INFORMATION MEMORANDUM

RELATED TO PUBLIC OFFER OF A MINIMUM OF 5.000.000 TO A MAXIMUM OF 7.600.000 NEW REGULAR SHARES OF **ĐURO ĐAKOVIĆ GRUPA D.D.**

ĐURO ĐAKOVIĆ

Disclaimer: Please be advised that this document represents only an unofficial English translation of the original document published by Đuro Đaković Grupa d.d., which was made in Croatian language. In case of any discrepancies between the original Croatian text and this English translation, the Croatian text shall prevail.

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RELATED TO PUBLIC OFFER OF A MINIMUM OF 5.000.000 TO A MAXIMUM OF 7.600.000 NEW REGULAR SHARES OF ĐURO ĐAKOVIĆ GRUPA D.D.

("Information Memorandum")

General Assembly of the company Đuro Đaković Grupa d.d. having its registered seat in Slavonski Brod, Dr. Mile Budaka 1, entered in the companies registry of the Commercial Court of Osijek, Permanent Service in Slavonski Brod, under entry number (MBS) 050002378, Personal Identification Number (PIN): 58828286397 (hereinafter referred to as: "**Đuro Đaković**", "**the Company**" or "**the Issuer**") has on 21 March 2017 rendered the Decision on nominal capital increase of the Company by cash contributions and by issuing new shares with complete exclusion of priority rights of the existing shareholders in the course of subscription of new shares according to Article 308. Paragraph 4 of the Companies Act, by using exception from the obligation to previously publish a prospectus regarding the securities offer from Article 351 Paragraph 1 Item 3 of the Capital Market Act (hereinafter referred to as: "**Decision on nominal capital increase"**). By virtue of the Decision on nominal capital increase, nominal capital of the Issuer shall be increased from the amount of HRK 151,933,680 by the amount of HRK 152,000,000 at the most, to the amount of HRK 303,933,680 at the most. The nominal capital increase of the Issuer will be carried out by cash contributions and by issuing 7,600,000 new ordinary shares at the most, each with the nominal value of HRK 20.00 (hereinafter "**New Shares"**).

New Shares are issued in intangible form, in the form of an electronic record in the computer system of the Central Depository and Clearing Company Ltd. (hereinafter: "**SKDD**" or "**CDCC**"), with the stock ticker assigned by SKDD. Each New Share gives the right to one vote at the General Assembly (shareholders' meeting) of the Company, as well as all other rights identical to the rights acquired by the existing Company shares, according to the law and the Memorandum of Association, from the day of entry of the nominal capital increase is registered in the companies registry.

Existing ordinary shares of the Issuer ("**Existing Shares**") are listed in the Regular market of the Zagreb Stock Exchange (Hereinafter referred to as: "**ZSE**"), having a stock ticker DDJH-R-A, ISIN HRDDJHRA0007 (jointly Existing Shares and New Shares referred to as: "**Shares**"). The Issuer shall take all required measures in order to list the New Shares in the ZSE Regular market.

New Shares may be issued for a larger amount than a part of nominal capital which they account for. According to Article 304 Paragraph 3 of the Companies Act, New Shares will not be issued under the provisions of the amount set forth by the Article 164 Paragraph 1 Item 2 of the Companies Act, i.e. below the individual nominal share amount of HRK 20.00.

Legal Advisor of the Issuer for placing of offer for New Shares is Law firm Žurić i Partneri d.o.o. having its registered seat in Zagreb, Ivana Lučića 2a, PIN: 03894745705 ("**Legal Advisor**").

The nominal capital increase of the Issuer will be carried out with complete exclusion of priority rights of the existing Company shareholders in the course of subscription of New Shares. Nevertheless, all existing Company shareholders will have the possibility to participate in the New Share subscription procedure under the same conditions as other investors.

According to Article 351 Paragraph 1 Item 3 of the Capital Market Act ("**CMA**"), there is no obligation for publishing the prospectus, since the securities offer is sent to investors who will each pay the amount of at least HRK 800,000, for each individual offer. Therefore, the Issuer shall not publish prospectus prior to placing the offer for New Shares.

General Assembly of the Issuer has on 21 March 2017 rendered a decision approving to the acquirers, who shall acquire New Shares on the basis of the Decision on nominal capital increase, the acquisition of New Shares without the obligation to publish a takeover bid, if such acquisition of the New shares would lead to the obligation to publish a takeover bid, all according to Article 14 paragraph 1 clause 3 of the Act on the Takeover of Joint Stock Companies.

All investors who shall pay at least HRK 800,000.00 per investor, for each separate offer, are entitled to subscribe New Shares ("**Investors**"). Conditions for subscribing and payment of New Shares are specified in the Decision on nominal capital increase and public invitation for subscription of New Shares ("**Public Invitation**"), available on the website of the Issuer (www.duro-dakovic.com) and Zagreb Stock Exchange ("**ZSE**") (www.zse.hr).

Investors may subscribe New Shares from 9.00 (A.M.) to 16.00 every working day in the period of 8 May 2017 to 12 May 2017 (hereinafter referred to as: "**Subscription Period**").

Final amount of capital increase shall depend on the success of issue. Issue of New Shares shall be considered successful if at least 5.000.000 New Shares are subscribed and paid before the subscription and payment deadline.

The Issuer shall, if the offer for New Shares is successfully placed, draft a Prospectus for listing of New Shares ("**Prospectus for listing**") and submit it to Croatian Financial Services Supervision Agency ("**HANFA**") for approval. Should HANFA render a decision on approval of Prospectus for listing, the Issuer shall publish it according to Article 374 of the Capital Market Act and afterwards list the shares in the ZSE Regular market.

Investing in New Shares includes risks. Prior to investing in New Shares, investors should inspect and take into account relevant factors specified in Clause III, part 1. hereof – "Risk factors specific to the Issuer and its activity" and in part 2. – "Risks specific to the New Shares of the Issuer".

Date of this Information Memorandum is 04 May 2017

Important remarks

The Issuer is applying the exception from the obligation to publish prospectus pursuant to Article 351 Paragraph 1 Item 3 of the Capital Market Act, since the offer for the Issuer's New Shares is addressed to investors who shall pay for subscribed new shares the consideration of at least HRK 800,000.00 per investor, for each separate offer.

The Issuer shall, pursuant to the existing legislation, after successful increase of the nominal capital by public offer, draft a Prospectus for listing of New Shares in the Regulated market of the Zagreb Stock Exchange, which shall be submitted HANFA for approval. In case of HANFA's approval of the Prospectus for listing, the Issuer shall publish it pursuant to Article 374 of the CMA, after which it intends to list the New Shares in the ZSE Regular market. New company shares shall be eligible for trading on the ZSE Regular market from the day set by ZSE.

The Issuer takes responsibility for accuracy and completeness of this Information Memorandum and information contained therein. Pursuant to the data at the disposal of the Issuer and its knowledge, information in this Information Memorandum represent an accurate presentation of its assets, including, but not limited to rights and obligations, profit and loss, its financial condition, as well as rights and obligations arising from or related to the New Shares of the Issuer. In the Issuer's knowledge, not a single fact that may influence the accuracy and/or completeness of this Information Memorandum has been omitted, including, but not limited to the information which may significantly affect decision-making for investing in the New Shares of the Issuer and all risks related thereto.

Legal Advisor **ŽURIĆ I PARTNERI**, odvjetničko društvo d.o.o., shall not be responsible nor warrant in any manner whatsoever to the Issuer or any third parties (investors, registries, holders of New Shares and similar), directly or indirectly, for execution of the Issuer's obligations for New Shares and for accuracy and contents of the Information Memorandum or completeness of data in the Information Memorandum.

Only information contained herein are relevant for deciding on investing in the Issuer's New Shares. Any potential investor is required to decide on investing in the Issuer's New Shares based on his/her own assessment of the Issuer and terms and conditions of the offer for the New Shares. The Issuer has not authorized any natural and/or legal person to provide information related to the Issuer's New Shares and any information from third parties, which differ from information contained herein, shall not be deemed relevant. The Issuer also neither confirms, explicitly or implicitly, accuracy of unauthorized disclosed information or statements, nor approves their disclosure nor takes responsibility for any damage investors may suffer in relation thereto.

Accuracy and completeness of information contained herein has been established pursuant to the situation on the date of this Information Memorandum, unless specifically mentioned otherwise in the Information Memorandum itself as referring to some other day. The Issuer states that there is a possibility that the information contained herein, related to the Issuer's operation, its financial condition and operating results, might have changed after the date of this Information Memorandum.

Governing law for the Information Memorandum in whole shall be the law of the Republic of Croatia, with the exclusion of conflict of law provisions of the international private law. For disputes referring to the Issuer's New Shares, including the disputes on the validity of their issue, as well as to legal consequences arising therefrom, competent shall be the subject-matter competent courts of the Republic of Croatia. Foreign investors shall comply with the applicable regulations of the foreign country.

This Information Memorandum may not be deemed as a recommendation to buy or offer to sell the Issuer's New Shares in its name and on its behalf, or in the name and on the behalf of the affiliated companies to the Issuer, their affiliated companies and representatives. The Information Memorandum contains no advice, including, but not limited to advice related to investing in the Issuer's New Shares, legal or financial advice.

The Issuer addresses any investor considering the possibility of subscription and payment, i.e. purchase and sale of the New Shares, to the requirement and desirability of individual examination, assessment and judgment of all data on the facts, risks, trends, forecasts and estimates referring to the Issuer, New Shares and business environment.

Distribution of the Information Memorandum, as well as offer and sale of New Shares in certain legislations may be restricted by appropriate regulations. Investors are required to become familiar with and comply with the above mentioned regulations. Investors shall comply with the legislation applicable in the territory of the state where New Shares are bought, offered or sold, i.e. in the territory where they own or distribute the Information Memorandum and are required to obtain consent, approval or permission set forth by the applicable legislation. The Issuer does not facilitate giving offers to buy New Shares in any territory, other than the territory where it is provided for by the applicable legislation.

Forward-looking statements

The Issuer specifies certain information in the Information Memorandum not as historical, but as certain facts related to the future, whereby such facts are specified in several parts of the Information Memorandum.

Terms such as "believes", "projects", "estimates", "expects", "intends", "announces", "contemplates", "might", "may", "will", "plans" and other similar terms refer exclusively to the statements on the future. Taking into consideration their nature, statements on the future include inseparable general and/or special risks and uncertainties, due to which there is a probability that certain statements on the future shall not be realised.

The forward-looking statements include, among other things, risk factors specified in Clause 3. of the Information Memorandum.

When making certain decisions based on the statements on the future, investors are required to take into account all specified, but also all other known risk factors, uncertainties and events that may in any way affect regular operation of the Issuer. Statements on future refer only to the time when they were given and the Issuer takes no responsibility in part of updating or revising the specified statements on future based on the subsequently available data, future events or other reasons, unless if provided for by the applicable legislation or, after listing the New Shares in the Regular Market of the Zagreb Stock Exchange, by the rules of the Zagreb Stock Exchange Ltd.

The Issuer hereby gives no statement, projection or guarantee that the statements on future shall indeed be realised. Statements on future may not be deemed the most likely or standard scenario, but they represent exclusively one of the possible scenarios for the Issuer's operation.

Warning statements above refer to all the Issuer's forward-looking statements.

Referal to other information

Audited consolidated annual financial reports for the Company for the business year ending on 31 December 2014 are available in electronic form on the website of the Zagreb Stock Exchange http://zse.hr/UserDocsImages/financ/DDJH-fin2014-1Y-REV-K-HR_2.pdf).

Audited consolidated annual financial reports for the Company for the business year ending on 31 December 2015 are available in electronic form on the website of the Zagreb Stock Exchange http://zse.hr/UserDocsImages/financ/DDJH-fin2015-1Y-REV-K-HR.pdf)

Audited consolidated annual financial reports for the Company for the business year ending on 31 December 2016 are available in electronic form on the website of the Zagreb Stock Exchange (http://zse.hr/userdocsimages/financ/DDJH-fin2016-1Y-REV-K-HR.pdf).

Unaudited quarterly financial reports for the Company for the quarter ending on 31 March 2017 are available in electronic form on the website of the Zagreb Stock Exchange (http://zse.hr/userdocsimages/financ/DDJH-fin2017-1Q-NotREV-K-HR.pdf).

Cleansed text of the Memorandum of Association of the Issuer in force is available on the Issuer's website (www.duro-dakovic.com).

Any investor considering subscription and payment, i.e. sale and purchase of New Shares, is addressed to individually assess, evaluate and judge all data, risks, trends, assessments and forecasts related to the Issuer, New Shares and business environment.

Investors are also directed to seek, following their own judgment and if needed, necessary advice from authorized legal, tax, financial and other advisors, at their own expense.

Presentation of other information

There is a possibility that the total amounts in certain tables in this Information Memorandum do not match the exact arithmetic sum of the individual amounts employed, which is a consequence of rounding up of individual amounts employed.

Contents

1. Introduction

1.1 Basic information on the Issuer

Company name:	Đuro Đaković Grupa dioničko društvo
Abbreviated name	Đuro Đaković Grupa d.d.
Registered seat:	Dr. Mile Budaka 1, Slavonski Brod
Nominal capital:	HRK 151,933,680.00
Incorporation date:	31 January 1991
Registration court:	Commercial Court of Osijek, Permanent Service Slavonski Brod
Companies registry no.:	050002378
Entry no. (MBS):	03635112
Personal identification no. (OIB):	58828286397
National classification of business activities:	7010 – Management activities (principal activity)

1.2 Description of the Đuro Đaković Group

The Issuer is a parent and management company, which, together with 4 subsidiaries in its majority ownership, forms Đuro Đaković Group ("**Đuro Đaković Group**" or "the **Group**").

Subsidiaries forming the Group are as follows:

COMPANY NAME	ISSUER'S OWNERSHIP SHARE
Đuro Đaković Strojna obrada d.o.o. ("ĐĐ Strojna obrada")	100.00%
Đuro Đaković Specijalna vozila d.d. ("ĐĐ Specijalna vozila")	99.84%
Đuro Đaković Energetika i infrastruktura d.o.o. ("ĐĐ Energetika i infrastruktura")	97.56%
Đuro Đaković Industrijska rješenja d.d. ("ĐĐ Industrijska rješenja")	96.93%

Companies are organized in three business sectors – Defence, Transport, Industry and Energetic.

1.3 Historic development

Đuro Đaković is a company with long-term business tradition in its segment, originating from the company Prva jugoslavenska tvornica vagona, strojeva i mostova d.d. Brod na Savi, incorporated in 1921 as a joint stock company owned by six private investors. In 1947 after becoming state-owned, the company changed its company name to Đuro Đaković industrija lokomotiva, strojeva i mostova Slavonski Brod under which it operated until 1968.

Today Đuro Đaković Group is one of the greatest industrial groups in Croatia and region, with an extensive list of references, including a wide range of pressure vessels for the oil and petrochemical industry, petroleum and gas tanks, production of tanks, armoured combat vehicles, demining machines, railroad freight cars of all types including tank cars for transportation of liquids and petroleum, manufacturing of steel bridge structures, turn-key factory construction, equipment for thermal and hydroelectric power plants, renewable energy sources and similar.

1991 On incorporation assembly of Đuro Đaković Holding d.o.o., Croatian Development Fund (later Croatian Privatization Fund) becomes the majority owner of the Issuer.

1993 End 1993, Đuro Đaković Holding d.o.o. is transformed into a joint stock company titled Đuro Đaković Holding d.d.

2003 Company shares are listed in the Public Joint Stock Companies Quotation of the Zagreb Stock Exchange.

2012 Framework agreement concluded with Finnish company Patria Land Systems Oy on production, placing on the market and sale of Patria AMV 8x8 armoured wheeled vehicles in certain countries by the Issuer. That same year, cooperation is made with Norwegian company Kongsberg Defence & Aerospace AS on production, placing on the market, sale and maintenance of Medium Calibre Remote Weapon Station for armoured vehicles.

2014 In September 2014 the Group business strategy until 2020 is adopted, as well as restructuring plan proposed by the Management Board. Restructuring plan included production and program reorganization, financial restructuring and optimization of organizational structure. Additionally, at the end of 2014, recapitalization of the Issuer is executed, via three rounds of subscription of new shares, which resulted in raising funds in the amount of HRK 87.2 million, and nominal capital of the Issuer was raised to the amount of HRK 152 million.

From 2014 Extensive restructuring programme is completed, including optimization of organizational structure and production portfolio, updating of production and partial financial restructuring.

September 2016 The company Đuro Đaković Holding d.d. has changed the company name to Đuro Đaković Grupa d.d.

1.4 Overview of the most significant transactions made in recent period

14 April 2016 Concluded contract with Finnish client Patria Land Systems (Patria Group) on production and delivery of armoured wheeled vehicles Patria AMV 8x8 for third markets, value of EUR 26 million.

16 June 2016 Concluded contract with French client on production and delivery of cargo wagons, value of HRK 20 million

19 September 2016 Concluded contract with German company Christian Pfeiffer on production and delivery of two cement plant mills shell, value of HRK 5.9 million.

03 October 2016 Concluded contract with French client on production of special wagons, Zacns type, value of HRK 54 million.

04 January 2017 Concluded contract with French company Atir-Rail S.A. on additional delivery of previously stipulated specials tank wagons type Zacns, value of HRK 23 million.

10 January 2017 As the main contractor in consortium with contractor Montmontaža-oprema d.o.o., concluded contract with Jadranski naftovod d.d. on construction of petroleum derivative tanks A-1607 at the Omišalj Terminal, value of HRK 15.5 million.

26 January 2017 Concluded contract with French client on production and delivery of wagons type Talns, designed for the efficient transport of powdered lime and similar atmosphere-sensitive materials, value of HRK 17 million.

31 January 2017 Cooperation agreed with the Ministry of defence of the Republic of Croatia for services “General revisions of M-84 tank”, value of HRK 8 million.

06 February 2017 Expansion of cooperation with the French company Atir-Rail S.A. for additional delivery of special tanks wagon type Zacns 45, value of HRK 15 million.

20 March 2017 Expansion of cooperation with the French company Atir-Rail S.A. by concluding contract for additional production and delivery of special tanks wagon type Zacns 45, value of HRK 39 million.

1.5 Management Board and Supervisory Board of the Issuer

Management Board

Management Board of the Issuer consists of two members:

Tomislav Mazal, President of the Management Board

Tomislav Mazal graduated from the Faculty of Law in Zagreb where he is currently enrolled in postgraduate specialist study in commercial and corporate law. His professional career began in 2003 in the Office of Public Relations of the Croatian Government, and in 2008 he became an advisor to the Minister of Economy, Labour and Entrepreneurship and the Ministry spokesman. During his work in the Croatian Government and the Ministry of Economy, Labour and Entrepreneurship he has been actively involved in major projects such as the initial public offer of shares of INA and HT on the Zagreb and London stock exchanges, the restructuring of Croatian shipyards and steel mills, and the conclusion of the offset agreements with Patria and Kongsberg. In 2009 he became a member of the Supervisory Board of Đuro Đaković Holding plc and then its Chairman. In 2011 he enters the Management Board, where he served as a Board member and was responsible for defence programs, the development of foreign markets, marketing and legal affairs. In May 2014 he was appointed President of the Management Board of the Issuer.

Marko Bogdanović, Member of the Management Board

Marko Bogdanović graduated at the Faculty of Mechanical Engineering and Naval Architecture in Zagreb, study programme production engineering. He began his professional career back in 2000 at the concern Agrokor as maintenance manager of Ledo d.d., Croatia's leading producer of ice cream and distributer of frozen food. Mr. Bogdanović's career developed at Ledo as he advanced from assistant manager for the production in Croatia and executive director for investments and maintenance to the Ledo's production manager responsible for overall production in Croatia, Hungary, Bosnia and Herzegovina, Serbia and Montenegro. He joined Đuro Đaković as a Member of the Management Board in May 2012, and from September 2014 to July 2015 he also performed the function of Executive Director at Đuro Đaković Inženjering (ĐĐ Inženjering").

Supervisory Board

According to the Memorandum of Association, Supervisory Board consists of seven members. Five members are elected by the General Assembly, one member is appointed by the State Property Ministry and one is appointed pursuant to the provisions of the Labour Act.

Igor Žonja, President of the Supervisory Board
Hrvoje Knežević, Deputy President
Ivan Samardžić, Member
Petar Mišević, Member
Darija Jurica Vuković, Member
Miroslav Karamarković, Member
Blaženka Luketić, Member

Group Management

Bartol Jerković, President of the Management Board ĐĐ Specijalna vozila

Bartol Jerković graduated from the Faculty of Electrical Engineering in Zagreb and came to work for the Group immediately afterwards. He has spent most of his career at Đuro Đaković Specijalna vozila, where he has held a number of high-ranking positions primarily associated with the armoured fighting vehicle program. He was appointed Deputy Director of Đuro Đaković Specijalna vozila and was later promoted to Director, which position he held between 1993 and 1996. He was a Member of the Management Board of the Đuro Đaković Holding from 1996 to 1999 and the President of Management Board of the Đuro Đaković Holding until 2002. Since 2002 he has again held the position of the President of the Management Board of Đuro Đaković Specijalna vozila, and since August 2012 he is a Chief Execute Director in the company ĐĐ Specijalna vozila. In November 2015 he has been appointed the President of the Management Board of Đuro Đaković Specijalna vozila d.d.

Darko Grbac, Member of the Management Board ĐĐ Specijalna vozila

Darko Grbac graduated from the Faculty of Mechanical Engineering and Naval Architecture, University of Zagreb. Between 1995 and 1998 he attended an MBA programme and passed the state licence exam for project-designr. His whole professional career is tied to ĐĐ Specijalna vozila, where he started as the Lead Designer, continued as Production Director and later as R&D Director. For the last six years he has been the Project Manager for Key Strategic Projects within the company. Since August 2012 he has been responsible for the business sector Defence, and since December 2012 he is also an Executive director of the company ĐĐ Specijalna vozila. In November 2015 he has been appointed member of the Management Board of ĐĐ Specijalna vozila.

Igor Rubil, Executive officer ĐĐ Industrijska rješenja

Igor Rubil graduated from the Faculty of Civil Engineering in 1996, and in 2012 he also completed a specialized security and protection engineer programme, specializing in environmental protection. As a very young specialist, he accepted the highly demanding position of building site manager at the company Poduzeće za ceste, where he worked on the complex project of construction of a section of the motorway A3 from 1999 to 2002. The successfully completed project enabled him to accept the position of director and project manager at Birotehna, where he worked until he joined the Group in 2012. In Đuro Đaković Holding he was in charge for business sector Construction and infrastructure and a director of the Asset and investment management Department. He performed the function Executive Director at ĐĐ Inženjering d.d. from September 2014 to August 2015. In August 2015, he was appointed as Executive Director at ĐĐ Industrijska rješenja. In November 2015 he has been appointed as Director of the company of ĐĐ Industrijska rješenja.

Lidija Pintek, Director of Group General Affairs Sector

Lidija Pintek earned her bachelor's degree from the Faculty of Economics and Business in Zagreb and completed a postgraduate and master's programme at the Cotrugli Business Academy. She started her professional career at Pliva, where she had held various positions between 1990 and 1998, from pharmaceutical procurement clerk to foreign market business coordinator and pharmaceutical production program's procurement director. She left Pliva for Ledo, where she worked as procurement director until 2005. She then went to work for Ina, where she stayed until 2011, initially as the director of oil acquisition and logistics, then the head of the central office of the cost optimization project, and then, as of 2006, the director of procurement and oil trading department and coordinator of legal regulations in refineries and marketing segment. She came to work for the Đuro Đaković Group in 2012 as the Procurement and Cooperation Director at Group level. In September 2015 she was appointed as Director of General Affaires Sector of Đuro Đaković Group.

Slaven Posavac, Director, Group Finance, Accounting and Controlling Sector

Slaven Posavac graduated from the Faculty of Economics in Osijek and completed a managerial program at the IEDC Bled Business School. In addition to his formal education, he also completed the Croatian Association of Accountants and Financial Experts' internal auditor course, specializing in economy. He started his professional career at a small plastic-packaging producing company in Osijek, which he left in 2002 to go work for the auditing company Deloitte & Touche Zagreb as a semi-senior auditor. Afterwards, he got a job at Nexe Group's internal auditing department and in 2005 was promoted to director of Feravino, Nexe Group's member in the business of wine production. From 2007 to 2011 he served as the internal auditing director at the Nexe Group, and then went to work for the construction company Osijek-koteks as the internal auditing and controlling director and later as finance and accounting director. He arrived in the Đuro Đaković Holding to the position of the Corporate Finance Director. In September 2015 he was appointed as Director of Finance, Accounting and Controlling Sector of Đuro Đaković Group.

Marijana Zubak, Director, Group Legal Affairs Sector

Marijana Zubak graduated from the University of Zagreb's Law School in 2007 and joined Đuro Đaković Group a year later, in 2008. In 2008 and 2009, alongside working at the Group, Marijana volunteered at Slavonski Brod's Municipality and Commercial Court, and then in 2010 she passed her bar exam. So far she has mostly practiced business, civil and labour law. Marijana Zubak has been the Director of Legal Affairs at Đuro Đaković Holding since 2013. In September 2015 she was appointed as Director of Legal Affairs Sector of Đuro Đaković Group.

1.6 Human resources

On 31 March 2017 in the companies of the Đuro Đaković Group there was a total of 1,007 employees, the majority of which were employed by the company Đuro Đaković Specijalna vozila (49.8% of the Group employees).

Considering extensive pending projects, the Group has employed employees for definite period of time. With completion of the project, a decrease of employees is expected.

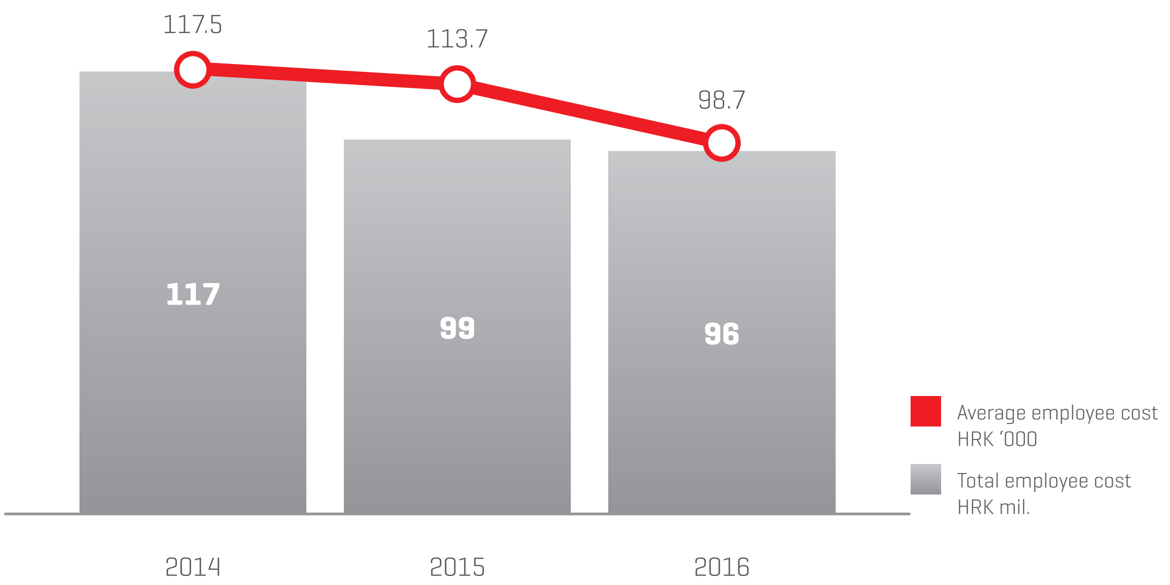
Structure and number of employees on
31 December 2014 / 31 December 2015 / 31 December 2016 /31 March 2017

	EMPLOYEES NUMBER			
COMPANY	31 Dec 2014	31 Dec 2015	31 Dec 2016	31 Mar 2017
ĐĐ Specijalna vozila d.d.	424	433	464	501
ĐĐ Industrijska rješenja d.d.	355	234	298	295
ĐĐ Strojna obrada d.o.o.	142	137	158	157
ĐĐ Energetika i infrastruktura d.o.o.	32	29	25	25
Slobodna zona Đuro Đaković d.o.o.	9	9	0	0
Đuro Đaković Grupa d.d	35	30	29	29
TOTAL	**997**	**872**	**974**	**1.007**

Source: the Issuer

Although in 2016 the Đuro Đaković Group had a larger number of employees, total employee costs and average cost per employee were lower in 2016, in relation to 2015.

Employee costs chart for the period of 2014 – 2016



1.7 Nominal capital and ownership structure

The nominal capital of the Company amounts to HRK 151,933,680.00, and is divided into 7,596,684 ordinary shares, having a nominal value of HRK 20.00 each. Each share carries the same rights. Voting right vests with all the Company shareholders, so that their number of votes in the General Assembly is equal to the number of their shares.

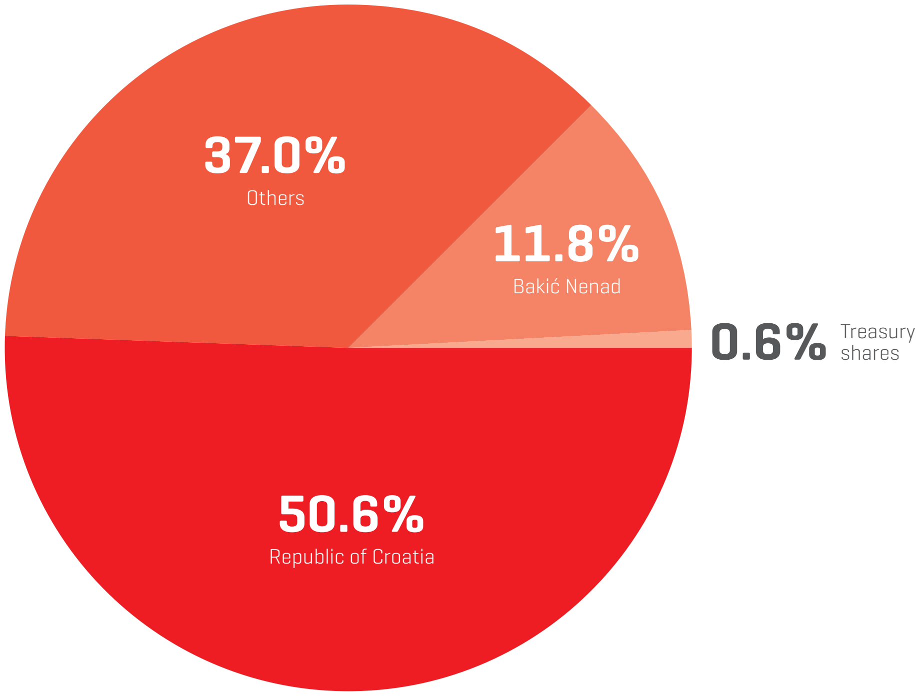
Greatest single shareholder of the Issuer on 31 March 2017 is the Republic of Croatia with 50.6% share in the nominal capital. State and the Issuer have a long-term business-partner relationship, as the Issuer is frequently engaged by the State on different projects from the segments of its diversified business activities. Partner relationship is further confirmed in the recapitalization project from 2014, when the State gave its support to the Issuer by purchasing 3.2 million of shares, having a total value of HRK 65 million, thus providing fresh capital required for restructuring process.

Ownership structure as of 31 March 2017

OWNERS - SHAREHOLDERS	NO. OF SHARES	SHARE (IN %)
STATE PROPERTY MINISTRY / REPUBLIC OF CROATIA	3,079,233	40.53%
BAKIĆ NENAD	862,670	11.83%
STATE PROPERTY MINISTRY / CROATIAN PENSION INSURANCE FUND	660,000	8.69%
ADDIKO BANK d.d. / PBZ CO OMF – CATEGORY B	288,740	3.80%
PRIVREDNA BANKA ZAGREB d.d. / PBZ-SP	210,291	2.77%
STATE PROPERTY MINISTRY / STATE AGENCY FOR DEPOSIT INSURANCE AND BANK REHABILITATION	104,771	1.38%
INTERKAPITAL VRIJEDNOSNI PAPIRI d.o.o. / CUSTODIAN ACCOUNT DF	85,910	1.13%
ĐURO ĐAKOVIĆ GRUPA d.d.	46,993	0.62%
ERSTE & STEIERMARKISCHE BANK d.d. / CUSTODIAN ACCOUNT FOR DOMESTIC PHYSICAL PERSONS	43,094	0.57%
PRIVREDNA BANKA ZAGREB d.d. / CUSTODIAN ACCOUNT FOR CLIENTS	27,847	0.37%
OTHERS	2,187,135	28.31%
TOTAL	**7,596,684**	**100.00%**

Source: Issuer, Central Depositary and Clearing Company

Ownership structure as of 31 March 2017

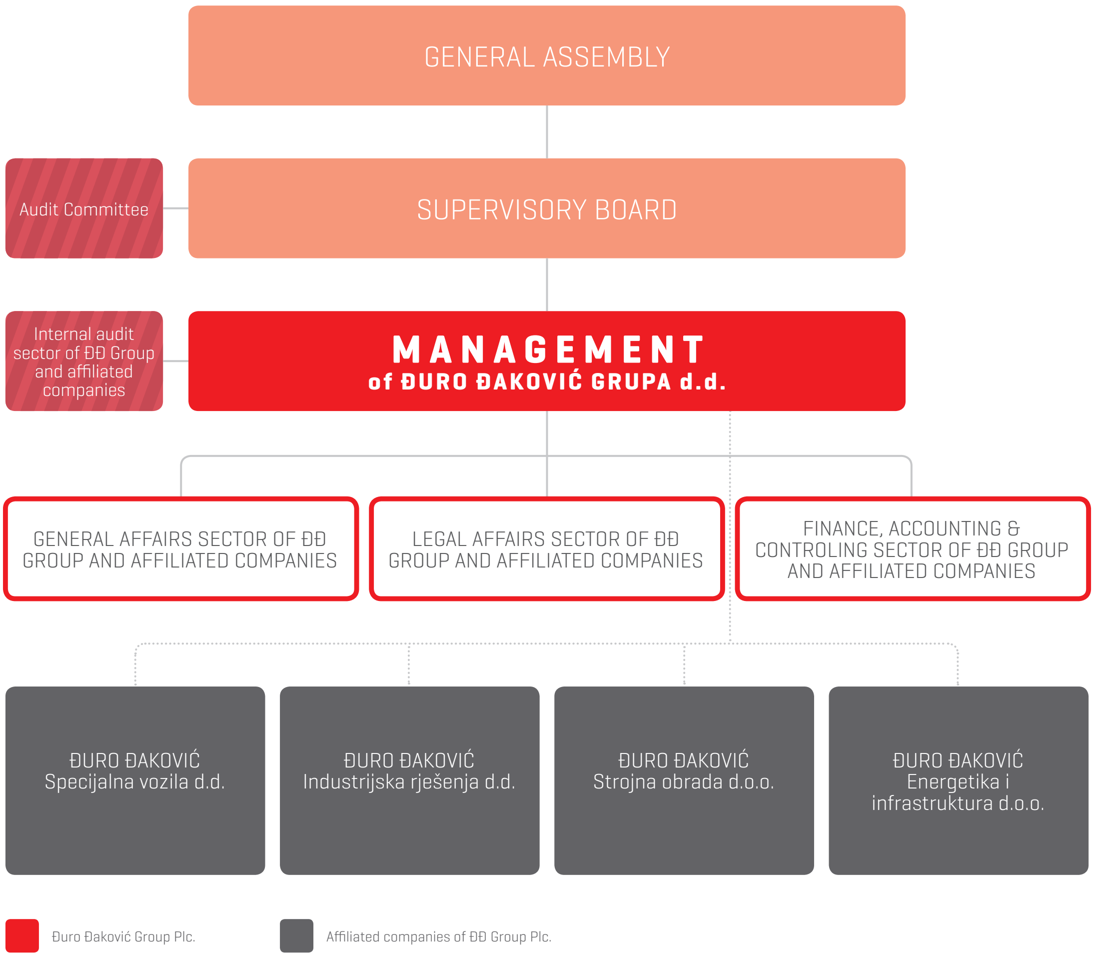


Source: Issuer, Central Depositary and Clearing Company

1.8 Organizational chart

Đuro Đaković Group consists of the Issuer and 4 affiliated companies, organized in three business segments – Defence, Transport, Industry and Energetic.

Group Organizational Chart



Source: Issuer

For the purpose of reaching the optimal management level, as well as cutting back as much as possible, Group's internal business organization is centralized in three sectors, supporting operations of each Group member:

- Group General Affairs Sector;
- Group Legal Affairs Sector;
- Group Finance, Accounting and Controlling Sector

2. Business overview and key financial information

2.1 Description of business

Đuro Đaković Group operates in 3 business sectors: Transport, Defence and Industry and Energetic. Detailed specification and descriptions of single sectors is provided below.

2.1.1 Transport

Business activity of the Transport sector is production of cargo wagons. Group is the sole producer of cargo wagons in the Republic of Croatia. In 2016, wagons were a 100% export product, intended mostly for the European Union market and are part of freight fleets in many countries such as Germany, France, Switzerland, Austria and Benelux countries[1].

Products and services

Group produces a broad range of cargo wagon, including loose goods transportation wagons, weather- and atmosphere-sensitive goods, specialized liquid transportation wagons and other industrial purposes wagons.

Some of the most important wagons are given below:

TYPE		PURPOSE	MAX: PAYLOAD
Facnps 53 m^3		Transportation of sand with granular quality 0-2 mm, gravel with granular quality 8-20 mm and gravel with granular quality 18-32 mm	68,500 kg
Falns 64 m^3		Transportation of coal, coke, iron ore and other atmospheric-resistant loose goods	70,000 kg

[1] Joint name for Belgium, Netherlands and Luxemburg

Zacns 45 m³		Calcium carbonate emulsion transportation	70,500 kg
Shimmns TTU		Transportation of steel plate coils	68,500 kg
Uacns 74 m³		Transportation of cement	70,500 kg

The Group implements the most advanced designing methods and is capable of autonomous design development of new types of wagons as well as customization of the existing wagons according to the specific needs of clients.

In addition to cargo wagon production the Đuro Đaković Group offers the following services:

- service and maintenance as well as production of parts and components for wagons (wheelsets, gears, shafts, housings, clutch etc.)
- overhaul of mechanical power transmission for locomotives, trams and trains.

Financial indicators

Business sector Transport participated in total Group income with 19.4% in 2016 (24.8% in 2015, 18.2% in 2014), or HRK 113.1 million (HRK 97.9 million in 2015, HRK 69.4 million in 2014).

Business sector Transport achieves 78.8% of its total income from export and in 2016 has increased export by 28.8% in comparison to 2015, i.e. export has amounted to HRK 113.1 million, compared to HRK 87.8 million in 2015.

Standards

Đuro Đaković operates according to ISO 9001 standard and wagons are compliant with UIC/EN, AVV and TSI norms.

2.1.2 Defence

Business activity of Defence sector is production and maintenance of tanks and armoured combat vehicles. Group is Croatia's premium supplier of main battle tanks and combat vehicles, as well as the provider of full life cycle support and all levels maintenance for its product portfolio.

As the Group in the mean term does not expect a significant need for new defence products on the domestic market, it has focused on sale to foreign clients. Execution of this plan is further supported by strategic leaders Patria and Kongsberg, via transfer of technology, facilitating the Group to act as a supplier of fully equipped armoured vehicles in separately contracted upcoming programmes.

Products and services

TYPE		PURPOSE
Patria AMV 8x8 wheeled armoured modular vehicle		Armoured modular vehicles AMV 8x8, produced in cooperation with strategic partner Patria, open-architecture, adjusted to specific customer requests, including integration of weapon system
Tank programme		Development, production and/or integration of new, NATO interoperable systems of new generation designed for enhancement of the existing M-84/T-72 tanks and/or integration of the new tanks

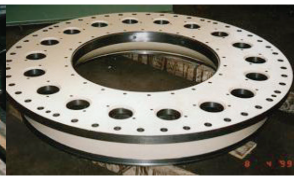
Financial indicators

Business sector Defence participated in total Group income with 6.9% in 2016 (9.9% in 2015, 12.6 % in 2014), or HRK 40.1 million (HRK 38.9 million in 2015, HRK 48.0 million in 2014). Downfall of income and share in total structure in 2016 is a result of delay of production for works contracted to the year 2017.

Business sector Defence makes for 7.0% of total income from export and in 2016 has improved for 414.6% in comparison to 2015, i.e. export has amounted to HRK 10.0 million in 2016, compared to HRK 1.9 million in 2015. Increase is a result of the contract concluded with strategic partner Patria for third markets and in 2017 a further income increase is expected.

2.1.3 Industry and Energetic

Business sector Industry and Energetic provides services of engineering planning and design, project management and consulting, procurement, construction and commissioning of facilities, maintenance and repairs, as well as fabrication and installation of parts and components. Services are related to the following fields:

FIELDS		BUSINESS ACTIVITY DESCRIPTION
Oil, gas and petrochemical industry	 	Engineering, commissioning, construction and production of process plants etc.
Power generation facilities	 	Engineering, procurement, designing and construction of power plants, their repair and maintenance
Hydro mechanical equipment	 	Engineering, procurement, construction and installation of hydro-mechanical equipment and repair works
Food industry	 	Design, construction and manufacturing of food industry facilities
Cement industry	 	Construction and manufacture of mills, rotational furnaces etc.

In addition to the above, the Group has participated in significant number of projects in Croatia in terms of construction, providing services and maintenance of steel bridge constructions, overpasses and viaducts and as the petrochemical industry grew, the Company has participated in construction of petrochemical facilities in South East Europe region (Sisak, Rijeka, Bosanski Brod).

Products and services

Services include:

- Construction and installation of power plants, petrochemical and industrial facilities;
- Construction of metal bridge construction, steel construction and high-rise construction (viaducts, overpasses and similar) and accompanying infrastructure;
- Installation of new equipment in oil refineries;
- Reconstruction of existing facilities.

Financial indicators

Business sector Industry and Energetic participated in total Group income with 65.4% in 2016 (57.9% in 2015, 63.4% in 2014), or HRK 381.4 million (HRK 228.9 million in 2015, HRK 242.2 million in 2014). Fundamental reason for increase of income and share in total structure is work in major projects (investors HEP, INA, JANAF).

Business sector Industry and Energetic makes for 14.2% of total income from export and in 2016 has decreased by 29.1% in comparison to 2015, i.e. export has amounted to HRK 20.4 million in 2016, compared to HRK 28.8 million in 2015.

2.2 Overview of the restructuring process

With the election of new Management Board of the Issuer in 2014, a decision was reached on drafting and implementing restructuring project on the Group level. Some of the main reasons for restructuring were: continued negative business, obsolesce of production technology, dependency on domestic market and investment cycles, suboptimal human resources structure and lack of own capital in financing sources. Main restructuring goal was to create conditions for long-term sustainable growth and profitability. Restructuring process covered 5 segments:

1. **Organizational restructuring**: merging of several companies and extraction of particular business activities with the aim of cost-optimization and achieving synergy effects;
2. **Program restructuring**: defining long-term sustainable profitable programmes
3. **Production restructuring**: modernization of production facilities and maximizing the utilization of production capacities;
4. **Legal restructuring**: incorporation of new company, winding-up of certain remaining companies and accommodating surplus employees (redundancy measures);
5. **Financial restructuring**: Company recapitalization, obtaining of a loan intended for modernization of facilities and achieving sustainable financial indicators;

Restructuring caused changes in sale models and market approach models. After in 2011 and 2012 two key clients were lost (Ministry of Defence of the Republic of Croatia, HŽ Cargo), sale of cargo wagons as key export product was reorganized (which resulted in constant cargo wagon export growth and since 2012, when the historic minimum in wagon sale occurred, in 2016 a total of 190 cargo wagons was placed on foreign markets). In addition to business income increase, optimization and cut-back of costs was achieved and machine fleet was modernized. Effects of restructuring measures are visible in the expenses structure realized by the Group in 2016.

Implemented restructuring measures have resulted in numerous favourable effects – Group has a constant growth in income, export and operative result. As a result of implemented measures, after a number of years, the Issuer has closed the business year 2016 with a positive EBITDA.

Organizational restructuring

Group organization structure at the end of 2014 consisted of the holding company and the companies: ĐĐ Specijalna vozila, ĐĐ Strojna obrada, Đuro Đaković Elektromont d.d. ("ĐĐ Elektromont"), ĐĐ Energetika i infrastruktura, ĐĐ Inženjering, Đuro Đaković Proizvodnja opreme d.o.o. ("ĐĐ Proizvodnja opreme"), Slobodna zona Đuro Đaković – Slavonski Brod d.o.o. ("ĐĐ Slobodna zona"). In the course of 2015, the companies ĐĐ Proizvodnja opreme, ĐĐ Inženjering and a part of ĐĐ Elektromont (electrical assembly) have merged into the company ĐĐ Industrijska rješenja. ĐĐ Elektromont with remaining business activity of electrical assembly was extracted and sold via employee-shareholder model. In the course of 2016, organizational restructuring continued and the company ĐĐ Slobodna zona was merged with the company ĐĐ Strojna obrada. Sale of the company ĐĐ Energetika i infrastruktura is planned, considering the assessment that the business activity is not included in the Group further business and growth course. Initially planned sale of the company ĐĐ Energetika i infrastruktura is abandoned, even though business activity is not within the Group strategic business programme, considering the company's positive business and contribution to the positive cash flow.

Program restructuring

According to the restructuring plan, the following reorganization activities of separate functions were done:

- Winding-up of several corporate functions / organization units (e.g. communication department, property and investment department),
- Relocating R&D function to subsidiaries,
- Winding-up of business divisions (and their work posts) and relocating the activities to two production subsidiaries (ĐĐ Strojna obrada and ĐĐ Industrijska rješenje);
- Taking responsibility for marketing and sale by the subsidiaries;
- Establishing corporate functions Human resources and Finances, accounting and controlling, with minimum administrative functions in subsidiaries;
- Establishing Internal audit department
- Reorganization of sale has established a key-client sale model.

Further program restructuring consists of:

- Establishing corporate functions IT and common ERP for all legal subjects within Group (in progress);
- Establishing Competence centre (intended to consist of ĐĐ Inženjering, R&D and Project management Office).

Financial restructuring and Production restructuring

For securing funds for financial and technic-technological restructuring, the following has been achieved:

- Successful recapitalization of the Issuer at the end of 2014, resulting in gathering of HRK 87.2 million (by issue of 4.359.616 new shares);
- Obtaining loan from HBOR with primary purpose to modernize technology facilities (and secondary purpose for the purpose of working capital), providing conditions for achieving profitable production. Investments from the HBOR loan have been completed in full, in the amount of HRK 97.8 million.

Legal restructuring – optimizing the number of employees

Prior to the restructuring process, the Group had 1,126 employees. In the first restructuring phase, i.e. in the period to the end of 2014, initial organization restructuring was done, which resulted in reduction of number of employees for 11.5% or to 997. In the next year, as the restructuring continued at the Group level, and primarily as the consequence of extraction and sale of ĐĐ Elektromont, number of employees was reduced by further 12.5% or 125 employees. In 2016 the optimization of number of employees has continued and staff costs were reduced (by HRK 4 million, in comparison to 2015), nevertheless, the ĐĐ Group ends the year with 102 more employees than the previous period, due to employing for definite period of time, due to contracted work. Employing for definite period of time trend has continued in the first quarter of 2017 as well.

	31 Dec 2014	31 Dec 2015	31 Dec 2016	31 Mar 2017
Number of employees	997	872	974	**1,007**
Total income (HRK)	383,203,855	397,688,807	585,155,339	**158,925,609**
Total export (HRK)	107,015,000	120,751,290	144,258,114	**64,107,266**
Income per employee (HRK)	384,357	456,065	600,776	**157,821**
Export per employee (HRK)	107,337	138,476	148,109	**63,662**

Restructuring process initiated in 2014 has mostly come to an end – planned goals in organization, staff, market and technology restructuring are reached. However, the most important goal remaining to be reached in the upcoming period is financial restructuring intended to optimize the business source structure (increase of share of the Company's own financing source in the balance sheet).

Remaining activities in the restructuring process consist of:

1. Improvement of financing sources and acquisition of fresh funds by issue of new shares;
2. Scouting strategic partnership for individual production segments within the Group (such as partnership with Patria);
3. Completing the organization and program restructuring of the company Đuro Đaković Industrijska rješenja d.d.;
4. Expansion of selling market and placing products on the EU markets and beyond (MENA, East Europe etc.);
5. Retaining and further improvement of current business indicators;
6. Optimizing completed investments and finding reserves for improving current business via synergy of separate sale and production segments.

Taking into account previous negative business results, one of the main tasks in the future is improvement of financing sources, which has initiated the recapitalization process by offering new shares of the Issuer.

2.2 Key financial information

Audited consolidated financial information for 2014, 2015 and 2016

Consolidated profit and loss account of the Issuer / Consolidated statement of comprehensive income of the Issuer

(in 000 HRK)	2014	2015	2016
Sales income	371,193	377,143	556,604
Other income	10,794	17,873	21,695
Operating income	**381,987**	**395,016**	**578,299**
Increase/decrease in the value of work in progress and finished products	1,586	(3,207)	9,887
Material costs	(247,823)	(279,711)	(393,800)
Labour costs	(117,191)	(99,149)	(96,169)
Depreciation (amortization)	(17,983)	(19,905)	(24,117)
Other expenses	(66,975)	(34,447)	(70,776)
Value adjustment	(12,009)	(725)	(13,936)
Other operating expenses	(5,182)	(7,778)	(3,807)
Operating expenses	**(465,577)**	**(444,922)**	**(592,718)**
Profit / (loss) from operations	**(83,590)**	**(49,906)**	**(14,419)**
Financial income	1.217	2.672	6,856
Financial expenses	(13,775)	(16,630)	(27,287)
Net financial loss	**(12,558)**	**(13,958)**	**(20,431)**
Loss before taxation	**(96,148)**	**(63,864)**	**(34,850)**
Income tax expense	-	-	199
Loss for the year	**(96,148)**	**(63,864)**	**(35,049)**
Other comprehensive income	-	-	-
Gains from revaluation of assets	-	-	129,182
Income tax related to items that would not be reclassified into profit or loss	-	-	(23,252)
Other comprehensive income	-	-	105,930
Total comprehensive income / (loss)	**(96,148)**	**(63,864)**	**70,881**
Loss attributable to:			
Equity holder of the parent	(95,180)	(62,354)	(34,209)
Non-controlling interests	(968)	(1.330)	(840)
Total comprehensive Income / (loss) attributable to:			
Equity holder of the parent	(95,180)	(62,534)	(70,971)
Non-controlling interests	(968)	(1,330)	(89)
Earnings / (loss) per share:			
Basic and diluted (in kunas and lipas)	(12.51)	(8.23)	(4.61)

Source: Audited consolidated financial statements of the Issuer for 2014, 2015 and 2016

The total operating income of the Group has increased significantly in 2016, as compared to the previous period, with the growth rate being 46.4% (HRK 578.3 million), largely thanks to entry into new contracts for supply of wagons (export) and renewal of contracts on major projects (domestic investors HEP, INA, JANAF). 2015 saw stabilisation of income following two subsequent year of fall and also rise of operating income by 3.4% (HRK 395.0 mil.) as compared to 2014 (HRK 381.9 mil.) as a result of realisation of agreed projects (domestic investors HEP, Ministry of Defence of the Republic of Croatia, INA) and increase of export (supply of wagons to French companies Ermewa SA and Atir-Rail SA).

The total operating expense has in the period under observation exceeded the operating income, however it is growing at a smaller rate due to better expense control and higher capacity utilization. It rose by 33.2% (HRK 592.7 million) in 2016 in comparison to the previous year, while it fell by 4.4% (HRK 444.9 million) in 2015 in comparison to 2014 (HRK 465.6 million).

In 2016 a positive financial profitability indicator (EBITDA) was realised in the amount of HRK 9.7 million, i.e. rise was seen in amount of HRK 39.7 million as compared to the same period last year. When observed in the period 2014-2016, a negative trend of EBITDA decrease has stopped and its growth was seen in the amount of HRK 75.3 million. The profitability growth was realised in 2016 due to significant rise of operating income and continued expense management policy, thus in 2016 total operating expense followed the increase in operating income, however to a smaller degree, therefore the expense rose by 33.2% as compared to 46.4 % growth of operating income. In 2015 income increased at a smaller rate than in the previous year, nevertheless a better expense control resulted in fall of total operating expense and indirectly by decrease of negative EBITDA by HRK 35.6 million (+54.3%) compared to 2014.

Through the observed period the Group realised losses that amounted to HRK 96.1 million in 2014, HRK 63.8 million in 2015, and HRK 35.0 mil in 2016. Their decrease can be observed in the period in which the restructuring process was conducted.

Consolidated balance sheet of the Issuer

(in 000 HRK)	31 Dec 2014	31 Dec 2015	31 Dec 2016
ASSETS			
Non-current assets			
Intangible assets	25,545	25,426	18,051
Property, plant and equipment	195,582	223,371	346,103
Investments in real estate	11,768	16,922	19,879
Given loans, deposits and similar	503	535	1,067
Investments in securities and equities	2,188	883	918
Other non-current financial assets	40	38	-
Receivables	10,283	9,066	7,430
Total non-current assets	**245,909**	**276,241**	**393,448**
Current assets			
Inventories	121,171	96,017	128,052
Trade receivables	67,082	72,220	105,752
Other receivables	20,782	8,389	24,256
Other financial assets	20,342	885	1,620
Cash and cash equivalents	33,185	37,434	25,941
Prepaid expenses and accruals	7,450	18,480	3,139
Total current assets	**270,012**	**233,425**	**288,760**
TOTAL ASSETS	**515,921**	**509,666**	**682,208**
EQUITY AND LIABILITIES			
Nominal capital	151,934	151,934	151,934
Capital reserves	15,687	15,687	15,687
Other reserves	-	-	467
Reserves for own shares	940	940	940
Own shares	(940)	(940)	(940)
Revaluation reserves	-	-	105,179
Accumulated losses	(95,049)	(162,914)	(197,122)
Attributable to the equity holders of the parent	**72,572**	**4,707**	**76,145**
Non-controlling interests	(8,212)	(4,211)	(5,178)
Total equity	**64,360**	**496**	**70,967**
Provisions	**16,381**	**15,550**	**4,955**
Non-current liabilities			
Borrowings	135,480	210,264	192,728
Financial lease obligations	326	47	69
Other non-current liabilities	13,732	11,926	9,627
Deferred tax liabilities	-	-	23,252
Total non-current liabilities	**149,538**	**222,237**	**225,676**
Current liabilities			
Borrowings and financial lease obligations	89,007	92,074	131,063
Trade payables	143,386	111,294	169,032
Other current liabilities	38,404	63,383	47,800
Accrued expenses and deferred income	14,845	4,632	32,715
Total current liabilities	**285,642**	**271,383**	**380,610**
TOTAL EQUITY AND LIABILITIES	**515,921**	**509,666**	**682,208**

Source: Audited consolidated financial statements of the Issuer for 2014, 2015 and 2016

In the observed period the largest change in the total assets and liabilities occurred in 2016 when it rose by 33.9% in comparison to the previous year and amounted to HRK 682.2 million. A decrease by 1.2% occurred in 2015 in comparison to 2014 and the assets and liabilities amounted to HRK 509.7 million.

Non-current assets increased in 2016 in comparison to 2015 by HRK 117.2 million (+42.4%) and equalled HRK 393.4 million. The structure of non-current assets included rise of tangible assets as a result of revaluation of assets and investments as part of new assets in amount of HRK 122.7 million (+54.9%). In 2015 non-current assets rose by HRK 30.3 million (+12.3%), primarily due to rise in property, plant and equipment by HRK 27.8 million (+14.2%) in comparison to 2014, followed by minor decreases of other items.

Current assets increased in 2016 in comparison to 2015 by HRK 55.3 million (+23.7%) and amounts to HRK 288.7 million. The structure of current assets saw an increase in inventories in amount of HRK 32.0 million (+33.4%) and trade receivables in amount of HRK 33.5 million (+46.4%), which is due to Group's investments into the production cycle and sale of products and services. The largest decrease was recorded in the item prepaid expenses and accruals by HRK 15.3 million (-83.0%) and item cash and cash equivalents by HRK 11.5 million (-30.7%). Current assets decreased by HRK 36.5 million (-13.6%) in 2015 in comparison to 2014, as the inventories decreased by HRK 25.1 million (-20.8%), other financial assets by HRK 19.4 (-95.6%), other receivables by HRK 12.4 million (-59.6%) with the simultaneous increase of trade receivables by HRK 5.1 million (+7.7%), cash and cash equivalents by HRK 4.2 million (12.8%) and prepaid expenses and accruals by HRK 11.0 million (+148,1%).

In the total liabilities the equity structure improved by revaluation of non-current tangible assets and amounted to HRK 70.9 million at the end of 2016 in comparison to HRK 0.5 million in 2015 and HRK 64.4 million in 2014.

Non-current liabilities increased by HRK 3.4 million (+1.5%) in 2016 in comparison to 2015 and equal HRK 225.6 million. In its structure liabilities to banks decreased as a result of regular payment of long-term loans to HRK 192.7 million (-8.3%). In 2015 the same item increased in comparison to 2014 in amount of HRK 74.8 million (+55.2%) and is the result of the Group's indebtedness with HBOR and Kent bank.

Current liabilities increased in 2016 in comparison to 2015 by HRK 109.2 million (+40.2%) to HRK 380.6 million. In its structure the largest increase can be observed in liabilities to banks and other financial institutions amounting to HRK 131.1 million, which represents an increase of HRK 38.9 million (+42.3%) and in trade payables amounting to HRK 169.0 million, which rose by HRK 57.7 million (+51.9%) and item accrued expenses and deferred income which amounts to HRK 32.7 million, which rose by HRK 28.1 million (+606.3%). A multiple increase of the item accrued expenses and deferred income relates to the deferred production of armoured combat vehicles based on the contract with the Finnish company Patria that was scheduled for 2017. Other current liabilities is the only item that decreased by HRK 15.5 million (-24.6%), and amounts to HRK 47.8 million. In 2015 the total current liabilities decreased by HRK 14.3 million (-5.0%) in comparison to 2014, and that primarily related to reduction of trade payables by HRK 32.1 million (-22.4%) with the simultaneous increase of other current liabilities by HRK 25.0 million (+65.0%).

Consolidated statement of cash flows

(in 000 HRK)	2014	2015	2016
Cash flows from operating activities			
Loss for the year	**(96,148)**	**(63,864)**	**(35.049)**
Adjusted for:			
Depreciation (amortization)	17,983	19,905	24,117
Interest expenses	13,023	13,755	21,814
Foreign exchange differences, net	(1,880)	(250)	(3,659)
Interest income	(520)	(503)	(98)
Increase / (decrease) in provisions	(1,564)	(831)	(10,595)
Impairment allowance on trade receivables, net	2,725	(504)	(2,848)
Impairment allowance on tangible non-current assets	-	-	9,369
Impairment allowance on shares	1,256	-	-
Net written-off value of tangible and intangible non-current assets	446	5,446	2,006
Operating cash flows before changes in working capital	**(70,129)**	**(25.838)**	**5,073**
Decrease / (increase) in inventories	674	21,585	(33,350)
Decrease in other non-current receivables	1,376	1,217	1,918
Decrease / (increase) in trade receivables	35,811	(5,642)	(30,928)
Decrease / (increase) in other current receivables	32,921	(102)	(2,724)
Decrease / (increase) in advances paid	(17,620)	12,998	(13,183)
(Decrease) / increase in trade payables	(66,488)	(32,092)	57,738
(Decrease) / increase in other liabilities	(53,465)	(15,491)	(27,110)
(Decrease) / increase in prepaid expenses and accrued income	(2,999)	(11,030)	15,341
(Increase) / decrease in accrued expenses and deferred income	(6,733)	(10,213)	28,083
Increase / (decrease) in advances received	4,083	24,369	(12,570)
Cash (used in) operating activities	**(154,792)**	**(40,239)**	**(11,728)**
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets	(62,398)	(54,066)	(23,171)
Decrease / (increase) in term deposits	(19,178)	19,427	(1,267)
Change in portfolio of available-for-sale securities	(567)	1,305	(445)
Net cash flow used in investing activities	**(82,143)**	**(33,334)**	**(24,883)**
Cash flow from financing activities			
Proceeds from nominal capital increase	87,192	-	-
Received borrowings	114,575	211,001	147,904
Repayments of borrowings	(75,013)	(133,179)	(122,786)
Net cash flow generated from financing activities	**126,754**	**77,822**	**25,118**
Net increase / (decrease) in cash and cash equivalents	**(110,181)**	**4,249**	**(11,493)**
Cash and cash equivalents at the beginning of the year	143,366	33,185	37,434
Cash and cash equivalents at the end of the year	33,185	37,434	25,941

Source: Audited consolidated financial statements of the Issuer for 2014, 2015 and 2016

In the observed period, except for 2015, the cash flow is negative, however the signs of business recovery as a result of the restructuring process are evident. In 2014 the cash deficit was HRK 110.1 million, in 2015 there was a cash surplus in 2015 in the amount of HRK 4.2 million and in 2016 there was a cash deficit in the amount of HRK 11.5 million.

The net cash flow from operating activities in negative in the observed period primarily due to the Group's losses. The net cash flow from investing activities is negative primarily due to capital expenses for purchase of non-current assets (investment cycle). The net cash flow from financing activities is positive primarily due to proceeds from loans and borrowings and other financing activities.

Statement of changes in equity

(in 000 HRK)	NOMINAL CAPITAL	LEGAL RESERVES	RESERVES FOR TREASURY SHARES	TREASURY SHARES	OTHER RESERVES	REVALUATION RESERVES FROM INCREASE OF ASSET VALUE	ACCUMULATED LOSSES	TOTAL PARENT	NON-CONTROLLING INTEREST	TOTAL
Balance at 31 December 2014	**151,934**	**15,687**	**940**	**(940)**	**-**	**-**	**(95,049)**	**72,572**	**(8,212)**	**64,360**
Transactions gained from additional investment	-	-	-	-	-	-	(5,331)	(5,331)	5,331	-
Comprehensive loss for the year	-	-	-	-	-	-	(62,534)	(62,534)	(1,330)	(3,864)
Balance at 31 December 2015	**151,934**	**15,687**	**940**	**(940)**	**-**	**-**	**(162,914)**	**4,707**	**(4,211)**	**496**
Loss for the year	-	-	-	-	-	-	(34,208)	(34,208)	(840)	(35,048)
Other comprehensive profit for the year	-	-	-	-	-	105,179	-	105,179	751	105,930
Comprehensive profit for the year	-	-	-	-	-	105,179	(34,208)	70,971	(89)	70,882
Transactions gained from additional investment	-	-	-	-	467	-	-	467	(878)	(411)
Balance at 31 December 2016	**151,934**	**15,687**	**940**	**(940)**	**467**	**105,179**	**(197,122)**	**76,145**	**(5,178)**	**70,967**

Source: Audited consolidated financial statements of the Issuer for 2014, 2015 and 2016

In the observed period decrease of capital is evident, caused by continuous losses, thus making capital increase a necessity for business recovery and creating conditions for long-term growth and development of the Group. In 2016 revalorisation of non-current tangible assets in the amount of HRK 105.1 million has increased the capital and provided the accumulated losses in the amount of HRK 35.0 million.

Unaudited consolidated financial information

Consolidated profit and loss account of the Issuer / Consolidated statement of comprehensive income of the Issuer

(in 000 HRK)	Q1 2016	Q1 2017
Operating income	**102,806**	**153,186**
Sales income	99,651	151,063
Other operating income	3,155	2,123
Operating expenses	**(111,468)**	**(146,653)**
Increase/decrease in the value of work in progress and finished products	3,507	10,500
Material costs	(61,443)	(115,347)
Labour costs	(22,578)	(26,474)
Depreciation (amortization)	(5,484)	(6,625)
Other expenses	(24,892)	(7,073)
Value adjustment	(2)	0
Provisions	0	0
Other operating expenses	(576)	(1,634)
Profit/loss from operations	**(8,662)**	**6,533**
Financial income	224	5,739
Financial expenses	(3,049)	(5,315)
Profit/loss from financials	**(2,825)**	**424**
Profit/loss before taxation	**(11,487)**	**6,957**
Income tax expense	0	0
Profit/loss after taxation	**(11,487)**	**6,957**
Profit/loss attributable to the parent	(11,410)	7,026
Profit/loss attributable to the non-controlling interest	(77)	(67)
Profit/loss for the period	**(11,487)**	**6,959**
EBITDA	**(3,178)**	**13,158**
EBITDA margin (%)	(3.09%)	8.59%
EBIT	**(8,662)**	**6,533**
EBIT margin (%)	(8.43%)	4.26%
NET profit margin (%)	(11.17%)	4.54%

Source: Unaudited consolidated financial statements of the Issuer for Q1 2016 and Q2 2017

The Group's total operating income has seen a major increase in the first quarter of 2017 in comparison to the first quarter of 2016, with the growth rate of 49.0% (HRK +50.8 million), largely thanks to optimum capacity utilization and market expansion (new deals), significant improvement of export in comparison to the same period of the previous year and improvement of the production machine fleet (greater efficiency).

The total operating income has in the first quarter of 2017 exceeded the operating expenses, which was not the case in the same period of 2016. Further, in the first quarter of 2017 the total expenses rose by 31.6% (HRK +35.2 million) in comparison to the first quarter of 2016, however better expense control (result of the conducted restructuring process) and higher capacity utilization lead to recording of operating income in the amount of HRK 6.5 million, which by 15.2 million exceeds the result of the previous observed period.

The financial income saw a significant increase, which is the result of the fall of the Euro and positive exchange rate differences have been realised in the amount of HRK 5.7 million, while in the same period of the previous year, the same were insignificant. Financial expenses relate mostly to interest rate expenses.

In the first quarter of 2017 positive EBITDA was realised in the amount of HRK 13.1 million, i.e. increase was recorded in the amount of HRK 16.4 million in comparison to the same period of the previous year. The rise of profitability has been realised due to significant rise of operating income and continued expense management policy thus the total operating expense followed the increase in operating income, however to a smaller degree, therefore the expense rose by 31.6% as compared to 49.0% growth of operating income.

In the first quarter of 2017 the Group realised the net profit in the amount of HRK 6.9 million, while in the previous year it realised the loss equalling to HRK 11.5 million.

Consolidated balance sheet of the Issuer

(in 000 HRK)	31 Dec 2016	31 Mar 2017
ASSETS	**682,207**	**700,117**
Non-current assets	**393,447**	**389,554**
Intangible assets	18,052	17,452
Tangible assets	365,982	363,105
Financial assets	1,983	1,875
Receivables	7,430	7,122
Deferred tax assets	-	-
Current assets	**285,621**	**308,645**
Inventories	128,053	135,896
Trade receivables	105,751	140,756
Other receivables	24,256	17,458
Financial assets	1,620	1,941
Cash and cash equivalents	25,941	12,594
Prepaid expenses and accruals	**3,139**	**1,918**
EQUITY AND LIABILITIES	**682,207**	**700,117**
Equity	**70,967**	**78,534**
Nominal capital	151,934	151,934
Capital reserves	15,687	15,687
Other reserves	467	0
Revaluation reserves	105,179	105,714
Retained earnings or accumulated losses	(162,913)	(197,121)
Profit/loss of the year	(34,208)	6,889
Non-controlling interests	(5,178)	(4,569)
Provisions	**4,954**	**4,954**
Non-current liabilities	**229,748**	**226,634**
Liabilities to banks and other financial institutions	196,868	192,234
Other non-current liabilities	9,627	11,194
Deferred tax liabilities	23,253	23,206
Current liabilities	**343,825**	**377,783**
Liabilities to banks and other financial institutions	148,609	168,553
Received advances obligations	36,310	30,531
Trade payables	147,417	166,285
Other current liabilities	11,489	12,414
Accrued expenses and deferred income	**32,714**	**12,212**

Source: Unaudited consolidated financial statements of the Issuer for 2016 and Q1 2017

At the end of the first quarter of 2017 the total assets and liabilities increased by 2.6% in comparison to the end of 2016 and equals HRK 700.1 million.

Non-current assets decreased at the end of the first quarter of 2017 in comparison to the end of 2016 by HRK 3.9 million (-1.0%), mostly due to depreciation of non-current tangible and intangible assets.

In the period under observation the most significant change in the total assets and liabilities occurred in the item trade receivables (current assets), as it rose by 33.1% (HRK +35 million) in comparison to the previous period. Further, the inventories increased by 6.1% (HRK +7.8 million), while the items of other receivables and cash and cash equivalents decreased by 28% (HRK -6.8 million) and 51.5% (HRK -13.3 million), respectively.

Equity and reserves rose by 9.7% (HRK 6.9 million), as a result of net profit realised in the first quarter of 2017.

Non-current liabilities decreased by 1,4% (HRK -3,1 million) in the period under observation, which is the result of orderly repayment of loans. Other items have not changed significantly.

Current liabilities increased in the period under observation by 9,9% (HRK +33,9 million). In their structure the most significant increase is evident in liabilities to banks and other financial institutions that rose by 13.4% (HRK +19.9 million) and trade payables that increased by 14.6% (HRK +21.1 million). Received advances obligations decreased by 15.9% (HRK -5.8 million).

The item accrued expenses and deferred income decreased by 62.7% (HRK -20.5 million) in the period under observation, which is the result of invoicing of certain income in the first quarter of 2017.

Consolidated statement of cash flow of the Issuer

(in 000 HRK)	Q1 2016	Q1 2017
Cash flow from operating activities		
Profit before taxation	(11,487)	6,957
Depreciation (amortization)	5,484	6,625
Increase in current liabilities	22,520	9,826
Decrease in current receivables	-	-
Decrease in inventories	-	-
Other increase of cash flow	-	1,067
Total increase in cash flow from operating activities	**16,518**	**24,475**
Decrease in current liabilities	-	-
Increase in current receivables	(46,083)	(48,295)
Increase in inventories	(4,727)	(7,833)
Other decrease in cash flow	(3,692)	-
Total decrease of cash flow from operating activities	**(54,502)**	**(56,128)**
NET CASH FLOW FROM OPERATING ACTIVITIES	**(37,984)**	**(31,653)**
Cash flow from investing activities		
Proceeds from sale of non-current tangible and intangible assets	67	828
Purchases of equity and debt securities	-	-
Proceeds from interests	1	0
Other proceeds from investing activities	-	-
Total proceeds from investing activities	**68**	**828**
Purchases of non-current tangible and intangible assets	(4,129)	(6,634)
Purchases of equity and debt securities	-	-
Decrease of cash flow from investing activities	-	-
Total decrease of cash flow from investing activities	**(4,129)**	**(6,634)**
NET CASH FLOW FROM INVESTING ACTIVITIES	**(4,061)**	**(5,806)**
Cash flow from financing activities		
Proceeds from issuance of equity and debt securities	-	-
Proceeds from loan capital amounts, debentures, loans and other receivables	47,293	85,234
Other proceeds from financing activities	114	70
Total proceeds from financing activities	**47,407**	**85,304**
Repayment of loans	(7,075)	(59,552)
Financial lease	(35)	(1,633)
Purchase of own shares	-	-
Other decrease of cash flow from financing activities	-	8
Decrease of cash flow from financing activities	**(7,111)**	**(61,193)**
NET CASH FLOW FROM FINANCING ACTIVITIES	**40,296**	**24,111**
NET CASH FLOW	**(1,749)**	**(13,348)**

Source: Unaudited consolidated financial statements of the Issuer for Q1 2016 and Q1 2017

In the observed period the net cash flow of the Group is negative and amounts to HRK 13.3 million in the first quarter of 2017, while in the same period of the previous year it equalled HRK 1.7 million.

The net cash flow from operating activities is negative in the observed period and has primarily been caused by increase of the Group's current receivables (trade payables).

The net cash flow from investing activities is negative primarily due to capital expenses for purchase of non-current tangible and intangible assets.

The net cash flow from financing activities is negative is positive primarily due to receipts from repayment of loans and other financial activities serving the purposes of maintaining the Group's solvency.

3. Risks

3.1 Risk factors specific to the Issuer and its activity

The risk factors specific to the Issuer or its activity are presented briefly here.

The risks specific to the Issuer or its activity may be divided into the following groups:

a Market-related risks
b Political and regulatory risks
c Financial risks
d Business-related risks.

3.1.1 Market-related risks

Market-related risks include (i) business environment risk, (ii) competition risk, and (iii) risk of purchasability of raw materials, circuits and change of purchase prices.

Business environment risk refers to political, macroeconomic and social risks present on all markets where the Issuer operates and which have a direct influence on the Issuer's operation. Except under the influence of macroeconomic developments, the Issuer's operation is additionally under influence of cyclic nature of the industry in which the Issuer operates. The Issuer also daily faces the risk that due to currently poor economic situation in the Republic of Croatia and region it shall not stipulate sufficient quantities of new business deals required in order to have its capacities full.

Competition risk arises from the Issuer's exposure to strong competition in all business segments on the Croatian, regional and world market. This risk is additionally emphasized in terms of decreased capital investments on the markets on which the Issuer operates.

Risk of purchasability of raw materials, circuits and change of purchase prices arises from the fact that the prices of most raw materials and materials the Issuer purchases in performing its business are conditioned by prices on the world market. Furthermore, certain materials and equipment are very difficult to obtain from alternative suppliers and therefore any disturbances in their prices and distribution pose an additional risk to the Issuer.

3.1.2. Political and regulatory risks

Political and regulatory risks refer to the risk arising from the dependency of the Issuer's operations on permits and approvals, issued by the competent public bodies, reflects in the possibility of any change, expiry or annulment of such permits and approvals.

3.1.3 Financial risks

Financial risks include (i) financing risks, (ii) liquidity risks, and (iii) interest rate and currency risks.

Related to the **financing risks,** as of 31 December 2016 the Group has HRK 192,797 thousand long-term financial debt from loans, and by additional short-term indebtedness it overcomes the lack of permanent working capital. Part of non-current assets of the Issuer and Group members is encumbered for the purpose of securing the payment of existing financial obligations, which complicates access to additional financing sources.

In certain financing agreements the Issuer has taken over obligations that significantly restrict operation of the Issuer or Group members, i.e. which set forth a requirement to obtain consent of the creditors for making certain business decisions. Certain financing agreements allow the creditors to cancel the agreements in cases set forth by the agreement or to make their entire claims towards the Issuer or a Group member to become due.

The liquidity risk is continually present in the Issuer's operation due to inconsistency in terms of time between the cash inflow and outflow.

In relation to **interest rate and currency risks**, the Issuer is exposed to the interest rate risk through change of reference interest rates calculated on the loaned funds (LIBOR, EURIBOR), as well as through change of fixed interest margins.

The Issuer is also exposed to currency risks since it operates on foreign markets and is not able to fully neutralise the risk from the change of the foreign exchange rates. The most important risk is the one referring to fluctuations of exchange rate for EUR and USD.

3.1.4 Business-related risks

Risks related to the Issuer's business operation consist of (i) general economic, political and legal risk, (ii) risk of change of ownership structure of the Issuer, (iii) solvency risk and inability to collect the accounts receivable and delay and defects in works, (iv) risk related to legal and administrative proceedings, (v) environment protection risk, (vi) risk from uninsured events and (vii) risks related to accommodating surplus employees.

General economic, political and legal risk arises from the fact that the Issuer's operation depends on the defence sector and cycles and regimes of purchase of military equipment in certain states, which expose it to the risk of political and regulatory changes which may prevent or complicate the purchase of required materials and equipment.

Risk of change of ownership structure is reflected in the possibility that takeover of the Issuer by third parties may result in changes of business policies which might lead to termination of cooperation with the currently most important strategic partners of the Issuer, companies Patria and Kongsberg.

Solvency risk and inability to collect accounts receivable and delay and defects in works is also present in the Issuer's operation, particularly taking into account that the Issuer does not secure its accounts receivable.

Risk related to legal and administrative proceedings arises from the fact that the Issuer as a party participates in certain number of legal and administrative proceedings and that due to this fact it might sustain significant financial or property losses.

Environment protection risk arises from the fact that the Issuer in its operation uses a share of materials and technology procedures that are potentially harmful to the environment. The Issuer is not insured against environment pollution by the Issuer or a Group member, therefore such pollution might result in a civil, misdemeanour, criminal and other liability and financial losses to the Issuer or a Group member.

Furthermore, business of the Issuer and the Group members is related to the requirement to obtain certain environment-related permits and approvals and their withdrawal or expiry without the possibility of renewal could prevent the Issuer or a Group member in performing certain activities.

Risk from uninsured events is present in the Issuer's operation since the Issuer obtains insurance policies against adverse events from usual risks; however, a series of risks arising from the Issuer's daily activities is not separately insured. Occurrence of an uninsured adverse event may cause further negative consequences to the business position and financial condition of the Issuer.

Risks related to accommodating surplus employees are connected to the Group's Business Strategy until 2020 and Restructuring Plan providing for optimisation of the number of employees both of the Issuer and the Group companies. If major cuts in number of employees occur, the Issuer, i.e. the Group, would be exposed to significant costs related to preparing the programme for accommodating surplus employees and costs of severance payments.

If the Issuer would be forced to decrease the number of its employees by dismissal, instead of termination of employment by mutual consent, that could result in a number of potential legal proceedings leading to material financial obligations of the Issuer in the event of loss of such litigations.

3.2 Risks specific to the New Shares of the Issuer

Risk factors specific to the New Shares are presented briefly here.

Risk related to investment in shares

Investment in shares as equity securities is a very high-risk investment. Market value of shares may be of extremely volatile character under the influence of entire capital market movements, as well as economic and political movements in the country and the world and many other factors which, if bearing a negative connotation, may result in the plunge of the shares' market value. If the above-mentioned factors have a negative connotation, or if between the participants on the capital market such expectations develop, there is a significant risk of the fall of the shares' market value. Furthermore, each investor must be aware that there is a risk on the market that they would not be able to sell their shares at any time at a fair market price.

Risk of change of the share price

Market price of shares is changeable and may be subject to sudden and significant falls. As a result, shareholders may suffer a significant loss due to the plunge of the share market price, which may be caused by multiple factors.

Liquidity risk on the capital market

At certain moments or periods, and even permanently, there might be a decreased demand and/or supply, and thus a significant decrease of number of shares for trading or even a total lack of trading with the shares.

Risk of Croatian capital market

Risk of Croatian capital market arises from the fact that this market has properties of a small and undeveloped market which, if compared to developed markets, represents a greater system risk for the investors.

Risk of decrease of share in the equity of the Issuer

Pursuant to the general rules of the Croatian legislation, the existing shareholders of a joint stock company have priority rights in subscription of new shares which are created when increasing the company's nominal capital, proportionally to their participation in the total nominal capital of the company. In possible future increases of the Issuer's nominal capital, if the General Assembly of the Issuer, with the prescribed majority of votes, makes a decision on exclusion or restriction of the existing shareholders' priority rights during the increase of the nominal capital, share of such shareholders in the total nominal capital of the Issuer may be decreased when implementing such decision.

Risk that the dividend is not paid

Amount of future dividend payments, if any, shall depend on a series of factors, therefore the Issuer cannot guarantee that it shall have means at its disposal for potential dividend payments in the future.

Risk of obligation to announce a company takeover bid due to acquisition of shares

Pursuant to general regulations of the Act on the Takeover of Joint Stock Companies, a person who acting independently or in concert, acquires voting shares, so that, together with the shares it already acquired, exceeds a threshold of 25% of voting shares, shall announce a takeover bid in respect of all the shares of the company.

Without respect to the exclusion of the requirement to announce a takeover bid by the decision of the Issuer's General Assembly of 21 March 2017, acquisition of additional shares of the Issuer besides and/or outside of the offer which is subject of this Information Memorandum may result in an obligation to announce a takeover bid, if during such additional acquisition the requirements under the Act on the Takeover of Joint Stock Companies have been fulfilled.

Risk arising from financing the investment in shares with borrowed funds

Financing the investment in shares with borrowed funds may significantly increase investors' risk. Investors should asses their own financial position prior to investing with a view to establishing whether they would be capable of paying the interest and paying off the loan principle amount and whether they can also besides the above suffer loss from the investment in shares, instead of gaining profit.

Risks related to taxation of investment in shares

Receipts from dividends or trade with shares may constitute a taxable event and any investor should be independently informed on potential tax effects of investment in shares.

Risk arising from trade on a regulated market

Due to disturbances of the market conditions, regulatory measures or technical and other problems, secondary trade with shares of the Issuer may be impeded and even a temporary suspension of trade may occur.

4. Planned issue of New shares

4.1 Conditions of the offer

4.1.1 Type and class of New Shares

Subject of the offer are new ordinary registered shares of the Issuer.

4.1.2 Currency of the issue of New Shares

The New Shares that are the subject of issue are denominated in HRK.

4.1.3 Number of New Shares and their nominal value

The Issuer shall issue up to 7,600,000 new ordinary shares of nominal value of HRK 20.00 each.

4.1.4 Description of the offer procedure

For detailed offer conditions and procedure, all Investors are referred to the wording of the Decision on nominal capital increase of the Issuer dated 21 March 2017, available at the ZSE website (http://www.zse.hr/userdocsimages/novosti/LQEuupE9xUt9gNqXITjzDg==.pdf), and the Public Invitation dated 04 April 2017, also available at the ZSE and the Issuer's website (ZSE link: http://zse.hr/userdocsimages/novosti/dRKpSuD70jFrusP7sgILMg==.pdf).

Procedure and time schedule for subscription

Subscription of New Shares will be carried out in one round, in which all investors, who will each pay the amount of at least HRK 800.000,00 for the subscribed shares, for each individual offer, will be entitled to subscribe New Shares. A business day within meaning of this Information Memorandum shall be any day on which banks are open for business in the Republic of Croatia, not including Saturdays.

The Investors may subscribe New Shares in the period of 5 (five) business days, in the Subscription Period from 9:00 on 08 May 2017 to 16:00 on 12 May 2017.

A minimum or maximum number of New Shares that may be subscribed by a single Investor is not determined, only the restriction providing for a maximum number of the issue is set (7,600,000 New Shares).

The application for subscription of the New Shares may be cancelled or amended by the Investors up to the last moment of the Subscription Period.

Subscription implementation and payment deadlines

New Shares are subscribed by means of written statements (hereinafter referred to as: "**Application Form**" or "**Subscription Form**"). The Application Form will be available to the Investors prior to the Subscription Period on the Issuer's website (www.duro-dakovic.com) and the ZSE website (www.zse.hr).

New Shares may be subscribed during the Subscription period in the Issuer's business premises only, by delivering the appropriately filled Application Form (according to the instructions below in this Public Invitation) at the following address: Strojarska cesta 20, 10 000 Zagreb, Management Board office in the period from 9:00 (A.M.) to 16:00 hours.

When subscribing New Shares, the Investors, or persons authorized to represent the Investor, shall present identification documents (identity card or passport). Institutionalized investors (as defined below in this Information Memorandum) shall present a copy of the identification document of the authorized representative who has signed the Application Form. The Investors shall also present a document containing a Personal Identification Number and data on the bank account to which the funds shall be returned, if necessary (copy if the bank account card or agreement with the bank). Banking account shall be in an IBAN-form.

Except in person, the shares may be subscribed also via a proxy. In addition to identity card, when subscribing New Shares, proxy shall present a special Power of Attorney in Croatian, certified by a notary public. Text of the form for Power of Attorney shall be published on the Internet page of the Issuer prior to the commencement of the Subscription Period.

Investors – foreign legal persons shall present also the excerpt from the companies or other adequate registry for a legal person, not older than 30 days, and if such document does not contain evidence on representation powers, an additional evidence on representation powers, not older than 30 days (excerpt from other appropriate registry or confirmation of the notary public on authorized representatives).

Foreign documents shall be delivered translated by a certified court interpreter and certified in accordance to international rules on legalisation and apostilles (Apostille – Hague Convention of 5 October 1961 Abolishing the Requirement of Legalisation for Foreign Public Documents).

Should an Investor submit more than one Application Form, only the last received Application Form that meets all requirements of the Public Invitation will be considered valid, will all other previous Application Forms will be considered cancelled.

When subscribing the New Shares, each Investor should specify the following three offer parameters in the Application Form:

- Maximum acceptable amount of money for the subscription of New Shares (in HRK), (hereinafter referred to as: "**1st Parameter**");
- Maximum acceptable subscription price per New Share (in HRK), (hereinafter referred to as: "**2nd Parameter**");
- Minimum acceptable amount of New Shares for subscription (whole number), (hereinafter referred to as: "**3rd Parameter**").

The permitted value of the 1st Parameter for each single Investor shall be between HRK 800,000.00 and the product of (i) 2nd Parameter and (ii) the maximum amount of shares of this issue (7,600,000 New Shares). The permitted value of the 2nd for each single Investor must comply with the provision of Article 164 Paragraph 1 of the Companies Act, i.e. not less than HRK 20.00. The permitted value of the 3rd Parameter for each single Investor shall be between the division result of the 1st Parameter and 2nd Parameter.

All Investors participating in the subscription of New Shares shall have a prior open account with CKDD or the custody account with SKDD and specify such account in the Application Form. Also, all Investors shall specify in the Application Form the number of their bank account with IBAN format to be used in the case of possible refund to the Investor.

In addition to the timely delivery of the Application Form, the condition for subscription of an individual Investor will be the timely payment by the Investor, all according to the conditions from this Information Memorandum All Investors who are not Institutional Investors (as defined by the Decision on nominal capital increase, Pubic Invitation and further in this Information Memorandum) shall pay the amount equal to the 1st Parameter specified in the Application Form before the expiry of the Subscription Period. If the amount that had been paid does not equal that amount, the payment will be considered valid, but the smaller of the two amounts will be considered as the 1st Parameter of the offer (1st Parameter specified in the Application Form or the amount paid), whereby the payments less than HRK 800,000.00 per Investor shall not be taken into account and such Investors shall be excluded from the offer process. As 3rd Parameter number of shares specified in the Application Form as a minimum acceptable quantity of New Shares for subscription shall continue to apply, and allocation of the New Shares shall be made based on that number. Pension funds, open investment funds with public offer, loan-offices and insurance companies with the seat in the Republic of Croatia or in one of the EU member states (hereinafter referred to as: "**Institutional Investors"**) shall make the payments at the determined Final Price for New Shares and the Allocation, in accordance with the payment instruction that shall be delivered to them not later than 15 May 2017.

The Investors shall make appropriate payments into a separate account number: IBAN HR57 2360 0001 3001 1459 4 (SWIFT ZABAHR2X) opened for the purposes of payment for the shares. Valid payments by Investors other than Institutional Investors shall be deemed to be exclusively payments received on the above account until 17:00 on 12 May 2017. Valid payments by Institutional Investors shall be deemed to be exclusively payments received on the above account until 10:00 on 17 May 2017.

Should an Investor make a payment through other institutions participating in the payment system, they should enquire with the institution with which they make the payment on the time necessary for funds to timely reach the stated account until the appropriate due dates for payment receipt, as stated above.

Determining the Final Price

The procedure for determining the final amount for which individual New Shares will be issued (hereinafter referred to as: "Final Price") will be carried out according to the criteria determined by the Decision on nominal capital increase, i.e. according to the rules below (hereinafter: "**Price determining principles**"). The Final Price shall equal the maximum possible price for which the Issue success threshold has been met. More precisely:

- For each possible price of one New Share, as well as each valid offer in which the 2nd Parameter is not lower than that price the Individual Demand for that price is defined as the division result of the 1st Parameter of the offer concerned with the price concerned and rounded down (hereinafter referred to as: "**Individual Demand**");
- For each possible price of a New Share total demand for that price is defined as the sum of all Individual Demands for that price (hereinafter referred to as: "**Total Demand**");
- Final price of New Shares shall be equal to the highest price for which Total Demand for that price is not smaller that the success threshold.

The Final Price will be announced by the Management Board of the Issuer on 15 May 2017. The Final Price will be published on the website of the Issuer (www.duro-dakovic.com) and the website of the Zagreb Stock Exchange (www.zse.hr).

Allocation

The procedure for determining the final allocation of New Shares to Investors will be carried out according to the criteria determined by the Decision on nominal capital increase, i.e. according to the rules below (hereinafter referred to as: "**Allocation Principles**").

Each investor with a valid offer, whose 2nd Parameter of the offer is lower than the Final Price, will be allocated zero New Shares.

To Investors with valid offers, whose 2nd Parameter of the offer is not lower than the Final Price, allocation will be carried out as follows:

a. If Total Demand for the Final Price of this issue is not higher than the maximum amount of shares in this issue (7,600,000 New Shares), each such Investor shall be allocated their Individual Demand for the Final Price.

b. If Total Demand for the Final Price of this issue is higher than the maximum amount of shares in this issue (7,600,000 New Shares), each such Investor shall be allocated proportionally reduced Individual Demand for the Final Price, if it is possible to do so and at the same time fulfil the above mentioned important requirements:

- Requirement for issue successfulness;
- Requirements specified under 3rd Parameter of all allocation offers; and
- Subscription amount of each individual Investor is not lower than HRK 800,000.00.

If proportional reduction from Item b. is not possible, due to the possible violation of conditions of the same item, then the offer with the lowest Individual Demand will be excluded from the allocation, i.e. that Investor shall be allocated zero New Shares (if there are more such offers, the one that has the latest subscription date will be excluded.) The procedure from item c. shall be repeated successively, by excluding one by one offer from the allocation and by carrying out proportional reduction from item b. until the decidable allocation to the remaining Investors and fulfilment of all conditions from item b.

Issue successfulness

The Management Board will determine the successfulness of the New Share issue, the exact amount of the nominal capital increase and the exact number of New Shares, based on the status of subscriptions and payments after the expiry of due date for the payment of New Shares on 18 May 2017.

If the subscription of New Shares in not successful, the Issuer shall return to the Investors the paid funds within eight business days following expiry of the final deadline for subscription and payment of New Shares, i.e. not later than 29 May 2017. In such case the Issuer shall not bear any payment system costs or pay interests to the Investors.

If the subscription of New Shares is successful, however if refund to certain Investors (funds paid in excess, surplus after allocation, funds paid prior to cancellation etc.) is necessary, the Issuer shall return to the Investors the paid funds within eight business days following expiry of deadline for determining the exact amount of nominal capital increase, i.e. not later than 30 May 2017. In such case the Issuer shall not bear any payment system costs or pay interests to the Investors.

If the nominal capital increase is not entered into the companies registry within 6 months as of the date of passing of the said Decision, the Application Form shall no longer bind the Investor and the Issuer shall return to the Investors the paid funds within eight business days following expiry of the said deadline. In such case the Issuer shall not bear any payment system costs or pay interests to the Investors.

4.1.5 Description of rights attached to New Shares

Pursuant to the provisions of the Companies Act and the Issuer's Memorandum of Association, the New Shares shall upon entry in the companies registry of the competent commercial court give the same rights as the existing ordinary shares of the Issuer.

Based on the existing shares, shareholders execute their rights, being voting rights at the General Assembly of the Issuer, right to information on the company's operation, right to a dividend, right to a portion of the remainder of the liquidation assets, priority right in buying new company shares, i.e. management and voting rights which for ordinary shares arise from the provisions of the Companies Act.

Article 21 of the Memorandum of Association of the Issuer defines that each ordinary share gives one vote in the General Assembly of the Issuer.

4.1.6 Restrictions on the free transferability of the New Shares

There are no restrictions on the free transferability of the New Shares. After the issue of the New Shares, the Issuer shall take all actions required for listing of all issued New Shares in the regular market of the Zagreb Stock Exchange, including the drafting of the prospectus related to listing of the New Shares. The Issuer does not guarantee that listing in the trade shall be approved by the competent body.

4.2 Use of proceeds

The Management Board believes that the present financial reports of the Company, its relevant references and the Company's reputation in the domestic and foreign markets point without doubt to the Company's development potential. The Management Board believes that it is necessary, within the framework of the thus far conducted Company restructuring and its effects, to complete the comprehensive capital increase process with a view to raising fresh capital and increasing competitiveness on the domestic and foreign markets. The planned capital increase process should continue the positive growth trends and increase the Company's competitiveness. The successful completion of the capital increase would create conditions for further development, new investments and conquering of new markets.

The proceeds from the capital increase process are planned to be used for the following purposes:

USE OF PROCEEDS	%
Investment into working capital	50%
CAPEX	25%
Development of new products	20%
Severance payments	5%
Total	**100.0%**

5. List of definitions and abbreviations

Unless expressly specified otherwise, or unless otherwise results from the context where they are mentioned, terms below shall, for the purposes of this Information Memorandum, have the following meanings:

- term "**Group**" or "**Đuro Đaković Group**" shall include the company **ĐURO ĐAKOVIĆ GRUPA, d.d.** together with its subsidiaries;
- terms "**Đuro Đaković,**" "**Issuer**" or "**Company**" or shall mean the company **ĐURO ĐAKOVIĆ GRUPA d.d.;** having its registered seat in Slavonski Brod, Dr. Mile Budaka 1, PIN: 58828286397,
- term "**ĐĐ Specijalna vozila**" shall mean the company ĐURO ĐAKOVIĆ SPECIJALNA VOZILA d.d.; having its registered seat in Slavonski Brod, Dr. Mile Budaka 1, PIN: 68807280553;
- term "**ĐĐ Strojna obrada**" shall mean the company ĐURO ĐAKOVIĆ STROJNA OBRADA d.o.o.; having its registered seat in Slavonski Brod, Dr. Mile Budaka 1, PIN: 60314119747;
- term "**ĐĐ Energetika i infrastruktura**" shall mean the company ĐURO ĐAKOVIĆ ENERGETIKA I INFRASTRUKTURA d.o.o.; having its registered seat in Slavonski Brod, Dr. Mile Budaka 1, PIN: 20183823241;
- term "**ĐĐ Industrijska rješenja**" shall mean the company ĐURO ĐAKOVIĆ INDUSTRIJSKA RJEŠENJA d.d.; having its registered seat in Slavonski Brod, Dr. Mile Budaka 1, PIN: 30530221804;
- term "**ĐĐ Elektromont**" shall mean the company ĐURO ĐAKOVIĆ ELEKTROMONT d.d.; having its registered seat in Slavonski Brod, Dr. Mile Budaka 1, PIN: 80984446263
- term "**ĐĐ Inženjering**" shall mean the company ĐURO ĐAKOVIĆ INŽENJERING d.d.; having its registered seat in Slavonski Brod, Dr. Mile Budaka 1, PIN: 30530221804 (now ĐĐ Industrijska rješenja);
- term "**ĐĐ Proizvodnja opreme**" shall mean the company ĐURO ĐAKOVIĆ PROIZVODNJA OPREME d.o.o.; having its registered seat in Slavonski Brod, Dr. Mile Budaka 1, PIN: 74579901483 (merged with the company ĐĐ Industrijska rješenja);
- term "**ĐĐ Slobodna zona**" shall mean the company SLOBODNA ZONA ĐURO ĐAKOVIĆ – SLAVONSKI BROD d.o.o.; having its registered seat in Slavonski Brod, Dr. Mile Budaka 1, PIN: 10882941608 (merged with the company ĐĐ Strojna obrada);

- terms "**HRK**", "**kn**" or "**HRK**" shall mean currency unit of the Republic of Croatia;
- terms "**euro**" or "**EUR**" or "**€**"shall mean currency unit applicable in the territory of the member countries of the Economic and Monetary Union;
- terms "**dollar**" or "**USD**" or "**$**" shall mean currency unit applicable in the territory of the United States of America;
- terms "**Stock Exchange**" or "**Zagreb Stock Exchange**" or "**ZSE**" shall mean Zagrebačka burza d.d., having its registered seat in Zagreb, Ivana Lučića 2a/22, PIN: 84368186611
- term "**SKDD**" shall mean SREDIŠNJE KLIRINŠKO DEPOZITARNO DRUŠTVO d.d. (CENTRAL CLEARING AND DEPOSITORY COMPANY, Inc.), having its registered seat in Zagreb, Heinzelova 62/a, PIN: 64406809162
- term "**Information Memorandum**" shall mean the information memorandum related to public offer of at least 5,000,000 to the maximum of 7,600,000 new regular shares of ĐURO ĐAKOVIĆ GRUPA d.d.,
- term "**Decision on nominal capital increase**" shall mean the Decision of the Company from 21 March 2017 on the increase of the share capital by cash contributions and by issuing new shares with complete exclusion of priority rights of the existing shareholders in the course of subscription of new shares according to Article 308, Paragraph 4 of the Companies Act, by using exception from the obligation to previously publish a prospectus regarding the securities offer from Article 351 Paragraph 1 Item 3 of the Capital Market Act
- term "**New Shares**" shall mean a maximum of 7,600,000 new ordinary shares of the Company, registered shares, nominal value of HRK 20.00 each, to be issued on the basis of the Decision on the nominal capital increase;
- term "**Public invitation**" shall mean the public invitation for subscription of the New Shares, published on 04 April 2017;
- term "**Existing Shares**" shall mean the existing ordinary shares of the Issuer, listed in the Regular market of the Zagrebačka burza d.d., having a ticker DDJH-R-A, ISIN HRDDJHRA0007
- term "**Shares**" shall include the Existing Shares and New Shares together;
- term "**Legal advisor**" shall mean Žurić i Partneri d.o.o. having its registered seat in Zagreb, Ivana Lučića 2a, PIN: 03894745705;
- term "**Subscription period**" shall mean the period from 9.00 (A.M.) to 16.00 hours every working day in the period from 08 May 2017 to 12 May 2017, in which the investors may subscribe the New Shares;
- term "**Prospectus for listing**" shall mean the prospectus for listing of the New Shares to the Regular market of the ZSE;

- term "**HANFA**" shall mean Hrvatska agencija za nadzor financijskih usluga (Croatian Financial Services Supervisory Agency), Zagreb, Miramarska 24b, PIN: 49376181407;
- term "**Application form**" shall mean a written statement for subscription of the New Shares;
- term "**Institutional investors**" shall mean pension funds, Open-Ended Investment Funds with a Public Offering, credit institutions and insurance companies with registered seat in the Republic of Croatia or EU member state;
- term "**Final price**" shall mean the final amount of money for which a single New Share shall be issued;
- term "**ZTK**" shall mean the existing Capital Markets Act (Official Gazette of the Republic of Croatia no. 88/08, 146/08, 74/09, 54/13, 159/13, 18/15, 110/15, 123/2016).

Power of Attorney

By which I / we, ____,
(name and surname/company of the giver of authority)

from ____,
(place of residence/seat: address and street number, zip code, place, country)

PIN: ________________________________, (for natural persons) date, place and country of birth:

citizenship _________________________, identification document number (identity card, passport):

_________________________, issued by _____________________________________,

authorise

____,
(name and surname of the authorised person)

from ____,
(address and street number, zip code, place, country)

PIN: ________________________________,

to perform actions listed below in my/our own name and for my/our own account, according to the decision of the General assembly of the company Đuro Đaković Group Plc. Slavonski Brod, Dr. Mile Budaka 1, PIN: 58828286397 (hereinafter: Issuer), on nominal capital increase of the Issuer by cash contributions and by issuing New Shares with complete exclusion of priority rights from the existing shareholders in the course of subscription for New Shares, according to Article 308 Paragraph 4 of the Companies Act, by using exception from the obligation to previously publish a prospectus regarding the securities offer from Article 351 Paragraph 1 Item 3 of the Capital Market Act from 21st March 2017, and according to the Public invitation for subscription of New Shares of the Issuer, published on 4th April 2017:

- subscribe and pay for New Shares of the Issuer,
- choose the bank account for payment or refund of possibly overpaid funds,
- submit documentation and make all statements necessary for valid subscription, payment and cancellation of the subscription for New Shares,
- undertake all other legal actions in front of any competent authority or person in the process of or in connection with the public offering of New Shares of the Issuer.

In _________________________, on ________________ 2017
(place) (date)

____

(insert name and surname/company name in block capitals and signature of the giver of authority (including position of the signatory and seal if the giver of authority is a legal person), notarised signature)

Subscription form

STATEMENT ON SUBSCRIPTION OF NEW SHARES THAT ARE BEING ISSUED IN THE NOMINAL CAPITAL INCREASE PROCEDURE OF THE COMPANY ĐURO ĐAKOVIĆ GROUP PLC.

The General Assembly of the company Đuro Đaković Group Plc. with the seat in Slavonski Brod, Dr. Mile Budaka 1, registered in the Court register of the Commercial court in Osijek, permanent attendance in Slavonski Brod under the register number 050002378, PIN: 58828286397 (hereinafter: "**Issuer**") reached on 21st March 2017. the Decision on nominal capital increase of the Issuer by cash contributions and by issuing New Shares with complete exclusion of priority rights from the existing shareholders in the course of subscription for New Shares, according to Article 308 Paragraph 4 of the Companies Act, by using exception from the obligation to previously publish a prospectus regarding the securities offer from Article 351 Paragraph 1 Item 3 of the Capital Market Act (hereinafter: "**Decision on nominal capital increase**"). By the decision on nominal capital increase the nominal capital of the Issuer is increased from the amount of 151.933.680 HRK for the amount of 152.000.000 HRK at the most, to the amount of 303.933.680 HRK at the most. The nominal capital increase of the Issue will be carried out by cash contributions by issuing 7.600.000 new ordinary shares at the most, each with the nominal value of 20,00 HRK (hereinafter: "**New Shares**").

New Shares can be issued for the amount bigger than the part of the nominal capital that refers to them. In the sense of Article 304 Paragraph 3 of the applicable Companies Act, New Shares will not be issued for the amount smaller than the one defined by the provision of Article 164 Paragraph 2 of the applicable Companies Act, i.e. of the nominal value of each share of 20,00 HRK.

The issue will be considered successful if at least 5.000.000 New Shares have been properly subscribed and paid for within the specified time limits for subscription and payment (hereinafter: "**Success Threshold**").

Pursuant to Article 351, paragraph 1, item 3 of the applicable Capital Market Act, there is no obligation for publishing a prospectus, since the offer of New Shares refers to investors who will pay at least 800.000,00 HRK for New Shares per investor, for each individual offer. Therefore the Issuer will not publish the prospectus prior to the New Share offer implementation. On 4th April 2017 the Issuer announced public invitation for subscription of New Shares (hereinafter: "**Public invitation**") in which subscription and payment conditions for New Shares are specified. Additional information on the Issuer, New Shares and the procedure of subscription for New Shares is available in the Decision on nominal capital increase and the Information memorandum regarding New Share issue. The Information memorandum and the Decision on nominal capital increase are available on the website of the Zagreb Stock Exchange Ltd. (www.zse.hr) and on the Issuer's website (www.duro-dakovic.com).

Final price for New Shares ("**Final Price**") will be equal to the highest price for which Success Threshold of the issue has been met, and will be determined according to the criteria defined in the Decision on nominal capital increase and in the Public invitation. Final price will be determined and announced by the Management Board of the Issuer on 15th May 2017. Final price will be announced on the Issuer's web page (www.duro-dakovic.com) and ZSE web page (www.zse.hr).

The subscription of New Shares will be carried out in one round, in which all investors, who will each pay the amount of at least 800.000,00 HRK for the subscribed New Shares, for each individual offer, will have the right for subscription (hereinafter: "**Investors**").

BASIC CONDITIONS OF NEW SHARE ISSUE

Issuer:	**ĐURO ĐAKOVIĆ GROUP Plc.**
Total number of New Shares offered:	7.600.000
Nominal value of a New Share:	20,00 HRK
Value for which a New Share is issued, i.e. Final Price:	Highest possible price for which Success threshold for this issue is met, which will be set according to the criteria defined in the Decision on nominal capital increase and in the Public invitation
Beginning of the Subscription period:	8th May 2017, 9:00 (9 a.m.)
End of the Subscription period:	12th May 2017, 16:00 (4 p.m.)
Deadline for the receipt of payment for New Shares for all Investors except Institutional investors*:	12th May 2017, 17:00 (5 p.m.)
Announcement of the Final Price:	15th May 2017
Delivery of payment instructions for Institutional investors*:	15th May 2017
Deadline for the receipt of payment for New Shares for Institutional investors*:	17th May 2017, 10:00 (10 a.m.)
Bank account for the payment of New Shares:	IBAN HR5723600001300114594 (SWIFT ZABAHR2X)

(*as defined by the Decision on nominal capital increase and Public invitation: pension funds, open-end investment funds with public offering, credit institutions and insurance companies with the seat in the Republic of Croatia or any other European Union Member State)

INFORMATION ON INVESTOR SUBSCRIBING FOR NEW SHARES (to be completed by the Investor)

Name (legal persons) / Name and surname (natural persons):	
Seat address (legal persons) / Residence address (natural persons):	
PIN:	
Name and surname of the legal representative (for legal persons):	
Name and surname of the authorised person:	
Contact (list at least one preferred):	
Address:	
Telephone:	
Mobile:	
e-mail:	
Investor's account with the Central depository and clearing company Ltd. "SKDD" (CDCC) to which New Shares will be allocated:	
Account number for refund (IBAN):	

SUBSCRIPTION OF NEW SHARES (to be completed by the Investor)

1. Parameter

Maximum acceptable amount of money for the subscription of New Shares (in HRK):

Permissible value: between 800.000,00 HRK and the result of multiplying (i) the 2. Parameter (ii) with the maximum amount of shares in this issue (7.600.000 New Shares)

2. Parameter

Maximum acceptable subscription price per New Share (in HRK):

Permissible value: not lower than 20,00 HRK

3. Parameter

Minimum acceptable amount of New Shares for subscription (whole number):

Permissible value: between zero and the result of dividing the 1. Parameter with the 2. Parameter

The exact amount of the nominal capital increase and the exact number of New Shares will be determined according to the status of subscriptions and payments after the expiry of the deadline for the payment of New Shares and will be published on the website of the Zagreb Stock Exchange (www.zse.hr) and on the Issuer's website (www.duro-dakovic.com) on 18th May 2017.

If the nominal capital increase is not registered in the court register within 6 months from the day on which the above Decision on nominal capital increase was reached, the Subscription form will no longer oblige the Investor, and within 8 business days after the expiry of the specified deadline the Issuer will refund the money to the Investors. In that case, the Issuer will neither bear the costs of payment transactions, nor pay any interests to the Investors.

By completing and signing this Subscription form, the Investor states that he is familiar with the Issuer's Statute, the Decision on nominal capital increase and the Public invitation and agrees to subscribe and pay for New Shares under subscription and payment conditions specified in the Decision on nominal capital increase and in the Public invitation, which he fully accepts.

The investor states that all the information in the Subscription form is correct.

The Investor agrees that the Central depository and clearing company Ltd. and the Issuer can exchange all information contained in this Subscription form, as well as information about the securities account with CDCC Ltd. for the purposes of acquiring New Shares by the Investor.

For all legal relationships that can arise in connection with the Subscription form the law of the Republic of Croatia shall apply.

This Subscription Form has been drawn up in three identical copies of equivalent validity, two to be kept by the Issuer and one to be kept by the Investor. In case that the Subscription form has been completed and signed on the basis of the power of attorney, the original power of attorney is kept by the Issuer.

In ______________________ (place), on __________ (day) May 2017 ______________________ (Investor)

The Issuer hereby acknowledges receipt of this Subscription form on __________ May 2017 at __________ . ______________________ (Issuer)

ĐURO ĐAKOVIĆ