax bases, assets and liabilities and the amount expressed in the financial statements and amounts used to calculate corporate income tax. Deferred tax is calculated using tax rates that are expected will be in force for the period when the liabilities are likely to be settled or funds will be made available pursuant to tax legislation that is in force or in the process of being enacted by the balance sheet date. Calculation of deferred tax liabilities and deferred tax assets reflects possible tax effects that the Company expects could emerge on the balance sheet date, returns or settling the carrying amount of assets and liabilities. Deferred tax assets and liabilities are not

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discounted or allocated as non-current assets and liabilities in the balance sheet. Deferred tax is recognised when it is likely that sufficient tax income will be available in relation to useable deferred tax.

The Company's tax returns are subject to inspection by the relevant administration. As various interpretations are possible of several tax laws, the amounts stated in the financial statements may be subject to change depending on decisions by the relevant tax administration.

3.8. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization and / or accumulated impairment losses, and it is recognized if it is probable that future economic benefits attributable to property flow to the Company and if the cost of asset acquisition can be reliable to determine.

The cost of an item comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to its working condition and for its intended use.

Subsequent expenditure relating to an item of tangible fixed assets that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and respective depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement, if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in the income statement as incurred.

Carrying amount of expected expenses from assets write-off after it was put in use is included in the expense of the same asset, if the conditions of recognizing the expense have been met.

Land on which the new section was built is not recorded in the ledgers, as the repurchased land is expropriated, which is subsequently settled to the Company by the Republic of Croatia, Ministry of Finance.

Movables that by the concession agreement belong to the concessionaire, that were overtaken by takeover pursuant to protocol of 1 January 1999, as well as property overtaken pursuant to protocol dated 30 August 2007, in accordance with the Decision on the expansion of the concession are recorded in the accounts as other tangible assets and liabilities.

Purchase of new equipment (tangible assets) is recorded as property and accrued depreciation is recorded as an expense.

Depreciation is calculated by deducting the purchase value of the assets, except land and investments in progress, on a straight-line method over the estimated useful life of the assets as follows:

DESCRIPTION	2018	2017
	Useful life	Useful life
Buildings	40 years	40 years
Equipment	4-10 years	4-10 years
Equipment EU Life Bear project	project duration (5 years)	project duration (5 years)
Other tangible assets	10 years	10 years

Depreciation is calculated separately for each item of assets until it is fully depreciated.

An item of property, plant and equipment and any significant part initially recognised is no longer recognised upon disposal or when no future economic benefits are expected from its use or disposal.

Any gains or losses from disposal of a certain asset are determined as the difference between the sales revenue and the carrying amount of that asset and are recognised as an expense or income in the income statement.

Other residual values of assets, useful lives and methods of depreciation are reviewed at the end of each financial year and of appropriate, and adjusted if necessary.

3.9. Intangible assets

Intangible assets refer to investments into licenses, concessions, registered trademarks, leasehold assets, expenses for project documentation, feasibility studies, etc.

Intangible assets acquired during the year are reported at cost less accumulated impairment losses. Cost includes the purchase price and directly associated cost of bringing the intangible asset to a working condition for its intended use.

Intangible assets under the concession contract

Pursuant to the Concession Contract, the Company acquired exclusive rights on development, projection, financing, construction, managing and maintaining of motorways and all related objects, existing motorways and existing related objects (Rijeka-Zagreb Motorway) for the period of 32 years and 11 months. The ownership of the motorway remains with the Concession Provider and it retains significant control over the motorway.

The operator shall recognise an intangible asset to the extent that it receives rights (license) to charge users of the public service. The right to charge users of the public service is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service.

The consideration received or receivables for both components shall be recognized initially at the fair value of the consideration received or receivable.

Based on an analyses performed and IFRIC Interpretation 12, the Company recognised its concession as an intangible asset since final users are paying for the service. According to Concession Agreement, the Company does not have rights to the additional payments during the construction period (payments will be recovered from tolls collected during the maintenance period). For the purpose of correct revenue allocation in accordance with IAS 11 during the both periods, it was decided that a 0.25% margin covers the financing margin of borrowed funds.

Any trade discounts and rebates are deducted from the cost. After initial recognition, the concession is carried at its cost less any accumulated depreciation and any accumulated impairment losses

Intangible assets entered in the stock capital at the foundation

The management of public roads taken over pursuant to the concession agreement at the time the Company was founded are not recorded as assets in the Company's ledgers but are recorded as intangible assets.

Assets under construction are also stated as intangible assets and are valued at cost increased by fees for professional services, qualified assets, and borrowing costs in accordance with the Company's accounting policies. Depreciation of intangible assets is calculated once the asset is ready for its intended use.

Investment in construction of new sections is recorded in the Company's ledger as an increase in assets at the moment when the assets are ready for their intended use and are depreciated over the remaining duration of the concession.

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Useful lives of intangible assets are as follows:

O P I S	2018	2017
Depreciation recognized in the income statement	Useful life	Useful life
Intangible assets	Remaining concession period (concession duration 32 years and 11 months)	Remaining concession period (concession duration 32 years and 11 months)
Other intangible assets	5 years	5 years

The carrying value of intangible assets is no longer recognised at the time of disposal or when no future economic benefits are expected from the use or disposal of these assets. Gains or losses arising from derecognition of an intangible asset are included in profit or loss for the period in which the derecognition occurred and are classified as revenue for difference between the net receivable from the disposal and the carrying value of assets.

3.10. Inventories

Inventories are stated at the lower of cost and net realisable value. Inventory of raw material and material, spare parts, small inventory, packaging and car-tyres are stated at the actual value that comprise the supplier's invoicing value increased by all related acquisition costs (customs fees, taxes, transportation costs and all other costs that may be attributed to procurement) by applying the weighted average cost method. Commercial discounts and similar items are deducted when determining the purchase cost.

Minor inventory includes tools, operative and office inventory and similar work equipment with useful lives up to one year and items, which are not considered as non-current assets. Expenditure, i.e. putting minor inventory in use, car tyres and spare parts are included in costs and expensed immediately.

The cost of inventories is measured by applying the weighted average price method.

After the sale, the Company recognises the carrying value of inventories as an expense in the period in which relative income is recognised. In addition, the amount of any write-off of inventories to the net marketable value, and all shortages in inventories are recognised as an expense in the period of write-off or occurrence of the shortage. The amount of any reversal of inventory write-off because of an increase in net marketable value is recognised as a decrease in the impairment of the inventories in the period in which the reversal occurred.

3.11. Current receivables

Current receivables represent receivables up to one year and include trade receivables, receivables from employees, State and other receivables. The mentioned assets are stated at their nominal value. Impairment of receivables is recognised in the period where there is reasonable doubt of collection

Receivables from customers and other receivables are initially recognized at the transaction price and subsequently recognized at amortized cost using the effective interest rate method, less any adjustment.

The Company measures the loss for its receivables from customers in the amount of expected credit losses expected during the life of the financial instrument. The amount of expected loan losses at the reporting date is recognized in the income statement as a loss on the impairment or the reversal of the impairment loss.

Receivables from customers and other receivables are written off (in whole or in part) when there is no reasonable expectation of reimbursement.

Expected credit losses represent the weighted probability of estimated credit losses (ie the present value of all unpaid cash transactions) over the expected life expectancy of customers. Expected credit losses from customer receivables are calculated using the provision matrix.

Trade receivables are classified according to the common risk characteristics that are representative of the ability of the buyer to pay all due amounts in accordance with the contractual terms.

The reserve matrix is determined on the basis of historically established non-payment rates over the expected life expectancy of customers and adjusts to future-related estimates.

3.12. Current financial assets

Current financial assets contain contractual rights to exchange financial instruments or cash with other legal entities or persons under conditions that are potentially convenient. Forms of contractual rights, such as given deposits, which give the right over financial assets, are stated in the statement on the financial position as part of current assets. The stated assets are classified as loans and receivables and measured by applying effective interest method.

At initial recognition, financial assets are classified and measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

Financial assets are measured at amortized cost if they are not measured at fair value through profit or loss and if they meet the following two conditions:

- assets are held within a business model whose object is to hold assets for the purpose of collecting contractual cash flows, and
- the contractual terms of a financial asset at certain dates assume cash flows that represent principal and interest payments on outstanding principal.

In the case of initial recognition of an investment, in the case of an asset that is not held for trading, the Company may irrevocably decide to present subsequent changes in fair value in other comprehensive income. This decision is implemented on the basis of each investment individually.

Financial assets held for trading or managed and whose performance is estimated at fair value is measured at fair value through profit or loss as it is not held for the purpose of collecting contractual cash flows or for collecting contractual cash flows and for selling financial assets property.

At initial recognition of a venture, the Company may irrevocably determine the financial assets that otherwise meet the measurement requirements at amortized cost or at fair value through other comprehensive income at fair value through profit or loss if this eliminates or significantly reduces accounting mismatch which would otherwise have arisen.

All other financial assets are classified as assets measured at fair value through profit or loss.

3.13. Investments in joint arrangements

The Company together with HAC d.o.o. had joint control over the company HAC-ONC d.o.o. This investment in a joint venture is accounted for by applying the equity method. Society as a Transporter and Society HAC d.o.o. as the acquirer, on 29 September 2017, entered a contract on the transfer of the holding in the company HAC ONC d.o.o. Core capital HAC ONC d.o.o. consisted of two shares: ARZ business share 27% d.d. and the HAC of 73%.

Pursuant to the aforementioned Agreement, and based on the Elaborate Evaluation of fair market value of HAC-ONC d.o.o. and the Fair Market Value of the Company's Minority Shareholder's Ownership as a Holder, made by independent assessors, the HAC has purchased from the Company a business share for a fee of 44.776.081 HRK.

Consequently, the transfer of ARZ's business share d.d. at HAC d.o.o. which is HAC d.o.o. He has become a holder of all shares in HAC ONC, or a 100% owner.

Prepaid costs relate to accrued and unpaid bank charges paid for the period of lending to commercial banks that finance the construction of public roads and on state guarantee fees for loans issued by the same commercial banks to the Company by the Republic of Croatia. Prepaid costs are derecognised in accordance with IAS 39, as they relate to the entire financing period.

3.14. Impairment

The net book value of the Company's assets is reviewed on each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. An Impairment loss is recognised in the income statement in all cases when the net book value is greater than their recoverable amount.

The recoverable amount of the Company's receivables is calculated as the current value of expected future cash receipts and expenses, discounted at the effective interest rate that matches the type of property

3.15. Cash and cash equivalents

Cash and cash equivalents comprise cash and bank deposits and are recorded in the statement of financial position. The carrying amounts of cash and cash equivalents generally approximate their fair values. For the purpose of reporting on cash flows, cash and cash equivalents include cash and bank accounts with maturity up to three months.

3.16. Prepayment and accrued income

Prepayments relate to accrued undue bank charges paid to commercial banks that financed the construction of public roads for the period of loaning, and to fees for the state guarantees for loans from the same banks that are issued to the Company by the Republic of Croatia. Prepayments are deferred in accordance with IAS 39, as they relate to the whole period of financing.

3.17. Non-current provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) because of a past event, when 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 of the amount of the obligation. Provisions are reviewed at each balance sheet date, and adjusted with an estimate based on current best knowledge. The amount of provisions are determined by discounting expected future cash flows using a pre-tax discount rate that reflects current market assessments of time value of money and, where appropriate, the risks specific to the liability. In the event when the Company expects

compensation for the amount, which is reserved, such compensation is recognised as a separate item of property, but only when such compensation becomes truly certain.

3.18. Non-current liabilities and current liabilities

The Company's liabilities are classified as short-term liabilities, when they are expected to be settled within the current business cycle and when the due date falls within twelve months from the balance sheet date. All other liabilities are classified as non-current liabilities.

All loans and borrowings are initially recognised at cost, being the fair value of the received items. After initial recognition, interest-bearing loans and borrowings are subsequently measured at depreciated cost using the effective interest method less impairment.

3.19. Leases

The Company as a lessee: Rent in which the lessee substantially retains all the risks and rewards of property ownership are classified as business leases. Operating lease payments are recognized as an expense in the income statement using the straight-line method over the lease term..

The Company as a lessor: leases where the Company does not substantially transfer all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.20. Trade payables

Trade payables are stated at their nominal amount.

3.21. Government subsidies

Government subsidies associated with assets, including support based on the takeover of debts by the State, are recorded in the statement of financial position as non-current liabilities.

Subsidies received as irreversible support from the State are recognised in the income statement over the period of use of funds that are depreciated using the decreased depreciation cost.

Subsidies received through overtake of debts by the owner are recognized as an increase in income over the useful lives of the assets financed by these loans.

3.22. Employee benefits

Defined contribution schemes

For defined contribution, schemes the Company pays contributions to publicly or privately managed insurance pension funds on a compulsory, contractual or voluntary basis. Once the defined contribution is paid, the Company has no further obligations. Regularly defined contributions include the net periodic costs for the related year and are included in employee costs

Other employee benefits

The expected cost of other benefits after termination of employment and jubilee awards are calculated during employment, estimating the amount of future benefit that employees earned as a refund for services rendered in the current and previous periods. Benefits are discounted to determine their present value. The discount rate is similar to the interest rate on government bonds for which the due date and terms are agreed in

accordance with the due date and estimated terms of the benefit obligation. Costs associated with jubilee awards and retirement benefits are charged to employee expenditure. Valuation of these obligations is carried out annually.

Severance payments

Severance payment liability arises when employment is terminated before the normal retirement date or when an employee accepts voluntary retirement in lieu of severance payments.

3.23. Subsequent events after the reporting period

Subsequent events, which provide additional information on the position of the Company on the balance sheet date (events that result in adjustments), are stated in the financial statements. Events, which do not result in impairment but are of material value, are stated in the Notes to the financial statements.

3.24. Environment protection policies

The Company's environment protection policy is that its employees are constantly made aware of environment protection and that they ensure a constant contribution to its protection and improvement as well as to their working environment.

3.25. Comparative data

Comparative data is reclassified to be comparable with the current year. There was no significant reclassification made during the year.

3.26. Non-current assets held for sale

The Company classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. A non-current asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs of sale and is no longer depreciated. Impairment losses on initial classification as held for sale are included in the income statement, as well as gains and losses on subsequent measurement.

NOTES TO STATEMENT OF COMPREHENSIVE INCOME

4. Income from tolls

DESCRIPTION	2018	2017
	HRK'000	HRK'000
Tolls paid In cash	261.139	259.824
Tolls paid in foreign currency	34.288	35.160
Tolls paid by credit cards	101.851	92.054
Tolls paid by statements	270	213
Tolls paid by Smart cards	2.742	2.693
Tolls paid by ENC	250.858	236.975
Income from HAC	461	258
Other income from tolls	5.623	4.106
Total	657.232	631.283

Tolls are charged in accordance with Art. 8 of the Concession Agreement dated June 1998. The Management Board regulates the amount of tolls in accordance with the fees prescribed by the Minister responsible for motorways and toll facilities, and depending on the type, length, and the importance thereof. The competent Minister gives the approval of a management decision on the amount of tolls.

Net income (expenses) from concessionaire is realised in accordance with the Agreement on toll collection on toll plazas and debt clearance dated 4 June 2004, as well as their relevant appendices, concluded with Hrvatske autoceste d.o.o. Zagreb for allocation of income realised from tolls.

5. Construction income based on concession agreement

Construction income based on the concession agreement stated in the income statement for 2018 in the amount of HRK 425.384 thousand (2016: HRK 4.229 thousand) is the result of accounting entries recorded in accordance with IFRIC 12 Interpretation - Service concession arrangement

In accordance with International Standard 36 Impairment of Assets, the Company is required annually to test the impairment test of tangible and intangible assets in order to determine whether the carrying amount of the stated asset is stated in the Company's books higher than its value in use.

The value in use is determined by discounting the future cash flows generated by the said asset.

Using this method, it was determined that the discounted value of total future cash flows as at 31 December 2018, for the purpose of further increase in toll revenues during 2018, was by HK 676.514.541 higher than the net book value of concessionary assets in books or 545.104.148 HRK after updating the model with closing numbers from the final balance sheet (which includes the impairment of the concession property acquired in the establishment of the company, the concessionary property on the basis of the extension and the concessionary property created by the construction of parts of the Rijeka - Zagreb motorway, to 2007), and also suggests that the amount of residual impairment can be partially eliminated.

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Therefore, due to the results achieved in 2018 and because of the planned result for 2019 and the projections based on that, the noted impairment have been retained or corrected in the following amounts:

- the impairment of the value of the concessionary assets based on the expense for the extension and construction costs of Rijeka's bypasses in the amount of HRK 1.458.700.000 at 31 December 2018 is retained in the same carrying amount,
- the impairment of the value of the concessionary property arising from the construction of the Rijeka - Zagreb Motorway in the amount of HRK 1.425.000.000 at 31 December 2018 is adjusted for the amount of HRK 1.425.000.000 and will then amount to HRK 1.000.000.000 at 31 December 2018

By applying the impairment test for concessional property based on the expense for the expansion and construction costs of the Rijeka Bypass in 2016, conditions for partial reversal of the impairment were obtained. In this regard, it was reversed HRK 180.500.000 of the concession compensation fee paid for the extension of the Bypass. Expectations in 2018 and projections for 2019 and future periods show that the reduction could be partially reversed up to the amount of HRK 61.740.253.

The management of the Company has not performed the reversal of impairment because it is not possible to confirm the projections of future periods with complete certainty.

By the implementation of the impairment test of the concession property arising from the construction of the Rijeka-Zagreb highway was reversed in 2016, when the projections of increased revenues and their impact on future cash flows could be confirmed with the certainty. In this respect, for the purpose of reversal of the impairment of the value of the concession property of the Construction of Autoceste Rijeka - Zagreb was reversed HRK 819.500.000. Due to the achievement of the results in 2018, better than expected, and based on projections for 2019 and future periods, the present value of future expected cash flows is by HRK 614.774.287 higher than book value, i.e. HRK 483.363.895 after updating the data with the final balance sheet.

Therefore, the Management Board, guided by the principle of prudence and due to the significant impact of the slight shift in projections on the total value of the discounted cash flows, brought the decision to partially revers the impairment of the concession property, created by the construction of the Rijeka - Zagreb motorway in the amount of HRK 425.000.000, after that the impairment of this concession property amounts to HRK 1.000.000.000.

The reversal of the previously recognized impairment (in accordance with paragraphs 109 to 116 of IAS 36) is carried out if there are obvious indicators that the impairment is no longer available or that the changed market conditions will have a positive impact on the entity. Likewise, the change in market conditions affects the abolition of impairment only if positive effects are expected.

Point 111.c stipulates that the reduction in interest rates will affect the abolition of the impairment only if these reductions are expected to affect the discount rate used in the calculation of the value of the asset in use, which in this case is a rate of 5.65% as determined when setting the model. This rate corresponds to a custom WACC rate that excludes the expected return of shareholders as it is the country as the owner. WACC in 2018 amounts to about 3%, but needs to be adjusted, to increase the risk due to the negative amount of capital, which reaches the level of about 5%.

This is also supported by the assumption that, despite the fact that the Company has been able to refinance loans at lower interest rates and that market rates are still relatively low, in

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the event of further borrowing, it would not be possible to fix interest rates at such a low level which debt is extended by EIB loan to the period after the concession period expires.

Furthermore, IAS 36, paragraph 117, provides that the abolition of impairment losses may be carried out only to the amount of net book value that would have been determined that the impairment was not recognized.

As a result of the impairment test for 2018, amount of HRK 425.000 thousand was cancelled, bringing the value of the concession asset to HRK 3.410.003 thousand, that represents estimated recoverable value of the concession, given the variability of the parameters in the projections, while the same for the part of the concession property created by construction, on 31 December 2018. amounts to a maximum of HRK 3.629.559 thousand.

6. Other operating income

DESCRIPTION	2018	2017
	HRK'000	HRK'000
Fee for sub-concession	26.498	29.490
Income from state subsidies (public debt)	31.211	31.211
Income from remuneration based on the concession agreement	22.433	19.702
Income from reversal of provisions	2.203	2.879
Income from collection of damages	2.113	2.263
Other non-specified operating income	5.931	6.010
Total	90.389	91.555

The sub-concession fee stated in the amount of HRK 26.498 thousand for 2018 (2017: HRK 29.490 thousand) resulted from cession of rights of concession to sub-concessionaires for the construction of secondary facilities (shops, office buildings, buildings, gas stations, restaurants, parking lots, billboards, recreation parks and other facilities along public roads in accordance with Art. 25 of the Concession Agreement). Sub-concession rights last as long as the rights of concession.

Pursuant to the Concession Agreement liabilities defined by the Republic of Croatia as the grantor of the concession, budget funds for 2018 were allocated to settle obligations defined by the Concession Agreement to settle maintenance costs for the Rijeka ring road, costs of acquiring expropriated land and buildings; preparation of design and technical specifications and administrative procedures to co-finance bridge tolls on the Krk bridge for legal and physical persons as defined by the Decision on Temporary Financing to the company Autocesta Rijeka-Zagreb d.d. for 2018 and the Decision on Amending the Decision on allocation of budgetary funds to the Autocesta Rijeka-Zagreb d.d. for 2018 as of 17 December 2018. Based on the amendment of the Minister's decision, HRK 49.489 thousand was withdrawn from the state budget.

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7. Material costs

DESCRIPTION	2018	2017
	HRK'000	HRK'000
Used raw material and material	468	335
Costs of goods sold	959	1.214
Other external costs	219.479	194.261
Total	220.906	195.810

Other external expenses are the following:

DESCRIPTION	2018	2017
	HRK'000	HRK'000
Transportation services	35	9
Postage	245	207
Current maintenance	137	1.243
Other extraordinary maintenance	55.161	27.533
Rental services	1.058	1.080
Utility services	120	89
Toll collection and maintenance services ARZ-ON	162.204	163.607
Other services	519	493
Total	219.479	194.261

On 15 September 2014, Autocesta Rijeka-Zagreb d.d., entered into a contract for the provision of regular motorway maintenance and toll collection (Contract) with Hrvatske autoceste - održavanje i naplata cestarine d.o.o. (HAC ONC) in which the Company was a member of the HAC ONC Society, with the date of expiry of the contract on 14 September 2018.

As part of the Business and Financial Restructuring of the Road Sector, the Government of the Republic of Croatia has confirmed its intention to merge Hrvatske autoceste d.o.o. (HAC) and HAC-ONC with the transmission of operational tasks (regular maintenance of highway and toll collection) of ARZ to HAC by delegating responsibility (on 16 March 2017). The Government of the Republic of Croatia adopted the Decision on Accepting the Text of Business and Financial Restructuring of Road sector), which happened on 1 December 2017, and the provider of contracted services to ARZ became the HAC.

On June 4, 2018, the Company made an agreement with the HAC, as the legal successor of HAC ONC, i.e. Annex I of the Agreement on provision of regular maintenance services and toll collection, which was supplemented by certain nomenclature and others for content / nature itself, are not so important parts of the contract. On 14 September 2018, Annex II of the Agreement for the provision of regular maintenance and toll collection service was concluded until 14 December 2018, with the monthly fee corrected by HRK 389 thousand. After the negotiated procurement procedure was completed on 14 December 2018, a contract for the provision of regular highway maintenance services, toll collection and supervision and traffic management with the Hrvatske autoceste d.o.o. for an annual fee of HRK 155.498 thousand for 2019.

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8. Employee costs

DESCRIPTION	2018	2017
	HRK'000	HRK'000
Net wages	5.787	5.397
Contributions from and to salaries, and salaries	4.735	4.209
Ukupno	10.522	9.606

9. Amortizacija

Amortization for 2018 amounts to HRK 280.535 thousand (2017: HRK 282.033 thousand).

10. Other expenses

DESCRIPTION	2018	2017
	HRK'000	HRK'000
Material rights and travel costs	534	204
Costs of employee commuting	184	162
Intellectual services	2.223	1.840
Insurance premiums	1.399	1.355
Environment protection costs	0	0
Remuneration for key staff	305	216
Taxes and contributions independent of results	623	408
Bank fees	21.267	13.041
Non-written off value of alienated property, plant and equipment	1.146	1.468
Donations and sponsoring	77	22
Write off of aged unadjusted receivables	474	1.420
Entertainment	89	27
Other non-specified expenses	2.309	2.323
Total	30.630	22.486

In 2018, as part of the financial restructuring of the road sector, the Company refinanced two existing loans in the amount of EUR 202.025.000, the deviation of bank fees and commissions compared to 2017 resulted from one-time recognition of prepayment for early repayment of loans under the financial restructuring public debt. Within the scope of intellectual services, audit services amounted to HRK 87 thousand for 2018.

11. Value adjustment of current assets

DESCRIPTION	2018	2017
	HRK'000	HRK'000
Impairment of trade receivables	893	425
Adaptation to IFRS 9	(73)	0
Total	820	425

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Provisions for value adjustment according to IFRS 9 have been determined by applying a simplified approach to receivables without significant financial components. Impairment loss is measured as the expected credit loss over the entire life of the instrument using the matrix for bookings at rates applied to the group of financial assets.

Financial assets are grouped into receivables from legal and physical entities. The impairment rates are determined based on the historical credit loss experience, adjusted to the expected information.

Given the past experience claims that have not been paid for more than a year usually represent final loss. The same experience applies to legal and physical entities.

The percentage of provisions for each group of unpaid claims by maturity (up to 30 days, from 31 to 90, from 91 to 180, from 181 to 360, over 361 days) is determined as the ratio of total annual loss – write-off of receivable above 360 days in relation the unpaid amount by before mentioned maturity category.

Since the release of impairment was made in 2017, the amount of annual write-off of HRK 424 was used to calculate the reduction rate. For the year 2018, the net amount of annual write-offs amounted to HRK 397 thousand, taking into consideration that receivables older than 361 days are written-off in the amount of 100%.

Since all receivables are short-term, it is estimated that the expected macroeconomic trends and the employment rate will not have a significant impact on the historically established loss rates.

12. Provisions

DESCRIPTION	2018	2017
	HRK'000	HRK'000
Provisions for severance payments	26	0
Provisions for jubilee awards	14	23
Provisions for unused annual vacations	56	0
Provisions for court disputes	1.926	340
Total	2.022	363

Provisions during the year 2018 are shown below:

DESCRIPTION	Provisions for severance payments	Provisions for jubilee awards	Provisions for unused annual vacations	Provisions for court disputes	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
01 Jan 2018	2.318	985	420	9.470	13.193
Reversal of provisions	0	0	0	(42)	(42)
Amount used	(209)	(247)	0	0	(456)
New provisions	26	14	56	0	96
31 Dec 2018	2.135	752	476	9.428	12.791

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13. Construction expenses based on concession agreement

Construction expenses based on the concession agreement stated in the income statement for 2018 in the amount of HRK 383 thousand (2017: HRK 4.219 thousand) are the result of accounting entries recorded in accordance with IFRIC 12 Interpretation - Service concession arrangements.

14. Financial income

DESCRIPTION	2018	2017
	HRK'000	HRK'000
Interest income	215	314
Exchange rate gains	74.498	40.359
Income from the sale of shares	0	14.206
Total	74.713	54.879

Determination of the fair market value of the capital of the Hrvatske autoceste-održavanje i naplata cestarine d.o.o. (HAC-ONC), was implemented by applying a dynamic approach to a discount method by discounting free cash flows. This method establishes fair market value of HAC-ONC's equity capital. Based on the estimated fair market value, the value of the minority business share of the Autocesta Rijeka-Zagreb d.d. in the amount of HRK 44.776 thousand. The differences between the sale price and the value of shares in the Company's business books are recognized as income from the sale of the business unit.

15. Financial expenses

DESCRIPTION	2018	2017
	HRK'000	HRK'000
Interest expenses	61.690	92.627
Total	61.690	92.627

Interest expenses accrued in 2018 and 2017 relate to non-current loan interest.

16. Expenses form equity method

By investing into joint arrangements, the Company made expenses in the year 2017 in the amount of HRK 355 thousand.

17. Corporate income tax

The Company is subject to corporate income tax on its taxable profits in Croatia. Income tax is recorded based on estimated taxable income in accordance with the fiscal laws prevailing in Croatia.

Reconciliation between accounting profit / (loss) and tax expense is given below:

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DESCRIPTION	2018 HRK'000	2017 HRK'000
Profit for the year before taxation	640.210	174.021
Total increased loss /decreased profit	640.210	2.012
Loss after increase and decrease	0	176.033
Loss carried forward	0	(241.213)
Tax loss available for transfer	0	(65.180)
Tax liability	0	0

An overview of the tax losses carried forward by years is shown as follows:

YEAR	HRK'000
2013	1.088.416
2014	948.542
2015	935.749
2016	589.181
2017	241.213

The transferred tax losses are utilized in the current tax period 2018.

Deferred tax assets are recognized when there is a probability that sufficient taxable profit will be available in respect of which deferred tax assets may be utilized.

The Company recognized impairment of concessionary assets in the income statement after applying IAS 36, item 63 in the amount less than the taxable amount (the amount after the impairment reversal after deduction). Consequently, there was an increase in the tax liability for the difference between the depreciation expense and the depreciation charge at the lower of the amortized cost (ie the reversed depreciation charge for impairment).

Pursuant to Article 47, paragraph 3, item 33 of the Income Tax Ordinance in conjunction with Article 6, paragraph 1, item 4 of the Profit Tax Act, the tax base is reduced by HRK 216.370.077,87.

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Year	Historical acquisition value of concessional intangible assets	Reduced value of concession-equity capital IAS 36	Reduced acquisition value of concessional intangible assets under IAS 36.	Depreciation cost on historical value	Cancellation of the depreciation charge for impairment not in the P&L and CIT	Depreciation cost for impairment value	Depreciation and amortization of non-current assets	Amortization included in the P&L and CIT application at nr. 2 expense	Used but previously tax non-deductible depreciation used for impairment	Total depreciation for the year included in CIT	Maximum Depreciation for the Year (25% on Intangible Assets)
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
0	1	2	3	4	5	6 (4+5)	7	8 (4+7)	9	10	11
1998.	2.153.812	-	-	63.464	-	63.464	-	63.464	-	63.464	430.762
1999.	2.153.812	-	-	76.223	-	76.223	-	76.223	-	76.223	430.762
2000.	2.153.812	-	-	76.223	-	76.223	-	76.223	-	76.223	430.762
2001.	3.078.850	-	-	97.447	-	97.447	(5.848)	91.599	-	91.599	615.770
2002.	3.078.850	-	-	112.607	-	112.607	(26.830)	85.777	-	85.777	615.770
2003.	4.727.711	-	-	136.112	-	136.112	(23.053)	113.059	-	113.059	945.542
2004.	5.472.238	-	-	193.815	-	193.815	(24.113)	169.702	-	169.702	1.094.448
2005.	5.473.509	-	-	208.938	-	208.938	(25.275)	183.663	-	183.663	1.094.702
2006.	5.567.003	-	-	210.535	-	210.535	(26.555)	183.980	-	183.980	1.113.401
2007.	6.384.929	-	-	110.640	-	110.640	(23.676)	86.964	-	86.964	1.276.986
2008.	8.746.652	-	-	303.442	-	303.442	(15.086)	288.356	-	288.356	1.749.330
2009.	10.011.694	-	-	382.651	-	382.651	(15.086)	367.565	-	367.565	2.002.339
2010.	10.078.540	-	-	436.982	(53.502)	383.480	(15.086)	368.394	-	368.394	2.015.708
2011.	11.668.908	2.152.000	1.483.700	1.715.134	(1.384.923)	330.211	(18.002)	312.209	-	312.209	2.333.782
2012.	11.803.300	-	1.483.700	398.512	(63.136)	335.376	(18.002)	317.373	-	317.373	2.360.660
2013.	11.817.405	-	3.883.700	401.089	(182.144)	218.945	(18.002)	200.943	-	200.943	2.363.481
2014.	11.822.637	-	3.883.700	401.721	(182.144)	219.577	(18.002)	201.575	-	201.575	2.364.527
2015.	11.823.478	-	3.883.700	401.927	(182.144)	219.783	(18.002)	201.781	-	201.781	2.364.696
2016.	11.823.541	-	2.883.700	401.960	(142.584)	259.376	(18.002)	241.374	-	241.374	2.364.708
2017.	11.823.541	-	2.883.700	401.963	(114.349)	287.614	(18.002)	269.612	-	269.612	2.364.708
2018.	11.823.541	-	2.458.700	401.961	(114.349)	287.613	(18.002)	269.610	216.370	485.980	2.364.708
TOTAL				6.933.348	(2.419.276)	4.514.072	(344.624)	4.169.448			

AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

NOTES TO THE BALANCE SHEET/STATEMENT OF FINANCIAL POSITION

18. Intangible assets

DESCRIPTION	Intangible assets entered into stock capital	Concession	Prepayments for intangible assets	Investment in property under construction	Leasehold investments	Licences and patents	IT programs	Trade mark	TOTAL
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
COST									
Balance as at 1 January 2017	2.152.000	9.886.946	36	245	736	4.750	20.419	629	12.065.760
Direct purchase	0	306	0	4.320	0	236	0	0	4.862
Correction from 025 to 124 receivables	0	0	0	(122)	0	0	0	0	(122)
Disposals, alienation and deficits	0	(2.464)	0	0	0	(1.250)	(2.243)	0	(5.957)
Balance as at 31 December 2017	2.152.000	9.884.788	36	4.443	736	3.737	18.175	629	12.064.544
Direct purchase	0	187		202	0	0	8	0	397
Transfer to use	0	4.425	(36)	(4.425)	0	0	0	0	(36)
Correction from 025 to 02200000	0	0	0	(8)	0	0	0	0	(8)
Correction from 025 to – assets with small value.35100000	0	0	0	(70)	0	0	0	0	(70)
Disposals, alienation and deficits	0	(2.062)	0	0	0	0	0	0	(2.062)
Balance as at 31 December 2018	2.152.000	9.887.338		144	736	3.737	18.183	629	12.062.766
IMPAIRMENT									
Balance as at 1 January 2017	2.152.000	5.688.670	0	0	337	3.711	19.727	629	7.865.074
Depreciation for the year	0	296.360	0	0	38	663	612	0	297.673
Disposals, alienation and deficits	0	(982)	0	0	0	(1.250)	(2.243)	0	(4.475)
Balance as at 31 December 2017	2.152.000	5.984.048	0	0	374	3.125	18.096	629	8.158.272
Depreciation for the year	0	296.569	0	0	38	367	65	0	297.038
Concession impairment	0	(425.000)	0	0	0	0	0	0	(425.000)
Disposals, alienation and deficits	0	(916)	0	0	0	0	0	0	(916)
Balance as at 31 December 2018	2.152.000	5.854.701	0	0	412	3.491	18.161	629	8.029.394
CARRYING AMOUNT									
Balance as at 1 January 2017	0	4.198.276	36	245	399	1.039	691	0	4.200.686
Balance as at 31 December 2017	0	3.900.740	36	4.443	361	612	80	0	3.906.272
Balance as at 31 December 2018	0	4.032.636	0	144	323	246	22	0	4.033.372

18. Intangible assets (continued)

The estimation of the value of concession contributed to registered capital was made by the company Civil Engineering Institute of Croatia using two different methods. The first method (static method) determined the depreciated replacement value of the constructed sections of the motorway. The second method (dynamic method) determined the net present value of the estimated future revenues from the concession.

The used discount rate (WACC) was 7%. Both methods determined the value of concession in the amount of HRK 2.152.000 thousand.

IAS 36 imposes the duty of asset impairment recognition in the reported value of assets, as well as guidelines for the recognition and measurement of such impairment. The basis to evaluate the potential impairment of assets is to assess the recoverable value of property that is based on reasonable and verifiable assumptions and the Management's best knowledge about future business conditions. The recoverable amount is the higher value resulting from:

- net sales price if the property is marketable, and
- value of assets in use obtained as the net present value of future cash flows that will arise from further use of the assets.

In the event that the recoverable value is lower than the net book value, it is necessary to recognize impairment of assets in the profit and loss account for the year in the amount of the discrepancy.

During 2011, the Company performed an impairment test of non-current intangible concession assets, where the mentioned assets were divided into three units, which independently generate cash:

- intangible concession assets incurred at the Company's foundation, by recording the value of the concession right into the subscribed capital of the Company,
- intangible concession assets incurred by paying concession fees for taking over the Rijeka ring road,
- intangible concession assets incurred by reconstruction and extension of the Rijeka-Zagreb motorway.

An analysis of discounted future cash flow of each of the three mentioned units, it was determined that:

- that the intangible concessionary property created by the Company's establishment by entering the value of the concessionary right into the Company's share capital does not separately generate sufficient cash to cover the non-amortized amount of the asset, since the said contract has passed the old profile of the Zagreb Motorway Karlovac which during the upgrade and extension of the Rijeka- amended. Consequently, the concessionary assets in the amount of HRK 2,152,000 thousand are fully depreciated. Since the stated asset constituted the basis for the subscription of the Company's registered capital at the time of establishment, this amount is still expressed as subscribed capital until the status issue of capitalization and / or recapitalization is resolved. During 2010, the Company started to negotiate and address this issue with the relevant ministries, and the solution to this issue is expected to be made in future periods.

- Intangible concession assets incurred by paying concession fees for taking over the Rijeka ring road does not independently generate sufficient cash for the recovery of the paid part of the fee, as the Rijeka ring road is an open-type motorway without toll collection, and by its transfer, the Company gained the right of toll collection on the bridge of Krk and Rupa exit. As the Company invested additional resources in the construction of the Rijeka ring road, the mentioned income does not cover the costs of additional construction and is not sufficient to recover the prepaid concession fee. Therefore, the amount of prepaid concession fees of HRK 1,483,700,000 was completely written-off.

18. Intangible assets (continued)

- that the intangible concession arising from the upgrading and expansion of the Rijeka-Zagreb Motorway does not generate sufficient money to cover the non-amortized amount of the property, the main reason being the short life span within which the loan is to be repaid, and an effectively inadequate concession lifetime of 25 years use until the end of the concession in 2031), in which it is necessary to cover construction costs which for the newly constructed road are usually 40 to 50 years. Since the construction of the Rijeka-Zagreb motorway lasted ten years (from 1998 to 2008), the full amount of this road will only be realized in a period of 15 years, which is insufficient given the usual economic life of the road at least 40 to 50 years, and it is unrealistic to expect that the revenues generated during the concession period will cover all non-depreciated construction costs. Due to the above, in accordance with International Standard 36 - Property Reduction, the Company conducted a test for the reduction of concessionary assets arising from the construction of the highway and recognized HRK 1,425,000 in impairment of the value of the concession property created by the construction.

The Company implements the impairment test on an annual basis to determine if the carrying amount of the assets is higher than its value in use. By applying this method, it was determined that the discounted value of the total future cash flows as at 31 December 2017, to further increase from tolls income and decrease of operating costs in 2017, was by HRK 276,817 thousand higher than the net carrying value of concession assets (which already includes the impairment of concession assets acquired at the foundation of the Company, concession assets based on enlargement and concession assets resulting from the construction of part of ARZ motorway in the period from 1998 to 2007), which meant that the mentioned assets in the business books did not need to be further reduced.

The concession contract provides for maintenance of the infrastructure at the level of usability and renewal to the condition in which the road will be taken at the end of the concession agreement. Since the Company has taken over the section Zagreb-Karlovac, which has been fully upgraded and expanded by means of the Company's shares, Management expects that regular annual maintenance of the highway during the term of the concession period will result in the value of the infrastructure at the end of the contract being equivalent to the values it has taken over.

The costs of such maintenance are not recognized as the amount of provisions in accordance with IAS 37 as the Company, due to the nature of the maintenance itself, of the available funds at the time of that period in which it will be carried out is unable to determine with reasonable accuracy the amount needed to just maintenance. Therefore, the Society's stated cost of regular maintenance is recognized as it is incurred. Depreciation of intangible assets, real estates, plant and equipment amounts to 282.033 thousand.

AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

19. Property, plant and equipment

DESCRIPTION	Land	Buildings	Plant and equipment	Tools and furniture	Other assets	PUO	Investment in progress	TOTAL
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
COST								
Balance as at 1 January 2017	10.421	1.154	8.958	372	13.513	5.261	2.099	41.778
Direct purchase	0	0	133	0	7	0	0	140
Transfer in use	0	0	0	0	263	0	0	263
PUO closure from project 29020003	0	0	0	0	0	(72)	0	(72)
Disposals, alienation and deficits	0	0	(155)	(1)	0	0	0	(155)
Balance as at 31 December 2017	10.421	1.154	8.937	372	13.783	5.189	2.099	41.954
Direct purchase	0	0	198	0	6	0	236	439
Transfer in use	0	0	0	0	236	0	(236)	0
PUO closure from project 29020003	0	0	0	8	0	0	0	8
Disposals, alienation and deficits	0	0	(325)	0	(17)	0	0	(342)
Balance as at 31 December 2018	10.421	1.154	8.809	379	14.009	5.189	2.099	42.059
IMPAIRMENT								
Balance as at 1 January 2017		1.154	8.777	372	9.633	0	0	19.936
Depreciation for the year	0	0	83	0	2.281	0	0	2.364
Disposals, alienation and deficits	0	0	(155)	(1)	0	0	0	(155)
Balance as at 31 December 2017		1.154	8.705	372	11.914	0	0	22.145
Depreciation for the year	0	0	125	1	1.373	0	0	1.499
Disposals, alienation and deficits	0	0	(325)	0	(17)	0	0	(342)
Balance as at 31 December 2018		1.154	8.505	373	13.270	0	0	23.302
CARRYING AMOUNT								
Balance as at 1 January 2017	10.421		182		3.880	5.261	2.099	21.842
Balance as at 31 December 2017	10.421		231		1.870	5.189	2.099	19.810
Balance as at 31 December 2018	10.421		304	7	739	5.189	2.099	18.758

The Company does not have any mortgages over its assets.

20. Inventories

DESCRIPTION	31 Dec 2018.	31 Dec 2017.
	HRK'000	HRK'000
Stocks of raw material and material	689	137
Minor inventory in use	240	138
Impairment of minor inventory in use	(240)	(138)
Goods	56	17
Total	745	154

AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

21. Trade receivables

DESCRIPTION	31 Dec 2018.	31 Dec 2017.
	HRK'000	HRK'000
Domestic trade receivables	51.406	50.465
Foreign trade receivables	8	27
Impairment of doubtful and disputable trade receivables	(23.085)	(22.234)
Total	28.329	28.258

Movements in impairment were the following:

DESCRIPTION	31 Dec 2018.	31 Dec 2017.
	HRK'000	HRK'000
Balance as at 1 January	22.234	23.147
New impairments during the year	893	425
Value adjustment - IFRS 9	454	0
Reversal of impairments	(496)	(1.338)
Balance as at 31 December	23.085	22.234

22. Other receivables

DESCRIPTION	31 Dec 2018.	31 Dec 2017.
	HRK'000	HRK'000
Receivables for advances to employees	43	41
I. Total receivables from employees	43	41
Other receivables from the State and State Institutions	79	71
VAT prepayment	5	8
Impairment of receivables from Tax Administration	(65)	(65)
Receivables from State by the Concession Agreement	979	964
Receivables from EU BEAR	349	0
II. Total receivables from the State and State institutions	1.346	978
Interest on case in accounts on site	13	3
IV. Total other receivables from legal entities	0	97
IV. Receivables for court litigations	77	53
Total (I.+II.+III.+IV.)	1.480	1.169

Receivables from the State under the Concession Agreement stated in the balance sheet as at 31 December 2018 in the amount of HRK 978 thousand (31 December 2017: HRK 964 thousand) refer to expropriated lands, and transfer of installations, contributions and projection expenses charged to the Company, and in accordance with the Concession Agreement dated 24 June 1998 the Republic of Croatia is obliged to conduct expropriation of land with the assistance of the Company.

AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

23. Financial assets

DESCRIPTION	31 Dec 2018.	31 Dec 2017.
	HRK'000	HRK'000
Prepayments	179.822	280.556
Interest on the funds available on demand	14	8
Total	179.836	280.565

Term deposits are shown below:

Bank	Interest rate	Purpose	Maturity	31 Dec 2018
	%			HRK'000
Privredna banka Zagreb d.d.	from 50% to 60% on treasury bills from the Ministry of Finance with maturity up to 91 days (6 contracts)	Expropriation	after the expiration of the terms or by arrangement	1.800
Hrvatska poštanska banka	Two deposits by 0,03% annual interest rate,	Foreign currency deposits	28 Feb 2019	178.022
Total				179.822

Deposits for expropriation were termed with the purpose of payment of allowances for expropriated land in accordance with the provisions of Article 20 of the Expropriation Act (Official Gazette No. 9/1994, 35/1994 and 114/2001). Contracts have been concluded for a period of one year from the date of payment, with the possibility of automatic renewal of the term for the same term and with the possibility of early disbursement. Non-allocated term deposits amounting to EUR 24 million are termed as two separate deposits, both at an interest rate of 0.03% and both for the term until 28 February 2019.

24. Cash and cash equivalents

DESCRIPTION	31 Dec 2018.	31 Dec 2017.
	HRK'000	HRK'000
Gyro account	41.425	33.067
Cash in hand	625	626
Foreign currency account	123.280	71.900
Foreign currency cash in hand	94	276
Overnight deposit	24.031	21.204
Total	189.455	127.073

25. Total expenses and accrued income

DESCRIPTION	31 Dec 2018.	31 Dec 2017.
	HRK'000	HRK'000
Prepaid expenses	307	22
Accrued income	7	130
Total	314	152

AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

26. Subscribed capital

The Company's subscribed capital, which represents the value of the concession of the constructed sections of the Rijeka - Zagreb motorway on the day of the concession being granted was determined in the amount of HRK 2.152.000 thousand and is divided into 21.520 shares with a nominal value of HRK 100 thousand per share. The sole shareholder of the Company is the Republic of Croatia

The value of concession was evaluated by an independent company of the Institute of Civil Engineering of Croatia d.d.

27. Loss carried forward and other reserves

Other reserves of the Company are negligible in the amount of HRK 2.152.000 thousand and the carried forward losses as at 31 December 2018 were stated in the amount of HRK 2.434.204 thousand (31 December 2017 in the amount of HRK 2.607.698 thousand).

28. Current year profit

Current year profit on 31 December 2018 was stated in the amount of HRK 640.210 thousand (31 December 2017: HRK 173.494 thousand).

29. Provisions

DESCRIPTION	31 Dec 2018.	31 Dec 2017.
	HRK'000	HRK'000
Severance payments	2.135	2.318
Legal cases	9.429	9.470
Jubilee awards	752	985
Total	12.316	12.773

Based on the previous Approval of the Supervisory Board dated 23 January 2014, the Company's Assembly agreed to conclude an Agreement on the regulation of mutual rights and obligations relating to the transfer of work contracts. In the said agreement, the Company assumed the obligation to pay severances and jubilee awards in the amount defined by actuarial mathematics for the ARZ-ON employees at the time of the payment maturity.

The employees that concluded work contracts with ARZ-On d.o.o. on 1 October 2013 and had been employees of AUTOCESTA RIJEKA-ZAGREB d.d. retain the rights arising from the previous employment, which resulted in a separate statement of severance jubilee award payments for ARZ-ON employees. Discounted interest rate used in the calculation is 2,86%.

AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

30. Long term liabilities

DESCRIPTION	31 Dec 2018.	31 Dec 2017.
	HRK'000	HRK'000
Non-current liabilities for received bank loans /i/	5.041.473	5.280.890
Accrued and outstanding compensations	(25.708)	(29.788)
I. Non-current liabilities for received bank loans	5.015.765	5.251.102
Government grants - Ministry of Finance	219.026	237.028
Public debt - KLC and KU	379.734	410.945
II. Government subsidies	598.760	647.973
Total	5.614.525	5.899.075

/i/ Long term liabilities from foreign banks are shown as follows:

DESCRIPTION	Note	31 Dec 2018.	31 Dec 2017.
		HRK'000	HRK'000
<i>Non-current</i>			
Bank Loans			
Collateral secured *		5.545.322	6.073.055
Total loan liabilities		5.545.322	6.073.055
Current portion of non-current loans	34.	(503.849)	(792.164)
Total long term loan liabilities		5.041.473	5.280.891

*Collateral for long term loan liabilities relates to guarantees from the Republic of Croatia.

All loans in use of have interest rates that are based on the EURIBOR-adjusted margins ranging from 0.13% to 1.95%. Exceptions are made by funds issued by the Ministry of Finance, collected by the issuance of euro bonds, for which the Company annually repaid a fixed interest rate of EUR 2.338.757 except for the first year of repayment when the interest amounted to EUR 2.729.967.

An analysis of long term loan maturity dates on bank loans are shown as follows:

DESCRIPTION	31 Dec 2018.	31 Dec 2017.
	EUR'000	HRK'000
Due date within one year	67.926	503.849
Due date in one to five years	318.657	2.363.662
Due date in over five years	361.009	2.677.811
TOTAL	747.592	5.545.322

Kreditanstalt fur Wiederaufbau (KfW) – EUR 133,5 mil & EUR 110 mil

With the KfW Bank on 24 September 2007, a Loan Agreement of EUR 13,5 million was signed which refinanced existing loans, namely: KfW loans of EUR 73.5 million and ZABA loans amounting to EUR 60 million interest rate of 6-month EURIBOR plus 0.52% on margin. The term of the loan is 19 years, and the insurance instrument is a state guarantee of the Republic of Croatia. The repayment of principal began on 1 April 2008 and ends in April 2026. Repayment is made in 38 semi-annual instalments, so that principal is repaid in agreed percentages. In September 2007, the Company concluded another loan contract with KfW Bank in the total amount of EUR 110 million.

AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
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The purpose of the loan was to finance equipment IIA and IIB in the amount of EUR 79.950 thousand and construction of the Donja Zdenčina and Novigrad node as well as ENC Lučko in the amount of 30.050 thousand euros. The loan was concluded for a term of 24 years with a maturity of one year and the guarantee of the Republic of Croatia. The interest rate is based on the value of 6-month EURIBOR increased by 0.62%. Repayment of principal is done in 46 semi-annual installments, started on 1 October 2008 and will end in February 2031.

Credit KFW EUR 110 mil & EUR 133,5 mil	EUR'000	HRK'000
Blanace 01 JAN 2018	160.022	1.202.352
Principal repayment	(11.381)	(84.540)
Exchange rate fluctuations	0	(15.254)
Balance 31 DEC 2018.	148.641	1.102.558
Short-term portion of long-term loan	(13.877)	(102.937)
Payable after one year	134.764	999.621

Loan by the European Investment bank – EUR 60 mil and EUR 210 mil

The Company concluded a non-current loan agreement on 24 June 2002 with the European investment bank amounting to EUR 60 million, with a guarantee provided by the Republic of Croatia. The loan was fully withdrawn. The loan purpose was to finance the construction of the section Vrbovsko-Bosiljevo and Bosiljevo-Vukova Gorica Stage I of construction and to finance the construction of a full profile road on the - Bosiljevo 2 route, and the Zečeva Draga and Severinska Draga viaducts as part of Stage IIA. The loan is to be repaid in 60 quarterly instalments. Repayment of the first tranche began on 15 March 2008.

The interest rate is equal to EURIBOR increased by 0.40%, i.e. for tranches spent in IIA stage EURIBOR increased by 0.25%. Interest repayment is conducted quarterly and the repayment of principal conducted semi-annually. The Republic of Croatia guarantees for the loan repayment. On 9 March 2006, a new agreement for an additional non-current loan was concluded with the European investment bank in the amount of EUR 210 million, for financing the construction of IIB full profile of the Kikovica-Stara Sušica section. The loan was withdrawn in five tranches with different payment dynamics. The approved interest rate is EURIBOR increased by 0.13%, and repayment is to be conducted semi-annually. The payment of the first tranche happened on 15 September 2011. The period of the loan is 25 years with a grace period of 5 years.

Credit EIB EUR 60 mil & EUR 210 mil	EUR'000	HRK'000
Blanace 01 JAN 2018	178.877	1.344.017
Principal repayment	(14.577)	(108.229)
Exchange rate fluctuations		(17.081)
Balance 31 DEC 2018.	164.300	1.218.707
Short-term portion of long-term loan	(14.577)	(108.126)
Payable after one year	149.723	1.110.581

Loan by the European Bank for Reconstruction and Development - EUR 60 mil and EUR 50 mil

On 22 October 2001, the Company concluded a non-current agreement with the European Bank for Reconstruction and Development amounting to EUR 60 million. The purpose of the loan is to finance 50% of the amount of construction on the section Vrbovsko-Bosiljevo and Bosiljevo-Vukova Gorica of

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stage I of construction and stage II A for the construction of the Zečeva Draga and Severinska Draga viaducts as well as a full profile of the main Vrbovsko-Bosiljevo 2 route. The other 50% is financed by the EIB.

Loan repayment began on 12 May 2005 and is being conducted in 30 semi-annual instalments. The agreed interest rate is 6-month EURIBOR increased by 1%. The Republic of Croatia issued a guarantee for the loan repayment.

The new Credit Agreement amounting to EUR 50 million was concluded with the EBRD on 26 July 2006. The purpose of the loan is to finance II B stages of the construction of the full profile of the highway.

The loan was approved for a period of 25 years with a 4 year grace period and interest rate of 6-month EURIBOR increased by 1%. The repayment of principal commenced on 17 December 2010 and ends on 17 June 2031, will be realized through 42 semi-annual installments, all with a guarantee issued by the Republic of Croatia.

Credit EBRD EUR 60 mil & EUR 50 mil	EUR'000	HRK'000
Blanace 01 JAN 2018	40.143	301.620
Principal repayment	(6.381)	(47.217)
Exchange rate fluctuations		(3.971)
Balance 31 DEC 2018.	33.762	250.432
Short-term portion of long-term loan	(6.381)	(47.331)
Payable after one year	27.381	203.101

Loan KA Finanz AG & Kommunalkredit Austria AG & PBZ d.d. – EUR 200 mil

During 2007, there was an addition to the concession agreement, in area and time alike, so ARZ d.d. was obliged to pay a concession fee to the Republic of Croatia for the mentioned addition. The Company provided the means required to settle the liability with a loan amounting to EUR 200 million approved by Dexia bank. This loan was also insured by a guarantee of the Republic of Croatia. It was approved for a period of 15 years and will be repaid in 22 equal semi-annual instalments. The first instalment to repay the principal started on 15 November 2011. The interest rate amounts to 6-month EURIBOR plus a margin of 0.32%.

Memorandum on concession and acceptance of rights and obligations transferred a part of the loan amounting to EUR 70 million from Dexia to Kommunalkredit Austria AG and the rest amounting to EUR 70 million remained in Intesa Sanpaolo (ex BIIS). With the sale of bank Kommunalkredit Austria in September 2015, its share portions in both loans were taken over by buyer KA Finanz AG in the role of the new creditor.

New changes occurred during 2018. With the sale of the loan, except for the bank KA Finanz AG, which retained a smaller portion of EUR 9.090.909,08, as Kommunalkredit Austria AG, as new creditors, was issued on 29 October 2018 with a stake of EUR 46.218.181,84 and PBZ d.d. which purchased the Dexia CL loan in the amount of EUR 17.418.181,78 on 31 August 2018.

Kredit KA Finanz AG & Kommunalkredit Austria AG & PBZ d.d. EUR 200mil	EUR'000	HRK'000
Blanace 01 JAN 2018	81.818	614.753
Principal repayment	(18.182)	(134.577)
Exchange rate fluctuations		(8.148)
Balance 31 DEC 2018.	63.636	472.028
Short-term portion of long-term loan	(18.182)	(134.865)
Payable after one year	45.454	337.163

AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

Loan Intesa Sanpaolo & Raiffeisen bank Hrvatska d.d. – EUR 140 mil

On 11 March 2008, the Dexie and BIIS approved a syndicated loan agreement for the construction of the Rijeka Bypass in the amount of EUR 140 million. Loan repayment period is 15 years at the beginning of 4 years. Repayment of principal began on 31 January 2012 and will end on 31 July 2022. The agreed interest rate is 6-month EURIBOR increased by 0.59%. Interest and principal are repaid every six months. The loan is secured by the guarantee of the Republic of Croatia. Part of the loan amounting to EUR 70 million, the Declaration on the Transfer and Receipt of Rights and Liabilities, was transferred on 27 June 2013 from Dexia Bank to Kommunalkredit Austria AG and the remaining EUR 70 million remained owned by Intesa Sanpaolo (formerly BIIS). The bank Kommunalkredit Austria's sale in September 2015, its shares in this loan are taken over by the buyer of KA Finanz AG as a new creditor.

On 29 October 2018. KA Finanz sold the entire share of the loan to the Goldman Sachs bank, which was issued by Raiffeisen Bank Hrvatska d.d. on the basis of the Declaration on the Transfer and Receipt of Rights and Obligations signed on 3 December 2018. which in turn assumed a loan share of EUR 25.454.545,44.

Credit Intesa Sanpaolo & Raiffeisen bank Hrvatska d.d. EUR 140 mil	EUR'000	HRK'000
Blanace 01 JAN 2018	63.636	478.141
Principal repayment	(12.727)	(94.224)
Exchange rate fluctuations		(6.295)
Balance 31 DEC 2018.	50.909	377.622
Short-term portion of long-term loan	(12.727)	(94.405)
Payable after one year	38.182	283.217

Loan from ZABA d.d. - EUR 177 mil

In order to finance operating costs in 2014, on 17 November ARZ d.d. concluded a loan agreement with Zagrebačka banka d.d. amounting to EUR 177 mil. The entire amount of the loan was withdrawn and most of the funds were used to settle the loan to JP Morgan. The Republic of Croatia issued a guarantee for the loan. The loan was approved for a period of 7 year with a 2-year grace period. The interest rate is based on the six monthly EURIBOR increased by a margin of 3.96%. According to the concluded loan repayment agreement, it was due to until 2021. However, on 10 April 2018, a refinancing of the loan was carried out in such a way that one loan of EUR 202.025.000,00 refinanced the remaining debt of this loan in the amount of EUR 128.727.272,00 and the total amount of the EUR 70 million. Previously, The Agreement on the Settlement with the Zagreb Bank d.d. was concluded then a new loan agreement was signed.

Loan ZABA d.d. EUR 177 milijuna	EUR'000	HRK'000
Blanace 01 JAN 2018	128.727	967.212
Principal repayment	(128.727)	(955.467)
Exchange rate fluctuations	0	(11.745)
Balance 31 DEC 2018.	0	0
Short-term portion of long-term loan	0	0
Payable after one year	0	0

AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

Loan from PBZ & ZABA & ESB & SGB - EUR 70 mil

On 9 June 2016, the Company concluded a loan agreement in the amount of EUR 70 mil with the club of banks including Privredna banka Zagreb d.d., Zagrebačka banka d.d., Erste Steiermarkische bank d.d. and Societe generale Splitska banka d.d. with agreed interest rate of 3 month Euribor plus a margin of 4.15%. The guarantee for orderly return of the loan was a state guarantee. The loan was approved for a period of 7 year with a 2-year grace period. The start of loan repayments should be in June 2018 and end in June 2023.

The entire amount of the loan was withdrawn by the end of the year 2016 The Republic of Croatia issued a guarantee for the loan. The loan was approved for a period of 7 year with a 2-year grace period. Repayment of the principal loan amount will be conducted in 21 equal quarterly with the contracted interest rate with an interest rate of 3-month EURIBOR increased by a margin of 4.15%

However, within the project of restructuring of the road sector debt within which ARZ d.d. the early termination of the loan was executed in such a way that after the signing of the Settlement Agreement with each creditor, a new loan was refinanced, which at the same time included the remaining debt on the loan of Zagrebačka banka d.d., so that on 10 April 2018 this loan was fully closed .

Loan PBZ EUR 70 mil	EUR'000	HRK'000
Blanace 01 JAN 2018	70.000	525.956
Principal repayment	(70.000)	(519.569)
Exchange rate fluctuations		(6.387)
Balance 31 DEC 2018.	0	0
Short-term portion of long-term loan	0	0
Payable after one year	0	0

Loan from Ministry of Finance - EUR 85 Mil

On 30 November 2017, the Fund Transfer Agreement was concluded with the Ministry of Finance of the Republic of Croatia. Funds were collected by issuing euro bonds and in the amount of EUR 85,045,727.50 assigned to the Company as a Recipient of funds, in the manner that the Company paid a net amount of EUR 83,245,309.45 while the amount of EUR 1,800,418.05 was the name of the cost of financing the issuance of euro bonds. The interest is paid once a year and amounts to EUR 2,338,757.51 except for the first year of EUR 2,719,967.85. Interest payment begins in January 2019, and the deadline for repayment is January 15, 2030. The funds are intended for early repayment of a loan of EUR 55 million, repayment of short-term loans from the Ministry of Finance of EUR 18.8 million and servicing of credit liabilities amounting to EUR 8.5 million due to payment in the first quarter of 2018.

Loan Min.fin EUR 85 mil	EUR'000	HRK'000
Blanace 01 JAN 2018	85.046	639.004
Principal repayment	0	0
Exchange rate fluctuations		(8.171)
Balance 31 DEC 2018.	85.046	630.833
Short-term portion of long-term loan		
Payable after one year	85.046	630.833

Loan Privredna banka Zagreb d.d., Zagrebačka banka d.d., Erste Steiermarkische bank d.d. , OTP banka & Hrvatska poštanska banka d.d. – EUR 202.025 thousand

The Loan Agreement amounting to EUR 202.025.000,00 was signed on 5 May 2018 with the following creditors: Privredna banka Zagreb d.d., Zagrebačka banka d.d., Erste Steiermarkische bank d.d., Hrvatska poštanska banka d.d. and Societe generale Splitska banka d.d. which was attached to OTP bank on 1 December 2018 and became one of the creditors. This loan, which became operational on 10 April 2018, refinanced two existing loans approved by domestic banks that also

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for the year ended 31 December 2018

participated in their refinancing. The loan is approved, with a currency clause, for a period of 12 years without a grace period.

The interest rate is in the amount of 6-month Euribor plus a margin of 1.95%. The principal is repaid by repaying 5% of the principal in the first three years in different amounts in 6 instalments and the remaining 95% of the principal will be repaid in 18 equal instalments. The role of the agent was transferred to Privredna banka Zagreb d.d. to which the Company is obliged to repay the agency fee annually in the amount of EUR 30.000,00. The Company paid a participation fee of 0.7% in one instalment on the total loan amount. Loan repayment began on 28 September 2018 and the end of repayment is on 31 March 2030.

Loan PBZ, ZABA, ESB, HPB i OTP EUR 202.025 thousand	EUR'000	HRK'000
Balance 10 APR 2018	202.025	1.499.512
Principal repayment	(727)	(5.398)
Exchange rate fluctuations	0	(972)
Balance 31 DEC 2018.	201.298	1.493.142
Short-term portion of long-term loan	(2.182)	(16.184)
Payable after one year	199.116	1.476.958

II. Government grants

Government grants for non-refundable contributions refer to non-refundable grants from the Ministry of Finance of the Republic of Croatia in the period from 2000 to 2002 less part of depreciation calculated for assets purchased with Government grants in the period from 2003 to 2009.

In accordance with a decision by the Government of the Republic of Croatia on 20 June 2002 government grants for the assumed loans refer to the liabilities that the Ministry of Finance of the Republic of Croatia assumed for long and current loans, which became a public debt on 1 January 2003.

The Company recognised grants as non-refundable support in the income statement during the useful life of assets, which are depreciated through reduced depreciation cost, while support from assuming debts from owners is recognised as an income increase during the useful life of the assets financed by the assumed loans.

31. Trade payables

DESCRIPTION	31 Dec 2018.	31 Dec 2017.
	HRK'000	HRK'000
Domestic trade payables	48.791	47.568
Total	48.791	47.568

32. Liabilities for taxes and contributions

DESCRIPTION	31 Dec 2018.	31 Dec 2017.
	HRK'000	HRK'000
Contributions on salaries	130	115
Contributions from salaries	156	135
Taxes and surtaxes from salaries	115	96
VAT liabilities	6.405	5.907
Other liabilities to the State and State institutions	123	0
Total	6.929	6.253

AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

33. Liabilities to employees

DESCRIPTION	31 Dec 2018.	31 Dec 2017.
	HRK'000	HRK'000
Net salaries and wages	507	447
Other liabilities to employees	15	15
Total	522	462

34. Short term loan liabilities

DESCRIPTION	31 Dec 2018.	31 Dec 2017.
	HRK'000	HRK'000
Current portion – principal (Note 30)	503.849	792.164
Calculated interests on loans	28.079	7.796
Total	531.928	799.960

Short term loan liabilities stated on 31 December 2018 in the amount of HRK 503.849 thousand (31 December 2017: HRK 792.164 thousand) represent current portion of long –term loans as stated in Note 34 to the financial statements

The maturity of liabilities per month is shown below:

LIABILITIES	Up to 1 months	Up to 3 months	Up to 12 months	Total
	HRK '000	HRK '000	HRK '000	HRK '000
Principal	51.653	40.357	411.839	503.849

35. Accrued expenses and deferred income

DESCRIPTION	31 Dec 2018.	31 Dec 2017.
	HRK'000	HRK'000
Accrued invoices and situations	1.045	742
Other accrued expenses	475	420
I. Accrued expenses	1.520	1.162
Deferred income	15.897	17.655
Deferred collection income	13.852	12.225
II. Deferred income	29.749	29.880
Total	31.269	31.042

Deferred income mainly relates to the accrued fees, pursuant to the Agreement on subconcession, coupled with INA dd, Petrol Trade Ltd. and Tifon d.o.o., HRK 14,966 thousand which are derecognised for the duration of the subsidy. The remaining amount of deferred income in the amount of HRK 931 thousand relates to income from various leases.

Accrued expenses relating to accrued vacation days, which is the cost related to the next accounting period.

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for the year ended 31 December 2018

36. Related party transactions

The party is considered to be related to an entity when it directly or indirectly through one or more intermediaries controls or is under its or common control, has significant influence over an entity or has common control over the entity. The overview of the related party transactions, their receivables and liabilities for 2018 and 2017 are shown as follows:

DESCRIPTION	31 Dec 2018.	31 Dec 2017.
	HRK'000	HRK'000
<u>Receivables:</u>		
Ministry of Finance	183	183
Ministry of Economy	7	6
Ministry of Defence	107	208
Ministry of Maritime affairs, transport and infrastructure	2.328	2.283
INA industrija nafte d.d.	633	498
Hrvatske autoceste d.o.o.	19.116	18.329
Odašiljači i veze d.o.o.	41	19
Total	22.415	21.526

DESCRIPTION	31 Dec 2018.	31 Dec 2017.
	HRK'000	HRK'000
<u>Liabilities:</u>		
INA industrija nafte d.d.	16	8
Narodne novine d.d.	6	6
Hrvatske autoceste d.o.o.	44.636	45.243
Hrvatska pošta d.d.	4	4
Hrvatske vode	8	0
Total	44.670	45.261

DESCRIPTION	2018	2017
	HRK'000	HRK'000
<u>Income:</u>		
Ministry of Finance	2	14
Ministry of Economy	60	64
Ministry of Defence	3.588	3.250
Ministry of Maritime affairs, transport and infrastructure	25.301	24.419
INA industrija nafte d.d.	15.266	9.006
Hrvatske šume d.o.o.	59	65
Odašiljači i veze d.o.o.	215	197
Jadrolinija d.d.	145	148
Jadranski naftovod d.d.	96	91
Hrvatske autoceste d.o.o.	1.199	1.675
Total	45.931	38.929

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DESCRIPTION	2018	2017
Expenses:	HRK'000	HRK'000
INA industrija nafte d.d.	133	99
Narodne novine d.d.	60	61
Hrvatske vode	473	518
Hrvatska pošta d.d.	24	19
FINA	3	2
Hrvatske autoceste d.o.o	162.633	150.200
Total	163.326	150.899

Remuneration to the Management, namely to the Members of the Management Board, President of the Management Board and Director are shown as follows:

DESCRIPTION	2018	2017
	HRK'000	HRK'000
Gross salaries and wages	1.181	1.147
Other	18	9
TOTAL	1.199	1.156

37. Financial instruments and risk management

Capital risk management

The Company manages its capital to ensure the going concern, together with a maximum return to stakeholders by optimising the balance between the debt and equity capital.

The Company's capital structure consists of debt that includes loans described in the notes 30 and 34, cash and cash equivalents and shareholders' equity held by the Company's owners, which includes the Company's total equity.

Financing ratio

The Company's management reviews the capital structure. As part of the review, the Board considers the costs and risks associated with each component of equity.

DESCRIPTION	31 Dec 2018.	31 Dec 2017.
	HRK'000	HRK'000
Non-current and current loan liabilities	5.545.322	6.073.055
Cash and cash equivalents	(369.276)	(407.629)
Net debt	5.176.046	5.665.426
Equity	(1.793.994)	(2.433.677)

AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
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Financial instrument categories

DESCRIPTION	31 Dec 2018.	31 Dec 2017.
	HRK'000	HRK'000
Financial assets		
Loans and receivables (including cash)	399.099	437.068
Financial liabilities		
Loan liabilities and other liabilities	6.202.696	6.753.318

The above carrying amount represents the Company's maximum exposure to loan risk from receivables.

Financial risk management

The Management Board monitors and manages financial risks relating to the operations of the Company, through internal risk reports, which analyse the degree of exposure and size of the risk. These risks include market risk (including currency risk and price risk), loan risk, liquidity risk and cash flow interest rate risk.

Market risk

The Company's activities expose the Company primarily to financial risks, due to changes in exchange rates and interest rates. The Company does not enter into various derivative financial instruments to manage exposure to interest rate and exchange rate risk.

The Company operates in the Croatian market. The Company is unable to influence the price of tolls, as the Government by its decision has to approve any increase in the toll prices.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will change due to changes in market interest rates in relation to interest rates applicable to financial instruments. Cash flow interest rate risk is a risk that interest expenses on financial instruments will vary over the period. As the Company uses loans with variable interest rates, the Company is exposed to interest rate risk and does not use any hedging instruments against those risks.

Sensitivity analysis on interest rates

Sensitivity analysis was performed only for the financial instruments with variable interest rates based on the exposure to interest rates at the end of the reporting period assuming that the outstanding amount at the end of the reporting period was unsettled during whole year. The change of 50 basis points is used for the purpose of internal reports on interest rate risk and represents the assessment of the Management of predictable change in interest rates.

If interest rates were 50 basis points higher, and if other variables are held constant, the outflow related to paying of interest would be in the amount of HRK 29.771 thousand in the connection to the interest rate risk.

Loan risk

Loan risk refers to the risk of not meeting contractual obligations to the other party and thus producing a financial loss to the other party. Loan risk related to current receivables is relatively low, as trade receivables mostly relate to large number of individual customers. Uncollected receivables are taken to court. Most significant Company's debtor is HEP operator prijenosnog sustava d.o.o. based on the contract of instalment of energy cables relating to the construction of Rijeka ring road. The debtor HEP operator prijenosnog sustava d.o.o. was sued in 2013.

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The following table shows the amounts of deposits and receivables as at 31 December:

DESCRIPTION	31 Dec 2018.	31 Dec 2017.
	HRK'000	HRK'000
Cash	165.424	105.869
Deposits	203.853	301.760
Receivables that are neither past due nor impaired	6.480	6.312
Past due receivables	46.740	45.667
Total	422.497	459.608

Receivables that are neither past due nor impaired mainly relate to receivables from state owned companies and credit card companies.

The following table shows ageing structure of past due trade receivables:

	Not due	120-365 days	More than 365 days	Total
	HRK'000	HRK'000	HRK'000	HRK'000
31 December 2018.	23.391	613	22.736	46.740

The following table shows past due and impaired trade receivables:

DESCRIPTION	31 Dec 2018.	31 Dec 2017.
	HRK'000	HRK'000
Gross receivables	46.740	45.667
Impairment	(23.085)	(22.234)
Net receivables	23.655	23.433

Foreign currency risk management

The Company is exposed to foreign currency risk from transactions in foreign currencies. The carrying values of the Company's monetary assets and monetary liabilities denominated in foreign currencies at the reporting date are as follows:

Balance as at 31 December	Liabilities		Assets	
	2018.	2017.	2018.	2017.
	HRK'000	HRK'000	HRK'000	HRK'000
EUR	5.545.322	6.073.055	301.219	350.844
USD	-	-	175	88
Other foreign currencies	-	-	1	1
Total:	5.545.322	6.073.055	301.395	350.933

Analysis of sensitivity to foreign currency risk

The Company is primarily exposed to the countries whose currency is EUR. The following table analyses the foreign currency risk of the Company in the event of a 1% increase in the value of Kuna against Euro. The 1% sensitivity rate is used in internal foreign currency risk reports to key managers and represents the Management's assessment of predictable changes in the exchange rates.

The sensitivity analysis includes only open monetary items in foreign currency, and their translation at the end of the period is adjusted based on the 1-percent change in exchange rates. A positive number indicates an increase in profit and other equity where the Croatian Kuna increases by 1%

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against the relevant currency. In the case of decreased value of Croatian Kuna by 1% against the relevant currency, the impact on earnings and other equity would be the same but in the opposite direction.

Foreign currency risk management

DESCRIPTION	The effect of EUR	
	2018	2017
	EUR'000	EUR'000
Influence on the profit/loss for the period	52.439	57.221

Liquidity Risk Management

The ultimate responsibility for managing loan risk lies with the management, who set up a quality framework for managing liquidity risk by the short, medium and long positions of the Company and defined the requirements related to liquidity management. The Company manages its liquidity by maintaining adequate reserves, using appropriate loan products from foreign banks as well as other financing sources, through continued monitoring of forecasted and actual cash flows and by adjusting maturity of financial assets and liabilities.

Liquidity risk analysis

The following table analyses the Company's liabilities based on the remaining period to contractual maturity. The table is prepared on the basis of undiscounted cash outflows by financial liabilities at the earliest date when payment can be requested from the Company.

LIABILITIES	Up to 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	After 5 years	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
31 Dec 2018.						
Interest-free	54.800	20	185	1.237	0	56.242
Interest bearing	47.203	40.357	416.289	2.363.665	2.677.808	5.545.322
Interest (projected by repayment plan)	22.962	16.314	44.974	424.635	274.184	783.069
Total	124.965	56.691	461.448	2.789.537	2.951.992	6.384.633
31 Dec 2017.						
Interest-free	52.889	7	113	1.274		54.283
Interest bearing	52.322	78.173	661.669	3.230.506	2.050.385	6.073.055
Interest (projected by repayment plan)	3.392	15.991	86.809	639.231	315.954	1.061.377
Total	108.603	94.171	748.591	3.871.011	2.366.339	7.188.715

The following table analyses the Company's assets based on the remaining period to contractual maturity. The table is prepared based on undiscounted cash inflow under financial assets at the earliest date on which the Company may request payment.

ASSETS	Up to 1	1 - 3 months	3 months -	1 - 5	After 5	Total
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AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2018

	month		1 year	years	years	HRK'000
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	
31 Dec 2018.						
Interest-free	28.108	852	394	454		29.808
Interest bearing	0	178.022		1.800		179.822
Total	28.108	178.874	394	2.254		209.630
31 Dec 2017.						
Interest-free	27.351	937	1.067	76		29.431
Interest bearing	165.300	113.865	1.400	0		280.565
Total	192.651	114.802	2.467	76		309.996

The fair value of financial instruments

The carrying amounts of cash and cash equivalents approximate their fair values due to current nature of these financial instruments.

Similarly, the carrying amount of receivables and liabilities' historical cost subject to regular commercial loan conditions also approximate their fair values.

IV CONTINGENT LIABILITIES AND DISPUTES

As of 31 December 2018, 77 court disputes were initiated against the Company according to the statements of external lawyers and the sector for legal, general and personnel affairs.

Legal cases, for which contingent liabilities are expected, are recognised in the statement of financial position as non-current provisions, since cash outflow is almost certain with this respect.

Based on an estimate of possible future outflow, the Company has provided provisions in its financial statements amounting to HRK 12.315 thousand (31 December 2017: HRK 12.773 thousand).

V SUBSEQUENT EVENTS

There were no events, after the reporting date of the financial position / balance sheet, that would have a significant impact on the Company's annual financial statements for 2018 which should subsequently be disclosed

VI APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements were adopted and approved for issuance by the Management on 28 May 2019.

Signed on behalf of the Management:

Miro Škrković, President of the Management Board



Tomislav Tkalčić, Member of the Management Board



AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
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RAČUN DOBITI I GUBITKA
za razdoblje 01.01.2018. do 31.12.2018.

Obrazac
POD-RDG

Obveznik: 96330310281; AUTOCESTA RIJEKA ZAGREB DD				
Naziv pozicije	AOP oznaka	Rbr. bilješke	Prethodna godina	Tekuća godina
1	2	3	4	5
I. POSLOVNI PRIHODI (AOP 126 do 130)	125		727.066.355	1.173.004.818
1. Prihodi od prodaje s poduzetnicima unutar grupe	126			
2. Prihodi od prodaje (izvan grupe)	127		663.342.813	687.007.777
3. Prihodi na temelju upotrebe vlastitih proizvoda, robe i usluga	128		1.382.837	1.431.267
4. Ostali poslovni prihodi s poduzetnicima unutar grupe	129			
5. Ostali poslovni prihodi (izvan grupe)	130		62.340.705	484.565.774
II. POSLOVNI RASHODI (AOP 132+133+137+141+142+143+146+153)	131		514.941.809	545.817.767
1. Promjene vrijednosti zaliha proizvodnje u tijeku i gotovih proizvoda	132			
2. Materijalni troškovi (AOP 134 do 136)	133		200.028.932	221.288.356
a) Troškovi sirovina i materijala	134		335.208	468.106
b) Troškovi prodane robe	135		1.213.932	959.347
c) Ostali vanjski troškovi	136		198.479.792	219.860.903
3. Troškovi osoblja (AOP 138 do 140)	137		9.606.108	10.522.366
a) Neto plaće i nadnice	138		5.397.234	5.787.018
b) Troškovi poreza i doprinosa iz plaća	139		2.789.160	3.171.717
c) Doprinosi na plaće	140		1.419.714	1.563.631
4. Amortizacija	141		282.033.035	280.534.751
5. Ostali troškovi	142		22.486.360	30.630.212
6. Vrijednosna usklađenja (AOP 144+145)	143		424.462	820.371
a) dugotrajne imovine osim financijske imovine	144			
b) kratkotrajne imovine osim financijske imovine	145		424.462	820.371
7. Rezerviranja (AOP 147 do 152)	146		362.912	2.021.711
a) Rezerviranja za mirovine, otpremnine i slične obveze	147		22.912	26.022
b) Rezerviranja za porezne obveze	148			
c) Rezerviranja za započete sudske sporove	149		340.000	1.926.000
d) Rezerviranja za troškove obnavljanja prirodnih bogatstava	150			
e) Rezerviranja za troškove u jamstvenim rokovima	151			
f) Druga rezerviranja	152			69.689
8. Ostali poslovni rashodi	153			
III. FINANIJSKI PRIHODI (AOP 155 do 164)	154		54.878.498	74.713.131
1. Prihodi od ulaganja u udjele (dionice) poduzetnika unutar grupe	155			
2. Prihodi od ulaganja u udjele (dionice) društava povezanih sudjelujućim interesima	156			
3. Prihodi od ostalih dugotrajnih financijskih ulaganja i zajmova poduzetnicima unutar grupe	157			
4. Ostali prihodi s osnove kamata iz odnosa s poduzetnicima unutar grupe	158			
5. Tečajne razlike i ostali financijski prihodi iz odnosa s poduzetnicima unutar grupe	159			
6. Prihodi od ostalih dugotrajnih financijskih ulaganja i zajmova	160			
7. Ostali prihodi s osnove kamata	161		313.544	215.226
8. Tečajne razlike i ostali financijski prihodi	162		40.359.271	74.497.905
9. Nerealizirani dobitci (prihodi) od financijske imovine	163			
10. Ostali financijski prihodi	164		14.205.683	0
IV. FINANIJSKI RASHODI (AOP 166 do 172)	165		92.981.835	61.690.046
1. Rashodi s osnove kamata i slični rashodi s poduzetnicima unutar grupe	166			
2. Tečajne razlike i drugi rashodi s poduzetnicima unutar grupe	167			
3. Rashodi s osnove kamata i slični rashodi	168		92.627.301	61.690.046
4. Tečajne razlike i drugi rashodi	169			
5. Nerealizirani gubici (rashodi) od financijske imovine	170			
6. Vrijednosna usklađenja financijske imovine (neto)	171			
7. Ostali financijski rashodi	172		354.534	0

AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
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V. UDIO U DOBITI OD DRUŠTAVA POVEZANIH SUDJELUJUĆIM INTERESOM	173			
VI. UDIO U DOBITI OD ZAJEDNIČKIH POTHVATA	174			
VII. UDIO U GUBITKU OD DRUŠTAVA POVEZANIH SUDJELUJUĆIM INTERESOM	175			
VIII. UDIO U GUBITKU OD ZAJEDNIČKIH POTHVATA	176			
IX. UKUPNI PRIHODI (AOP 125+154+173 + 174)	177	781.944.853		1.247.717.949
X. UKUPNI RASHODI (AOP 131+165+175 + 176)	178	607.923.644		607.507.813
XI. DOBIT ILI GUBITAK PRIJE OPOREZIVANJA (AOP 177-178)	179	174.021.209		640.210.136
1. Dobit prije oporezivanja (AOP 177-178)	180	174.021.209		640.210.136
2. Gubitak prije oporezivanja (AOP 178-177)	181	0		0
XII. POREZ NA DOBIT	182			
XIII. DOBIT ILI GUBITAK RAZDOBLJA (AOP 179-182)	183	174.021.209		640.210.136
1. Dobit razdoblja (AOP 179-182)	184	174.021.209		640.210.136
2. Gubitak razdoblja (AOP 182-179)	185	0		0
PREKINUTO POSLOVANJE (popunjava poduzetnik obveznika MSFI-a samo ako ima prekinuto poslovanje)				
XIV. DOBIT ILI GUBITAK PREKINUTOG POSLOVANJA PRIJE OPOREZIVANJA (AOP 187-188)	186		0	0
1. Dobit prekinutog poslovanja prije oporezivanja	187			
2. Gubitak prekinutog poslovanja prije oporezivanja	188			
XV. POREZ NA DOBIT PREKINUTOG POSLOVANJA	189			
1. Dobit prekinutog poslovanja za razdoblje (AOP 186-189)	190		0	0
2. Gubitak prekinutog poslovanja za razdoblje (AOP 189-186)	191		0	0
UKUPNO POSLOVANJE (popunjava samo poduzetnik obveznik MSFI-a koji ima prekinuto poslovanje)				
XVI. DOBIT ILI GUBITAK PRIJE OPOREZIVANJA (AOP 179+186)	192		0	0
1. Dobit prije oporezivanja (AOP 192)	193		0	0
2. Gubitak prije oporezivanja (AOP 192)	194		0	0
XVII. POREZ NA DOBIT (AOP 182+189)	195		0	0
XVIII. DOBIT ILI GUBITAK RAZDOBLJA (AOP 192-195)	196		0	0
1. Dobit razdoblja (AOP 192-195)	197		0	0
2. Gubitak razdoblja (AOP 195-192)	198		0	0
DODATAK RDG-u (popunjava poduzetnik koji sastavlja konsolidirani godišnji financijski izvještaj)				
XIX. DOBIT ILI GUBITAK RAZDOBLJA (AOP 200+201)	199		0	0
1. Pripisana imateljima kapitala matice	200			
2. Pripisana manjinskom (nekontrolirajućem) interesu	201			
IZVJEŠTAJ O OSTALOJ SVEOBUHVAATNOJ DOBITI (popunjava poduzetnik obveznik primjene MSFI-a)				
I. DOBIT ILI GUBITAK RAZDOBLJA	202		174.021.209	640.210.136
II. OSTALA SVEOBUHVAATNA DOBIT/GUBITAK PRIJE POREZA (AOP 204 do 211)	203		0	0
1. Tečajne razlike iz preračuna inozemnog poslovanja	204			
2. Promjene revalorizacijskih rezervi dugotrajne materijalne i nematerijalne imovine	205			
3. Dobit ili gubitak s osnove naknadnog vrednovanja financijske imovine raspoložive za prodaju	206			
4. Dobit ili gubitak s osnove učinkovite zaštite novčanih tokova	207			
5. Dobit ili gubitak s osnove učinkovite zaštite neto ulaganja u inozemstvu	208			
6. Udio u ostaloj sveobuhvatnoj dobiti/gubitku društava povezanih sudjelujućim interesom	209			
7. Aktuarski dobici/gubici po planovima definiranih primanja	210			
8. Ostale nevlasničke promjene kapitala	211			
III. POREZ NA OSTALU SVEOBUHVAATNU DOBIT RAZDOBLJA	212			
IV. NETO OSTALA SVEOBUHVAATNA DOBIT ILI GUBITAK (AOP 203-212)	213		0	0
V. SVEOBUHVAATNA DOBIT ILI GUBITAK RAZDOBLJA (AOP 202+213)	214		174.021.209	640.210.136
DODATAK Izvještaju o ostaloj sveobuhvatnoj dobiti (popunjava poduzetnik koji sastavlja konsolidirani izvještaj)				
VI. SVEOBUHVAATNA DOBIT ILI GUBITAK RAZDOBLJA (AOP 216+217)	215		0	0
1. Pripisana imateljima kapitala matice	216			
2. Pripisana manjinskom (nekontrolirajućem) interesu	217			

AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
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BILANCA
stanje na dan 31.12.2018.

Obrazac
POD-BIL

Obveznik: 96330310281; AUTOCESTA RIJEKA ZAGREB DD				
Naziv pozicije	AOP oznaka	Rbr. biljeske	Prethodna godina (neto)	Tekuća godina (neto)
1	2	3	4	5
AKTIVA				
A) POTRAŽIVANJA ZA UPISANI A NEUPLAĆENI KAPITAL	001			
B) DUGOTRAJNA IMOVINA (AOP 003+010+020+031+036)	002		3.926.081.359	4.052.129.402
I. NEMATERIJALNA IMOVINA (AOP 004 do 009)	003		3.906.271.820	4.033.371.753
1. Izdaci za razvoj	004			
2. Koncesije, patenti, licencije, robne i uslužne marke, softver i ostala prava	005		3.902.045.911	4.033.228.141
3. Goodwill	006			
4. Predujmovi za nabavu nematerijalne imovine	007		35.652	
5. Nematerijalna imovina u pripremi	008		4.190.257	143.612
6. Ostala nematerijalna imovina	009			
II. MATERIJALNA IMOVINA (AOP 011 do 019)	010		19.809.539	18.757.649
1. Zemljište	011		10.420.607	10.420.607
2. Građevinski objekti	012			
3. Postrojenja i oprema	013		231.187	304.110
4. Alati, pogonski inventar i transportna imovina	014			6.500
5. Biološka imovina	015			
6. Predujmovi za materijalnu imovinu	016			
7. Materijalna imovina u pripremi	017		7.287.896	7.287.896
8. Ostala materijalna imovina	018		1.869.849	738.536
9. Ulaganje u nekretnine	019			
III. DUGOTRAJNA FINACIJSKA IMOVINA (AOP 021 do 030)	020		0	0
1. Ulaganja u udjele (dionice) poduzetnika unutar grupe	021			0
2. Ulaganja u ostale vrijednosne papire poduzetnika unutar grupe	022			
3. Dani zajmovi, depoziti i slično poduzetnicima unutar grupe	023			
4. Ulaganja u udjele (dionice) društava povezanih sudjelujućim interesom	024			0
5. Ulaganja u ostale vrijednosne papire društava povezanih sudjelujućim interesom	025			
6. Dani zajmovi, depoziti i slično društvima povezanim sudjelujućim interesom	026			
7. Ulaganja u vrijednosne papire	027			
8. Dani zajmovi, depoziti i slično	028			
9. Ostala ulaganja koja se obračunavaju metodom udjela	029			
10. Ostala dugotrajna financijska imovina	030			
IV. POTRAŽIVANJA (AOP 032 do 035)	031		0	0
1. Potraživanja od poduzetnika unutar grupe	032			
2. Potraživanja od društava povezanih sudjelujućim interesom	033			
3. Potraživanja od kupaca	034			
4. Ostala potraživanja	035			
V. ODGOĐENA POREZNA IMOVINA	036			
C) KRATKOTRAJNA IMOVINA (AOP 038+046+053+063)	037		437.222.192	399.842.606
I. ZALIHE (AOP 039 do 045)	038		153.887	744.438
1. Sirovine i materijal	039		137.122	688.675
2. Proizvodnja u tijeku	040			
3. Gotovi proizvodi	041			
4. Trgovačka roba	042		16.765	55.763
5. Predujmovi za zalihe	043			
6. Dugotrajna imovina namijenjena prodaji	044			

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Obrazac
POD-BIL

Obveznik: 96330310281; AUTOCESTA RIJEKA ZAGREB DD				
Naziv pozicije	AOP oznaka	Rbr. bilješke	Prethodna godina (neto)	Tekuća godina (neto)
1	2	3	4	5
7. Biološka imovina	045			
II. POTRAŽIVANJA (AOP 047 do 052)	046		29.431.275	29.808.125
1. Potraživanja od poduzetnika unutar grupe	047			
2. Potraživanja od društava povezanih sudjelujućim interesom	048		0	
3. Potraživanja od kupaca	049		28.257.714	28.328.750
4. Potraživanja od zaposlenika i članova poduzetnika	050		40.967	42.819
5. Potraživanja od države i drugih institucija	051		1.069.486	983.285
6. Ostala potraživanja	052		63.108	453.271
III. KRATKOTRAJNA FINANCIJSKA IMOVINA (AOP 054 do 062)	053		280.564.544	179.835.562
1. Ulaganja u udjele (dionice) poduzetnika unutar grupe	054			
2. Ulaganja u ostale vrijednosne papire poduzetnika unutar grupe	055			
3. Dani zajmovi, depoziti i slično poduzetnicima unutar grupe	056			
4. Ulaganja u udjele (dionice) društava povezanih sudjelujućim interesom	057			
5. Ulaganja u ostale vrijednosne papire društava povezanih sudjelujućim interesom	058			
6. Dani zajmovi, depoziti i slično društvima povezanim sudjelujućim interesom	059			
7. Ulaganja u vrijednosne papire	060			
8. Dani zajmovi, depoziti i slično	061		280.564.544	179.835.562
9. Ostala financijska imovina	062			
IV. NOVAC U BANC I BLAGAJNI	063		127.072.486	189.454.481
D) PLAĆENI TROŠKOVI BUDUĆEG RAZDOBLJA I OBRAČUNATI PRIHODI	064		152.127	314.147
E) UKUPNO AKTIVA (AOP 001+002+037+064)	065		4.363.455.678	4.452.286.155
F) IZVANBILANČNI ZAPISI	066			
PASIVA				
A) KAPITAL I REZERVE (AOP 068 do 070+076+077+081+084+087)	067		-2.433.676.724	-1.793.993.782
I. TEMELJNI (UPISANI) KAPITAL	068		2.152.000.000	2.152.000.000
II. KAPITALNE REZERVE	069			
III. REZERVE IZ DOBITI (AOP 071+072-073+074+075)	070		-2.152.000.000	-2.152.000.000
1. Zakonske rezerve	071			
2. Rezerve za vlastite dionice	072			
3. Vlastite dionice i udjeli (odbitna stavka)	073			
4. Statutarne rezerve	074			
5. Ostale rezerve	075		-2.152.000.000	-2.152.000.000
IV. REVALORIZACIJSKE REZERVE	076			
V. REZERVE FER VRIJEDNOSTI (AOP 078 do 080)	077		0	0
1. Fer vrijednost financijske imovine raspoložive za prodaju	078			
2. Učinkoviti dio zaštite novčanih tokova	079			
3. Učinkoviti dio zaštite neto ulaganja u inozemstvu	080			
VI. ZADRŽANA DOBIT ILI PRENESENI GUBITAK (AOP 082-083)	081		-2.607.697.933	-2.434.203.918
1. Zadržana dobit	082			
2. Preneseni gubitak	083		2.607.697.933	2.434.203.918
VII. DOBIT ILI GUBITAK POSLOVNE GODINE (AOP 085-086)	084		174.021.209	640.210.136
1. Dobit poslovne godine	085		174.021.209	640.210.136
2. Gubitak poslovne godine	086			
VIII. MANJINSKI (NEKONTROLIRAJUĆI) INTERES	087			
B) REZERVIRANJA (AOP 089 do 094)	088		12.772.832	12.315.355

AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
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Obrazac
POD-BIL

Obveznik: 96330310281; AUTOCESTA RIJEKA ZAGREB DD				
Naziv pozicije	AOP oznaka	Rbr. bilješke	Prethodna godina (neto)	Tekuća godina (neto)
1	2	3	4	5
1. Rezerviranja za mirovine, otpremnine i slične obveze	089		3.302.792	2.886.855
2. Rezerviranja za porezne obveze	090			
3. Rezerviranja za započete sudske sporove	091		9.470.040	9.428.500
4. Rezerviranja za troškove obnavljanja prirodnih bogatstava	092			
5. Rezerviranja za troškove u jamstvenim rokovima	093			
6. Druga rezerviranja	094			
C) DUGOROČNE OBVEZE (AOP 096 do 106)	095		5.899.075.308	5.614.525.003
1. Obveze prema poduzetnicima unutar grupe	096			
2. Obveze za zajmove, depozite i slično poduzetnika unutar grupe	097			
3. Obveze prema društvima povezanim sudjelujućim interesom	098			
4. Obveze za zajmove, depozite i slično društava povezanih sudjelujućim interesom	099			
5. Obveze za zajmove, depozite i slično	100			
6. Obveze prema bankama i drugim financijskim institucijama	101		5.280.890.309	5.041.472.927
7. Obveze za predujmove	102			
8. Obveze prema dobavljačima	103			
9. Obveze po vrijednosnim papirima	104			
10. Ostale dugoročne obveze	105		618.184.999	573.052.076
11. Odgođena porezna obveza	106			
D) KRATKOROČNE OBVEZE (AOP 108 do 121)	107		854.242.450	588.170.602
1. Obveze prema poduzetnicima unutar grupe	108			
2. Obveze za zajmove, depozite i slično poduzetnika unutar grupe	109			
3. Obveze prema društvima povezanim sudjelujućim interesom	110			0
4. Obveze za zajmove, depozite i slično društava povezanih sudjelujućim interesom	111			
5. Obveze za zajmove, depozite i slično	112			
6. Obveze prema bankama i drugim financijskim institucijama	113		799.959.524	531.927.958
7. Obveze za predujmove	114			
8. Obveze prema dobavljačima	115		47.567.765	48.791.209
9. Obveze po vrijednosnim papirima	116			
10. Obveze prema zaposlenicima	117		461.837	522.081
11. Obveze za poreze, doprinose i slična davanja	118		6.253.324	6.929.354
12. Obveze s osnove udjela u rezultatu	119			
13. Obveze po osnovi dugotrajne imovine namijenjene prodaji	120			
14. Ostale kratkoročne obveze	121		0	
E) ODGOĐENO PLAĆANJE TROŠKOVA I PRIHOD BUDUĆEGA RAZDOBLJA	122		31.041.812	31.268.977
F) UKUPNO – PASIVA (AOP 067+088+095+107+122)	123		4.363.455.678	4.452.286.155
G) IZVANBILANČNI ZAPISI	124			



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AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
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for the year ended 31 December 2018

ZVJEŠTAJ O NOVČANIM TOKOVIMA - Indirektna metoda
 u razdoblju 01.01.2018. do 31.12.2018.

Obrazac
 POD-NTI

Obveznik: 96330310281; AUTOCESTA RIJEKA ZAGREB DD				
Na ziv pozicije	AOP oznaka	Rbr. bilješke	Prethodna godina	Tekuća godina
1	2	3	4	5
Novčani tokovi od poslovnih aktivnosti				
1. Dobit prije oporezivanja	001		174.021.209	640.210.136
2. Usklađenja (AOP 003 do 010):	002		391.545.639	-64.006.546
a) Amortizacija	003		282.033.035	280.534.751
b) Dobici / gubici od prodaje / vrijednosna usklađenja dugotrajne materijalne / nematerijalne imovine	004		1.467.766	1.146.043
c) Dobici / gubici od prodaje / ne realizirani dobiti / gubici / vrijednosna usklađenja financijske imovine	005		424.462	820.371
d) Prihodi od kamata / dividendi	006		-313.544	-215.226
e) Rashodi od kamata	007		92.603.994	61.690.046
f) Rezerviranja	008		-2.673.962	-457.477
g) Tečajne razlike (ne realizirane)	009		0	
h) Ostala usklađenja za nenovčane transakcije / ne realizirane dobitke / gubitke	010		16.003.868	-407.525.054
I. Povećanje ili smanjenje novčanih tokova prije promjena u radnom kapitalu (AOP 001+002)	011		565.566.848	576.203.590
3. Promjene u radnom kapitalu (AOP 013 do 016)	012		4.846.122	241.653
a) Povećanje ili smanjenje kratkoročnih obveza	013		-4.292.743	2.166.662
b) Povećanje ili smanjenje kratkotrajnih potraživanja	014		8.674.933	-1.354.677
c) Povećanje ili smanjenje zaloha	015		463.932	-590.552
d) Ostala povećanja ili smanjenja radnog kapitala	016			
II. Novac iz poslovanja (AOP 011+012)	017		570.412.970	576.445.243
4. Novčani izdaci za kamate	018		-92.290.450	-61.474.620
5. Plaćeni porez na dobit	019			
A) NETO NOVČANI TOKOVI OD POSLOVNIH AKTIVNOSTI (AOP 017 do 019)	020		478.122.520	514.970.423
Novčani tokovi od investicijskih aktivnosti				
1. Novčani primici od prodaje dugotrajne materijalne i nematerijalne imovine	021			105.545
2. Novčani primici od prodaje financijskih instrumenata	022			
3. Novčani primici od kamata	023			
4. Novčani primici od dividendi	024			
5. Novčani primici s osnove povrata danih zajmova i štednih uloga	025			
6. Ostali novčani primici od investicijskih aktivnosti	026			100.724.421
III. Ukupno novčani primici od investicijskih aktivnosti (AOP 021 do 026)	027		0	100.829.966
1. Novčani izdaci za kupnju dugotrajne materijalne i nematerijalne imovine	028		-5.057.623	-836.523
2. Novčani izdaci za slijecanje financijskih instrumenata	029			
3. Novčani izdaci s osnove danih zajmova i štednih uloga za razdoblje	030			
4. Slijecanje ovisnog društva, umanjeno za slijeceni novac	031			
5. Ostali novčani izdaci od investicijskih aktivnosti	032		-247.831.433	
IV. Ukupno novčani izdaci od investicijskih aktivnosti (AOP 028 do 032)	033		-252.889.056	-836.523
B) NETO NOVČANI TOKOVI OD INVESTICIJSKIH AKTIVNOSTI (AOP 027+033)	034		-252.889.056	99.993.443
Novčani tokovi od financijskih aktivnosti				
1. Novčani primici od povećanja temeljnog (upisanog) kapitala	035			
2. Novčani primici od izdavanja vlasničkih i dužničkih financijskih instrumenata	036			
3. Novčani primici od glavnice kredita, pozajmica i drugih posudbi	037		639.003.630	1.499.512.360
4. Ostali novčani primici od financijskih aktivnosti	038			
V. Ukupno novčani primici od financijskih aktivnosti (AOP 035 do 038)	039		639.003.630	1.499.512.360
1. Novčani izdaci za otplatu glavnice kredita, pozajmica i drugih posudbi i dužničkih financijskih instrumenata	040		-1.225.796.048	-2.052.094.251
2. Novčani izdaci za isplatu dividendi	041			
3. Novčani izdaci za financijski najam	042			
4. Novčani izdaci za otkup vlastitih dionica i smanjenje temeljnog (upisanog) kapitala	043			
5. Ostali novčani izdaci od financijskih aktivnosti	044			
VI. Ukupno novčani izdaci od financijskih aktivnosti (AOP 040 do 044)	045		-1.225.796.048	-2.052.094.251
C) NETO NOVČANI TOKOVI OD FINANCIJSKIH AKTIVNOSTI (AOP 039+045)	046		-586.792.218	-552.581.871
1. Nerealizirane tečajne razlike po novcu i novčanim ekvivalentima	047			
D) NETO POVEĆANJE ILI ŠMANJENJE NOVČANIH TOKOVA (AOP 020+034+046+047)	048		-361.556.754	62.381.995
E) NOVAC I NOVČANI EKVIVALENTI NA POČETKU RAZDOBLJA	049		488.631.240	127.072.486
F) NOVAC I NOVČANI EKVIVALENTI NA KRAJU RAZDOBLJA (AOP 048+049)	050		127.072.486	189.454.481

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Izvještaj o promjenama kapitala
za razdoblje od 01.01.2018. do 31.12.2018.

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Opis pozicije	DOP reznica izvješća	Raspodjeljivo imateljima kapitala matice										
		2	3	4	5	6	7	8	9	10	11	
		Rezerve za vlastite udjele (obuhvaćeno u stavku 1)	Reserve za vlastite udjele (ostalo)									
Prethodno razdoblje												
1. Stanje 1. siječnja prethodnog razdoblja	01		2.152.000.000									
2. Promjene računovodstvenih politika	02											
3. Ispravak pogreški	03											
4. Stanje 1. siječnja prethodnog razdoblja (AOP 01 do 03)	04		2.152.000.000									
5. Dobil/gubitak razdoblja	05											
6. Troškovi razlika iz prerabuna inozemnog poslovanja	06											
7. Promjene revalorizacijskih rezervi dugotrajne materijalne i nematerijalne imovine	07											
8. Dobitak ili gubitak s osnovne računovodstvene vrednovanja financijske imovine raspodjele za prosječno	08											
9. Dobitak ili gubitak s osnovne učešnika zaštićeno novčanog lica	09											
10. Dobitak ili gubitak s osnovne učešnika zaštićeno neto dugovanja u inozemstvu	10											
11. Udio u ostaloj svedobitnoj dobiti/gubitku društava povezanih sudjeljujućim interesom	11											
12. Aktuarski dobit/gubitak po planovima definiranih primanja	12											
13. Ostale neizračunane promjene kapitala	13											
14. Porez na transakcije priznate direktno u kapitalu	14											
15. Povećanje/umanjeno temeljnog (opisanog) kapitala (osim revaloriziranih dionica) u postupku prodajne nagodbe	15											
16. Povećanje temeljnog (opisanog) kapitala revaloriziranim dionicama	16											
17. Povećanje temeljnog (opisanog) kapitala u postupku predajne nagodbe	17											
18. Ostalo učešće u dionici/dionice	18											
19. Isplata učešća u dionici/dionice	19											
20. Ostale raspodjele vlasnicima	20											
21. Prijenos u posebne rezerve po godišnjem rasporedu	21											
22. Povećanje rezervi u postupku prodajne nagodbe	22											
23. Stanje 31. prosinca prethodnog razdoblja (04 do 22)	23		2.152.000.000									
DOBITAK (GUBITAK) O PROMJENAMA KAPITALA (popunjeno poduzetnik obveznik primjeniti MSFI-4)												
I. OSTALA SVEDOBIVATNA DOBIT PRETHODNOG RAZDOBLJA, UMANJENO ZA PORZE (AOP 06 do 14)	24		0									
II. SVEDOBIVATNA DOBIT ILI GUBITAK PRETHODNOG RAZDOBLJA (AOP 05-24)	25		0									
III. TRANSACIJE S VLASNICIMA PRETHODNOG RAZDOBLJA PRIZNATE DIREKTNO U KAPITALU (AOP 15 do 22)	26		0									

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Obveznik: 96330310281; AUTOCESTA RIJEKA-ZAGREB DD

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Opis pozicije	ADP opisna bilješka		Raspodjeljivo imanje/kapitala										
	2	3	4	5	6	7	8	9	10	11	12	13	
			Trajni (u iznosima)	Kapitalne rezerve	Zakonske rezerve	Rezerve za vlastite dionice	Vlastite dionice u udjeli (u iznosima)	Statutarne rezerve	Ostale rezerve	Revalorizacijske rezerve			
Tekuća razdoblja													
1. Stanje 1. siječnja tekućeg razdoblja	27		2.152.000.000						-2.152.000.000				
2. Promjene računovodstvenih politika	28												
3. Ispravak pogreški	29												
4. Stanje 1. siječnja tekućeg razdoblja (ADP 27 do 29)	30		2.152.000.000	0	0	0	0	0	-2.152.000.000	0			
5. Dobit/gubitak razdoblja	31												
6. Tečajne razlike iz promjena iznosnog postavljanja	32												
7. Promjene revalorizacijskih rezervi dugotrajnih materijalnih i nematerijalnih imovine	33												
8. Dobitak ili gubitak s osnovne naknadnog vrednovanja financijske imovine raspodijelje za prodaju	34												
9. Dobitak ili gubitak s osnovne učinkovite zaštite novčanog toka	35												
10. Dobitak ili gubitak s osnovne učinkovite zaštite neto ulaganja u inozemstvu	36												
11. Udio u ostaloj sveobuhvatnoj dobiti/gubitku društava povezanih sudjelujućim interesom	37												
12. Akcijski obdolgudjaci po planovima definiranih primanja	38												
13. Ostale nevršničke promjene kapitala	39												
14. Ponez na transakcije gotovine direktno u kapitalu	40												
15. Povećanje/izniranje temeljnog (upisanog) kapitala (osim nemodificiranjem dobiti i u postupku predstajne nagodbe)	41												
16. Povećanje temeljnog (upisanog) kapitala reinvestiranjem dobiti	42												
17. Povećanje temeljnog (upisanog) kapitala u postupku predstajne nagodbe	43												
18. Otkup vlastitih dionica/udjela	44												
19. Isplata udjela u dobiti/dividende	45												
20. Ostale raspodjele vlasnicima	46												
21. Prijenos u pozicije rezervi po godišnjem rasporedu	47												
22. Povećanje rezervi u postupku predstajne nagodbe	48												
23. Stanje 31. prosinca tekućeg razdoblja (ADP 30 do 48)	49		2.152.000.000	0	0	0	0	0	-2.152.000.000	0			
DODATAK IZVJEŠTAJU O PROMJENAMA KAPITALA (popunjava poduzetnik obveznik priljege MSFI-a)													
I. OSTALA SVEOBUHVAATNA DOBIT TEKUĆEG RAZDOBLJA, UMANJENO ZA POREZE (ADP 32 do 40)	50		0	0	0	0	0	0	0	0	0	0	
II. SVEOBUHVAATNA DOBIT ILI GUBITAK TEKUĆEG RAZDOBLJA (ADP 31 + 50)	51		0	0	0	0	0	0	0	0	0	0	
III. TRANSAKCIJE S VLASNICIMA TEKUĆEG RAZDOBLJA PRIZNATE DIREKTNO U KAPITALU (ADP 41 do 48)	52		0	0	0	0	0	0	0	0	0	0	

AUTOCESTA RIJEKA-ZAGREB d.d., Zagreb
NOTES TO THE FINANCIAL STATEMENTS - continued
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Oznaka: 96330310281; AUTOCESTA RIJEKA-ZAGREB DD	Opis poziciji	ADP oznaka	Rbr. bojnice	12	10	14	15	16	17 (4-05 7.-3 + 9. do 16)	18	19	20	21	22	23	24	25	26	Ukupno kapital i rezerve																			
																				11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26			
Prethodno razdoblje																																						
	1. Stanje 1. siječnja prethodnog razdoblja	01					-2.607.697.933													-2.607.697.933																		
	2. Promjene računovodstvenih politika	02																		0																		
	3. Ispravak pogreški	03																		0																		
	4. Stanje 1. siječnja prethodnog razdoblja (ACP 01 do 03)	04		0	0	0	-2.607.697.933													-2.607.697.933																		
	5. Dobit/gubitak razdoblja	05						174.021.209												174.021.209																		
	6. Tečajne razlike iz preračuna inozemnog poslovanja	06																		0																		
	7. Promjene revalorizacijskih rezervi dugotrajne materijalne i nematerijalne imovine	07																		0																		
	8. Dobitak ili gubitak s osnovne naknadnog vrnovanjenja financijske imovine raspodjele za prodaje	08																		0																		
	9. Dobitak ili gubitak s osnovne učinkovite zaštite novčanog toka	09																		0																		
	10. Dobitak ili gubitak s osnovne učinkovite zaštite neto ulaganja u inozemstvu	10																		0																		
	11. Udio u ostaloj sveobuhvatnoj dobiti/gubitku društava povezanih sudjelujućim interesom	11																		0																		
	12. Aktuarski obilježitelji po planovima definiranih primanja	12																		0																		
	13. Ostale nevasršne promjene kapitala	13																		0																		
	14. Porez na transakcije prihvate direktno u kapitalu	14																		0																		
	15. Povećanje/smanjenje temeljnog (upisanog) kapitala (osim reinvestiranjem dobiti) u poskupju predstavljačine nagodbe	15																		0																		
	16. Povećanje temeljnog (upisanog) kapitala reinvestiranjem dobiti	16																		0																		
	17. Povećanje temeljnog (upisanog) kapitala u postupku predstavljačine nagodbe	17																		0																		
	18. Okup višitih doniranih udjela	18																		0																		
	19. Isplata udjela u dobiti/dividende	19																		0																		
	20. Ostale raspodjele vlastnicima	20																		0																		
	21. Prijenos u pozicije rezervi po godišnjem rasporedu	21																		0																		
	22. Povećanje rezervi u postupku predstavljačine nagodbe	22																		0																		
	23. Stanje 31. prosinca prethodnog razdoblja (04 do 22)	23					-2.607.697.933	174.021.209												-2.433.676.724																		
DODATAK IZVJEŠTAJU O PROMJENAMA KAPITALA (popunjava posuzetim, obraz:																																						
	I. OSTALA SVEOBUHVAATNA DOBIT PRETHODNOG RAZDOBLJA, UMANJENO ZA POREZE (ACP 08 do 14)	24					0	0												0																		
	II. SVEOBUHVAATNA DOBIT ILI GUBITAK PRETHODNOG RAZDOBLJA (ACP 05+24)	25					0	174.021.209												174.021.209																		
	III. TRANSAKCIJE S VLASNICIMA PRETHODNOG RAZDOBLJA PRIZNATE DIREKTNO U KAPITALU (ACP 15 do 22)	26					0	0												0																		

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Obrasci: 96330310281; AUTOCESTA RIJEKA ZAGREB DD	Dala izdavanje	AOP oznaka	Rbr- oznaka	11. Vrijednost financijske imovine (ukupno sve za ovrtaju)	12	13	14	15	16	17 (4 do 7, 8 + 9 do 16)	18. Gubitak (preostajući) interesi	19 (17+18)
Tekuće razdoblje												
	1	2	3	4	5	6	7	8	9	10	11	12
1. Stanje 1. siječnja tekućeg razdoblja	27							-2.433.676.724				-2.433.676.724
2. Promjene računovodstvenih politika	28							-527.194				-527.194
3. Ispravak pogreški	29											0
4. Stanje 1. siječnja tekućeg razdoblja (AOP 27 do 29)	30			0			0	-2.434.203.918				-2.434.203.918
5. Dobit/gubitak razdoblja	31								640.210.136			640.210.136
6. Tekuće razlike iz preračuna inozemnog poslovanja	32											0
7. Promjene revalorizacijskih rezervi dugotrajne materijalne i nematerijalne imovine	33											0
8. Dobitak ili gubitak s osnovne naknadnog vrednovanja financijske imovine raspodjele za prodaju	34											0
9. Dobitak ili gubitak s osnovne učinkovite zaštite novčanog toka	35											0
10. Dobitak ili gubitak s osnovne učinkovite zaštite neto ulaganja u inozemstvu	36											0
11. Udio u ostaloj svedruhuškoj dobijateljku društava povezanih sudjelujućim interesom	37											0
12. Akuarski dobijateljci po planovima definiranih primanja	38											0
13. Ostale nevasrške promjene kapitala	39											0
14. Porez na transakcije priznate direktno u kapitalu	40											0
15. Povećanje smanjenje temeljnog (upisanog) kapitala (osim revaloriziranih dobiti i u postupku predstečajne nagodbe)	41											0
16. Povećanje temeljnog (upisanog) kapitala namještranjem dobiti	42											0
17. Povećanje temeljnog (upisanog) kapitala u postupku predstečajne nagodbe	43											0
18. Otkup vlastitih obiteljačjela	44											0
19. Isplata udjela u dobiti/odvrednjenje	45											0
20. Ostale raspodjele vlasnicima	46											0
21. Pijenos u pozicije rezervi po godišnjem rasporedu	47											0
22. Povećanje rezervi u postupku predstečajne nagodbe	48											0
23. Stanje 31. prosinca tekućeg razdoblja (AOP 30 do 48)	49			0			0	-2.434.203.918	640.210.136			-1.793.993.782
DODATAK IZVEŠTAJU O PROMJENAMA KAPITALA (prepušava poduzetnik obvez-)												
I. OSTALA SVEOBHVATNA DOBIT TEKUĆEG RAZDOBLJA, UMAMJENO ZA POREZE (AOP 32 do 40)	50			0			0	0	0			0
II. SVEOBHVATNA DOBIT ILI GUBITAK TEKUĆEG RAZDOBLJA (AOP 31 + 50)	51			0			0	640.210.136	640.210.136			640.210.136
III. TRANSAKCIJE S VLASNICIMA TEKUĆEG RAZDOBLJA PRIZNATE DIREKTNO U KAPITALU (AOP 41 do 46)	52			0			0	0	0			0