

HRVATSKE AUTOCESTE d.o.o.
Širolina 4, Zagreb

**Annual Financial Statements and
Independent Auditor's Report
for 2016**

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1.5. Employees

On 31 December 2016, the Company employed 203 persons (31 December 2015: 206). The employee qualification structure is the following:

Structure	31 Dec 2016	31 Dec 2015
Doctor`s/Master`s degree	7	6
University degree	118	119
Two-year post-secondary diploma	26	28
Secondary school certificate	46	46
Skilled workers	5	6
Unskilled workers	1	1
TOTAL	203	206

1.6. Company Bodies

The Company Bodies are the Assembly, Supervisory Board and Management Board. The Republic of Croatia, as the founder, exercises its rights through the Government of the Republic of Croatia. Pursuant to the decision on representing the Croatian Government in the Assembly of Hrvatske autoceste d.o.o. dated 8 November 2004, the Minister of the Sea, Tourism, Transport and Development (Ministry of Maritime, Transport and Infrastructure) represents the Croatian Government in the Company's Assembly.

The Supervisory Board consists of 5 members, 4 of which are elected by the Assembly, one at the proposal of the Ministry of Maritime Affairs, Transport and Infrastructure; Ministry of Environmental and Nature Protection, Ministry of Construction and Physical Planning; Ministry of Finance and Ministry of Economy, Labour and Entrepreneurship, while the fifth member is elected by the employees. Members' mandate is 4 years long.

Supervisory Board

Branimir Jerneić	President (since 2 June 2017)
Nino Vela	Deputy President (since 2 June 2017)
Darko Kasap	Member (since 31 May 2016)
Ladislav Turčinović	Member (since 31 May 2016)
Tihomir Dugi	Member (since 25 April 2017- representative of employees)
Karlo Rukavina	(Member since 9 April 2014, deputy since 3 June 2016, President until 13 April 2017)
Željko Tufekčić	President from 3 June 2016 to 17 November 2016 (Member since 31 May 2016)
Hrvoje Livaja	President of the SB (from 30 June 2015 to 29 February 2016)
Dražen Antolović	Member (from 30 June 2015 to 29 February 2016)
mr.sc. Darko Liović	Deputy President (from 16 November 2012 to 29 February 2016)
prof.dr.sc. Ivan Dadić	Member (from 1 March 2012 to 29 February 2016)

- The fee to finance the construction and maintenance of public roads, paid by manufacturers and importers of petroleum products and the competent government authority for the department stores, is paid on the account of the Company and represent the capital by which the Republic of Croatia finances the construction and maintenance of public roads, recovery of loans which financed the construction of state roads and the recapitalization of the Company, in accordance with the program.
- Public capital is increased by the profit realized by the Company and the Republic of Croatia is the only member of the Company.
- Funds collected from fees to fund construction and maintenance of public roads, paid by manufacturers and importers of petroleum products and the competent government authority for the department stores, are used for the purposes in accordance with annual plans for construction and maintenance of motorways, which with the consent of the Government brings the Company.

2.2. The key estimates and uncertainty of estimates

In preparing financial statements, it is necessary to apply certain estimates which have an influence on the Company and related companies' assets and liabilities, revenues and expenses as well as disclosure of the Company's contingent liabilities.

Future events and their effects can't be predicted with certainty; therefore 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, obtaining additional information and insights and changes in 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 non-current tangible and intangible assets, assets impairments, impairment of inventories, impairment of inventories, receivables and provisions and disclosure of contingent liabilities.

Besides making separate financial statements, the Company also makes consolidated financial statements. These separate financial statements were made since the Company is legally bound to do this. However, for more detailed understanding of Company's operating, these separate financial statements need to be read together with consolidated financial statements which the Company makes and publicly issues.

2.3. Changes in accounting policies

Standards, interpretations and supplements issued by the IASB and adopted in the European Union that are in force

- Alterations and amendments to IAS 19 Employee benefits: Employee contributions - IAS 19 requires that the contributions of the employees and other be taken into account.
- Annual Improvements to IFRSs 2012-2014 Cycle
 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
 - IFRS 7 Financial Instruments: Disclosures (with consequential amendments to IFRS 1)
 - IAS 19 Employee Benefits
 - IAS 34 Interim Financial Reporting

These alterations and amendments are in effect from January 1st 2016. Earlier application is permitted.

- Annual Improvements 2010-2012 Cycle, these amendments are effective in EU for accounting periods beginning on or after 1 February 2015, with earlier application permitted. They include:

