LUKA PLOČE d.d.
Trg kralja Tomislava 21
20 340 Ploče
OIB: 51228874907

LUKA PLOČE d.d.

AUDITED NON CONSOLIDATED REPORT FOR PERIOD FROM 01.01. UNTIL 31.12.2017.

Ploče, April 2018.

CONTENTS:

Appendix 1

Reporting period: **01.01.2017.** **to** **31.12.2017.**

Annual financial statement of the entrepreneur - GFI-POD

Registration number (MB)	**03036138**		
Identification number of subject	**0900065233**		
Personal identification number (OIB)	**5122874907**		
Issueer company:	**LUKA PLOČE**		
Postal code and place	**20340**	**PLOČE**	
Street and number	**TRG KRALJA TOMISLAVA 21**		
E-mail address:	financije@luka-ploce.hr		
Internet adress:	www.luka-ploce.hr		
Code and name of comune/town	**335**	**PLOČE**	
Code and county name	**19**	**DUBROVAČKO-NERETVANSKA**	Number of employees (at quarter end): **493**
Consolidated statement	**NO**		NKD/NWC code: **5224**

Subsidiaries subject to consolidation (according to IFRS): Personal identification number (OIB)

Book keeping service:		
Contact person:	**DODIG ŽELJKA** (fill in only surname and name of contact person)	
Phone number:	**020 603 223**	Fascimile: **020 679 170**
E-mail address:		
Surname and name	**PAVLOVIĆ IVAN** (authorised person for representation)	

Disclosure documents:
Audited non consolidated annual financial report
Management Bord's Report on position of the Company
Statement of persons responsible for preparation of financial statements

M.P. (signed by authorised person for representation)

BALANCE SHEET
as of 31.12.2017

LUKA PLOČE d.d.			
Position	**AOP**	**Previous year**	**Current year**
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001		
B) LONG-TERM ASSETS (003+010+020+029+033)	002	205.745.874	340.465.342
I. INTANGIBLE ASSETS (004 to 009)	003	1.199.637	999.573
1. Assets development	004		
2. Concessions, patents, licences fees, trade and service marks, software and other rights	005		
3. Goodwill	006		
4. Prepayments for purchase of intangible assets	007	0	
5. Intangible assets in preparation	008		
6. Other intangible assets	009	1.199.637	999.573
II. TANGIBLE ASSETS (011 to 019)	010	190.668.584	274.517.729
1. Land	011	2.138.881	2.138.881
2. Buildings	012	8.685.628	8.512.501
3. Plant and equipment	013	55.506.249	50.680.813
4. Tools, facility inventory and transport assets	014	9.090.253	8.559.323
5. Biological assets	015		
6. Prepayments for tangible assets	016	21.870.479	22.498.309
7. Tangible assets in progress	017	88.606.503	177.453.369
8. Other tangible assets	018		
9. Investments in buildings	019	4.770.591	4.674.533
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	020	11.559.076	61.056.692
1. Investments (shares) with related parties	021	11.479.576	7.501.939
2. Loans given to related parties	022	0	
3. Participating interest (shares)	023	79.500	79.500
4. Loans to entrepreneurs in whom the entity holds participating interests	024		
5. Investments in securities	025		
6. Loans, deposits and similar assets	026	0	53.475.253
7. Other long - term financial assets	027		
8. Investments accounted by equity method	028		
IV. RECEIVABLES (030 to 032)	029	2.318.577	1.996.062
1.Receivables from related parties	030		
2. Receivables from based on trade loans	031	2.318.577	1.996.062
3. Other receivables	032		
V. DEFERRED TAX ASSETS	033		1.895.286
C) SHORT TERM ASSETS (035+043+050+058)	034	254.445.492	225.040.245
I. INVENTORIES (036 to 042)	035	1.133.337	31.431.970
1. Raw-material and supplies	036	1.050.098	2.755.348
2. Work in progress	037		
3. Finished goods	038		
4. Merchandise	039		28.655.457
5. Prepayments for inventories	040	83.239	21.165
6. Long - term assets held for sales	041		
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	62.054.118	73.634.279
1. Receivables from related parties	044	4.065.154	1.957.518
2. Accounts receivable	045	52.146.759	67.416.010
3. Receivables from participating parties	046	9.223	
4. Receivables from employees and members of related parties	047	47.850	
5. Receivables from government and other institutions	048	3.511.734	1.906.790
6. Other receivables	049	2.273.398	2.353.961
III. SHORT TERM FINANCIAL ASSETS (051 to 057)	050	155.760.735	81.496.846
1. Shares (stocks) in related parties	051		
2. Loans given to related parties	052		
3. Participating interests (shares)	053	279.577	350.875
4. Loans to entrepreneurs in whom the entity holds participating interests	054		
5. Investments in securities	055		
6. Loans, deposits, etc.	056	155.481.158	81.145.971
7. Other financial assets	057		
IV. CASH AT BANK AND IN CASHIER	058	35.497.302	38.477.150
D) PREPAID EXPENSES AND ACCRUED REVENUE	059	0	0
E) TOTAL ASSETS (001+002+034+059)	060	460.191.366	565.505.587
F) OFF-BALANCE RECORDS	061		

Position	AOP	Previous year	Current year
1	2	3	4
LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	**062**	409.121.249	407.603.471
I. SUBSCRIBED CAPITAL	**063**	169.186.800	169.186.800
II. CAPITAL RESERVES	**064**	88.107.087	88.107.087
III.RESERVES FROM PROFIT (066+067-068+069+070)	**065**	39.011.478	39.187.369
1. Reserves prescribed by low	**066**	8.283.449	8.459.340
2. Reserves for treasury shares	**067**	8.904.560	8.904.560
3. Treasury stocks and shares (deduction)	**068**	1.066.317	1.066.317
4. Statutory reserves	**069**		
5. Other reserves	**070**	22.889.786	22.889.786
IV. REVALUATION RESERVES	**071**		
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	**072**	106.552.736	110.603.727
1. Retained earnings	**073**	106.552.736	110.603.727
2. Accumulated loss	**074**		
VI. PROFIT/LOSS FOR THE CURRENT YEAR (076-077)	**075**	6.263.148	518.488
1. Profit for the current year	**076**	6.263.148	518.488
2. Loss for the current year	**077**		
VII. MINORITY INTERESTS	**078**		
B) PROVISIONS (080 to 082)	**079**	3.166.282	2.244.578
1. Provisions for pensions, severance pay, and similar liabilities	**080**	1.587.189	1.474.391
2. Reserves for tax liabilities	**081**		
3. Other reserves	**082**	1.579.093	770.187
C) LONG - TERM LIABILITIES (084 to 092)	**083**	19.685.967	100.769.809
1. Liabilities to related parties	**084**		
2. Liabilities for loans, deposits etc.	**085**		
3. Liabilities to banks and other financial institutions	**086**	18.174.439	99.467.312
4. Liabilities for received prepayments	**087**		
5. Accounts payable	**088**		
6. Liabilities arising from debt securities	**089**		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	**090**		
8. Other long-term liabilities	**091**	1.511.528	1.302.497
9. Deferred tax liability	**092**		
D) SHORT - TERM LIABILITIES (094 to 105)	**093**	28.217.868	54.887.729
1. Liabilities to related parties	**094**	4.029.373	2.046.190
2. Liabilities for loans, deposits etc.	**095**		
3. Liabilities to banks and other financial institutions	**096**	2.916.231	8.705.113
4. Liabilities for received prepayments	**097**		
5. Accounts payable	**098**	16.213.557	37.972.062
6. Liabilities arising from debt securities	**099**		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	**100**	646.448	1.009.642
8. Liabilities to employees	**101**	2.548.628	2.866.613
9. Liabilities for taxes, contributions and similar fees	**102**	1.499.385	1.680.257
10. Liabilities to share - holders	**103**		
11. Liabilities for long-term assets held for sale	**104**		
12. Other short - term liabilities	**105**	364.246	607.852
E) DEFFERED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	**106**	0	0
F) TOTAL – CAPITAL AND LIABILITIES (062+079+083+093+106)	**107**	460.191.366	565.505.587
G) OFF-BALANCE RECORDS	**108**		
APPENDIX to balance sheet(to be filled in by entrepreneur that prepares consolidated annual financial report)			
CAPITAL AND RESERVES			
1. Attributed to equity holders of parent company	**109**		
2. Attributed to minority interest	**110**	0	0

PROFIT AND LOSS ACCOUNT

from 01.01.2017. until 31.12.2017.

LUKA PLOČE d.d.			
Position	**AOP**	**previous period cumulative**	**previous period quarter**
1	2	3	4
I. OPERATING REVENUE (112+113)	**111**	170.672.223	230.426.537
1. Sales revenue	**112**	166.123.664	228.337.621
2. Other operating revenues	**113**	4.548.559	2.088.916
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	**114**	168.704.111	224.198.907
1. Changes in value of work in progress and finished products	**115**		
2. Material costs (117 to 119)	**116**	104.296.961	156.906.179
a) Raw material and material costs	**117**	8.062.291	10.394.445
b) Costs of goods sold	**118**	73.851.144	126.356.014
c) Other external costs	**119**	22.383.526	20.155.720
3. Staff costs (121 to 123)	**120**	45.766.299	49.398.753
a) Net salaries and wages	**121**	28.726.821	31.222.919
b) Cost for taxes and contributions from salaries	**122**	10.322.542	10.925.282
c) Contributions on gross salaries	**123**	6.716.936	7.250.552
4. Depreciation	**124**	7.693.810	6.488.647
5. Other costs	**125**	10.941.057	10.805.388
6. Impairment (127+128)	**126**	5.984	82.197
a) Impairment of long-term assets (financial assets excluded)	**127**		
b) Impairment of short - term assets (financial assets excluded)	**128**	5.984	82.197
7. Provisions	**129**		517.743
8. Other operating costs	**130**		
III. FINANCIAL INCOME (132 to 136)	**131**	4.442.532	554.916
1. Interest income, foreign exchange gains, dividends and similar income from related	**132**		
2. Interest income, foreign exchange gains, dividends and similar income from non -	**133**	4.442.532	554.916
3. Share in income from affiliated entrepreneurs and participating interests	**134**		
4. Unrealized gains (income) from financial assets	**135**		
5. Other financial income	**136**		
IV. FINANCIAL EXPENSES (138 to 141)	**137**	147.496	8.159.344
1. Interest expenses, foreign exchange losses, dividends and similar expenses from related	**138**		
2. Interest expenses, foreign exchange losses, dividends and similar expenses from non -	**139**	147.496	90.646
3. Unrealized losses (expenses) on financial assets	**140**		8.068.698
4. Other financial expenses	**141**		
V. INCOME FROM INVESTMENT - SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS	**142**		
VI. LOSS FROM INVESTMENT - SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS	**143**		
VII. EXTRAORDINARY - OTHER INCOME	**144**	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	**145**		
IX. TOTAL INCOME (111+131+142 + 144)	**146**	175.114.755	230.981.453
X. TOTAL EXPENSES (114+137+143 + 145)	**147**	168.851.607	232.358.251
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	**148**	6.263.148	-1.376.798
1. Profit before taxation (146-147)	**149**	6.263.148	0
2. Loss before taxation (147-146)	**150**	0	1.376.798
XII. PROFIT TAX	**151**		-1.895.286
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	**152**	6.263.148	518.488
1. Profit for the period (149-151)	**153**	6.263.148	518.488
2. Loss for the period (151-148)	**154**	0	0
APPENDIX to P&L account (to be filled in by entrepreneur that prepares consolidated financial report)			
XIV. PROFIT OR LOSS FOR THE PERIOD			
1. Attributed to equity holders of parent company	**155**		
2. Attributed to minority interest	**156**		
STATEMENT OF OTHER COMPREHENSIVE INCOME (IFRS)			
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	**157**	6.263.148	518.488
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 to 165)	**158**	0	0
1. Exchange differences on translation of foreign operations	**159**		
2. Movements in revaluation reserves of long - term tangible and intangible assets	**160**		
3. Profit or loss from reevaluation of financial assets available for sale	**161**		
4. Gains or losses on efficient cash flow hedging	**162**		
5. Gains or losses on efficient hedge of a net investment in foreign countries	**163**		
6. Share in other comprehensive income / loss of associated companies	**164**		
7. Actuarial gains / losses on defined benefit plans	**165**		
III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**166**		
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (158-166)	**167**	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	**168**	6.263.148	518.488
APPENDIX to Statement of other comprenhensive income (to be filled in by entrepreneur that prepares consolidated financial report)			
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD			
1. Attributed to equity holders of parent company	**169**		
2. Attributed to minority interest	**170**		

STATEMENT OF CASH FLOWS - INDIRECT METHOD

from 01.01.2107. until 31.12.2017.

Company: LUKA PLOČE			
Position	**AOP**	**Previous year**	**Current year**
1	**2**	**3**	**4**
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	**001**	6.263.148	-1.376.798
2. Depreciation	**002**	7.693.810	6.488.647
3. Increase in short term liabilities	**003**		22.581.425
4. Decrease in short term receivables	**004**	212.331	
5. Decrease in inventories	**005**		
6. Other increase in cash flow	**006**		6.553.306
I. Total increase in cash flow from operating activities (001 to 006)	**007**	14.169.289	34.246.580
1. Decrease in short term liabilities	**008**	13.223.429	
2. Increase in short term receivables	**009**		10.718.215
3. Increase in inventories	**010**	5.499	30.298.633
4. Other decrease in cash flow	**011**	3.591.620	
II. Total decrease in cash flow from operating activities (008 to 011)	**012**	16.820.548	41.016.848
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES	**013**	0	0
A2) NET DECREASE IN IN CASH FLOW FROM OPERATING ACTIVITIES	**014**	2.651.259	6.770.268
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash inflows from sales of long-term tangible and intangible assets	**015**	27.720.000	59.806
2. Cash inflows from sales of equity and debt instruments	**016**	1.500.000	
3. Interests receipts	**017**		0
4. Dividend receipts	**018**		
5. Other cash inflows from investing activities	**019**	258.085.624	20.407.291
III. Total cash inflows from investing activities (015 to 019)	**020**	287.305.624	20.467.097
1. Cash outflow for purchase of long-term tangible and intangible assets	**021**	52.721.285	7.496.128
2. Cash outflow for acquisition of equity and debt financial instruments	**022**		
3. Other cash outflow for investing activities	**023**	214.390.000	
IV. Total cash outflow for investing activities (021 to 023)	**024**	267.111.285	7.496.128
B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)	**025**	20.194.339	12.970.969
B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES	**026**	0	0
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash inflow from issuing property and debt financial instruments	**027**		
2. Proceeds from the credit principal, promissory notes, borrowings and other loans	**028**	16.467.362	393.827
3. Other proceeds from financial activities	**029**		
V. Total cash inflows from financial activities (027 to 029)	**030**	16.467.362	393.827
1. Cash outflow for repayment of credit principal and bonds	**031**	5.908.250	2.456.680
2. Cash outflow for dividends paid	**032**		
3. Cash outflow for financial lease	**033**		
4. Cash outflow for purchase of treasury shares	**034**		
5. Other cash outflow for financial activities	**035**		
VI. Total cash outflow for financial activities (031 to 035)	**036**	5.908.250	2.456.680
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	**037**	10.559.112	0
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	**038**	0	2.062.853
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	**039**	28.102.192	4.137.848
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	**040**	0	0
Cash and cash equivalents at the beginning of the period	**041**	7.395.110	35.497.302
Increase of cash and cash equivalents	**042**	28.102.192	2.979.848
Decrease of cash and cash equivalents	**043**	0	
Cash and cash equivalents at the end of the period	**044**	35.497.302	38.477.150

STATEMENT OF CHANGES IN EQUITY

for the period 1.1.2017 to 31.12.2017

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	169.186.800	169.186.800
2. Capital reserves	002	88.107.087	88.107.087
3. Reserves from profit	003	39.011.478	39.187.369
4. Retained earnings or accumulated loss	004	106.552.736	110.603.727
5. Profit or loss for the current year	005	6.263.148	518.488
6. Revaluation of long - term tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008		
9. Other revaluation	009		
10. Total capital and reserves (AOP 001 to 009)	010	409.121.249	407.603.471
11. Currency gains and losses arising from net investement in foreign operations	011		
12. Current and deferred taxes (part)	012		
13. Cash flow hedging	013		
14. Changes in accounting policy	014		
15. Correction of significant errors in prior period	015		
16. Other changes of capital	016		
17. Total increase or decrease in capital (AOP 011 to 016)	017	0	0
17 a. Attributed to equity holders of parent company	018		
17 b. Attributed to minority interest	019		

Items which decrease capital are given with the negative prefix

ANNUAL REPORT OF THE LUKA PLOČE COMPANY AND LUKA PLOČE GROUP FOR YEAR 2017.

CONTENTS

LUKA PLOČE d.d.
Trg kralja Tomislava 21
20 340 Ploče
OIB: 51228874907

MANAGEMENT REPORT FOR THE YEAR 2017

Ploče, April 2018.

FINANCIAL RESULTS OF THE LUKA PLOČE d.d. IN 2017:

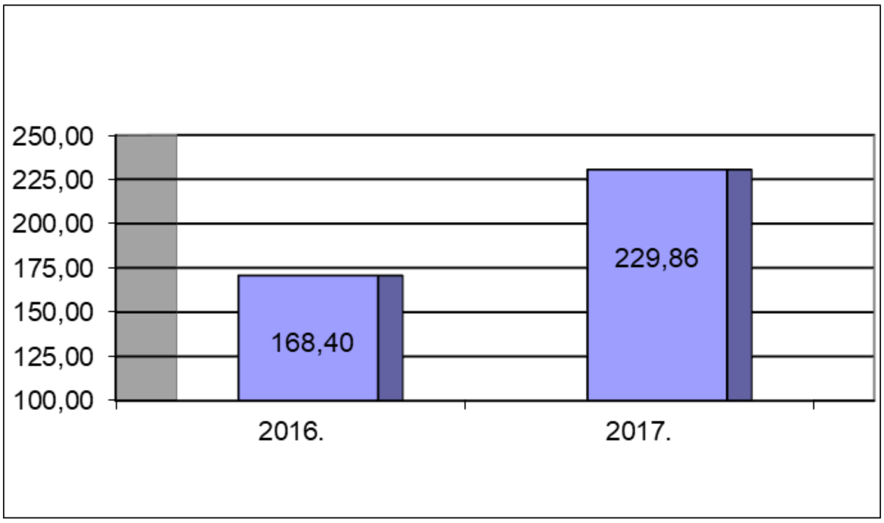
- Cargo traffic volume through Ploče port: 3,19 million tones of cargoes representing 18.05% increase in comparison with the same period of the previous year.
- Operating revenues: 229,86 million kuna representing the increase of 34,49% in comparison with the same period of the previous year.
- Operating expenses: 223,64 million kuna representing 34,37 % increase in comparison with the same period of the previous year.
- EBITDA: 12,72 million kuna
- EBITDA margin: 5,52%
- EBIT: 6,23 million kuna
- EBIT margin: 2,71%
- Net PROFIT: 518,49 thousands kuna

LUKA PLOČE d.d. REVENUES

Operating revenues in year 2017. amounted to 229,86 million kuna which is 36,49% increase over the previous year.

Sales revenues amounted to 228,34 million kuna which is an 37,45% increase over the previous year. That increase is a result of increased cargo traffic volume and increased revenue from sale of goods.

Structure of the Luka Ploče d.d. operating revenue (in mil kuna)



Within the structure of total revenues, operating revenues represent 100,00 % of the total revenue. Sales revenues represent 99,34% and other revenues represent 0,66 % of the total revenues .

OPERATING EXPENSES of Luka Ploče d.d.

Operating expenses amounted to 223,64 million kuna which is the increase of 34,37 % in comparison to the same period of the previous year.

Most significant increase was the increase of costs of materials and staff costs due to the merger of Luka Ploče Održavanje l.l.c to Luka Ploče j.s.c.

In the structure of total expenditures, operating expenses account for 96.71% of total expenditures, financial expenses (unrealized exchange rate differences) account for 3.29%.

The most significant changes compared to the comparative period last year were the negative unrealized foreign exchange gains of HRK 7.8 million, and they were generated by itemizing the balance sheet items at the middle exchange rate of the NBH as of 31.12.2017. for dollars and euros to kuna.

Currency exchange data – middle exchange rate of the Croatian National Bank

	Kuna to EUR		Kuna to USD	
	Average	At the end of period	Average	At the end of period
Twelve months of year 2016.	**7,53**	**7,56**	**6,80**	**7,17**
Twelve months of year 2017.	**7,46**	**7,51**	**6,62**	**6,27**

EBITDA* (Earnings before interest, taxes and depreciation) Luka Ploče d.d.

EBITDA* amounted to 12,72 million kuna for the year 2017., representing a 3,05 million kuna increase in comparison to the previous year.

EBIT LUKA PLOČE d.d.

EBIT amounted to 6,23 million kuna representing the increase of 4,26 million kuna in comparison to the previous year.

- EBITDA includes interest income on short-term deposits being treated by the Group and the Company treat as operating revenues

NET PROFIT of the LUKA PLOČE d.d.

Luka Ploče d.d. has recorded a net profit of 518,49 thousand kuna as a result of the recognition of deferred tax assets that will charge gross profit in future years.

FINANCIAL POSITION of Luka Ploče d.d.

Long-term assets recoded an increase of 39,49% in 2017. in comparison to the year 2016. due to the increased item of investments: investment towards plant and equipment of the Bulk cargo Terminal.

Short-term assets increased by 9,46%. The largest increase has been recorded at the stocks of trade goods and receivables form customers.

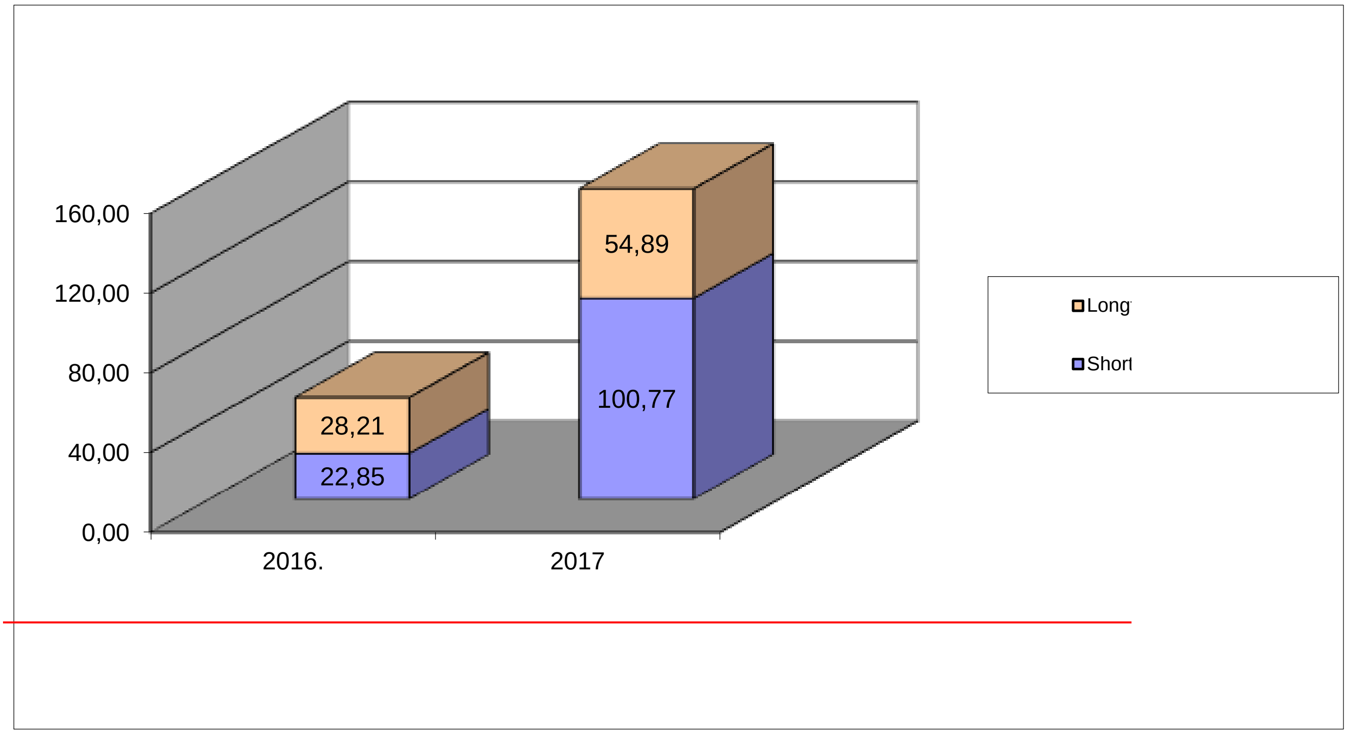
Long-term liabilities have increased due to investment from long-term sources to Bulk cargo Terminal.

Short term liabilities recorded an increase in liabilities to suppliers.

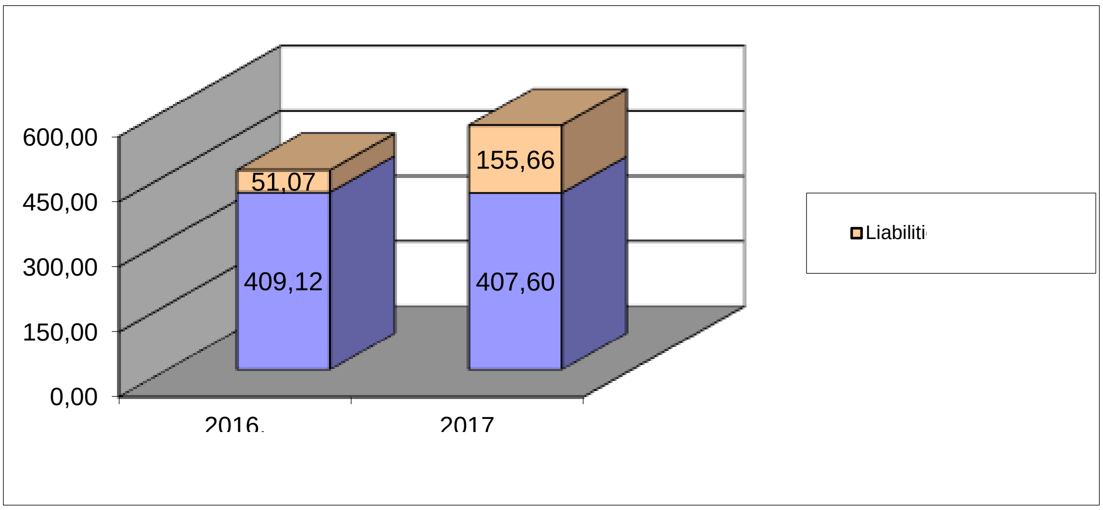
The highest item within the liabilities is the capital and reserves with a share of 72,08% of the total liabilities.

Long-term and short-term financial liabilities comprise 27,92% of the total liabilities and capital.

The structure of financial liabilities of Luka Ploče d.d. (in mill kuna)



Structure of the sources of funding of Luka Ploče d.d. (in mill kuna)



Key indicators Luka Ploče d.d.

Indicators	REALIZED 2016	REALIZED 2017
Liquidity ratios		
Working Capital (in kuna)	226.228.000	223.627.771
Current liquidity	9,02	5,07
Turnover of working capital	0,75	1,03
Days of working capital	483,31	359,55
Days in period	365	365
Debt indicators		
Short term liabilities / equity	0,07	0,13
Long term liabilities/ equity	0,06	0,25
Loans /equity	0,05	0,27
Total liabilities / assetss	0,12	0,39
Profitability ratios		
EBITDA margin	5,66	5,52
EBIT margin	1,15	2,71
Net margin	3,67	0,23
Productivity Indicators		
Number of employees	445	493
Revenue per employee (in kuna)	383.533	466.252

FINANCIAL RESULTS OF THE LUKA PLOČE GROUP IN 2017:

Luka Ploče Group monitors and presents operating revenues, operating profit, capital investments , total assets and total liabilities for the following activities :

- Cargo handling (loading, unloading, transshipment, finishing, weighing general cargo , bulk and liquid cargo) and represents the parent company.
- freight forwarding services, maritime services (mooring , unmooring of cargo and passenger ships)
- secondary activities (catering and similar activities)

Results of above stated activities for the year ending on December 31st 2017. are as given below:

- Operating Revenues: 240,35 million kuna representing the increase of 31,55 % in comparison with the same period of the previous year.
- Operating expenses : 232,99 million kuna representing 12,70 % increase in comparison with the same period of the previous year.
- EBITDA : 14,35 million kuna
- EBITDA margin: 5,97%
- EBIT: 7,36 million kuna
- EBIT margin: 3,06%
- Net PROFIT : 1,26 million kuna

Key indicators Luka Ploče Group

Indicators	REALIZED 2016	REALIZED 2017
Liquidity ratios		
Working Capital (in kuna)	233.801.744	230.954.516
Current liquidity	9,95	5,25
Turnover of working capital	0,78	1,04
Days of working capital	466	353
Days in period	365	365
Debt indicators		
Short term liabilities / equity	0,06	0,13
Long term liabilities/ equity	0,06	0,26
Loans /equity	0,05	0,27
Total liabilities / assetss	0,10	0,28
Profitability ratios		
EBITDA margin	-8,3	5,97
EBIT margin	-13,1	3,06
Net margin	-10,08	0,5
Productivity Indicators		
Number of employees	584	552
Revenue per employee (in kuna)	313.662	435.420

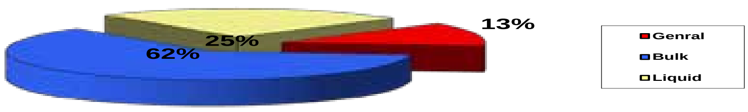
SALES AND MARKETING

Total volume of cargo reloaded in the 2017. totals to 3.194.963 tons, which represents a 18% increase in comparison to the year 2016. when the total volume recorded was 2.706.442 tones. The prevailing cargo type in the overall structure is bulk cargo, comprising 62% of the total cargo traffic volume. General cargo volume represent a share of 13%, while the liquid cargo volume represents a share of 25% of the total cargo traffic volume.

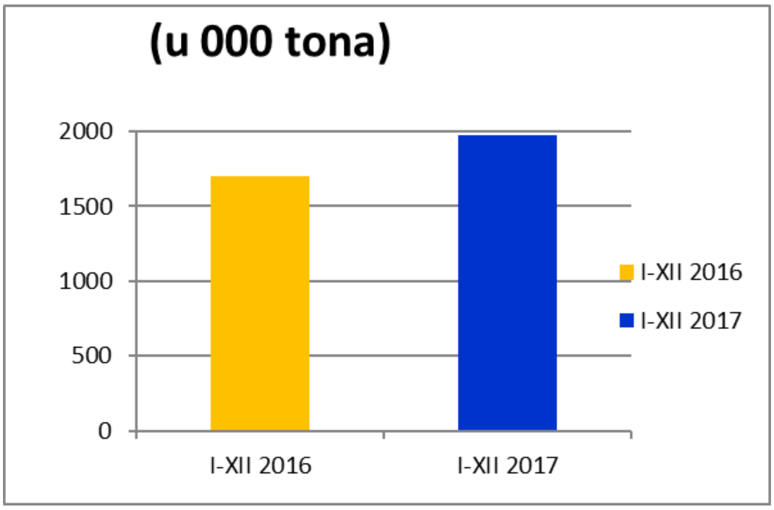
Volumes as per the type of cargo (in tones)

TYPE OF CARGO	2017.	2016.	Indeks 2017./2016.
General cargo	417.583	441.585	95
Bulk cargo	1.973.160	1.697.234	116
Liquid cargo	804.220	567.603	142
TOTAL	**3.194.963**	**2.706.422**	**118**

Structure as per the type of cargo in 2017.



Bulk cargo



The bulk cargo prevails in the structure of all cargo types reloading in 2017, which represents increase of 16% than in the previous year.

Metallurgical coal is predominant in its structure.

This year, transhipment of coal for Italian coal-fired power plants for the new client was started, and a transhipment of petrol coke for Cemex was re-established.

Also significant is the increase in the volume of reloading of scrap iron.

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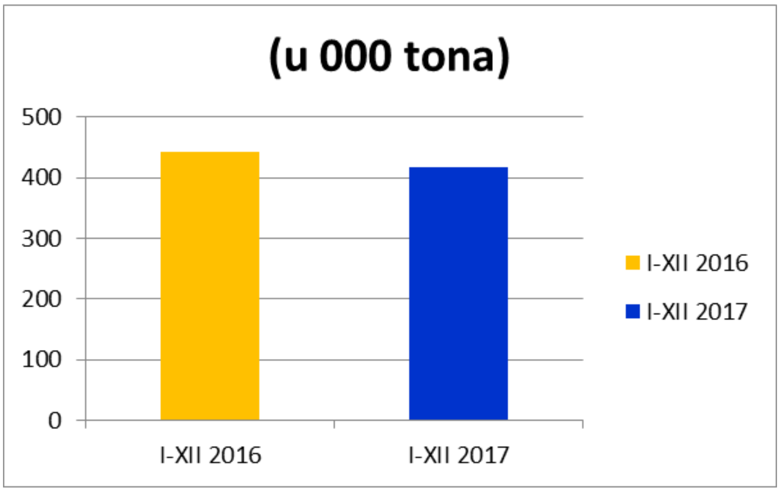
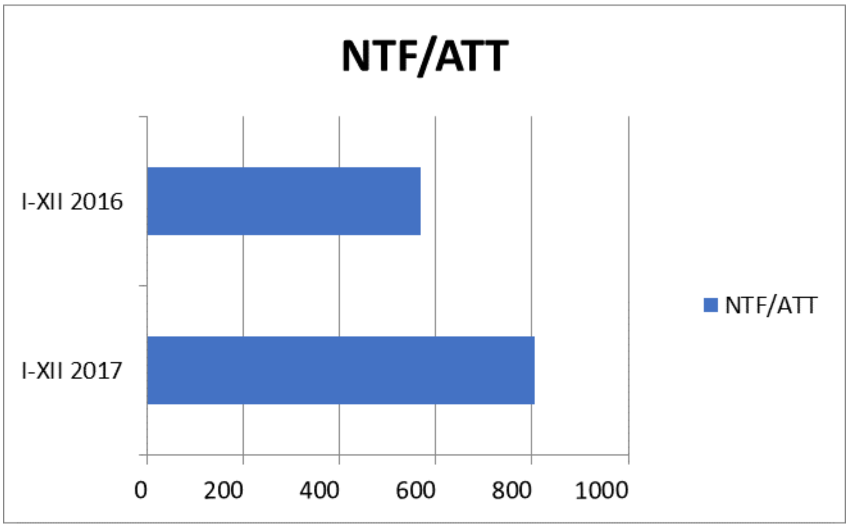
General cargo



General cargoes reloading has recorded a 5% decrease in year 2017. in comparison to the year 2016. The decrease is a result of decreased volume of reloading of steel billets and iron products.

In 2017 24.123 TEUs were reloaded, while in 2016 20.965 TEUs were reloaded, representing the increase of 15%.

Liquid cargo



Volume of liquid cargoes have increased by 42% in year 2017. in comparison to the year 2016.

EXPECTATIONS

Strategic goals of Luka Ploče d.d. is to achieve traffic volume growth and profitability in the coming years.

The focus is on the growth of volume of bulk cargoes reloading, increase of transshipment of energetic coal for Italy for Enel's needs, with whom the existing contract is extended.

In the structure of general cargoes we expect further growth in the segment of containers, timber and especially of aluminum products.

The MAERSK container operator has resumed container traffic through the port of Ploče with whom we signed the contract. There is an interest of other shipping companies for returning to the port of Ploče.

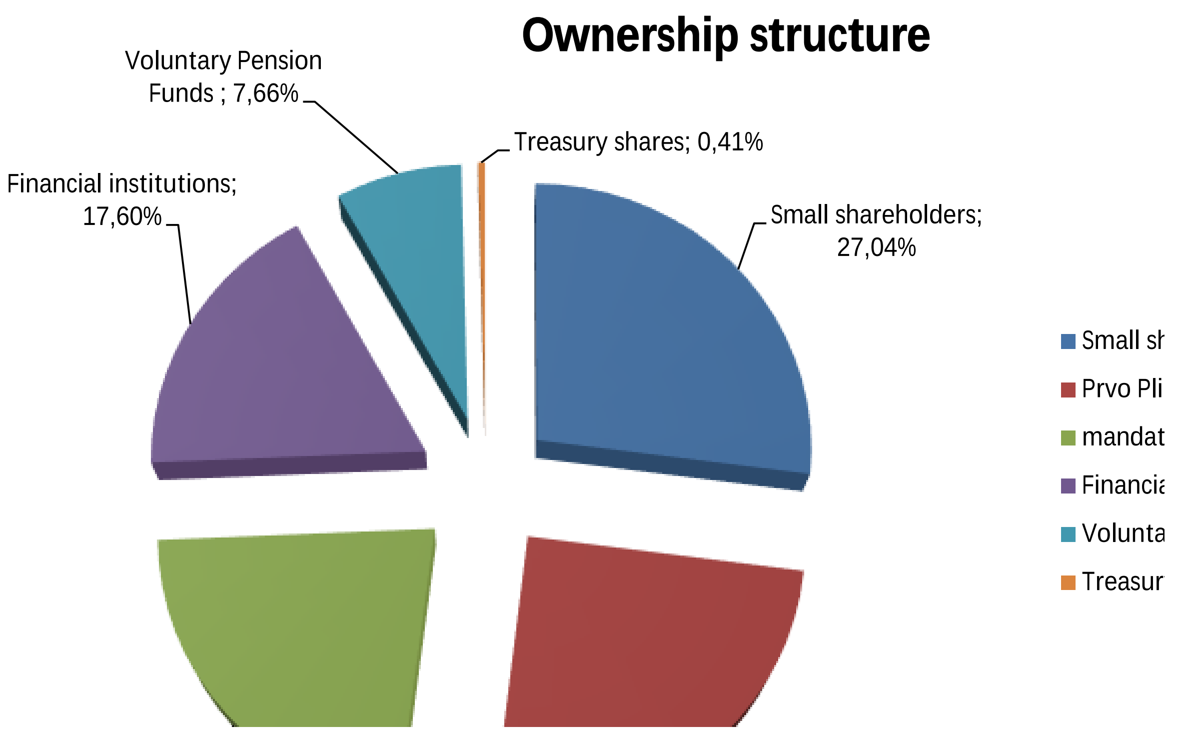
We expect a significant increase in transport of fir timber in the container filling segment; the increase in the reefer container reloading.

There is a seemingly increase in reloading of scrap iron, and in reloading volume of steel billets for the needs of the Bosnia and Hercegovina market.

By the continuous reorganization of the company, investments in renewal of reloading equipment and human resources, the strong foundation for future growth and development have been set.

SHARES

Top shareholders as on 31.December 2016.



Current balance of the treasury stock

The Company acquired 1,719 of own shares during years 2011., 2012. and 2013. in accordance with Article 233, Paragraph 2. of the Companies Act.

The acquired shares have not been disposed of until the date of this publication.

TRANSACTIONS WITH ASSOCIATED COMPANIES WITHIN THE GROUP

Transactions with affiliated companies within the Group are carried out under usual commercial conditions with the application of market prices.

Affiliates are:

- Luka Šped d.o.o. 100% owned by the Luka Ploče d.d
  Main business is forwarding agency services
- Pomorski servis - Luka Ploče d.o.o. 100% owned by the Luka Ploče d.d
  Main business is rendering of maritime services
- Pločanska plovidba d.o.o. 100% owned by the Luka Ploče d.d.
  Main business is rendering of shipping services

More on affiliated companies can be found in Note 18 of the financial statements.

RISKS OF THE COMPANY AND THE GROUP

Given that the Company is exposed to various risks in everyday business, it is most important for the Company to take risks as a normal occurrence and to respond to it in a timely and appropriate manner. Only with such approach is it possible to make quality decisions to preserve and develop business.

The Company carries out appropriate policies and procedures for managing individual risks, and the way of managing and controlling risks is specifically prescribed and documented in regulations and procedures.

The Company defines the following types of most significant risks:

Credit risk

Group assets bearing credit risk consist of cash assets, deposits, accounts receivable, claims from employees and other receivables As an additional collateral for collecting receivables from customers, the Group and the Company reduce credit risk by implementing our right to take a pledge over cargo as an guaranty instrument, while claims on employees are secured by wage cessation.

Price risk

Prices of services Luka Ploče d.d. are in line with the prices of other ports in the Adriatic. Prices of services provided by Luka Ploče d.d. are not sufficient to maintain the competitiveness of this traffic route. Competitiveness also depends on the price of light dues, port fees and rail railway freight rates. Increases in prices may have a negative impact on the traffic route via the port of Ploče.

Liquidity risk and cash flow risk

Proper liquidity risk management implies maintaining a sufficient amount of money, ensuring the availability of financial resources by an adequate amount of agreed credit lines and the ability to settle all liabilities. The Group and Company's goal is to maintain the flexibility of financing in a way that contractual credit lines are available. The Finance Department regularly – monthly monitors the level of available sources of funds.

The table below shows the analysis of the Group's and Company's financial liabilities by contractual maturities.

Table of financial liabilities in thousands of kunas in 2016

	Luka Ploče Grupa		*Luka Ploče d.d.*	
	2017.	**2016.**	**2017.**	**2016.**
	(u tisućama kuna)		*(u tisućama kuna)*	
Less than 1 year (current maturity)	9.386	3.192	8.705	2.916
Between 1 and 5 years	45.556	9.511	43.771	8.631
Over 5 years	56.999	11.055	56.999	11.055
	111.941	**23.758**	**109.475**	**22.602**

More details can be found in Notes 4 and 28.

SIGNIFICANT BUSINESS EVENTS IN 2017.

- On 25.04.2017. the General Assembly of the Company adopted the Decision on Amendments to the Articles of Association of Luka Ploče d. regarding the change of the official seal of the Company.

- On 12.06.2017. a change of functions was performed within the Supervisory Board by Pavao Vujnovac being appointed the Chairman of the Supervisory Board and Davorin Rudolf the member of the Supervisory Board.

- Luka Ploče Održavanje d.o.o has been merged to the Luka Ploče d.d. on September 26, 2017.
- Port of Ploče Energija d.o.o. has been merged to Luka Ploče d.d. on September 26, 2017.
- On 13.12.2017. the notification was received that Krešimir Gjenero resigns as a member of the Supervisory Board Luka Ploče d.d. with the date 31 December 2017.

CODE OF CORPORATE GOVERNANCE

Luka Ploče d.d. as well as the Port of Ploče Group is continually developing and operating in accordance with defined corporate governance standards.

This applies in particular to the way in which the Company's bodies operate, in way they cooperate with shareholders and employees, to ensure business transparency, and to third parties. On 16.06.2008. the Company has adopted its own Code of Corporate Governance with the aim of further strengthening and establishing high standards of corporate governance. The Management Board fully adheres to the provisions of its own Code and the Code of the Zagreb Stock Exchange d.d. from the date of listing of the shares on the Official Market. The Company applies the corporate governance measures prescribed by law and gives detailed info on it in the annual questionnaire published in accordance with the regulations on the Zagreb Stock Exchange web page and Luka Ploče d.d web page.

The General Assembly of the Company is the highest body of the Company where shareholders exercise their rights, but also participate in the supervision of the business. The Management Board convenes the regular General Assembly usually once a year after the audit of the annual financial statements. The invitation to the General Assembly with the relevant decision proposals and any documentation is published on the Company's web pages, the Company's notice board, the Official Gazette of the Republic of Croatia and the pages of the Zagreb Stock Exchange d.d., all in accordance with the provisions of the Companies Act, the Capital Market Act and the Rules of the Zagreb Stock Exchange d.d. The Company provides all shareholders with access to the documentation in our business premises. The Company has an identical approach to dealing with all shareholders, regardless of the number of shares held by them. The shareholders are given a deadline in which they can apply for participation in the General Assembly. Each share entitles to one vote.

The Company has, by the internal act, prescribed in detail the procedures for preparation and disclosure of the financial statements, thereby setting up an internal control and risk management system in relation to the financial reporting process.

Appointment and dismissal of members of the Management Board and members of the Supervisory Board is performed in the manner prescribed by the Company's Article of Association and the Companies Act. The authorizations of the Management Board members are aligned with the provisions of the Companies Act.

Company’s bodies are:

Management Board: Ivan Pavlović-president of the Board, Željka Dodig- member of the Board for financial affairs, Tomo Krilić- member of the Board for sales and marketing, Marko Lončarević-member of the Board for development and investments and Josip Jurčević-member of the Board for corporate governance.

Supervisory Board: Pavao Vujnovac-president, Darko Drozdek –deputy president and members: Davorin Rudolf, Krešimir Gjenero, and Tonka Lovrinov.

Audit Committee: Davorin Rudolf- president and members:Krešimir Gjenero and Darko Drozdek.

Remuneration Committee: Pavao Vujnovac- president and members: Tonka Lovrinov and Krešimir Gjenero.

Management Board and Supervisory Board work at sessions in accordance with the Law and the Rules of Procedure of the Management Board and the Supervisory Board.

On 17 January 2018, at the Supervisory Board meeting the members of the Management Board Tomo Krilić and Marko Lončarević were dismissed from the Management Board.

In Ploče, April 27th 2018 .

Ivan Pavlović	Željka Dodig	Josip Jurčević
President of the Management Bord	*Member of the Board*	*Member of the Board*

Management Liability statement

Pursuant to the Croatian Accounting Law, the Management Board is responsible for ensuring that non-consolidated and consolidated financial statements are prepared for each financial year in accordance with the International Financial Reporting Standards ("IFRS'') approved by the European Union ("EU") which give a true and fair view of the state of affairs and results of Luka Ploče d.d. and of the companies being consolidated ("Group") for that period.

The Management Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed,
- the financial statements are prepared on the going concern basis unless it inappropriate to presume that the Company and Group will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and of the Group, and must also ensure that their financial statements comply with the Croatian Accounting Law. The Management Board is also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management Board is also responsible for the contents and preparation of the management report in accordance with the legal and regulatory requirement as well as for other information published with the management report (commonly referred to as: " other information"). Management report with other information is given on pages 1. to 20., approved for issuing by the Management Board and signed below accordingly.

Non-consolidated and consolidated financial reports have been approved by the Management Board on April 27th 2018. for their submittal for approval to the Supervisory Board, and are signed below:

Ivan Pavlović	Željka Dodig	Josip Jurčević
President of the Board	*Member of the Board*	*Member of the Board*

Luka Ploče d.d.

Trg kralja Tomislava 21

20340 Ploče

Ploče, April 27th 2018.

LUKA PLOČE d.d.

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2017

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

		Luka Ploče Group		Luka Ploče d.d.	
(in thousands of HRK)	**Note**	**2017**	**2016**	**2017**	**2016**
Continuing operations					
Revenues	7, 8	237,836	180,085	228,338	166,124
Other income	8	2,516	2,628	1,524	2,280
Raw material and energy costs	9	(138,909)	(84,539)	(136,751)	(81,913)
Costs of services	9	(16,497)	(16,854)	(20,156)	(22,384)
Staff costs	10	(61,719)	(64,511)	(52,048)	(49,832)
Depreciation	15,16,17	(6,988)	(8,851)	(6,489)	(7,694)
Other operating expenses	11	(9,181)	(32,442)	(8,674)	(6,876)
Impairment of receivables - net	22	(262)	(22)	(82)	(6)
Other (losses) / gains – net	12	565	487	565	2,269
Operating profit		**7,361**	**(24,019)**	**6,227**	**1,968**
Finance income / (expenses) – net	13	(8,018)	4,192	(7,604)	4,295
Share of profit in associates	19	63	39	-	-
Profit / (loss) before tax		**(594)**	**(19,788)**	**(1,377)**	**6,263**
Income tax	14	1,851	-	1,895	-
Net profit / (loss)		**1,257**	**(19,788)**	**518**	**6,263**
Other comprehensive profits		-	-	-	-
Total comprehensive income / (loss)		**1,257**	**(19,788)**	**518**	**6,263**
Profit (loss) per share (in HRK)	**27**	**2,98**	**(46,97)**	**1,23**	**14,87**

The notes and accounting policies that follow are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

(all amounts are expressed in thousands of HRK)	Note	Luka Ploče Group 31 December 2017	Luka Ploče Group 31 December 2016	Luka Ploče d.d. 31 December 2017	Luka Ploče d.d. 31 December 2016
ASSETS					
Non-current assets					
Intangible assets	15	1,000	1,282	1,000	1,200
Property, plant and equipment	16	252,557	169,061	247,345	164,027
Advances for tangible assets		22,498	22,326	22,498	21,869
Investment property	17	4,675	4,771	4,675	4,771
Investments in subsidiaries	18	-		7,502	11,480
Investments in associates	19	584	521	80	80
Long-term loan receivables	20	1,995	2,319	1,995	2,319
Deferred tax assets	14	1,895	-	1,895	-
Long-term deposits	23	53,511	36	53,475	-
Total non-current assets		**338,715**	**200,316**	**340,465**	**205,746**
Current assets					
Inventories	21	31,596	1,861	31,432	1,133
Trade and other receivables	22	74,342	60,217	73,635	62,054
Short-term deposits	23	81,419	155,753	81,146	155,481
Financial assets at fair value through profit or loss	24	351	280	351	280
Cash and cash equivalents	25	44,095	41,821	38,477	35,497
Total current assets		**231,803**	**259,932**	**225,041**	**254,445**
Total assets		**570,518**	**460,248**	**565,506**	**460,191**
Shareholders' equity					
Share capital	26	169,187	169,187	169,187	169,187
Premium on issued shares	26	88,107	88,107	88,107	88,107
Legal reserves	26	8,459	8,283	8,459	8,283
Other reserves	26	48,159	48,159	48,159	48,159
Retained earnings	26	97,175	96,094	93,691	95,385
		411,087	409,830	407,603	409,121
Non-controlling interests		**-**	-	-	-
Total shareholders' equity		**411,087**	**409,830**	**407,603**	**409,121**
LIABILITIES					
Non-current liabilities					
Borrowings	28	102,555	20,566	100,770	19,686
Provisions	29	2,507	3,717	2,245	3,166
Total non-current liabilities		**105,062**	**24,283**	**103,015**	**22,852**
Current liabilities					
Borrowings	28	9,386	3,192	8,705	2,916
Trade and other payables	30	44,340	22,579	45,575	24,938
Profit tax liability		35	-	-	-
Provisions	29	608	364	608	364
Total short term liabilities		**54,369**	**26,135**	**54,888**	**28,218**
Total liabilities		**159,431**	**50,418**	**157,903**	**51,070**
Total equity and liabilities		**570,518**	**460,248**	**565,506**	**460,191**

The notes and accounting policies that follow are an integral part of these financial statements.

LUKA PLOČE d.d., Ploče

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

Luka Ploče Group

(all amounts are expressed in thousands of HRK)	**Share capital**	**Premium on issued shares**	**Legal reserves**	**Reserves for reinvested profit**	**Other reserves**	**Treasury shares**	**Retained earnings**	**Total**
At 1 January 2016	**169,187**	**88,107**	**6,763**	**715**	**50,233**	**-1,066**	**115,679**	**429,618**
Net profit/ (loss) for the year	-	-	-	-	-	-	(19,788)	(19,788)
Other comprehensive income	-	-	-	-	-	-	-	-
Transactions with owners:								
Transfer from retained earnings	-	-	1,520	-	-	-	(1,520)	-
Transmission due to sales of the business unit	-	-	-	(715)	(1,008)	-	1,723	-
At 31 December 2016	**169,187**	**88,107**	**8,283**	**-**	**49,225**	**(1,066)**	**96,094**	**409,83**
At 1 January 2017	**169,187**	**88,107**	**8,283**	-	**49,225**	**(1,066)**	**96,094**	**409,83**
Net profit/ (loss) for the year	-	-	-	-	-	-	1,257	1,257
Other comprehensive income	-	-	-	-	-	-	-	-
Transactions with owners:								
Transfer from retained earnings	-	-	176	-	-	-	(176)	-
At 31 December 2017	**169,187**	**88,107**	**8,459**	**-**	**49,225**	**-1,066**	**97,175**	**411,087**

The notes and accounting policies that follow are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

Luka Ploče d,d.

(all amounts are expressed in thousands of HRK)	**Share capital**	**Premium on issued shares**	**Legal reserves**	**Other reserves**	**Treasury shares**	**Retained earnings**	**Total**
At 1 January 2016	**169,187**	**88,107**	**6,763**	**49,225**	**(1,066)**	**90,642**	**402,858**
Net loss for the year	-	-	-	-	-	6,263	6,263
Other comprehensive income	-	-	-	-	-	-	-
Transactions with owners							
Transfer from retained earnings	-	-	1,520	-	-	(1,520)	-
At 31 December 2016	**169,187**	**88,107**	**8,283**	**49,225**	**(1,066)**	**95,385**	**409,121**
At 1 January 2017	**169,187**	**88,107**	**8,283**	**49,225**	**(1,066)**	**95,385**	**409,121**
Net profit for the year	-	-	-	-	-	518	518
Other comprehensive income	-	-	-	-	-	-	-
Transactions with owners							
Transfer from retained earnings	-	-	176	-	-	(176)	-
Merger Effect (Note 33)	-	-	-	-	-	(2,036)	(2,036)
At 31 December 2017	**169,187**	**88,107**	**8,459**	**49,225**	**(1,066)**	**93,691**	**407,603**

LUKA PLOČE d.d., Ploče

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

(all amounts are expressed in thousands of HRK)	Note	Luka Ploče Group 2017	Luka Ploče Group 2016	Luka Ploče d.d. 2017	Luka Ploče d.d. 2016
Profit (loss) before tax		(594)	(19,788)	(1,377)	6,263
Depreciation		6,988	8,851	6,489	7,694
Provision for impairment of receivables		262	109	82	94
Gains on fair valuation		(71)	(87)	(71)	(87)
Loss/(gain) on sale of tangible assets		(59)	8	(59)	8
Gain from subsidiary sales		-	(4)	-	(1,733)
Share of profits from subsidiary companies		(63)	(39)	-	-
Finance expenses/(income) – net		8,018	(4,192)	7,604	(4,295)
Non-current provisions – net		(966)	(404)	(677)	(440)
Inventory write-off		146	24,609	146	-
Interest income		(730)	(1,763)	(725)	(1,898)
Total items not affecting cash		13,525	27,088	12,789	(657)
Changes in working capital:					
Decrease/ (increase) of trade and other receivables		(15,864)	(3,246)	(10,718)	212
Decrease/ (increase) of inventories		(29,735)	60	(30,299)	(5)
Increase / (decrease) of trade payables and other liabilities		26,630	(16,105)	22,581	(13,223)
		(18,969)	(19,291)	(18,436)	(13,016)
Interest paid		(742)	(178)	(564)	(147)
Interest collected		823	4,925	818	4,906
Income tax paid		24	-	-	-
Net cash generated from operations		**(5,933)**	**(7,244)**	**(6,770)**	**(2,651)**
Cash flows from investing activities					
Purchase of tangible and intangible assets		(9,806)	(105,112)	(7,496)	(52,720)
Rewards from the sale of a subsidiary		-	27,493	-	27,720
Long-term loan repayments received		395	343	395	7,102
Coupling companies - net cash		-	-	148	-
Proceeds from the sale of long-term assets		59	-	59	-
Proceeds from sale of shares		-	1,500	-	1,500
Investments in deposits		19,615	35,933	19,682	35,932
Net cash (used in)/from investing activities		**10,263**	**(39,843)**	**12,788**	**19,534**
Cash flows from financing activities					
Proceeds from finance leases and borrowings		1,678	78,633	-	16,468
Repayment of borrowings		(2,849)	(6,187)	(2,457)	(5,912)
Net cash used in financing activities		**(1,171)**	**72,446**	**(2,457)**	**10,556**
Net increase/(decrease) in cash and cash equivalents		**3,159**	**25,359**	**3,561**	**27,439**
Cash and cash equivalents at beginning of year		41,821	15,766	35,497	7,395
Foreign exchange (losses)/gains in cash and cash equivalents		(885)	696	(581)	663
Cash and cash equivalents at end of year	**25**	**44,095**	**41,821**	**38,477**	**35,497**

The notes on pages 8 to 53 are an integral part of these financial statements.

NOTE 1 – GENERAL INFORMATION

LUKA PLOČE d.d. (the "Company") is a joint stock company registered under the laws and regulations of the Republic of Croatia. The Company is domiciled in Ploče, Croatia. The address of its registered office is Trg Kralja Tomislava 21, Ploče.

The Company's primary activities are port services (manipulation of goods), public warehousing and wholesale and retail services in domestic and foreign trade. Other activities of the Group include construction, maintenance, shipping, trade and other services.

As at 31 December 2017, the LUKA PLOČE Group (the "Group") consists of the parent company LUKA PLOČE d.d. and 3 subsidiaries (2016: 6 subsidiaries) located in Ploče, Croatia (Note 18) and participating interests in associated companies (Note 19).

As at 31 December 2017, the Company's shares were listed on the public joint stock company listing on the Zagreb Stock Exchange.

Management and the Supervisory Board of the company

During the reporting period the members of the Management Board were as follows:

Name	Surname	Function
Ivan	Pavlović	Chairman of the Board
Željka	Dodig	Deputy Chairman of the Management Board
Tomo	Krilić	Member
Marko	Lončarević	Member
Josip	Jurčević	Member

During the reporting period the members of the Supervisory Board were as follows:

Name	Surname	Function
Pavao	Vujnovac	Chairman of the Supervisory Board
Darko	Drozdek	Vice president
Krešimir	Gjenero	Member
Tonka	Lovrinov	Member
Davorin	Rudolf	Member

NOTE 2 – BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated and unconsolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (IFRS).
The consolidated financial statements of the Company for the year ended 31 December 2017 comprise the Company and its subsidiaries and associated companies (referred to as "the Group"). The financial statements were approved by the Board on April 27, 2018.

2.2 Basis of presentation

The financial statements have been prepared using the historical cost convention, except where otherwise stated.

NOTE 2 – BASIS OF PREPARATION (continued)

2.3 Functional and presentation currency

Items included in the financial statements of Group's entities are stated using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in HRK, which represents the Company's functional and presentation currency.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Issued but not yet adopted standards and interpretations

A number of new standards, amendments and interpretations to existing standards that are valid, but not obligated for the year ended 31 December 2017, have not been applied in preparing these financial statements.

Below is an overview:

a) IFRS 15 Revenue Based on Customer Agreement

IFRS 15 establishes a comprehensive framework for determining the manner and timing of revenue recognition. It replaces existing revenue recognition guidelines, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. IFRS 15 will be effective for annual periods beginning on or after 1 January 2018, with prior permission granted. The Group is currently assessing the impact of the new standard on the financial statements, however, it is not expected that the application will have a significant impact on the total net result and net assets of the Company and the Group.

b) IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 shall be effective for annual periods beginning on or after 1 January 2018 with permitted earlier application. The Company plans to apply IFRS 9 from 1 January 2018. The Group is currently carrying out an assessment of the impact of the new standard on the financial statements, but it is not expected to have any significant impact on the overall net result and net assets of the Company and the Group.

c) IFRS 16 Leases

IFRS 16 introduces a unique balance sheet model for lease accounting with lessees. The Lessee acknowledges the right to use the property which represents the right to use the property in question and the lease obligation that is the obligation to pay the rent. There is a possibility for short-term leases and rentals of small value items. The lessor's accountancy remains similar to the existing standard - that is, the lessees still classify the leases as finance or business leases. The Standard shall be effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 Customer Contract Revenues on or before the date of First Use of IFRS 16. The Company and the Group are currently conducting an assessment of the impact of the new standard on the financial statements. Given that the Company and the Group have concluded concession contracts and business lease agreements that could meet the criteria for recognition in the statement of financial position, there is a potential impact on the assets, liabilities, net assets and net result of the Company and the Group.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and companies over which the Company has control (subsidiaries) as of and for the years ended 31 December 2017. The Company and its subsidiaries together are referred to as the Group.

(i) Business mergers

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of consideration transferred the amount of any non-controlling interest in the acquiree and acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of bargain purchase, the difference is recognised directly in the statement of comprehensive income.

(ii) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or
convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

(iii) Associates

Associates are all entities over which the Group or the Company have significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group accounts for investments in associates using the equity method of accounting whilst the Company accounts for them at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
3.2 Basis of consolidation (continued)

(v) Transactions eliminated on consolidation

Balances and transactions between Group and any unrealized gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are shares and mutual societies where the Group shares control with other owners eliminated to the extent of the Group's interest in the enterprise. Unrealised gains arising from transactions with associates are investments eliminated against the investment in this company. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that no evidence of impairment
.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board of the Company.

3.4 Transactions and balances in foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses relating to borrowings, cash and cash equivalents and short-term deposits are recorded in the income statement within “Finance income or costs”. All other foreign exchange losses and gains are recorded in the income statement within “Other (losses)/gains-net”.

Non-monetary assets and items that are measured in terms of historical cost in foreign currencies are translated using the exchange rate at the transaction date.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated still functional currency at foreign exchange rates ruling at the date of determination of fair values.

3.5. Intangible assets

Softvare, licences and project documentation are amortized over their expected useful lives. The expected useful lives are reviewed annually and are the subject of assessing impairment if there is any indication of impairment.

Subsequent expenditure related to capitalized intangible assets is recognized in the carrying amount of the item only when it increases the future economic benefits embodied in the asset and will flow to the Company. All other expenditure is recognized in the income statement as an expense as incurred.

Depreciation is calculated using the straight-line basis over the estimated useful lives of certain assets. Intangible assets are amortized from the date they are available for use. These costs are amortized over their useful life period of 2.5 to 5 years.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Property, plant and equipment

i) Owned Assets

Property, plant and equipment are included in the balance sheet at historical cost less accumulated depreciation and provision for impairment, where required. Historical cost includes the cost that is directly attributable to the purchase of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group or the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land and assets under construction are not depreciated. Depreciation of other tangible assets is calculated using the straight-line method to allocate their cost over their estimated useful lives.

	Years
Buildings	8-67
Equipment	2-67
Leasehold improvements	15-67

Leasehold improvements relate to improvements made on leased assets, located on maritime land.

The residual value of an asset is the estimated amount that the Group or the Company would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group or the Company expect to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in 'other gains/(losses) – net' in the income statement.

(ii) Property which is subject to the concession arrangement

The Company has a signed long-term concession agreement for the provision of port services, which represent most of the revenues generated by the Company. Current concession arrangement involves transfer of the operating rights over the port of Ploče for a limited period of time, under the control of local port authorities, using the specified asset (port infrastructure) or assets constructed by the Company during the term of the concession arrangement, or received by the Company for a fee or free of charge.

This arrangement defines a "public service obligations" of the Company in exchange for a fee. The fee is based on the operating conditions, continuity of services, regulation of prices and obligations related to the maintenance / replacement of the port infrastructure. The agreement sets forth the terms and conditions governing the transfer of port infrastructure to the local port authority or concessionaire successor upon expiry.

Expenditures for maintenance

Maintenance of assets that are part of the concession arrangement is recognized as an expense when incurred in profit or loss and is disclosed in operating costs as a cost of used materials and services.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Property, plant and equipment (continued)

(ii) Property which is subject to the concession arrangement (continued)

Capital expenditure in the area under concession

Capital investments in the port infrastructure, made in accordance with the terms of the concession agreement, are recognized as assets within the appropriate class of property, plant and equipment and are stated at cost less accumulated depreciation and any accumulated impairment losses. Acquisition cost includes expenditure that is directly attributable to the acquisition of assets.

In the case of property which is, under the concession arrangement, upon its expiry transferred to the local port authority (the Provider of the concession), amortization of such assets is calculated using the straight-line method to allocate the cost, less the residual value of the asset, over the shorter of the estimated useful life and remaining concession arrangements.

In the case of property that is not transferred to the Provider of the concession, depreciation is calculated in accordance with the depreciation policy of the class of property, plant and equipment in which the said asset is classified as explained in Note 3.6 (i).

The assets transferred to the Company by the Service Concession

As part of the concession arrangements, the local port authority (the Provider of the concession) has transferred the management rights over a number of items of property that make up the port infrastructure on the Company which has the right to use these assets in the provision of services defined in the concession agreement. Such assets are not recognized by the Company but instead are accounted for as off-balance sheet items.

3.7 Investment property

Investment property, principally comprising flats, is held for long-term rental yields or appreciation and is not occupied by the Group or the Company. Investment property is treated as a long-term investment unless it is intended to be sold in the next year and a buyer has been identified in which case it is classified within current assets.

Investment property is carried at historical cost less accumulated depreciation and provision for impairment, where required. The depreciation of flats is calculated using the straight-line method to allocate cost over their estimated useful life of 66 years.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Group or the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

3.8 Accounting treatment of leases – the Group or the Company is the lessee

The Group and the Company lease certain property, plant and equipment. Leases of property, plant and equipment where the Group and the Company have substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value of the leased property or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the finance costs is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Accounting treatment of leases – the Group or the Company is the lessee (continued)

Leases where the significant portion of risks and rewards of ownership are not retained by the Group or the Company are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

3.9 Accounting treatment of leases – the Group or the Company is the lessor

Assets under an operating lease are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on a straight-line basis over the lease term, even if the proceeds are not balanced, unless there is an alternative basis representing the time frame in which the benefits of the lease and the depreciation of the leased property are matched.

3.10 Impairment of assets

(i) Financial assets

A financial asset is impaired if objective evidence indicates that one or more events have had a negative effect on future cash flows of that asset.

Impairment of financial assets measured at amortized cost is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual level. Other financial assets are assessed collectively in other financial assets of similar credit risk.

Impairment losses are recognized in the income statement. The cumulative loss in respect of financial assets available for sale previously recognized in other comprehensive income is transferred to profit or loss.

An impairment loss is reversed if the reversal can be objectively connected to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and financial assets available for sale that are debt securities, the reversal is recognized in profit or loss. For financial assets available for sale that are equity securities, the reversal of impairment is recognized in other comprehensive income.

(ii) Non-financial assets

The carrying value of non-financial assets of the Company and the Group, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset. For goodwill and intangible assets that have indefinite lives or that are not yet ready for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Cash-generating unit is the smallest group of assets that can be identified and generate cash flows that are independent from other assets and groups of assets.

Impairment losses are recognized in profit or loss. Impairment losses relating to cash generating units, allocated first to reduce the real value of goodwill allocated to the units and then to reduce the carrying amount of the actual amount of the other assets in the unit (group of units) on a pro rata basis.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Impairment of assets (continued)

(ii) Non-financial assets(continued)

The recoverable amount of an asset or cash-generating unit the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment loss on goodwill is not reversed. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that suggest that the loss no longer exists or has decreased. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only if the carrying amount of an asset does not exceed the carrying amount that would have been determined, net of depreciation, and impairment losses on assets not recognized.

3.11 Inventories

Inventories of raw materials, trade goods and spare parts are stated at the lower of cost, or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Inventories of trade goods are stated at net realizable value. Net realizable value represents the estimate of sales price in the ordinary course of business less any variable sales costs.

3.12 Trade and loan receivables

Trade and loan receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group or the Company will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties, probability that the debtor will enter bankruptcy, and default or delinquency in payments are considered indicators that the receivables are impaired. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within “Impairment of receivables - net”. Subsequent recoveries of the provision for impairment of trade receivables are recorded in the income statement within ‘impairment of receivables - net’.

3.13 Financial assets

The Group and the Company classify their financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are presented in the income statement within ‘Other losses/gains - net’ in the period in which they arise.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial assets (continued)

(a) Financial assets at fair value through profit or loss (continued)

Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of 'other income' when the right to receive payment is established.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transactions costs and subsequently are carried at amortised cost using the effective interest method.

The Group and the Company assess at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of loans and receivables is described in Note 3.10.

3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid instruments with original maturities of three months or less.

3.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan extent that it is probable that some or all of the facility will be drawn down.

Borrowings are classified as current liabilities, unless the Group or the Company have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Income tax

The Company and all Group entities are liable for income tax under the laws and regulations of the Republic of Croatia. The tax base represents the difference between income and expenses, as determined by the applicable law. Income tax is calculated at a rate of 18%. The managements of all Group entities periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and consider establishing provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3.18 Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investment in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

3.19 Value added tax (VAT)

The Tax Authorities require the settlement of VAT on a net basis. VAT related to sales and purchases is recognised and disclosed in the balance sheet on a net basis. Where a provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

3.20 Employee benefits

(a) Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Group or the Company make payments to mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Group and the Company do not have any other pension scheme and consequently, have no other obligations in respect of employee pensions. In addition, the Group and the Company are not obliged to provide any other post-employment benefits.

(b) Long-term employee benefits

The Group and the Company recognise a liability for long-term employee benefits (jubilee awards) evenly over the period the benefit is earned based on actual years of service. The long-term employee benefit liability includes assumptions of the likely number of staff to whom the benefit will be payable, estimated benefit cost and the discount rate.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Short-term employee benefits

The Group and the Company recognise a provision for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation. In addition, the Group and the Company recognise a liability for accumulated compensated absences based on unused vacation days at the balance sheet date.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Company or the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group or the Company recognise termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

3.21 Provisions

Provisions for legal claims are recognised when: the Group or the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.22 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.23 Earnings per share

Earnings per share is determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of participating shares outstanding during the reporting year, less treasury shares.

3.24 Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company’s shareholders.

3.25 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's or the Company’s activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts and after eliminated sales within the Group.

The Group and the Company recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group’s and the Company’s activities as described below.

(a) Sales of goods
Sales of goods are recognised when the Group or the Company have delivered the products to the customer and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery does not

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 Revenue recognition (continued)

(a) Sales of goods (continued)

occur until the products have been shipped to the specified location, the risks of loss have been transferred to the customer and the customer has accepted the products in accordance with the contract terms.

Products are sold with volume discounts and customers have a right to return faulty products. Sales are recorded based on the price specific in the sales contracts, net of estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate the discounts and returns.

(b) Sales of services
The Company's primary activity is providing port services: loading, unloading, transloading of goods and storage services, transportation, refinement and weighing of general freight, wood and wood products, loose freight, RO-RO freight, providing water and electric energy to ships. The prices of provided services are determined based on tariffs.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Interest income
Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group and the Company reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate. The Group and the Company recognize interest income within other income.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

NOTE 4 – FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The accounting policies for financial instruments have been applied to the following items:

(all amounts are expressed in thousands of HRK)	Luka Ploče Group		Luka Ploče d.d.	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**
Financial assets				
Loans given	2,772	3,166	2,772	3,166
Other assets at fair value through profit or loss	351	280	351	280
Trade receivables	69,669	54,137	69,373	56,212
Deposits	134,930	155,753	134,621	155,481
Cash and cash equivalents	44,095	41,821	38,477	35,497
Total	**251,817**	**255,157**	**245,594**	**250,636**
Financial liabilities				
Borrowings	111,941	23,758	109,475	22,602
Trade payables	39,179	17,260	41,028	20,890
Total	**151,120**	**41,018**	**150,503**	**43,492**

The fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities that are traded on active liquid markets, under standard conditions, is determined with reference to quoted market
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models, based on discounted cash flow analysis using prices from observable current market transactions and prices offered for similar instruments

Financial instruments held to maturity in the normal operations are carried at cost and net amount less portion repaid. Fair value is determined as the amount at which the instrument could be exchanged between willing parties in an arm's length basis, except in the case of a forced sale or liquidation. The fair value of a financial instrument is the quoted market price, or one that is obtained using the discounted cash flow.

On 31 December 2017, the carrying amounts of cash, short-term deposits, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their fair values due to the short term nature of these assets and liabilities and because most of current assets and current liabilities carries a variable interest rate.

Management believes that the fair value of long-term receivables of the Group arising from the sale of apartments to employees is not materially different from their carrying value due to the current low level of market interest rates for such claims. Management regularly monitors the relevant market interest rates on similar assets in order to assess the validity of this assumption.

NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

At the reporting dates, the carrying value of bank loans and other loans approximates their fair value because most of these loans carries or variable interest rate or a fixed interest rate which approximates current market interest rates and the majority of long-term loan carries a variable interest rate.

The Group's and the Company's activities expose them to a variety of financial risks: market risk (foreign exchange risk, price risk, cash flow interest rate risk), credit risk and liquidity risk. The Group and the Company do not have a written risk management programme, but overall risk management in respect of these risks is carried out by the Company's finance department.

(a) Market risk

(i) Foreign exchange risk

The Group and the Company are exposed to foreign exchange risk arising from realised income and foreign purchases, as well as from borrowings issued in various currencies: Euros (EUR) and US dollars (USD). The majority of foreign sales revenue and long-term debt is denominated in USD. Therefore, movements in exchange rates between the USD, EUR and Croatian kuna (HRK) may have an impact on the results of future operations and future cash flow.

The following table presents an overview of the Group's and the Company's assets and liabilities denominated in foreign currencies as at 31 December 2017 and the maximum effect on profit after taxation, with all other variables held constant:

Luka Ploče Group

Currency	**Assets**	**Liabilities**	**Net assets/(liabilities)**	**Change in currency**	**Effect on profit after taxation**
	(in thousands of HRK)		*(in thousands of HRK)*	**%**	*(in thousands of HRK)*
EUR	163,137	105,955	57,182	1,00%	572
USD	81,843	28,412	53,431	3,00%	1,603

Luka Ploče d.d.

Currency	**Assets**	**Liabilities**	**Net assets/(liabilities)**	**Change in currency**	**Effect on profit after taxation**
	(in thousands of HRK)		*(in thousands of HRK)*	**%**	**%**
EUR	158,751	103,240	55,511	1,00%	555
USD	79,682	28,398	51,284	3,00%	1,539

NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

The following table presents an overview of the Group's and the Company's assets and liabilities denominated in foreign currencies as at 31 December 2016 and the maximum effect on profit after taxation, with all other variables held constant:

Luka Ploče Group

Currency	**Assets**	**Liabilities**	**Net assets/(liabilities)**	**Change in currency**	**Effect on profit after taxation**
	(in thousands of HRK)		*(in thousands of HRK)*	**%**	*(in thousands of HRK)*
EUR	43,046	20,907	22,139	1,00%	221
USD	202,510	223	202,287	3,00%	6,069

Luka Ploče d.d.

Currency	**Assets**	**Liabilities**	**Net assets/(liabilities)**	**Change in currency**	**Effect on profit after taxation**
	(in thousands of HRK)		*(in thousands of HRK)*	**%**	**%**
EUR	40,770	20,738	20,032	1,00%	200
USD	200,175	221	199,954	3,00%	5,999

The recorded effect on profit after taxation is mainly the result of foreign exchange gains/losses on translation of EUR-denominated borrowings, as well as EUR and USD-denominated trade payables, trade receivables and cash and cash equivalents. The Group and the Company do not use derivative instruments to actively hedge foreign exchange risk exposure.

(ii) Interest rate risk

The sensitivity analysis below is based on the exposure to interest rates at the reporting date. For floating rate liabilities, the analysis is prepared in a manner that is reasonably calculated the effect of a possible increase in interest rates for debt with variable interest rates on the expected contractual cash.

NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

ii) Interest rate risk (continued)

flows of such duties in relation to those calculated using the interest rates applicable at the end of the current reporting period. In an analysis of interest rate risk, used to increase / decrease of 0.2% which represents a reasonably possible change in interest rates at the discretion of the Board.

As the Group and the Company have significant interest-bearing assets (term deposits with banks), the Group's income and operating cash flows are substantially dependent of changes in market interest rates. As at 31 December 2017, if the effective interest rate on term deposits had increased/decreased by 0,2% (2016: 0.2%), the loss after tax for the reporting period would have been 290 HRK thousand lower/higher for the Group (2016: HRK 312 thousand), and HRK 290 thousand lower/higher for the Company (2016: HRK 311 thousand) as a result of higher/lower interest income.

The Group's and the Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group and the Company do not use derivative instruments to actively hedge cash flow and fair value interest rate risk exposure.

The Group and the Company continuously monitor interest rate changes. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group and the Company calculate the impact on the income statement of a defined interest rate shift.

As at December 31, 2017, most borrowings are related to a fixed interest rate, according to which the Group and the Company are not significantly exposed to the interest rate risk of the cash flow.

(b) Credit risk

The Group's and the Company's assets, which potentially subject them to concentrations of credit risk, primarily include cash and cash equivalents, trade receivables, receivables from employees and other receivables. The collection of the Group's and the Company's trade receivables is additionally secured by goods, while receivables from employees are secured by salary deductions.

The quality of receivables that are neither past due nor impaired is, monitored according to customers different exposure to credit risk as follows:

4.1 Financial risk factors (continued)

	Luka Ploče Group		Luka Ploče d.d.	
(in thousands of HRK)	**2017**	**2016**	**2017**	**2016**
Related parties	-	-	889	4,065
New customers	522	30,483	522	30,483
Existing customers – payments within maturity period	46,264	1,741	45,875	1,481
Existing customers – with some defaults in the past	8,595	3,785	8,212	3,423
Total	**55,381**	**36,009**	**55,498**	**39,452**

The Company mainly deposits its cash with financial institutions that are members of international banking groups, which according to Standard & Poor's ratings have a majority of A-1 / A + to A-2 / BBB +.

(c) Liquidity risk

A reasonable liquidity risk management implies maintaining a sufficient amount of money, ensuring the availability of financial resources by an adequate amount of agreed credit lines and the ability to settle all liabilities. The Group and Company's objective is to maintain the flexibility of financing in a way that contractual credit lines are available. The Finance Department regularly - monitors monthly the level of available sources of funds

The table below analyses financial liabilities of the Group and the Company according to contracted maturities. The amounts stated below represent undiscounted cash flows.

Financial liabilities do not include employee liabilities, contributions payable, taxes and advances received.

(in thousands of HRK)	**Less than 1 year**	**Between 1 - 5 years**	**Over 5 years**
Luka Ploče Group			
31 December 2017			
Finance lease	2,862	5,534	-
Borrowings	6,439	39,838	59,364
Trade and other payables	39,567	1,302	-
31 December 2016			
Finance lease	2,992	8,120	-
Borrowings	473	1,447	11,497
Trade and other payables	17,260	-	-

	Less than 1 year	**Between 1 - 5 years**	**Over 5 years**

Luka Ploče d.d.			
31 December 2017			
Finance lease	2,568	4,836	-
Borrowings	6,011	38,587	59,364
Trade and other payables	41,358	1,302	-
31 December 2016			
Finance lease	2,718	7,120	-
Borrowings	353	1,571	11,497
Trade and other payables	20,890	-	-

Trade and other payables as well as short-term borrowings are due within 12 months after the balance sheet date, while the maturity of long-term borrowings is disclosed in Note 28. Financial assets in the amount of HRK 251,817 thousand mainly relate to deposits, cash and receivables which are short-term in nature. The above indicates that the Group has sufficient liquidity in the short term.

4.2 Capital risk management

The Group and the Company monitor capital on the basis of laws and regulations of the countries in which they operate. Croatian laws and regulations require minimum paid in capital of HRK 200,000 for joint stock companies and HRK 20,000 for limited liability companies. There are no specific objectives required by the owners in managing capital. The Group is not subject to externally imposed capital requirements. In addition, there are no internally monitored capital objectives.

NOTE 5 – FAIR VALUE ESTIMATION

The company applies a series of accounting policies and disclosures that require fair value measurement for financial and non-financial assets and liabilities. The Company has a system of control within the fair value measurement which includes the overall responsibility of the Board of Finance and functions related to the monitoring of all significant fair value measurement, consultation with outside experts and, in the context of the above, the reporting of the same bodies in charge of corporate governance. The fair values are measured in relation to the information gathered from third parties, in which case the Administration and Finance function assessed if evidence gathered from third parties provided that the above estimates of fair value meet the requirements of IFRSs, including the level of the fair value hierarchy into which these estimates should be classified.

All significant issues related to estimating the fair value are reported to the Supervisory and Audit Committee. The fair values are categorized into different levels in the fair value hierarchy based on the input variables used in the valuation techniques as follows:

- *Level 1* - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2* - inputs that are not quoted prices included within Level 1 that are
  input variables for assets or liabilities that are visible either directly (e.g., as prices) or indirectly (e.g. derived from prices).
- *Level 3* - inputs for the asset or liability that are not based on observable market data (input variables that are not visible).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The table below present the Group's and the Company's assets at fair value as at 31 December 2017 and 2016:

NOTE 5 – FAIR VALUE ESTIMATION (continued)

(in thousands of HRK)	**Level 1**	**Razina 2**	**Level 3**	**Total**
31 December 2017				
Listed companies	351	-	-	351
Unlisted companies	-	-	-	-
Total	351	-	-	351
31 December 2016				
Listed companies	280	-	-	280
Unlisted companies	-	-	-	-
Total	280	-	-	280

NOTE 6 – CRITICAL ACCOUNTING ESTIMATES

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Concession Arrangements services

The European Union has adopted the interpretation of IFRIC 12 Service Concession Arrangements, which is effective for financial years beginning on or after 1 April 2009. A significant part of the Company's registered activities is carried out in the area under concession of the maritime domain. According to the Law on maritime domain and sea ports, maritime domain is managed by the Port Authority Ploče, which is the grantor of the concession. The concession agreement was originally signed on 13 August 2005 for a period of 12 years, and was renewed in 2008, which extended the concession period for an additional 20 years, until 2037. Agreement on the extension of the concession was concluded on 24 May 2010. Concession Agreement refers to the port activities in a specific area (part of the port area of Ploče and port Metković), with the risk and responsibility of the operator (or the Company) and considering; technical regulations applicable to the activity, reconstruction, current and investment maintenance, construction, modernization, reconstruction and development of port services stipulated in the Law on maritime domain and seaports; the terms and conditions related to the license for the provision of port services and other requirements prescribed by the Port Authority Ploče. According to the concession agreement, the operator will have the right to use the property that represents the port infrastructure ("relevant property") owned by the Port of Ploče, which is found in the above-mentioned area for the provision

NOTE 6 – CRITICAL ACCOUNTING ESTIMATES (continued)

(i) Concession Arrangements services (continued)

of port services. The ownership rights of the relevant assets remain on the concession provider and those assets have not been recorded in the Company's books.

The concession agreement establishes obligations for reconstruction, investment and maintenance areas under concession. According to the concession agreement, Operator has the obligation to cover all costs associated with the activity determined by the concession (energy, water, gas, postal and telephone services, garbage and similar related costs), as well as the cost of utilities, water charges, water preserves, insurance costs and various other benefits arising from the use of the area under concession.

In addition to covering the costs associated with concession, concession operator, is obligated to pay to the Provider the annual concession fee consisting of a fixed fee per square meter of area under concession and a variable fee per ton for each type of cargo transhipped through the Port and variable compensation for the services of tying and untying and acceptance and diverting of ships.

Furthermore, in accordance with the concession agreement, operator shall make capital expenditures related to the maintenance / replacement of property within the port infrastructure in the area under concession (including buildings, plant and equipment) in the amount of HRK 248 million in accordance with the predefined schedule (for details see Note 32 - Commitments and contingencies). The operator is obliged to return to the Provider "relevant property" (including investment in the relevant assets as stipulated in the concession contract) after the expiry of the concession and tear down, at no cost, at the request of the Provider, any property in the concession area, if the Provider requires (currently, Operator does not expect future costs arising from the demolition).

At the reporting date, the Company is, in major part, owned by shareholders from the private sector. IFRIC 12 includes public-private concession agreements for services and regard to the ownership structure of the current concession arrangement form of public-private agreements on concession for services, and should be subject to the provisions of IFRIC 12 if the package contains the characteristics defined in the above interpretation.

Characteristics of concession arrangements that IFRIC 12 includes, and as defined above interpretation are as follows:

- A commitment which is taken over by operator is a public service
- The side that assign the contract (concession grantor) is a public sector entity, governmental body, or a private sector entity to which responsibility for the service is transferred
- The operator is responsible for at least a part of infrastructure management and related services and does not act solely as agent on behalf of the concession grantor
- Starting price, determined with contract, which the operator will charge, regulates the price revision for the duration of the service agreement
- The operator is required at the end of the period of the agreement to transfer infrastructure to the concession grantor in a particular state for a small fee or at no extra charge, regardless of the party that had initially funded.

One of the main factors that management considers in terms of the applicability of IFRIC 12 is a mechanism which regulates and revises price for the duration of the service agreement. The concession provider, under the current agreement has the right to regulate the maximum level of price that the Company may charge for providing services that are subject to the agreement by prescribing maximum fees and harmonizing or approving an application for a modification of fees or price lists proposed by the Company. However, due to the specifics of port location and prices of the supporting transport infrastructure, in order to maintain competitiveness and a satisfactory level of transactions, fees that are charged by the Company to its customers are continuously significantly below the

NOTE 6 - CRITICAL ACCOUNTING ESTIMATES (continued)

(i) Concession Arrangements Services (continued)

maximum prescribed fees of the Port Authority Ploče. In this regard, taking into account all relevant provisions of IFRIC 12, the Board applied the judgment and has assessed that, the mechanism of regulating and revising prices that is currently in practice has no essential characteristics of price regulation. The Company's management regularly monitors deviations between service fees charged to customers and maximum tariffs in order to determine if this projection is still applicable.

If the Management, during its monitoring of relevant elements of the current mechanism of price regulation, identifies substantial change in circumstances, which would make the above described mechanism relevant in representing the essential mechanism of price regulation, and if the Management assesses that such circumstances have a long-term character, the Management would again review and analyz accounting treatment that is currently used and the possible applicability of IFRIC 12 in the context of the above substantial changes in the mechanism of price regulation.

In case that the Company changes its accounting policy in accordance with IFRIC 12, the Board expects that the changes would be implemented retrospectively, unless it would not be practical, and expects that the impact on the financial statements would be generally as follows: reclassification from property, plant and equipment to intangible assets in the amount relating to leasehold improvements owned by the Provider, the recognition of intangible and / or financial assets related to the "relevant property", which currently isn't included into the Company's balance sheet and the recognition of revenue from construction and construction costs in the statement of comprehensive income related to infrastructure investment into Providers property.

In case of the accounting policy change, the Company will make the valuation and accounting model that will enable it to assess the amount and type of property in connection with the application of IFRIC 12 (or intangible or financial assets or a combination of both) that need to be recognized in the statement of financial position and the expected structure and dynamics of the items associated with the application of IFRIC 12, which affect the future statements of comprehensive income of the Company. Currently Management did not quantify the possible impact of the potential application of IFRIC 12 by the Company since the change in the accounting policy, in this regard, is not considered to be likely.

Provisions for other long-term employee benefits

In line with the collective bargaining agreement, the Group and the Company provide jubilee awards to employees. For the present value calculation of these benefits, the Group and the Company estimate employee turnover based on past trends and determine the appropriate discount rate based on current market conditions. Were the discount rate and employee turnover used to differ by 50 base points from management estimates, the carrying amount of the related liability would not be significantly different from that recorded.

Legal claims and disputes

Provisions for legal claims and disputes are recorded based on Management's estimate of probable losses after consultation with legal counsel. Based on existing knowledge, it is reasonably likely that the outcomes of these legal claims will differ from estimated potential losses.

NOTE 6 – CRITICAL ACCOUNTING ESTIMATES (continued)

Useful life of tangible assets

The Management of the Company and Group companies determines and reassesses the useful lives and related depreciation charge for tangible assets. This estimate is based on the assessment of the remaining useful lives of assets. It could change significantly as a result of technical innovations and competitor actions. Management will increase the depreciation charge if it assesses that the useful life of assets is lower than prior to estimates, or it will write off obsolete and discarded property.

Were the actual useful lives of the tangible assets to differ by 10% from Management's estimates, the estimated carrying amount of tangible assets would be an estimated HRK 819 thousand higher (2016: HRK 769 thousand) or HRK 869 thousand lower (2016: HRK 885 thousand).

NOTE 7 – SEGMENT INFORMATION

Management separately monitors and discloses operating revenues, profit from operations, capital expenditure, total assets and total liabilities as follows:

1. The Port services segment provides manipulation of cargo (loading, unloading, transportation, refinement, weighing of general freight, wood and wood products, loose freight and RO-RO freight) and represents the parent company.

2. The Storage of liquid derivatives segment provides the service of oil derivatives storage.

3. The Marine services segment provides freight forwarding and various ship handling services to users of port services.

4. The trading segment deals with trade in materials and goods from the free zone of Port Ploče.

5. Other business segments relate to the Group's secondary business activities (maintenance, restaurants and similar).

The segment results for the year ended 31 December 2017. are as follows:

(in thousands of HRK)	**Port services**	**Liquid derivatives segment**	**Marine services**	**Trading goods**	**Other segments**	**Total Group**
Operating revenues	87,373	-	12,734	134,134	3,595	237,836
Operating profit/(loss) before depreciation	5,074	-	308	7,777	1,190	14,349
Depreciation and write-off of fixed assets	(6,489)	-	(220)	-	(279)	(6,988)
Operating profit/(loss)	**(1,415)**	**-**	**88**	**7,777**	**911**	**7,361**
Capital expenditure	86,704	-	132	-	3,367	90,203

The segment results for the year ended 31 December 2016 are as follows:

(in thousands of HRK)	**Port services**	**Liquid derivatives segment**	**Marine services**	**Trading goods**	**Other segments**	**Total Group**
Operating revenues	85,126	5,984	8,791	78,956	1,228	180,085
Operating profit/(loss) before depreciation	9,662	1,838	(226)	4,489	(6,322)	9,441
Depreciation and write-off of fixed assets	(7,694)	(25,328)	(212)	-	(226)	(33,460)
Operating profit/(loss)	**1,968**	**(23,490)**	**(438)**	**4,489**	**(6,548)**	**(24,019)**
Capital expenditure	59,308	48,131	154	-	1,990	109,583

NOTE 7 – SEGMENT INFORMATION (continued)

The Group and the Company operate in three main geographical areas. Sales among geographical segments are allocated based on the country in which the customer is located.

	Luka Ploče Group		Luka Ploče d.d.	
	2017	**2016**	**2017**	**2016**
	(in thousands of HRK)		*(in thousands of HRK)*	
Croatia	63,635	11.879	60,676	7,417
Bosnia and Herzegovina	55,132	71.906	50,342	68,407
European Union countries	111,708	93.088	111,213	87,123
Other	7,361	3.212	6,107	3,177
Total	**237,836**	**180,085**	**228,338**	**166,124**

Concentration risk sales

The Group generates 26,8% (2016: 6,5%) of revenues from sales to domestic customers while 73,2% (2016: 93,5%) of the sales are derived from sales to foreign customers (in terms of the geographical location of customers) which mainly relates to sale to customers from Bosnia and Herzegovina, which generates 23% of revenue (2016: 40%). The Group determines the selling price to customers in accordance with the macroeconomic conditions prevailing in each market where customers are located in view of the maximum and approved tariffs for services covered by the concession contract.

Group revenues are substantially exposed to volatility due to the relatively high concentration of income at the small number of customers. The top five customers of the Group generated approximately 80,40% of total sales revenues (2016: 73,57%) of which the greatest impact on the revenues of the Group and the Company have the two largest customer with which is realized 59,81% of total revenues in 2017 (2016: 44,10%). As a result of exposure to a small number of customers, the Company manages this risk through active and frequent communication with key customers, acquire new customers and through monitoring of relevant competitors and market conditions both at local and international level.

NOTE 8 – REVENUES

	Luka Ploče Group		Luka Ploče d.d.	
	2017	**2016**	**2017**	**2016**
	(in thousands of HRK)		*(in thousands of HRK)*	
Revenues				
Sales of services				
- domestic sales	31,351	11,879	28,392	7,417
- foreign sales	72,351	89,250	65,812	80,518
	103,702	101,129	94,204	87,935
Revenues from trading goods	134,134	78,956	134,134	78,189
	237,836	**180,085**	**228,338**	**166,124**
Other income				
Interest income	730	1,763	725	1,898
Other income	1,786	865	799	382
	2,516	**2,628**	**1,524**	**2,280**
	240,352	**182,713**	**229,862**	**168,404**

NOTE 8 – REVENUES (continued)

Interest income include income from interest on short-term bank deposits. During 2017 the Company has intensified activity of trade in goods which has resulted in significant growth in revenue and cost of goods sold (see Note 9).

NOTE 9 – COSTS OF SERVICES

Costs of materials and energy are as follows:

	Luka Ploče Grupa		**Luka Ploče d.d.**	
	2017	**2016**	**2017**	**2016**
	(in thousands of HRK)		*(in thousands of HRK)*	
Cost of goods sold	126,844	74,467	126,357	73,851
Fuel costs	4,656	3,455	4,200	3,455
Consumption of raw materials and supplies	3,505	3,520	2,542	1,713
Consumption of electricity	2,470	2,514	2,470	2,311
Small inventory, spare parts and office supplies	947	508	710	508
Other material costs	487	75	472	75
	138,909	**84,539**	**136,751**	**81,913**

Service costs are as follows:

	Luka Ploče Group		**Luka Ploče d.d.**	
	2017	**2016**	**2017**	**2016**
	(in thousands of HRK)		*(in thousands of HRK)*	
Utilities	6,322	5,429	6,123	5,067
Repairs and maintenance	3,293	4,093	8,140	11,060
Security costs	2,516	2,593	2,516	2,593
Intellectual services	1,680	2,188	1,134	1,772
Advertising and entertainment expenses	749	698	616	550
Transport and telecommunication expenses	702	716	476	488
Other services	1,235	1,137	1,151	854
	16,497	**16,854**	**20,156**	**22,384**

Utility charges include fees per concession agreements in the amount of HRK 3,339 thousand (2016: HRK 2,910 thousand) of which HRK 2,168 thousand relates to the variable portion of concession fees (2016: HRK 1,753 thousand).

NOTE 10 – STAFF COSTS

	Luka Ploče Group		Luka Ploče d.d.	
	2017	**2016**	**2017**	**2016**
	(in thousands of HRK)		*(in thousands of HRK)*	
Salaries	40,286	40,952	33,753	31,271
Taxes and contributions /i/	18,318	18,226	15,645	14,495
Termination benefits and jubilee awards /ii/	103	1,668	90	1,626
Other employee benefits /iii/	3,012	3,665	2,560	2,440
	61,719	**64,511**	**52,048**	**49,832**

/i/ Pension contributions for pensions paid by the Group and the Company to mandatory pension funds for 2017 amounted to HRK 9,391 thousand and HRK 8,395 thousand (2016: HRK 9,662 thousand and HRK 7,772 thousand). Contributions are calculated as a percentage of the employees' gross salaries.

/ii/ Other employee benefits include gifts, business travel expenses, daily allowances and other benefits.

At 31 December 2017, the Group had 552 employees (2016: 557), and the Company had 493 employees (2016: 445).

NOTE 11 – OTHER OPERATING EXPENSES

	Luka Ploče Group		Luka Ploče d.d.	
	2017	**2016**	**2017**	**2016**
	(in thousands of HRK)		*(in thousands of HRK)*	
Insurance premiums	1,646	1,777	1,585	1,519
Damages, penalties and demurrage	1,620	483	1,620	483
Contributions and membership fees	1,227	777	1,190	736
Bank charges	958	2,008	874	1,933
Daily allowances and travel expenses	563	602	455	433
Supervisory Board fees	363	413	363	413
Other staff costs	309	255	269	201
Donations	249	375	249	308
Write-off of raw materials	210	395	218	395
Provisions for litigation	203	2	200	-
Value adjustment of plant and equipment	-	24,609	-	-
Other operating expenses	1,833	746	1,651	455
	9,181	**32,442**	**8,674**	**6,876**

NOTE 12 – OTHER (LOSS)/ GAINS - NET

	Luka Ploče Group		Luka Ploče d.d.	
	2017	2016	2017	2016
	(in thousands of HRK)		*(in thousands of HRK)*	
Fair value gains of financial assets through profit or loss (Note 24)	71	87	71	87
Loss/(gain) on sale of tangible assets and disposals /i/	59	(8)	59	(8)
Gains from subsidiary sails	-	4	-	1,733
Net foreign exchange differences	435	404	435	457
	565	**487**	**565**	**2,269**

/i/ The sale of tangible assets consists of the following:

(in thousands of HRK)	Luka Ploče Group		Luka Ploče d.d.	
	2017	2016	2017	2016
Net book amount	-	(87)	-	(87)
Proceeds on sale of tangible assets	59	79	59	79
Net (loss)/gain on sale of tangible assets	**59**	**(8)**	**59**	**(8)**

NOTE 13 – FINANCE INCOME / (EXPENSES) - NET

	Luka Ploče Group		Luka Ploče d.d.	
	2017	2016	2017	2016
	(in thousands of HRK)		*(in thousands of HRK)*	
Foreign exchange profit/ (losses) – net	(7,841)	4,370	(7,513)	4,442
Interest expense /i/	(177)	(178)	(91)	(147)
Finance income/ (expenses) – net	**(8,018)**	**4,192**	**(7,604)**	**4,295**

/ i / The Group and the Company had investments by which the cost of interest and fees in the amount of HRK 1,198 thousand (2016: -) was capitalized within the ongoing investment using the estimated capitalization rate of 3%.

NOTE 14 – INCOME TAX

	Luka Ploče Group		Luka Ploče d.d.	
	2017	**2016**	**2017**	**2016**
	(in thousands of HRK)		*(in thousands of HRK)*	
Current income tax	44	-	-	-
Deferred tax revenue	(1,895)	-	(1,895)	-
	(1,851)	**-**	**(1,895)**	**-**

A reconciliation of tax expense of the Group and the Company per income statement and taxation at the statutory rate is detailed in the table below:

	Luka Ploče Group		Luka Ploče d.d.	
	2017	**2016**	**2017**	**2016**
	(in thousands of HRK)		*(in thousands of HRK)*	
Profit/ (loss) before tax	**(594)**	**(19,788)**	**(1,377)**	**6,263**
Income tax 18% (2016: 20%)	(107)	(3,958)	(248)	1,253
Effect of income not subject to tax	(15)	(84)	(1)	(84)
Effect of expenses not deductible for tax purposes	269	5,582	214	203
The effect of tax relief /i/	-	(1,372)	-	(1,372)
Recognition of temporary differences and tax losses previously unrecognized as deferred tax assets	(1,860)	-	(1,860)	-
Utilised previously unrecognised tax losses	(138)	(168)	-	-
Tax charge	**(1,851)**	**-**	**(1,895)**	**-**

/i/ The Group performs business activities within the customs free zone and realises tax benefits in accordance with regulations. Tax benefits are realised for investments in the infrastructure within the customs free zone exceeding HRK 1 million (the Company) and for using the customs free zone (subsidiaries). Investors who meet the requirements are exempt from paying the tax liability in the 100% amount, while users of the customs free zone only pay 50% of the tax liability.

Tax losses

The transferred tax loss in the amount of HRK 8,491 thousand is recognized as deferred tax assets in the amount of HRK 1,529 thousand. In the Group's other tax losses of HRK 793 thousand, the Group has not recognized deferred tax assets in the amount of HRK 143 thousand because it is not certain that the tax losses will be utilized by the companies to which they relate. The unused tax losses at the reporting date were as follows:

	Luka Ploče Group		**Luka Ploče d.d.**	
Year of expiry	**Tax loss**	**Unrecognised deferred tax assets**	**Tax loss**	**Unrecognised deferred tax assets**
	(in thousands of HRK)		*(in thousands of HRK)*	
2018.	1,230	222	624	112
2019.	6,578	1,184	6,578	1,184
2020.	1,011	182	908	164
2021.	380	69	297	54
2022.	85	15	85	15
	9,284	**1,672**	**8,491**	**1,529**

In accordance with Croatian regulations, the tax authorities may at any time inspect any of the Group company's books and records within 3 years subsequent to the year in which the tax liability is reported, and may impose additional tax assessments and penalties. The Group's Management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

Changes in the deferred tax assets of the Group and the Company during the year were as follows:

	Long-term employee benefits	**Transposed losses**	**In total**
January 1, 2017	-	-	-
As it shown in the income statement	366	1.529	1.895
December 31, 2017.	**366**	**1.529**	**1.895**

NOTE 15 – INTANGIBLE ASSETS

Luka Ploče Group *(in thousands of HRK)*	**Intangible assets**
At 1 January 2016	
Cost	1,653
Accumulated depreciation	(608)
Net book amount	**1,045**
Year ended 31 December 2016	
Opening net book amount	1,045
Additions	578
Disposals	64
Depreciation	(405)
Net book amount at the end of the year	**1,282**
At 31 December 2016	
Cost	2,614
Accumulated depreciation	(1,332)
Net book amount at the end of the year	**1,282**
At 1 January 2017	
Cost	2,614
Accumulated depreciation	(1,332)
Net book amount	1,282
Year ended 31 December 2017	
Opening net book amount	1,282
Additions	215
Reclassification	100
Reductions	(81)
Depreciation	(516)
Year ended 31 December 2017	**1,000**
At 31 December 2017	
Cost	2,860
Accumulated depreciation	(1,860)
Net book amount	**1,000**

Intangible assets relate to investments in computer software.

NOTE 15 – INTANGIBLE ASSETS

Luka Ploče d.d. *(in thousands of HRK)*	**Intangible assets**
At 1 January 2016	
Cost	1,626
Accumulated depreciation	(608)
Net book amount	**1,018**
Year ended 31 December 2016	
Opening net book amount	1,018
Additions	579
Depreciation	(397)
Net book amount at the end of the year	**1,200**
At 31 December 2016	
Cost	2,205
Accumulated depreciation	(1,005)
Net book amount at the end of the year	**1,200**
At 1 January 2017	
Cost	2,205
Accumulated depreciation	(1,005)
Net book amount	1,200
Year ended 31 December 2017	
Opening net book amount	1,200
Additions	215
Reclassification	100
Depreciation	(515)
Year ended 31 December 2017	1,000
At 31 December 2017	
Cost	2,520
Accumulated depreciation	(1,520)
Net book amount	**1,000**

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT

Luka Ploče Group *(in thousands of HRK)*	**Land and buildings**	**Equipment**	**Assets under construction**	**Leasehold improvements**	**Total**
At 1 January 2016					
Cost	33,784	163,438	123,815	12,626	333,663
Accumulated depreciation	(10,569)	(99,178)	-	(7,876)	(117,623)
Net book amount	**23,215**	**64,260**	**123,815**	**4,750**	**216,040**
Year ended 31 December 2016					
Opening net book amount	23,215	64,260	123,815	4,750	216,040
Additions	-	23	109,560	-	109,583
Reclassification	-	-	-	(64)	(64)
Transfer from assets under construction	187	9,065	(9,610)	358	-
Disposals	(2,021)	(754)	(120,764)	-	(123,539)
Depreciation	(429)	(7,208)	-	(713)	(8,350)
Value adjustment	(9,922)	(3,261)	(11,426)	-	(24,609)
Closing net book amount	11,030	62,125	91,575	4,331	169,061
At 31 December 2016					
Cost	22,028	168,511	91,575	12,920	295,034
Accumulated depreciation	(10,998)	(106,386)	-	(8,589)	(125,973)
Net book amount	**11,030**	**62,125**	**91,575**	**4,331**	**169,061**
Year ended 31 December 2017					
Opening net book amount	11,030	62,125	91,575	4,331	169,061
Additions	-	2,165	87,630	193	89,988
Transfer from assets under construction	-	1,131	(1,752)	521	(100)
Disposals	-	(146)	-	-	(146)
Depreciation	(179)	(5,604)	**-**	(463)	(6,246)
Closing net book amount	**10,851**	**59,671**	**177,453**	**4,582**	**252,557**
At 31 December 2017					
Cost	22,028	171,661	177,453	13,634	384,776
Accumulated depreciation	(11,177)	(111,990)	-	(9,052)	(132,219)
Net book amount	**10,851**	**59,671**	**177,453**	**4,582**	**252,557**

Assets under construction refer primarily to the investment in the capacity of bulk cargo terminal and related machinery.

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT (continued)

Luka Ploče d.d. *(in thousands of HRK)*	**Land and buildings**	**Equipment**	**Assets under construction**	**Leasehold improvements**	**Total**
At 31 December 2016					
Cost	13,662	128,507	46,029	12,395	200,593
Accumulated depreciation	(2,837)	(70,951)	-	(7,709)	(81,497)
Net book amount	**10,825**	**57,556**	**46,029**	**4,686**	**119,096**
Year ended 31 December 2016					
Opening net book amount	10,825	57,556	46,029	4,686	119,096
Additions	-	-	52,141	-	52,141
Transfer from assets under construction	187	7,532	(8,077)	358	-
Disposals	-	(9)	-	-	(9)
Depreciation	(187)	(6,301)	-	(713)	(7,201)
Closing net book amount	**10,825**	**58,778**	**90,093**	**4,331**	**164,027**
At 31 December 2016					
Cost	13,849	135,634	90,093	12,754	252,330
Accumulated depreciation	(3,024)	(76,856)	-	(8,423)	(88,303)
Net book amount	**10,825**	**58,778**	**90,093**	**4,331**	**164,027**
Year ended 31 December 2017					
Opening net book amount	10,825	58,778	90,093	4,331	164,027
Annexation (Note 33)	-	274	1,581	56	1,911
Additions	-	-	87,531	-	87,531
Transfer from assets under construction to Intangible Assets	-	1,131	(1,752)	521	(100)
Disposals	-	(146)	-	-	(146)
Depreciation	(174)	(5,247)	-	(457)	(5,878)
Closing net book amount	**10,651**	**54,790**	**177,453**	**4,451**	**247,345**
At 31 December 2017					
Cost	13,849	136,893	177,453	13,331	341,526
Accumulated depreciation	(3,198)	(82,103)	-	(8,880)	(94,181)
Net book amount	**10,651**	**54,790**	**177,453**	**4,451**	**247,345**

Assets under construction refer primarily to the investment in the capacity of bulk cargo terminal and related machinery.

Property, plant and equipment of the Group and the Company net book value in the amount of HRK 1,861 thousand was pledged as a loan collateral.

The Group's and Company's equipment with a net book value of HRK 14,105 and HRK 11,081 thousand as at 31 December 2017 (2016: the Group and Company HRK 45,109 and HRK 43,860 thousand) were pledged as security for the finance lease repayment.

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT (continued)

The equipment leased out under a finance lease is as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2017	**2016**	**2017**	**2016**
	(in thousands of HRK)		*(in thousands of HRK)*	
Cost – capitalised finance lease	21,266	68,071	18,062	66,784
Accumulated depreciation	(7,161)	(22,962)	(6,981)	(22,924)
Net book amount	**14,105**	**45,109**	**11,081**	**43,860**

Change of estimated useful live of building and equipment
During 2017, the Group and the Company made a change in the service life of the port equipment part in line with the Board's assessment that the equipment will be used for longer than planned. The useful life of this equipment is increased from 15-20 years to 25 years. The effect of this change is to reduce the depreciation cost and to increase net profit for the year by HRK 1,706 thousand.

NOTE 17 – INVESTMENT PROPERTY

	Luka Ploče Group		Luka Ploče d,d,	
	2017	**2016**	**2017**	**2016**
	(in thousands of HRK)		*(in thousands of HRK)*	
Cost	6,404	6,404	6,404	6,404
Accumulated depreciation	(1,729)	(1,633)	(1,729)	(1,633)
Net book amount	**4,675**	**4,771**	**4,675**	**4,771**

The Company records as investment property flats that are leased to former and current employees at minimum lease payments. Based on current market prices and the location, Management determined that the fair value of investments approximates the net carrying value.

In 2017, the Group and the Company realised lease income of HRK 101 thousand (2016: HRK 101 thousand) included in other income, and a depreciation charge of HRK 96 thousand (2016: HRK 96 thousand).

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2017	**2016**	**2017**	**2016**
	(in thousands of HRK)		*(in thousands of HRK)*	
Up to 1 year	101	101	101	101
From 1 to 5 years	404	404	404	404
Over 5 years	909	1.010	909	1.010
Total	**1.414**	**1.515**	**1.414**	**1.515**

NOTE 18 – INVESTMENTS IN SUBSIDIARIES

The holdings of the Company in each of its subsidiaries as at 31 December 2017 and 31 December 2016 are as follows:

Subsidiaries	Amount of share		Ownership %	Principal activity
	(in thousands of HRK)			
	2017	2016	2017 and 2016	
Luka Ploče - Održavanje d.o.o.	-	3,978	100%	Repairs and maintenance services
Luka Šped d.o.o.	3,175	3,175	100%	Freight forwarding services
Pomorski servis - Luka Ploče d.o.o.	1,807	1,807	100%	Sea transport services
Pločanska plovidba d.o.o.	2,520	2,520	100%	Shipping services
Luka Ploče Energija d.o.o.	-	7,800	100%	Energetics
Value adjustment /i/	-	(7,800)		
	7,502	**11,480**		

Movements in investments in subsidiaries are as follows:

	Luka Ploče d.d. 2017	2016
	(in thousands of HRK)	
At beginning of the year	11,480	37,466
Investment reduction/i/	(3,978)	(25,986)
At end of the year	**7,502**	**11,480**

/i/ On September 26, 2017, the Company made the merger of the companies Luka Ploče - Održavanje d.o.o. and Luka Ploče Energija d.o.o.

NOTE 19 – INVESTMENTS IN ASSOCIATES

	Luka Ploče Group		Luka Ploče d.d.	
(in thousands of HRK)	**2017**	**2016**	**2017**	**2016**
Lučka sigurnost d.o.o. (associated company)	415	370	55	55
Vizir d.o.o. (associated company)	141	123	25	25
Portus Šped d.o.o	28	28	-	-
Total	**584**	**521**	**80**	**80**

The Group and the Company have shares in associates of which the Company has investments in two associates of 49% in the total amount of HRK 80 thousand, whereas the remaining 51% is owned by the Port of Authority. Port of Authority controls the associates by appointing the only member of the Management Board responsible for making operational decisions, and it has the majority in the supervisory boards of these companies. The principal activity of the associates is the security of business premises. Transactions with these associates are disclosed in Note 32. In 2017 Group has recognised share in profit of the associates in the amount of HRK 63 thousand (2016: HRK 39 thousand)

Luka Šped d.o.o. together with Luka d.d., Split participates with 49% in stake of the company Portus Šped d.o.o., Split. The Company is registered as a limited liability company for international forwarding. The Company did not start business activity by the audit day.

Basic financial information of associates at the reporting date are as follows:

	Lučka sigurnost d.o.o.		Vizir d.o.o.	
(in thousands of HRK)	**2017**	**2016**	**2017**	**2016**
Assets	1,274	1,222	471	450
Liabilities	(327)	(334)	(150)	(185)
Net assets	**947**	**888**	**321**	**265**

NOTE 20 – LONG-TERM LOAN RECEIVABLE

	Luka Ploče Group		Luka Ploče d,d,	
(in thousands of HRK)	**2017**	**2016**	**2017**	**2016**
Long-term loan receivable				
- To employees	2,473	2,858	2,473	2,858
- To members of the Supervisory Board	299	308	299	308
	2,772	3,166	2,772	3,166
Current portion	(777)	(847)	(777)	(847)
	1,995	**2,319**	**1,995**	**2,319**

In previous years, the Company sold flats to its employees on long-term credits in accordance with legal regulations of the Republic of Croatia. The loans are repayable over a period of 20 – 35 years with an interest rate set at 1% p.a. The loans are repaid regularly in monthly instalments. The loans are not discounted. The loans are secured by mortgages on the apartments. The Company is obliged to pay 65% of the received repayments to the state budget. All loan receivables are denominated in HRK.

NOTE 20 – LONG-TERM LOAN RECEIVABLE (continued)

The maturity of long-term loans receivable is as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2017	2016	2017	2016
	(in thousands of HRK)		*(in thousands of HRK)*	
Up to 1 year	777	847	777	847
Between 1 and 5 years	1,995	2,019	1,995	2,019
Over 5 years	-	300	-	300
Total	**2,772**	**3,166**	**2,772**	**3,166**

NOTE 21 – INVENTORIES

	Luka Ploče Group		Luka Ploče d,d,	
	2017	2016	2017	2016
	(in thousands of HRK)		*(in thousands of HRK)*	
Raw materials	764	1,334	637	630
Spare parts	2,118	420	2,118	420
Advances for inventories	24	85	21	83
Trade goods	28,690	22	28,656	-
	31,596	**1,861**	**31,432**	**1,133**

NOTE 22 – TRADE AND OTHER RECEIVABLES

	Luka Ploče Group		Luka Ploče d.d.	
	2017	2016	2017	2016
	(in thousands of HRK)		*(in thousands of HRK)*	
Domestic trade receivables	3,309	1,759	4,141	5,007
Foreign trade receivables	66,605	52,497	65,314	51,299
Provision for doubtful receivables	(245)	(119)	(82)	(94)
	69,669	54,137	69,373	56,212
Current portion of long-term loans receivable (Note 20)	777	847	777	847
Receivables from the state	2,068	3,571	1,908	3,512
Advances	72	13	7	12
Guarantees	6	298	6	26
Other receivables	1,750	1,351	1,564	1,445
	74,342	**60,217**	**73,635**	**62,054**

Foreign trade receivables on 31 December 2017 include HRK 43,782 thousand of sold merchandise as a result of intensifying trade activities .

NOTE 22 – TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2017, the Group recorded trade receivables past due but not impaired amounting to HRK 14,290 thousand (2016: HRK 18,127 thousand), while the Company recorded trade receivables past due but not impaired amounting to HRK 13,866 thousand (2016: HRK 16,670 thousand). The ageing of these receivables is based on the days outstanding after the maturity date as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2017	2016	2017	2016
	(in thousands of HRK)		*(in thousands of HRK)*	
Up to 30 days	4,158	8,583	3,437	7,742
Up to 60 days	5,357	2,959	5,682	2,760
Up to 90 days	957	2,359	706	2,315
Over 90 years	3,818	4,226	4,041	3,943
	14,290	**18,127**	**13,866**	**16,760**

The stated receivables relate to a number of customers whose collection is certain based on historical data.

Receivables outstanding more than 90 days after the maturity date are considered for impairment. Based on historical data, it was estimated that a part of the stated receivables will be collected.

The fair value of trade receivables approximates their carrying amount.

As at 31 December 2017, the provision for impairment of receivables amounted to HRK 245 thousand for the Group (2016: HRK 119 thousand) and HRK 82 thousand for the Company (2016: HRK 94 thousand). The provision relates to customers with some defaults in payments, who are in difficult economic situations.

Balances and movements on the provision for impairment of trade and other receivables are as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2017	2016	2017	2016
	(in thousands of HRK)		*(in thousands of HRK)*	
At 1 January	119	1.485	94	60
Impairment	262	109	82	94
Collected receivables previously written off	-	(9)	-	-
Receivables written off during the year as uncollectible	(136)	(1.466)	(94)	(60)
At 31 December	**245**	**119**	**82**	**94**

NOTE 22 – TRADE AND OTHER RECEIVABLES (continued)

Financial assets are denominated in the following currencies:

	Luka Ploče Group		Luka Ploče d.d.	
	2017	2016	2017	2016
	(in thousands of HRK)		*(in thousands of HRK)*	
EUR	16,724	18,305	15,359	17,859
USD	51,079	34,181	50,907	34,186
HRK	1,872	2,796	3,113	5,040
	69,675	**55,282**	**69,379**	**57,085**

NOTE 23 – SHORT - TERM DEPOSITS

	Luka Ploče Group		Luka Ploče d,d,	
(in thousands of HRK)	2017	2016	2017	2016
Leasing učešća	172	95	136	58
Depoziti kod banaka	134,758	155,694	134,485	155,423
Depoziti ukupno	**134,930**	**155,789**	**134,621**	**155,481**
Tekuće dospijeće	81,419	155,753	81,146	155,481
Dugoročno dospijeće	53,511	36	53,475	-
	134,930	**155,789**	**134,621**	**155,481**

As at 31 December 2017 the Company has 13 deposits in the amount of HRK 134,485 thousand, and the Group has 14 deposit in the amount of HRK 134,758 thousand (2016: Company has 13 deposits in the amount of HRK 155,423 thousand and the Group has 14 deposits in the amount of HRK 155,694 thousand) within commercial banks and denominated in EUR (2016: EUR and USD). Deposits mature in 2018. and 2019. Interest rates are ranged from 0,55% to 0,60% (2016: 0,60% to 1,30%). The total amount of deposits used as collateral for 2017 amounted to HRK 53,339 thousand (2016: HRK 53,764 thousand).

NOTE 24 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Luka Ploče Group		Luka Ploče d.d.	
	2017	2016	2017	2016
	(in thousands of HRK)		*(in thousands of HRK)*	
At beginning of year	280	193	280	193
Fair value gains (Note 12)	71	87	71	87
At end of year	**351**	**280**	**351**	**280**

As at 31 December 2017, the amount of HRK 351 thousand (2016: HRK 280 thousand) relates to shares of two listed companies in which the Group's holding does not exceed 20% of ownership. The fair value estimation is set out in Note 5. Financial assets at fair value through profit or loss are denominated in HRK.

NOTE 25 – CASH AND CASH EQUIVALENTS

	Luka Ploče Group		Luka Ploče d.d.	
	2017	2016	2017	2016
	(in thousands of HRK)		*(in thousands of HRK)*	
Giro account	1,680	3,297	794	1,143
Foreign currency account /i/	42,415	38,524	37,683	34,354
	44,095	**41,821**	**38,477**	**35,497**

/ i / As at 31 December 2017, the amount of HRK 25,345 thousand relates to open foreign currency letters of credit and with the above mentioned assets the Group and the Company were unable to dispose as of 31 December 2017.

Cash and cash equivalents are denominated in the following currencies:

	Luka Ploče Group		Luka Ploče d.d.	
	2017	2016	2017	2016
	(in thousands of HRK)		*(in thousands of HRK)*	
EUR	11,656	19,299	8,907	17,469
USD	30,764	19,223	28,776	16,883
HRK	1,675	3,297	794	1,143
Other	-	2	-	2
	44,095	**41,821**	**38,477**	**35,497**

NOTE 26 – CAPITAL AND RESERVES

Share capital

The ownership structure as at 31 December 2017 and 2016 was as follows:

	2017		2016	
Shareholders	**Number of shares**	**Ownership (%)**	**Number of shares**	**Ownership (%)**
Small shareholders	114,358	27,04	121,573	28,74
Prvo Plinarsko Društvo d,o,o,	105,514	24,95	105,514	24,95
Mandatory pension funds	94,508	22,34	87,244	20,63
Financial institutions	74,452	17,60	74,142	17,52
Voluntary pension funds	32,416	7,66	32,775	7,75
Treasury shares	1,719	0,41	1,719	0,41
Total	**422,967**	**100,00**	**422,967**	**100,0**

Shareholders' equity at 31 December 2017 amounts HRK 169,187 thousand (2016: HRK 169,187 thousand) and consists of 422,967 ordinary shares (31 December 2016: 422,967 shares) with a nominal value of HRK 400 (31 December 2016: HRK 400).

NOTE 26 – CAPITAL AND RESERVES (continued)

Premium on issued shares

The Company realised a premium of HRK 90,159 thousand on newly issued shares in 2011, which was decreased by the costs of issuing new shares of HRK 2,052 thousand, and as at 31 December 2017, the premium for issued shares amounted to HRK 88,107 thousand (2016: HRK 88,107 thousand).

Other reserves

At 31 December 2017, the Company had other reserves in the total amount of HRK 48,159 thousand (2016: HRK 48,159 thousand), and the Group of HRK 48,159 thousand (2016: HRK 49,159 thousand). Reserve for own shares amount HRK 7,838 thousand (2016: 7,838 thousand) of which to acquire own shares at 31 December 2017 was used HRK 1,066 thousand. Other reserves are distributable.

Legal reserves

Legal reserves amount to HRK 8,459 thousand (2016: HRK 8,283 thousand) were formed in line with Croatian law and must be built up at a minimum of 5% of the profit for the year until the total legal reserve reaches 5% of the Company’s share capital. Legal reserves are not distributable.

Treasury shares

In 2011, the Company purchased 380 treasury shares at prices ranging between HRK 680 and HRK 770 per share. In 2012, the Company purchased 626 treasury shares at prices ranging between HRK 550 and HRK 611 per share. In 2013, the Company purchased 713 treasury shares at prices ranging between HRK 569 and HRK 597 per share.

NOTE 27 – PROFIT/ (LOSS) PER SHARE

The basic loss per share is calculated by dividing the Company's net loss the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares. The basic loss per share equals the diluted loss, since there are no dilutive shares.

	Luka Ploče Group		Luka Ploče d.d.	
	2017	**2016**	**2017**	**2016**
Net profit/ (loss) attributable to shareholders from continuing operations *(in thousands of HRK)*	1,257	(19,788)	518	6,263
Weighted average number of ordinary shares in issue	421,248	421,248	421,248	421,248
Basic/diluted loss per share from continuing operations *(in HRK)*	2,98	(46,97)	1,23	14,87

NOTE 28 – BORROWINGS

	Luka Ploče Group		Luka Ploče d,d,	
	2017	**2016**	**2017**	**2016**
	(in thousands of HRK)		*(in thousands of HRK)*	
Finance lease	8,221	10,839	7,342	9,683
Bank borrowings	102,088	11,055	100,501	11,055
Due to the state (Note 20)	1,632	1,864	1,632	1,864
	111,941	**23,758**	**109,475**	**22,602**
Current portion	(9,386)	(3,192)	(8,705)	(2,916)
Total long-term borrowings	**102,555**	**20,566**	**100,770**	**19,686**

	Luka Ploče Group		Luka Ploče d,d,	
	2017	**2016**	**2017**	**2016**
	(in thousands of HRK)		*(in thousands of HRK)*	
Current portion	9,386	3,192	8,705	2,916
Total short-term borrowings	**9,386**	**3,192**	**8,705**	**2,916**

NOTE 28 – BORROWINGS (continued)

The contractual maturity of borrowings at the reporting date are as follows:

	Luka Ploče Group		**Luka Ploče d.d.**	
	2017	**2016**	**2017**	**2016**
	(in thousands of HRK)		*(in thousands of HRK)*	
Up to 1 year (current portion)	9,386	3,192	8,705	2,916
Between 1 and 5 years	45,556	9,511	43,771	8,631
Over 5 years	56,999	11,055	56,999	11,055
	111,941	**23,758**	**109,475**	**22,602**

Liabilities to banks

Liabilities to the Company's banks in the amount of HRK 100,501 thousand relate to a loan from HBOR, denominated in EUR, contracted at a fixed rate of 3% and secured by the company's deposits and the future right of pledging rights over part of the assets under preparation. As at 31 December 2017, the unused portion of the loan amounted to EUR 2,164 thousand with the end of the term until March 31, 2018.

The remaining portion of the Group's liabilities to the Group's banks is denominated in EUR, contracted at variable interest rates related to EURIBOR and secured by the Group's assets.

Due to the State for sold apartments

In relation to long-term loans given to its employees for apartments, the Company has created a liability to repay to the State budget 65% of all repayments received from the employees (Note 20).

Finance lease

As at 31 December 2017, Luka Ploče d.d. uses three finance leases from a leasing company denominated in EUR and a lease in HRK from the Port Authority. Leasing companies' finance leases were concluded at a fixed interest rate of 2.99% to 4.75%. The remaining portion of the Group's Leasing Obligations was denominated in HRK and was contracted at a fixed interest rate of 5.20%.

The lease of the Port Authority concluded in 2008 is repayable in equal monthly instalments and it is secured by promissory notes. The lease matures in 2024.

Financial leases are secured by leased assets, the current value of which is as at 31 December 2017 in Note 16 and by bonds, bills of exchange, insurance policies and short-term deposits.

NOTE 28 – BORROWINGS (continued)

Current value under the finance lease is as follows:

	Luka Ploče Group		**Luka Ploče d.d.**	
	2017	**2016**	**2017**	**2016**
	(in thousands of HRK)		*(in thousands of HRK)*	
Up to 1 year (current portion)	2,811	2,992	2,537	2,718
Between 1 and 5 years	5,585	8,120	4,868	7,120
Over 5 years	-	-	-	-
Future financing expenses	(175)	(273)	(63)	(155)
Current value of finance lease liabilities	**8,221**	**10,839**	**7,342**	**9,683**

The carrying amount of borrowings with variable interest rates is as follows (other borrowings are stated at fixed rates):

	Luka Ploče Group		**Luka Ploče d,d,**	
	2017	**2016**	**2017**	**2016**
	(in thousands of HRK)		*(in thousands of HRK)*	
The reference rate: 3-month EURIBOR	1,587	-	-	-

Currency structure of borrowings is as follows:

	Luka Ploče Group		**Luka Ploče d,d,**	
	2017	**2016**	**2017**	**2016**
	(in thousands of HRK)		*(in thousands of HRK)*	
EUR	104,600	20,907	102,891	20,738
HRK	7,341	2,851	6,584	1,864
	111,941	**23,758**	**109,475**	**22,602**

Currency risk is explained detailed in Note 4.

The adjusted movements in the cash flow statement from financial activities are as follows:

	Luka Ploče Group	**Luka Ploče d.d.**
	(in thousands of HRK)	
At 1 January 2017	23,758	22,602
Changes in financial cash flows		
Received credits	1,678	-
Otplaćeni krediti	(2,849)	(2,457)
Total changes in financial cash flows	**(1,171)**	**(2,457)**
Other changes		
Payment of supplier by bank /i/	89,191	89,191
Exchange rate fluctuations	163	139
Total other changes	**89,354**	**89,330**
At 31 December 2017	**111,941**	**109,475**

NOTE 28 – BORROWINGS (continued)

/i/ Liabilities to suppliers of fixed assets in the amount of HRK 89,191 thousand were settled directly by the bank and treated as non-cash transactions in the cash flow statement.

NOTE 29 – PROVISIONS

Group

(in thousands of HRK)	**Legal disputes**	**Employee benefits**	**Total**
At 1 January 2017	**1,579**	**2,502**	**4,081**
Additional provisions	-	103	103
Released	(809)	(260)	(1,069)
At 31 December 2017	**770**	**2,345**	**3,115**
Analysis of total provisions			
Non-current	770	1,737	2,507
Current	-	608	608
	770	**2,345**	**3,115**

Company

(in thousands of HRK)	**Legal disputes**	**Employee benefits**	**Total**
At 1 January 2017	**1,579**	**1,951**	**3,530**
Released	-	312	312
Used during the year	(809)	(180)	(989)
At 31 December 2017	**770**	**2,083**	**2,853**
Analysis of total provisions			
Non-current	770	1,475	2,245
Current	-	608	608
	770	**2,083**	**2,853**

Provisions relate to legal disputes, long and short-term employee benefits as defined by the collective bargaining agreement. Non-current provisions relate to legal disputes, jubilee awards and retirement benefits, while current provisions relate to the current portion of termination benefits, jubilee awards and unused vacation days as at 31 December 2017.

NOTE 30 – TRADE AND OTHER PAYABLES

	Luka Ploče Group		Luka Ploče d.d.	
	2017	**2016**	**2017**	**2016**
	(in thousands of HRK)		*(in thousands of HRK)*	
Domestic trade payables	10,646	17,036	12,509	20,669
Foreign trade payables	28,533	224	28,519	221
	39,179	17,260	41,028	20,890
Net salaries payable	3,135	3,165	2,799	2,512
Taxes/contributions from and on salaries	1,733	1,894	1,555	1,364
Due to the state	235	257	193	172
Deferred income	-	3	-	-
Other	58	-	-	-
	44,330	**22,579**	**45,575**	**24,938**

Trade payables comprising financial liabilities are denominated in the following currencies:

	Luka Ploče Group		Luka Ploče d.d.	
	2017	**2016**	**2017**	**2016**
	(in thousands of HRK)		*(in thousands of HRK)*	
EUR	1,355	-	348	-
USD	28,412	223	28,398	221
HRK	9,412	17,037	12,282	20,669
	39,179	**17,260**	**41,028**	**20,890**

NOTE 31 – RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party, is under common control or exercises significant influence over the other party in making financial or operational decisions.

Related parties which were not included in consolidation are the Port Authority as a state institution (entity with influence on the Group's operations in accordance with the Concession agreement) and the associate Vizir d.o.o. Ploče, Lučka Sigurnost d.o.o. Ploče, Ploče (see Note 19) and the Company owned by the members of the Management Board and the Supervisory Board.

Items resulting from transactions and balances with the stated related parties as at 31 December 2017 and 2016 are as follows:

	Luka Ploče Group		Luka Ploče d.d.	
	2017	**2016**	**2017**	**2016**
	(in thousands of HRK)		*(in thousands of HRK)*	
Receivables				
Port Authority	12	31	11	9
A company owned by a member of the Supervisory Board	43,782	28,419	43,782	28,419
Associates	2	7	2	-
Total	**43,796**	**28,457**	**43,795**	**28,428**
Liabilities				
Port Authority	773	417	761	407
A company owned by a member of the Supervisory Board	13	-	13	-
Associates	249	239	249	239
Total	**1,035**	**656**	**1,023**	**646**
Revenues				
Port Authority	181	106	52	61
A company owned by a member of the Supervisory Board	101,896	78,188	101,896	78,188
Associates	3	20	3	1
Total	**102,080**	**78,314**	**101,951**	**78,250**
Expenses				
Port Authority	3,760	2,948	3,760	2,914
A company owned by a member of the Supervisory Board	13	-	13	-
Associates	3,138	2,588	3,138	2,588
Total	**6,911**	**5,536**	**6,911**	**5,502**

The nature of services with the Port Authority (utilities), associates (security of business premises) and entities under common control (insurance, electricity, transport) is based on usual commercial terms.
The costs to the Port Authority include the fees by concession agreements in the amount of HRK 3,339 thousand (2016: HRK 2,910 thousand) of which HRK 2,168 thousand relates to the variable portion of concession fees (2016: HRK 1,753 thousand).

Transactions with related parties

During 2017, the Company purchased goods and services from subsidiaries in the amount of HRK 6,068 thousand (2016: HRK 8,627 thousand) and on 31 December 2017 owed to subsidiaries HRK 2,046 thousand (2016: HRK 4,029 thousand). During 2017, the Company sold goods and services to its subsidiaries in the amount of HRK 5,662 thousand (2016: HRK 2,912 thousand) and on 31 December 2017 claimed HRK 1,958 thousand from subsidiaries (2016: HRK 4,065 thousand).

Transactions with shareholders

During 2016 the Company has sold all its shares of Luka Ploče trgovina d.o.o. to Prvo plinarsko društvo d.o.o. on 6 July 2016 for an amount of HRK 27.720 thousand (note 33) as stated by the sale contract.

Transactions with members of the Supervisory Board

The Company as at 31 December 2017, has HRK 299 thousand (2016 .: HRK 344 thousand) receivables from loans granted to members of the Supervisory Board at the rate of 4% (see Note 20). During 2017, the Company collected a total of 45 thousand on the basis of the above loans.

Key management compensation

Key management compensation, including 5 members of the Management Board of the Company (2016: 5) and 3 directors of the Group companies (2016: 7), was as follows:

	Luka Ploče Group		**Luka Ploče d.d.**	
	2017	**2016**	**2017**	**2016**
	(in thousands of HRK)		*(in thousands of HRK)*	
Salaries	2,293	1,887	1,814	1,380
Taxes and contributions	1,551	1,477	1,321	1,197
	3,844	**3,364**	**3,135**	**2,577**

Pension contributions for key management that the Group and the Company paid to mandatory pension funds for 2017 amounted to HRK 2,783 thousand and HRK 594 thousand, respectively (2016: HRK 2,419 thousand and HRK 483 thousand).

NOTE 32 – CONTINGENCIES AND COMMITMENTS

Legal disputes

The Group and the Company are the defendant and the plaintiff in several court proceedings arising from regular business. In the financial statements for the year ended 31 December 2017, provisions were made for litigation for which the Group and the Company provide for a payment of HRK 770 thousand.

Commitments

By signing concession agreements for the construction of the terminal for bulk cargo, the Company and the Group member Luka Ploče Trgovina committed to invest in transhipment equipment the amount of HRK 420,000 thousand

.

Planed investment is to be executed in two phases. Completion of the first phase is planed mid-2018., and second phase is planed after eighty percent (80%) of maximum possible 4,6 million metric tons annually capacity is reached as will be made possible after phase one. Source of finance for phase one is a loan from HBOR and own resources.

Financial contracts states that investment plans are to be reviewed every year and ,as a result, can be changed. Concession agreement states an outline obligation of maximum HRK 420,000 thousand (until 31 December 2017 HRK 196,332 thousand are invested). Lučka Uprava Ploče continually determents values of investing during that period.

	Up to 1 year	1 to 2 years	2 to 5 years	Over 5 years	**Total**
Bulk Terminal equipment	30,530	-	30,000	150,000	**210,530**
Other	3,000	10,000	-	-	**13,000**
	33,530	**10,000**	**30,000**	**150,000**	**223,530**

Except commitments for capital expenditures per the concession agreement, the Group and Company have an obligation to pay the concession fee consisted of a fixed part calculated per square meter of surface area under concession, which is for 2017 amounted to HRK 1,171 thousand (2016 .: HRK 1,157 thousand) while the variable part depends primarily on the quantity of cargo transported.

NOTE 33 – SUBSIDIARY MERGES

On September 26, 2017, the Company joined the subsidiaries Luka Ploče Energija d.o.o. and Luka Ploče održavanje d.o.o. Merges were carried out at book value. Assets and liabilities of subsidiaries at the merger were as follows:

(u tisućama kuna)	**Luka Ploče Održavanje d.o.o.**	**Luka Ploče Energija d.o.o.**	**Ukupno**
Fixed assets			
Real Estate, Plant and Equipment	325	1,586	1,911
Advances for property	-	261	261
Total non-current assets	**325**	**1,847**	**2,172**
Current assets			
Receivables from customers and other receivables	2,324	164	2,488
Money and cash equivalents	104	44	148
Total current assets	**2,428**	**208**	**2,636**
Total assets	**2,753**	**2,055**	**4,808**
Short-term liabilities			
Trade and other payables	(2)	(2,864)	(2,866)
Total short-term liabilities	**(2)**	**(2,864)**	**(2,866)**
Net assets / (liabilities)	**2,751**	**(809)**	**1,942**

In accordance with the stated net assets of affiliated subsidiaries, the merger had the following effect on the Company's equity and reserves:

Net book value of investments in subsidiary	3.978	-	3.978
Net assets of the merging company	2.751	(809)	1.942
Effect of mergers on capital and reserves	**1.227**	**809**	**2.036**

NOTE 34 - EVENTS AFTER THE BALANCE DATE

On February 13, 2018, the Company concluded a loan agreement with HBOR, extending the term of utilization of the unused part of the loan amounting to 2,164 thousand euros until 31 December 2018 and prolonging the beginning of repayment of the loan in a way that the first instalment will be billed on March 31, 2019.