

# 2019 ANNUAL STATEMENT



**ZAGREB  
HOLDING**

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# ZAGREB HOLDING

2019 Annual Statement

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# ZAGREB HOLDING GROUP IN BRIEF

The Group's main task is efficient and continual conduct of services of public interest in the City of Zagreb with maximum environmental protection and maximum protection of interests of the local community in which we operate.

Zagreb Holding Ltd. (hereinafter: the Company) is a company wholly owned by the City of Zagreb. Its core business operations are carried out through 14 subsidiaries and it also owns eight companies and one institution. Together, the subsidiaries, related companies and the institution form the Zagreb Holding Group (hereinafter: the Group), with Zagreb Holding Ltd. as its leading company in the creation of business policies. The Group has a total of 7,794 employees – 5,291 working at Zagreb Holding Ltd. and 2,474 working at related companies and at the institution, whereas 29 employees work at Bjelovar City Gasworks Ltd., a subsidiary of the related company Zagreb City Gasworks Ltd.

The Group's main task is efficient and continual conduct of services of public interest with maximum environmental protection and maximum protection of interests of the local community in which we operate. The main standards governing the provision of such services have been defined by the law and numerous other documents. As we are aware of the responsibility that we have toward the citizens of Zagreb, we constantly strive to improve the quality of public services, while also respecting the principles of sustainable development. Thus, the standard of living in the City of Zagreb is visibly higher than in other cities in the Republic of Croatia. At the same time, the Company promotes social dialogue and allows its employees to acquire new advanced knowledge and skills.

By increasing the quality and scope of public services to the benefit of the citizens, businesses and local government and self-government of the City of Zagreb, thus improving the standard of living, competitiveness of the city's economy and the reputation of the City of Zagreb in comparison with other cities, the Group's main objective becomes a reality: we secure a healthy, pleasant and safe urban life for the citizens of Zagreb and the local community – day in and day out.

The Group provides a wide range of services grouped under the following five business areas:

- Municipal activities
- Energy-related activities
- Public water supply and drainage activities
- Pharmaceutical activities
- Commercial activities.

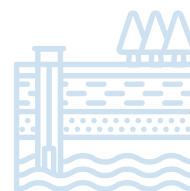


# ZAGREB HOLDING GROUP / 2019 IN NUMBERS



**57,313,909 m<sup>3</sup>**

OF WATER SUPPLIED  
TO CONSUMERS



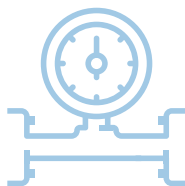
**3,212 km**

OF WATER SUPPLY  
PIPELINES

2018 - 3,195 km  
2017 - 3,177 km

**3,614,487,513 kWh**

OF NATURAL GAS DISTRIBUTED  
TO CONSUMERS



**3,922 km**

OF GAS NETWORK  
IN ZAGREB

2018 - 3,888 km  
2017 - 3,862 km

**17,500,000 m<sup>2</sup>**

OF PUBLIC TRAFFIC AREAS  
MAINTAINED ON A REGULAR BASIS

**986,645,722 m<sup>2</sup>**

OF PUBLIC TRAFFIC AREAS CLEANED  
ON A REGULAR BASIS

**12,335,304 m<sup>2</sup>**

OF PARK AREAS MAINTAINED  
ON A REGULAR BASIS

**122,189,970 m<sup>2</sup>**

OF GRASSLAND MOWN



**199,181 t**

OF ASPHALT PRODUCED

**37,376**

**1,162,326**

THE FOLLOWING IS MAINTAINED  
ON A REGULAR BASIS:

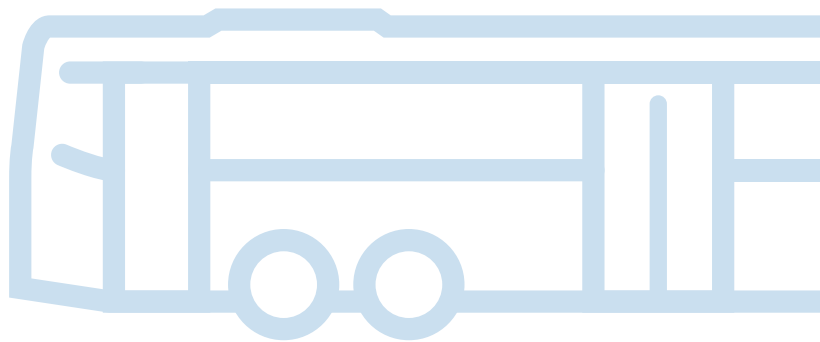
PARKING SPACES  
IN SEVEN PARKING  
ZONES

BUS TERMINAL  
SERVICES  
PROVIDED

**2,633 km** of roads

**10,318 m** of bridges

**464** traffic-light controlled junctions



# FINANCIAL PERFORMANCE INDICATORS

	2019	2018
Sales income (in HRK 000)	3,506,889	3,263,744
Operating expenses (in HRK 000)	4,013,084	3,686,413
EBIT (in HRK 000)	74,468	160,764
EBITDA (in HRK 000)	464,166	533,940
Net debt-to-equity ratio	61.2	60.3
Total income-to-expense ratio	100.5	102.4
Self-financing indicator	39.8	39.2
Share of staff costs in total operating expenses	28.6	28.7
Current ratio	1.0	1.1

## 19,236,880

BIODEGRADABLE BAGS FOR SEPARATE  
COLLECTION OF BIOWASTE AND  
PLASTIC AND METAL WASTE PACKAGING  
DISTRIBUTED TO SERVICE USERS

## 185,299

CONTAINERS FOR SEPARATE  
COLLECTION OF RECYCLABLE  
WASTE BASED ON THE  
"DOOR-TO-DOOR" SYSTEM

2018 - 98,040  
2017 - 76,333

## 7,794

EMPLOYEES

2018 - 7,529  
2017 - 11,286



## 23,576,720 kWh

OF ELECTRICITY  
GENERATED  
FROM LANDFILL GAS

2018 - 18,297,660 kWh  
2017 - 13,609,660 kWh

## 323,292 m      46,260

OF DRAINAGE  
CANALS CLEANED

WATER DRAINS  
CLEANED

## 14,112,288 m<sup>3</sup>

OF LANDFILL  
GAS EXTRACTED  
IN TOTAL

## 287,975 t

OF WASTE  
COLLECTED

2018 - 287,057 t  
2017 - 266,043 t

# A LETTER BY THE PRESIDENT OF THE MANAGEMENT BOARD

When we look back at all the investments that we have realised, analyse the level of quality of the services that we provide and evaluate our financial results, it can be concluded that the main task of Zagreb Holding – namely the efficient and continual conduct of services of public interest in the City of Zagreb with maximum environmental protection and maximum protection of interests of the local community in which we operate – was fulfilled in 2019 as well.

Majority of the Group's services are regarded as services of general economic interest. As such, they are not provided for the purpose of generating profit, but rather to ensure that the services are rendered to end users in an efficient, cost-effective and purposeful manner as well as at the lowest possible cost for service users. Therefore, the Group's activities mostly focus on investments in expanding and reconstructing the existing infrastructure, modernising business operations, improving the relationship with service users and establishing an efficient waste management system.

Total investments realised by Zagreb Holding Group in 2019 amounted to HRK 459.8 million, representing an increase by HRK 35 million compared to the previous year, and additional HRK 84.7 million was invested in the construction of public purpose facilities developed by the Group's companies for the City of Zagreb and in the construction of the city area Podbrežje. One of the most state-of-the-art schools in Zagreb and Croatia, Hrvatski Leskovac Primary School, which is also the sixth primary school built by Zagreb Holding, was handed over to the City for management in early 2019.

As every year, the largest investments pertained to the water supply and drainage system, amounting to HRK 223.7 million in 2019 and representing a 26% increase compared to 2018. Besides improving the quality of water supply and drainage in the existing facilities, the investments in the water supply and drainage system also allow for the development of adequate capacities for new facilities. In terms of the works performed, this means that 17 kilometres of new pipelines and 14 kilometres of drainage network were constructed, resulting in 1,924 new water supply connections and 1,056 new canal connections.

Investments in the gas network development were also increased and amounted to HRK 85.3 million in 2019. Among other things, 34 kilometres of a new distribution network were constructed.

Investments in establishing an efficient waste management system were increased for the third year in a row. Over those three years, more than HRK 191 million was invested in the equipment, machinery, vehicles and construction works. Last year, we expanded the separate waste collection system to include biowaste collection at family homes and multi-apartment buildings. Among other things, 10,293,920 biodegradable bags for separate biowaste collection as well as 8,942,960 bags for separate collection of plastic and metal waste packaging were procured for that purpose and they were provided to service users in two distribution cycles. Moreover, numerous informative and educational activities were carried out as well. On the weekends last year, our teams held about 50 educational events on waste prevention, separate waste collection and responsible treatment of waste. The events were held at marketplaces, parks and shopping malls in Zagreb with the aim of familiarising the citizens with such issues and allowing them to receive first-hand information about anything they wanted to know regarding the new system.

Thanks to all those measures and citizens who separate waste, the amount of biowaste collected from the households in Zagreb in 2019 increased more than sevenfold in comparison with 2018. In the same period, the amount of waste paper, plastic and glass collected separately increased by 47.7%, 80.2% and 13.2% respectively. Accordingly, as the result of the implementation of waste prevention and minimisation measures and activities, as well as of separate collection of recyclable waste, the mass of mixed municipal waste produced in Zagreb in 2019 decreased by 7.3% compared to 2018.

These results are definitely encouraging, but Zagreb Holding and the subsidiary City Waste Disposal still have a long way to go before the waste management objectives in the City of Zagreb are accomplished and we can only do so with the support and cooperation from the citizens.





## Taking care of our employees

At the end of the year, namely on 30 December, a new Collective Agreement for the employees of Zagreb Holding was executed, with effect as of 1 January 2020. The employees' basic wage was increased by 5.8% and non-taxable benefits (annual bonus, food allowance and childbirth allowance) were also increased, which will result in an increase in the employees' net income in the next year.

In November 2019, Zagreb Holding was awarded the Basic Mamforce Company® Standard Certificate, which puts us among the employers whose business strategy is aimed at improving labour policies and working conditions in terms of family responsibility and gender equality. In support of this, the new Collective Agreement establishes the right to take one day of paid leave for children's first day of primary school.

## Yet another year of positive financial results

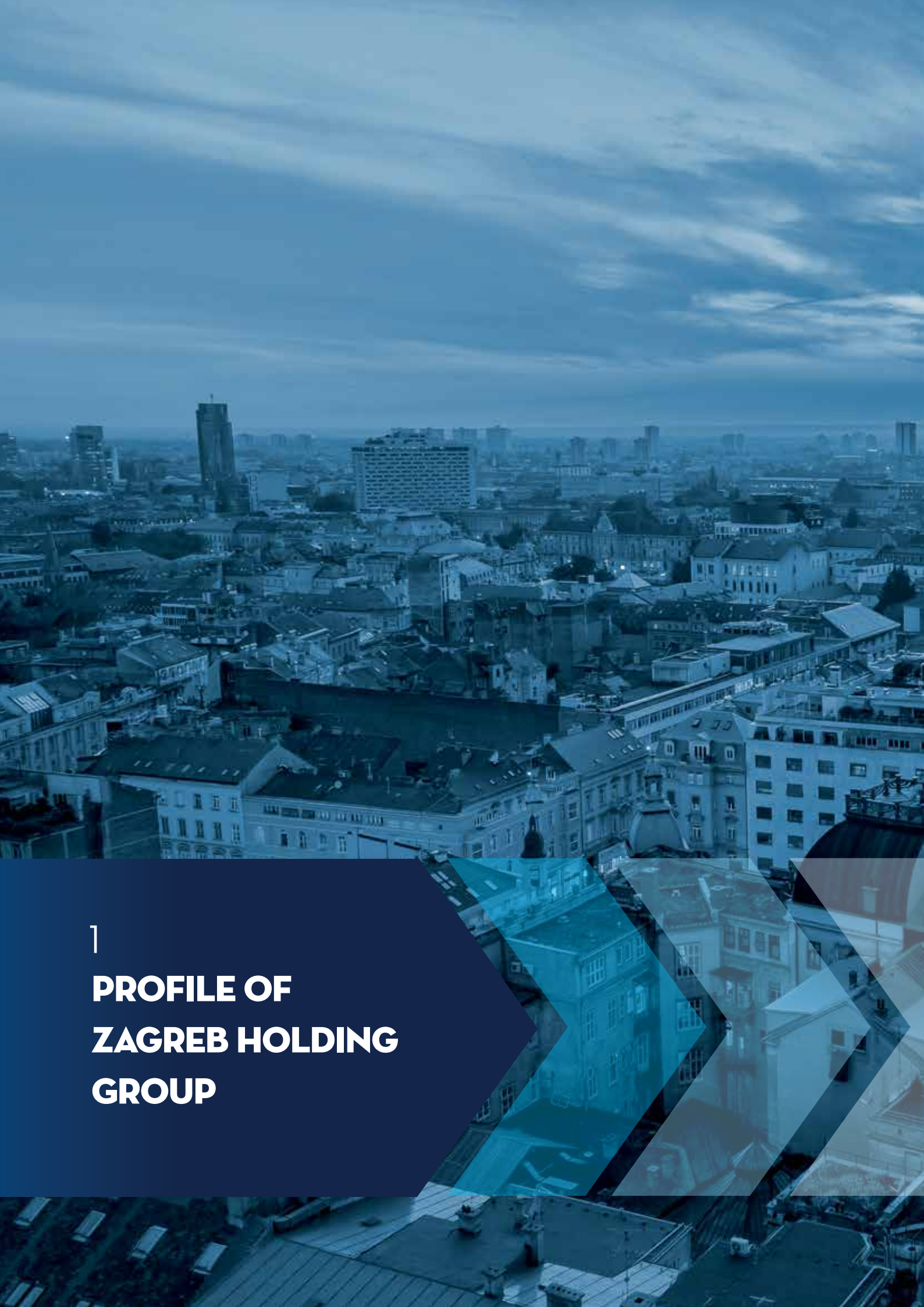
With positive indicators in the area of investments and social responsibility, 2019 was yet another year that ended with the Group achieving positive financial results. The Group's profit before tax amounted to HRK 22.7 million and profit before tax generated by Zagreb Holding Ltd. amounted to HRK 93 million. Financial results at both levels decreased compared to 2018, with a simultaneous increase in the Company's and the Group's sales revenue by 5% and 7% respectively. At the same time, the Company's and the Group's cost of material and services also increased by 8% and 12% respectively. Due to a revaluation of land, which is carried out every three to five years based on an appraisal of the market value of land by an independent qualified appraiser, the Group's comprehensive income amounted to HRK 174.6 million in 2019, representing an increase by HRK 96.3 million compared to 2018.

Furthermore, by virtue of the Decision of the Management Board, the employees working under arduous conditions will receive a bonus pay up to the non-taxable amount, which on average amounts to HRK 400-500 per employee/month. This bonus pay was introduced as a temporary measure between 1 August and 31 December 2019 until the execution of a new Collective Agreement. This measure applied to 2,877 employees of Zagreb Holding performing the hardest physical labour related to core business operations. Annex to the 2002 Main Collective Agreement was also concluded in October, by virtue of which earnings were increased for all employees until the conclusion of a new Collective Agreement. Earnings were increased by introducing a non-taxable bonus and non-taxable food allowance in accordance with the amended tax regulations.

The pandemic and an economic crisis which are expected in the next business year will give rise to many challenges. As a company that conducts business primarily in the interest of the public, Zagreb Holding will shoulder some of the burden imposed on the citizens of Zagreb due to such extraordinary circumstances. By utilising all available resources and implementing a series of measures, we will endeavour to alleviate the impacts of the pandemic and the earthquake to make it easier for the citizens to respond to their daily challenges. Under such unpredictable business conditions, as was the case on several other occasions, the synergy of the Group will be highlighted and any potential negative financial implications will not cast any doubt on the business stability, further investments in quality improvements and service availability.

PRESIDENT OF THE  
MANAGEMENT BOARD

Ana Stojić Deban



1

**PROFILE OF  
ZAGREB HOLDING  
GROUP**



# 1 PROFILE OF ZAGREB HOLDING GROUP

Business activities of Zagreb Holding are extremely important for life in the City of Zagreb, which is why we have an immense responsibility when it comes to the quality of life of the community in which we operate.

The company Zagreb Holding Ltd. was incorporated in 2006 under the Croatian Companies Act. It is fully owned by the City of Zagreb, which is also the sole founder of the Company. The Company was created when business shares of 21 companies owned by the City of Zagreb were transferred to the City Municipal Services Company Ltd., which at the same time took over the role of a holding company. In 2007, the company name was changed to Zagreb Holding Ltd. Following further status changes,

Zagreb Holding started to operate in its present form. Today, Zagreb Holding consists of related companies and one institution, which together compose the Zagreb Holding Group (hereinafter: the Group).

The Group comprises the company Zagreb Holding Ltd. with its 14 subsidiaries, eight related companies and one institution. The company that is responsible for the creation of business policies is Zagreb Holding Ltd.



## ORGANISATIONAL STRUCTURE OF THE GROUP AS AT 31 DECEMBER 2019

# ZAGREB HOLDING GROUP



**ZAGREB HOLDING** Ltd.

### SUBSIDIARIES

ARENA  
ZAGREB

PROJECT  
MANAGEMENT

ZAGREB BUS  
TERMINAL

VLADIMIR  
NAZOR

CITY WASTE  
DISPOSAL

ZAGREB  
ROADS

CITY  
CEMETERIES

ZAGREBPARKING

ZAGREB FREIGHT  
STATION

ZAGREB  
DIGITAL CITY

ZAGREB  
MARKETS

LANDFILL  
MANAGEMENT

REAL ESTATE  
MANAGEMENT

ZRINJEVAC

### RELATED COMPANIES

AGM LTD.

CENTRE LTD.

ZAGREB CITY  
GASWORKS LTD.

WATER SUPPLY AND  
DRAINAGE LTD.

\*BJELOVAR CITY  
GASWORKS LTD.

ZAGREB HOUSING  
CONSTRUCTION LTD.

ZAGREB CITY  
GASWORKS - SUPPLY  
LTD.

ZAGREB  
PLAKAT LTD.

CITY HOUSING AND  
MUNICIPAL SERVICES  
COMPANY LTD.

### INSTITUTION

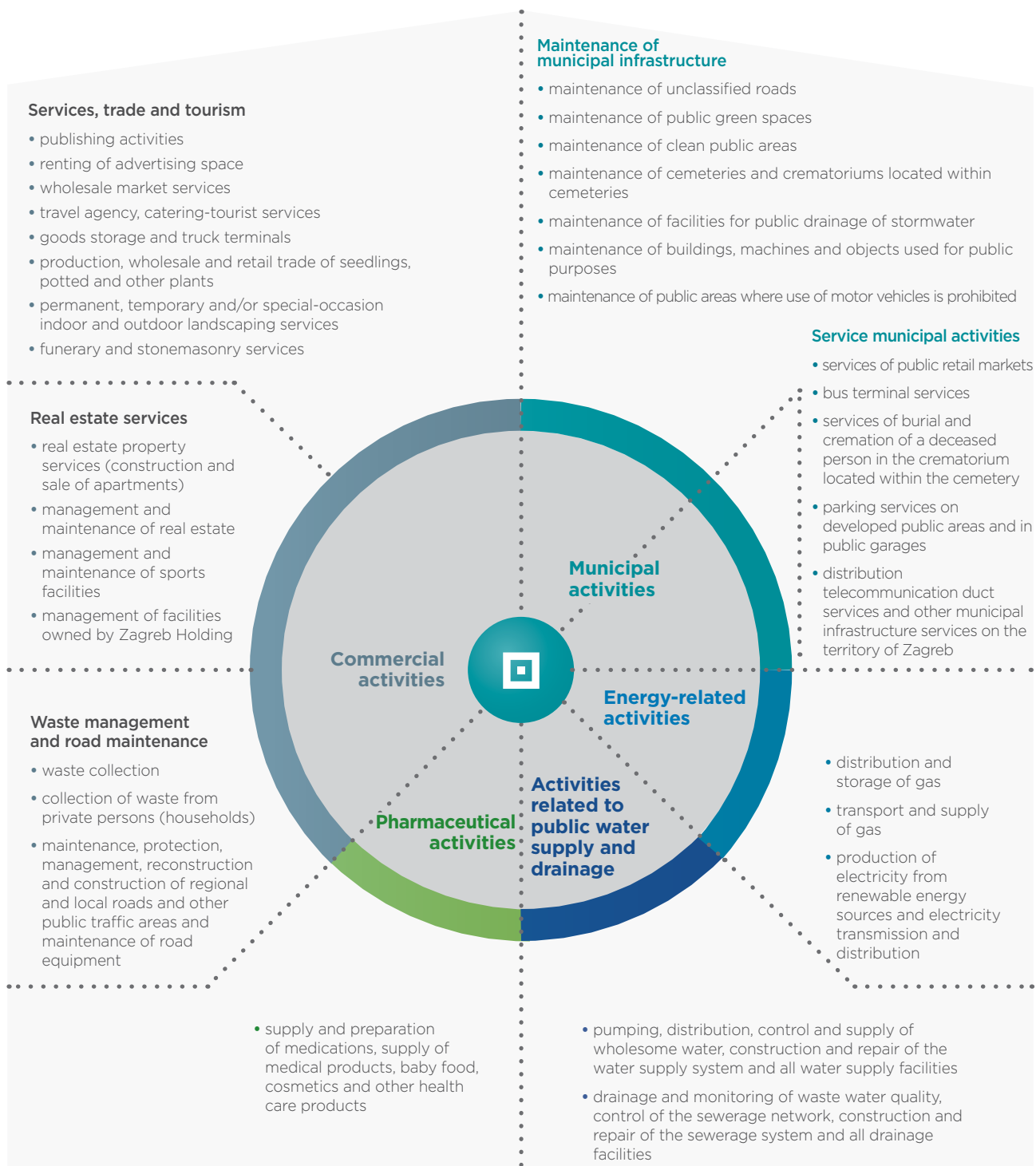
CITY PHARMACIES  
ZAGREB

\* Pursuant to the Decision of the Commercial Court in Bjelovar (Tt-18/592-2) of 5 April 2018, Zagreb City Gasworks Ltd. was registered as the sole founder of "Elektrometal - Gas Distribution", a limited liability company for distribution of gas with a registered office in Bjelovar. On 24 September 2019, pursuant to the Decision of the Commercial Court in Bjelovar, the company changed its name and registered office from "Elektrometal - Gas Distribution Ltd." to "Bjelovar City Gasworks Ltd."

# ACTIVITIES OF THE GROUP

Zagreb Holding's primary activity is to provide services of general economic (public) interest in line with the principles governing the public service. Provision of such services is regulated by the following legislation: Utilities Management Act (municipal activities), Water Services Act (public water supply and drainage activities) and the Act on Pharmaceutical Activities (practice of pharmacy). Also,

pursuant to the Gas Market Act, energy-related activities of gas distribution and gas supply fall under the category of provision of public services, whereas the unclassified roads maintenance services and services of waste collection from private persons/households are classified by the law as public goods or public services. All other activities are classified as commercial activities.



The Group's components usually provide services from two or more different categories. Below is a table presenting an overview of companies and primary services that each of them provides.

No.	NAME	PRIMARY SERVICES
<b>Subsidiaries of Zagreb Holding Ltd.</b>		
1	Arena Zagreb	Management and maintenance of sports facilities
2	Zagreb Bus Terminal	Bus terminal services
3	City Waste Disposal	Collection of waste from private households and public areas; maintenance of clean public areas
4	City Cemeteries	Funerary and related activities
5	Zagreb Freight Station	Storage of goods
6	Vladimir Nazor	Organised vacations for young people and travel agency
7	Zagreb Markets	Wholesale and retail markets; storage
8	Real Estate Management	Management of facilities owned by Zagreb Holding
9	Project Management	Construction and project management
10	Zagreb Roads	Maintenance of unclassified roads; maintenance and construction of regional and local roads
11	Zagreb Digital City	Construction and management of electronic communication infrastructure and electronic communication networks
12	Zagrebparking	Public parking lot and garage services
13	Landfill Management	Waste collection
14	Zrinjevac	Maintenance of public green spaces
<b>Related companies owned by Zagreb Holding Ltd.</b>		
1	AGM Ltd.	Publishing activity
2	Centre Ltd.	Management of sports facilities
3	Zagreb City Gasworks Ltd.	Distribution of gas
3.1	Bjelovar City Gasworks Ltd.*	Distribution of gas
4	Zagreb City Gasworks-Supply Ltd.	Supply of gas
5	City Housing and Municipal Services Company Ltd.	Real estate management and maintenance
6	Water Supply and Drainage Ltd.	Water collection, treatment and distribution
7	Zagreb Housing Construction Ltd.	Construction and sale of apartments
8	Zagreb Plakat Ltd. **	Renting of advertising space
<b>Institution owned by the Company</b>		
1	City Pharmacies Zagreb	Pharmaceutical services, officinal formula laboratory and analytical laboratory

\* Bjelovar City Gasworks Ltd. is a company 100% owned by the related company Zagreb City Gasworks Ltd.

\*\* Share of Zagreb Holding in all companies as well as in the institution is 100%, with the exception of the company Zagreb Plakat Ltd., in which it holds a 51% share.

# STRATEGIC FRAMEWORK ELEMENTS

The Group's mission is to efficiently provide municipal and urban services through responsible business conduct focused on achievement and maintenance of satisfaction of all involved interest groups.

The Group's vision is to become a synonym for pleasant, organised and healthy living in Zagreb, an example of excellence in the provision of public services, and the driver, promoter and backbone of the economic development of the City of Zagreb and the Republic of Croatia.

Our key business objective in the medium term is first to create the necessary prerequisites and then to generate sustainable growth of the Group, and to free up balance potential for focused investments.

The Company's core value is its continual focus on corporate responsibility and business excellence aimed at achieving an optimal combination of price and service quality together with operational efficiency, and advancing the comfort of urban life and the satisfaction of the Company's customers, employees and owners as well as of the wider social and business community.

## Mission Statement

*We secure a healthy, pleasant, and safe urban life for the citizens of Zagreb and the local community. Day in and day out.*

## Vision Statement

*Our vision is to be a reliable member of Zagreb's families and a positive energy in urban life.*

## Key values

**Social responsibility** – the aim of the business operations of Zagreb Holding is to justify the expectations of public services users, the Company's business partners, the local community as well as the expectations of the Group's employees, and to make a positive impact on the society as a whole and the quality of life in the City of Zagreb.

**Reliability** – our reliability is reflected in due fulfilment of our obligations and in the treatment of our colleagues, customers, partners as well as of the community as a whole. The basis of our reliability is trust, open and sincere communication and respect.

**Corporate ethics** – Zagreb Holding promotes fundamental ethical values in business relationships, duly fulfils its obligations toward customers, business partners and employees of the Group and uncompromisingly adheres

to the principles of equal opportunity and diversity in all processes and with respect to all functions.

**Cooperative organisational climate** – Zagreb Holding encourages cooperation at all levels and between all subsidiaries, related companies and institutions that form the Group, which cooperation is based on trust, adoption of clear and quick decisions as well as on assumption of responsibility.

**Development** – special attention is devoted to the achievement of sustainable long-term development by investing in advancement of technologies and by encouraging innovations in order to ensure the best possible services for the citizens.





2

**CORPORATE  
GOVERNANCE**



## 2 CORPORATE GOVERNANCE

Mode of operation and conduct is defined by the Code of Corporate Governance of Zagreb Holding Group. Its aim is to establish, maintain and develop high corporate governance standards and transparency for the purposes of achieving efficient business operations and responsible resource management in the best interest of the citizens of the City of Zagreb as service users. The Code was drawn up based on the OECD Principles of Corporate Governance.

As a provider of services of public interest, the Group performs its business operations in such a way that it adheres to high standards of corporate governance that are based on the OECD principles, corporate responsibility and transparency. Modes of operation and conduct for each member of the Group are prescribed by the Code of Corporate Governance of Zagreb Holding. The Code was adopted in May 2016 with the aim of improving the efficiency of business operations and maintaining responsibility of resource management, which in turn contributes to the

organisational development of the Company and is in the interest of all users of municipal and public services, the citizens of Zagreb in general and all other influence and interest groups. The Code provides for an integral management of mechanisms that are aimed at ensuring strategic planning and realisation of objectives, which includes various decision-making processes, procedures, and tools that are used in responsible business operations, as well as an assessment and evaluation system.



# GOVERNANCE STRUCTURE

The structure of corporate governance is prescribed by the Companies Act, the fundamental document of the Company and its Articles of Association. Zagreb Holding Ltd. has established a two-way corporate governance system, which is characteristic of all the companies of Zagreb Holding Group. The Management Board is authorised to independently control the business activities of Zagreb Holding and is responsible for them. Activities of the Management Board are supervised by the Supervisory Board, which performs its tasks with the assistance of the Audit Committee as an advisory body. The supreme body of Zagreb Holding is the Assembly.

Related companies have their own bodies that supervise and control their work (with the exception of the companies AGM Ltd., Zagreb Housing Construction Ltd. and Centre Ltd., which are not legally obligated to have supervisory boards). The components of Zagreb Holding Group thus practice a closed corporate governance system, with mechanisms characteristic of limited liability companies being active, whereas the institution is managed pursuant to the applicable legal acts on institutions. Assemblies of the related companies founded by Zagreb Holding Ltd. as the sole owner of their business shares are composed of Zagreb Holding Ltd. as the sole member.

Supervisory boards of the related companies founded by Zagreb Holding Ltd. are appointed by the assemblies of those companies, whereas the representative of the workers is appointed or elected by the workers themselves.

Heads of subsidiaries, directors of related companies and the director of the institution are responsible for carrying out operational activities, implementing decisions and ensuring accuracy of financial data. Together with the Management Board of Zagreb Holding, they are responsible for adopting decisions on economic, environmental and social impacts.

## Assembly of the Company

The Company Assembly is composed of the City of Zagreb as the sole member of the Company, which is represented by three members-representatives, one of whom is the

mayor of the City of Zagreb. Through the Assembly of the Company, the City of Zagreb, as the sole founder, carries out its function and business policies as the owner. The Company Assembly normally convenes once a year. However, the Assembly must also convene whenever this is required by the Company's interests as well as in cases prescribed by the law or the Company's Articles of Association.

In 2019, there were no changes regarding the members of the Company Assembly.

In 2019, the following persons acted as representatives of the Company's Member in the Assembly:

1. Milan Bandić (from 22 April 2015), Mayor of the City of Zagreb, agent of the representatives of the Company's Member
2. Slavko Kojić (from 28 June 2013), representative of the Company's Member
3. Olivera Majjić (from 14 June 2017), representative of the Company's Member.

## Supervisory Board of the Company

The Supervisory Board is a professional body composed of prominent representatives of the academic and business community. It may consist of 11 members in total, one of whom is a representative of the workers. Ten members of the Supervisory Board are elected by the Assembly of the Company for a four-year term. The Supervisory Board supervises the realisation of business policy goals and measures. It represents the Company before the Management Board when it comes to any issues that pertain to the Management Board itself or issues prescribed by the Companies Act, the Articles of Association and/or Rules of Procedure, and in particular when it comes to issues pertaining to high-risk business decisions or the management of the Company's total assets. The Supervisory Board supervises the management of the Company's business operations and it must submit to the Company Assembly a report on the performed supervision activities.

In 2019, there were no changes regarding the members of the Company's Supervisory Board.

In 2019, representatives of the workers again failed to appoint a member of their own to the Supervisory Board.

The following persons served as members of the Supervisory Board of Zagreb Holding Ltd. in 2019:

1. Ljubo Jurčić, Member (from 21 September 2017), President (from 27 September 2017)
2. Nikola Mijatović, Member (from 8 August 2016), Deputy President (from 27 September 2017)
3. Andrea Šulentić, Member (from 28 May 2015)
4. Gojko Bežovan, Member (from 1 July 2013 to 1 July 2017), Member (from 21 September 2017)
5. Ivan Šikić, Member (from 1 July 2013 to 1 July 2017), Member (from 21 September 2017)
6. Mario Župan, Member (from 8 August 2016)
7. Josip Budimir, Member (from 21 September 2017)
8. Mihaela Grubišić Šeba, Member (from 21 September 2017)
9. Dražen Hrkač, Member (from 2 May 2018).

## Audit Committee

The Audit Committee is an expert advisory body of the Supervisory Board. It is composed of the members of the Supervisory Board and certain other members appointed by the Supervisory Board. It assists the Supervisory Board in the performance of its duties and pursuant to the applicable regulations and by-laws, performs the tasks related to financial reporting, internal audit and internal control system. In addition to the foregoing, the Audit Committee also supervises the efficiency of operations performed by an external auditor, its independence and objectivity. The manner in which the Audit Committee performs its duties is prescribed by the Rules of Procedure of the Audit Committee of Zagreb Holding.

In 2019, the following persons served as members of the Audit Committee of the Supervisory Board of Zagreb Holding Ltd.:

1. Mirko Herak, President (from 10 December 2013)
2. Mirka Jozić, Vice-President (from 10 December 2013)
3. Daniela Juroš Pečnik, Member (from 21 April 2016).

## Management Board of the Company

Business activities of Zagreb Holding Ltd. are managed independently by the Company's Management Board, which also bears full responsibility for these activities. The Management Board may have from one to nine members (directors) in total, who are appointed by the Assembly of the Company for a four-year term. Acting in the capacity of the Assembly of subsidiaries of Zagreb Holding and exercising control over the related companies through their respective supervisory boards, the Management Board of Zagreb Holding monitors the Group's business operations and investments. Therefore, the Management Board of Zagreb Holding must ensure an adequate level of cooperation within the Group, at the same time taking care of a timely and high-quality information flow between different companies of the Group.

In 2019, there were no changes regarding the members of the Company's Management Board. Upon expiry of their term of office, the following persons were granted a four-year extension of the term of office by the Assembly of Zagreb Holding Ltd.: Daniela Franić, Member of the Management Board, starting from 6 March 2019; and Ana Stojić Deban, President of the Management Board, starting from 16 June 2019.

In 2019, the following persons served as members of the Management Board of Zagreb Holding Ltd.:

1. Ana Stojić Deban, President of the Management Board from 16 June 2015
2. Daniela Franić, Member of the Management Board from 6 March 2015
3. Bernard Mršo, Member of the Management Board from 8 August 2016
4. Marica Dusper, Member of the Management Board from 2 January 2019.

## Management of related companies

Responsibilities and obligations of members of the related companies are stipulated by the Articles of Association of each related company. Members of the management boards of the related companies and directors of related institutions are obligated to draw up quarterly reports on the realisation of annual plans of business operations and provision of services in the current year and send them to the assemblies of those companies.

In 2019, the following persons served as directors of the related companies or as the director of the institution owned by Zagreb Holding Ltd.:

Related company/institution	Director(s)
AGM Ltd.	Stjepan Bekavac, Company Director
Centre Ltd.	Tomislav Bilić, Company Director
City Pharmacies Zagreb	Nadica Jambrek, Institution Director
Zagreb City Gasworks Ltd.	Ana Stojić Deban, Director/Member of the Management Board from 31 December 2018 to 18 April 2019; Tomislav Mazal, Director/Member of the Management Board from 11 March 2019
Bjelovar City Gasworks Ltd.*	Srećko Ezgeta, Company Director
Zagreb City Gasworks-Supply Ltd.	Igor Pirija, Company Director; and Igor Šadura, Company Director from 11 March 2019 to 31 December 2019
City Housing and Municipal Services Company Ltd.	Joško Jakelić, Company Director
Water Supply and Drainage Ltd.	Marin Galijot, Company Director from 1 October 2018
Zagreb Plakat Ltd.	Bosiljka Grbašić and Kruno Ian Bodegray, Members of the Management Board
Zagreb Housing Construction Ltd.	Željko Horvat, Company Director

\*Bjelovar City Gasworks Ltd. is a company 100% owned by Zagreb City Gasworks Ltd.

## Management of subsidiaries

In 2019, the following persons served as heads of the Company's subsidiaries:

Subsidiary	Head of Subsidiary
1 Arena Zagreb	Sretan Šarić
2 Zagreb Bus Terminal	Martina Peričić until 10 November 2019, Luka Grabušić from 11 November 2019
3 City Waste Disposal	Goran Bradić from 18 January 2018 to 2 May 2019, Jure Leko from 1 April 2019
4 City Cemeteries	Ljerka Čosić until 1 January 2019, Patrik Šegota from 2 January 2019
5 Zagreb Freight Station	Krunoslav Gašparić
6 Vladimir Nazor	Tomislav Družak
7 Zagreb Markets	Stanko Gačić
8 Real Estate Management	Zdravka Ramljak
9 Project Management	Marija Caharija
10 Zagreb Roads	Ante Todorić until 23 January 2019, Dragan Perić from 9 September 2019 Per special power of attorney: Hasan Džombić, from 24 January to 13 July 2019, Željko Dukić from 14 July to 8 September 2019
11 Zagreb Digital City	Gordana Pokrajčić
12 Zagrebparking	Ana Preost
13 Landfill Management	Anita Udovičić
14 Zrinjevac	Igor Toljan

# CORPORATE GOVERNANCE STATEMENT

Pursuant to Article 22 of the Accounting Act (Official Gazette 78/15, 120/16, 116/18), the Management Board of the company Zagreb Holding Ltd., Zagreb, Ulica Grada Vukovara 41 (hereinafter: the Company), hereby makes the following:

## STATEMENT

### of Compliance with the Code of Corporate Governance in 2019

1. The Company voluntarily applies the Code of Corporate Governance of the company Zagreb Holding Ltd., enacted by the following Company bodies: the Management Board, on 23 December 2015; the Supervisory Board, on 11 May 2016 and the Company Assembly, on 12 May 2016. The Code is publicly available on the Company's website.
2. In the business year 2019, the Company essentially complied with and implemented the recommendations set forth by the Code, publishing all information the publication of which is required under the applicable regulations, and the publication of which is in the best interest of the investors and all stakeholders.

The following minor deviations from the recommendations prescribed by the Code took place: the meetings of the Supervisory Board are called as needed in accordance with everyday information about the Company's activities, operations and problems received from the Management Board, the Company Assembly and the public, including information that has been brought to the attention of the Supervisory Board and that affects the activities of the Company directly or indirectly, due to which Supervisory Board meetings are called to discuss different topics and are not limited to the topics set forth by the Articles of Association and the legislation. For this reason, the framework plan of the activities of the Supervisory Board was not adopted. Members of the Audit Committee are not members of the Supervisory Board. Supervisory Board has the discretion right to decide about the composition of the Audit Committee. The Audit Committee has not prepared the rules prescribing the services that an external audit company and its affiliates are not allowed to provide to the Company, services that they are allowed to provide only with previous approval of the Committee, and services that they are allowed to provide without the approval of the Committee, considering that the Audit Committee supervises the activities of the external audit company and any extra services that the external auditor may provide to the Company, as regulated by the Audit Act and the EU Regulation on specific requirements regarding the statutory audit of public interest entities.

The subsidiaries and related companies of Zagreb Holding Group have also essentially complied with and implemented the recommendations set forth by the Code. Minimal deviations from the implementation of the Code are related to the obligation to quarterly submit written reports to the Management Board and to the Assembly of the related companies. Instead of a quarterly-based approach, this obligation was fulfilled by submitting monthly consolidation packages comprising the basic financial statements (profit and loss statement, balance sheet, cash flow etc.).

Heads of the Company's subsidiaries and members of the management boards of the related companies largely kept their operations within the confines of the approved annual plans, whereas deviations from the plans mostly pertained to those operational items that were impossible to foresee, such as provisioning costs and value adjustment costs.

3. The Company ensures the efficiency of the internal control system in financial reporting, consisting of different records and methods implemented to initiate, identify, analyse, classify and record business events, including all measures and procedures to be implemented in connection with the accounting statement of business events and compilation of reliable financial statements.

The Internal Audit Department is in charge of reviewing the efficiency of the internal control system which organises and supervises the flow of accurate, concrete and integral information about the Company.

The Company is under the obligation to engage independent external auditors as an important corporate governance instrument, in order to ensure that the financial reports adequately reflect the actual state of the Company as a whole.

4. In 2019, the Management Board of the Company had the following structure: Ana Stojić Deban – President of the Management Board, Daniela Franić – Member of the Management Board, Bernard Mršo – Member of the Management Board, Marica Dusper – Member of the Management Board from 2 January 2019. Members of the Management Board are appointed on a four-year term.

The Management Board manages the Company's operations in line with the Articles of Association and legal regulations. Members of the Management Board represent the Company individually and independently, unless a special decision by a member of the Company requires a member of the Management Board to represent the Company jointly with other members of the Management Board or jointly with one other member who is authorised to represent the Company independently and individually. If more than one member of the Management Board is appointed, one of them shall be appointed president of the Management Board. The scopes of authority of the members of the Management Board are defined by a special decision of the Company Assembly.

The Management Board is under the obligation to make sure that the Company maintains business and other books and business documentation, prepares bookkeeping documents, makes realistic evaluations of its assets and liabilities and compiles financial and other reports in line with accounting regulations and standards and with the valid laws and regulations. In the course of the business year, the Management Board submitted reports on the Company's operations to the Supervisory Board in accordance with the Companies Act.

The Supervisory Board supervises the management of the Company's operations in accordance with the Companies Act, the Company's Articles of Association, Rules of Procedure of the Supervisory Board and other applicable regulations. The Company Assembly elects and recalls members of the Supervisory Board, who are appointed for a four-year term. One member of the Supervisory Board serves as a representative of the workers and is elected and recalled in line with the provisions of the Labour Act. Members of the Supervisory Board regularly receive detailed information and reports about the Company's state, management and activities in order to be able to efficiently fulfil their obligation of supervising the management of the Company's operations. In addition, the Supervisory Board exercises internal control and supervision through the Audit Committee, which provides expert support to the Supervisory and Management Board to efficiently fulfil the obligations of corporate governance, risk management, financial reporting and control of the Company. The Supervisory Board's report on the performed supervision of the Company management is a constituent part of the Company's annual statements that are submitted to the Company Assembly.

Members of the Supervisory Board are as follows:

- Ljubo Jurčić
- Nikola Mijatović
- Gojko Bežovan
- Ivan Šikić
- Josip Budimir
- Mihaela Grubišić Šeba
- Andrea Šlentić
- Mario Župan
- Dražen Hrkač

The Company Assembly is composed of the City of Zagreb as the sole member of the Company, which is represented by representatives appointed pursuant to the Conclusion on the Representatives of the City of Zagreb in the Assemblies of the Companies Zagreb Holding Ltd., Development Agency Zagreb-Technological Park Zagreb Ltd. and Zagreb Centre for Waste Management Ltd. These representatives are as follows:

- Milan Bandić, Mayor of the City of Zagreb
- Olivera Majić, Deputy Mayor of the City of Zagreb
- Slavko Kojić, special senior advisor of the Mayor for investments and foreign financing-expert.

The Company Assembly normally convenes once a year. However, the Assembly must also convene whenever this is required by the Company's interests as well as in cases prescribed by the law or the Company's Articles of Association.

The Company Assembly adopts decisions on the Company's financial statements; utilisation of generated profit and loss coverage; alienation and encumbrance of the Company's real estate; investments in the development and construction of new facilities and investments in other companies; the Company's annual operational plan; increase or reduction in the Company's share capital; appointment and dismissal of Management Board members; appointment and dismissal of Supervisory Board members; status changes; amendments to the Articles of Association and winding up of the Company. In addition to these matters, the Assembly also decides upon any other issues falling under its scope of authority pursuant to the applicable laws, the Company's Articles of Association and other by-laws.

5. As regards the implementation of the diversity policy, the Company's primary objective is to ensure the application of the principle of equal opportunities and diversity in all processes and functions and to integrate it into the day-to-day decision-making process. In this context, special importance is attached to implementing anti-discrimination measures, ensuring equality among people irrespective of the age, gender, ethnic, national or any other group to which they belong and building an inclusive work environment. In order to ensure the implementation of the diversity policy as one of the elements of corporate social responsibility, the Company enacted the Code of Conduct as a legal framework and established the Ethics Committee and the Irregularities Committee, which committees within their respective scopes of authority have the task to identify actions that represent discrimination on any basis and to propose sanctions for such behaviour. Furthermore, on 27 November 2019, the Company adopted the Rules on Internal Reporting of Irregularities, effective as of 24 December 2019, pursuant to which adequate implementing decisions must be adopted within the defined time limits.

It must be pointed out that on 29 November 2019, Zagreb Holding was awarded the Basic Mamforce Company® Standard Certificate, which puts the Company among the employers whose business strategy is aimed at improving labour policies and working conditions in terms of family responsibility and gender equality. The Certificate was awarded as part of the "Responsible Employers for Responsible Parenting 2.0" conference.

Special attention is devoted to the protection and promotion of the rights of persons with disabilities. The Company is one of the entities responsible for the implementation of measures and activities as prescribed by the 2016-2020 Zagreb Strategy for Equalisation of Opportunities for Persons with Disabilities. The aim of these measures and activities is to ensure complete integration of persons with disabilities through their integration into important public spheres of life by allowing them to participate on equal terms in the political, public and cultural life; through their integration into educational processes; into labour market; health and rehabilitation system; social protection; legal protection and protection against violence; into research, development, etc. One of the elements identified in the Strategy - vocational rehabilitation and employment - is a key factor for ensuring social inclusion and economic independence of persons with disabilities, considering that any form of work or employment is a precondition for their integration into an ordinary life routine. The result of the implementation of these measures is the fact that the Company employs 130 persons with disabilities, representing 2.46% of the Company's total workforce. They successfully participate in the Company's day-to-day business operations.

Pursuant to Article 22 of the Accounting Act, this Statement constitutes a separate section and a constituent part of the 2019 Annual Statement of the Company.

In Zagreb, on 27 May 2020

PRESIDENT OF THE  
MANAGEMENT BOARD

Ana Stojić Deban







3

**OUR BUSINESS  
OPERATIONS  
IN 2019**



# 3

## OUR BUSINESS OPERATIONS IN 2019

### IMPACT OF REGULATORY CHANGES ON BUSINESS OPERATIONS

As a provider of services of general economic interest, the Group is exposed to dynamic changes in legal regulations, particularly in the segment of waste collection from private persons and in the segment of gas supply.

Changes in the waste management regulations from previous years extended to 2019 as well and they had a negative impact on the financial performance of the subsidiary City Waste Disposal as a provider of public services of collecting mixed and biodegradable municipal waste and activities related to public services in the City of Zagreb. The subsidiary's business operations are largely managed by the Decision on the Manner of Providing the Public Service of Collecting Mixed Municipal Waste and Biodegradable Municipal Waste and Activities Related to Public Services in the City of Zagreb (Official Gazette of the City of Zagreb 2/2018). Implementation of the Decision demands large investments in the waste management infrastructure (bins, containers, bags for separate collection of biowaste and of plastic and metal waste packaging,

vehicles and IT solutions) as well as a larger workforce due to the expansion of the physical volume of business processes. Moreover, an increase in the volume of separately collected recyclable waste is accompanied by an increase in the price of handling particular fractions of separately collected waste, which is an additional burden on the subsidiary's operations. On the other hand, income from the sales of secondary raw materials is not sufficient to cover the new costs. Since the planned increase in the price of public services did not occur by the end of 2019, this was the second year in a row in which the subsidiary City Waste Disposal operated at a loss.

However, regardless of the negative impact on business performance, legal changes will also have a positive impact on macroeconomic indicators for the development of the City of Zagreb, primarily due to increased investments and a rise in the number of employees.

### New legal obligations for energy suppliers

Changes in the legal regulations applicable to the related company Zagreb City Gasworks-Supply Ltd. as an energy supplier in 2019 imposed an obligation of saving energy through an energy efficiency obligation scheme. In accordance with the Energy Efficiency Act (Official Gazette 127/14, 116/18), said scheme ensures that the cumulative target of achieving energy savings in end-use consumption of 1.5% of average annual energy sales to final consumers in previous three years is met by energy distributors and/or energy suppliers by 31 December 2020.

Pursuant to the Decision of the Ministry of Environmental Protection and Energy, Zagreb City Gasworks-Supply Ltd. is obligated to achieve energy savings of 24,253,480 kWh in 2019. Considering that there are limited resources for regulated energy savings, Zagreb City Gasworks-Supply Ltd. estimates that this requirement might have a negative impact on its business performance.

The Company's business operations are further affected by climate change, i.e. rising average air temperatures accompanied by reduced demand and penalties for taking more or less gas than initially contracted. In consequence, the Company did not manage to avoid paying penalties to gas suppliers in 2019 due to taking more or less gas than initially contracted. Also, due to higher average air temperatures, the volume of gas distributed as part of the public service decreased by 4% compared to 2018. However, due to a 10% increase in the regulated price of gas supply for households, which was introduced on 1 April 2019 and followed by an increase in the regulated final price for households by approximately 7.5%, the financial performance of this related company at year end was positive.

In accordance with the strategic aims of business procedures, the Group's activities in 2019 were focused primarily on investments in expanding and reconstructing the existing infrastructure, modernising business operations, improving the relationship with service users and establishing an efficient waste management system.

## New Water Services Act in force

Changes in the legal regulations made in 2019 will also have a significant impact on the future operations of the related company Water Supply and Drainage Ltd. as a provider of public water supply services, some of which pertaining also to status changes. Pursuant to the new Water Services Act (Official Gazette 66/19, in force as of 18 July 2019), the provider of public services must be a company which was incorporated by local self-government units in the relevant service area and which does not perform any activities other than providing water supply services. The Government of the Republic of Croatia defines the service areas and their boundaries pursuant to the Regulation on Service Areas. The Government adopts the Regulation after consulting local and regional self-government units and providers of public water supply services. All existing providers of public water supply services in a particular service area are obligated to merge

with the provider of public water supply services which is a company defined as the acquiring company by virtue of the aforementioned Regulation. The acquiring company is obligated to accept the merger within six months from the date of entering into force of said Regulation. The acquiring company must also allow the acquisition of its business shares, i.e. shares in its share capital, to all local self-government units in the service area which do not own, either directly or indirectly, any membership interest, shares or founder's rights in any of the existing providers of water supply services.

The new Act stipulates numerous general and special business conditions, but the basis for their implementation is the Regulation of the Government of the Republic of Croatia, which has not been adopted yet.

## CREDIT RATING OF ZAGREB HOLDING

In the report issued on 30 April 2019, the international rating agency Moody's affirmed the Ba2 long-term rating assigned to Zagreb Holding and also changed the outlook from stable to positive. As stated in the explanation, among other things, the credit rating of Zagreb Holding was affected by an extremely strong connection with its owner - the City of Zagreb, as well as by its clear public policies and key role in the municipal services sector of the City of Zagreb. When assigning the credit rating and outlook to Zagreb Holding,

the agency also considered the benefits from a stable institutional and operational framework and strict control over Zagreb Holding's operations exercised by the City of Zagreb. In the report of 27 September, Moody's affirmed the Ba2 long-term rating with a positive outlook.

Standard & Poor's also published its credit rating of Zagreb Holding in September, whereby it affirmed its 'B+' long-term rating with a stable outlook.

## NEW COLLECTIVE AGREEMENT SIGNED

Negotiations on a new collective agreement with representative trade unions were initiated in March 2019. The negotiations were concluded on 30 December 2019, when a new Collective Agreement for the employees of Zagreb Holding was executed, with effect as of 1 January 2020. Upon entering into force of the new Collective Agreement, the employees' basic wage will be increased by 5.8% and non-taxable benefits (annual bonus, food allowance and childbirth allowance) will also be increased, which will result in an increase in the employees' net income in the next year.

During the negotiations, in October, an Annex to the Main Collective Agreement was also concluded, by virtue of which a non-taxable bonus and non-taxable food allowance were introduced until the conclusion of the new Collective Agreement, in accordance with the amended tax regulations

pertaining to the increase in the employees' non-taxable income. By virtue of this Annex to the Main Collective Agreement, the income of all employees was increased.

Furthermore, by virtue of the Decision of the Company's Management Board, the employees working under arduous conditions received a bonus pay up to the non-taxable amount, which on average amounted to HRK 400-500 per employee/month. This bonus pay was introduced as a temporary measure between 1 August and 31 December 2019 until the execution of a new Collective Agreement. This measure applied to 2,877 employees of Zagreb Holding performing the hardest physical labour related to core business operations. Total payments to employees under this measure amounted to HRK 5,720,985.

# MAMFORCE<sup>®</sup>

On 29 November 2019, Zagreb Holding was awarded the Basic Mamforce Company<sup>®</sup> Standard Certificate, which puts the Company among the employers whose business strategy is aimed at improving labour policies and working conditions in terms of family responsibility and gender equality. The Certificate was awarded as part of the “Responsible Employers for Responsible Parenting 2.0” conference. President of the Management Board, Ana Stojić Deban, accepted the Certificate on behalf of Zagreb Holding.

## Employees – our most valuable treasure

MAMFORCE COMPANY<sup>®</sup> is a recognised sign of quality which confirms an employer’s competences in implementing a human resources policy based on family responsibility and gender equality. Mamforce Standard encourages employers to help their employees balance their private and professional life and to provide equal opportunities for development to both women and men by maintaining corporate social responsibility. The Mamforce Method assesses current governance policies and labour practices for the purpose of obtaining quantifiable indicators of the governance system in relation to the market (relative standard) and best practices possible (absolute standard). A DEI\* assessment was being conducted at Zagreb Holding for several months, with the aim of determining the level of development of policies and procedures, collecting the employees’ experiences and analysing human resources.

After the assessment was carried out, Zagreb Holding acquired the right to be granted the so-called Basic Mamforce Company<sup>®</sup> Standard Certificate.

The external assessment allowed for an objective analysis of the current situation and gave us an insight as to how the employees perceive human resources policies and practices, which, among other things, have an effect on their ability to balance their private and professional life, as well as on employee satisfaction and gender balance.

Among other things, the analysis of the current situation has shown that our highest value lies in our employees, who work hard to contribute to the Company’s success. The employees also value when their private and family matters are taken into consideration and when they can discuss them openly with their superiors.

Moreover, we have also realised what activities we may carry out for the purpose of improving employee satisfaction, which has a direct impact on the quality of life. By adopting the action plan, carrying out particular activities and implementing certain measures, Zagreb Holding will strive to achieve an even higher level of employee satisfaction, as happy employees represent an additional value and guarantee the organisation’s success.

Zagreb City Gasworks Ltd., a related company of Zagreb Holding, was also granted the Basic Mamforce Company<sup>®</sup> Standard Certificate on 29 November.

\*Diversity, equity and inclusion.

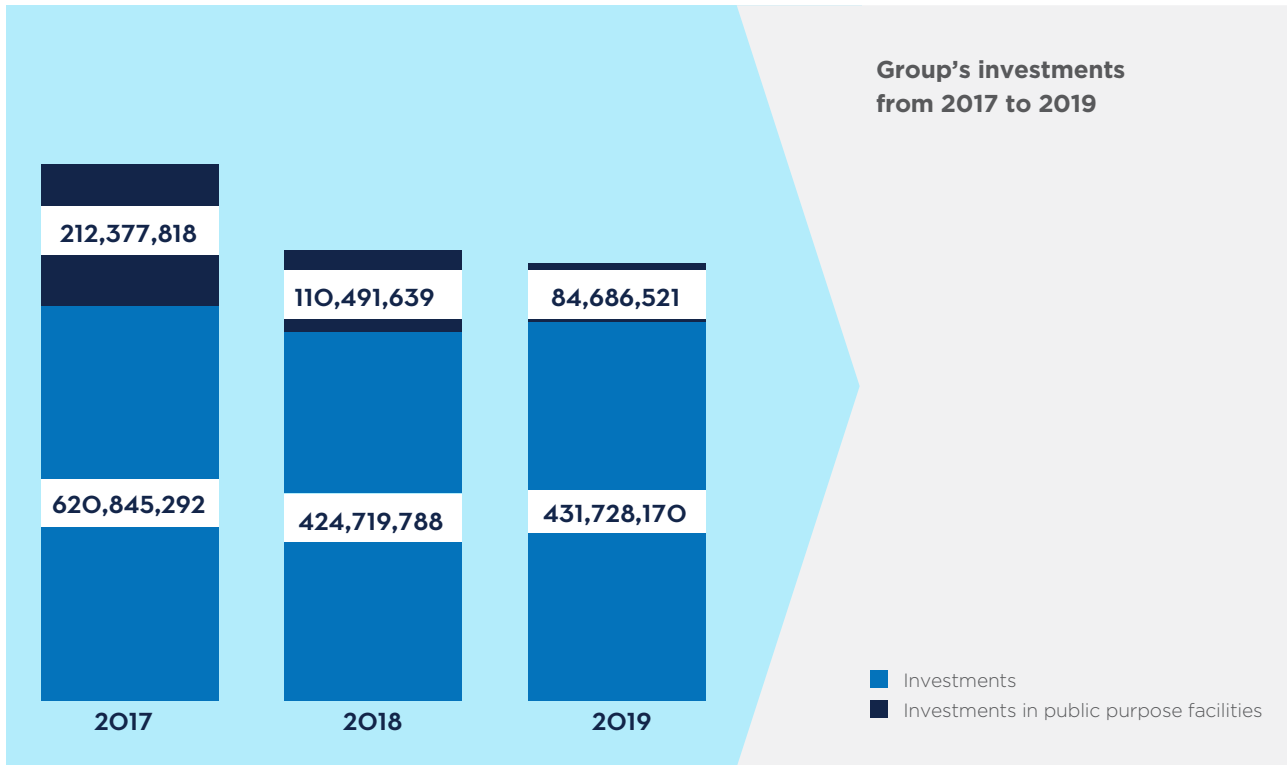


*Bring Your Kid to Work Day, which was organised in 2019 for the third time in a row, flexible working hours where possible, use of annual leave on several occasions during the year and equal rights for all employees are only some of the measures and policies putting Zagreb Holding among other employers that have been awarded the MAMFORCE COMPANY<sup>®</sup> Standard Certificate.*

## OVER HRK 544 MILLION INVESTED BY THE GROUP

Investing in the development of services and the infrastructure has been one of the Group's priorities. Over the last three years, the Group invested a total of HRK 1.5 billion in the infrastructure, machinery and equipment, as well as additional HRK 407.6 million in the public purpose facilities developed by

the Group's companies for the City of Zagreb (construction of the day-care hospital and underground garage of the Sveti Duh Clinical Hospital, construction of the Hrvatski Leskovac Primary School and extension to the Jelkovec Primary School) and for the construction of the city area Podbrežje.



Total investments realised by the Group in 2019 amounted to HRK 459.8 million, representing an increase by HRK 35 million compared to the previous year, and additional HRK 84.7 million was invested in public purpose facilities and the construction of the city area Podbrežje. The largest

investments, amounting to HRK 223.7 million, were made by the company Water Supply and Drainage Ltd., followed by the subsidiary City Waste Disposal (HRK 85.4 million) and Zagreb City Gasworks Ltd. (HRK 85.3 million).



## Extension of water supply network by 17 km and drainage network by 14 km

In 2019, Water Supply and Drainage Ltd. constructed 17 kilometres of water pipelines (of various sizes) and 14 kilometres of canals. Also, with the aim of reducing water losses and protecting the environment, 8.3 kilometres of water pipelines and 3.2 kilometres of canals and canal facilities were repaired. In addition to the improvement in the quality of the water supply and drainage system, the extension of fundamental water supply and drainage capacities resulted in 1,980 new water supply connections and 1,125 new canal connections.

Besides improving the quality of water supply and drainage in the existing facilities, the investments in the water supply and drainage system also allow for the development of adequate capacities for new facilities.

Among the projects that were realised and started in 2019, we would like to highlight the construction of the water supply pipeline in Ašpergeri, Pavlići and Gajani, measuring 4,390 m in length, reconstruction of the water supply pipeline in Dubec, the total length of which will amount to 7,099 m and construction of the water supply pipeline in Staro Brestje and Novo Brestje, Brestovečka Road from Zagrebačka Road to Josip Račić Street, with a total length of 5,038 m.

One of the largest investments in the water drainage system involves the construction of the collector along Čulinečka Road. The project covers the route from Trnava (connection to

the existing collector at Čulinečka Road) to Slavonska Avenue and involves the construction of 1,362 metres of sewer pipes (66.35 metres of microtunneling). Additionally, for the purpose of improving the drainage system in the city district Donja Dubrava, the construction of 35 canals with a total length of 4,855 metres was started. The entire area is characterised by narrow street corridors and high-density family housing on relatively small plots. Completion of this project will ensure a permanent water drainage solution for individual structures, which will significantly improve the standard of living and completely eliminate the negative impact on the environment. The construction of the Dubravica collector (section 1 and section 3) was also started in 2019 and it includes the construction of two collector canals (with a length of 695 m and 302 m). Besides drainage via the public sewage system, the construction of the collector canal will allow the rehabilitation of the Kostanjek landslide.

In 2019, we continued the project called "Water for Every Household". The project was started one year earlier jointly with the City of Zagreb and it covers the city districts Črnomerec, Brezovica, Gornja Dubrava, Maksimir, Novi Zagreb - West, Podsljeme, Podsused Vrapče, Sesvete, Stenjevec and Trešnjevka South, i.e. a total of 80 kilometres of a new network. Procurement procedures were initiated in 2019, while a large-scale construction of water supply pipelines is planned for 2020 and 2021.

### PUBLIC DRAINAGE

**2,174 km**

total length of canals

**75,037**

canal connections in total

**95.05%**

of residences and businesses connected to the public drainage system

### PUBLIC WATER SUPPLY

**3,212 km**

total length of pipelines

**101,639**

connections in total

**99.26%**

of residences and businesses connected to the public water supply system

# GROUP'S INVESTMENTS IN 2019

Subsidiary Zagreb Freight Station invested a total of HRK 13.7 million for the purposes of modernising business operations and procuring two cranes and 12 forklift trucks.

A total of HRK 1.9 million was invested in the reconstruction of city pharmacies and additional HRK 219 thousand was invested in the procurement of equipment.

Implementation of the public garage automation system was continued, with investments totalling to HRK 2.9 million.

Turntable ladders, tractor implements and various mowers are some of the items of equipment procured for park areas maintenance.

**2019** Construction of day-care hospital and underground garage at Sveti Duh Clinical Hospital continued.

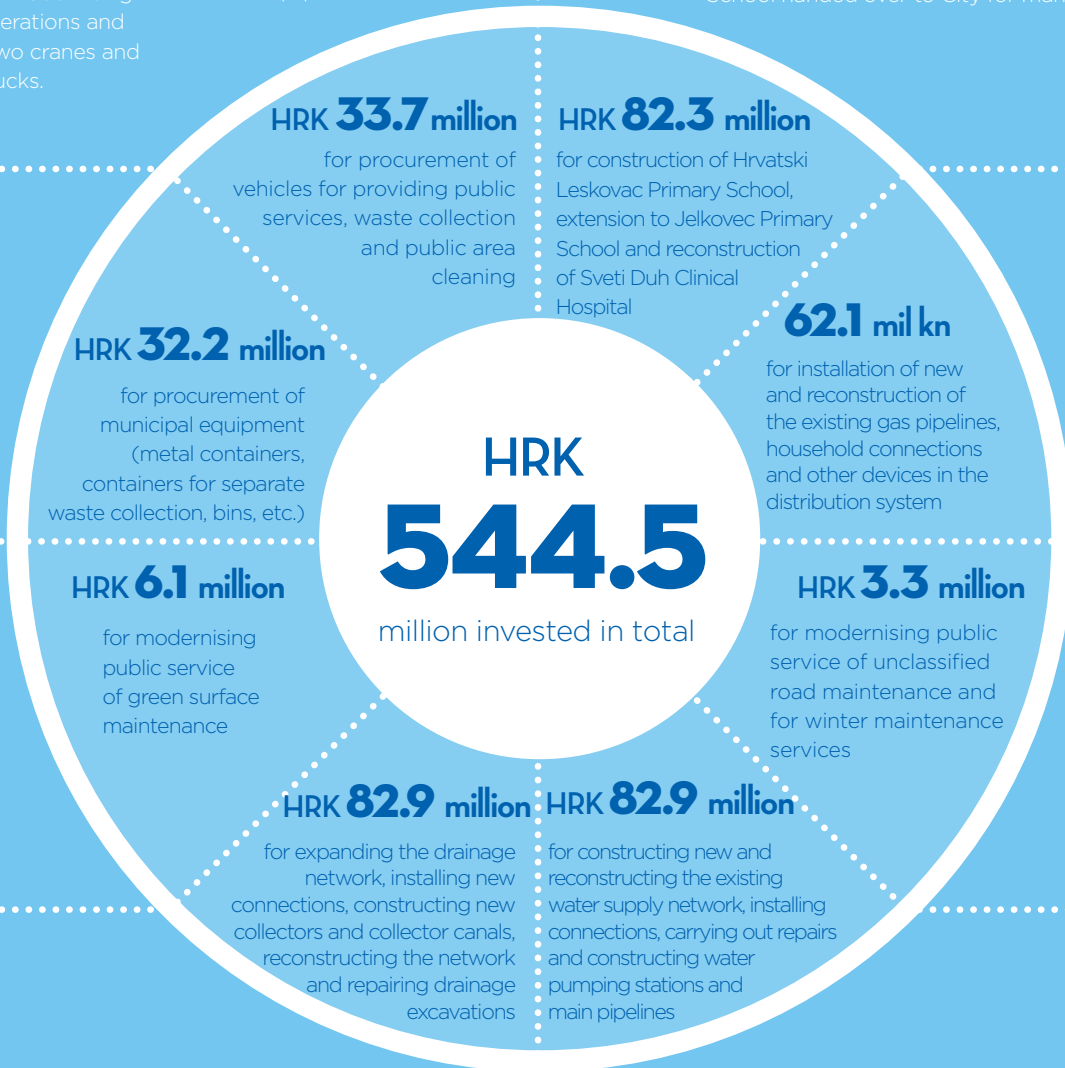
Hrvatski Leskovac Primary School with sports gym completed.

Building of extension to Jelkovec Primary School started.

**2018** 608 apartments built in Podbrežje.

**2017** Sports gym and swimming pool next to Novi Jelkovec Secondary School completed.

**2016** Svetice Swimming Pool Complex and swimming pool and sports gym at Iver Primary School handed over to City for management.



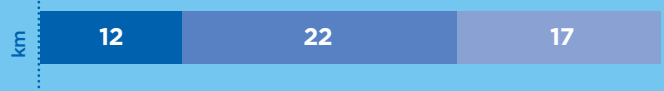
34 km of new gas pipelines was constructed, 3,749 new pipeline connections were installed and 27,000 gas meters were replaced in Zagreb.

Total of 664,881 m<sup>2</sup> of roads in Zagreb are asphalted.

**New drainage canals constructed**



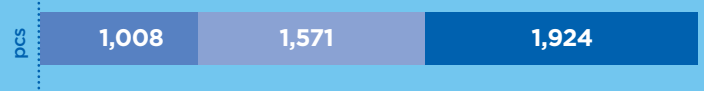
**New pipelines constructed**



**New drainage network connections**



**New water supply network connections**



■ 2017 ■ 2018 ■ 2019

■ 2017 ■ 2018 ■ 2019

## Over 34 kilometres of new gas pipelines

With total investments in 2019 amounting to over HRK 85 million, Zagreb City Gasworks Ltd. has completely fulfilled its mission of ensuring safe and reliable gas distribution to calculation and metering points, i.e. to end customers. Significant amounts of resources were invested in the reconstruction of the gas distribution network and in the construction of 34 kilometres of the new gas distribution network (29 kilometres of medium-pressure gas pipelines and 5 kilometres of low-pressure pipelines) for the purpose of increasing safety and reducing losses. Also, 3,749 new end-user connections were installed. The installation of gas meters with an integrated radio module and stop valve was also continued and about 27,000 gas meters were replaced.

The most significant activities pertaining to the construction of the medium-pressure gas network were carried out in the city districts Brezovica, Sesvete and Peščenica-Žitnjak, where new gas pipelines with a total length of 11,453 metres were constructed. Besides the construction of new pipelines, two capital projects started in 2019 are also in progress. These projects involve a reconstruction of the high-pressure pipeline west with a length of 2,225 metres and a reconstruction of the low-pressure pipeline in Volovčica, covering over ten kilometres of the low-pressure gas network.

Activities related to further improvements in the gas system safety and reliability are carried out on a regular basis as well. Among other things, gas odourisation is regularly carried out before the heating season with the aim of detecting even the smallest leaks and repairing them in time. It was concluded that the entire gas distribution system was impermeable.

Zagreb City Gasworks Ltd., as the distribution system operator, has also started making preparations for gas price deregulation for consumers under the category of households and for future improvements in gas consumption measuring. In 2019, it continued preparing the underlying documents for the tender for procurement of study preparation services, which, among other things, considers the solutions of EU member states which opted for smart gas metering. This will be examined in terms of metering, data transmission and processing and gas consumption management. Besides the technical aspect, the study will provide an overview of financial costs arising from the smart metering roll-out, optimal smart metering roll-out scenarios and the duration of each phase, a risk analysis and a cost-benefit analysis of the smart metering roll-out in Zagreb City Gasworks' distribution system.



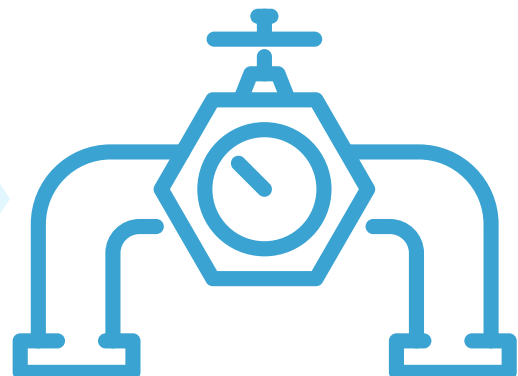
### ZAGREB CITY GASWORKS

total distribution network length

**3,922 km**

end customers

**287,579**





## Investments in new capacities and business modernisation

In 2019, we continued the activities related to the modernisation of business operations and investments in new capacities. Among other things, we started the modernisation of Hall 7 in Žitnjak, owned by the subsidiary Zagreb Freight Station, for the purposes of storing records of Zagreb Holding Group's components and of other interested entities in the market. The subsidiary invested a total of HRK 13.7 million, of which HRK 5.8 million was invested in the digital system and equipment for the records room in Hall 7 and HRK 5.7 million was invested in the procurement of two cranes and 12 forklift trucks for the purpose of performing core business operations.

The subsidiary Landfill Management realised investments in a total amount of HRK 9.9 million. The largest investments pertained to the GP4 gas system (design-construction-monitoring) and upgrade of the mTEO gas plant for generating electricity from landfill gas. Due to the extension of the gas plant by installing an additional generator 4 - GP4, electricity generation from renewable sources (landfill gas) in 2019 was increased by 29% compared to 2018, namely from 18,297,660 kWh to 23,576,720 kWh. Construction of the noise barrier at the gas plant was also fully completed during the reporting period, in accordance with the building permit.

Over the last two years, we have also initiated several projects aimed at revitalising and reconstructing city markets managed by the subsidiary Zagreb Markets. In

2019, the subsidiary realised investments in the amount of HRK 8.1 million, primarily in modular stands for Dubec Market, which started operating in August 2019. Furthermore, a reconstruction of the power plant and replacement of the ammonia pipeline at the Wholesale Market and Cold Storage was also started.

In 2019, the subsidiary Zrinjevac invested a total of HRK 6.1 million in the procurement of transport vehicles, tractors, general purpose machinery and equipment. It is also important to highlight the investments in the reconstruction of the boiler room fuelled by wood chips, valued at HRK 1.4 million. This is the third boiler room of this kind at the subsidiary's premises and it will generate heat to be used for heating greenhouses, glasshouses and business offices. The new boiler room is fuelled by wood chips, which the subsidiary produces from residual wood biomass collected during landscaping.

Moreover, the subsidiary Zagrebparking continued the implementation of the automated parking payment and central management system at public garages. In 2018, the system was implemented in three out of nine public garages managed by the subsidiary and in 2019, it was introduced at two more garages ("Kvaternikov Trg" and "Gorica" public garages). Among other things, the implementation of the new system at said garages will create new parking permit payment channels via the "ZgPark" app. The value of the investment amounted to HRK 2.9 million.

## Public purpose facilities developed by Group for City of Zagreb

Zagreb Holding also constructs public purpose facilities for the City of Zagreb. Since its establishment in 2006, Zagreb Holding, among other things, has constructed and handed over to the City for management seven kindergartens, six primary schools, one secondary school and three swimming pool complexes. Also, the residential city area Novi Jelkovec and the first phase of the construction of the city area Podbrežje were completed based on the Zagreb Housing Construction's model.

In 2019, the Hrvatski Leskovac Primary School was handed over to the City for management and works on an extension to the Jelkovec Primary School were started. Reconstruction works on the Sveti Duh Clinical Hospital and construction of the day-care hospital and underground garage, which commenced in May 2017, were also continued in 2019.

Total investments in the public purpose facilities and construction of the city area Podbrežje in 2019 amounted to HRK 84.7 million.



## Optical fibre network construction project continued

The project of constructing an optical fibre network in Vrbanji III, Zagreb, which was commenced by the subsidiary Zagreb Digital City in 2014, was continued in 2019 as well. The aim of the project is to establish an open network allowing end users to select their operators freely and to ensure equal and non-

discriminatory conditions to all operators. Such open access is also supported by the European Commission, in accordance with the Directive 2014/61/EU on measures to reduce the cost of deploying high-speed electronic communications networks. The investments amounted to a total of HRK one million.

## IMPLEMENTATION OF WINTER AND SUMMER PROGRAMME FOR UNCLASSIFIED ROADS MAINTENANCE

Subsidiary Zagreb Roads maintains 2,633 kilometres of roads on a regular basis as part of the winter road maintenance and summer road maintenance programme. Summer road maintenance comprises pot hole repairs, refurbishment and painting/installation of road surface markings/road signs, maintenance of 464 traffic-light controlled junctions, replacement of public utility manholes, road equipment maintenance, maintenance of bridges with a total length of 10,318 m (94 bridges over ten metres and seven large bridges), mowing, drainage ditch cleaning and other works.

During 2019, the subsidiary asphalted 34,177 metres of roads as part of municipal services, 80,730 metres as part of the minor municipal actions plan by each local community centre, and 2,004 metres as part of emergency interventions, i.e. 116,911 metres of roads (664,881 m<sup>2</sup>) in Zagreb were asphalted in total. Furthermore, 66.91% of road repairs was covered using recycled stone.

Winter Road Maintenance Department spent 8,485 tonnes of salt and 5,445 tonnes of gravel operating from 17 winter service stations (two of which are owned by Zagreb Roads and 15 by cooperatives). A total of 292 units were divided into the 17 winter service stations, which comprise 175 trucks, 35 Unimogs (special-purpose vehicles) and 82 tractors, of which 30 trucks and 5 Unimogs are owned by the subsidiary Zagreb Roads.

In 2019, the subsidiary manufactured 199,181 tonnes of asphalt, of which 11,863 tonnes for third parties and the remaining 187,318 tonnes for own use.

Total investments made by the subsidiary in 2019 amounted to HRK 2.1 million. Among other things, the subsidiary invested in a freight vehicle with a hydraulic lifting platform and in a freight vehicle with a road marking machinery trailer.

## ESTABLISHING AN EFFICIENT WASTE MANAGEMENT SYSTEM

Through the subsidiary City Waste Disposal, the Group carries out public area cleaning and waste management activities in the City of Zagreb. In 2019, the subsidiary continued the activities related to establishing such a waste management system that will, upon implementation of adequate measures and actions, stop the constant increase in the amount of municipal waste, stop the constant decrease in the amount of deposited biodegradable waste and simultaneously increase the degree of separate collection and recycling of recyclable waste. Namely, this process concerns a shift from a linear to a circular economy, in which waste is not regarded as a “problem”, but rather a raw material for another technological process. Implementation guidelines are prescribed in the Municipal Waste Management Regulation (Official Gazette 50/17 and 84/19) and the Decision on the Manner of Providing the Public Service of Collecting Mixed Municipal Waste and Biodegradable Municipal Waste and Activities Related to Public Services in the City of Zagreb. Establishing an optimal waste management system is a long process, which in a system as large as that of the City of Zagreb requires substantial investments in the infrastructure and equipment.

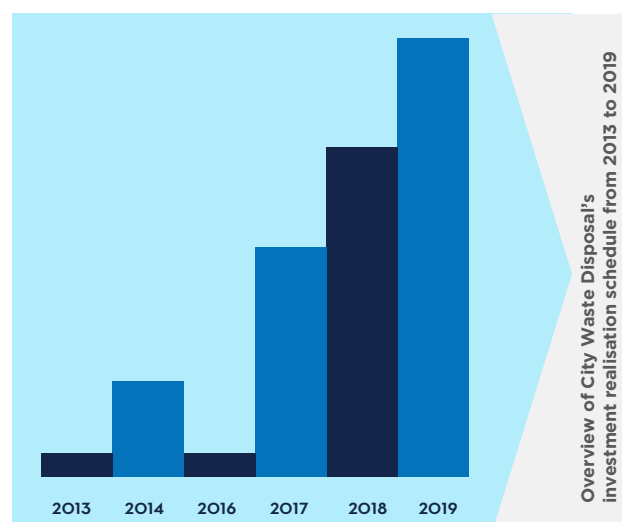
An overview of the subsidiary's investment realisation schedule from the adoption of the Act on Sustainable Waste Management in 2013 until 31 December 2019 is presented in the diagram below. The diagram shows that a large investment cycle was started in 2017 and that the investments realised by the subsidiary increase every year. Over the last three years, investments in the equipment, machinery, vehicles and construction works amounted to a total of over HRK 191.4 million, of which HRK 85.4 million was invested in 2019, representing an increase by 34% (HRK 21.9 million) compared to 2018. The amount of HRK 33.7 million was invested in the procurement of new vehicles and HRK 32.2 million in the procurement of municipal equipment.

Also, HRK 17 million was invested in 2019 in the computer equipment required for the introduction of the central IT system for municipal waste management. Introduction of this system will lead to significant improvements in business processes. Moreover, a system of tracking the amounts of waste collected

and service charges for collecting mixed municipal waste will also be introduced by using containers with RFID tags.

Installation of the required computer equipment involves equipping of vehicles and containers primarily for mixed municipal waste, but eventually for other types of recycled waste as well. In 2019, the necessary computer equipment was installed in all vehicles for mixed municipal waste collection, while RFID tags were installed on 80% of containers.

In addition to the door-to-door separate waste paper collection services, which were introduced in 2016, in February last year, the services were expanded to cover yet another type of biodegradable municipal waste - biowaste. Only a few months later, in April, the door-to-door separate waste collection services were expanded to also include plastic and metal packaging. In the first stage of service expansion, biowaste bins and bags for the disposal of plastic and metal packaging were distributed to family homes, and in June, the services of separate biowaste and plastic and metal packaging collection were expanded to also include residential buildings.



## Waste management objectives that must be fulfilled by 2022\*

- > 5% reduction in the total amount of municipal waste
- > Separate collection of 60% of municipal waste
- > Separate collection of 40% of biowaste from municipal waste
- > Disposal of under 25% of municipal waste at landfills
- > Separate collection of 75% of construction waste
- > Improvement of management system for other special categories of waste
- > Rehabilitation of locations polluted by waste
- > Conduct of educational and informative activities on a regular basis
- > Improvement of the IT waste management system
- > Improvement of waste management monitoring activities

\* Waste management objectives defined in the 2018-2023 Waste Management Plan for the City of Zagreb, for which Zagreb Holding is either the activity leader or participant.

## Fulfilment of waste management objectives in 2019

In 2019, for the purpose of fulfilling waste management objectives, City Waste Disposal realised the following infrastructure investments and activities:

- HRK 32.2 million was invested in the procurement of municipal equipment, primarily in containers for separate waste collection, skips and large bins.
- The subsidiary procured 48 various municipal vehicles with a total value of HRK 33.7 million, which are required for providing public services.
- During the year, the subsidiary distributed a total of 10,293,920 biodegradable bags for separate biowaste collection to multi-apartment buildings and 8,942,960 bags for separate collection of plastic and metal waste packaging, which were provided to service users in two distribution cycles. Packages contain bags for the disposal of plastic and metal packaging (13 60L bags, free of charge) and biodegradable bags for the disposal of biowaste (26 30L bags, free of charge).
- The number of containers for separate collection of recyclable waste based on the “door-to-door” system was increased by 89%. Namely, at the end of 2019, the number of containers was 185,299, 73,713 of which were biowaste containers (with the capacity of 120, 240 and 1,100 litres) and all of which were distributed in 2019.
- Moreover, a new recycling centre “Žitnjak” was opened and at the end of the year, ten fixed and seven mobile recycling centres (container-type) were fully functional. Citizens may use them to dispose of 30 types of waste free of charge.
- During the year, the subsidiary organised a series of informative and educational activities at city markets, parks and shopping malls, held public discussions across city districts, informed the users on a regular basis via informative brochures accompanying utility bills and carried out many other activities.

# 80.2%

increase in the amount of plastic collected separately

# 47.7%

increase in the amount of paper collected separately

# 7x

larger amount of biowaste collected from households

# 7.25%

reduction in the mass of mixed municipal waste produced

## Implementation of work programme for municipal waste collection and removal activities

- For the purpose of carrying out mixed municipal waste collection and removal activities, the subsidiary developed 268 work programmes, for which it engaged an average of 91 vehicles per day. Of those 268 work programmes, 21 pertained to weekly waste removal, 221 to semi-weekly waste removal and 26 to removal of waste three times a week.
- Regarding the service of biodegradable municipal waste (waste paper and cardboard) removal, the subsidiary developed 162 work programmes pertaining to semi-monthly waste removal, for which an average of 14 vehicles were engaged every day. Regarding biowaste removal, the subsidiary developed 108 work programmes on a weekly basis, for which it engaged an average of 18 vehicles per day.
- Service of collecting bulky waste is provided at service users' request. Service users receive request forms at their home address and the service can also be requested using an online form. For those purposes, an average of six tipper trucks with a jack (grippers) were engaged per day, whereas four tipper trucks with a jack (grippers) were engaged per day for the purpose of rehabilitating illegal dumps. In 2019, the number of users using this service increased by 16% compared to 2018.

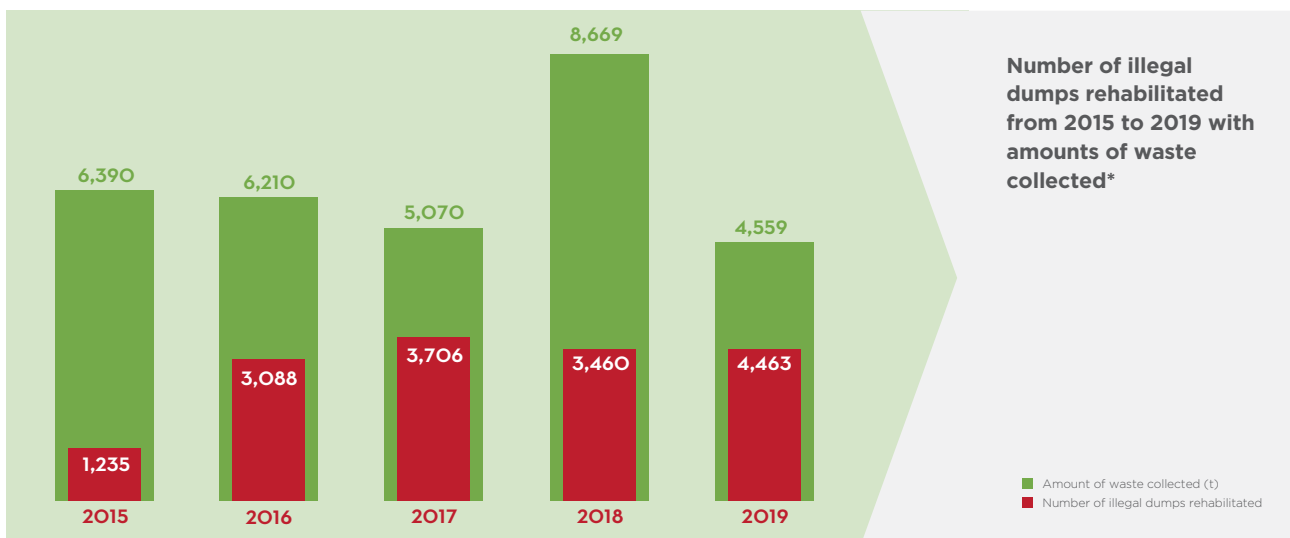


In 2019, a dual compartment vehicle for simultaneous collection of two types of waste was procured. It is a special vehicle for collecting and pressing all types of waste (mixed municipal waste, paper, biowaste, plastic) with two separate pressing compartments allowing up to three containers to be emptied at the same time. This is the first vehicle of this kind owned by the subsidiary City Waste Disposal.

## REHABILITATION OF ILLEGAL DUMPS

Despite numerous recycling islands, the increasing number of recycling centres and the bulky waste removal service provided free of charge twice a year at a service user's request, illegal dumps pose a serious problem for the City of Zagreb. From 2015 to 2019, the subsidiary City Waste Disposal rehabilitated

15,952 illegal dumps, from which 30,898 tonnes of waste was removed. The diagram below shows that the number of rehabilitated illegal dumps increases every year. In 2019, that number increased by 29% compared to the previous year.



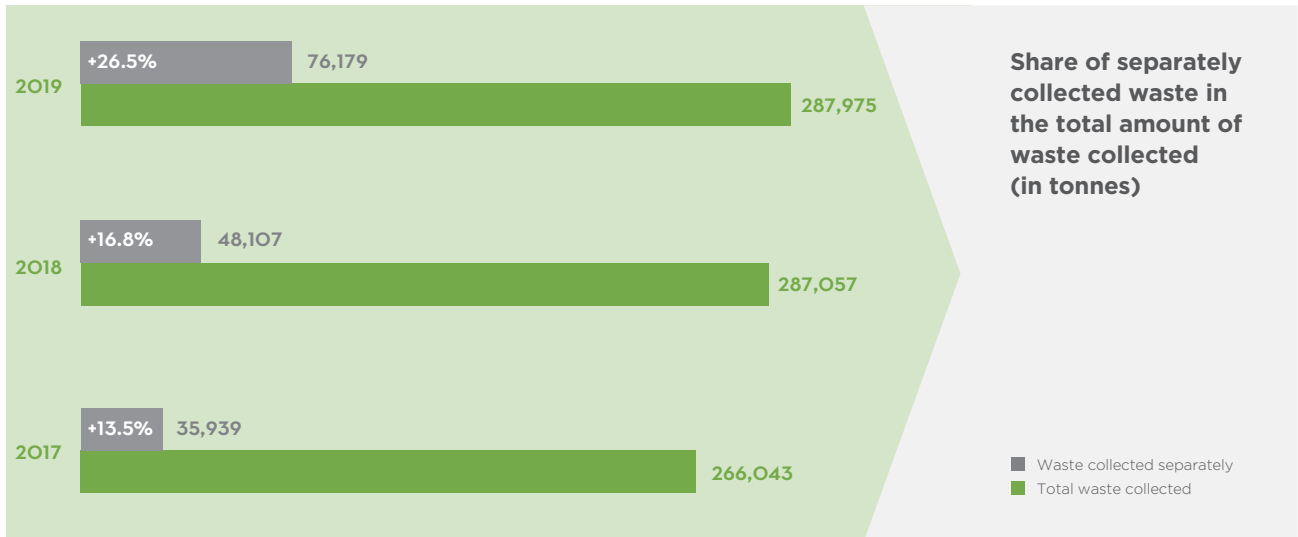
\* Data for 2015 and 2016 was obtained from monthly reports, whereas the data for other years shows the number of requests for the rehabilitation of illegal dumps received through the "e-Redar" app.



## Results of activities undertaken

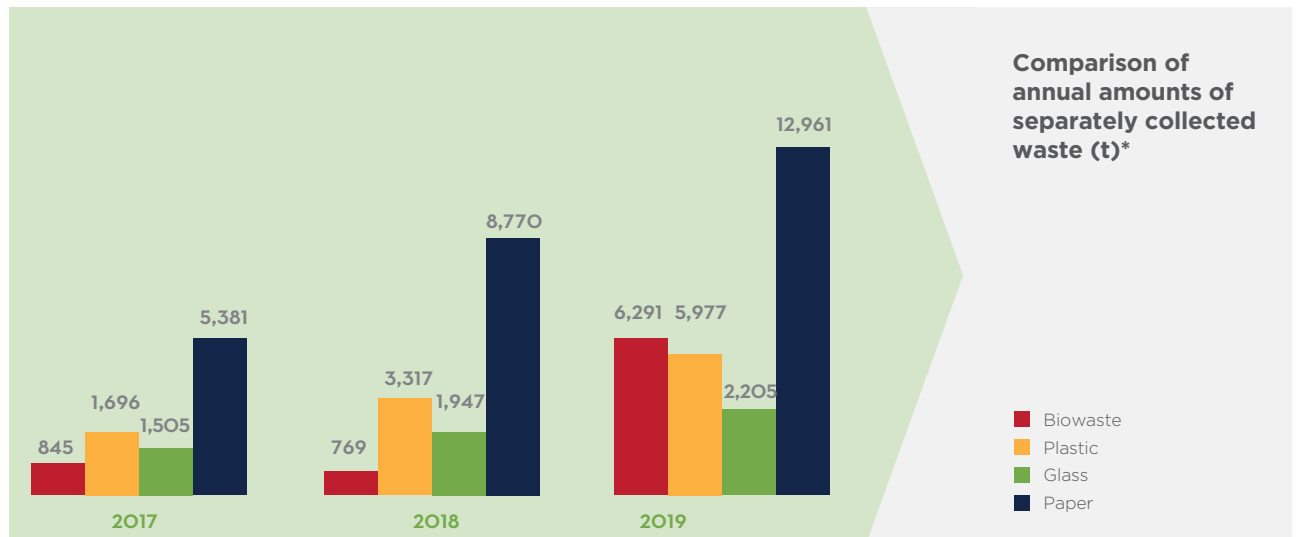
Eventually, all these measures resulted in an increased share of separately collected waste in the total amount of municipal waste collected, namely from 16.8% in 2018 to

26.5% in 2019. As presented in the diagram below, there is a steady growth in the share of separately collected waste.



There has also been a significant increase in the amount of paper, glass, plastic and biowaste collected separately. Annual amounts of separately collected waste show that the amount of biowaste collected from households

in Zagreb in 2019 increased more than sevenfold compared to 2018. In the same period, the amount of waste paper, plastic and glass collected separately increased by 47.74%, 80.2% and 13.23% respectively.



\*Data pertains to the comparison of the amount of waste collected via containers for separate collection of waste set up in public areas and via the "door-to-door" system.

Accordingly, as the result of the implementation of waste prevention and minimisation measures and activities, as well as of separate collection of recyclable

waste, the mass of mixed municipal waste produced in Zagreb in 2019 decreased by 7.25% compared to 2018.



4

**MANAGEMENT  
REPORT AND  
BUSINESS  
ANALYSIS**

# MANAGEMENT REPORT AND BUSINESS ANALYSIS

Pursuant to the Accounting Act (Official Gazette 78/15, 134/15, 120/16), the Management Board of the Company hereby presents the Management Report for the year that ended as on 31 December 2019.

## GROUP'S STRATEGIC OBJECTIVES AND DEVELOPMENT PRIORITIES

The Group's main task is to achieve financial and non-financial objectives and interests of the broader social community in relation with the objectives and requirements of the City of Zagreb as the full owner of the company Zagreb Holding Ltd.

In accordance with the development strategy of the City of

Zagreb, the Group's strategic objectives and development priorities are based on the smart, inclusive and green city concept. Said elements are closely related to the three key objectives set in the 2015-2020 Development Strategy of Zagreb Holding – high-quality and reliable public services, growth and development, and corporate responsibility and sustainability.

### FOR A SMART, INCLUSIVE AND GREEN CITY

Strategic objective 1:

#### HIGH-QUALITY AND RELIABLE PUBLIC SERVICES

- Improvement of existing products and services
- Development and integration of new products and services

Strategic objective 2:

#### GROWTH AND DEVELOPMENT

- Stable positive performance
- Organisational and corporate development
- Human resources development

Strategic objective 3:

#### CORPORATE SUSTAINABILITY

CSR, social, economic and ecological aspects

- Participatory governance – cooperation with citizens, associations and local communities
- Environmental protection

The key objectives are accomplished by improving the existing and developing new products and services in accordance with the principle of sustainability, which is extremely important for completing our mission – to efficiently provide municipal and urban services through a responsible business conduct focused on the achievement and maintenance of satisfaction of all involved interest groups.



# CORPORATE RESPONSIBILITY AND SUSTAINABILITY

As the largest urban municipal services operator, Zagreb Holding Group is aware of its considerable impact on the environment and society. Even though the Group's main task is to provide high-quality public municipal services and goods to the citizens of the City of Zagreb, the Group's companies also perform other activities of public interest and are characterised by a strong interconnection of financial and non-financial objectives with the interests of the broader social community in which they operate. The Group not only contributes to local development with its financial results, but also influences the economic and social developments in the Croatian economy. Employing a substantial number of workers and working with suppliers, contractors and other stakeholders, the Group contributes to the local community by building stable partnerships. In line with city policies, aiming to avoid potential negative impacts on the environment and society and to increase the long-term value in public interest, the Group is dedicated to the implementation of sustainable development principles in its daily business processes.



When fulfilling its mission, the Group strives to ensure the maximum protection of the environment and public interest of the City of Zagreb, whereas its long-term strategic orientation is focused on achieving business excellence and ensuring sustainability of activities in order to satisfy the needs of all the existing and future users of services provided by the Group's companies. The broader responsibility perspective of Zagreb Holding entails responsible corporate action, including economic, social and environmental responsibility. Economic, social and environmental responsibility represent a constituent part of the Group's business objectives, which are based on the principles of sustainable development and corporate social responsibility.

- The Group believes that corporate social responsibility practices include management of the impact of the Group's operations, products and services on society, such as social investments, involvement in the development of the local community and issues related to respecting employee rights and investments in human resources, health and safety.
- A responsible practice in the domain of environmental protection pertains to the management of the impact of the Group's operations, products and services, such as production technology and efficiency of exploitation of natural resources.

The Group presents its complete corporate social responsibility policy in a separate annual consolidated non-financial report, i.e. the 2019 sustainability report.

## RELATIONSHIP WITH SERVICE USERS

The Group's day-to-day operations are aimed at improving the visibility and accessibility of all data and information related to the citizens and service users, thus contributing to the transparency of its own operations and ultimately earning more and more trust from the citizens and other interest and influence groups in the public administration system. The importance of the relationship with all interest and influence groups is recognised through the interactive, formal and informal communication that we have established and that is realised either directly or indirectly through digital communication channels. Such communication allows interest and influence groups to ask questions, voice their opinions and discuss topics of relevance for them.

### Digital communication channels

An important role in the availability of services and related information for end users is played by Zagreb Holding's Call Centre. It was introduced in 2015 by integrating phone communication into a single platform, which has been available 24 hours a day, 365 days a year ever since 1 September 2016. By calling the number 072 500 400, without incurring any additional charges and at a rate charged for a local call to landline, service users can obtain important information about public transportation, traffic and municipal infrastructure, energy-related activities and our market offer.

If for any reason callers are not able to connect with the Call Centre, agents will call them back to provide them with information they request, which makes this Call Centre special in comparison with other similar centres. Since its establishment in 2015, the Call Centre has transformed into the main centre of digital communication with Zagreb Holding Group. In addition to calling the aforementioned number, service users may also communicate directly with the agents of the Call Centre online, via chat at holdingcentar.zgh.hr, WhatsApp, Viber, Facebook Messenger and social networks, where they can also follow the information about our services. During 2019, the Call Centre received a total of 614,096 calls to the number 072 500 400 and had 140,140 interactions through digital services (WhatsApp, Viber, chat, Facebook Messenger, e-mail and e-Citizens).

Since 2014, service users can access Zagreb Holding's invoices via the e-Citizens system. Since 2018, the system supports electronic receipt of the majority of requests related to the ordinary course of business, which are usually the main reason why citizens have to visit our offices in person.

The Group has also developed its own apps: Moj račun ("My Bill"), Moj VIO ("My Water Supply and Drainage") and ePK and ZgPark (parking permits).

#### e-Requests

- > Overview and management of the single utility bill
- > Modifying user data and bill delivery address
- > Requests for reposting of overpaid bills
- > Cancelling paper billing

Holding Centre has the pivotal role in managing communication with service users. It acts as the main channel of communication between Zagreb Holding Group, service users and the general public with the aim of standardising communication practices, supplying relevant information and avoiding parallel systems. It also provides full customer support, which is characterised by full 24/7 availability and professional communication with citizens. Customer support is provided directly at branch offices, via the Mobile office and through digital channels.



# 614,096

calls received at  
072 500 400

# 140,140

messages and other interactions via  
digital communication channels



#### Web and mobile apps

- > Moj račun ("My Bill") - gas bill management
- > Moj VIO ("My Water Supply and Drainage") - water bill management
- > ePK and ZgPark - purchase of all types of parking permits

**24/7 customer support at 072 500 400 / holdingcentar.zgh.hr**

## Direct communication with service users

In addition to digital communication channels, service users may also visit branch offices and contact customer centres, where the pivotal role is played by the main Customer Centre located in Ulica Grada Vukovara 41. Upon the transfer of the economic unit of City Housing and Municipal Services Company Ltd. to Zagreb Holding Ltd., the Customer Centre became a component of the Holding Centre as of 1 February 2019. The Holding Centre now comprises two organisational units – Call Centre Department and Contact Centre Department, with the former being focused on all types of digital communication with service users, and the latter being focused on direct contact with service users and citizens.

The Holding Centre branch office offers the following services at one place: payment of invoices without transaction fees at the counter or via the self-service device, receiving and processing requests, issuing certificates, review of account balance by fees, subscription to SEPA Direct Debit services, reporting gas and water meter readings, checking availability of transportation and market services provided by ZET, Zagrebparking and Zagreb Bus Terminal, etc.

Last year, we also opened a position for the provision of services rendered by the related company Zagreb City Gasworks-Supply Ltd., with the aim of ensuring that gas customers also have a fast, accurate and safe means of communication at the Holding Centre. Our ultimate objective is to improve the process of natural gas services subscription, timely charging and payment to the mutual satisfaction of both customers and the supplier.

Furthermore, we also introduced an area where customer privacy is guaranteed and we also allow the possibility to schedule meetings at service users' convenience. We have also

ensured a special customer zone – e-corner – where service users can print documents or review e-services by themselves.

Service users who have only one inquiry or just need to pay their bills can use quick services, which can be selected via the queue system. This significantly reduces the queue time for service users requiring only one service at the Centre.

The Holding Centre branch office aims to be as available as possible during the entire year, thus profiling itself as a true service for the citizens. For that purpose, in April last year, the working hours were extended and the branch office is now available every day, without a summer break, from 7:30 AM to 7:30 PM on business days, as well as on Saturdays from 8 AM to 12 PM.

Service users requiring only one service at the Holding Centre branch office can use quick services, which can be selected via the queue system.

Integration of the Customer Centre into the Holding Centre also allows us to analyse the Centre's operations and tailor our services according to the service users' preferences.

From 1 February to 31 December 2019, 190,276 service users visited the Holding Centre branch office and the average queue time was 2.52 minutes, while services were provided in 4.57 minutes on average. In the same period, 5,631 citizens' inquiries were responded to by e-mail, 1,813 requests for reposting of overpaid bills were received and processed, and 1,601 certificates were issued.

## Mobile Office

Since May 2017, users of Zagreb Holding's services may also use the Mobile Office. This specialised vehicle enables service users to manage the services they use in a more accessible manner, following the "all services at one place" principle. The Mobile Office visits all city districts according to a prearranged monthly schedule, which is published on Zagreb Holding's website and social networks. The schedule is also provided to service users on posters/brochures at relevant locations and printed on the back of the single utility bill.

Furthermore, through the Call Centre and via the online form at [holdingcenter.zgh.hr](http://holdingcenter.zgh.hr), service users can also appoint individual visits, especially visits to the homes of elderly and disabled citizens, as the vehicle is adapted for persons with disabilities.

At the Mobile Office, service users may receive full support, just like at the Holding Centre branch office.

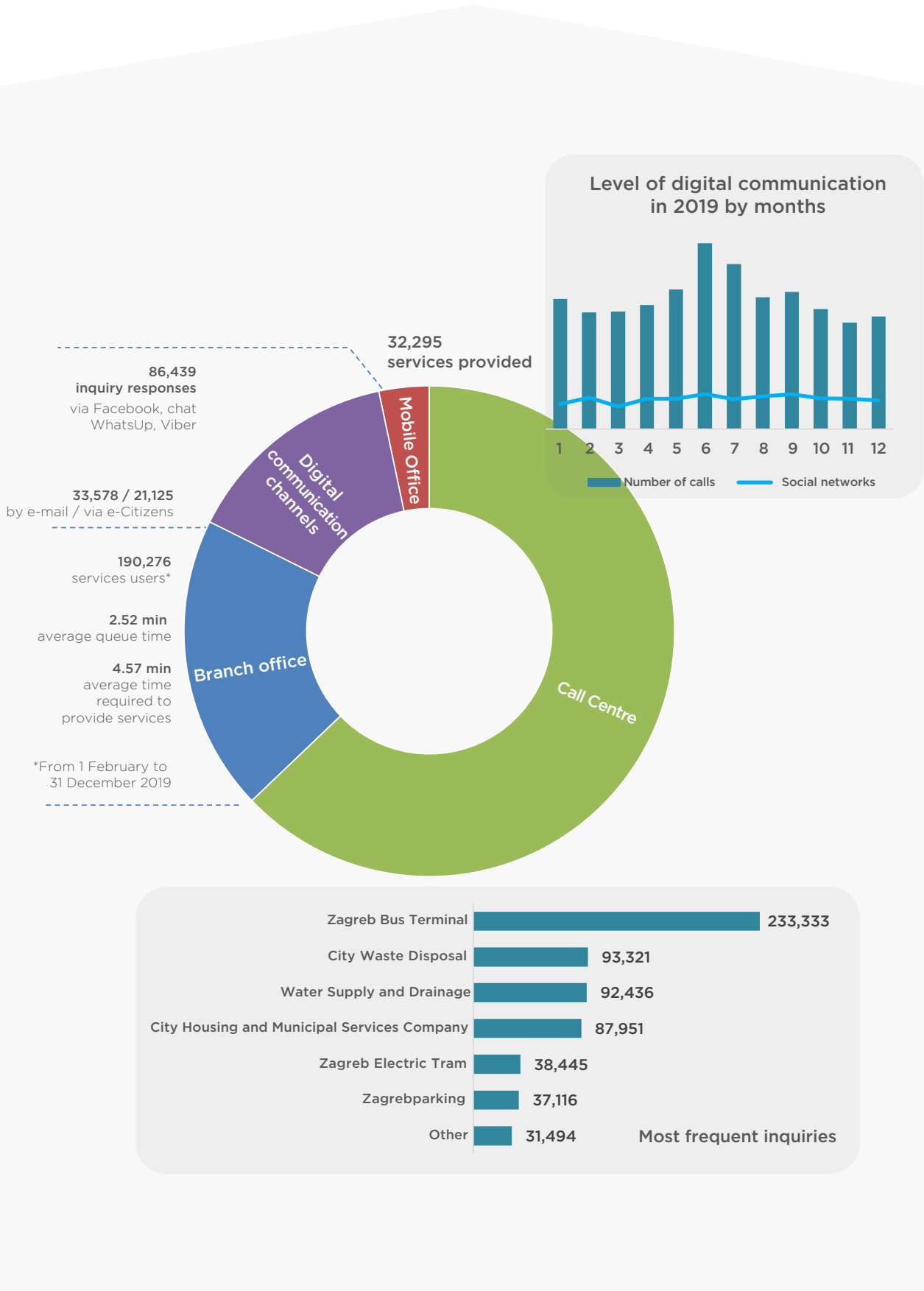
Due to a considerable interest shown by service users, who at the Mobile Office can subscribe to or modify any of the services offered by Zagreb Holding, as well as

obtain information, consult about services, file requests or effect payments of Zagreb Holding's invoices without any transaction fees, the working hours of the Mobile Office were doubled in March last year. On business days, the Mobile Office visits as many as four city districts (from 8 AM to 8 PM) and it is still available in Zagreb markets area on Saturdays (from 8 AM to 1 PM).

Compared to 2018, the number of services provided by the Mobile Office in 2019 increased by almost 100%, namely from 16,155 to 32,295.

For the purposes of developing the relationship with service users even further by bringing the services closer to the target groups and facilitating business processes, a small branch office will be established in 2020 as part of the reconstructed market area in Dubec, near the streetcar turning loop, which will be intended for the citizens living in the east part of the City. Citizens in that part of the City could only use the Mobile Office services to regulate their relationship with the Company. However, by opening a new branch office, we will be able to dispatch the Mobile Office to other city areas more frequently.

# HOLDING CENTRE IN NUMBERS



## EMPLOYEES

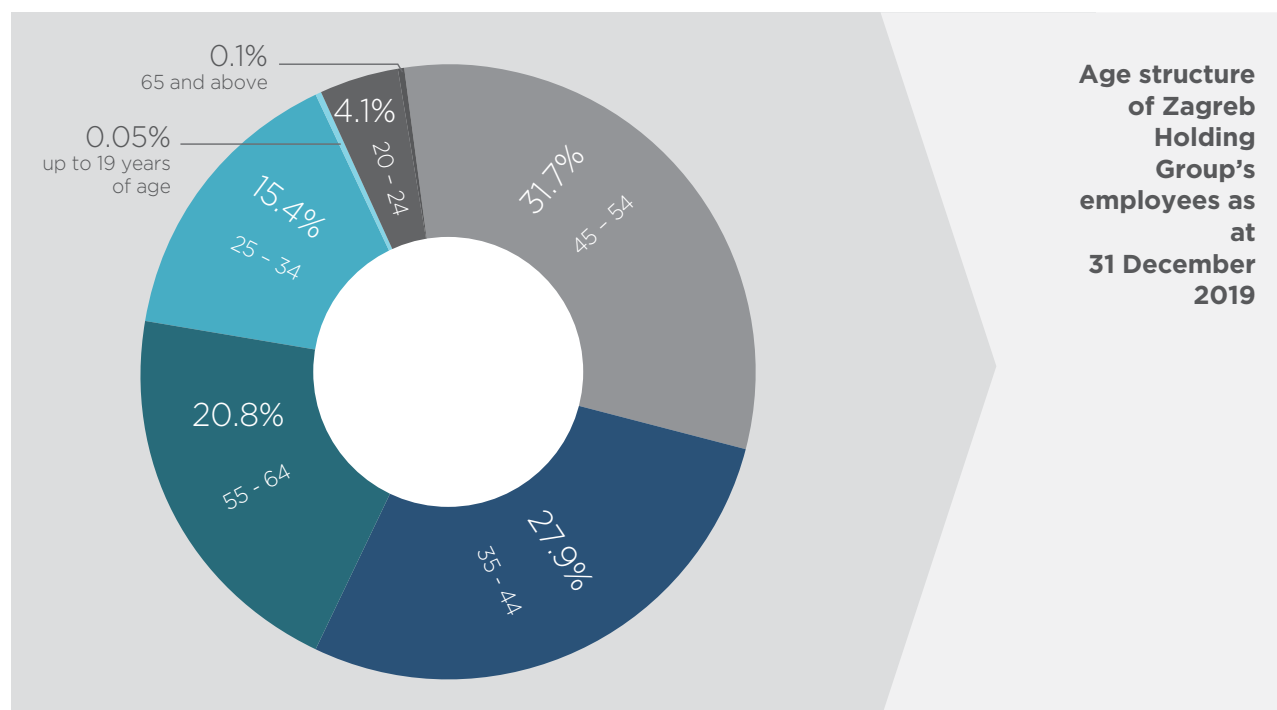
In addition to devoting attention to our impact on society as a whole and to the satisfaction of the users of our services, the Group also takes special care of the well-being of its employees. Our employees are our most valuable asset and they play a pivotal role in building an efficient system with potentials to deliver high-quality services to the citizens and the businesses of the City of Zagreb.

As at 31 December 2019, the Company had 5,291 employees, whereas the Group had 7,794 employees. In comparison with 31 December 2018, the number of employees increased by 5% (253) at the level of the Company and by 3.5% (265) at the level of the Group.

DESCRIPTION	Zagreb Holding Ltd.		Zagreb Holding Group	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
NUMBER OF EMPLOYEES	5,291	5,038	7,794	7,529
% OF WOMEN IN TOTAL NUMBER OF EMPLOYEES	20	20	26	26
% OF WOMEN IN SENIOR MANAGEMENT POSITIONS	44	53	37	46
NUMBER OF TRADE UNIONS	19	20	25	25
NUMBER OF PERSONS WITH DISABILITIES EMPLOYED	130	139	213	220

The Group is also one of the rare companies with a high percentage of women holding senior management positions. Although this ratio was somewhat lower at the end of 2019 than in 2018, considering the percentage of women in the total number of employees, the percentage of women holding senior management positions is still respectable and ranges from 44% at the Company to 46% at the Group.

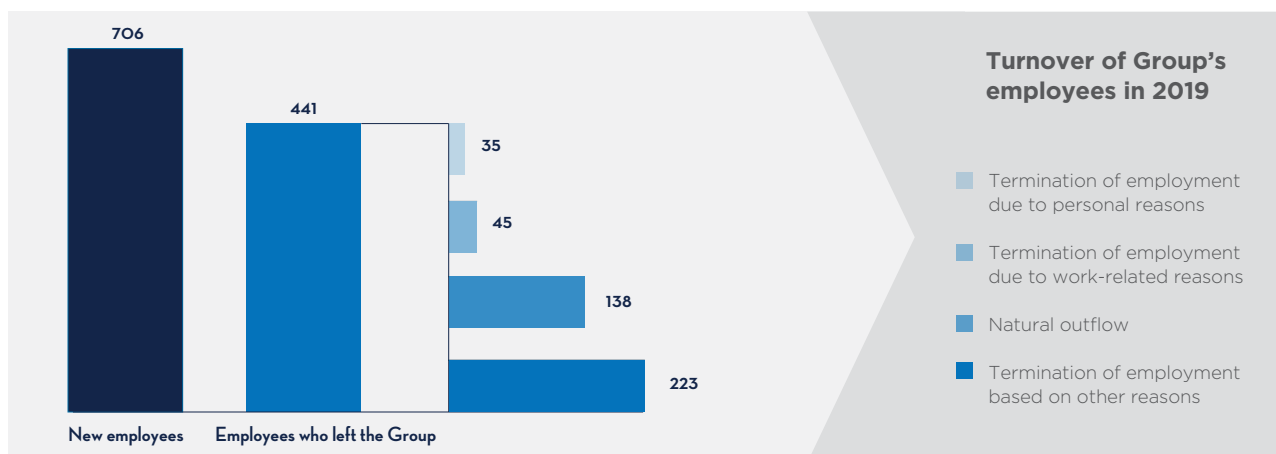
Regarding the age structure of the Group's employees, the majority of employees are between 45 and 54 years of age (31.7% or 2,471), followed by employees between 35 and 44 years of age (27.9% or 2,176) and employees over 55 years of age (20.8% or 1,618). The age structure of the Company's employees is approximately the same as the age structure of the Group's employees.



Since May 2017, Zagreb Holding has been planning and providing employment in accordance with a special instruction document adopted by the Company's Management Board. Among other things, the instruction also specifies that ethical principles, particularly those against discrimination on any basis and in any form, must be applied when hiring employees. In accordance with this instruction, Zagreb Holding has also been announcing public calls for applying for vacancies at all of the Group's companies, which are published on its web page. From 1 January to 31 December 2019, 187 public calls for applying for vacancies were announced, recruiting a total of 790 employees.

In 2019, 578 employees were hired at Zagreb Holding Ltd., 35

of whom came from the related companies, whereas a total of 706 employees were hired by the Group. At the same time, the employment relationship with the Company was terminated for 325 employees (natural outflow - 89 employees; termination of employment due to personal reasons - 28 employees; termination of employment due to work-related reasons - 3 employees; termination of employment based on other reasons - 198 employees; transfer to a related company - 7 employees). On the other hand, the employment relationship with the Group was terminated for 441 employees (natural outflow - 138 employees; , termination of employment due to personal reasons - 35 employees; termination of employment due to work-related reasons - 45 employees, termination of employment based on other reasons - 223 employees).



The majority of new employees, 451, were hired by the subsidiary City Waste Disposal, primarily due to an increased volume of work. At the same time, 113 employees left the subsidiary, while 181 employees moved from fixed-term to open-ended contracts.

From the total number of the Group's employees, 7,543 (96.8%) were employed on an open-ended basis, while 251 employees (3.2%) had a fixed-term contract.

All substantive rights are defined in the Main Collective Agreement for employees of the company Zagreb Holding Ltd. and collective agreements of the related companies, which apply to all employees, regardless of whether their employment contracts have been concluded on a full-time or a part-time basis or for an indefinite or a fixed period of time. The Group enforces the provisions of the Labour Act requiring companies to inform the workers about all issues of particular relevance for their economic and social positions, and to consult the workers before making decisions of relevance for their position, or to make such decisions jointly in cooperation with the workers' council or trade union commissioners who have assumed the rights and obligations of the workers' council. Said provisions are

also a constituent part of the Company's by-laws, which allows for formation of a partnership-based relationship between the Company and trade unions active within it.

Special attention is devoted to the protection and promotion of the rights of persons with disabilities. As at 31 December 2019, the number of persons with disabilities employed at the Company and at the Group was 130 and 213 respectively. Pursuant to the Act on Professional Rehabilitation and Employment of Persons with Disabilities, the Company is subject to a mandatory employment quota for disabled persons. Therefore, the Company has concluded several business cooperation agreements with an institution in which people with disabilities make up more than 50% of the personnel. The Company plans to use these contracts as an alternative form of fulfilment of the disability employment quota.

To increase efficiency, the Group strives to provide its employees with continuous training and additional educational programmes. We also regularly implement occupational health and safety measures in order to minimise or completely eliminate risks that threaten the employees and the working environment during the performance of work-related activities.

## AZ ZAGREB - CLOSED VOLUNTARY PENSION FUND FOR EMPLOYEES OF THE GROUP

In cooperation with the coordination of unions operating within the Company, a closed voluntary pension fund for employees of Zagreb Holding named AZ Zagreb was introduced in 2008. By offering membership in the closed voluntary pension fund and by providing various financial incentives, Zagreb Holding encourages its employees to build Membership in the fund is voluntary for all employees.

As at the last day of 2019, **1,042** employees of the Group were members of the closed voluntary pension fund AZ Zagreb. In 2019, through contributions to the pension fund, Zagreb Holding Group performed a payment in the total amount of HRK **1,980,260** in respect of premiums for the benefit of the voluntary pension insurance fund.

# RESEARCH AND DEVELOPMENT ACTIVITIES

In line with the recent technological trends, the Group's efforts are primarily focused on the digitalisation of its business operations and the establishment of a service that on the one hand will enable users to manage all services from a single platform and on the other hand, will ensure the improvement of operational efficiency and business safety.

## PROJECT OF UPGRADING MANAGEMENT OF THE GROUP'S SERVICES PORTFOLIO / E-PLATFORM

Encouraged by numerous opportunities for the development and improvement of digital services, the Group launched a project aimed at upgrading the management of the Group's services portfolio and master data, modernising the existing IT systems and setting up the so-called e-Platform. The single platform represents a new centralised IT system that will enable management of services and service users, development of new digital communication channels, as well as improved data presentation and interactive communication with all users of municipal, energy-related and other services provided by the Group, at the same time taking into account the existing e-systems and portals that have been developed by some Group members or the City of Zagreb.

At the moment, the data on service users/customers/buyers and their respective outstanding liabilities is stored and updated in several different IT systems that are active within the Group. With the aim of improving the quality of their services and adapting to the needs of their users/customers, some subsidiaries/related companies have already invested efforts into the development of individual e-services and the single utility bill service has been implemented in the e-Citizen system.

The development and introduction of the single IT system platform will bring the following results:

- increased efficiency of the Group's operations by reducing the need for a long-term execution of operational activities and focus on the development and achievement of strategic objectives
- the Group's focus on the development of the City of Zagreb by adopting decisions based on timely and high-quality information.

The benefits that the e-Platform will bring to users of the Group's services are the following: a single access and management portal for all digital services of the Group, single access point for all necessary information on services provided by Zagreb Holding Group, subsidiaries and related companies, activation and deactivation of certain services (if applicable) and insight into the status of all services as well as into the payment balance of due liabilities, all of which will be achieved by using modern digital technologies and channels. Besides the foregoing, the introduction of the registers (MDM) and e-Platform will make it easier for the Group to keep their operations compliant with the regulations governing personal data protection, while the e-Platform will offer the possibility of payment by credit/debit card.

The project is planned to be carried out in the following phases:

### A. Data cleansing

It was started in 2019 and among other things, involves the analysis of business processes and system design. Considering the system's complexity, this phase of the project is estimated to take between 12 and 16 months.

### B. MDM system and register development and implementation

This is the critical phase of the overall platform implementation as the establishment of the MDM and single registers represents the foundation of any future system. This phase has been estimated to take 12 months

### C. Moj ZGH ("My Zagreb Holding") portal development and implementation

This phase comprises the development of a public portal containing information about all services provided by the Group, as well as a user portal that service users may access after logging in via the NIAS system, allowing them to review all the services they have subscribed to.

#### D. Online payment system development and implementation

This is the final phase of the first platform development cycle, during which the platform needs to be integrated with the IPG system, enable the user to generate a HUB 3 payment form with a 2D barcode by selecting the items to be paid and enable online card payment.

Along with the development of the single e-Platform, the project called **Establishment of Information Security System in the Corporate Security System / Cyber** was also started in 2019. Based on a current state analysis and benchmarking, key

strategic documents for introduction of information security, such as the policy and strategy, have been drawn up and operational measures have been prescribed, which among other things also include employee training.

The aim of the project is to establish a standardised, more secure and more reliable network and information system in accordance with ISO 27001 (Information Security Management) for the purpose of smooth functioning of Zagreb Holding's business operations, which will eventually lead to the provision of secure and reliable services to the citizens of the City of Zagreb.

## INTRODUCTION OF SMART GAS METERS AND REMOTE WATER METER READING

The application of modern solutions also allows us to control energy consumption and save energy, as well as to control losses. In 2019, Zagreb City Gasworks Ltd. continued the project of installing smart ultrasonic gas meters. This project was started in late 2018 with the aim of managing gas consumption, which would lead to an increase in the accuracy of gas meters and to significant distribution-related savings, which would also affect end customers and consequently reduce the negative impact on the environment.

In 2019, Water Supply and Drainage Ltd. started the modernisation of the meter reading system by introducing a remote (radio) water meter reading system, which replaced the former "physical" meter reading. The main difference between these two systems lies in the radio module, which replaces the person performing water meter reading.

The water supply system of the City of Zagreb and its wider region, which is managed by Water Supply and Drainage Ltd., has approximately 180,000 water meters distributed over the water supply area of approximately 800 km<sup>2</sup>, where readings of wholesome water are obtained. Instead of opening each water meter shaft, climbing down the shaft and physically

reading a water meter, individuals performing meter reading equipped with a handheld radio device connected by Bluetooth with a remote meter reading mobile app installed on a smartphone can drive around the metering points and read water meters remotely. Considering that each water meter has a five-year certification period, Water Supply and Drainage Ltd. replaces over 30,000 water meters every year as part of the so-called regular water meter replacement programme, which is used to install water meters connected via radio module. It has been estimated that in the areas covered mostly by water meters with a radio module, the number of meter readings will exceed 5,000/day, meaning that about ten persons might read all water meters in three to four days every month.

The ultimate objective is to establish a fixed radio meter reading network that will, without the need for on-site reading, deliver the information about water consumption recorded by each water meter to the Water Supply and Drainage Ltd.'s IT system in real time, together with any warnings about potential irregularities and increased consumption due to potential leaks.

## PREPARATION OF THE CONCEPTUAL DESIGN OF THE WATER SUPPLY SYSTEM IN THE CITY OF ZAGREB WITH A DETAILED MATHEMATICAL MODEL OF THE PRESENT AND FUTURE STATE OF DEVELOPMENT AND A PRE-FEASIBILITY STUDY

One of the primary reasons behind the preparation of the conceptual design of the water supply system in the service area managed by Water Supply and Drainage Ltd. with a detailed hydraulic mathematical model of the state of development and a pre-feasibility study is the implementation of measures for reducing losses in the water supply system in the service area.

Upon realisation of this conceptual design (hydraulic model), the current system condition should be determined by analysing the existing readings and conducting additional measuring (of flow and pressure), followed by the calibration and preparation of the future hydraulic model (including the DMA planning).

In brief, this project would determine the following guidelines on reducing losses in the water supply system:

- **short-term:** rehabilitation of water supply pipelines and chambers and replacement of equipment at water pumping stations
- **mid-term:** rehabilitation of main pipelines, construction of a new water reservoir area (system stability) and rehabilitation of water pumping stations
- **long-term:** redefinition of the water supply system ("Zero Zone" and DMA zones) with the aim of reducing high pressure levels in the system.



Water losses in the public water supply system pose a serious issue resulting from poor legal regulations, obsolescence of the system and unrecorded water consumption.

Due to negative trends in the last 30 years or so, it is hard to expect positive results in the short term, which is why the main priority is to stop the increase in water losses, i.e. stagnation. This is also achieved by rehabilitating facilities and valve chambers and by reconstructing water supply pipelines, which is highlighted as a necessary investment in the Investment Plan.

Preparation of the study for analysing the system and preparing the programme for detecting and reducing losses at valve chambers managed by Water Supply and Drainage Ltd. was started in 2019. The aim of the study is to prepare the tender documentation for rehabilitating a part of valve chambers where water losses (leaks) are detected. The main priority are the chambers where large-diameter water pipelines (main pipelines) are located. The tender documentation for the public procurement procedure has been submitted.

## SATELLITE LEAK DETECTION IN THE WATER SUPPLY AND DRAINAGE SYSTEM OF THE CITY OF ZAGREB FOR THE PURPOSE OF REDUCING LOSSES

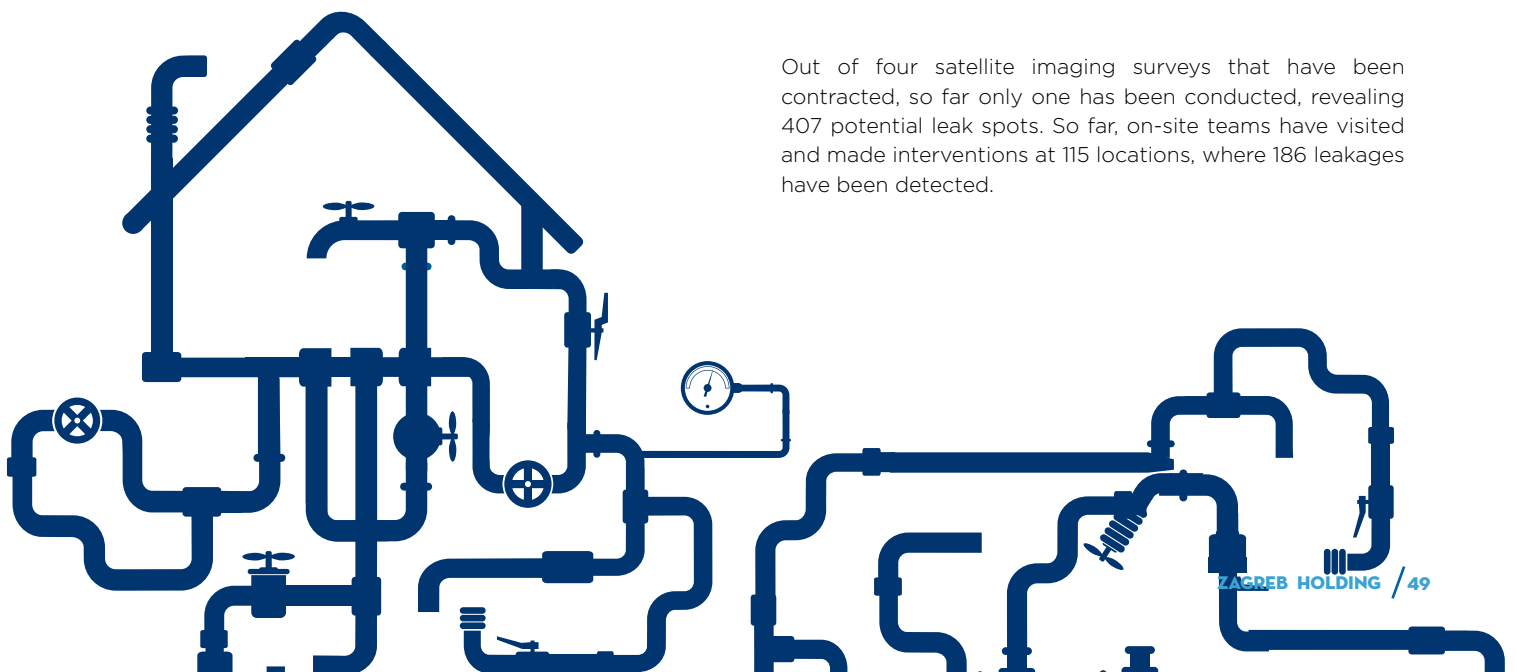
The project involves the implementation of the state-of-the-art technology for satellite and radar-based monitoring of leaks in the entire water supply network managed by Water Supply and Drainage Ltd. This technology would provide an image of the entire system, the so-called “map of critical system points” with marked locations where leaks are probable. This is the foundation for planning any future high-priority activities, rehabilitations and investments in the infrastructure. Experience has shown that satellite and radar-based monitoring is the most efficient, fastest and the most cost-effective leak detection method as it does not require any investments in the water supply infrastructure, new remote-controlled measuring equipment or new facilities (flow, pressure, noise and other metering points), which has until now been a standard (conventional) method of monitoring the water supply system and determining the approximate water leak area.

Implementation of the project is of extreme importance for the City of Zagreb as it is necessary to combat the issue of water losses, which also result in excessive consumption of water resources. For the reasons state above, the existing water facilities and methods of ensuring adequate water supply services are not sustainable in the long term.

The implementation of the water leak detection solution using satellite technology, which is based on other similar projects carried out throughout the world, will lead to fast, reliable and cost-efficient results in only a few months, namely:

- preparation of further high-priority activities, investments and subsequent steps for achieving gradual and sustainable improvements in the stability of the water supply network
- faster leak detection and fixing due to the ability to determine the approximate water leak area more precisely – this method will therefore encourage the client to ensure that any probable leak spots detected are fixed as soon as possible as part of a regular water supply network maintenance programme, which would lead to sustainable and significant savings in potable water and related costs
- reducing water losses – due to the ability to eliminate invisible leaks, water losses would be reduced, which would represent an “additional source” of potable water resulting from savings of water that is now lost and cannot be charged. This would significantly improve the efficiency of the water supply system using the existing water facilities.
- environmental protection and natural resources protection – improved approach to water as a natural resource and increased efficiency of its consumption.

Out of four satellite imaging surveys that have been contracted, so far only one has been conducted, revealing 407 potential leak spots. So far, on-site teams have visited and made interventions at 115 locations, where 186 leakages have been detected.



## PROJECTS IN THE PIPELINE FOR EU CO-FUNDING

The Group actively cooperates with the competent City Offices in the preparation of the City of Zagreb Smart Strategy and in the preparation of the SECAP – Sustainable Energy and Climate Action Plan. During 2019, the Group also participated in the preparation and submission of the following EU projects:

- Subsidiary City Waste Disposal continued the activities on the preparation of projects eligible for co-funding as part of the Operational Programme Competitiveness and Cohesion 2014- 2020, specific objective 6i1 – Decreased amount of waste being landfilled. In 2019, we also submitted the project **BIOGAS BEYOND** as part of the EU's Horizon 2020 programme to the call for proposals under the topic: "Building a low carbon, climate-resilient future". Zagreb Holding, i.e. the subsidiary City Waste Disposal, is one of eight partners on the project, which is coordinated by the Faculty of Mechanical Engineering and Naval Architecture Zagreb. Partners from Austria, Germany, France and Turkey also participate in this project. It is related to waste management aimed at producing biogas as a renewable energy source, particularly in terms of recovering various types of municipal waste.
- The project **Strengthening Cybersecurity for Secure and Reliable Gas Distribution** by Zagreb City Gasworks Ltd. was submitted to the CEF Telecom Call for Proposals 2018 CEF TC-2019-2 as part of the Connecting Europe Facility 2014-2020 programme. The partner on this project is the Information Systems Security Bureau and the total value of the project is EUR 421,951, with the share of Zagreb City Gasworks amounting to EUR 316,463. The purpose of the project is to strengthen the capacities of Zagreb City Gasworks as an operator of essential services in the area of cybersecurity with the aim of fulfilling the security and notification requirements in accordance with the NIS Directive and the Act on Cybersecurity of Operators of Essential Services and Digital Services Providers (Official Gazette 64/18).
- In February 2020, the subsidiary Zagreb Freight Station started preparing the project **Zagreb-Žitnjak Safe and Secure Parking Area** for submission to the call for proposals as part of the CEF programme: 2019 CEF Transport MAP call – safe and secure infrastructure. The aim of the project is to construct a safe and secure parking area at the premises of the subsidiary Zagreb Freight Station in Žitnjak, Slavonska Avenija 52, in accordance with all EU security standards and Directive 2010/40, which defines safe and secure parking areas as the main priority. The project is valued at HRK 20 million.
- **Project of procuring electric vehicles and bicycles** was submitted to the call for proposals of the Environmental Protection and Energy Efficiency Fund for direct co-funding of the procurement of energy-efficient vehicles to legal entities. Subsidiaries City Cemeteries and Landfill Management will be equipped with new electric vehicles, whereas Zagrebparking will receive new electric bicycles. Upon successful submission of the project, Zagreb Holding ensured co-funding in the amount of HRK 383,000. Through this project, Zagreb Holding once again proved itself as a company striving to focus its activities on increasing energy efficiency, reducing carbon dioxide emissions, optimising fuel consumption and constantly improving the quality of life of the social community in which it operates.

## PREPARATION OF A FEASIBILITY STUDY, ENVIRONMENTAL IMPACT STUDY AND APPLICATION FOR SUBMISSION OF "ZAGREB 2018 PROJECT" FOR EU CO-FUNDING

In December 2018, Water Supply and Drainage Ltd. submitted an application package to the Croatian Water Management Company ("Hrvatske vode"), thus initiating the process of applying and approving the project "Zagreb 2018 – Improvement of Water and Municipal Infrastructure". It is a comprehensive project involving the extension and reconstruction of the water supply and sewerage network of the City of Zagreb.

The project encompasses investments in the water supply and drainage system in the City of Zagreb and nearby towns and municipalities. The purpose is to achieve compliance with the Directive on Urban Wastewater Treatment and with the Directive on the Quality of Water Intended for Human Consumption. It is expected that the project will achieve the following results (categorised by the Company's core business operations):

- Regarding drainage, the subsidiary plans to make investments in the expansion of the network, i.e. construction of canals and collectors with a total length of approximately 220 kilometres, and in the

reconstruction of about 50 kilometres of canals and collectors (including the accompanying facilities and other works on the system). The ultimate goal is to increase the percentage of residences and businesses connected to the public water drainage system, improve waste water treatment and optimise the system.

- Regarding water supply, the subsidiary plans to make investments in the introduction of the "Zero Zone" for the purpose of optimising system operation and maintenance costs, reducing losses in the system, expanding the distribution network (by approximately 18 kilometres), including new connections and users, and reconstructing the water supply network (approximately 40 kilometres), which will result in a reduction in water losses and ensure uninterrupted water supply to end customers.

It is planned that the project will be realised with the financial support of the EU Cohesion Fund as part of the Operational Programme Competitiveness and Cohesion 2014-2020. Estimated project value is approximately HRK 1.81 billion.

# EXPECTED FUTURE DEVELOPMENT OF THE GROUP

Development Strategy of Zagreb Holding, which defines the development framework and mid-term implementing action plan of both Zagreb Holding Ltd. and the entire Group, has been defined in the 2015-2020 Development Strategy of Zagreb Holding.

In the previous period, in accordance with the strategic and development objectives falling within the scope of the Strategy, the Group intensified the process of transforming from a classic to a modern company as a true service for the citizens. This has been achieved by encouraging technological advancements and increasing the overall level of the quality of our services. Furthermore, the Group has also undergone a financial and organisational restructuring process.

## Development areas in the Group's focus

The Group's vision is fulfilled by conducting activities and projects contributing to the realisation of the three key strategic objectives:

- **Strategic objective 1** - high-quality and reliable public services
- **Strategic objective 2** - growth and development
- **Strategic objective 3** - corporate sustainability (CSR, social, economic and ecological aspects)

The Group's development objective is to increase the quality and the scope of its public services to the benefit of the citizens, businesses and the local government and self-government of the City of Zagreb, thus improving the standard of living for the citizens, the competitiveness of the City's economy and the reputation of the City of Zagreb in comparison with other cities. In the fulfilment of said objective, the Group is also guided by the need to meet public interests and to achieve sustainable profitability, the key elements being efficient cost management, improvement of business processes and the development of an integrated information system on the reporting, management and operational levels, along with carefully considered investments in the development of new services and improvement in the quality of existing services.

In 2019, the Group started the preparations for developing the 2021-2027 Development Strategy of Zagreb Holding by analysing the objectives of the 2015-2020 Development Strategy that have been fulfilled and by defining the frameworks for development projects, which provide a foundation for a long-term development strategy and allows us to prepare for the new EU Financial Framework 2021-2027.

The following areas serve as a basis for designing the 2021-2027 strategy:

- customer relations management
- development of strategic investments / projects
- energy efficiency
- digital business transformation
- human resources development and management
- new products and services development
- liabilities, receivables, operating assets and capital management
- non-operating assets management
- overall safety management
- sustainable growth and corporate social responsibility.

To ensure a balanced urban development and high-quality services, the key element for the Group's operations in the following period are investments in the urban infrastructure and human resources. Besides that, the digitisation of business operations will allow us to tailor our services according to the needs of service users. Therefore, these are the processes that will characterise the future operations of Zagreb Holding Group as well.

# BUSINESS ANALYSIS

## Performance and financial position

DESCRIPTION	Zagreb Holding Ltd.			Zagreb Holding Group		
	2019	2018 (restated)	Index	2019	2018 (restated)	Index
	IN HRK 000	IN HRK 000		IN HRK 000	IN HRK 000	
1	2	3	4=2/3	5	6	7=5/6
Operating income	2,087,733	2,004,701	104.1	4,087,552	3,847,177	106.2
Operating expenses	(1,885,634)	(1,758,974)	107.2	(4,013,084)	(3,686,413)	108.9
Financial income	85,067	88,070	96.6	146,000	170,433	85.7
Financial expenses	(194,162)	(224,752)	86.4	(197,744)	(237,381)	83.3
<b>Total income</b>	<b>2,172,800</b>	<b>2,092,771</b>	<b>103.8</b>	<b>4,233,552</b>	<b>4,017,610</b>	<b>105.4</b>
<b>Total expenses</b>	<b>(2,079,796)</b>	<b>(1,983,726)</b>	<b>104.8</b>	<b>(4,210,828)</b>	<b>(3,923,794)</b>	<b>107.3</b>
<b>Profit before tax</b>	<b>93,004</b>	<b>109,045</b>	<b>85.3</b>	<b>22,724</b>	<b>93,816</b>	<b>24.2</b>
<i>Tax (expenses)/income</i>	<i>(10,039)</i>	<i>(13,389)</i>	<i>75.0</i>	<i>(8,413)</i>	<i>(21,412)</i>	<i>39.3</i>
<b>Profit for year</b>	<b>82,965</b>	<b>95,656</b>	<b>86.7</b>	<b>14,311</b>	<b>72,404</b>	<b>19.8</b>
Profit from revaluation of real estate property (net)	128,790	4,945	2,604.4	159,875	4,945	3,233.1
Profit from valuation of financial assets (net)	-	-	-	420	1,008	41.7
<b>Total comprehensive profit for year</b>	<b>211,755</b>	<b>100,601</b>	<b>210.5</b>	<b>174,606</b>	<b>78,357</b>	<b>222.8</b>
<i>EBIT</i>	<i>202,099</i>	<i>245,727</i>	<i>82.2</i>	<i>74,468</i>	<i>160,764</i>	<i>46.3</i>
<i>EBITDA</i>	<i>396,616</i>	<i>421,559</i>	<i>94.1</i>	<i>464,166</i>	<i>533,940</i>	<i>86.9</i>
<i>Loss from financial activities</i>	<i>(109,095)</i>	<i>(136,682)</i>	<i>79.8</i>	<i>(51,744)</i>	<i>(66,948)</i>	<i>77.3</i>

Regarding significant events in the Company's and Group's business operations in 2019, we point out the following:

- Implementation of the Decision on the Manner of Providing the Public Service of Collecting Mixed Municipal Waste and Biodegradable Municipal Waste and Activities Related to Public Services in the City of Zagreb (as amended in December 2019), which defines the business operations of the subsidiary City Waste Disposal as a public service provider in the City of Zagreb. Significant investments in the infrastructure were made for the purpose of implementing the Decision, which investments included the procurement of municipal equipment (containers, bags for separate waste collection and investments in IT solutions). Due to the activities required for making any necessary adjustments regarding separate waste collection, there was an increase in the demand for human and material resources and the volume and costs of handling particular fractions of separately collected waste.
- Changes in the distribution tariff items for gas distribution and supply activities came into effect as of 1 January 2019 pursuant to the Decision on the Amount of Tariff Items for Gas Distribution. Distribution tariff item, i.e. the distribution service, which is a component adding up to the final gas price, went up by approximately 5%, causing an increase in the final gas price by about 1%. The Decision on the Amount of Tariff Items for the Public Gas Supply Service entered into force on 1 April 2019, pursuant to which the regulated price of gas supply for the public gas supply service increased from HRK 0.1809/kWh to HRK 0.1985/kWh. The increase in the supply price by 10% resulted in an increase in the final gas price by approximately 7.5%.
- Total investments in 2019 at the Group level amounted to about HRK 544 million, including the projects for the construction of public purpose facilities for the City of Zagreb, which are recorded in accordance with IFRIC 12. The most significant investments pertained to the water supply and drainage infrastructure, gas pipeline construction (reconstruction and construction of new gas pipelines), new separate waste collection system and other investments aimed at improving the activities of other Group's components.
- In the second half of 2019, employee benefits were increased by introducing a non-taxable bonus to the employees performing on-site work. Moreover, by virtue of an Annex to the Main Collective Agreement, a non-taxable bonus and non-taxable food allowance were introduced in the final three months of 2019, i.e. until the conclusion of a new Collective Agreement, in accordance with the amended tax regulations pertaining to the increase in the employees' non-taxable income.
- In late December 2019, the new Collective Agreement was executed, with effect as of 1 January 2020. Pursuant to the new Collective Agreement, the employees' basic wage was increased by 5.8% and non-taxable benefits (annual bonus, food allowance and childbirth allowance) were also increased, which will result in an increase in the employees' net income in 2020.



## Profit and Loss Account and Other Comprehensive Income Statement

DESCRIPTION	Zagreb Holding Ltd.			Zagreb Holding Group		
	2019	2018 (restated)	Index	2019	2018 (restated)	Index
	In HRK 000	In HRK 000		In HRK 000	In HRK 000	
1	2	3	4=2/3	5	6	7=5/6
Sales income	1,749,400	1,666,814	105.0	3,506,889	3,263,744	107.4
Other operating income	338,333	337,887	100.1	580,663	583,433	99.5
<b>TOTAL OPERATING INCOME</b>	<b>2,087,733</b>	<b>2,004,701</b>	<b>104.1</b>	<b>4,087,552</b>	<b>3,847,177</b>	<b>106.2</b>
Cost of material and services	(733,738)	(678,455)	108.1	(2,153,870)	(1,931,273)	111.5
Staff costs	(733,101)	(675,069)	108.6	(1,147,561)	(1,057,120)	108.6
Depreciation	(194,517)	(175,832)	110.6	(389,698)	(373,176)	104.4
Value adjustment	(111,834)	(102,933)	108.6	(163,286)	(152,475)	107.1
Provisioning	(38,727)	(46,524)	83.2	(58,111)	(67,037)	86.7
Other operating expenses	(73,717)	(80,161)	92.0	(100,558)	(105,332)	95.5
<b>TOTAL OPERATING EXPENSES</b>	<b>(1,885,634)</b>	<b>(1,758,974)</b>	<b>107.2</b>	<b>(4,013,084)</b>	<b>(3,686,413)</b>	<b>108.9</b>
<b>FINANCIAL INCOME</b>	<b>85,067</b>	<b>88,070</b>	<b>96.6</b>	<b>146,000</b>	<b>170,433</b>	<b>85.7</b>
<b>FINANCIAL EXPENSES</b>	<b>(194,162)</b>	<b>(224,752)</b>	<b>86.4</b>	<b>(197,744)</b>	<b>(237,381)</b>	<b>83.3</b>
<b>TOTAL INCOME</b>	<b>2,172,800</b>	<b>2,092,771</b>	<b>103.8</b>	<b>4,233,552</b>	<b>4,017,610</b>	<b>105.4</b>
<b>TOTAL EXPENSES</b>	<b>(2,079,796)</b>	<b>(1,983,726)</b>	<b>104.8</b>	<b>(4,210,828)</b>	<b>(3,923,794)</b>	<b>107.3</b>
<b>PROFIT BEFORE TAX</b>	<b>93,004</b>	<b>109,045</b>	<b>85.3</b>	<b>22,724</b>	<b>93,816</b>	<b>24.2</b>
Tax (expenses)/income	(10,039)	(13,389)	75.0	(8,413)	(21,412)	39.3
<b>PROFIT FOR YEAR</b>	<b>82,965</b>	<b>95,656</b>	<b>86.7</b>	<b>14,311</b>	<b>72,404</b>	<b>19.8</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
<i>Items which would never be reclassified to profit or loss account</i>						
Profit from revaluation of real estate property (net)	128,790	4,945	2,604.4	159,875	4,945	3,233.1
Profit from valuation of financial assets (net)	-	-	0.0	420	1,008	41.7
<b>TOTAL COMPREHENSIVE PROFIT FOR YEAR</b>	<b>211,755</b>	<b>100,601</b>	<b>210.5</b>	<b>174,606</b>	<b>78,357</b>	<b>222.8</b>

## ZAGREB HOLDING LTD.

Total sales income in 2019 amounted to HRK 1,749,400 thousand (a 5% increase compared to 2018).

In 2019, sales income increased in almost all business segments compared to 2018, the most important of which are emphasised below.

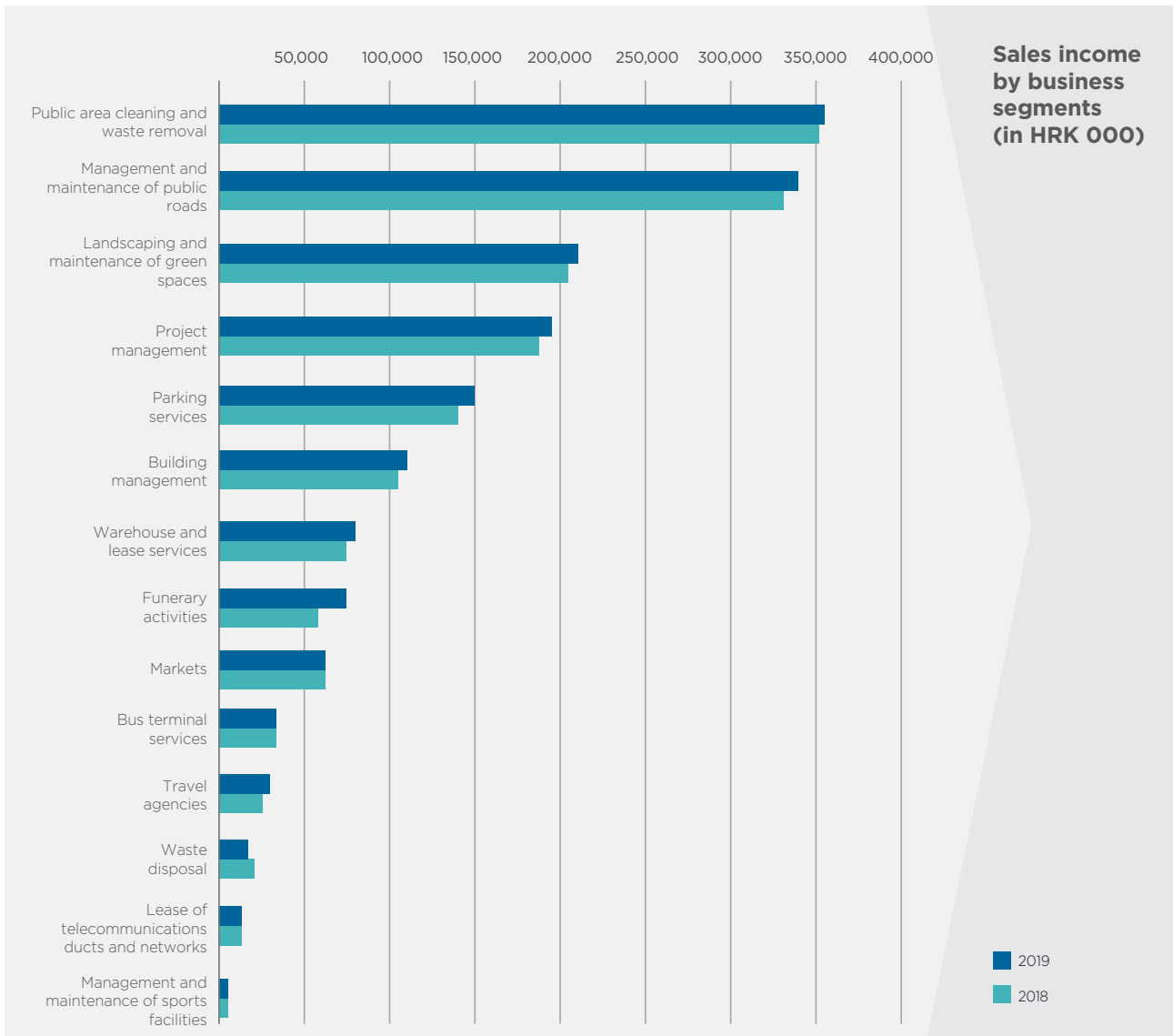
Sales income from the segment of parking charging and control increased by HRK 19,973 thousand compared to 2018 due to an increase in the price of parking at public parking lots and garages (Ordinance on the Use of Public Parking Lots and Public Garages, Official Gazette of the City of Zagreb 17 of 12 July 2018), as well as due to the introduction of new sales channels, primarily the ZGPARK app.

Sales income in the segment of funerary services increased by HRK 17,036 thousand due to higher income from sales

of new graves and columbarium wall niches at the Mirogoj City Cemetery.

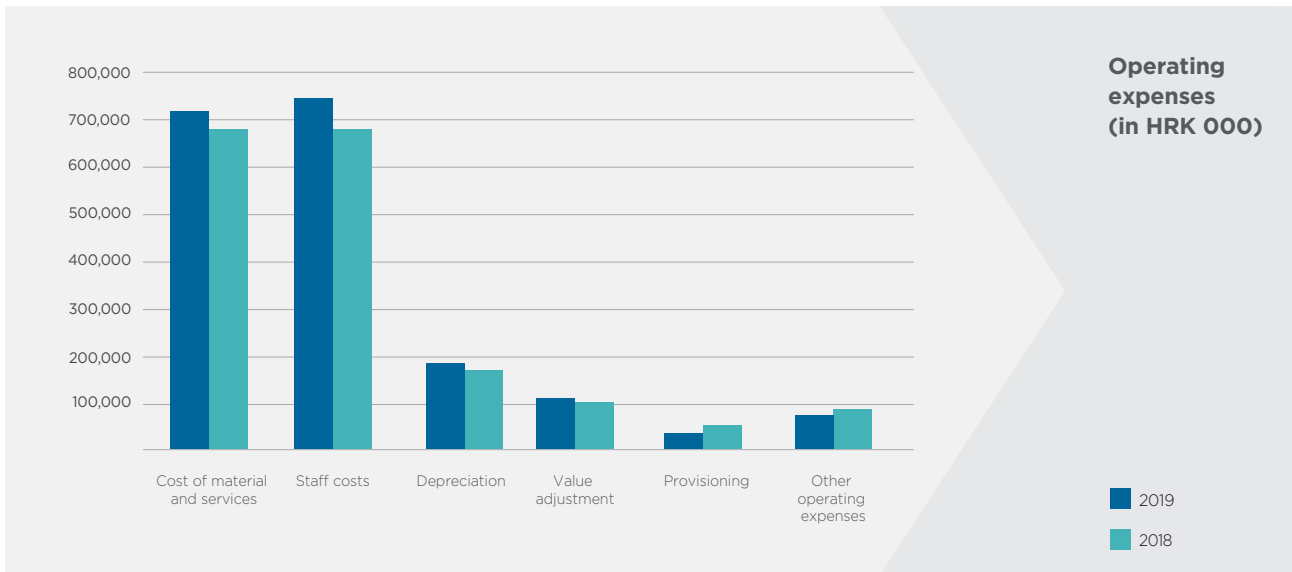
Sales income in the segment of public roads management and maintenance increased by HRK 16,192 thousand compared to 2018 due to higher income from sales of asphalt mixture on the market and higher income from sales to related companies.

Sales income in the segment of construction and project management increased by HRK 10,812 thousand due to higher income from the construction of public purpose facilities for the City of Zagreb in accordance with IFRIC 12 Service Concession Arrangements, pursuant to which the Company registers the construction phase as an expense for the period and simultaneously recognises income in accordance with the level of project completion.



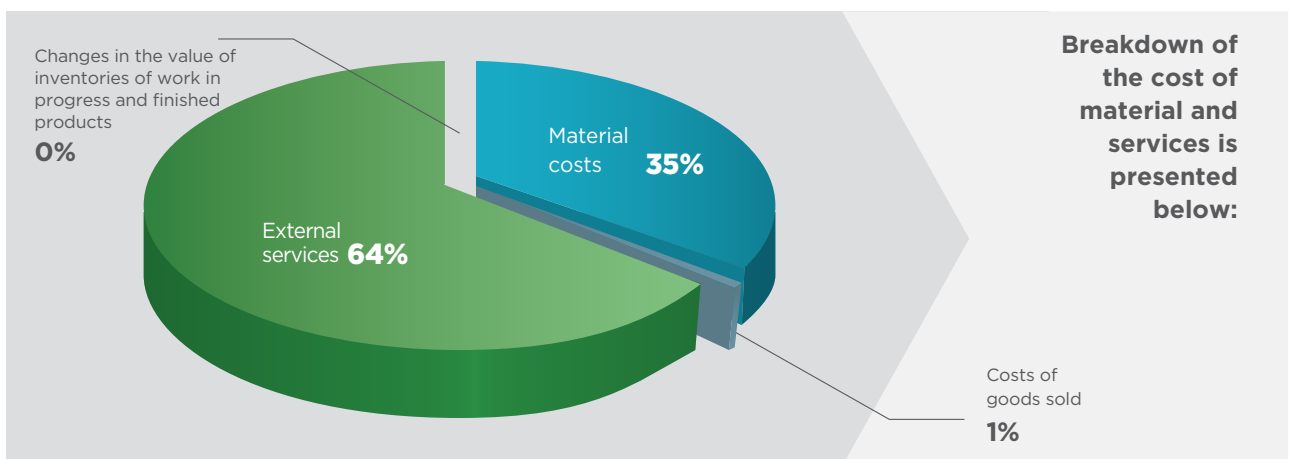
In 2019, other operating income amounted to HRK 338,333 thousand, representing an increase by HRK 446 thousand compared to 2018. This resulted primarily from higher

unrealised gains from change in the fair value of investment property (HRK 26,948 thousand).



In 2019, the cost of material and services amounted to HRK 733,738 thousand, representing an increase by 8% (HRK 55,283 thousand) compared to 2018. This resulted primarily from

higher costs of raw materials and supplies and higher energy consumption costs.



In 2019, staff costs amounted to HRK 733,101 thousand. Staff costs increased by HRK 58,033 thousand due to higher gross salary costs, higher non-taxable bonuses and higher compensations for employees' costs. Gross salary costs increased due to the payment of taxable service awards pursuant to Article 7, Annex V of the Main Collective Agreement, as well as due to a higher average number of employees.

Depreciation costs recognised for 2019 increased by HRK 18,685 thousand compared to the previous year, primarily due to new investments (procurement of vehicles, parking meters, public garage automation system, procurement of various equipment and heavy machinery).

Value adjustment costs in 2019 increased by HRK 8,901 thousand compared to 2018 due to higher costs of value adjustment of non-current assets (HRK 42,234 thousand), lower losses from change in the fair value of investment property (HRK 13,512 thousand) in accordance with the appraisal of market value of property by a qualified and authorised property appraiser and lower costs of value adjustment of current assets (HRK 19,821 thousand).

Provisioning costs recognised in 2019 decreased by HRK 7,797 thousand compared to 2018 due to lower costs of provisions for initiated legal disputes and lower costs of provisions for employee benefits.

Other operating expenses in 2019 decreased by HRK 6,445 thousand compared to 2018. The most significant decreases pertained to the costs of fines, penalties and damages and to the costs of grants, donations and sponsorships.

Despite a lower result in terms of the ratio of positive and negative exchange rate differences (in 2018, the Company made a profit from the ratio of positive and negative exchange rate differences in the amount of HRK 460 thousand, whereas in 2019, it incurred a loss of HRK 227 thousand), the Company's loss from financial activities in 2019 was lower by HRK 27,586 thousand. Decrease in the loss from financial activities was the result of lower interest expenses (by HRK 7,794 thousand) and lower discount costs.



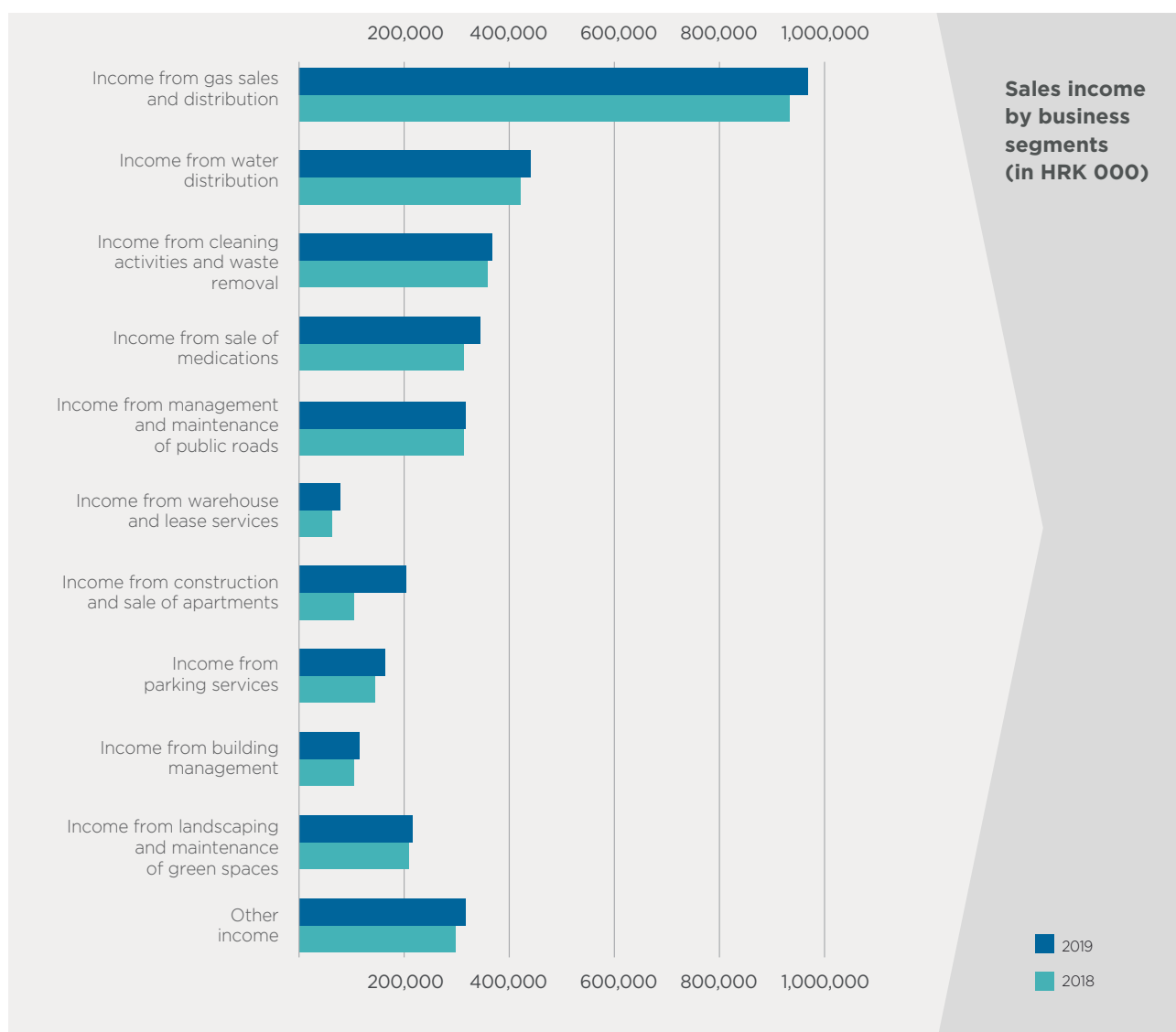
## ZAGREB HOLDING GROUP

Total sales income in 2019 amounted to HRK 3,506,889 thousand and increased by HRK 243,145 thousand or 7% compared to 2018, mainly as a result of the following changes in the Group's business segments:

- Sales income in the segment of construction and project management increased by HRK 90,608 thousand due to higher income from the construction of public purpose facilities for the City of Zagreb in accordance with IFRIC 12 Service Concession Arrangements, pursuant to which the Company registers the construction phase as an expense for the period and simultaneously recognises income in accordance with the level of project completion.
- Income from gas distribution increased by HRK 41,846 thousand due to new amounts of tariff items for the distributed quantity of gas applicable in 2019.
- Income from sales of medications increased by HRK 33,497 thousand due to higher income from sales of over-the-counter medications and pharmaceutical preparations.

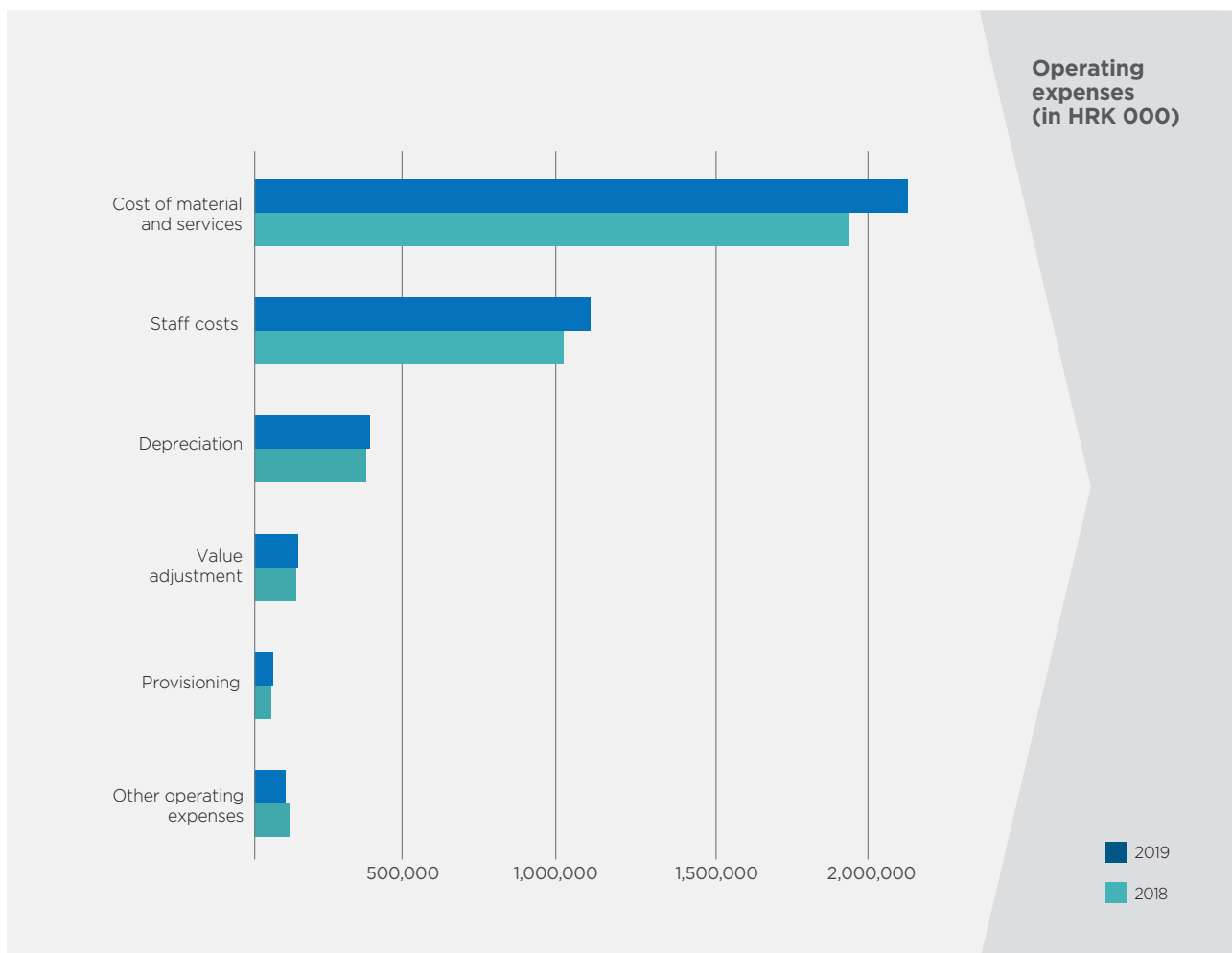
- Income from water distribution increased by HRK 19,943 thousand.
- Income from parking services increased by HRK 19,847 thousand due to higher prices of parking services.
- Income from funerary services increased by HRK 17,036 thousand due to the income realised from sales of new graves and columbarium wall niches at the Mirogoj City Cemetery.
- Income from landscaping and maintenance of green spaces increased by HRK 7,283 thousand due to the increased volume of work performed for the City of Zagreb.

Other operating income amounted to HRK 580,663 thousand, representing a decrease by HRK 2,770 thousand compared to 2018. This resulted from lower income from collected written-off receivables (by HRK 16,688 thousand) and lower income from reversal of deferred income recognition (by HRK 1,655 thousand).



In 2019, 50.4% of the Group's total sales income was generated in the segment of gas sales and distribution, water distribution, cleaning activities and waste removal. The table below shows the results of activities performed by the companies Zagreb City Gasworks Ltd., Zagreb City Gasworks-Supply Ltd., Water Supply and Drainage Ltd. and by the subsidiary City Waste Disposal.

Company/Subsidiary	Basic types of services	UOM	Result 2019	Result 2018	Index
1	2	3	4	5	6=4/5
<b>Zagreb City Gasworks Ltd.</b>	Quantities of natural gas distributed	kWh	3,700,001,356	3,832,605,918	96.5
	Number of distribution system users		287,579	284,453	101.1
<b>Zagreb City Gasworks-Supply Ltd.</b>	Natural gas supply	kWh	3,614,487,513	3,665,779,901	98.6
	Number of consumers		291,496	290,195	100.4
<b>Water Supply and Drainage Ltd.</b>	Water delivered	m <sup>3</sup>	57,313,909	57,323,428	100.0
	Water consumption for business activities	m <sup>3</sup>	1,210,118	1,305,139	92.7
<b>City Waste Disposal</b>	Municipal waste collection and removal				
	a) Average monthly occupied floor of businesses	m <sup>2</sup>	1,697,970	2,100,000	80.9
	b) Average monthly bin volume for households	l	180,629,000	179,000,000	100.9
	Number of users		391,603	389,276	100.6
	- households		373,700	375,613	99.5
	- businesses - m <sup>2</sup>		12,512	8,256	151.6
	- businesses - contracts		5,391	5,407	99.7
	Public traffic area maintenance	m <sup>2</sup>	986,645,772	1,034,334,562	95.4
	- Manual public traffic area cleaning	m <sup>2</sup>	634,280,000	715,482,400	88.7
	- Public traffic area cleaning using machinery	m <sup>2</sup>	196,031,600	154,159,600	127.2
	- Public traffic area washing	m <sup>2</sup>	156,334,172	164,692,562	94.9
	Waste collected:	t	287,975	287,057	100.3
	- Mixed municipal waste	t	211,796	238,951	88.6
	- Separately collected waste	t	76,179	48,107	158.4



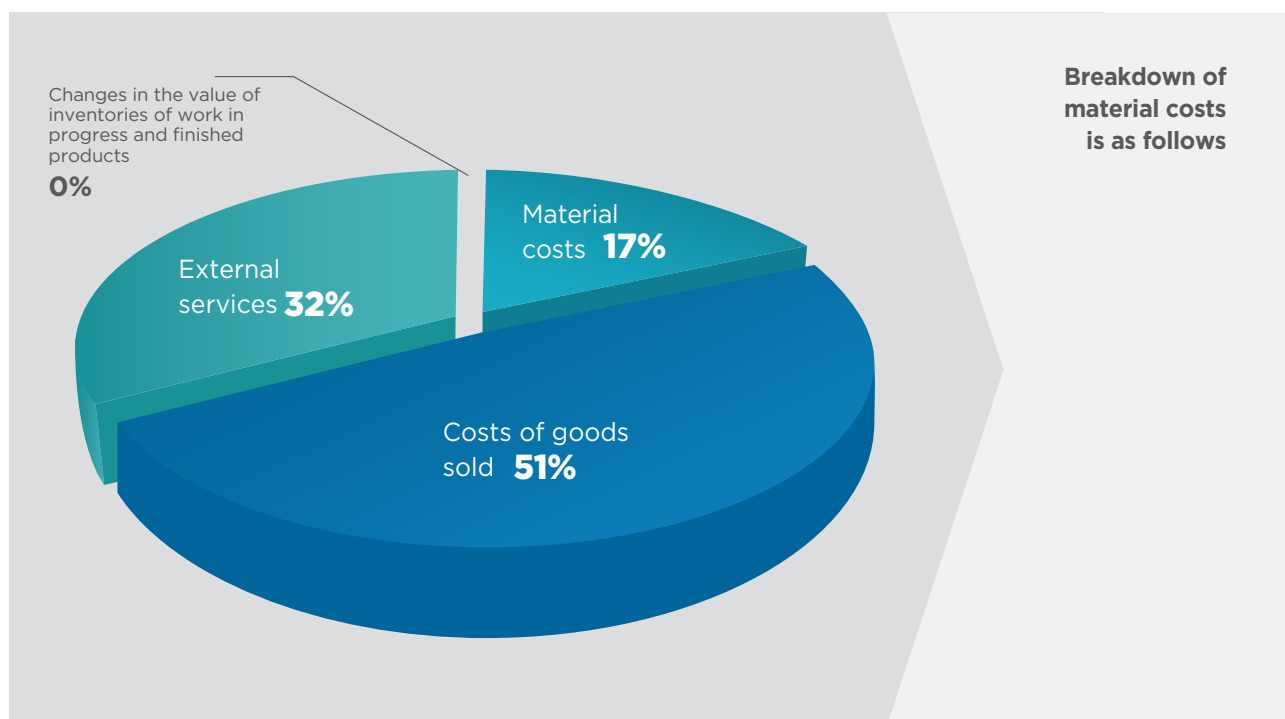
In 2019, the cost of material and services amounted to HRK 2,153,870 thousand, representing an increase by 12% (HRK 222,597 thousand) compared to 2018. This resulted from higher material costs (by HRK 24,802 thousand) and higher external services costs (by HRK 57,510 thousand). Costs of goods sold were also higher (by HRK 163,342 thousand), whereas the cost of changes in the value of inventories of work in progress and finished products were lower (by HRK 23,057 thousand).

The increase in the material costs pertained to the costs of collecting plastic and metal waste packaging and biodegradable waste, higher volume of asphalt mixture production, larger amounts of bitumen and stone used as the main raw materials for producing asphalt mixtures and higher energy consumption costs.

Higher costs of services pertained to a larger volume of work performed on the construction of public purpose facilities and to an increase in the costs of municipal services and fees arising from an increase in the price of handling other types of separately collected waste by external providers of recovery services. Costs of leasing employees via employment agencies increased in 2019 compared to the previous year due to hiring additional employees via an employment agency.

Higher costs of goods sold pertained to an increase in the sales income arising from sales of apartments in Podbrežje in 2019, increased sales of medications and increased gas supply costs.

Breakdown of material costs is as follows:



In 2019, staff costs amounted to HRK 1,147,561 thousand, representing an increase by HRK 90,441 thousand compared to 2018. Staff costs increased in 2019 due to higher gross salary costs, higher non-taxable bonuses and higher compensations for employees' costs. Gross salary costs increased due to the payment of taxable service awards pursuant to Article 7, Annex V of the Main Collective Agreement, as well as due to a higher average number of employees.

In 2019, depreciation costs amounted to HRK 389,698 thousand, representing a decrease by HRK 16,522 thousand compared to 2018. This resulted from significant investments made in the previous year.

Value adjustment costs in 2019 increased by HRK 10,811 thousand compared to 2018 due to higher costs of value adjustment of property, plant and equipment.

In 2019, provisioning costs amounted to HRK 58,111 thousand, representing a decrease by HRK 8,926 thousand. As for the breakdown of provisioning costs, provisioning costs for

employee benefits under IAS 19 were lower by HRK 1,110 thousand, provisioning costs for initiated legal disputes were lower by HRK 15,765 thousand and the costs of warranty provisions were lower by HRK 133 thousand.

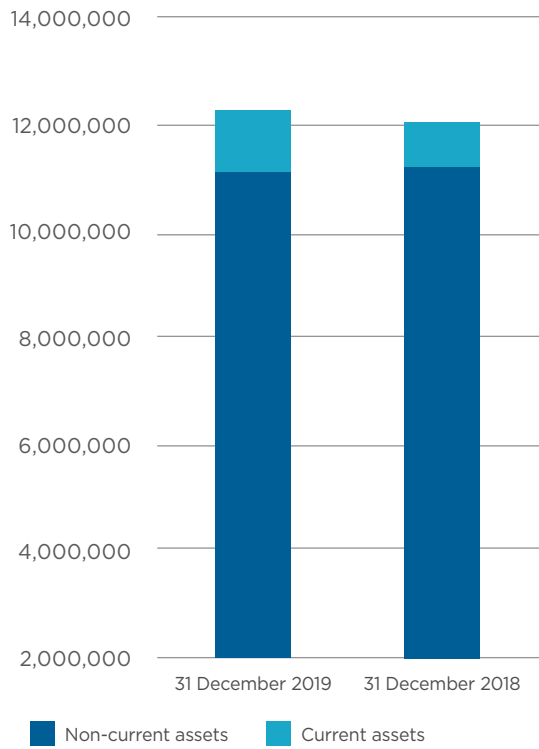
In 2019, other operating expenses were lower by HRK 4,774 thousand compared to 2018 due to lower costs of fines, penalties and damages (by HRK 10,486 thousand), lower costs of grants, donations and sponsorships (by HRK 4,266 thousand) and lower administrative and litigation costs (by HRK 4,215 thousand).

Despite a lower result in terms of the ratio of positive and negative exchange rate differences (in 2018, the Group made a profit from the ratio of positive and negative exchange rate differences in the amount of HRK 2,044 thousand, whereas in 2019, it incurred a loss of HRK 408 thousand), the Group's loss from financial activities in 2019 was lower by HRK 15,195 thousand. Decrease in the loss from financial activities was the result of lower interest expenses (by HRK 6,335 thousand) and lower discount costs (by HRK 18,300 thousand).

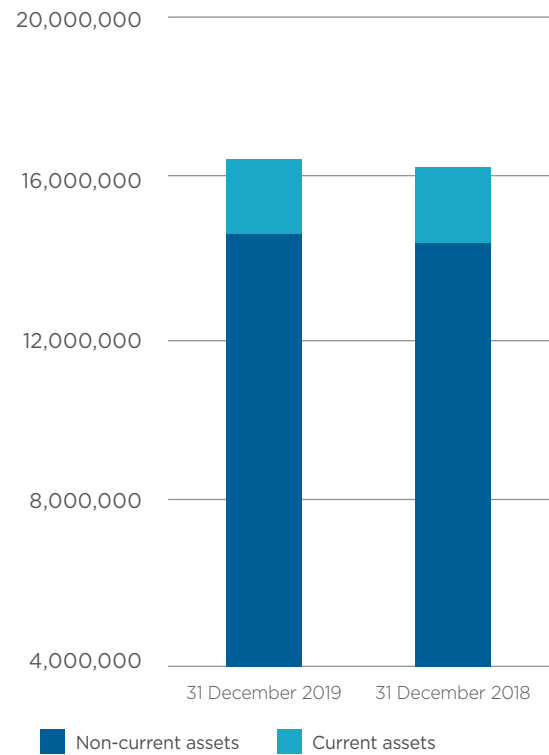
## Statement of Financial Position/Balance Sheet

Description	Zagreb Holding Ltd.			Zagreb Holding Group		
	31 December 2019	31 December 2018 (restated)	Index	31 December 2019	31 December 2018 (restated)	Index
	In HRK 000	In HRK 000		In HRK 000	In HRK 000	
1	2	3	4=2/3	5	6	7=5/6
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	4,933,129	4,890,357	100.9	10,201,876	10,003,320	102.0
Investment property	2,125,696	2,156,050	98.6	1,688,614	1,752,655	96.3
Right-of-use assets	8,940	-	-	23,780	-	-
Intangible assets	16,553	4,815	343.8	33,582	23,194	144.8
Investments in affiliated companies	2,407,666	2,407,666	100.0	-	-	-
Financial assets	125,209	124,835	100.3	155,889	154,940	100.6
Non-current receivables	1,422,228	1,567,479	90.7	1,938,527	2,004,817	96.7
Deferred tax assets	24,898	15,777	157.8	85,623	71,760	119.3
<b>Total non-current assets</b>	<b>11,064,319</b>	<b>11,166,979</b>	<b>99.1</b>	<b>14,127,891</b>	<b>14,010,686</b>	<b>100.8</b>
<b>CURRENT ASSETS</b>						
Inventories	273,683	88,281	310.0	396,304	316,346	125.3
Receivables from affiliated companies	656,003	49,157	133.6	652,608	564,470	115.6
Trade receivables and other receivables	178,119	173,524	102.6	1,075,077	1,085,393	99.0
Financial assets	3,378	3,659	92.3	30,853	26,453	116.6
Cash and cash equivalents	65,909	78,795	83.6	202,179	310,461	65.1
<b>Total current assets</b>	<b>1,177,092</b>	<b>835,416</b>	<b>140.9</b>	<b>2,357,021</b>	<b>2,303,123</b>	<b>102.3</b>
<b>TOTAL ASSETS</b>	<b>12,241,411</b>	<b>12,002,395</b>	<b>102.0</b>	<b>16,484,912</b>	<b>16,313,809</b>	<b>101.0</b>
<i>Off-balance sheet items</i>	<i>155,029</i>	<i>161,722</i>	<i>95.5</i>	<i>162,911</i>	<i>185,275</i>	<i>87.9</i>
<b>EQUITY AND LIABILITIES</b>						
Share capital	3,177,044	3,177,044	100.0	3,177,044	3,177,044	100.0
Revaluation reserves	1,812,674	1,684,305	107.6	1,999,402	1,839,527	108.7
Other reserves	319,977	319,977	100.0	322,618	322,618	100.0
Retained earnings	357,061	273,675	130.5	698,503	689,042	101.4
Non-controlling interests	-	-	-	14,420	11,484	125.6
<b>TOTAL EQUITY</b>	<b>5,666,756</b>	<b>5,455,001</b>	<b>103.9</b>	<b>6,211,987</b>	<b>6,039,715</b>	<b>102.9</b>
<b>NON-CURRENT LIABILITIES</b>						
Loans payable	1,218,509	1,483,869	82.1	1,231,533	1,495,246	82.4
Liabilities under issued bonds	2,261,551	2,251,358	100.5	2,261,551	2,251,357	100.5
Other non-current liabilities	11,475	14,698	78.1	278,672	253,435	110.0
Provisioning	232,548	226,879	102.5	346,638	360,758	96.1
Deferred income	840,448	875,682	96.0	3,262,452	3,296,745	99.0
Deferred tax liability	397,807	369,775	107.6	463,116	435,515	106.3
<b>Total non-current liabilities</b>	<b>4,962,338</b>	<b>5,222,261</b>	<b>95.0</b>	<b>7,843,962</b>	<b>8,093,056</b>	<b>96.9</b>
<b>CURRENT LIABILITIES</b>						
Trade payables and other liabilities	393,863	356,592	110.5	1,101,027	1,071,233	102.8
Liabilities to related companies	83,344	99,606	83.7	12,559	29,777	42.2
Loans payable	1,093,341	819,073	133.5	1,135,702	877,273	129.5
Current maturity of deferred income recognition	35,630	35,839	99.4	172,373	188,732	91.3
Current corporate income tax liability	6,139	14,023	43.8	7,302	14,023	52.1
<b>Total current liabilities</b>	<b>1,612,317</b>	<b>1,325,133</b>	<b>121.7</b>	<b>2,428,963</b>	<b>2,181,038</b>	<b>111.4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>12,241,411</b>	<b>12,002,395</b>	<b>102.0</b>	<b>16,484,912</b>	<b>16,313,809</b>	<b>101.0</b>
<i>Off-balance sheet items</i>	<i>155,029</i>	<i>161,722</i>	<i>95.9</i>	<i>162,911</i>	<i>185,275</i>	<i>-</i>

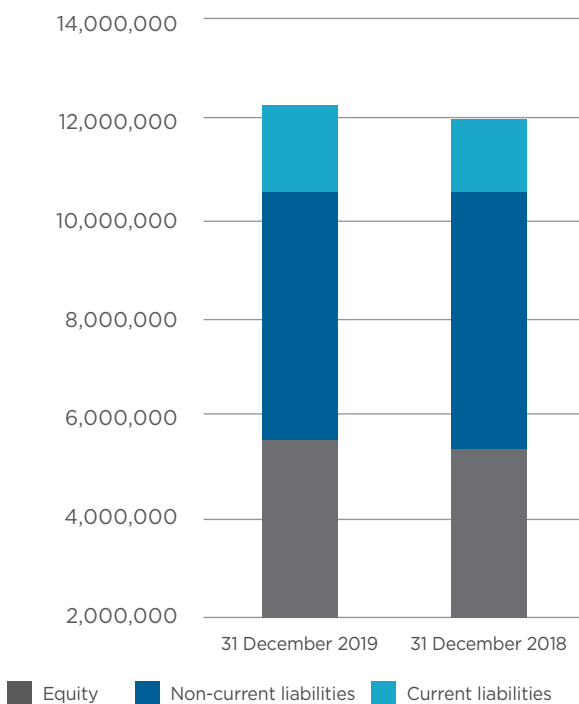
Zagreb Holding Ltd.  
Assets (in HRK 000)



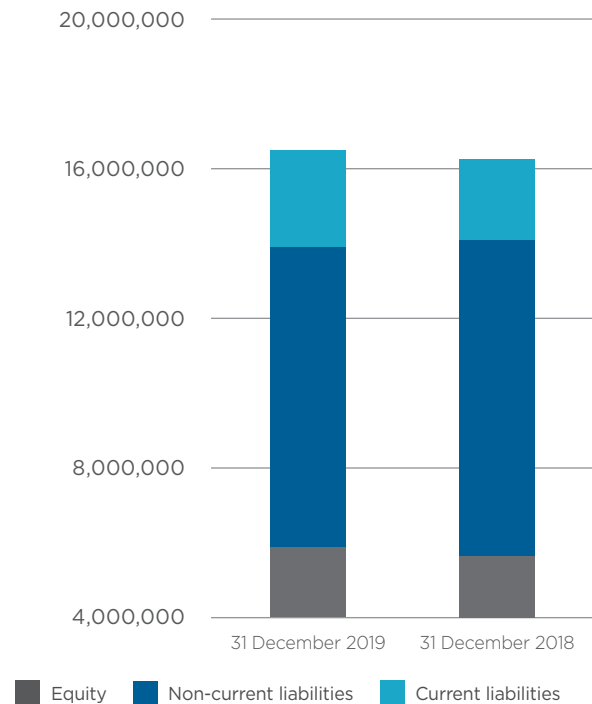
Zagreb Holding Group  
Assets (in HRK 000)



Zagreb Holding Ltd.  
Liabilities (in HRK 000)



Zagreb Holding Group  
Liabilities (in HRK 000)



## ZAGREB HOLDING LTD.

As at 31 December 2019, the Company's total assets amounted to HRK 12,241,411 thousand, representing an increase in their value by 2% compared to the value as at 31 December 2018. In 2019, the Company's total investments in property, plant and equipment amounted to HRK 119,821 thousand, investments in intangible assets amounted to HRK 19,811 thousand and investments in investment property amounted to HRK 913 thousand (a total of HRK 140,545 thousand of new acquisitions).

Investment property as at 31 December 2019 amounted to HRK 2,125,696 thousand and compared to the same period in 2018, decreased by 1% due to its reclassification as non-current assets held for sale (in the amount of HRK 178,028 thousand).

Non-current receivables pertained to the receivables from the City of Zagreb and the Government of the Republic of Croatia for financing the costs of leasing the Zagreb Arena hall, receivables from the City of Zagreb under

contracts in accordance with IFRIC 12 - Service Concession Arrangements, receivables under loans and receivables under credit sales.

Increase in current receivables pertained primarily to current maturity of non-current receivables under loans granted to related companies.

As at 31 December 2019, in comparison with the same period of the previous year, non-current liabilities under loans payable were lower due to their repayment in the amount of HRK 370,829 thousand. On the other hand, in 2019, the Company assumed new non-current liabilities in the amount of HRK 150,000 thousand for financing initiated investments.

Increase in current trade payables and other liabilities pertained to increased liabilities to related companies under loans payable, increased trade payables and increased liabilities towards employees for salaries.

## ZAGREB HOLDING GROUP

As at 31 December 2019, the Group's total assets amounted to HRK 16,484,912 thousand, representing an increase in their value by HRK 171,103 thousand compared to the value as at 31 December 2018. In 2019, the Group's total investments in property, plant and equipment amounted to HRK 428,087 thousand, investments in intangible assets amounted to HRK 23,297 thousand and investments in investment property amounted to HRK 913 thousand (a total of HRK 459,803 thousand of new acquisitions).

Investment property as at 31 December 2019 amounted to HRK 1,688,614 thousand and compared to the same period in 2018, decreased by 4% due to its reclassification as non-current assets held for sale (in the amount of HRK 178,028 thousand).

Non-current receivables pertained to receivables from the City of Zagreb and the Government of the Republic of Croatia for financing the costs of leasing the Zagreb

Arena hall, receivables from the City of Zagreb under lease contracts, receivables from the City of Zagreb under contracts in accordance with IFRIC 12 - Service Concession Arrangements, receivables under loans and receivables under credit sales.

Increase in current financial assets pertained primarily to an increase in the amount of under-one-year term deposits.

As at 31 December 2019, in comparison with the same period of the previous year, non-current liabilities under loans payable were lower due to their repayment. On the other hand, in 2019, the Group assumed new non-current liabilities in the amount of HRK 150,000 thousand for financing initiated investments.

Decrease in current trade payables and other liabilities pertained to a decrease in the Group's liabilities to the City of Zagreb and a decrease in trade payables.

# BUSINESS RISK STATEMENT

## Financial risk management objectives

To be able to predict potential situations that could have a negative impact on its operations and fulfilment of its objectives, the Group identifies financial risks, determines their potential impact on the Group's future operations and manages financial risks.

The Group makes an effort to mitigate, avoid and overcome various forms of financial risks that it encounters in its operations in order to increase business security. Particular financial risks are accepted when they are considered economically justified.

The most important risks and the methods used to manage them are described below. The Group did not use any derivative instruments for risk management. The Group does not use any derivative instruments for speculation purposes.

## Market risk

Prices of municipal services are proposed by the Management Board based on market prices and set and approved by the City of Zagreb.

The Group's activities are primarily exposed to the financial risk of fluctuations of foreign currency exchange rates and interest rates. Exposure to the market risk is supplemented by a sensitivity analysis. There were no changes in the Group's exposure to the market risk or in the methods used to manage and measure the risk.

## Currency risk

The Group carries out certain transactions in a foreign currency and is therefore exposed to the risks of fluctuations in exchange rates.

Zagreb Holding Ltd. is mainly exposed to the currency risk of fluctuation of the HRK to EUR exchange rate arising from the liabilities under non-current loans, 20% of which are tied to EUR.

The Group is mainly exposed to the currency risk of fluctuation of the HRK to EUR exchange rate arising from the liabilities under non-current loans, 21% of which are tied to EUR.

## Interest risk

The Company is not significantly exposed to the risk of interest rate fluctuations due to the fact that 10% of its total loans payable are tied to variable interest rates and 90% of the Company's total loans payable have been contracted at a fixed interest rate. Issued HRK bonds with a fixed annual coupon of 3.875%, as well as the liability under the financial leasing of the Zagreb Arena hall with an interest rate of 4.7%, account for the majority of the Company's loans payable with a fixed interest rate.

The Group is not significantly exposed to the risk of interest rate fluctuations due to the fact that 12% of its total loans

payable are tied to variable interest rates, whereas 88% of the total amount of the Group's loans payable have been contracted at a fixed interest rate. Issued HRK bonds with a fixed annual coupon of 3.875%, as well as the liability under the financial leasing of the Zagreb Arena hall with an interest rate of 4.7%, account for the majority of the Group's loans payable with a fixed interest rate.

Given the considerable share of fixed interest rates pertaining to its indebtedness, the Group deems the risk of interest rate fluctuations insignificant.

## Liquidity risk

The Group uses the following instruments to monitor and mitigate the liquidity risk: cash flow analysis and management, asset analysis and analysis of sources of asset funding, buyer creditworthiness analysis, guarantees, contracts for open credit lines based on the revolving principle and other similar instruments.

## Credit risk management

Credit risk is the risk of the buyers' failure to pay or to fulfil contractual obligations that impacts the Group's potential financial loss. In its transactions with the buyers, the Group collects guarantees in order to protect itself from potential financial risks and losses arising from failure to pay or fulfil contractual obligations.

Buyers are grouped into risk groups in accordance with their financial indicators and their past dealings with the Group. Adequate measures of protection against credit risk are enforced for each risk group. To assign buyers to a particular risk group, the Group mostly uses the information from their official financial statements and the Group's data about our past transactions. The Group deals with a large number of buyers from various industries of different sizes and with a large number of retail customers. Trade receivables are adjusted for the value of doubtful and bad debts.



## INVESTOR INFORMATION

Number of bonds quoted on the official market of the Zagreb Stock Exchange: 2,300,000,000

Date of issue: 15 July 2016

Maturity date: 15 July 2023

Interest rate: 3.8750 %

### **Zagreb Holding Ltd.**

Ulica grada Vukovara 41

10000 Zagreb

### **Investor relations**

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[ured.uprave@zgh.hr](mailto:ured.uprave@zgh.hr)

**Phone:** +385 1 6420 010

**Web page:** <http://www.zgh.hr/investitori/2370>

## Statement of persons responsible for preparation of statements of Zagreb Holding Group under Article 403 of the Capital Market Act

We hereby declare that the following is true to our best knowledge:

- > International Financial Reporting Standards were followed in the preparation of the audited financial statements of Zagreb Holding Group for the period from 1 January 2019 to 31 December 2019 (consolidated). The statements fully and truthfully represent assets and liabilities, profits and losses, financial position and operations of the issuer.
- > Management Report of Zagreb Holding Group for the period from 1 January 2019 to 31 December 2019 (consolidated) truthfully represents the development, business results and the position of the issuer, along with a description of the major risks to which the issuer is exposed.

In Zagreb, 27 May 2020



Ana Stojić Deban

President of the Management Board  
Zagreb Holding Ltd.



Bernard Mršo

Member of the Management Board  
Zagreb Holding Ltd.



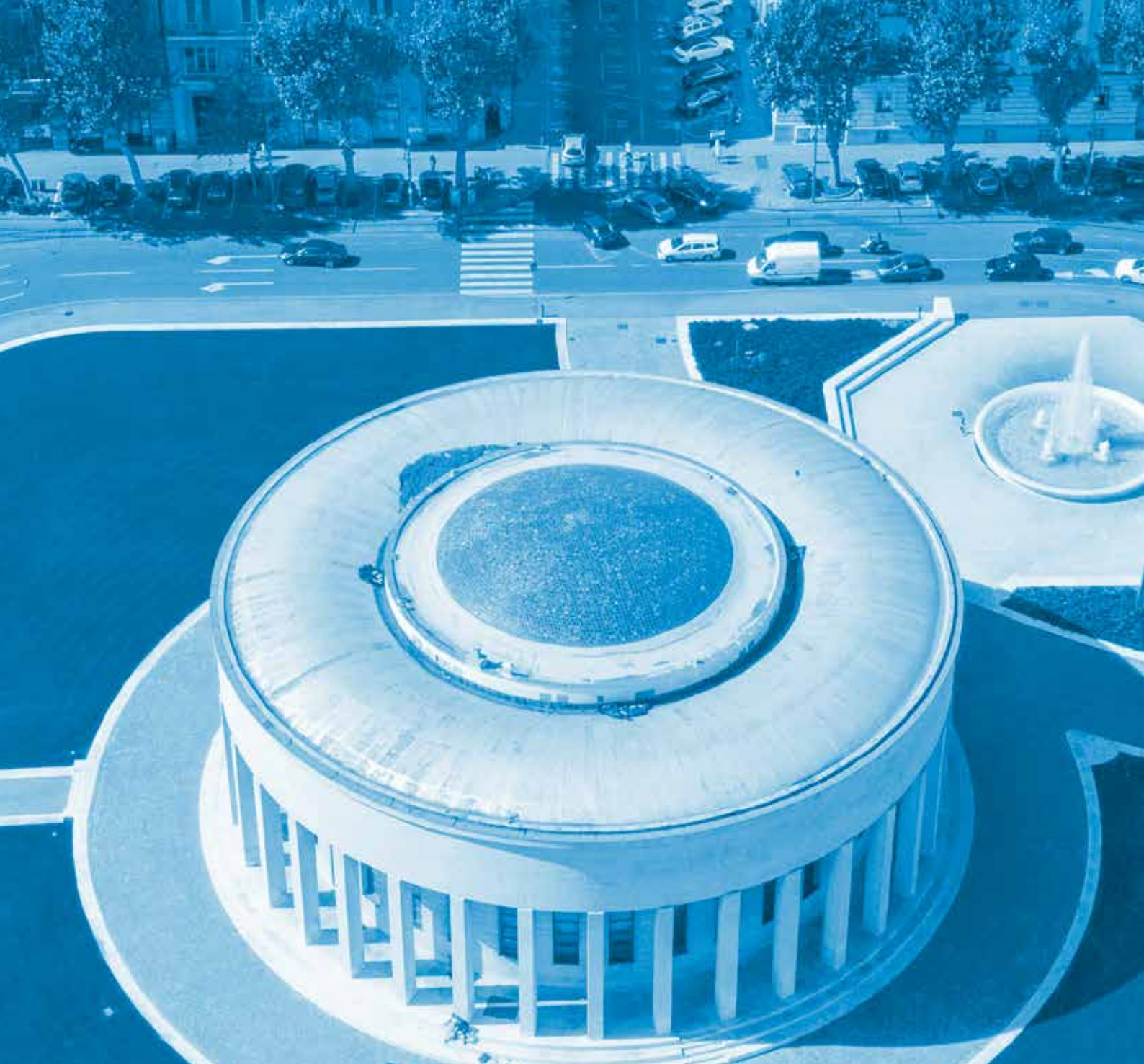
Daniela Franić

Member of the Management Board  
Zagreb Holding Ltd.



Marica Dusper

Member of the Management Board  
Zagreb Holding Ltd.



# **CONSOLIDATED ANNUAL STATEMENTS**

FOR THE YEAR ENDED  
31 DECEMBER 2019 WITH THE  
INDEPENDENT AUDITOR'S REPORT

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## RESPONSIBILITY FOR THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The Management Board is obliged to ensure that the annual consolidated financial statements of Zagrebački holding doo, Zagreb, Ulica grada Vukovara 41 (the "Company") and its subsidiaries (the "Group") for 2019 are prepared in accordance with International Financial Reporting Standards which have been established by the European Commission and published in the Official Journal of the European Union ("IFRS") so as to provide a true and fair view of the consolidated financial position, consolidated results of operations, consolidated cash flows and consolidated changes in equity of the Group for that period.

After making enquiries, the Management Board reasonably expects the Company to have adequate resources to continue to operate in the near future. Accordingly, the Management Board prepared the consolidated annual financial statements using the going concern basis of accounting.

In preparing the consolidated annual financial statements, the Management Board is responsible for:

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

The Management Board is responsible for keeping the proper accounting records, which at any time, with reasonable certainty present the consolidated financial position and the consolidated financial performance of the Company, and their compliance with the Accounting Act and the International Financial Reporting Standards. The Management Board is also responsible for safe keeping the assets of the Company and therefore for taking reasonable steps for prevention and detection of fraud and other irregularities.

The Management Board is also responsible for the preparation and content of the Annual report and the Statement on the implementation of corporate governance code in accordance with the Croatian Accounting Act. The Company's separate financial statements have been issued separately and simultaneously at the same time as the consolidated financial statements.

The Management Board approved the issuance of consolidated annual financial statements on 27 May 2020



Ana Stojić Deban,  
President of the Management Board



Daniela Franić,  
Member of the Management Board



Bernard Mršo,  
Member of the Management Board



Marica Dusper,  
Member of the Management Board

Zagrebački holding d.o.o., Zagreb  
Avenija grada Vukovara 41  
10000 Zagreb  
Republika Hrvatska

ZAGREBAČKI HOLDING  
d. o. o. 9  
ZAGREB, Ulica grada Vukovara 41

## INDEPENDENT AUDITOR'S REPORT

To the owner of Zagrebački holding d.o.o., Zagreb

### Report on the audit of consolidated annual financial statements

#### Opinion

We have audited the consolidated annual financial statements of the company Zagrebački holding d.o.o., Avenija grada Vukovara 41, Zagreb (hereinafter "the Company") and its subsidiaries (hereinafter "the Group") for the year ended 31 December 2019, which comprise the consolidated Statement of financial position (Balance sheet) as at 31 December 2019, consolidated Statement of comprehensive income, consolidated Statement of changes in equity and consolidated Statement of cash flows for the year then ended, including accompanying notes, and summary of principal accounting policies.

In our opinion, the accompanying consolidated annual financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Accounting Act and the International Financial Reporting Standards determined by the European Commission and published in the Official Journal of the EU ("IFRS").

#### Basis for opinion

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

#### Emphasis of matter

We draw attention to Note 18 of the consolidated annual financial statements, in which it is stated that certain municipal land registers have not been entirely organized. The Group has been undergoing the process of entering the title over land and construction sites into appropriate land registries, which would confirm their ownership. Even though the Group is in possession of documents confirming its ownership, there is uncertainty regarding the resolving of the status of these properties. Our opinion has not been modified in this respect.

Furthermore, we draw attention to Note 44 of the consolidated annual financial statements which describes the events after the reporting date on the basis of which the Group expects a decrease in business activities in the next financial year due to the impact of the COVID-19 virus. Our opinion has not been modified in this respect.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, are of most significance in our audit of the consolidated annual financial statements for the current period, and include the most significant recognized risks of significant misstatement due to error or fraud with the greatest impact on our audit strategy, the allocation of our available resources, and the time spent by the engaged audit team.

These matters were addressed in the context of our audit of the consolidated annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our Independent Auditor's report:

## Key audit matters (continued)

Key audit matter	How we addressed the key audit matter
<p><b><i>Estimates of fair value of investment property (IAS 40)</i></b></p> <p>A description of the key valuations and judgments regarding the valuation of investment property is presented in Notes: 2 (g), 3 and 21 to the financial statements.</p> <p>As at 31 December 2019, the Company disclosed in the consolidated Statement of financial position the amount of HRK 1,686,614 thousand of investment property, whereby due to the new valuation of investment property, an increase in fair value through profit or loss in the net amount of HRK 107,259 thousand was determined. (2018: gains of HRK 90,853 thousand). Fair valuation was performed based on the appraisal of a qualified assessor authorized to appraise the value of the property. The assessor performed assessment on the basis of the Real Estate Valuation Act (OG 78/2015) and the Ordinance on Real Estate Valuation Methods (OG 105/2015). This investment property mainly refers to business buildings and construction land in the area of the City of Zagreb. In accordance with the above, due to the importance and use of judgments in estimating fair value, we believe that the valuation of the Company's investment property is a key audit issue.</p>	<p>We estimated the competence and abilities of the Assessors and confirmed their qualifications. We also estimated their independence and the scope of their work and reviewed the contract for unusual conditions and / or agreed remuneration. We confirmed that the scope of their work was appropriately determined. We tested on the sample the correctness of the classification of investment property, including new investments, rental income and related expenses, confirming the same with the balances stated in the Group's books. We have reviewed the Assessor's reports and confirmed that they have been compiled in accordance with the prescribed methods. We analyzed on a sample the appropriateness of the Assessor's choice of a particular assessment method and the related rationale. We have verified that the changes identified by the reassessment in the Group's financial statements have been recorded correctly. We also assessed the adequacy of disclosures in the financial statements.</p>
<p><b><u>Estimates of fair value of land (IAS 16)</u></b></p> <p>A description of key valuations and judgements regarding the valuation of land is presented in Notes: 2. f), m), 3., 17 and 18, together with the consolidated financial statements.</p> <p>As at 31 December 2019, in the consolidated Statement of financial position the Group stated the increase in the value of land from revaluation in the total amount of HRK 196,975 thousand and stated the related revaluation reserves and deferred tax assets.</p> <p>Fair valuation was performed based on the appraisal of a qualified Assessor authorized to appraise the value of the land. The Assessor performed assessment on the basis of the Real Estate Appraisal Act (OG 78/2015) and the Ordinance on Real Estate Appraisal Methods (OG 105/2015). The lands are mainly in the area of the City of Zagreb.</p> <p>In accordance with the above, due to the importance and use of judgments in estimating fair value, we believe that the fair valuation of the Company's land is a key audit issue.</p>	<p>We estimated the competence and abilities of the Assessors and confirmed their qualifications. We also estimated their independence and the scope of their work and reviewed the contract for unusual conditions and / or agreed remuneration. We confirmed that the scope of their work was appropriately determined.</p> <p>We have reviewed the Assessor's reports and confirmed that they have been compiled in accordance with the prescribed methods.</p> <p>We analyzed on a sample the appropriateness of the Assessor's choice of a particular assessment method and the related rationale. We have verified that the changes identified by the reassessment in the Group's financial statements have been recorded correctly.</p> <p>We also assessed the adequacy of the disclosures in the financial statements.</p>

## Key audit matter (continued)

Key audit matter	How we addressed the key audit matter
<p><b><u>Revenue recognition</u></b></p> <p>A description of key revenue recognition policies and information is provided in Notes: 2. q), t), 3, 7, 8 and 15, together with the consolidated financial statements.</p> <p>In the Profit and Loss Account for 2019, the Group stated the amount of HRK 3,506,889 thousand of sales revenue.</p> <p>Sales revenue is largely made up of a high volume of individually low value transactions. We have identified the following types of revenue recognition claims that we consider to be a key audit issue due to the complexity of collecting and recording them:</p> <ul style="list-style-type: none"><li>- completeness of revenues recorded on the basis of reliance on the collection system,</li><li>- the accuracy and completeness of revenues recognized on the basis of transactions and the adequacy of the allocation of the total value of transactions between several elements in the transaction package.</li></ul>	<p>We evaluated the design and implementation of key controls when monitoring the invoicing system.</p> <p>We analyzed the adequacy and consistency of the Group's adopted revenue recognition policies.</p> <p>Our information systems auditors have performed additional procedures that include transaction integrity control and review of application controls. For subsidiaries and subsidiaries of the Company that have an externalized account preparation service, contracts have been reviewed and procedures for understanding the system of internal controls and information security and reviewing transactional data integrity controls have been performed.</p> <p>We performed an evidentiary test on a sample of non-systematic adjustments that are outside the normal billing process.</p> <p>We confirmed the calculated balances and transactions with independent customer confirmations on the reference sample.</p> <p>According to the sample, we checked the correctness of income statements for the respective periods.</p> <p>We also assessed the adequacy of the disclosures in the financial statements.</p>

### Other Information in the Annual Report

Management is responsible for other information. Other information includes information included in the Group's Annual Report, which contains the Management Report and the Statement on the Application of the Corporate Governance Code.

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

In connection with our audit of the consolidated annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. In this sense, we do not have anything to report.

The Management Board is responsible for the preparation of the Management Report of the Company as an integral part of the Annual Report of the Company. Regarding the Management Report for the Statement on the Application of the Corporate Governance Code, we also checked the procedure required by the Croatian Accounting Act (the "Accounting Act").



## Other Information in the Annual Report (continued)

Based on the procedures required to be performed as part of our audit of the annual consolidated financial statements and the above procedures, in our opinion:

- In our opinion, based on the work performed during the audit, the information in the attached Management Report of the Group for 2019 is consistent with the attached annual financial statements of the Group for 2019;
- In our opinion, based on the work performed during the audit, the attached management report of the Group for 2019 has been prepared in accordance with Article 21 of the Accounting Act.
- Based on knowledge and understanding of the Group's operations and its environment acquired during the audit, we did not find any material misstatement in the accompanying report of the Group's management. In our opinion, based on the work performed during the audit, the statement on the application of the Corporate Governance Code, included in the Group's Annual Report for 2019, is in accordance with the requirements set out in Article 22, paragraph 1, items 3 and 4 of the Accounting Act;
- The statement on the application of the corporate governance code includes the information required by Article 22, paragraph 1, items 2, 5, 6 and 7 of the Accounting Act.

Furthermore, taking into account the knowledge and understanding of the Group's operations and its environment, which we acquired during our audit, we are required to report whether we have identified material misstatements in the Management Report and Corporate Governance Statement. In that matter, we have nothing to report.

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

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

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

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

## Auditor's responsibilities for the audit of the consolidated annual financial statements

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

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

### Auditor's responsibilities for the audit of the consolidated annual financial statements (continued)

- Identify and assess the risks of material misstatement of the consolidated annual financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual financial statements, including disclosures, and whether the consolidated annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain enough audit evidence related to financial information from individuals or business activities within the Group to express our opinion on the consolidated financial statements. We are responsible for routing, monitoring, and performing group auditing. We are solely responsible for expressing our opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and that we will communicate with them all relationships and other matters that may reasonably be considered to influence our independence, and where applicable, related safeguards.

Among the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our Independent Auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our Independent Auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Croatia d.o.o., Crowe Horwath revision d.o.o. and Audit d.o.o. are jointly responsible for performing the audit and for the audit opinion according to the requirements of the Auditing Act, applicable in Croatia.

## Report on other legal requirements

### Appointment of auditors

BDO Croatia d.o.o. was appointed auditor of the Group on 30 September 2019 by the General Assembly of the Company based on the proposal of the Supervisory Board of the Company, which represents a continuous engagement of five years.

Crowe Horwath Audit d.o.o. was appointed auditor of the Group on 30 September 2019 by the General Assembly of the Company based on the proposal of the Supervisory Board of the Company, which represents the first year of engagement for this auditor.

Audit d.o.o. was appointed auditor of the Group on 30 September 2019 by the General Assembly of the Company based on the proposal of the Supervisory Board of the Company, which represents the first year of engagement for this auditor.

### Consistency with the Supplementary Report to the Audit Committee

Our audit opinion is consistent with the additional report for the Company's auditing board, prepared in accordance with the provisions of Article 11 of Regulation (EU) No. 537/2014.

### Providing non-audit services

During the period between the initial date of the audited consolidated annual financial statements of the Company for the year 2019 and the date of this report, we did not provide the Company with prohibited non-scheduled services, and in the business year prior to the aforementioned period, did not provide services for the design and implementation of internal control procedures or risk management related to preparation and/or control of financial information or the design and implementation of technological systems for financial information, and we have maintained independence in relation to the Company.

### Other reports

The Management is responsible for the preparation of consolidated annual financial statements for the year ended 31 December 2019 in prescribed form based on the Statute of structure and content of annual financial statements (OG 95/16) and in accordance with other regulations governing the operations of the Company ("Standard consolidated annual financial statements") and the same are shown on pages 169 to 183. Financial information presented in the Company's standard consolidated annual financial statements are in accordance with the information presented in the Company's annual financial statements given on pages 76 do 168 on which we expressed our opinion as stated in the section Opinion above.

The partners engaged in the audit of the Group's annual consolidated financial statements for 2019, that resulted with this Independent Auditor's Report, are Ivan Štimac, certified auditor for BDO Croatia d.o.o., Sonja Hecker Tafra, certified auditor for Crowe Horwath Revizija d.o.o. and Darko Karić, certified auditor for Audit d.o.o.

In Zagreb, May 27, 2020

  
 \_\_\_\_\_  
 Hrvoje Stipić president of  
 the Management Board

  
 \_\_\_\_\_  
 Ivan Štimac  
 Certified Auditor

BDO Croatia d.o.o.  
 Trg J. F. Kennedy 6b  
 10000 Zagreb

**BDO** CROATIA

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

  
 \_\_\_\_\_  
 Sonja Hecker Tafra  
 Director

  
 \_\_\_\_\_  
 Sonja Hecker Tafra  
 Certified Auditor

Crowe Horwath Revizija  
 d.o.o.  
 Petra Hektorovića 2  
 Grand Center, VIII kat  
 10 000 Zagreb

 Crowe Horwath Revizija d.o.o.  
 Zagreb

  
 \_\_\_\_\_  
 Darko Karić  
 Director

  
 \_\_\_\_\_  
 Darko Karić  
 Certified Auditor

Audit d.o.o.  
 Benkovičeva 2  
 10000 Zagreb





# ZAGREBAČKI HOLDING d.o.o. and its subsidiaries

## Consolidated Statement of comprehensive income

For the year ended 31 December 2019

	Notes	2019 (in '000 HRK)	2018 restated (in '000 HRK)
<b>OPERATING REVENUE</b>			
Sales revenue	7	3,506,889	3,263,744
Other operating revenue	8	580,663	583,433
<b>Total</b>		<b>4,087,552</b>	<b>3,847,177</b>
<b>OPERATING EXPENSES</b>			
Material expenses and services	9	(2,153,870)	(1,931,273)
Employee benefit expenses	10	(1,147,561)	(1,057,120)
Depreciation and amortisation	11	(389,698)	(373,176)
Impairment of assets	12	(163,286)	(152,475)
Provisions	13	(58,111)	(67,037)
Other operating expenses	14	(100,558)	(105,332)
<b>Total</b>		<b>(4,013,084)</b>	<b>(3,686,413)</b>
<b>Finance income</b>	15	<b>146,000</b>	<b>170,433</b>
<b>Finance expenses</b>	16	<b>(197,744)</b>	<b>(237,381)</b>
<b>NET FINANCIAL EXPENSES</b>		<b>(51,744)</b>	<b>(66,948)</b>
<b>TOTAL INCOME</b>		<b>4,233,552</b>	<b>4,017,610</b>
<b>TOTAL EXPENSES</b>		<b>(4,210,828)</b>	<b>(3,923,794)</b>
<b>PROFIT BEFORE TAX</b>		<b>22,724</b>	<b>93,816</b>
Tax expense	17	(8,413)	(21,412)
<b>PROFIT FOR THE YEAR</b>		<b>14,311</b>	<b>72,404</b>
<b>Attributable to:</b>			
<b>Owners of the Company</b>		<b>9,041</b>	<b>68,804</b>
<b>Owners of non-controlling interest</b>		<b>5,270</b>	<b>3,600</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
<b>Profit from property revaluation, net</b>	17, 29	159,875	4,945
<b>Profit / (loss) from financial asset valuation, net</b>	17, 29	420	1,008
<b>Total comprehensive income (loss) for the year</b>		<b>174,606</b>	<b>78,357</b>
<b>Total comprehensive income attributable to:</b>			
<b>Owners of the Company</b>		<b>169,336</b>	<b>74,757</b>
<b>Owners of non-controlling interest</b>		<b>5,270</b>	<b>3,600</b>

  
 Ana Stojić Deban,  
 President of the Management Board

  
 Bernard Mršo,  
 Member of the Management Board

  
 Daniela Franić,  
 Member of the Management Board

  
 Marica Dusper,  
 Member of the Management Board

ZAGREBAČKI HOLDING  
 d. o. o.  
 ZAGREB, Ulica grada Vukovara 41

The accounting policies and notes on pages 82-168 form an integral part of these consolidated financial statements.

**ZAGREBAČKI HOLDING** d.o.o. and its subsidiaries  
 Consolidated Statement of financial position / Balance sheet  
 At 31 December 2019

	Notes	31 Dec 2019	31 Dec 2018	1 Jan 2018
		(in '000 HRK)	restated (in '000 HRK)	restated (in '000 HRK)
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	18	10,201,876	10,003,320	13,205,138
Investment property	21	1,688,614	1,752,655	2,138,577
Right - of - use assets	20	23,780	-	-
Intangible assets and goodwill	19	33,582	23,194	15,392
Financial assets	22	155,889	154,940	131,864
Non-current receivables	23	1,938,527	2,004,817	1,769,755
Deferred tax assets	17	85,623	71,760	69,733
<b>Total non-current assets</b>		<b>14,127,891</b>	<b>14,010,686</b>	<b>17,330,459</b>
<b>CURRENT ASSETS</b>				
Inventories	24	396,304	316,346	361,338
Receivables from a related party	25	652,608	564,470	494,885
Trade receivables and other receivables	26	1,075,077	1,085,393	1,151,697
Financial assets	27	30,853	26,453	65,533
Cash and cash equivalents	28	202,179	310,461	158,909
<b>Total current assets</b>		<b>2,357,021</b>	<b>2,303,123</b>	<b>2,232,362</b>
<b>TOTAL ASSETS</b>		<b>16,484,912</b>	<b>16,313,809</b>	<b>19,562,821</b>
Off-balance sheet items	37	162,911	185,275	364,170

The accounting policies and notes on pages 82-168 form an integral part of these consolidated financial statements.

	Notes	31 Dec 2019	31 Dec 2018	1 Jan 2018
		(in '000 HRK)	restated (in '000 HRK)	restated (in '000 HRK)
<b>EQUITY</b>				
Share capital		3,177,044	3,177,044	3,833,236
Revaluation reserves		1,999,402	1,839,527	2,866,246
Other reserves		322,618	322,618	322,618
Retained earnings		698,503	689,042	672,592
Non-controlling interest		14,420	11,484	10,386
<b>Total capital and reserves</b>	<b>29</b>	<b>6,211,987</b>	<b>6,039,715</b>	<b>7,705,078</b>
<b>NON-CURRENT LIABILITIES</b>				
Loans and borrowings	30	1,231,533	1,495,246	2,193,030
Bonds	31	2,261,551	2,251,357	2,243,265
Provisions	33	346,638	360,758	507,402
Deferred income	34	3,262,452	3,296,745	3,911,747
Deferred tax liability	17	463,116	435,515	669,138
Other long-term liabilities	32	278,672	253,435	204,272
<b>Total non-current liabilities</b>		<b>7,843,962</b>	<b>8,093,056</b>	<b>9,728,854</b>
<b>CURRENT Liabilities</b>				
Trade and other payables	36	1,101,027	1,071,233	1,177,993
Liabilities to related parties	35	12,559	29,777	112,712
Loans and borrowings	30	1,135,702	877,273	658,478
Current maturity of deferred revenue recognition		172,373	188,732	177,942
Current income tax liability		7,302	14,023	1,764
<b>Total current liabilities</b>		<b>2,428,963</b>	<b>2,181,038</b>	<b>2,128,889</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16,484,912</b>	<b>16,313,809</b>	<b>19,562,821</b>
Off-balance sheet items	37	162,911	185,275	364,170

The accounting policies and notes on pages 82-168 form an integral part of these consolidated financial statements.

# ZAGREBAČKI HOLDING d.o.o. and its subsidiaries

Consolidated Statement of changes in equity

For the year ended 31 December 2019

	Share capital (in '000 HRK)	Revaluation reserves (in '000 HRK)	Capital reserves from profit (in '000 HRK)	Retained earnings / (carried loss) (in '000 HRK)	Share of owner of the parent (in '000 HRK)	Non-controlling interest (in '000 HRK)	Total (in '000 HRK)
<b>Balance at 31 December 2016</b>	<b>3,833,236</b>	<b>2,887,537</b>	<b>322,618</b>	<b>695,267</b>	<b>7,738,658</b>	<b>8,348</b>	<b>7,747,006</b>
Impact of correction of errors	-	(18,685)	-	(43,427)	(62,112)	-	(62,112)
<b>Balance at 01 January 2017 (restated)</b>	<b>3,833,236</b>	<b>2,868,852</b>	<b>322,618</b>	<b>651,840</b>	<b>7,676,546</b>	<b>8,348</b>	<b>7,684,894</b>
<i>Comprehensive income</i>							
Profit for the period	-	-	-	20,752	20,752	2,038	22,790
Loss on valuation of financial assets (net)	-	(2,606)	-	-	(2,606)	-	(2,606)
Other comprehensive income for the period	-	(2,606)	-	-	(2,606)	-	(2,606)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(2,606)</b>	<b>-</b>	<b>20,752</b>	<b>18,146</b>	<b>2,038</b>	<b>20,184</b>
<b>Balance at 31 December 2017</b>	<b>3,833,236</b>	<b>2,866,246</b>	<b>322,618</b>	<b>672,592</b>	<b>7,694,692</b>	<b>10,386</b>	<b>7,705,078</b>
Adjustment on initial application of IFRS 15	-	-	-	(84,226)	(84,226)	-	(84,226)
<b>Adjusted balance at 01 January 2019 after application of IFRS 15</b>	<b>3,833,236</b>	<b>2,866,246</b>	<b>322,618</b>	<b>588,366</b>	<b>7,610,466</b>	<b>10,386</b>	<b>7,620,852</b>
<i>Comprehensive income</i>							
Profit for the period	-	-	-	68,804	68,804	3,600	72,404
Gain on valuation of financial assets (net)	-	4,945	-	-	4,945	-	4,945
Gain from real estate revaluation (net)	-	1,008	-	-	1,008	-	1,008
Other comprehensive income	-	5,953	-	-	5,953	-	5,953
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>5,953</b>	<b>-</b>	<b>68,804</b>	<b>74,757</b>	<b>3,600</b>	<b>78,357</b>
<i>Transactions with owners recognized directly in equity</i>							
Profit payout to non-controlling interest	(656,192)	(1,032,672)	-	31,872	(1,656,992)	(2,502)	(2,502)
Company division (Note 5)	(656,192)	(1,032,672)	-	31,872	(1,656,992)	(2,502)	(1,656,992)
<b>Total transactions with owners of the Company</b>	<b>3,177,044</b>	<b>1,839,527</b>	<b>322,618</b>	<b>689,042</b>	<b>6,028,231</b>	<b>11,484</b>	<b>6,039,715</b>
<b>Balance at 31 December 2018 (restated)</b>							
<i>Comprehensive income</i>							
Profit for the period	-	-	-	9,041	9,041	5,270	14,311
Gain on valuation of financial assets (net)	-	420	-	-	420	-	420
Gain from real estate revaluation (net)	-	159,455	-	420	159,875	-	159,875
Other comprehensive income	-	159,875	-	420	160,295	-	160,295
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>159,875</b>	<b>-</b>	<b>9,461</b>	<b>169,336</b>	<b>5,270</b>	<b>174,606</b>
<i>Transactions with owners recognized directly in equity</i>							
Profit payout to non-controlling interest	-	-	-	-	-	(2,334)	(2,334)
<b>Total transactions with owners of the Company</b>	<b>3,177,044</b>	<b>1,999,402</b>	<b>322,618</b>	<b>698,503</b>	<b>6,197,567</b>	<b>14,420</b>	<b>6,211,987</b>
<b>Balance at 31 December 2019</b>							

The accounting policies and notes on pages 82-168 form an integral part of these consolidated financial statements.

**ZAGREBAČKI HOLDING** d.o.o. and its subsidiaries

## Consolidated Statement of cash flows - continued

For the year ended 31 December 2019

	2019	2018
	(in '000 HRK)	restated (in '000 HRK)
<b><i>Profit (loss) for the year</i></b>	<b>14,311</b>	<b>72,404</b>
Tax expense recognised in profit or loss	(21,210)	(10,599)
Finance expenses recognised in profit or loss	174,199	218,828
Investment revenue recognised in profit or loss	(108,464)	(122,036)
Impairment of current assets	162,542	106,816
Change in fair value if investment property	(107,259)	(91,098)
Impairment losses on goodwill	10,178	-
Depreciation and amortisation of non-current tangible and intangible assets	382,149	373,177
Increase / (decrease) in non-current provisions	(14,120)	(37,730)
Decrease of deferred income for assets financed by others	(34,293)	2,989
Other non-monetary items	18,561	1,073
Losses from foreign exchange translations	1,697	(4,687)
<b>Changes in working capital:</b>		
(Increase)/decrease in inventories	98,071	(8,934)
Increase in trade receivables	(64,371)	(81,058)
(Increase)/decrease in receivables from related parties	(88,137)	(124,792)
Decrease in receivables from employees	(31)	(1)
(Increase)/decrease in receivables from the state	(7,472)	7,342
Decrease / (increase) of other receivables	(83,403)	(11,215)
Decrease in trade payables and liabilities to related parties	(42,985)	379,778
Decrease in liabilities for taxes and contributions	24,169	280
Decrease in employee benefits liabilities	5,904	(9,040)
(Decrease)/increase of other non-current liabilities	(11,551)	11,343
(Decrease)/increase of other current liabilities	66,828	43,585
<b><i>Net cash flows from operating activities</i></b>	<b>375,313</b>	<b>716,425</b>

The accounting policies and notes on pages 82-168 form an integral part of these consolidated financial statements.



	2019	2018
	(in '000 HRK)	restated (in '000 HRK)
<b>Cash flows from operating activities</b>		
Cash flows from operating activities	375,313	716,425
Income taxes paid	(27,918)	(20,401)
Interests paid	(165,149)	(170,651)
<b>Net cash flows from operating activities</b>	<b>182,246</b>	<b>525,373</b>
<b>Cash flows from investing activities</b>		
Expenses for procurement of tangible and intangible assets	(453,945)	(424,720)
Gains from sale of non-current tangible assets	-	870
Decrease in advances for non-current assets	(1,803)	(998)
Decrease (increase) of non-current receivables	66,289	(254,515)
Gains from sale of current financial assets	(4,400)	39,080
Expenses for procurement of financial assets	(949)	(23,076)
Interests collected	111,515	125,996
Separation of subsidiary, net of cash	-	(806)
Expenses for procurement of equity	-	(41,000)
<b>Net cash flows from investing activities</b>	<b>(283,293)</b>	<b>(579,169)</b>
<b>Cash flows from financing activities</b>		
Loans and borrowings received	850,308	981,548
Repayment of loans and borrowings	(857,543)	(776,200)
<b>Net cash (used in)/from financing activities</b>	<b>(7,235)</b>	<b>205,348</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(108,282)</b>	<b>151,552</b>
<b>Cash and cash equivalents at 1 January</b>	<b>310,461</b>	<b>158,909</b>
<b>Cash and cash equivalents at 31 December</b>	<b>202,179</b>	<b>310,461</b>

The accounting policies and notes on pages 82-168 form an integral part of these consolidated financial statements.

## 1 / GENERAL INFORMATION

### History, incorporation and statutory changes

On 27 December 2005, The City of Zagreb and Zagrebački holding d.o.o. ("the Company") had performed several share transfer agreements, based on which the ownership interests in 22 companies were transferred in full from the City of Zagreb to the Company. The transferred equity interests in the nominal amount of HRK 4,036,590 thousand represent assets that are at the free disposal of the Company. Pursuant to these agreements, the City of Zagreb increased the subscribed capital of the Company, by converting the receivables under the Share Transfer Agreement by a total of HRK 4,036,590 thousand in equity of the Company.

In 2006 and 2007, several companies were merged into the Company, and the Company underwent several statutory changes, all of which were registered at the Commercial Court in Zagreb.

Upon the merger, the merged entities transferred all of their assets and liabilities to the Company as the acquirer. Pursuant to the underlying merger agreements and the applicable provisions of the Companies Act, the share capital of the Company was not increased by the share capital of each of the merged entities because it held the entire share capital in each of the entities.

In 2013, the Company defined a Demerger plan involving the establishment of new companies and transfer of a part of its assets and liabilities to the new companies. Until the end of 2013, the following operating units had been spun off: Water supply (as a result of the underlying changes of the Water Act, OG 153/09, 63/11, 130/11 and 56/13), Facility management, Construction and sale of flats, and Publishing (as a result of the strategic focus to separate commercial operations from the communal activities), resulting in the establishment of four new companies.

Pursuant to the Decision (No Tt-13/25472-2) of the Commercial Court in Zagreb, dated 8 November 2013, the demerger of the Company involving the establishment of the following new companies was entered into the Court registry: Gradsko stambeno komunalno gospodarstvo d.o.o., Vodoopskrba i odvodnja d.o.o., Zagrebačka stanogradnja d.o.o. and AGM d.o.o.

As part of the demerger involving the establishment of the above-mentioned companies, the share capital was distributed by reducing the share capital of the Company by HRK 2,069,128 thousand from HRK 4,208,629 thousand to HRK 2,139,501 thousand.

Following the Company's statutory changes and registration of new companies, the Company had entered into the Contract on transfer of business shares with City of Zagreb as transferor whereas the Company acquired the following companies: Gradsko stambeno komunalno društvo d.o.o., Vodoopskrba i odvodnja d.o.o., AGM d.o.o. and Zagrebačka stanogradnja d.o.o. Equity was transferred to the Company in the total amount of HRK 2,069,128 thousand which is the same as nominal value of share capital for each of above mentioned companies. This was based on transfer of equity receivables from City of Zagreb to additional share capital of the Company during the year 2013 as it is stated in Commercial Court in Zagreb.

**1 / GENERAL INFORMATION / CONTINUED**

Company activities

As at 31 December 2019, the Company comprised the following subsidiaries:

NAME OF THE COMPANY/SUBSIDIARY	ADDRESS	PRINCIPAL ACTIVITIES	OWNERSHIP INTEREST	
			2019	2018
Zagrebački holding	Avenija grada Vukovara 41	public transport; water supply; cleaning, waste management; travel agency; sports, facility and real estate management	100% the City of Zagreb	100% the City of Zagreb
1/ Gradska groblja	Aleja Hermannova Bollea 27	funeral and related services	100% Zagrebački holding	100% Zagrebački holding
2/ Čistoća	Radnička 82	waste collection, cleaning services	100% Zagrebački holding	100% Zagrebački holding
3/ Zrinjevac	Remetinečka 15	landscaping services	100% Zagrebački holding	100% Zagrebački holding
4/ Zagrebparking	Šubićeva 40/III	services of public parking and public garage management	100% Zagrebački holding	100% Zagrebački holding
5/ Zagrebačke ceste	Donje Svetice 48	regional and local road management, maintenance and construction	100% Zagrebački holding	100% Zagrebački holding
6/ Autobusni kolodvor Zagreb	Avenija Marina Držića 4	bus station services	100% Zagrebački holding	100% Zagrebački holding
7/ Tržnice Zagreb	Šubićeva 40/V	wholesale and retail markets, warehousing	100% Zagrebački holding	100% Zagrebački holding
8/ ZGOS	Zeleni trg 3	waste management	100% Zagrebački holding	100% Zagrebački holding
9/ Zagrebački digitalni grad	Av. Dubrovnik 15	lease of telecommunication cables and network	100% Zagrebački holding	100% Zagrebački holding
10/ Upravljanje projektima	Jankomir 25	construction and project management	100% Zagrebački holding	100% Zagrebački holding
11/ Arena Zagreb	Ul. V. Vukova 8	sports facility management	100% Zagrebački holding	100% Zagrebački holding
12/ Robni terminali Zagreb	Jankomir 25	warehousing	100% Zagrebački holding	100% Zagrebački holding
13/ Vladimir Nazor	Maksimir 52	travel agency and organised youth travel	100% Zagrebački holding	100% Zagrebački holding
14/ Upravljanje nekretninama	Jankomir 25	real-estate management	100% Zagrebački holding	100% Zagrebački holding

**1 / GENERAL INFORMATION / CONTINUED**

Companies and institutions owned by the Company, which comprise Zagrebački holding Group (hereinafter: the Group):

NAME OF THE AFFILIATED COMPANY	ADDRESS	LEGAL FORM	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST	
				2019	2018
1/ <b>Gradska plinara Zagreb d.o.o.</b>	Radnička 1	limited liability company	gas distribution	100% Zagrebački holding	100% Zagrebački holding
2/ <b>Gradska plinara Zagreb - Opskrba d.o.o.</b>	Radnička 1	limited liability company	gas supply	100% Zagrebački holding	100% Zagrebački holding
3/ <b>Zagreb plakat d.o.o.</b>	Hebrangova 32	limited liability company	lease of advertising space	51% Zagrebački holding	51% Zagrebački holding
4/ <b>Gradska ljekarna Zagreb</b>	Kralja Držislava 6	institution	pharmacy services	100% Zagrebački holding	100% Zagrebački holding
5/ <b>Gradsko stambeno komunalno gospodarstvo d.o.o.</b>	Savska cesta 1	limited liability company	facility management	100% Zagrebački holding	100% Zagrebački holding
6/ <b>Vodopostroba i odvodnja d.o.o.</b>	Folnegovičeva 1	limited liability company	collection, purification and distribution of water	100% Zagrebački holding	100% Zagrebački holding
7/ <b>AGM d.o.o.</b>	Mihanovičeva 28	limited liability company	publishing	100% Zagrebački holding	100% Zagrebački holding
8/ <b>Zagrebačka stanogradnja d.o.o.</b>	Jankomir 25	limited liability company	construction and sale of apartments	100% Zagrebački holding	100% Zagrebački holding
9/ <b>Centar d.o.o.</b>	Avenija grada Vukovara 41	limited liability company	organisation of youth sports events	100% Zagrebački holding	100% Zagrebački holding
10/ <b>Gradska plinara Bjelovar d.o.o.*</b>	F. Rusana 21, Bjelovar	limited liability company	gas distribution	100% Gradska plinara Zagreb d.o.o.	100% Gradska plinara Zagreb d.o.o.

By the Decision of the Commercial Court in Zagreb (Tt-17 / 49954-2) of 29 December 2017, the division of the Company was carried out by separation with the establishment of new limited liability companies - Zagrebački električni tramvaj d.o.o., and Zagrebački velesajam d.o.o. With the division of economic units into newly formed companies, the Company's share capital was reduced by HRK 656,193 thousand to the amount of HRK 3,177,044 thousand while the business effects of the Plan entered into force on 1 January 2018. The shares were acquired by the City of Zagreb, which, after the implementation of the Plan, was the only member, i.e. the only holder of business shares in the new companies Zagrebački električni tramvaj d.o.o., and Zagrebački velesajam d.o.o.

In 2018, Gradska plinara Zagreb acquired 100% share of Elektrometal distribucija plina d.o.o. Bjelovar, and recorded goodwill in the amount of HRK 11,811 thousand, stated in the intangible asset position (Note 5).

\* In 2019 Elektrometal distribucija plina d.o.o. changed the name in Gradska plinara Bjelovar d.o.o

## 1 / GENERAL INFORMATION / CONTINUED

### Principal activities

During the year, the principal activities of the Group comprised the provision of the following services:

- a/ Cleaning and waste removal services
- b/ Water collection, treatment and supply
- c/ Landscaping services
- d/ Management, maintenance, construction and protection of regional and local roads
- e/ Parking services
- f/ Gas supply and distribution
- g/ Pharmacy services
- h/ Warehousing and rental services
- i/ Waste disposal and management
- j/ Project management and construction
- k/ Other services

### Employees

The Group, as at 31 December 2019 employed 7,794 employees (31 December 2018: 7,529 employees), as hereinafter indicated:

Group	Number of employees	Number of employees
	31 Dec 2019	31 Dec 2018
Company	5,291	5,038
Subsidiaries	2,503	2,491
	<b>7,794</b>	<b>7,529</b>

**1 / GENERAL INFORMATION / CONTINUED****Management and directors**

During 2019 the members of the Management Board of the Company were as follows:

1. Ana Stojić Deban, President of the Management Board since 16 June 2015
2. Daniela Franić, Member of the Management Board since 6 March 2015
3. Bernard Mršo, Member of the Management Board since 8 August 2016
4. Marica Dusper, Member of the Management Board since 2 January 2019

**Subsidiaries****Director of the Subsidiary**

1. Gradska plinara Zagreb d.o.o.	Tihana Colić until 30 December 2018, Ana Stojić Deban since 31 December 2018 until 01 April 2019, Tomislav Mazal from 11 March 2019
2. Gradska plinara Zagreb Opskrba d.o.o.	Igor Pirija from 21 March 2016, Igor Šadura from 11 March 2019 until 23 December 2019
3. Zagreb plakat d.o.o.	Bosiljka Grbašić from 15 November 2013, Kruno Ian Bodegray from 01 April 2019, Fabris Peruško from 28 February 2018
4. Gradska ljekarna Zagreb	Nadica Jambrek, principal from 02 July 2014
5. Gradsko stambeno komunalno gospodarstvo d.o.o.	Joško Jakelić from 07 November 2013
6. Vodoopskrba i odvodnja d.o.o.	Štefica Mihalić until 30 September 2018, Marin Galijot since 1 October 2018
7. AGM d.o.o.	Stjepan Bekavac since 11 September 2017
8. Zagrebačka Stanogradnja d.o.o.	Željko Horvat since 28 June 2016
9. Centar d.o.o.	Tomislav Bilić since 08 June 2016
10. Gradska plinara Bjelovar d.o.o.*	Srećko Ezgeta since 23 April 2008

\*Gradska plinara Bjelovar d.o.o. Bjelovar is a 100% owned subsidiary of Gradska plinara Zagreb d.o.o.

**Supervisory Board**

The members of **the Supervisory Board** of the Company during 2019 were as follows:

1. Ivan Šikić, member (since 21 September 2017)
2. Gojko Bežovan, member (since 21 September 2017)
3. Andrea Šulentić, member (since 28 May 2015 until 27 May 2019), member (since 05 June 2019)
4. Nikola Mijatović, member (since 8 August 2016), deputy president (since 27 September 2017)
5. Mario Župan, member (since 8 August 2016)
6. Ljubo Jurčić, member (since 21 September 2017), president (since 27 September 2017)
7. Josip Budimir, member (since 21 September 2017)
8. Mihaela Grubišić Šeba, member (since 21 September 2017)
9. Dražen Hrkač, član (od 02. svibnja 2018. godine)

## **1 / GENERAL INFORMATION / CONTINUED**

The only member of **the Assembly** is City of Zagreb, and its representatives during 2019 were as follows:

1. Milan Bandić (since 22 April 2015)
2. Slavko Kojić (since 28 June 2013)
3. Olivera Majić (since 14 June 2017)

## **2 / PRINCIPAL ACCOUNTING POLICIES**

### **a/ Statement of compliance**

Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which have been adopted by the European Commission and published in the Official Gazette of the European Union. The financial statements are presented for the Group and contain the consolidated financial statements of the Company and its subsidiaries. On 27 May 2020, the Management Board approved the issuance of these consolidated financial statements for submission to the General Assembly for adoption.

These are the financial statements of the Group that include the application of IFRS 16, Leases. Changes in accounting policies are explained in Note 2b.

The Group has reconciled the amounts previously disclosed in the consolidated financial statements, where it was necessary, as it is presented in Note 4.

### **b/ Basis of preparation of consolidated financial statements**

The accompanying consolidated financial statements comprise the financial statements of the Company and the entities controlled by it, i.e. its subsidiaries.

Standalone financial statements that the Company is required to prepare in accordance with EU IFRS are published separately and issued on the same date as these consolidated statements.

The consolidated financial statements of the Group have been prepared under the historical cost basis, with the exceptions of revaluation of land, investment property and part of financial assets carried at fair value, as disclosed in Notes 18, 21 and 22 to the consolidated financial statements, and using the basing principle of going concern.

The preparation of the consolidated financial statements in accordance with IFRS requires from Management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, and revenues and expenses. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in notes.

#### **(i) Basics of consolidation**

Consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they were one entity.

The Company owns other entities - subsidiaries, which are entities controlled. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to these activities achieve benefits. Subsidiaries are fully consolidated from the from the date on which control commences until the date on which control ceases. Non-controlling interests are initially measured at their proportionate share of the recognized net assets of the acquired company at the date of acquisition. Changes in the Group's shares in a subsidiary that do not result in a loss of control are recognized as transactions with owners. Balances and transactions between the Group members and all unrealized gains from the transactions between the Group members are eliminated in the consolidated financial statements.

### ***Adoption of new and revised International Financial Reporting Standards (IFRS) effective from 1 January 2019***

#### **IFRS 16 Leases**

The standard is effective for annual periods beginning on or after 1 January 2019. Since January 1, 2019, the Company has applied the International Financial Reporting Standard 16 Leases (IFRS 16) using a modified retroactive approach and has not restated the comparative data for 2018 as permitted by the standard and certain simplifications that are allowed by the standard are applied. Assets with right of use are stated at an amount equal to the lease obligation (adjusted for the amount of any prepaid or accrued lease payments).

In the initially applying of the IFRS 16, the Group has used the following practical solutions permitted by the standard:

- applying a single discount rate to a rental portfolio with relatively similar characteristics,
- reliance on previous assessments of the harmfulness of leases as an alternative solution to the impairment test - on 1 January 2019 there were no harmful contracts,



**2 / PRINCIPAL ACCOUNTING POLICIES / continued****b/ Basis of preparation of consolidated financial statements / continued****Adoption of new and revised International Financial Reporting Standards (IFRS) effective from 1 January 2019 / continued**

- presentation of operating leases whose remaining lease period on 1 January 2019 is within 12 months as short-term leases,
- the exclusion of initial direct costs from the measurement of right-of-use assets, at the date of first application, and
- the use of recent knowledge in determining the lease term if the contract contains the possibility of extending or termination.

The Group has decided not to reassess at the date of first application whether it is a lease contract or a contract that contains lease. Instead, for contracts the Group entered into before the transition date, the Group relied on its assessment based on the application of IAS 17 Leases and Interpretations (IFRIC) 4 Determining whether an agreement contains a lease.

On January 1, 2019 the weighted average incremental borrowing rate applied by the Group for lease liabilities was 3.53%.

At 31 December 2018, the Group had liabilities under an irrevocable lease in the amount of HRK 67,323 thousand. Of these liabilities, the amount of HRK 21,495 thousand relates to short-term leases and the amount of HRK 18,794 thousand relates to low-value leases, both of which are recognized linearly as an expense in the income statement.

The reconciliation of contractual obligations under operating leases disclosed in Notes 20 and 30 with recognized liability is as follows:

<i>In thousands of HRK</i>	<b>31<sup>st</sup> December 2018/ 1<sup>st</sup> January 2019</b>
Total future minimum payments for irrevocable* operating leases at 31 <sup>st</sup> December 2018	67,323
- Finance lease liabilities recognized at 31 <sup>st</sup> December 2018	-
- Future variable lease payments that depend on an index or rate	-
- The effect of discounting on the present value	(1,563)
- Recognition exemption for leases with less than 12 months	(21,495)
- Recognition exemption for leases of low-value assets	(18,794)
<b>Total lease liabilities recognized on 1<sup>st</sup> January 2019</b>	<b>25,471</b>
Of which:	
Short-term lease liabilities (Note 30)	6,022
Long-term lease liabilities (Note 30)	19,449

Irrevocable leases include those that can be canceled only:

- in the case of an unexpected event,
- with the permission of the lessor,
- if the lessee enters a new lease for the same or equally valuable assets with the same lessor; or
- after the lessee has paid an additional amount based on which it is certain at the beginning of the lease period that the lease will continue.

**2 / PRINCIPAL ACCOUNTING POLICIES / continued****b/ Basis of preparation of consolidated financial statements / continued*****Adoption of new and revised International Financial Reporting Standards (IFRS) effective from 1 January 2019 / continued***

The impact of the change in accounting policy on the statement of financial position as of 1<sup>st</sup> January 2019:

<i>In thousands of HRK</i>	Note	Impact of adopting IFRS 16
Increase of the right-of-use assets	20	25,471
Increase of lease liabilities	30	25,471

Following the adoption of IFRS 16, the nature of the costs associated with leases has changed, as the Company recognizes the cost of right-of use assets depreciation and interest expense on lease liabilities.

Previously, the Company was recognized operating lease expense on a straight-line basis over the term of the lease and recognized assets and liabilities only to the extent that there was a difference between the actual lease payments and the recognized expense for the year. The Statement of comprehensive income for the year ended 31<sup>st</sup> December 2019 includes HRK 7,549 thousand of depreciation related to right-of-use assets (Note 20) and HRK 1,236 thousand of financial expense related to interest on lease liabilities. (Note 20).

The following amended standards are effective from 1 January 2019, but did not have a significant impact on the Group:

- IFRIC 23 “Uncertainty over Income Tax Treatments” (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Prepayment Features with Negative Compensation - Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual improvements to IFRSs for the 2015-2017 Cycle - Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

## 2 / PRINCIPAL ACCOUNTING POLICIES / continued

### b/ Basis of preparation of consolidated financial statements / continued

#### ***Adoption of new and revised International Financial Reporting Standards (IFRS) effective from 1 January 2018 / continued***

- IFRS 9 Financial Instruments: Classification and Measurement

The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, hedge accounting. The Group adopted the standard on its effective date, and the application had no significant impact on Group's financial statements.

- IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the Groups' ordinary activities (e.g., sales of property, plant and equipment or intangibles). IFRS 15 requires from the Group the application of judgments, and all relevant facts and circumstances must be taken into account in applying the 5-step model to the contracts it has with its customers. The Standard also specifically defines the accounting treatment of incremental costs of acquiring contracts and costs that can be directly linked to the performance of the contract. In addition, the standard requires specific disclosure.

The Management Board adopted this standard on 1 January 2018 and did not correct comparative information. The Group has carried out an analysis of the effect of applying this Standard and the Board's conclusion that the adoption has no significant impact on the Group's financial statements. The main difference relates to the reduction in deferred income and the recognition of contractual obligations in the Group's balance sheet instead.

#### **Details on the impact of IFRS 15 are given below:**

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

IFRS 15 - *Revenue from Contracts with Customers* replaced by IAS 18 - *Revenue* and IAS 11 - *Construction Contracts* as well as related interpretations including IFRIC 18 - *Transfer of Assets from Customers*. The replacement of IFRIC 18 - *Transfer of Assets from Customers* with IFRS 15 - *Revenue from Contracts with Customers* had the following effect on the Company:

Connection fees received from customers for contracts concluded until 30 June 2009 have been recognized as deferred income and recognized as income for the period, together with the amortization of the related assets (connections). After the entry into force of IFRIC 18, connection fees received from customers as from 1 July 2009 were recorded as revenue in the amount of money received from the buyer at the time the customer joined the network or was provided permanent access to service delivery. The Company applied IFRIC 18 prospectively, that is, to contracts that were concluded after July 1, 2009, while retaining prior accounting for contracts concluded prior to that date. In accordance with the provisions of IFRS 15, the scope of which are the network connection agreements, the network connection fee is associated with distribution, transmission and electricity supply services and cannot be considered as a separate execution obligation. In accordance with IFRS 15, the network connection is considered to be a reimbursement for future network use and water and gas supplies and will therefore be recognized as revenue after providing these future services. Furthermore, by providing network and water and gas services, the customer simultaneously receives and uses the benefits arising from the Group's performance, which means that the IFRS 15 criterion for recognition of revenue during the execution of the service has been met. An acceptable approach to determining the service provision period is the lifetime of a terminal asset as the connections become part of the distribution network and relate to the Group's obligation to provide the customer with access to the network over the entire useful life of the connections.

## 2 / PRINCIPAL ACCOUNTING POLICIES / continued

### b/ Basis of preparation of consolidated financial statements / continued

#### ***Adoption of new and revised International Financial Reporting Standards (IFRS) effective from 1 January 2018 / continued***

Therefore, revenue should be systematically allocated over the period of useful life of the constructed asset or transferred asset used for the provision of fixed services, and the fees received from the customers to be recorded as deferred income and recognized as the income of the period simultaneously with the amortization of the assets (connections).

The Group has elected not to restate comparative periods and apply this standard retroactively with the cumulative effect of the initial application on 1 January 2018. The cumulative effect of initial application of IFRS 15 is recognized as a reduction in the initial balance of retained earnings, an increase in the initial amount of deferred income and an increase in the initial amount of deferred tax asset for the remaining amount of recognized higher income than the related fee that required accounting treatment in accordance with IFRIC 18. The above impact on the Group's balance sheet position as at 31 December 2018 is as follows:

- Reduction of retained earnings in the amount of HRK 84,226 thousand
- Increase in deferred income in the amount of HRK 74,637 thousand
- Increase in deferred tax assets in the amount of HRK 13,203 thousand
- Decrease in deferred tax liabilities in the amount of HRK 3,614 thousand

#### ***New standards and interpretations of published standards that have not yet been adopted and which the Group has not previously adopted***

Several new accounting standards and interpretations have been issued that are not mandatory for the reporting periods ending 31 December 2019 and that have not been previously adopted by the Group:

- **Amendments to References to Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020)**

The revised conceptual framework includes a new chapter on measurement; guidelines for financial result reporting; improved definitions and guidelines - in particular the definition of the liability; and clarifications in important areas, such as the role of management, prudence and measurement uncertainty in financial reporting.

- **Definition of Material - Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020)**

The amendments clarify the definition of materiality and how it should be applied to contain guidelines that have been contained elsewhere in IFRSs. Furthermore, the explanations along with the definition itself have been improved. Finally, the amendments ensure the consistency of the definition of materiality in all IFRSs. Information is material if it can reasonably be expected that its omission, misstatement or unclear representation will affect the decisions made by the primary users of general purpose financial statements based on those financial statements that provide financial information about a particular reporting entity. The Group is currently assessing the impact of the amendments on the financial statements.

- **Reforms of Reference Interest Rates - Amendments to IFRS 9, IAS 39 and IFRS 7 (effective for annual periods beginning on or after 1 January 2020)**
- The amendments resulted from the replacement of reference interest rates such as LIBOR and other interbank bid interest rates ("IBORs"). The amendments provide for the possibility of a temporary exemption from the application of certain hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under IFRS 9 and IAS 39 requires that future hedged cash flows be "highly probable".
- If these cash flows depend on the IBOR, the exemption provided for in the amendments requires the entity to apply the assumption that the interest rate on which the cash flows are based will not change as a result of the reform. IAS 39 and IFRS require an estimate of expected future events for the application of hedge accounting.

## 2 / PRINCIPAL ACCOUNTING POLICIES / continued

### b/ Basis of preparation of consolidated financial statements / continued

#### ***Standards and interpretations issued by the Standards Committee, not yet in force and not previously adopted by the Group***

Although the cash flows to which IBOR interest rates apply and the interest rates that replace it are currently expected to be mostly the same, reducing any inefficiencies, this may no longer be the case as the reform date approaches. According to the amendments, the Company may assume that the reference interest rate on which the cash flows of a hedged item, hedging instrument or hedged risk are based, has not been affected by the reform of the IBOR. Due to the reform of the IBOR, protection could be found outside the range of 80-125%, which is mandatory for retroactive testing in accordance with IAS 39. IAS 39 has therefore been amended to allow an exemption from retroactive performance testing in such a way that protection is not interrupted during the period of uncertainty caused by IBORs simply because retroactive inefficiencies are outside this range. However, even then, other requirements for the application of hedge accounting should still be met, including an assessment of expected events.

For some hedges, the hedged item or hedged risk refers to a non-contractual component of the IBOR. To apply hedge accounting, IFRS 9 and IAS 39 require that the identified risk component can be determined separately and measured reliably. According to the appendices, the risk component should be able to be determined separately at the beginning of the determination of the protection relationship, and not continuously. In the context of a macro protection, where the entity often harmonizes the protection relationship, the exemption applies from the moment the protected item was originally established within that protection relationship. Any ineffectiveness of hedging will continue to be recognized in the income statement in accordance with IAS 39 and IFRS 9.

The appendices set out the reasons for the cessation of the exemption, including the uncertainty arising from the reference interest rate reform, which is no longer applicable. The amendments require entities to provide additional information to investors about their hedged relationships directly affected by these uncertainties, including the nominal amount of hedging instruments to which the exemptions apply, any significant assumptions or judgments made during the application of the exemption, and qualitative disclosure of how the entity is affected by the IBORs's reform and how it manages the transition process. The Group is currently assessing the impact of the amendments on the financial statements.

- **Sale or contribution of assets between an investor and its associate or joint venture. Amendments to IFRS 10 and IAS 28 (effective for annual periods beginning on or after the date determined by the IASB, not yet approved by the European Union).**

These amendments address the inconsistency between the requirements of IFRS 10 and the requirements of IAS 28 relating to the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of amendments is that full profit or loss is recognized when the transaction involves business. Partial profit or loss is recognized when the transaction involves non-operating assets, even if it is subsidiary's assets. The Group is currently assessing the impact of the amendments on the financial statements.

- **IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021, not yet approved by the European Union).**

IFRS 17 replaces IFRS 4 which has allowed companies to continue with presentation of insurance contracts by using existing practices. For this reason, it was difficult for investors to compare the financial performance of similar insurance companies. IFRS 17 is a standard that applies a single principle to the presentation of all types of insurance contracts, including reinsurance contracts. The standard requires the recognition and measurement of group of insurance contracts at: (i) the present value of future cash flows adjusted for risk (cash flows intended to perform the contract) that includes all available information on cash flows intended to fulfil the contract to match the information available on the market; increased (if this value is a liability) or decreased (if this value is an asset) by (ii) the amount representing the unrealized gain of the contract group (contract service margin). Insurers will recognize profits for a group of insurance contracts during the coverage period and as they are hedged. If a group of contracts incurs or will incur a loss, the entity shall recognize that loss as incurred. The Group is currently assessing the impact of the amendments on the financial statements.

## 2 / PRINCIPAL ACCOUNTING POLICIES / continued

### b/ Basis of preparation of consolidated financial statements / continued

#### *Standards and interpretations issued by the Standards Committee, not yet in force and not previously adopted by the Group*

- Definition of a Business - Amendments to IFRS 3 (effective for acquisitions from the beginning of the annual reporting period beginning on or after 1 January 2020, not yet approved by the European Union).

The amendments change the definition of the business. The business must have inputs and a detailed process that together significantly contribute to the ability to generate results. The new guidelines provide a framework for assessing if the input and a detailed process exist, including early-stage societies that have not generated results. In the absence of results, there should be an organized workforce for the purposes of classification as a business.

The definition of 'results' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are able to replace missing elements or integrate acquired activities and assets. The subject may apply a "concentration test". Acquired assets do not represent business if almost the entire fair value of gross assets acquired was concentrated in a single asset (or group of similar assets). The amendments relate to future periods and the Group will apply them and assess their impact from 1 January 2020.

Unless otherwise is stated above, the new standards and interpretations are not expected to have a material impact on the Group's financial statements.

**2 / PRINCIPAL ACCOUNTING POLICIES / continued****c/ Reporting currency**

The consolidated financial statements of the Group are prepared in Croatian Kuna (HRK), which is the Group's functional currency. All amounts disclosed in these consolidated financial statements are presented in thousands of HRK unless otherwise stated. As at 31 December 2019, the official exchange rate of the Croatian HRK against 1 euro was HRK 7.442580 (31 December 2018: HRK 7.417575 for 1 EUR).

**d/ Intangible assets****Computer software**

Software licences are capitalised based on the cost of purchase and bringing software into a working condition for its intended use. The cost is amortised over the useful life of an asset, which is 5 years.

**Goodwill**

Goodwill is measured at cost determined on the acquisition date, i.e. the acquisition of the entity, less accumulated impairment losses. For the purpose of impairment test, goodwill is allocated to each cash-generating unit (or group of this units) that is expected to benefit from the synergies arising from the merger. The cash-generating unit to which the goodwill is allocated is subject to an impairment test once a year or more frequently if there are indications of a possible impairment. If the recoverable amount of the cash-generating unit is lower than its carrying amount, the impairment loss is allocated first by reducing the carrying amount of goodwill allocated to the unit and then in proportion to the other assets of the cash-generating unit based on the carrying amount of each asset in the generating unit. money.

**e/ Right-of-use assets**

All leases are recognized by recognizing the right-of-assets and the lease obligations, except for:

- leases of low value assets and
- leases whose lease term ends within a period of 12 months from the date of first application or less.

Right-of-use assets are shown separately in the Statement of Financial Position.

Right-of-use assets are initially measured at the amount of the lease obligation, less any lease incentives received and increased by:

- all lease payments made on or before the lease start date
- all initial direct costs and
- the amount of the provision recognized when the Group contractually bears the costs of deconstruction, removing or renovating the places where the asset is located.

Right-of-use assets are adjusted for the accumulated depreciation calculated on a straight-line basis over the term of the lease, or the remaining economic life of the asset, if it is considered to be less than the lease term.

The useful life of an asset with the right of use is shown as follows:

	<b>2019.</b>
Building	3-10 years
Plant and equipment	4-5 years
Vehicles	2-5 years

**Liabilities for the lease of an right-of-use assets**

The lease liability is measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 January 2019. The Group's incremental borrowing rate is the rate at which, within a similar period and under a similar guarantee, the Group would pay for the borrowing of the assets necessary to acquire assets whose value is similar to the value of the right to use in a similar economic environment, under comparable terms and conditions

## **2 / PRINCIPAL ACCOUNTING POLICIES / continued**

### **e/ Right-of-use assets (continued)**

At the date of initial recognition, the carrying amount of the lease obligation includes:

- amounts expected to be paid by the lessee on the basis of residual value guarantees
- the cost of executing the purchase option if it is certain that the lessee will use that option and
- payment of penalties for termination of the lease if the lease period reflects that the lessee will use the possibility of termination of the lease.

After the initial measurement, the lease liability increases to reflect interest on lease obligations and decreases to reflect lease payments made. The lease liability is subsequently measured when there is a change in future lease payments resulting from a change in the index or rate, or when there is a change in the estimate of the term of any lease.

### **f/ Property, plant and equipment**

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated balance sheet / consolidated statement of financial position at cost, and land is carried at revalued amount representing their fair value at the date of revaluation, less any accumulated impairment losses. Revaluations are performed with sufficient regularity (every 3-5 years) so that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. The last revaluation was conducted in 2019 based on an assessment of the fair value of the land by an independent certified appraiser (Note 18).

Any increase arising on the revaluation of such land is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously recognised. A decrease in the carrying amount arising on the revaluation of such land is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Assets under construction intended for production, supply or administrative purposes or purposes not yet defined are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, which is provided on the same basis as for other properties, commences when the assets are ready for their intended use.

Freehold land is not depreciated. Installations and equipment are recognised initially at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated so as to write off the cost or revalued amount of an asset over the estimated useful life of the asset using the straight-line method, with the exception of land and assets under construction. The estimated useful life, residual value and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if shorter, the term of the relevant lease.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and recognised in profit or loss.

Property, plant and equipment are depreciated using the straight-line method at the rates ranging from 1.25% to 25% annually, over the following useful lives, as follows:



**2 / PRINCIPAL ACCOUNTING POLICIES / continued****f/ Property, plant and equipment / continued**

	2019	2018
Buildings	20-80 years	20-80 years
<i>Commercial buildings made of concrete, stone</i>	<i>60-80 years</i>	<i>60-80 years</i>
<i>Commercial buildings made of wood and other</i>	<i>40-60 years</i>	<i>40-60 years</i>
<i>Other commercial buildings</i>	<i>20-40 years</i>	<i>20-40 years</i>
<i>Trucks and other construction machinery</i>	<i>10-20 years</i>	<i>10-20 years</i>
Vehicles	4-20 years	4-20 years
Plant and equipment	4-10 years	4-10 years
Office equipment	5 years	4-5 years

Residual value is calculated based on prices prevailing at the date of acquisition or revaluation.

Assets under construction comprise costs directly related to construction of tangible fixed assets plus an appropriate allocation of variable and fixed overheads that are incurred during construction. Assets under construction are depreciated once they are ready for use. Costs incurred in replacing major portions of the Group's facilities, which increase their productive capacity or substantially extend their useful life, are capitalised. Maintenance, replacement or partial replacement costs are recognised as expenses in the period in which they are incurred.

**Impairment of tangible and intangible assets**

At each reporting date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the potential impairment loss.

The recoverable amount is the higher of net sales price and value of asset in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generated unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately as an expense, unless the relevant asset is land or a building not used as an investment property, i.e. other than an investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is credited immediately to income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**(i) Non-current assets held for sale**

Non-current assets or disposal group assets are classified in the statement of financial position as 'held for sale' if it is highly probable that their carrying amount will be recovered through the sale within 12 months after the reporting date, rather than through continuing use. Non-current assets that are presented in the consolidated statement of financial position for the current period are not held for sale are not reclassified in the consolidated statement of financial position in the comparable period. Property, plant and equipment held for sale or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell or dispose of. Property, plant and equipment held for sale are not depreciated.

**2 / PRINCIPAL ACCOUNTING POLICIES / continued****f/ Investment property / continued**

Investment property represents property held by the Group for increasing its market value or for lease. Investment property is measured initially at cost, except in case of transfer from property used by the Group. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

When transferring from investment property to property used by the Group, the fair value at the date of transfer will be the cost for the purposes of IAS 16. For transfer of the property used by the Group to the investment property, IAS 16 will apply to the date of the change of its purpose when the difference between the carrying value determined in accordance with IAS 16 and its fair value, will be recognized as a revaluation reserve in accordance with IAS 16.

Investment properties are derecognised on sale or permanent withdrawal from use, as well as when no future economic benefits from their disposal are expected. Any gain or loss arising from derecognition of an item of investment property, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the item is derecognised.

During 2019 investment properties were re-measured at fair value on the basis of appraisals by a certified property appraisal expert, upon which the gains resulting from the change in the fair values were determined in the amount of HRK 107,259 thousand (2018: HRK 90,853) and were included in the statement of comprehensive income for the year 2019 (Note 21).

**g/ Financial assets**

The Group adopted IFRS 9 - Financial Instruments as at 1 January 2018 and its application did not have a significant impact on the Group's financial statements. The Group recognizes financial assets in its financial statements when it becomes party to the contractual provisions of the instrument. Depending on the business model for asset management and contractual cash flow characteristics, the Group measures financial assets at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

The Group classifies assets as shown below:

DESCRIPTION	Classification / measurement
<b>Non-current assets</b>	
Financial assets through other comprehensive income	Equity instruments / fair value through other comprehensive income
Financial assets through statement of profit or loss	Financial assets through statement of profit or loss
Loans and deposits	Held for collection /amortised cost
Non-current receivables	Held for collection /amortised cost
<b>Current assets</b>	
Cash and cash equivalents	Held for collection /amortised cost
Trade and other receivables	Held for collection /amortised cost
Loans, deposits and other financial assets	Held for collection /amortised cost

## 2 / PRINCIPAL ACCOUNTING POLICIES / continued

### h/ Financial assets / continued

#### Financial assets at fair value through profit or loss

This category includes financial assets held for trading.

The Group's business models reflect the way the Group manages assets in order to achieve cash flows.

#### Financial assets through other comprehensive income

##### *Initial Recognition*

The Group recognizes a financial asset or liability when and only when it becomes a party to the contractual provisions of the instrument.

The Group initially recognizes financial assets at fair value plus transaction costs that can be attributed directly to the acquisition or issue of a financial asset.

##### *Subsequent measurement*

After initial recognition, the Group measures financial assets at fair value through other comprehensive income.

##### *Loans and deposits*

Loans granted by Group are held within a business model whose purpose is to hold a financial asset in order to charge contractual cash flows. Contractual terms on a specific date generated cash flows represented only payments of principal and interest. At that, the principal is the fair value of the asset at initial recognition.

Based on the above, the given loans were measured at amortized cost.

#### Measurement at amortized cost implies the following:

Interest income is calculated using the effective interest rate and applied to the gross book value of the asset at the calculation.

##### *Trade receivables*

Trade receivables that do not have a significant financial component at initial recognition have been measured in accordance with IFRS 15 at their transaction price.

##### *Impairment*

The Group, on the basis of expected credit losses, recognizes impairment of financial assets. At each reporting date, the Group measures expected credit losses and recognizes the same in the financial statements. Expected credit losses from financial instruments are measured in a manner that reflects:

*Impartial and weighted sum of probability, which is determined by assessing the range of possible outcomes,*

*The time value of money,*

*Reasonable and acceptable data on past events, current conditions and predictions of future economic conditions.*

With regard to trade receivables The Group applies a simplified approach of IFRS 9 measurement of expected credit losses using the expected provision for credit losses of trade receivables.

For the measurement of expected credit losses of trade receivables, the Group is grouped customers and analysed the age structure and historical data identifying potential future losses.

By analysing the age structure, it has been established that the Group has no significant due receivables, the most significant part of the receivables is not yet due and the Group estimates they will be fully collected. No significant credit losses were identified.

##### *Derecognition of financial assets*

The Group ceases to recognize financial assets when;

- Contractual rights to cash flows from financial assets expire,
- It transfers financial assets and the transfer is subject to conditions for derecognition.

The Group transfers financial assets only if, either:

- (a) transfers the contractual rights to receive cash flows from the asset, or
- (b) retains the contractual rights to receive cash flows from the asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in the arrangement.

## **2 / PRINCIPAL ACCOUNTING POLICIES / continued**

### **h/ Financial assets / continued**

When the Group transfers financial assets it is required to estimate the extent to which it retains the risks and rewards of ownership of the financial asset. In this case, when all risks and rewards of ownership are transferred, the Group ceases to recognize financial assets and recognizes separately as assets or liabilities all rights and obligations that have arisen or are retained in the transfer.

If almost all the risks and rewards of ownership of financial assets are retained, the Group continues to recognize financial assets.

If the Group neither transfers nor retains virtually all of the risks and rewards of ownership of the financial asset, the Group determines whether or not it has control over the financial assets. If no control over financial assets is retained, the Group ceases to recognize financial assets and recognizes separately as assets or liabilities all rights and obligations that have arisen or are retained in the transfer.

If control is retained, the Group continues to recognize financial assets to the extent that it continues to participate in that financial asset.

### **i/ Cash and cash equivalents**

Cash comprises cash on hand and with banks. Cash equivalents comprise demand deposits and term deposits with maturities of up to three months.

### **j/ Inventories**

Inventories comprise mainly of spare parts, materials, work in progress and finished products and are carried at the lower of weighted average price, net of allowance for obsolete and excessive inventories, and net realisable value. Management provides for inventory impairment based on a review of the overall ageing of all inventories and a specific review of significant individual items included in inventories. Inventories of work in progress and finished products are carried at the lower of production cost and the net selling price.

### **k/ Foreign currencies**

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and their retranslation, are included in the consolidated statement of profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of profit or loss, except for differences arising on the retranslation of non-monetary items available for sale in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

### **l/ Severance payments, jubilee awards and solidarity support**

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised in the period in which they arise.

Past service cost is recognised immediately to the extent that the benefits are already vested. Otherwise, it is amortised on a straight-line basis over certain period until the benefits become vested.

## 2 / PRINCIPAL ACCOUNTING POLICIES / continued

### l/ Severance payments, jubilee awards and solidarity support / continued

The Group provides one-off long-service benefits (jubilee awards), solidarity support (in case of death of the employee, the death of a close family of workers, disability, purchasing medical supplies, for the birth of the child, sick leave longer than 90 days, etc.), and retirement benefits to its employees. The obligation and the cost of these benefits are determined using the Projected Unit Credit Method. The Projected Unit Credit Method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The retirement benefit obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the benefit obligation.

### m/ Tax expense

Tax expense represents the sum of the current tax liability and deferred tax.

#### Current tax

The current tax liability is based on taxable profit for the year. Taxable profit differs from the net profit reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax liability is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

#### Deferred tax

Deferred tax is the amount expected to arise under a liability or return on the basis of the difference between the carrying amount of assets and liabilities in the consolidated financial statements and the related tax base used to calculate the taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available on the basis of which temporary discontinued differences can be utilized.

Deferred tax liabilities and tax assets are not recognized under temporary differences arising from goodwill or initial recognition of other assets and liabilities, except for business combinations, in transactions that do not affect either tax or accounting profit. Deferred tax liabilities are recognized on the basis of taxable temporary differences arising on investments in subsidiaries and associates, i.e. shares in joint ventures, unless the Group is unable to control the cancellation of temporary differences and if the temporary difference is unlikely to be cancelled in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available for the full or part of the tax asset. Deferred tax is calculated at the tax rates that are expected to be applied in the period in which settlement of a liability or asset realization will arise, based on tax laws that are in effect or in the process of adoption to the reporting date. The measurement of deferred tax liabilities and assets reflects the amount for which is expected to be payable or recoverable, on the reporting date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes as determined by the same tax authority and the Group intends to settle its current tax assets with tax obligations.

#### Current and deferred tax for the period

Deferred tax is charged or credited in the consolidated statement of profit or loss, except when it relates to items credited directly to or in equity, in which case the deferred tax is also recorded within equity; or when the tax arises from the initial accounting of a business combination.

## **2 / PRINCIPAL ACCOUNTING POLICIES / continued**

### **n/ Provisions**

Provisions are recognized when the Group has a present legal or constructive liability as a result of a past event and it is probable that an outflow of resources will be required to settle the liability, and a reliable estimate can be made of the amount of the liability. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

When there are a number of similar liabilities, the likelihood that resource outflow will need to be settled is determined by their consideration as a whole. Provisions are measured at the present value of expenditures expected to be required to settle the liability by using a discount pre-tax rate that reflects current market valuations of the time value of money as well as risks that are specific to the liability. The effect of an increase in provisions, as a reflection of the lapse of time, is reflected in interest expense.

### **o/ Borrowing costs**

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in net profit or loss for the period in which they are incurred.

Short-term borrowings and supplier credits are recognised at the original amount less balances repaid. Interest expense is charged to the consolidated statement of profit or loss for the period to which the interest relates.

### **p/ Financial liabilities and equity instruments issued by the Group**

#### *Classification as debt or equity*

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### *Equity instruments*

An equity instrument is any contract that proves a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

#### *Obligations under financial guarantee contracts*

Financial guarantee contract obligations are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the contract liability, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less cumulative amortisation recognised in accordance with the revenue recognition policies where, appropriate.

#### *Financial liabilities*

Financial liabilities are classified either as financial liabilities at fair value through profit or loss or as other financial liabilities.

Financial liabilities at fair value through recognition of fair value changes through profit or loss. Financial liabilities are classified as liabilities at fair value through profit or loss if they are held for trading or are designated for such disclosure.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchase in the near future or
- it is a part of an identified portfolio of financial instruments that the Group manages jointly and has a recent actual pattern of short-term profit-making or

## 2 / PRINCIPAL ACCOUNTING POLICIES / continued

### p/ Financial liabilities and equity instruments issued by the Group / continued

- it is a derivative that is neither designated nor effective as a hedging instrument.

A financial liabilities not held for trading may be stated as at fair value with disclosing changes in value through other comprehensive income, upon their initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis, or
- if it is an integral part of a contract containing one or more embedded derivatives Financial liabilities at fair value where fair value changes are recognized through profit or loss, and any gain or loss is recognized in the statement of profit or loss

The net gain or loss recognized in the statement of profit or loss includes interest paid on a financial liability. Fair value is determined in the manner described in Note 35 to the Financial Statements - Financial Instruments.

#### *Other financial liabilities*

Other financial liabilities, including loans and borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

#### *Derecognition of financial liabilities*

The Group derecognises financial liabilities only when, the Group's liabilities are settled cancelled or expired.

### q/ Operating segment reporting

In accordance with IFRS 8, the Group has identified its operating segments on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. Details of individual operating segments are disclosed in Note 5 of the consolidated financial statements.

The Group specifically monitors and presents the results of its major business segments. The business segments are the basis upon which the Group reports its primary segment information. Certain financial information, analysed by business and geographical segments, are presented in Note 5 of the consolidated financial statements.

### r/ Contingent assets and liabilities

Contingent liabilities are not recognized in the consolidated financial statements. They are published unless the likelihood of the outflow of economic benefits is small. Contingent assets are not recognized in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

### s/ Events after the reporting date

Events after the reporting date that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes when material.

## **2 / PRINCIPAL ACCOUNTING POLICIES / continued**

### **t/ Revenue recognition / continued**

In accordance with the new IFRS 15, the Company applies a five-step model for recognizing a contract with customer:

- 1) Identification of the contract with the customer(s)
- 2) Identification of the separate performance obligations in the contract
- 3) Determination of the transaction price
- 4) Allocation of the transaction price to the separate performance obligations
- 5) Recognition of revenue as each performance obligation is satisfied

Revenue is recognized for each separate contractual obligation in the transaction price amount. The transaction price is the amount of contractual remuneration that the Group expects to be entitled to in return for the delivery of the promised goods or services.

Revenues are stated in amounts that are net of refunds, discounts, bonuses and premiums, and taxes directly related to the sale of products and services rendered.

The Group's operations, as well as revenue generation, are subject to several laws, the most important are:

- Utility Services Act
- Local Self-Government Act
- Waste act
- Institutions Act
- Water Act
- Cemeteries Act
- Building Maintenance Act
- Free Zones Act

Based on the stated above, revenue is recognized as follows:

- Water supply service income comprises income from, water meter installation, as well as from permanent monthly fees, increased by actual consumption based on the assessed consumption level, as adjusted at the end of the reporting period to reflect the actual consumption based on the readings;
- Revenue from waste removal and cleaning contain income from the provided waste removal and cleaning services at rates determined in the applicable price list of the City of Zagreb;
- Public road management and maintenance revenue is recognised to the extent of the services and works delivered, in accordance with the underlying contracts with customers;
- Income from the sale of flats is recognised when the significant risks and rewards of the ownership are passed onto the buyer, together with the related costs of selling (constructing) the flats;
- Warehousing and operating lease income is recognised in accordance with IAS 17 on a straight-line basis over the relevant lease term.
- Revenues from contracted time and material are recognized at agreed unit prices for hours used or direct costs incurred.
- income from cemetery fees is recognized according to the calculation to service users according to the valid price list
- revenues from the travel agency are seasonal and recognized upon performance of the service
- revenue from gas distribution recognizes revenue when the customer acquires control of the product, ie when the gas is delivered to the customer
- revenues from the water supply service include revenues from connection, installation of water meters and permanent monthly fees increased by actual consumption based on consumption estimates and adjustment at the end of the reporting period for actual consumption based on readings
- the revenue arising from the payment of the network connection fee is linked to the future network use contract and the water supply contract and is systematically allocated over the useful life of the constructed asset or transferred asset used to provide the permanent service. The fee received from customers for connection is recorded as deferred income and recognized as income for the period at the same time as the depreciation of the asset (connection) to which it relates



## **2 / PRINCIPAL ACCOUNTING POLICIES / continued**

### **t/ Revenue recognition / continued**

#### *Construction contract*

Contract revenue consists of the initially contracted amount plus deviations from contracted works, lawsuits, and additional incentives to the extent that it is likely to result in revenue and can be measured with certainty. At the time when the outcome of a construction contract can be estimated with certainty, revenue is recognized within profit or loss based on the performance of a liability over time. Expenses are recognized within profit or loss also based on the performance of the liability to perform over time. Performance is assessed on the basis of a survey of the completion of works. When the performance of the liability to act cannot be determined with certainty, contract revenue is recognized only if it is probable that the contract costs will be covered. The expected loss from the contract is immediately recognized within profit or loss.

#### *Concession agreement*

Revenue relating to the construction or upgrading of a service under a concession agreement is recognized in accordance with the performance of the liability over time, in accordance with the Group's accounting policy for construction contracts. Management income is recognized in the period in which the services are provided by the Group.

#### *Income from government grants comprises the following:*

- grants related to assets, including non-monetary grants at fair value, which are presented in the consolidated balance sheet / consolidated statement of financial position as deferred income, and in the statement of profit or loss as revenue over the period necessary to match them with the related costs (depreciation);
- grants receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs, which are recognised as income of the period in which it becomes receivable.

A government grant is not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to it, and that the grant will be received.

The benefit of a government grant approved at an interest rate below the market rate is accounted for as a state support and disclosed as the difference between the funds received and the fair value of the loan on the basis of the prevailing market interest rates.

Grants whose primary condition is that the Group should purchase, construct or otherwise acquire long-term assets are recognised in the consolidated balance sheet / consolidated statement of financial position as deferred income and transferred to profit or loss on a systematic and rational basis over the useful life of the asset.

Other government grants are recognised systematically as revenue through the number of periods necessary to match them with the related costs. Receivables based on government grants for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

#### *Financial revenue*

Interest income is recognised on a time basis so as to capture the actual yield on an asset.

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

## 2 / PRINCIPAL ACCOUNTING POLICIES / continued

### u/ Leases

#### *The Group as lessor*

*Receivables under finance leases are recognised as receivables at the amount of the Group's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect constant periodic rate of return on the Group's outstanding net investment in respect of the leases. Rental income from operating leases is recognised on the straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.*

#### *The Group as tenant*

As stated in Note 2(b), the Group has changed its accounting policy for operating leases in which the Group is the lessee. The new policy is described below.

When concluding a contract, the Group assesses whether it is a lease or whether a contract contains a lease. It is a lease or a contract that contains a lease if it transfers the right to supervise the use of the identified property for a certain period of time in exchange for compensation.

The Group recognizes an right-of-use assets and a corresponding lease obligation in respect of arrangements in which it is a lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognizes leases as an operating expense on a straight-line basis over the term of the lease, unless the other basis is more accurate, when the Group obtains economic benefits from the leased asset.

Lease agreements are usually concluded for a fixed period of 3 to 5 years but may also have the possibility of extension as described below. Leases may contain both lease and non-lease components. For a contract that is a lease or that contract contains a lease, the Group calculates each lease-related component of the lease as a lease separately from the non-lease-related components of the contract. Leases do not impose any contractual terms other than security interests in the leased property. Leased property cannot be used as collateral for loans.

Assets and liabilities arising from leases are initially measured at present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including substantially fixed payments), less receivables for lease incentives
- variable lease payments based on an index or rate, initially measured at the index or rate applicable on the lease date
- the amounts expected to be paid by the Group under the residual value guarantees
- the exercise price of the call option if it is reasonably certain that the Group will exercise the option
- payment of penalties for termination of the lease, if the terms of the lease are reflected in the value of the termination option.

The lease liability is stated in a separate item in the statement of financial position. Lease liabilities are subsequently measured by increasing the carrying amount that reflects interest on the lease liability (using the effective interest method) and reducing the carrying amount that reflects the lease payments made.

Lease payments made under reasonably specified extension options are also included in the measurement of the liability. Lease payments are discounted using the interest rate implied in the lease. If this rate cannot be determined, which is generally the case for Group leases, the incremental borrowing rate of the lessee is used, which is the rate that the lessee would pay to borrow funds required to purchase assets of similar value in relation to the right to use in a similar economic environment, with similar condition, insurances and conditions. As of 1 January 2019, the weighted average marginal borrowing rate applied by the Group to lease liabilities was 3.53%.

## **2 / PRINCIPAL ACCOUNTING POLICIES / continued**

### **u/ Leases / continued**

Right-of-use assets are initially recognized in an amount equal to the amount of the initial measurement of the lease liability plus any lease payments made before or at the inception of the lease and less any lease incentives and initial direct costs received.

Right-of-use assets are usually depreciated on a straight-line basis over the useful life of the asset or over the lease term, whichever is shorter. If it is reasonably certain that the Group will exercise the option to purchase the asset, depreciation is calculated over the useful life of the asset.

Until 31 December 2018, leases of property, plant and equipment in which the Group, as the lessee, bears all risks and rewards of ownership was classified as finance leases.

Leases in which the Group, as the lessee, does not bear a significant share of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (less any incentives received from the lessor) were recognized in the income statement on a straight-line basis over the term of the lease. Operating lease income in which the Group is the lessor is recognized in the income statement on a straight-line basis over the term of the lease. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the asset in question and recognized as an expense over the term of the lease on the same basis as the lease income. The leased assets in question are included in the Group's balance sheet based on their nature.

### **v/ Derivative financial instruments**

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and currency swaps.

Embedded derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured at fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or as firm commitments (fair value hedges), hedges of highly probable forecasted transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Derivatives embedded in other financial instruments or host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value through profit or loss.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

### **w/ Comparative information**

Where necessary, comparative information has been reclassified to conform to the current year's presentation (Note 4).

### **3 / USING ESTIMATES IN PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

#### **3.1. Critical judgements in applying accounting policies**

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

For the purpose of financial reporting, the Group measures part of its assets and liabilities at fair value.

In estimating the fair value of assets and liabilities, the Group uses market data where available. Where Level 1 inputs are not available, the Group engages third party qualified appraiser to perform the valuation. The Group works closely with the qualified external appraisers to establish the appropriate valuation techniques and inputs to the model.

#### **Useful life of property, plant and equipment and intangible assets**

The determination of the useful life of the assets is based on past experience involving similar assets, as well as on forecast changes in the economic environment and industry-specific factors. The useful life is reviewed annually or whenever there are indications of significant changes in the underlying assumptions. We believe this accounting estimate is significant considering the share of depreciable assets in the total assets. Therefore, any change in the underlying assumptions could be material for the Group's financial position and the results of its operations.

#### **Impairment of non-current assets**

Impairment is recognised in the consolidated financial statements of the Group whenever the net carrying amount of an asset or a cash-generating unit exceeds the higher of the assets (cash-generating unit's) recoverable amount or fair value less cost of sales. Fair value less costs of sales is determined on the basis of observable inputs from identical sales transactions under normal market conditions involving similar assets or observable market prices less additional costs of disposal.

Value in use is measured using the discounted cash flow projections. The most significant variables in determining cash flows are discount rates, time values, the period of cash flow projections, as well as assumptions and judgements used in determining cash receipts and payments.

#### **Availability of taxable profits against which the deferred tax assets could be recognised**

A deferred tax asset is recognised for all unused tax losses only to the extent that it is probable that the related tax benefit will be realised. Significant judgements are required in determining the amount of deferred taxes that can be recognised. They are based on the probable quantification of time and level of future taxable profits, together with the future tax planning strategy. During 2018 and 2019, deferred tax assets on available tax differences were recognised. The carrying amount of deferred tax assets is disclosed in Note 15 of the consolidated financial statements. The amount of recoverable deferred tax assets is based on a probable calculation of the time and amount of future taxable profit, altogether with the future planned tax strategy.

#### **Actuarial estimates used in determining employee benefits**

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions about discount rates, future salary increases and the mortality or fluctuation rates. Because of the long-term nature of those plans, there is uncertainty surrounding those estimates. As at 31 December 2019, provisions for employee benefits amounted to HRK 136,597 thousand (as at 31 December 2018, the total provisions amounted to HRK 126,885 thousand) (Note 39).

### 3 / USING ESTIMATES IN PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS / continued

#### Impairment of Goodwill

The Company performs annual impairment test of goodwill in accordance with accounting policy 2(d). For impairment testing, the Goodwill is allocated to Gradska plinara Bjelovar d.o.o. and their net book value at the reporting date is as follows:

	2019	2018
	(in thousands of	(in thousands of HRK)
Gradska plinara Bjelovar d.o.o.	1,631	11,811
<b>Total</b>	<b>1,631</b>	<b>11,811</b>

The recoverable amount of the cash-generating unit is determined by the value in use or fair value that are based on cash flow projections based on the financial plans approved by the Board for next five-year period. The valuation was performed by an independent appraiser.

The recoverable amount calculation also implies the terminal growth rate of cash flows after the five years period in the amount of 29,210 thousand HRK. Cash flows generated from such plans are discounted using a discounted tax rate reflecting the risk of the asset, which for Goodwill impairment test is equal to the weighted average cost of capital and is 7%.

As a result of the Goodwill impairment test, the Group recognise impairment losses on Goodwill in 2019 in the amount of 10,180 thousand HRK as shown in Notes 12 and 19.

#### Consequences of certain litigation

The Company and its subsidiaries are parties to numerous lawsuits and proceedings arising in the ordinary course of business. Management uses estimation when the most probable consequences of these activities have been assessed and provisions have been recognized on a consistent basis (Note 33).

### 3 / USING ESTIMATES IN PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS / continued

#### 3.2 Fair value measurement

The Company has an established control framework with respect to fair value measurement which assumes the overall responsibility of the Management Board and finance department in relation to the monitoring of all significant fair value measurements, consultation with external experts and the responsibility to report, with respect to the above, to those charged with corporate governance. Fair values are measured using information collected from third parties in which case the Board and the finance department assess whether the evidence collected from third parties support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy where such valuations should be classified.

All significant issues related to fair value estimates are reported to the Supervisory Board. Fair values are categorised into different level in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

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

If one or more significant inputs are not based on observable market data, the fair value estimate is included in level 3.

For financial reporting purposes, the Group measures some of its assets at fair value. The Group uses market data, if available, in estimating the fair value of assets or liabilities. If Level 1 inputs are not available, the Group engages independent certified assessors. The Group coordinates the valuation process and works closely with independent certified appraisers to determine valuation methods and variables that enter the fair value model.

The Group has made the following significant estimates of fair value in the preparation of its financial statements, which are explained in more detail in the following notes:

- *Property (Note 18)*

The assessment of fair value for land was subsequently measured using the revaluation method in accordance with IAS 16 by an independent certified appraiser, using the comparative method. The comparative method is suitable for determining the market value of undeveloped and built-up land, and is also used to estimate the value of detached, semi-built and built-in family houses, terraced houses, apartments, garages as ancillary buildings, garage parking spaces, parking spaces and business premises. The comparative method determines the market value from at least three purchase prices (transactions) of comparative real estate.

- *Investment property (Note 21)*

The assessment of the fair value of investment property that is subsequently measured at fair value in accordance with IAS 40 was performed by an independent certified appraiser, using the comparative method for business premises and land and the income method for the leased part of buildings. The revenue method was applied in calculating the fair value of the construction part (leased property). In the revenue method, the revenue value is determined on the basis of revenues generated in the market (sustainable revenues). If the revenue ratios are subject to significant deviations in the foreseeable future or significantly deviate from the revenues generated on the market, the revenue value can also be determined on the basis of periodically different revenues. The revenue value of constructed land includes the value of the land, the value of the building and the value of the device. According to the fair value hierarchy, estimates by the comparative method are classified in level 2 and by the income method in level 3 of fair value.

### 3 / USING ESTIMATES IN PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS / continued

#### 3.2 Fair value measurement / continued

- *Long term assets available for sale (Note 24)*

Fair value measurement is categorized, according to the input variables used in the valuation, as level 3. The following table summarizes the fair value valuation methods and techniques and significant input variables used in the fair value measurement at the classification date:

Assessment methods and techniques	Significant input variables that are not visible
Property The cost and comparison method was used for buildings and land?	Among other factors, the estimated discount rate considers the quality of the property and its location in a similar geographical location for a comparable type of property.?

- *Financial instruments (Note 22 and 27)*

The Group applies IFRS 13, which is a single source of guidance for measuring fair value and disclosing information about fair value measures. IFRS 13 has a wide scope. The requirements relating to the measurement of fair value apply to both financial instruments and non-financial instruments for which other IFRSs prescribe or permit the measurement and disclosure of fair value, except for share-based payment transactions that are under the scope of IFRS 2 “Share-based payments”, lease transactions that are under the scope of IFRS 16 “Leases” and measures that are somewhat similar to fair value but not fair value (e.g. net realizable value when measuring inventories or value in use when assessing impairment).

IFRS 13 defines fair value as the price that, under existing market conditions, would be obtained by selling an asset or paying for the transfer of a liability in an orderly transaction in the main (or most favourable) market at the measurement date. According to IFRS 13, fair value is the output price, regardless of whether the price is directly visible or is estimated by another valuation method.

#### **4/ RESTATEMENT RELATING TO PREVIOUS YEARS - AMENDMENTS TO THE FINANCIAL STATEMENTS FOR 2017 AND 2018 AND RECLASSIFICATIONS OF PREVIOUS COMPARATIVE AMOUNTS**

During 2019, the Group has made the following adjustments relating to prior periods. The Management Board considers that such adjustments contribute to a more appropriate presentation of the consolidated financial statements. Changes in accounting policies and adjustments were made retrospectively for the consolidated financial statements for 2017 and 2018, and their effects are shown in the tables below. Restatement of previous periods, in accordance with the requirements of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, the Group presented the balances for the earliest period presented (1 January 2018).

##### **Property, plant and equipment - IAS 16**

In 2019, an accounting error was corrected in the calculation of the remaining useful life of real estate, plant and equipment related to a part of construction facilities and plant and equipment, which are valued at depreciation expense.

In order to meet the requirements of IAS 8, depreciation was recalculated on three comparative dates: 31 December 2019 as well as retroactively on 31 December 2018 and 31 December 2017. As required by IAS 8, it was necessary to reconcile all components for each period presented, as reflected in the statements of financial position / balance sheet and statement of comprehensive income for 2017 and 2018.

##### **IFRS 16 and IAS 40**

IFRS 16 - Leases - in the standalone financial statements, the Company has classified lease as operating lease. Lease income has been recognised in the profit and loss account, as well as depreciation amount. In the consolidated financial statements, lease has been recognised as financial lease. Initial recognition of these transactions resulted with derecognition of assets under the lease and recognition of financial assets - receivables. Since the amount of income and costs recognised under the operating lease model is linear and under the financial lease model it is nonlinear, due to measurement by amortized cost, net result for the year is different (profit or loss). For the financial lease, the majority of the income is recognised in the beginning of the lease, the effects of these adjustment should be recognised in the consolidated financial statements. Temporary tax difference, in accordance with IAS 12, resulted in consolidation since the value of financial assets (receivables) in the consolidated financial statements is higher than tax base. In accordance with IAS 12, Paragraph 15, a deferred tax liability shall be recognised for all taxable temporary differences. During the lease period, deferred tax liability will be decreased, and taxable income will be recognised in the income statement. Consolidated financial statements has been restated as shown in **Statement of financial position / Balance sheet and Statement of Profit and Loss and Statement of Other Comprehensive Income for the year 2017 and 2018**.

IAS 40 - Investment Property - the Parent company, Zagrebacki holding d.o.o., rents some buildings to its subsidiaries included into the consolidated financial statements. The rented buildings are classified as investment property and measured at fair value. In consolidated financial statements, investment property is used by the owner and effect of fair value measurement should be derecognised and recognition should be in accordance with IAS 16 at amortised cost. Consolidated adjustment should be made as decrease of land and building and decrease of revaluation surplus recognised in **Statement of Profit and Loss**, increase deferred tax assets and decrease of tax cost for the year in the same amount. Since the tax effects has not been included in the prior period consolidation, the Group has made restatement of Consolidated financial statements as shown in **Statement of financial position / Balance sheet and Statement of Profit and Loss and Statement of Other Comprehensive Income for the year 2017 and 2018**.

##### **Revaluation reserves**

In 2019, an accounting error was corrected in recording the revaluation reserve for real estate from previous periods, which refers to the misstatement of deferred tax liability, which was not specifically disclosed for the said property.

##### **Interest expense**

In 2019, an accounting error of accruals of interest expense under Concession Agreements was corrected which, in accordance with IFRIC 12, are to be charged to the period in which they are incurred.



#### 4/ RESTATEMENT RELATING TO PREVIOUS YEARS - AMENDMENTS TO THE FINANCIAL STATEMENTS FOR 2017 AND 2018 AND RECLASSIFICATIONS OF PREVIOUS COMPARATIVE AMOUNTS / CONTINUED

##### Non-current receivable and long-term liabilities

Subsidiary Gradsko stambeno komunalno gospodarstvo d.o.o. has in the previous years contracted loans with a bank in the name and on behalf of residential buildings. Loans have a repayment period of 3 to 15 years. Given that under the loan agreement, the Gradsko stambeno komunalno gospodarstvo d.o.o. is the beneficiary of the loan, although for the purpose of financing investments and repairs of residential buildings, the Company had to record a long-term liability for loans to residential buildings with a long-term receivable. In accordance with IAS 8, it was necessary to reconcile all components for each period presented, which is evident in the statement of financial position / balance sheet for 2017 and 2018.

##### Restatement of previously comparative amounts

During 2019, in the presentation of the statement of financial position, the Group netted receivables from associated companies and deferred income that was not realized. Comparative amounts from previous years have been reclassified in the same way. In 2019, the short-term part of long-term deferred revenue recognition was reclassified, and for the sake of comparability of previous periods, the amounts were reclassified to previous reporting dates.

The effect of these adjustments on the reported operating results for 2017 and 2018 is shown as follows:

	Originally stated result	Result after alterations	Effects of restatement
	(in thousands of HRK)	(in thousands of HRK)	(in thousands of HRK)
(Loss)/Profit in 2017	(334)	20,752	21,086
Profit in 2018	68,910	68,804	(106)
Retained earnings in 2017	695,267	651,840	(43,427)
Retained earnings in 2018	642,579	620,238	(22,341)

**4/ RESTATEMENT RELATING TO PREVIOUS YEARS - AMENDMENTS TO THE FINANCIAL STATEMENTS  
 FOR 2017 AND 2018 AND RECLASSIFICATIONS OF PREVIOUS COMPARATIVE AMOUNTS /  
 CONTINUED**

**a) Restatement of previously disclosed amounts - profit and loss account and report on other comprehensive income for 2017**

	2017 according to a previous report (in thousands of HRK)	Property, plant and equipment (in thousands of HRK)	IFRS 16 and IAS 40 (in thousands of HRK)	2017 after restatement (in thousands of HRK)
<b>OPERATING REVENUES</b>				
Revenue from sales	3,793,578	-	-	3,793,578
Other operating revenue	1,427,679	-	-	1,427,679
<b>Total</b>	<b>5,221,257</b>	<b>-</b>	<b>-</b>	<b>5,221,257</b>
<b>OPERATING EXPENSES</b>				
Cost of goods sold, material and energy	(2,244,894)	-	-	(2,244,894)
Personnel expenses	(1,678,606)	-	-	(1,678,606)
Depreciation	(529,667)	4,934	-	(524,733)
Value adjustment of assets	(423,624)	-	-	(423,624)
Provision	(106,342)	-	-	(106,342)
Other operating expenses	(135,747)	-	-	(135,747)
<b>Total</b>	<b>(5,118,880)</b>	<b>4,934</b>	<b>-</b>	<b>(5,113,946)</b>
Finance income	207,487	-	-	207,487
Finance costs	(294,438)	-	-	(294,438)
<b>TOTAL REVENUES</b>	<b>5,428,744</b>	<b>-</b>	<b>-</b>	<b>5,428,744</b>
<b>TOTAL EXPENSES</b>	<b>(5,413,318)</b>	<b>4,934</b>	<b>-</b>	<b>(5,408,384)</b>
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>15,426</b>	<b>4,934</b>	<b>-</b>	<b>20,360</b>
<b>INCOME TAX EXPENSE</b>	<b>(13,722)</b>	<b>-</b>	<b>16,152</b>	<b>2,430</b>
<b>PROFIT FOR THE PERIOD</b>	<b>1,704</b>	<b>4,934</b>	<b>16,152</b>	<b>22,790</b>
Profit attributable to:				
Owners of the Company	1,704	4,934	16,152	22,790
Non-controlling interests	(334)	4,934	16,152	20,752
Other comprehensive net profit	2,038	-	-	2,038
Profit (loss) from valuation of financial assets net	(2,606)	-	-	(2,606)
<b>Total comprehensive income for the period</b>	<b>(902)</b>	<b>4,934</b>	<b>16,152</b>	<b>20,184</b>

#### 4/ RESTATEMENT RELATING TO PREVIOUS YEARS - AMENDMENTS TO THE FINANCIAL STATEMENTS FOR 2017 AND 2018 AND RECLASSIFICATIONS OF PREVIOUS COMPARATIVE AMOUNTS / CONTINUED

##### b) Restatement of previously disclosed amounts - profit and loss account and report on other comprehensive income for 2018

	2018 according to a previous report (in thousands of HRK)	Property, plant and equipment (in thousands of HRK)	IFRS 16 and IAS 40 (in thousands of HRK)	2018 after restatement (in thousands of HRK)	2018 according to a previous report (in thousands of HRK)
<b>OPERATING REVENUES</b>					
Revenue from sales	3,263,744	-	-	-	3,263,744
Other operating revenue	583,433	-	-	-	583,433
<b>Total</b>	<b>3,847,177</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,847,177</b>
<b>OPERATING EXPENSES</b>					
Cost of goods sold, material and	(1,931,273)	-	-	-	(1,931,273)
Personnel expenses	(1,057,120)	-	-	-	(1,057,120)
Depreciation	(377,135)	3,959	-	-	(373,176)
Value adjustment of assets	(152,475)	-	-	-	(152,475)
Provision	(67,037)	-	-	-	(67,037)
Other operating expenses	(105,332)	-	-	-	(105,332)
<b>Total</b>	<b>(3,690,372)</b>	<b>3,959</b>	<b>-</b>	<b>-</b>	<b>(3,686,413)</b>
Finance income	170,433	-	-	-	170,433
Finance costs	(226,235)	-	-	(11,146)	(237,381)
<b>TOTAL REVENUES</b>	<b>4,017,610</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,017,610</b>
<b>TOTAL EXPENSES</b>	<b>(3,916,607)</b>	<b>3,959</b>	<b>-</b>	<b>(11,146)</b>	<b>(3,923,794)</b>
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>101,003</b>	<b>3,959</b>	<b>-</b>	<b>(11,146)</b>	<b>93,816</b>
<b>INCOME TAX EXPENSE</b>	<b>(28,493)</b>	<b>-</b>	<b>7,081</b>	<b>-</b>	<b>(21,412)</b>
<b>PROFIT FOR THE PERIOD</b>	<b>72,510</b>	<b>3,959</b>	<b>7,081</b>	<b>(11,146)</b>	<b>72,404</b>
Profit attributable to:					
Owners of the Company	72,510	3,959	7,081	(11,146)	72,404
Non-controlling interests	68,910	3,959	7,081	(11,146)	68,804
Other comprehensive net profit	3,600	-	-	-	3,600
Profit (loss) from valuation of	1,008	-	-	-	1,008
Profit from real estate revaluation	4,945	-	-	-	4,945
<b>Total comprehensive income for the</b>	<b>78,463</b>	<b>3,959</b>	<b>7,081</b>	<b>(11,146)</b>	<b>78,357</b>

For the year ended 31 December 2019

**4/ RESTATEMENT RELATING TO PREVIOUS YEARS - AMENDMENTS TO THE FINANCIAL STATEMENTS  
 FOR 2017 AND 2018 AND RECLASSIFICATIONS OF PREVIOUS COMPARATIVE AMOUNTS /  
 CONTINUED**

(in thousands of HRK)	As of 31 Dec according to a previous report	Property, plant and equipment	Legal reserve	IFRS 16 and IAS 40	Long-term receivable and liabilities	Restatement	31 Dec 2017
							after restatement
<b>NON-CURRENT ASSETS</b>							
Property, plant, equipment and advances	13,221,975	(16,837)	-	-	-	-	13,205,138
Investment property	2,138,577	-	-	-	-	-	2,138,577
Intangible assets	15,392	-	-	-	-	-	15,392
Financial assets	131,864	-	-	-	-	-	131,864
Trade and other receivables	1,638,759	-	-	-	130,996	-	1,769,755
Deferred tax assets	38,964	-	-	30,769	-	-	69,733
<i>Total non-current assets</i>	<i>17,185,531</i>	<i>(16,837)</i>	<i>-</i>	<i>30,769</i>	<i>130,996</i>	<i>-</i>	<i>17,330,459</i>
<b>CURRENT ASSETS</b>							
Inventory	361,338	-	-	-	-	-	361,338
Trade and other receivables	1,691,598	-	-	-	-	(45,016)	1,646,582
Financial assets	65,533	-	-	-	-	-	65,533
Cash and cash equivalents	158,909	-	-	-	-	-	158,909
<i>Total current assets</i>	<i>2,277,378</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(45,016)</i>	<i>2,232,362</i>
<b>TOTAL ASSETS</b>	<b>19,462,909</b>	<b>(16,837)</b>	<b>-</b>	<b>30,769</b>	<b>130,996</b>	<b>(45,016)</b>	<b>19,562,821</b>
<i>Off-balance sheet items</i>							
<b>EQUITY</b>							
Share capital	3,833,236	-	-	-	-	-	3,833,236
Legal reserves	2,884,931	-	(18,685)	-	-	-	2,866,246
Other reserves	322,618	-	-	-	-	-	322,618
Retained earnings	695,267	(21,771)	-	(21,656)	-	-	651,840
Profit for the period	(334)	4,934	-	16,152	-	-	20,752
Non-controlling interests	10,386	-	-	-	-	-	10,386
<i>Total equity</i>	<i>7,746,104</i>	<i>(16,837)</i>	<i>(18,685)</i>	<i>(5,504)</i>	<i>-</i>	<i>-</i>	<i>7,705,078</i>
NON-CURRENT LIABILITIES	5,123,751	-	18,685	36,273	130,996	-	5,309,705
NON-CURRENT PROVISION	507,402	-	-	-	-	-	507,402
DEFERRED INCOME	4,089,689	-	-	-	-	(177,942)	3,911,747
CURRENT LIABILITIES	1,995,963	-	-	-	-	132,926	2,128,889
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>19,462,909</b>	<b>(16,837)</b>	<b>-</b>	<b>30,769</b>	<b>130,996</b>	<b>(45,016)</b>	<b>19,562,821</b>
<i>Off-balance sheet items</i>	<i>364,170</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>364,170</i>

For the year ended 31 December 2019

## 4/ RESTATEMENT RELATING TO PREVIOUS YEARS - AMENDMENTS TO THE FINANCIAL STATEMENTS FOR 2017 AND 2018 AND RECLASSIFICATIONS OF PREVIOUS COMPARATIVE AMOUNTS / CONTINUED

### d) Restatement of previously disclosed amounts - report on financial position / balance sheet as of 31 December 2018

(in thousands of HRK)	As of 31 Dec 2017 according to a previous report	Restatement of 2017.	Property, and equipment	IFRS 16 and IAS 40	Long-term receivable and liabilities	IFRIC 12	Restatement	31 Dec 2018 after restatement
<b>NON-CURRENT ASSETS</b>								
Property, plant, equipment and Investment property	10,016,198	(16,837)	3,959	-	-	-	-	10,003,320
Intangible assets	1,752,655	-	-	-	-	-	-	1,752,655
Financial assets	23,194	-	-	-	-	-	-	23,194
Trade and other receivables	154,940	-	-	-	-	-	-	154,940
Deferred tax assets	1,820,679	-	-	184,138	-	-	-	2,004,817
	38,517	30,769	-	2,474	-	-	-	71,760
<b>Total non-current assets</b>	<b>13,806,183</b>	<b>13,932</b>	<b>3,959</b>	<b>2,474</b>	<b>184,138</b>	<b>-</b>	<b>-</b>	<b>14,010,686</b>
<b>CURRENT ASSETS</b>								
Inventory	316,346	-	-	-	-	-	-	316,346
Trade and other receivables	1,692,880	-	-	-	-	(11,146)	(31,871)	1,649,863
Financial assets	26,453	-	-	-	-	-	-	26,453
Cash and cash equivalents	310,461	-	-	-	-	-	-	310,461
<b>Total current assets</b>	<b>2,346,140</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,146)</b>	<b>(31,871)</b>	<b>2,303,123</b>
<b>TOTAL ASSETS</b>	<b>16,152,323</b>	<b>13,932</b>	<b>3,959</b>	<b>2,474</b>	<b>184,138</b>	<b>(11,146)</b>	<b>(31,871)</b>	<b>16,313,809</b>
<i>Off-balance sheet items</i>	<i>185,275</i>							<i>185,275</i>
<b>EQUITY</b>								
Share capital	3,177,044	-	-	-	-	-	-	3,177,044
Legal reserves	1,858,212	(18,685)	-	-	-	-	-	1,839,527
Other reserves	322,618	-	-	-	-	-	-	322,618
Retained earnings	642,579	(22,341)	-	-	-	-	-	620,238
Profit for the period	68,910	-	3,959	7,081	-	(11,146)	-	68,804
Non-controlling interests	11,484	-	-	-	-	-	-	11,484
<b>Total equity</b>	<b>6,080,847</b>	<b>(41,026)</b>	<b>3,959</b>	<b>7,081</b>	<b>-</b>	<b>(11,146)</b>	<b>-</b>	<b>6,039,715</b>
<b>NON-CURRENT LIABILITIES</b>	<b>4,201,064</b>	<b>54,958</b>	<b>-</b>	<b>(4,607)</b>	<b>184,138</b>	<b>-</b>	<b>-</b>	<b>4,435,553</b>
<b>NON-CURRENT PROVISION</b>	<b>360,758</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>360,758</b>
<b>DEFERRED INCOME</b>	<b>3,479,199</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(182,454)</b>	<b>3,296,745</b>
<b>CURRENT LIABILITIES</b>	<b>2,030,455</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150,583</b>	<b>2,181,038</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>16,152,323</b>	<b>13,932</b>	<b>3,959</b>	<b>2,474</b>	<b>184,138</b>	<b>(11,146)</b>	<b>(31,871)</b>	<b>16,313,809</b>
<i>Off-balance sheet items</i>	<i>185,275</i>							<i>185,275</i>

## 5/ STATUTORY CHANGES

On 18 October 2017, the Assembly of the Company adopted the Decision on the initiation of the status changes of the Company's division with the establishment of new limited liability companies - Zagrebački električni tramvaj d.o.o. and Zagrebački velesajam d.o.o.; with the separation of economic units of passenger transport in public transportation and organization of trade fairs, congresses and consultations - public transport services and fairs service to newly established companies.

By the Decision of the Commercial Court in Zagreb (Tt-17 / 49954-2) from 29 December 2017, the Company was divided by the separation with foundation and reduction of the share capital to the amount of HRK 3,177,044 thousand while the business effects of the Division Plan became effective on 1 January In 2018. The City of Zagreb gained its stake in the new companies, and is the only member (i.e. only shareholder) of the new companies after the implementation of the Plan.

The results achieved from activities extracted from the Group are as follows:

	Public transportatio n	Organisation of fairs, congresses and consulting	Total
	(in '000 HRK)	(in '000 HRK)	(in '000 HRK)
Operating income	1,075,631	131,867	1,207,498
Operating expenses	(1,320,000)	(205,120)	(1,525,120)
<b><i>Operating profit / (loss)</i></b>	<b><i>(244,369)</i></b>	<b><i>(73,253)</i></b>	<b><i>(317,622)</i></b>
Finance income	7,128	605	7,733
Finance expenses	(28,598)	(22)	(28,620)
<b><i>Net profit (loss) from financing activities</i></b>	<b><i>(21,470)</i></b>	<b><i>583</i></b>	<b><i>(20,887)</i></b>
<b>Profit/loss before tax from separated business</b>	<b>(265,839)</b>	<b>(72,670)</b>	<b>(338,509)</b>

**5/ STATUTORY CHANGES / CONTINUED**

The assets of the separate economic units (with effect from 1 January 2018) are shown as follows:

	Public transportation	Organisation of fairs, congresses and consulting	TOTAL
	(in '000 HRK)	(in '000 HRK)	(in '000 HRK)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	2,351,453	838,600	3,190,053
Investment property	-	492,418	492,418
Long-term receivables	12,536	6,917	19,453
Deferred tax assets	16,521	648	17,169
<b>Total non-current assets</b>	<b>2,380,510</b>	<b>1,338,583</b>	<b>3,719,093</b>
<b>CURRENT ASSETS</b>			
Inventories	52,379	1,547	53,926
Current receivables	89,164	12,874	102,038
Cash in hand and in register	721	85	806
<b>Total current assets</b>	<b>142,264</b>	<b>14,506</b>	<b>156,770</b>
<b>TOTAL ASSETS</b>	<b>2,522,774</b>	<b>1,353,089</b>	<b>3,875,863</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	95,950	560,242	656,192
Transferred loss	(2,547)	(29,325)	(31,872)
Revaluation reserves	418,349	614,324	1,032,673
<b>Total capital and reserves</b>	<b>511,752</b>	<b>1,145,241</b>	<b>1,656,993</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	98,537	10,377	108,914
Loans and borrowings	546,066	-	546,066
Liabilities to related companies	314,654	32,122	346,776
Other non-current liabilities	93,871	135,077	228,948
Deferred income	700,757	3,962	704,719
<b>Total non-current liabilities</b>	<b>1,753,885</b>	<b>181,538</b>	<b>1,935,423</b>
<b>CURRENT LIABILITIES</b>			
Liabilities to related companies	3,811	12,770	16,581
Loans and borrowings	132,763	-	132,763
Trade payables	55,983	10,026	66,009
Other current liabilities	64,580	3,514	68,094
<b>Total current liabilities</b>	<b>257,137</b>	<b>26,310</b>	<b>283,447</b>
<b>TOTAL EQUITY</b>	<b>2,522,774</b>	<b>1,353,089</b>	<b>3,875,863</b>
Off-balance sheet items	140,152	87,251	227,403

## 6/ BUSINESS COMBINATIONS

During 2018, the subsidiary Gradska plinara Zagreb d.o.o. has purchased 100% of business shares in the company Elektrometal-distribucija d.o.o., Bjelovar (changed its name to Gradska plinara Bjelovar d.o.o. in 2019) which provides gas distribution services in the Bjelovar-Bilogora County. The distribution system of the gas pipeline managed by the company Elektrometal-distribucija plin, Bjelovar is located in the Bjelovar-Bilogora County and includes the City of Bjelovar and 9 municipalities: Rovišće, Nova Rača, Severin, Berek, Ivanska, Štefanje, Kapela, Veliki Grđevac and Velika Pisanica which covers more than 60% of the territory of Bjelovar - Bilogora County.

The subsidiary was acquired by signing the Sales and Purchase Agreement of a business share in the company Elektrometal-distribucija plina d.o.o. between GPZ and Elektrometal d.d. in bankruptcy after the auction held on February 28, 2018 at the Commercial Court in Bjelovar.

The date of acquisition of the property is April 3, 2018, when the payment in the amount of HRK 41,000 thousand was made. In addition to the share in the company Elektrometal - distribucija plina d.o.o. in the amount of HRK 18,919 thousand, the company Gradska plinara Zagreb d.o.o. also acquired a long-term receivable in the amount of HRK 22,081 thousand and reported goodwill in the amount of HRK 11,811 thousand.

The Group performs energy distribution of natural gas on the basis of a license issued by the Croatian Energy Regulatory Agency, therefore the companies (Gradska plinara Zagreb d.o.o. and Gradska plinara Bjelovar d.o.o.) are regulated energy entities whose operations are regulated and supervised by the Hrvatska energetska regulatorna agencija (Croatian Energy Regulatory Agency).

The operating results of the subsidiary were fully consolidated in 2018 | 2019.

The following table shows the assets and liabilities which the Group acquired in the business combinations as well as calculation of Goodwill from these transactions:

<b>Elektrometal- distribucija plina d.o.o.</b>	
<b>as at 3<sup>rd</sup> April 2018</b>	
<i>(in thousands of HRK)</i>	
Property, plant and equipment (Note 18)	22,796
Intangible assets (Note 17)	21
Other non-current assets	457
Deferred tax assets	263
Current assets	7,655
Provision	(120)
Non-current liabilities	(22,081)
Current liabilities	(1,484)
Accrued liabilities	(399)
<b>Fair value of net capital</b>	<b>7,108</b>
<b>Fair value of purchased shares</b>	<b>(7,108)</b>
<b>Total investment</b>	<b>18,919</b>
<b>Goodwill (Note 19)</b>	<b>11,811</b>

Business combinations of the purchase of shares in the mentioned company are recorded in the consolidated financial statements of the Group at fair value at the acquisition date, and in accordance with IFRS. The total Goodwill recognized on the basis of the purchase of these business shares amounts to HRK 11,811 thousand as shown in Note 19.



## 7// SALES REVENUE

### Division by markets

	<b>2019</b>	<b>2018</b>
	(in '000 HRK)	(in '000 HRK)
Croatia	3,506,826	3,263,606
European union	63	138
	<b>3,506,889</b>	<b>3,263,744</b>

### 7.a/ Segment information

In accordance with IFRS 8, the Group identified its operating segments on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The Group identified its operating segments on the basis of reports regularly reviewed by the Management and used by it in making strategic decisions. Operating segments have been formed by the nature of the business of the Group's subsidiaries (Note 1), identifying ten activities as operating segments, whereas the eleventh segment includes all other activities of the Group.

Operating segments are as follows:

- 1/ Water collection, treatment and supply
- 2/ Cleaning and waste removal services
- 3/ Management, maintenance, construction and protection of regional and local roads
- 4/ Parking services
- 5/ Warehousing and rental services
- 6/ Landscaping services
- 7/ Facility management
- 8/ Project management and construction
- 9/ Gas supply and distribution
- 10/ Pharmacy services
- 11/ Other services

The segment of public transport was separated from the Company by the statutory change of the division of the Company with effect from 1 January 2018 (note 5).

## 7.a/ Segment information / continued

Set out below is a breakdown of revenue and results of the Group by its reporting segments presented in accordance with IFRS 8. The presented sales comprise sales to third parties.

	<b>2019</b>	<b>2018</b>
	(in '000 HRK)	(in '000 HRK)
Gas sales and distribution	962,714	920,868
Water distribution	448,565	428,621
Cleaning and waste removal	359,566	353,854
Management and maintenance of public roads	312,136	310,188
Pharmacy	334,086	300,588
Landscaping	222,712	215,429
Construction and project management	202,166	111,558
Parking	152,201	132,353
Facility management	117,547	111,294
Lease and warehousing	84,842	80,638
Other revenues	310,354	298,353
	<b>3,506,889</b>	<b>3,263,744</b>

Other revenues comprise the following:

	<b>2019</b>	<b>2018</b>
	(in '000 HRK)	(in '000 HRK)
Funeral services	80,134	63,099
Market revenues	71,237	70,993
Bus station services	41,059	41,325
Maintenance and facility management	38,556	39,185
Travel agency	37,688	35,072
Telecommunication lines and network lease	19,813	20,747
Waste disposal	16,544	22,130
Publishing	5,323	5,802
	<b>310,354</b>	<b>298,353</b>

The segment of fair and congress organisation was separated from the Company by the statutory change of the division of the Company with effect from 1 January 2018 (note 5).

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## 7.a/ Segment information / continued

### Segment revenues and results 2019

1-12/2019.	Facility management	Water distribution	Cleaning and waste collection	Public roads and management	Construction and project management	Parking	Lease and warehousing	Landscaping	Gas sales and distribution	Pharmacy	Other	Elimination	Total
(in '000 HRK)													
Sales revenue - external customers	117,547	448,565	359,566	312,136	202,166	152,202	84,842	222,712	962,714	334,086	310,353	-	3,506,889
Intersegmental sales	97,698	4,940	11,676	36,559	2,096	1,455	2,594	5,064	199,182	91	74,442	(435,797)	-
<b>Total sales revenue</b>	<b>215,245</b>	<b>453,505</b>	<b>371,242</b>	<b>348,695</b>	<b>204,262</b>	<b>153,657</b>	<b>87,436</b>	<b>227,776</b>	<b>1,161,896</b>	<b>334,177</b>	<b>384,795</b>	<b>(435,797)</b>	<b>3,506,889</b>
<b>Expenses of other operations, net other revenue from primary operations</b>	<b>(140,928)</b>	<b>(469,056)</b>	<b>(508,812)</b>	<b>(328,643)</b>	<b>(222,707)</b>	<b>(101,913)</b>	<b>(23,826)</b>	<b>(225,870)</b>	<b>(1,143,390)</b>	<b>(324,970)</b>	<b>(338,842)</b>	<b>396,536</b>	<b>(3,432,421)</b>
Profit / (loss) from operating activities	74,317	(15,551)	(137,570)	20,052	(18,445)	51,744	63,610	1,906	18,506	9,207	45,953	(39,261)	74,468
Finance income	67,083	6,599	4,461	428	82,280	878	459	67	8,554	6,393	7,711	(38,913)	146,000
Finance expense	(137,108)	(8,966)	(2,423)	(650)	(20,428)	(544)	(223)	(34)	(1,613)	(249)	(42,024)	16,518	(197,744)
Net finance result	(70,025)	(2,367)	2,038	(222)	61,852	334	236	33	6,941	6,144	(34,313)	(22,395)	(51,744)
Profit / (loss) before tax	4,292	(17,918)	(135,532)	19,830	43,407	52,078	63,846	1,939	25,447	15,351	11,640	(61,656)	22,724
Tax revenue/(expense)	-	-	-	-	-	-	-	-	-	-	-	-	(8,413)
<b>Net profit (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,311</b>

For the year ended 31 December 2019

## 7.a/ Segment information / continued

### Segment revenues and results 2018 (restated)

1-12/2018.	Facility management	Water distribution	Cleaning and waste collection	Public roads and management	Construction and project management	Parking	Lease and warehousing	Landscaping	Gas sales and distribution	Pharmacy	Other	Elimination	Total
(in '000 HRK)													
Sales revenue - external customers	111,294	428,621	353,854	310,188	111,558	132,353	80,638	215,429	920,868	300,588	298,353	-	3,263,744
Intersegmental sales	81,010	4,083	10,200	23,164	673	1,088	2,809	5,837	188,149	143	81,375	(398,531)	-
<b>Total sales revenue</b>	<b>192,304</b>	<b>432,704</b>	<b>364,054</b>	<b>333,352</b>	<b>112,231</b>	<b>133,441</b>	<b>83,447</b>	<b>221,266</b>	<b>1,109,017</b>	<b>300,731</b>	<b>379,728</b>	<b>(398,531)</b>	<b>3,263,744</b>
<b>Expenses of other operations, net other revenue from primary operations</b>	<b>(142,362)</b>	<b>(434,393)</b>	<b>(417,860)</b>	<b>(327,937)</b>	<b>(130,737)</b>	<b>(99,330)</b>	<b>(19,702)</b>	<b>(215,143)</b>	<b>(1,092,503)</b>	<b>(290,068)</b>	<b>(325,429)</b>	<b>392,484</b>	<b>(3,102,980)</b>
Profit / (loss) from operating activities	49,942	(1,689)	(53,806)	5,415	(18,506)	34,111	63,745	6,123	16,514	10,663	54,299	(6,047)	160,764
Finance income	71,193	10,383	4,387	1,013	81,585	1,668	411	76	9,477	2,745	20,473	(32,978)	170,433
Finance expense	(152,464)	(7,494)	(2,245)	(700)	(27,816)	(677)	(11)	(9)	(458)	(42)	(55,427)	9,962	(237,381)
Net finance result	(81,271)	2,889	2,142	313	53,769	991	400	67	9,019	2,703	(34,954)	(23,016)	(66,948)
Profit / (loss) before tax	(31,329)	1,200	(51,664)	5,728	35,263	35,102	64,145	6,190	25,533	13,366	19,345	(29,063)	93,816
Tax revenue / (expense)	-	-	-	-	-	-	-	-	-	-	-	-	(21,412)
<b>Net profit (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,404</b>

For the year ended 31 December 2019

## 7.a/ Segment information / continued

### Segment assets and liabilities as at 31 December 2019

31.12.2019.	Facility management	Water distribution	Cleaning and waste collection	Public roads management and maintenance	Construction and project management	Parking	Lease and warehousing	Landscaping	Gas sales and distribution	Pharmacy	Other	Elimination	Total
(in '000 HRK)													
Property, plant and equipment	832,178	4,248,196	468,687	214,585	97	108,327	314,696	373,649	977,623	41,896	2,372,303	249,639	10,201,876
Right-of-use asset	866	12,864	392	601	-	1,730	4,820	373	1,061	5,849	4,483	(9,259)	23,780
Intangible assets	1,584	9,669	12,817	150	-	141	381	692	4,562	1,164	791	1,631	33,582
Investment property	839,111	-	-	-	-	-	1,286,585	-	3,389	-	-	(440,471)	1,688,614
Inventories	178,050	27,652	9,339	44,853	53,733	1,016	960	21,202	9,596	38,927	10,976	-	396,304
Trade receivables, net	17,044	441,241	48,621	11,647	1,133	11,903	9,555	5,870	157,451	40,832	24,055	-	769,352
Unallocated assets	4,764,982	57,153	82,605	183,929	1,049,063	68,665	17,433	66,027	347,205	174,210	1,392,485	(4,832,353)	3,371,404
<b>Total assets</b>	<b>6,633,815</b>	<b>4,796,775</b>	<b>622,461</b>	<b>455,765</b>	<b>1,104,026</b>	<b>191,782</b>	<b>1,634,430</b>	<b>467,813</b>	<b>1,500,887</b>	<b>302,878</b>	<b>3,805,093</b>	<b>(5,030,813)</b>	<b>16,484,912</b>
Bonds issued	2,261,551	-	-	-	-	-	-	-	-	-	-	-	2,261,551
Trade payables	9,340	111,287	47,558	40,330	27,727	5,539	4,371	21,390	151,920	27,765	44,292	-	491,519
Employee benefits liabilities	4,457	8,007	12,441	4,846	312	2,972	1,728	5,069	5,900	4,680	6,731	-	57,143
Capital and unallocated liabilities	4,358,467	4,677,481	562,462	410,589	1,075,987	183,271	1,628,331	441,354	1,343,067	270,433	3,754,070	(5,030,813)	13,674,699
<b>Total equity</b>	<b>6,633,815</b>	<b>4,796,775</b>	<b>622,461</b>	<b>455,765</b>	<b>1,104,026</b>	<b>191,782</b>	<b>1,634,430</b>	<b>467,813</b>	<b>1,500,887</b>	<b>302,878</b>	<b>3,805,093</b>	<b>(5,030,813)</b>	<b>16,484,912</b>
<b>31 Dec 2018 Other segmental information</b>													
<b>Capital expenditure:</b>	<b>2,010</b>	<b>223,676</b>	<b>85,357</b>	<b>2,130</b>	<b>42</b>	<b>3,155</b>	<b>6,075</b>	<b>6,108</b>	<b>90,277</b>	<b>4,206</b>	<b>29,996</b>	<b>-</b>	<b>453,032</b>
Property, plant and equipment	1,174	214,529	73,254	2,129	42	3,135	6,075	5,417	88,811	3,827	29,674	-	428,087
Intangible assets	836	9,147	12,103	1	-	-	-	691	1,466	379	322	-	24,945
<b>Depreciation and impairment</b>	<b>55,522</b>	<b>9,147</b>	<b>31,050</b>	<b>10,883</b>	<b>42,187</b>	<b>10,395</b>	<b>3,950</b>	<b>8,692</b>	<b>111,710</b>	<b>4,502</b>	<b>101,660</b>	<b>-</b>	<b>389,698</b>

**ZAGREBAČKI HOLDING** d.o.o. and its subsidiaries  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

**7.a/ Segment information / continued**

**Segment assets and liabilities as at 31 December 2018 (restated)**

**31.12.2018.**

(in '000 HRK)

	Facility management	Water distribution	Cleaning and waste collection	Public roads and maintenance	Construction and project management	Parking	Lease and warehouse	Landscaping	Gas sales and distribution	Pharmacy	Other	Elimination	Total
Property, plant and equipment	1,037,692	4,201,753	304,207	177,152	93	114,987	310,530	238,012	980,143	37,081	2,351,309	250,361	10,003,320
Intangible assets	1,205	600	1,969	151	-	176	358	29	4,824	1,141	930	11,811	23,194
Investment property	920,443	-	-	-	-	-	1,235,607	-	-	-	-	(403,395)	1,752,655
Inventories	15	20,616	6,496	41,031	173,798	932	900	20,099	8,669	34,032	9,758	-	316,346
Trade receivables, net	16,737	525,602	46,739	9,808	1,056	10,543	8,630	1,829	190,033	34,165	22,381	-	867,523
Unallocated assets	4,480,192	90,509	56,550	175,390	1,009,785	20,074	4,946	63,743	325,935	170,612	1,419,176	(4,466,141)	3,350,771
<b>Total assets</b>	<b>6,456,284</b>	<b>4,839,080</b>	<b>415,961</b>	<b>403,532</b>	<b>1,184,732</b>	<b>146,712</b>	<b>1,560,971</b>	<b>323,712</b>	<b>1,509,604</b>	<b>277,031</b>	<b>3,803,554</b>	<b>(4,607,364)</b>	<b>16,313,809</b>
Bonds issued	2,251,357	-	-	-	-	-	-	-	-	-	-	-	2,251,357
Trade payables	11,180	175,054	21,406	58,649	9,498	4,132	3,813	25,095	157,037	21,494	41,656	-	529,014
Employee benefits liabilities	3,888	7,769	10,340	4,752	267	2,747	1,670	4,629	5,192	3,763	6,222	-	51,239
Capital and unallocated liabilities	4,189,859	4,656,257	384,215	340,131	1,174,967	139,833	1,555,488	293,988	1,347,375	251,774	3,755,676	(4,607,364)	13,482,199
<b>Total equity</b>	<b>6,456,284</b>	<b>4,839,080</b>	<b>415,961</b>	<b>403,532</b>	<b>1,184,732</b>	<b>146,712</b>	<b>1,560,971</b>	<b>323,712</b>	<b>1,509,604</b>	<b>277,031</b>	<b>3,803,554</b>	<b>(4,607,364)</b>	<b>16,313,809</b>

**31 Dec 2018 Other segmental information**

<b>Capital expenditure:</b>	<b>11,649</b>	<b>177,303</b>	<b>63,503</b>	<b>22,542</b>	<b>4</b>	<b>15,029</b>	<b>4,685</b>	<b>21,026</b>	<b>71,274</b>	<b>3,130</b>	<b>33,562</b>	<b>-</b>	<b>423,707</b>
Property, plant and equipment	10,366	177,303	62,469	22,393	4	14,853	4,685	21,026	68,651	2,427	33,406	-	417,583
Intangible assets	1,283	-	1,034	149	-	176	-	-	2,623	703	156	-	6,124

**Depreciation and impairment**

	4,746	166,710	23,372	8,715	43	7,054	3,019	6,893	111,781	3,038	37,805	-	373,176
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For the year ended 31 December 2019

## 7.a/ Segment information / continued

### Segment assets and liabilities as at 31 December 2017 (restated)

31.12.2017.	Facility management	Water distribution	Passenger transport	Cleaning and waste collection	Public roads management and maintenance	Construction and project management	Parking	Lease and warehousing	Landscaping	Gas sales and distribution	Pharmacy	Other	Elimination	Total
(in '000 HRK)														
Property, plant and equipment	866,842	4,189,939	2,599,711	264,403	163,497	134	107,178	308,739	223,905	998,869	37,362	3,188,137	256,422	<b>13,205,138</b>
Intangible assets	244	1,007	5,824	1,649	4	-	-	478	56	4,546	771	813	-	<b>15,392</b>
Investment property	839,474	-	-	-	-	-	3,750	1,193,309	-	-	-	492,418	(390,374)	<b>2,138,577</b>
Inventories	4	16,589	52,378	8,252	39,943	174,564	622	836	17,711	8,547	31,334	10,558	-	<b>361,338</b>
Trade receivables, net	16,620	537,305	25,621	44,911	3,739	664	9,193	11,709	2,313	189,775	52,252	30,700	-	<b>924,802</b>
Unallocated assets	7,392,689	70,948	136,119	277,514	361,109	1,029,613	296,623	1,620	54,538	330,012	135,087	2,332,324	(9,500,622)	<b>2,917,574</b>
<b>Total assets</b>	<b>9,115,873</b>	<b>4,815,788</b>	<b>2,819,653</b>	<b>596,729</b>	<b>568,292</b>	<b>1,204,975</b>	<b>417,366</b>	<b>1,516,691</b>	<b>298,523</b>	<b>1,531,749</b>	<b>256,806</b>	<b>6,054,950</b>	<b>(9,634,574)</b>	<b>19,562,821</b>
Bonds issued	2,243,265	-	-	-	-	-	-	-	-	-	-	-	-	<b>2,243,265</b>
Trade payables	13,472	203,508	55,983	17,870	37,011	24,793	5,273	3,059	19,528	140,936	14,492	42,718	-	<b>578,643</b>
Employee benefits liabilities	4,021	10,035	36,850	12,807	5,807	290	3,665	2,039	5,961	4,266	3,444	9,347	-	<b>98,532</b>
Capital and unallocated liabilities	6,855,115	4,602,245	2,726,820	566,052	525,474	1,179,892	408,428	1,511,593	273,034	1,386,547	238,870	6,002,885	(9,634,574)	<b>16,642,381</b>
<b>Total equity</b>	<b>9,115,873</b>	<b>4,815,788</b>	<b>2,819,653</b>	<b>596,729</b>	<b>568,292</b>	<b>1,204,975</b>	<b>417,366</b>	<b>1,516,691</b>	<b>298,523</b>	<b>1,531,749</b>	<b>256,806</b>	<b>6,054,950</b>	<b>(9,634,574)</b>	<b>19,562,821</b>
<b>31 Dec 2017 Other segmental information</b>														
<b>Capital expenditure:</b>	<b>185,733</b>	<b>145,777</b>	<b>116,950</b>	<b>42,574</b>	<b>4,119</b>	<b>119</b>	<b>5,118</b>	<b>3,665</b>	<b>13,451</b>	<b>71,552</b>	<b>3,159</b>	<b>14,596</b>	<b>-</b>	<b>606,813</b>
Property, plant and equipment	185,733	145,777	116,574	41,876	4,119	119	5,118	3,665	13,451	70,610	2,913	14,411	-	<b>604,366</b>
Intangible assets	-	-	376	698	-	-	-	-	-	942	246	185	-	<b>2,447</b>
<b>Depreciation and impairment</b>	<b>3,971</b>	<b>167,837</b>	<b>157,919</b>	<b>16,262</b>	<b>8,788</b>	<b>25</b>	<b>7,537</b>	<b>3,084</b>	<b>6,017</b>	<b>114,088</b>	<b>3,187</b>	<b>35,386</b>	<b>632</b>	<b>524,733</b>

## 8/ OTHER REVENUE

	<b>2019</b>	<b>2018</b>
	(in '000 HRK)	(in '000 HRK)
Revenue from reversal of deferred revenue recognition	160,900	162,554
Unrealized gains from changes in fair value of investment property (note 21)	143,043	139,098
Revenue from reversal of provisions	91,692	85,945
Amounts recovered (note 26)	64,371	81,059
Revenue from subsidies and grants	42,309	41,262
Other (total items not materially significant)	78,348	73,515
	<b>580,663</b>	<b>583,433</b>

Income from grants and subsidies was largely provided by the City of Zagreb and includes:

- grants from the city budget for the purposes approved by the City Assembly,
- financial support for repayment of outstanding loans (principal, interest, fees).

Revenues from deferred revenue recognition are stated in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance during the period of use and are systematically linked to the related costs (depreciation) - see note 2(t).

Unrealized gains from changes in fair value of investment property are recognized for the property which in 2019 had an increase in fair value according to an expert witness in

At the same time, it was recognized the amount of HRK 35,784 thousand (2018: HRK 48,245 thousand) of unrealized losses from changes in the fair value of real estate investments for which the fair value was reduced (see Note 12), so that the net change in fair value of real estate investments is HRK 107,259 thousand ( 2018 HRK 90,853 thousand) (see note 21).

The net gain from the change in the fair value of the investment property is shown as follows:

	<b>2019</b>	<b>2018</b>
	(in '000 HRK)	(in '000 HRK)
Unrealized gains on changes in the fair value of real estate investments (note 21)	143,043	139,098
Unrealized losses from changes in the fair value of investment property (notes 12 and 21)	(35,784)	(48,245)
	<b>107,259</b>	<b>90,853</b>



## 9/ MATERIAL AND SERVICE EXPENSES

	2019	2018
	(in '000 HRK)	(in '000 HRK)
Raw material and supplies	223,450	210,636
Energy	121,475	106,685
Write-off of small inventory	14,275	17,077
<i>a) Total material expenses</i>	<u>359,200</u>	<u>334,398</u>
<i>b) Change in inventories of production and finished products</i>	<u>(618)</u>	<u>22,440</u>
<i>c) costs of goods sold</i>	<u>1,104,226</u>	<u>940,884</u>
Subcontractors	184,720	189,637
Maintenance services	112,349	93,964
Utility services and fees	119,526	84,866
Transportation	67,486	56,822
Intellectual services	43,098	51,531
Lease and rentals	30,183	37,049
Data processing and software maintenance	35,852	33,733
Insurance premiums	13,872	10,132
Banking services and payment transaction costs	13,547	11,750
Advertising	3,460	3,825
Other external services	66,969	60,242
<i>d) total external services</i>	<u>691,062</u>	<u>633,551</u>
	<u><b>2,153,870</b></u>	<u><b>1,931,273</b></u>

Auditing expenses in 2019 amount to HRK 558 thousand (2018: 787 thousand) and are disclosed in this note in the framework of intellectual services.

**10/ EMPLOYEE BENEFITS EXPENSES**

	<b>2019</b>	<b>2018</b>
	(in '000 HRK)	(in '000 HRK)
Net salaries and fees	618,469	584,789
Taxes and contributions	377,513	357,862
Employee reimbursements and other material rights	151,579	114,469
	<b>1,147,561</b>	<b>1,057,120</b>
Number of employees at 31 December	<b>7,794</b>	<b>7,529</b>

The average number of employees on the basis of realized working hours paid by the Group in 2019 amounted to 7,521 (2018.: 7,327 employees).

Employee compensation and other material rights include benefits that are governed by the Collective Agreement of the Company and by separate acts of subsidiaries such as reimbursement of costs of transport to and from work to the extent of public transport costs, commemorative prizes and gifts to employees (jubilee awards, Christmas Easter, vacation bonus, etc.), costs of education and professional training, and other.

	<b>2019</b>	<b>2018</b>
	(in '000 HRK)	(in '000 HRK)
<b>Employee costs</b>	<b>1,147,561</b>	<b>1.057,120</b>
Expenses for reservations for unused vacations	31,892	22,238
Revenues from cancellation of provisions for unused vacations	(20,944)	(18,131)
	<b>1,158,509</b>	<b>1.061,227</b>

**11/ DEPRECIATION AND AMORTISATION**

	<b>2019</b>	<b>2018</b>
	(in '000 HRK)	restated (in '000 HRK)
Amortization of property, plant and equipment (note 18)	377,995	369,393
Amortization of intangible assets (note 19)	4,154	3,783
Amortization of right-of-use asset (note 20)	7,549	-
	<b>389,698</b>	<b>373,176</b>

## 12/ IMPAIRMENT OF ASSETS

	<u>2019</u>	<u>2018</u>
	(in '000 HRK)	(in '000 HRK)
Losses from change in fair value of investment property (note 21)	35,784	48,245
Value adjustment of trade receivables (note 26)	71,537	100,537
Value adjustment of other current assets	1,031	3,570
Value adjustment of property, plant and equipment (note 18)	42,341	96
Impairment of goodwill (note 19)	10,180	-
Impairment of other fixed assets	2,413	27
	<u>163,286</u>	<u>152,475</u>

## 13/ PROVISIONS

	<u>2019</u>	<u>2018</u>
	(in '000 HRK)	(in '000 HRK)
Provisions for employee benefits under IAS 19	17,044	18,154
Provisions for bulk waste disposal costs	69	1,500
Provisions for initiated court disputes	7,906	23,671
Provisions for the repair of natural resources	1,199	1,237
Other provisions (for unused vacation days, warranty, etc.)	31,893	22,475
	<u>58,111</u>	<u>67,037</u>

## 14/ OTHER OPERATING EXPENSES

	<u>2019</u>	<u>2018</u>
	(in '000 HRK)	(in '000 HRK)
Fines, penalties and damage compensation	33,520	44,006
Administrative and court costs	11,479	15,695
Gifts, donations and sponsorships	6,953	11,219
Taxes and contributions independent of the result	11,021	9,728
Write-offs	6,448	5,475
Entertainment expenses	2,110	2,114
Other (deficits, net book value of disposed assets, technical literature and magazines, fees AB and SB, etc.)	29,027	17,095
	<u>100,558</u>	<u>105,332</u>

Damage compensation expenses largely relate to the ZGOS branch for eco-rent paid at a cost of HRK 65 per ton of decommissioned municipal waste at the Jakuševac landfill and the compensation for reduced quality of living in the area of the construction site for waste management Prudinec/Jakuševac in accordance with the conclusion of the City of Zagreb Assembly from 05 June 2014.

## 15/ FINANCE INCOME

	2019	2018
	(in '000 HRK)	(in '000 HRK)
Interest income on loans to related companies	91,915	107,893
Interest income on deposits and loans to non-affiliated entities	16,549	20,068
Other financial income	32,270	21,588
Foreign exchange gains	5,266	20,884
	<b>146,000</b>	<b>170,433</b>

## 16/ FINANCE EXPENSES

	2019	2018
	(in '000 HRK)	restated (in '000 HRK)
Interest expense	162,096	167,376
The cost of the bond discount and issue	21,133	31,384
Interest expense from related parties	1,631	2,687
Other interest expense	7,210	17,094
Foreign exchange losses	5,674	18,840
	<b>197,744</b>	<b>237,381</b>

### *Net effect of foreign exchange*

	2019	2018
	(in '000 HRK)	(in '000 HRK)
Foreign exchange gains	5,266	20,884
Foreign exchange losses	(5,674)	(18,840)
	<b>(408)</b>	<b>2,044</b>

In July 2016, the Company prematurely purchased 48.77% of Euro bonds by issuing new bonds with a nominal value of 1,800,000 thousand with a coupon of 3.875%. In July 2017, it repaid the remaining 51.23% of Euro bonds and issued another bond tranche of a nominal value of HRK 500,000,000 with a coupon of 3,875%.

## 17/ TAX EXPENSE

The group is not a taxpayer but its members are. Income tax expense for 2019 is calculated by applying an 18% tax rate to a pre-tax profit. Tax rate changed on 1 January 2017 by amendments to the Income Tax Act.

Income tax recognized in profit or loss

	2019	2018
	(in '000 HRK)	restated (in '000 HRK)
<b>Tax expense includes:</b>		
Current tax for the year	29,990	22,520
Deferred tax expenses based on the origin AN reversals of temporary differences	(21,210)	(10,599)
Effect of tax losses not recognized as tax assets	(367)	9,491
<b>Tax (income) / expense recognized in profit or loss</b>	<b>8,413</b>	<b>21,412</b>

The relationship between the accounting profit and tax expense of the current year:

	2019	2018
	(in '000 HRK)	restated (in '000 HRK)
Profit before tax	22,723	93,816
Income tax at a rate of 18%	4,090	16,887
Effect of permanent differences (net)	25,900	5,633
The effect of previously recognized and unused tax losses	(368)	9,492
The effect of temporary differences recognized as deferred tax assets	(21,209)	(10,600)
<b>Tax revenue recognized in profit or loss</b>	<b>8,413</b>	<b>21,412</b>
<b>Effective tax rate</b>	<b>37%</b>	<b>22,8%</b>

For the year ended 31 December 2019

## 17/ TAX EXPENSE / CONTINUED

Balance of deferred tax - deferred tax asset and deferred tax liability

2019	Opening balance (restated)	Profit tax recognised in profit or loss	Stated in other comprehensive income	Credited directly to equity	Closing balance
	(in '000 HRK)	(in '000 HRK)	(in '000 HRK)	(in '000 HRK)	(in '000 HRK)
<i>Temporary differences</i>					
Provisions IAS 19	25,117	(677)	-	-	24,440
Inventories	12	-	-	-	12
Application of IFRS 15	13,203	(957)	-	-	12,246
Value adjustment of land	-	7,561	-	-	7,561
Land revaluation	-	(576)	-	-	(576)
Property, plant and equipment	-	882	-	-	882
IAS 40 Investment property	33,243	6,804	-	-	40,047
Land revaluation	391,855	-	34,616	-	426,471
Property, plant and equipment	9,095	-	386	(148)	9,333
Revaluation of financial assets	2,898	-	93	-	2,991
IFRS 16 leases	31,667	(7,346)	-	-	24,321
<i>Unused tax losses</i>					
Tax losses	185	826	-	-	1,011
<b>Deferred tax assets</b>	<b>71,760</b>	<b>13,863</b>	-	-	<b>85,623</b>
<b>Deferred tax liabilities</b>	<b>435,515</b>	<b>(7,346)</b>	<b>35,095</b>	<b>(148)</b>	<b>463,116</b>

In accordance with tax regulations, the Tax Administration may at any time review the books and records of companies for a period of three years after the end of the year in which the tax liability is stated and may impose additional tax liabilities and penalties. Management is not aware of any circumstances that could lead to potential significant liabilities in this regard.

For the year ended 31 December 2019

## 17/ TAX EXPENSE / CONTINUED

Deferred taxes – deferred tax assets and deferred tax liabilities

2018	Opening balance (restated)	Profit tax recognised in profit or loss	Stated in other comprehensive income	Credited directly to equity	Company division (separation)	Closing balance
	(in '000 HRK)	(in '000 HRK)	(in '000 HRK)	(in '000 HRK)	(in '000 HRK)	(in '000 HRK)
<i>Temporary differences</i>						
Provisions IAS 19	38,767	3,519	-	-	(17,169)	25,117
Inventaires	12	-	-	-	-	12
IAS 40 Investment property	30,769	2,474	-	-	-	33,243
Application of IFRS 15	-	-	-	13,203	-	13,203
Land	617,455	-	1,085	-	(226,685)	391,855
Property, plant and equipment	9,119	-	-	(24)	-	9,095
Revaluation of financial assets	2,677	-	221	-	-	2,898
Application of IFRS 15	3,614	-	-	(3,614)	-	-
IFRS 16 leases	36,273	(4,606)	-	-	-	31,667
<i>Unused tax losses and deductibles</i>						
Tax losses	185	-	-	-	-	185
<b>Deferred tax assets</b>	<b>69,733</b>	<b>5,993</b>	<b>-</b>	<b>13,203</b>	<b>(17,169)</b>	<b>71,760</b>
<b>Deferred tax liabilities</b>	<b>669,138</b>	<b>(4,606)</b>	<b>1,306</b>	<b>(3,638)</b>	<b>(226,685)</b>	<b>435,515</b>

Revaluation reserves for property, plant and equipment were formed in previous periods and included in the Group's reports by merging companies in 2007. As previously stated in the accounting policies, the Group applies the land revaluation model while property, plant and equipment are subsequently measured at amortized cost.

## 18/ PROPERTY, PLANT AND EQUIPMENT

(in '000 HRK)

	Land	Buildings	Plant and equipment	Tools and vehicles	Other tangible assets	Assets under construction	Total tangible assets
<b>COST</b>							
<b>Balance at 31 December 2017</b>	<b>4,540,927</b>	<b>12,849,265</b>	<b>1,374,785</b>	<b>3,298,031</b>	<b>50,164</b>	<b>654,853</b>	<b>22,768,025</b>
Effects of modifications (note 4)	(5,339)	-	46,833	-	-	(46,833)	(5,339)
<b>Balance at 1 January 2018 restated</b>	<b>4,535,588</b>	<b>12,849,265</b>	<b>1,421,618</b>	<b>3,298,031</b>	<b>50,164</b>	<b>608,020</b>	<b>22,762,686</b>
New purchases	300	48,350	26,945	6,061	-	335,927	417,583
Company merger (note 6)	-	30,180	4,637	1,278	-	15	36,110
Transfer from assets under construction	30	143,406	62,544	67,866	-	(274,563)	(717)
Reclassifications from intangible assets	-	1,249	177	36	-	(584)	878
Transfer to real estate investment	(3,971)	(12,927)	-	-	-	-	(16,898)
Revaluation	(3,632)	9,662	-	-	-	-	6,030
Expenditure, alienation and sales	-	(2,312)	(30,466)	(15,479)	-	(80,801)	(129,058)
Previously disposed assets	-	-	-	-	-	18	18
The division of the company	(1,295,146)	(1,338,962)	(221,943)	(2,668,604)	(3,682)	(8,392)	(5,536,729)
<b>Balance at 31 December 2018 restated</b>	<b>3,233,169</b>	<b>11,727,911</b>	<b>1,263,512</b>	<b>689,189</b>	<b>46,482</b>	<b>579,640</b>	<b>17,539,903</b>
New purchases	9	63,035	34,108	3,354	17	327,564	428,087
Transfer from assets under construction	678	122,741	61,994	41,352	72	(226,837)	-
Reclassifications (transfers from / to)	-	40,978	(39,478)	(993)	-	(365)	142
Revaluation	196,975	2,144	-	-	-	-	199,119
Expenditure, alienation and sales	(4,185)	(5,472)	(39,072)	(18,359)	(16)	(332)	(67,436)
Transfer to real estate investment	(655)	(7,122)	-	-	-	-	(7,777)
<b>Balance at 31 December 2019</b>	<b>3,425,991</b>	<b>11,944,215</b>	<b>1,281,064</b>	<b>714,543</b>	<b>46,555</b>	<b>679,670</b>	<b>18,092,038</b>
<b>IMPAIRMENT</b>							
<b>Balance at 31 December 2017</b>	<b>18,239</b>	<b>6,563,556</b>	<b>1,184,767</b>	<b>1,756,146</b>	<b>128</b>	<b>26,179</b>	<b>9,549,015</b>
Effects of modifications (note 4)	-	-	11,498	-	-	-	11,498
<b>Balance at 1 January 2018 restated</b>	<b>18,239</b>	<b>6,563,556</b>	<b>1,196,265</b>	<b>1,756,146</b>	<b>128</b>	<b>26,179</b>	<b>9,560,513</b>
Depreciation	-	283,572	53,943	32,876	-	(998)	369,393
Value adjustment (note 6)	-	10,331	1,915	1,068	-	-	13,314
Value adjustment	-	17	-	-	-	79	96
Reclassifications (transfers from / to)	-	-	18	-	-	(18)	-
Transfer to real estate investment	-	(2,269)	-	-	-	-	(2,269)
Expenditure, alienation and sales	-	(2,270)	(30,201)	(15,409)	-	(100)	(47,980)
Previously disposed assets	-	-	-	-	-	18	18
The division of the company	-	(897,788)	(213,500)	(1,241,250)	-	-	(2,352,538)
<b>Balance at 31 December 2018 restated</b>	<b>18,239</b>	<b>5,955,149</b>	<b>1,008,440</b>	<b>533,431</b>	<b>128</b>	<b>25,160</b>	<b>7,540,547</b>
Depreciation	-	284,542	54,954	38,552	-	(53)	377,995
Value adjustment	35,841	-	89	1	-	6,410	42,341
Reclassifications (transfers from / to)	-	10,295	(9,298)	(997)	-	-	-
Expenditure, alienation and sales	(2,665)	(3,813)	(38,741)	(18,283)	-	(248)	(63,750)
Transfer to real estate investment	-	(1,205)	-	-	-	-	(1,205)
<b>Balance at 31 December 2019</b>	<b>51,415</b>	<b>6,244,968</b>	<b>1,015,444</b>	<b>552,704</b>	<b>128</b>	<b>31,269</b>	<b>7,895,928</b>
<b>NET BOOK VALUE</b>							
<b>Balance at 1 January 2018 restated</b>	<b>4,517,349</b>	<b>6,285,709</b>	<b>225,353</b>	<b>1,541,885</b>	<b>50,036</b>	<b>581,841</b>	<b>13,202,173</b>
<b>Balance at 31 December 2018 restated</b>	<b>3,214,930</b>	<b>5,772,762</b>	<b>255,072</b>	<b>155,758</b>	<b>46,354</b>	<b>554,480</b>	<b>9,999,356</b>
<b>Balance at 31 December 2019</b>	<b>3,374,576</b>	<b>5,699,247</b>	<b>265,620</b>	<b>161,839</b>	<b>46,427</b>	<b>648,401</b>	<b>10,196,110</b>



## 18/ PROPERTY, PLANT AND EQUIPMENT / CONTINUED

	31 Dec 2019	31 Dec 2018 restated	1 Jan 2018 restated
	(in '000 HRK)	(in '000 HRK)	(in '000 HRK)
Net value without advances	10,196,110	9,999,356	13,202,173
Advances for tangible assets	5,766	3,964	2,965
<b>Property, plant, equipment and advances</b>	<b>10,201,876</b>	<b>10,003,320</b>	<b>13,205,138</b>

### *Ownership over land and buildings*

The group is in the process of entering land and buildings into appropriate registers proving property ownership. As some municipal land registers are not fully arranged, the registration process lasts longer than for the newly constructed facilities. The owner of the Group, the City of Zagreb, provided a significant part of the assets to the Group for management. The property status has not yet been fully regulated. Part of the assets has been registered since the establishment of the Group and the process for solving the current status is ongoing for the remaining assets.

The structure of land ownership (revalued value) is shown below:

	31 Dec 2019	31 Dec 2018 restated	1 Jan 2018 restated
	(in '000 HRK)	(in '000 HRK)	(in '000 HRK)
Registered ownership	2,677,054	2,394,412	3,278,015
Unregistered ownership	697,522	820,518	1,239,334
	<b>3,374,576</b>	<b>3,214,930</b>	<b>4,517,349</b>

### *Review of the residual value*

In accordance with the requirements of IAS 16 (Property, plant and equipment), effective for the current accounting period, the Group has reviewed the residual value for depreciation. The review has not identified the need to align the residual value for the current and prior periods.

### *Impairment of assets*

In accordance with IAS 36, when there are indications of impairment of an asset, the stated value should be compared with the recoverable amount and the recoverable amount should be written off. The recoverable amount is a higher amount by comparing the (i) net selling price if the asset can be sold and (ii) the "value in use of that asset", which represents the net present value of future cash flows based on reasonable and substantiated assumptions and best management knowledge of the future economic business conditions and plans. The Company's management believes that the stated amount of tangible assets in the previous table can be recovered over the future period.

### *Assets pledged as collateral*

	31 Dec 2019	31 Dec 2018
	(in '000 HRK)	(in '000 HRK)
Real estate collateral	24,316	32,552

### *Capitalised borrowing costs under IAS 23*

In 2019, as in 2018, the Group did not capitalize borrowing costs in accordance with IAS 23.

**19/ INTANGIBLE ASSETS AND GOODWILL**

(in '000 HRK)	Patent, licences and other rights	Goodwill	Other intangible assets	Intangible assets under construction	Total intangible assets
<b>COST</b>					
<b>Balance at 1 January 2018</b>	<b>91,470</b>	-	<b>115,320</b>	<b>5,100</b>	<b>211,890</b>
New purchases	1,440	-	507	4,177	6,124
Company merger (note 6)	68	11,811	10	-	11,889
Transfer from assets under	4,033	-	356	(3,672)	717
Reclassifications (transfers from	-	-	-	(878)	(878)
Expenditure, alienation and sales	(421)	-	(78)	(355)	(854)
The division of the company	(34,187)	-	(9,300)	(3,222)	(46,709)
<b>Balance at 31 December 2018</b>	<b>62,403</b>	<b>11,811</b>	<b>106,815</b>	<b>1,150</b>	<b>182,179</b>
New purchases	1,565	-	83	23,297	24,945
Transfer from assets under	9,530	-	691	(10,076)	145
Reclassifications (transfers from	-	-	-	(287)	(287)
Expenditure, alienation and sales	(3,595)	-	(296)	(44)	(3,935)
<b>Balance at 31 December 2019</b>	<b>69,903</b>	<b>11,811</b>	<b>107,293</b>	<b>14,040</b>	<b>203,047</b>
<b>IMPAIRMENT</b>					
<b>Balance at 1 January 2018</b>	<b>82,712</b>	-	<b>113,786</b>	-	<b>196,498</b>
Amortisation	3,340	-	443	-	3,783
Company merger (note 6)	51	-	6	-	57
Expenditure, alienation and sales	(421)	-	(77)	-	(498)
The division of the company	(32,057)	-	(8,798)	-	(40,855)
<b>Balance at 31 December 2018</b>	<b>53,625</b>	-	<b>105,360</b>	-	<b>158,985</b>
Amortisation	3,748	-	406	-	4,154
Value adjustment	-	10,180	-	-	10,180
Expenditure, alienation and sales	(3,559)	-	(295)	-	(3,854)
<b>Balance at 31 December 2019</b>	<b>53,814</b>	<b>10,180</b>	<b>105,471</b>	-	<b>169,465</b>
<b>NET BOOK VALUE</b>					
<b>Balance at 1 January 2018</b>	<b>8,758</b>	-	<b>1,534</b>	<b>5,100</b>	<b>15,392</b>
<b>Balance at 31 December 2018</b>	<b>8,778</b>	<b>11,811</b>	<b>1,455</b>	<b>1,150</b>	<b>23,194</b>
<b>Balance at 31 December 2019</b>	<b>16,089</b>	<b>1,631</b>	<b>1,822</b>	<b>14,040</b>	<b>33,582</b>

Impairment of goodwill was calculated based on an estimate of the operating value of the subsidiary as at 30 September 2019 using the discounted cash flow method (DCF) and obtained a lower value of the subsidiary than its carrying amount value by the amount of HRK 10,180 thousand (note 6)

## 20/RIGHT-OF-USE ASSET

The Group has recognized right-of-use asset and lease liabilities relating to the use of land, equipment and vehicles that were previously classified as operating leases.

### Right-of-use asset

	Buildings (in '000 HRK)	Instruments and vechiles (in '000 HRK)	Plant and equipment (in '000 HRK)	Total (in '000 HRK)
<b>Net carrying amount at 01 January 2019</b>	16,040	9,431	-	25,471
Increase	188	-	5,670	5,858
Depreciation charge	(3,505)	(3,193)	(851)	(7,549)
<b>Net carrying amount at 31 December 2019</b>	12,723	6,238	4,819	23,780

The Group has recognized lease liabilities as follows:

	31 December 2019 (in '000 HRK)	1 January 2019. (in '000 HRK)
Increase in long-term lease liability	9,376	6,022
Increase in short-term lease liability	23,284	19,449
	32,660	25,471

### Short-term leases and low-value leases

	2019 (in '000 HRK)
Short-term leases	17,028
Low value leases	14,889
	31,917

Expenses related to short-term leases that are not classified as leases under IFRS 16 amount to HRK 31,917 thousand and are included in lease costs.

The total cash outflow for lease in 2019 was HRK 7,074 thousand, while the interest expense amounted to HRK 1,236 thousand.

## 21/ INVESTMENT PROPERTY

	2019	2018
	('000 HRK)	('000 HRK)
<b>Balance at 1 January</b>	<b>1.752.655</b>	<b>2.138.577</b>
Increase in value for new investments	913	1,013
Increase in fair value through profit or loss (net) (note 8)	107,259	90,853
Transfer to / from property, plant and equipment (note 18)	6,572	14,630
Transfer to long-term assets for sale (note 24)	(178,028)	-
Write off	(16)	-
Derecognition of donated real estate to the City	(741)	-
Division of the Company (note 5)	-	(492,418)
<b>Balance at 31 December</b>	<b>1,688,614</b>	<b>1,752,655</b>

During 2019, a fair valuation of real estate investments was performed based on the assessment of a qualified Assessor authorized to assess the value of real estate, where gains were determined due to changes in fair value in the amount of HRK 107,259 thousand (2018: profit of HRK 90,853 thousand) and included in the consolidated income statement (notes 8 and 12)

The assessment of the fair value of investment property that is subsequently measured at fair value in accordance with IAS 40 was performed by an independent certified Assessor, using the comparative method for business premises and land and the income method for the leased part of buildings. In the revenue method, the revenue value is determined on the basis of revenues generated in the market (sustainable revenues). The revenue value of constructed land includes the value of the land, the value of the building and the value of the device.

### *Fair Value Hierarchy*

	Level 2	Level 3	<i>Fair value as at</i> 31 December 2019
	('000 HRK)	('000 HRK)	('000 HRK)
Warehouses in operating leases	-	1.279.451	1.279.451
Other premises in operating leases	9,812	90,592	100,404
Other real estate held for capital appreciation or for use in an undetermined future	220,319	88,440	308,759
	<b>230,131</b>	<b>1,458,483</b>	<b>1,688,614</b>

According to the fair value hierarchy, assets for which the fair value is determined by the comparative method are classified at level 2 and assets for which the fair value is determined by a combination of the comparative and income methods are classified at level 3.

## 22/ FINANCIAL ASSETS

Financial assets are stated as follows:

	<u>31 Dec 2019</u>	<u>31 Decr 2018</u>
	('000 HRK)	('000 HRK)
<b>Financial assets at fair value through profit or loss</b>		
<b>Investment in equity</b>	<b>1,338</b>	<b>1,332</b>
<i>Current portion</i>	-	-
<i>Non-current portion</i>	1,338	1,332
<b>Financial assets at amortised cost</b>		
Deposits with over 1 year maturity	138,049	137,618
Deposits with under 1 year maturity	20,753	20,753
Other securities held until maturity	10,100	5,700
	<u>168,902</u>	<u>164,071</u>
<i>Current portion (Note 22)</i>	(30,853)	(26,453)
<i>Non-current portion</i>	138,049	137,618
<b>Financial assets at fair value through other comprehensive income</b>	<b>16,502</b>	<b>15,990</b>
<i>Current portion</i>	-	-
<i>Non-current portion</i>	16,502	15,990
<b>Financial assets total – current portion</b>	<u>30,853</u>	<u>26,453</u>
<b>Financial assets total – non-current portion</b>	<u>155,889</u>	<u>154,940</u>

Within equity investments, financial assets (shares) are recorded at fair value with fair value changes recognized through profit or loss. Quoted shares refer to the minority interest owned by banks and other business entities to which the Group has no significant impact.

Deposits with maturities of more than one year are mostly related to the guarantee for repayment of loans and obligations from the lease agreement, due upon the final payment of the obligation.

**23/ NON-CURRENT RECEIVABLES**

	31 Dec 2019	31 Dec 2018	1 Jan 2018
	('000 HRK)	restated ('000 HRK)	restated ('000 HRK)
<b>Non-current portion</b>			
Receivables from related parties /i/	1,361,863	1,497,730	1,296,196
Receivables from loans /ii/	11,508	7,676	5,866
Receivables from sales on credit /iii/	2,446	3,173	7,246
Other receivables /iv/	562,710	496,238	460,447
	<b>1,938,527</b>	<b>2,004,817</b>	<b>1,769,755</b>
<b>Current portion</b>			
Receivables from related parties /i/	158,299	262,165	211,367
Receivables from loans /ii/	5,354	6,920	8,986
Receivables from sales on credit /iii/	573	614	1,343
Other receivables /iv/	12,996	12,222	11,332
	<b>177,222</b>	<b>281,921</b>	<b>233,028</b>

*/i/ Receivables from related parties*

	31 Dec 2019	31 Dec 2018
	('000 HRK)	('000 HRK)
Receivables from a member of the company	1,353,047	1,611,800
Discontinued receivables from a member of the company	(198,895)	(219,340)
Value adjustment of receivables from a member of the company	(9,162)	(9,162)
Loans to affiliated companies outside the Group	375,172	376,597
	<b>1,520,162</b>	<b>1,759,895</b>
<i>Current portion</i>	<i>(158,299)</i>	<i>(262,165)</i>
<i>Non-current portion</i>	<i>1,361,863</i>	<i>1,497,730</i>

Receivables from a member of the company relate to receivables from the City of Zagreb for financing 50% of the costs of renting the Arena Zagreb sports facility in the amount of HRK 319,189 thousand net (2018: 323,164 net), receivables under multi-year lease agreements for public facilities (schools, kindergartens, swimming pools) which the Group has disclosed as a long-term receivable from the City of Zagreb as a lessee in accordance with IFRIC 12 Service Concession Arrangements in the amount of HRK 419,739 thousand (2018: HRK 520,736 thousand). The lease period is contracted for a period of 7-13 years, of which 4 contracts expire in 2023, 2 contracts in 2028, and 1 in 2032. The rent under the contracts is paid monthly and amounts to HRK 495 thousand and EUR 780 thousand. According to the agreement, the Group has the obligation of investment management and maintenance of facilities during the lease period and which management and maintenance costs are included in the calculation of the monthly rent. Receivables from lease agreements amount to HRK 406,062 thousand (as at 31 December 2018: HRK 539,398 thousand)

The interest rate on loans to affiliated companies are equal to the market interest at the time the loan was granted, 3.88%. Loan agreements with affiliated companies outside the Group are concluded for a period of up to 10 years with payment security instruments.

**23/ NON-CURRENT RECEIVABLES / CONTINUED**

## /ii/ Loan receivables

	31 Dec 2019	31 Dec 2018
	('000 HRK)	('000 HRK)
Long-term loans to third parties	16,862	24,011
Long-term loans to management and employees	-	1,152
Impairment of loans receivable	-	(10,567)
	<b>16,862</b>	<b>14,596</b>
<i>Current portion</i>	( 5,354)	(6,920)
<i>Non-current portion</i>	11,508	7,676

## /iii/ Receivables from sales on credit

	31 Dec 2019	31 Dec 2018
	('000 HRK)	('000 HRK)
Receivables for apartments sold	3,054	3,842
Impairment after discount	(35)	(55)
<i>Discount rate in%</i>	<b>1,5%</b>	<b>2,4%</b>
	<b>3,019</b>	<b>3,787</b>
<i>Current portion</i>	(573)	(614)
<i>Non-current portion</i>	2,446	3,173

Receivables for sold apartments are discounted at a rate corresponding to market yields on government bonds, which in 2019 amounted to 1,5% (in 2018: 2,4%).

## /iv/ Other non-current receivables

	31 Dec 2019	31 Dec 2018	1 Jan 2018
	('000 HRK)	restated ('000 HRK)	restated ('000 HRK)
Receivables from the state	312,491	323,164	338,682
Other recivables	263,215	185,296	133,096
	<b>575,706</b>	<b>508,460</b>	<b>471,778</b>
<i>Current portion</i>	(12,996)	(12,222)	(11,332)
<i>Non-current portion</i>	562,710	496,238	460,446

Receivables from the state in the amount of HRK 312,491 thousand net (31 December 2018: HRK 323,164 thousand) relate to a net receivable from the Republic of Croatia for financing a 50% lease of the Arena hall according to the Agreement between the Republic of Croatia and the City of Zagreb on financing the Arena lease. The lease agreement for the Arena Zagreb facility was concluded in 2007 for a period of 28 years.

Other receivables mostly relate to receivables of a Group member for loans contracted with a commercial bank in the name and on behalf of residential buildings. Loans have a repayment period of 3 to 15 years. The total amount of receivables for loans for which the Group has a loan beneficiary and end users owning buildings managed by the Group amounts to HRK 262,036 thousand (as at 31 December 2018 HRK 184,138 thousand, as at 31 December 2017 HRK 130,996 thousand), see note 32 in to which long-term liabilities on those same receivables are stated. In 2019, the value adjustment of receivables for credit risks in the amount of HRK 2,414 thousand was performed, and the net amount of receivables amounts to HRK 259,622 thousand.

## 24/ INVENTORIES

	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>
	('000 HRK)	('000 HRK)
Raw material and supplies	105,394	90,683
Finished products	33,415	153,866
Work in progress	33,770	32,091
Merchandise (and property in circulation)	42,907	37,890
Prepayments for inventories	2,790	1,816
Long-term assets held for sale	178,028	-
	<u><b>396,304</b></u>	<u><b>316,346</b></u>

Long-term assets held for sale refers to the real estate in Sesvete and a special part of the real estate in Mandićeva Street, which will be transferred to the ownership of the City of Zagreb in exchange for the Wholesale Market and Refrigerator complex after concluding the real estate exchange contract.

## 25/ RECEIVABLES FROM RELATED PARTIES

	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>	<u>1 Jan 2018</u>
	('000 HRK)	restated ('000 HRK)	restated ('000 HRK)
Receivables from company members	484,153	302,305	283,517
Current portion of non-current receivables from member companies	98,925	239,702	211,367
Loans to affiliated companies (maturity within 1 year)	69,530	22,463	-
	<u><b>652,608</b></u>	<u><b>564,470</b></u>	<u><b>494,884</b></u>

Loans to affiliated companies relate to the short-term maturity of long-term loans (note 23 / i/) and short-term loans. The interest rate on long-term loans is 3.88%, on short-term loans ranging from 2.15% to 5.1%.

## 26/ TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>	<u>1 Jan 2018</u>
	('000 HRK)	restated ('000 HRK)	restated ('000 HRK)
Trade receivables	769,352	867,523	924,802
Receivables from the state and other institutions	52,954	45,482	53,923
Receivables from employees	461	430	4,630
Other receivables	252,310	171,958	168,342
	<u><b>1,075,077</b></u>	<u><b>1,085,393</b></u>	<u><b>1,151,697</b></u>



**26/ TRADE RECEIVABLES AND OTHER RECEIVABLES/ CONTINUED**

Trade receivables	31 Dec 2019	31 Dec 2018
	('000 HRK)	('000 HRK)
Trade receivables	1,500,725	1,688,827
Impairment of trade receivables	(731,373)	(821,304)
	<b>769,352</b>	<b>867,523</b>

Trade receivables are stated at amortized cost. Statutory default interest is charged on late payments. The Group records the value adjustment of trade receivables for all receivables older than 365 days and after the initiation of the forced collection procedure.

Trade receivables are reviewed at least twice annually, and reminders are sent for past due amounts, whereas forced collection proceedings are initiated for bad and doubtful accounts (distress and legal actions). Receivables for delivered municipal services to individuals and businesses are not covered by any financial instruments. Receivables for other services delivered to commercial businesses are secured with various financial instruments (bills of exchange, debentures, bank guarantees and similar). In determining the recoverability of a trade receivable, the Company considers the business segment (communal or market activities, because of different factors affecting the pricing and delivery of those services) and the type of customer (citizens or businesses because of different statutes of limitations). The communal operations are governed by separate laws, and the related receivables are not secured by financial instruments. Trade accounts receivable from other activities are secured by various instruments (bills of exchange, promissory notes, etc.).

By analysing the age structure, it was determined that the Group has no significant overdue receivables that have not been previously reduced and the most significant part of the receivables is not due, and the Group estimates that it will be fully collected.

*Ageing of receivables past due but not impaired:*

	31 Dec 2019	31 Dec 2018
	('000 HRK)	('000 HRK)
<b>Undue</b>	354,471	374,515
0-60 days	113,150	97,255
60-180 days	51,126	35,647
180-365 days	18,984	46,950
over 365 days	231,621	313,156
	<b>769,352</b>	<b>867,523</b>

Movement in impairment allowance for doubtful receivables:	2019	2018
	('000 HRK)	('000 HRK)
<b>Balance as at 1 January</b>	<b>821,304</b>	<b>954,472</b>
Impairment losses recognised (note 12)	71,537	100,537
Amounts recovered during the year (note 8)	(64,371)	(81,058)
Written off receivables	(97,097)	(118,936)
Division of the Company	-	(33,711)
<b>Balance as at 31 December</b>	<b>731,373</b>	<b>821,304</b>

## 26/ TRADE AND OTHER RECEIVABLES / CONTINUED

Trade receivables / continued

Ageing analysis of impaired trade receivables

	31 Dec 2019	31 Dec 2018
	('000 HRK)	('000 HRK)
Overdue receivables	12	-
120-180 days	9,037	14,547
180-365 days	14,255	16,898
over 365 days	708,069	789,859
	<b>731,373</b>	<b>821,304</b>

	31 Dec 2019	31 Dec 2018
	('000 HRK)	restated ('000 HRK)
Prepaid expenses and accrued income	38,188	37,480
Current maturity of non-current receivables - note 23	19,310	19,756
Advances	180,136	101,739
Receivables from insurance companies for damages	5,851	4,059
Impairment of advances	(295)	(2,294)
Other receivables	9,120	11,218
	<b>252,310</b>	<b>171,958</b>

## 27/ FINANCIAL ASSETS

	31 Dec 2019	31 Dec 2018
	('000 HRK)	('000 HRK)
Other financial assets	30,100	25,700
Deposits	753	753
	<b>30,853</b>	<b>26,453</b>

Other financial assets mostly relate to short-term deposits with commercial banks with an agreed interest rate of 1.1 to 1.2%.

## 28/ CASH AND CASH EQUIVALENTS

	31 Dec 2019	31 Dec 2018
	('000 HRK)	('000 HRK)
Giro account - HRK	139,957	264,737
Giro account - foreign currency	20,643	6,996
Cash in hand - HRK	1,786	1,758
Cash in hand - foreign currency	1	1
Other cash (court deposits and other cash)	39,792	36,969
	<b>202,179</b>	<b>310,461</b>

## 29/ CAPITAL AND RESERVES

### Share capital

The sole owner is the City of Zagreb. As at 31 December 2019, the Company's share capital amounts to HRK 3,177,044 thousand (31 Dec 2018: HRK 3,833,236 thousand), see note 5. Status changes. The decrease of share capital in the amount of HRK 656,192 thousand arises from the division of the Company (seclusion) see Note 5. Statutory changes.

### Revaluation reserves

#### a/ Reserves from revaluation of property and land:

	2019	2018
	('000 HRK)	restated ('000 HRK)
<b>Opening balance</b>	<b>1,827,224</b>	<b>2,854,951</b>
Increase (Decrease) from revaluation	159,875	4,945
Division of the Company	-	(1,032,672)
Transfer to retained earnings	(420)	-
<b>Closing balance</b>	<b>1,986,679</b>	<b>1,827,224</b>

#### b/ Reserves from changes in fair value of financial assets through other comprehensive income :

	2019	2018
	('000 HRK)	('000 HRK)
<b>Opening balance</b>	<b>12,303</b>	<b>11,295</b>
Increase (Decrease) from revaluation	420	1,008
<b>Closing balance</b>	<b>12,723</b>	<b>12,303</b>
<b>Total revaluation reserves (a+b)</b>	<b>1,999,402</b>	<b>1,839,527</b>

### Other reserves

Other reserves reported in the statement of financial position (balance sheet) as at 31 December 2019 in the amount of HRK 322,618 thousand (31 December 2018: HRK 322,618 thousand) refer to the share capital of the affiliated companies 2001 (Grad mladih Granešina d.o.o. and Omladinski turistički centar d.o.o.) in the amount of HRK 15,125 thousand and the assets entered in the 2011 by the Assembly Decision in the amount of HRK 304,852 thousand.

### Retained earnings

	2019	2018
	('000 HRK)	restated ('000 HRK)
<b>Opening balance</b>	<b>689,042</b>	<b>672,592</b>
Application of IFRS 15	-	(84,226)
Division of the company	-	31,872
Realization of revaluation reserve	420	-
Profit for the current year	9,041	68,804
<b>Closing balance</b>	<b>698,503</b>	<b>689,042</b>

## 29/ CAPITAL AND RESERVES / CONTINUED

### *Uncontrollable share*

The Group's non-controlling interests arose from a 49% ownership interest in the associated company Zagreb plakat d.o.o.

Condensed financial information of the company Zagreb plakat d.o.o. (not including consolidation outbreaks) as at 31 December 2019 are as follows:

	<b>2019.</b>
	(‘000 HRK)
<b>Statement of financial position</b>	
Long-term assets	4,174
Short-term assets	31,311
Short-term liabilities	5,677
Long term liabilities	360
<b>Net assets</b>	<b>29,448</b>
<b>Statement of comprehensive income for the year</b>	
Sales income	32,861
Profit for the year	10,776
Other comprehensive income for the current year	-
<b>Total comprehensive income for the current year</b>	<b>10,776</b>

The changes in non-controlling interests was as follows:

	<b>2019.</b>	<b>2018.</b>
	(‘000 HRK)	(‘000 HRK)
<b>Balance at January 1st</b>	11,484	10,386
Share in profit of the current year	5,270	3,600
Payment of profit to minority interest	(2,334)	(2,502)
<b>Balance at 31 December</b>	<b>14,420</b>	<b>11,484</b>

**30/ LOAN LIABILITIES AND LEASES**

	31 Dec 2019	31 Dec 2018
	('000 HRK)	('000 HRK)
<i>Long term loans</i>		
Loans and borrowings	589,586	846,339
Financial lease	641,947	648,907
	<b>1,231,533</b>	<b>1,495,246</b>
<i>Short term loans</i>		
Loans and borrowings	1,027,057	780,219
Financial lease	62,447	49,712
Other	46,198	47,342
	<b>1,135,702</b>	<b>877,273</b>
<b>Total loans</b>	<b>2,367,235</b>	<b>2,372,519</b>

The average annual interest rate on bank loans received and financial lease on the balance sheet date is 3.53% (2018.:3.13%).

	2019	2018
	('000 HRK)	('000 HRK)
<b>Balance at 1 January</b>	<b>1,101,206</b>	<b>1,285,999</b>
Increase for new loans	150,000	127,762
Decrease - loan repayment	(429,172)	(286,065)
Division of the company	-	(23,849)
Effect of foreign exchange differences	450	(2,641)
<b>Balance at 31 December</b>	<b>822,484</b>	<b>1,101,206</b>
<i>Current maturity</i>	(232,898)	(254,867)
<b>Long-term portion of the loan</b>	<b>589,586</b>	<b>846,339</b>

**Repayment schedule of long-term loans and borrowings**

	31 Dec 2019	31 Dec 2018
	('000 HRK)	('000 HRK)
Within one year	232,898	254,867
From the second to inclusive the fifth year	530,414	725,619
After five years	59,172	120,720
	<b>822,484</b>	<b>1,101,206</b>

### 30/ LOAN LIABILITIES AND LEASES / CONTINUED

#### Lease liabilities

('000 HRK)	Minimal lease payments		Present value of minimal lease payments	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Within one year	93,317	81,486	62,447	49,712
From the second to inclusive the fifth year	256,749	240,496	152,230	131,568
After five years	643,653	694,285	489,717	517,339
	<b>993,719</b>	<b>1,016,267</b>	<b>704,394</b>	<b>698,619</b>
<i>Less: future finance expenses</i>	<b>(289,325)</b>	<b>(317,648)</b>		
Present value of minimal payments	<b>704,394</b>	<b>698,619</b>		
In financial statements under:				
<i>Current liabilities</i>	62,447	49,712		
<i>Non-current liabilities</i>	641,947	648,907		

Lease liabilities relate to finance leases and leases of right-of-use-asset. Finance lease liabilities relate to the equipment (means of transport) and building (Arena) that were leased for a period of 5-28 years. Upon expiration of the lease agreement, the Group may redeem the asset at the agreed value. Group's liabilities under finance leases are secured by the property of the lessor over the subject of the lease.

In the same amount of total financial lease obligations for the sports hall the Group has recorded receivables from the owner and the state (notes 23 i 38).

Lease liabilities include liabilities for right-of-use asset under IFRS 16 in the following amounts:

	31 Dec 2019	1 Jan 2019
	('000 HRK)	('000 HRK)
Long-term part of the lease liability IFRS 16	9,376	6,022
Short-term part of the lease liability IFRS 16	23,284	19,449
	<b>32,660</b>	<b>25,471</b>

**30/ LOAN LIABILITIES AND LEASES / CONTINUED**

The present value of assets under finance leases is as follows:

	Buildings	Vehicles	Total
(‘000 HRK)			
Purchase value	818,881	1,581,686	2,400,567
Impairment	(92,124)	(523,287)	(615,411)
<b>Net book value 31 December 2017</b>	<b>726,757</b>	<b>1,058,399</b>	<b>1,785,156</b>
Purchase value	818,881	118,285	937,166
Impairment	(102,360)	(41,563)	(143,923)
<b>Net book value 31 December 2018</b>	<b>716,521</b>	<b>76,722</b>	<b>793,243</b>
Purchase value	818,881	152,808	971,689
Impairment	(112,596)	(61,291)	(173,887)
<b>Net book value 31 December 2019</b>	<b>706,285</b>	<b>91,517</b>	<b>797,802</b>

Present value of the right-of-use asset

	Buildings	Transportat ion assets	Plant and equipment	Total
(‘000 HRK)				
<b>Effect of application of IFRS at 16 1 January 2019</b>	<b>16,040</b>	<b>9,431</b>	-	<b>25,471</b>
Purchase value	188	-	5,670	5,858
Value adjustment	(3,505)	(3,193)	(851)	(7,549)
<b>Net carrying amount at 31 Decembar 2019</b>	<b>12,723</b>	<b>6,238</b>	<b>4,819</b>	<b>23,780</b>
<b>Total present value of leased property</b>				
(‘000 HRK)				
Purchase value	818,881	1,581,686	-	2,400,567
Value adjustment	(92,124)	(523,287)	-	(615,411)
<b>Net carrying amount at 31 December 2017</b>	<b>726,757</b>	<b>1,058,399</b>	-	<b>1,785,156</b>
Purchase value	818,881	118,285	-	937,166
Value adjustment	(102,360)	(41,563)	-	(143,923)
<b>Net carrying amount at 31 December 2018</b>	<b>716,521</b>	<b>76,722</b>	-	<b>793,243</b>
<b>Effect of application of IFRS 16 at 1 January 2019</b>	<b>16,040</b>	<b>9,431</b>	-	<b>25,471</b>
Purchase value	819,069	152,808	5,670	977,547
Value adjustment	(116,101)	(64,484)	(851)	(181,436)
<b>Net carrying amount at 31 Decembar 2019</b>	<b>719,008</b>	<b>97,755</b>	<b>4,819</b>	<b>821,582</b>

### 30/ LOAN LIABILITIES AND LEASES / CONTINUED

#### Short-term loans and borrowings

	31 Dec 2019	31 Dec 2018
	('000 HRK)	('000 HRK)
Short term loans and borrowings	1,027,055	780,219
<i>Short term loans and borrowings</i>	794,157	525,352
<i>Current maturity of long-term loans</i>	232,898	254,867
Current maturity of financial lease	62,447	49,712
Other (interests on loans and bonds)	46,200	47,342
	<b>1,135,702</b>	<b>877,273</b>

#### Movement in short term loans and borrowings

	2019	2018
	('000 HRK)	('000 HRK)
<b>Balance at 1 January</b>	<b>780,219</b>	<b>455,267</b>
Increase for new loans and borrowings	615,000	810,500
Decrease for repayment of current maturity of long-term loans	(254,867)	(310,221)
Current maturity of long-term loans	232,898	254,867
Decrease for repayment of loans and borrowings	(346,407)	(430,194)
The effect of exchange rate differences	212	-
<b>Balance at 31 December</b>	<b>1,027,055</b>	<b>780,219</b>

### 31/ BOND LIABILITIES

	31 Dec 2019	31 Dec 2018
	('000 HRK)	('000 HRK)
Nominal value	2,300,000	2,300,000
Premium	6,129	7,752
Discount	(27,513)	(34,545)
Cost of issuance of bonds	(17,065)	(21,850)
<b>Current value of bonds</b>	<b>2,261,551</b>	<b>2,251,357</b>

In July 2016, the Company issued bonds in the nominal amount of HRK 1,800,000 thousand at a fixed interest rate of 3.875% and an issuing price of 97.19%.

In July 2017, the Company issued bonds in the nominal amount of HRK 500,000 thousand at a fixed interest rate of 3.875% and an issuing price of 102.00%. In July 2017, the rest of the liability for issued Euro bonds matured in July 2017 was repaid in full.

The average annual interest rate on bonds at the balance sheet date was 3,875% (2018.: 3,875%).



### 32/ OTHER NON-CURRENT LIABILITIES

	31 Dec 2019	31 Dec 2018	1 Jan 2018
		restated	restated
	('000 HRK)	('000 HRK)	('000 HRK)
Liabilities to related parties	11,282	65,857	68,320
Trade payables	394	506	3,132
Other non-current liabilities	266,996	187,072	132,820
	<b>278,672</b>	<b>253,435</b>	<b>204,272</b>

Liabilities to related parties as of 31 Dec 2019 refer to the liability towards the owner of the land and the liability for municipal contribution.

Other long-term liabilities include liabilities for loans to residential buildings that the subsidiary Gradsko stambeno komunalno gospodarstvo d.o.o. in the name and on behalf of residential buildings contracts with a commercial bank. Loans have a repayment period of 3 to 15 years. The total amount of loans for which, by the contract, the subsidiary is the loan user and the end users are the owners of the buildings managed by the company is HRK 262,036 thousand and the entire amount is claimed from residential buildings (as at 31 December 2018 the amount of liabilities is HRK 184,138 thousand; 2017 HRK 130,996 thousand). Other long-term liabilities stated in the statement of financial position relate to the liability to the state for apartments sold to employees in accordance with the state program. According to the valid legal regulations at that time, 65% of the income generated from the sale of apartments to employees, was paid to the state when funds are received. Under the Act, the Group has no obligation to remit funds before billing from employees.

### 33/ PROVISIONS

	31 Dec 2019	31 Dec 2018
	('000 HRK)	('000 HRK)
Provisions for employee benefits under IAS 19	136,597	126,885
Provisions for legal disputes	187,434	236,741
Provisions for landfill reparation	51,163	49,964
Provisions for other liabilities	132	132
	<b>375,326</b>	<b>413,722</b>
<i>Current liability (note 33)</i>	(28,688)	(52,964)
<i>Non-current liability</i>	346,638	360,758

Changes in provisions during the year	Employee	Legal	Landfill	Provisions
('000 HRK)	benefits	disputes	reparation and other	total
<b>Balance at 31 December 2017</b>	<b>207,632</b>	<b>281,357</b>	<b>61,826</b>	<b>550,815</b>
New provisions	16,804	22,049	1,370	40,223
Reversal of provisions / payments	(2,168)	(53,135)	(13,100)	(68,403)
Division of the company	(95,383)	(13,530)	-	(108,913)
<b>Balance at 31 December 2018</b>	<b>126,885</b>	<b>236,741</b>	<b>50,096</b>	<b>413,722</b>
New provisions	17,013	4,172	1,199	22,384
Reversal of provisions / payments	(7,301)	(53,479)	-	(60,780)
<b>Balance at 31 December 2019</b>	<b>136,597</b>	<b>187,434</b>	<b>51,295</b>	<b>375,326</b>

### 33/ PROVISIONS / CONTINUED

Provisions for employee benefits arise from the Collective Agreement, and the level of provisions was determined in accordance with IAS 19 "Employee Benefits". They consist of provisions for severance payments and retirement benefits, long-service benefits and solidarity support. They are measured at the present value of costs expected to be incurred to settle the obligation, using a discount rate of 1,5% (2018.: 2,4%).

The landfill restoration provision relates to the cost of maintenance and surveillance over the Jakuševac Landfill over the next 30 years from its closing for environmental protection purposes in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The provisions are discounted.

Provisions are measured at the present value of the costs that are expected to be required to settle the obligation, using a discount rate of 1,5% (2018: 2,4%).

Provisions for costs of litigation against the Group are made when it comes to initiating disputes and the assessment of the outcome of the litigation. Management believes that the cost provision is sufficient for the possible liabilities that may follow.

### 34/ DEFERRED INCOME

	31 Dec 2019	31 Dec 2018	1 Jan 2018
		restated	restated
	('000 HRK)	('000 HRK)	('000 HRK)
Deferred income	3,434,825	3,485,477	4,089,689
<i>Short-term part</i>	(172,373)	(188,732)	(177,942)
<i>Long-term part</i>	3,262,452	3,296,745	3,911,747

Deferred income relates to assets received or financed by local self-government units and other legal entities, free of charge, which are reported in the balance sheet / statement of financial position under deferred income. The decrease in deferred income is recognised in the statement of profit or loss proportionally over the useful life of respective assets as revenue in the amount of calculated depreciation of assets in accordance with IAS 20.

### 35/ LIABILITES TO RELATED PARTIES

	31 Dec 2019	31 Dec 2018
	('000 HRK)	('000 HRK)
Liabilities to related parties (note 38)	12,559	29,777

### 36/ TRADE AND OTHER PAYABLES

	31 Dec 2019	31 Dec 2018	1 Jan 2018
		restated	restated
	('000 HRK)	('000 HRK)	('000 HRK)
Accounts payable	491,519	529,014	578,643
Liabilities for advances, deposits and guarantees	24,939	17,737	15,700
Liabilities to employees for net salaries and fees	57,143	51,239	98,532
Other liabilities	527,426	473,243	485,118
	<b>1,101,027</b>	<b>1,071,233</b>	<b>1,177,993</b>

### 36/ TRADE AND OTHER PAYABLES / CONTINUED

Other liabilities are stated as follows:

	31 Dec 2019	31 Dec 2018	1 Jan 2018
		restated	restated
	('000 HRK)	('000 HRK)	('000 HRK)
Liabilities under recharged services	249,336	214,341	188,059
Accrued costs for which the invoice has not received and are charged to the current period	141,690	115,970	91,450
Taxes and contributions on salaries and fees	31,769	29,784	64,186
VAT liability	31,769	26,096	34,232
Current maturity of long-term provisions	28,688	52,964	43,412
Other liabilities for compensation under arrangements	21,358	10,018	18,839
Deferred recognition of sales revenue	18,267	18,588	41,508
Obligation for membership, fees and taxes	4,549	5,482	3,432
	<b>527,426</b>	<b>473,243</b>	<b>485,118</b>

### 37/ OFF-BALANCE SHEET ITEMS

	31 Dec 2019	31 Dec 2018
	('000 HRK)	('000 HRK)
Off-balance sheet items	162,911	185,275

Off-balance sheet notes refer to given guarantees and debentures, received guarantees, debentures and the City guarantee for issued bonds.

### 38/ RELATED PARTY TRANSACTIONS

Revenues and expenses between related parties during the year were as follows:

	Revenue		Expenses	
	2019.	2018.	2019.	2018.
	('000 HRK)	('000 HRK)	('000 HRK)	('000 HRK)
City of Zagreb	759,378	702,706	19,337	18,367
	<b>759,378</b>	<b>702,706</b>	<b>19,337</b>	<b>18,367</b>

Revenues from related-party transactions were made at standard market prices that are comparable with the prices charged to unrelated parties.

**38/ RELATED PARTY TRANSACTIONS / CONTINUED**

The founder of the Company and the only owner The City of Zagreb has certain business relations with the companies within the Group. The Group also presents significant transactions with companies and / or entities that are fully or partially owned by the City of Zagreb.

Outstanding balances from trading transactions at the end of the reporting period:

	Receivables from related parties		Liabilities to related parties	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
		restated		
	('000 HRK)	('000 HRK)	('000 HRK)	('000 HRK)
Grad Zagreb	484,153	302,305	12,559	29,777
	<b>484,153</b>	<b>302,305</b>	<b>12,559</b>	<b>29,777</b>

The outstanding balances are not secured by any security instrument (debentures, bills of exchange, bank guarantees) and will be settled in cash.

**Other non-current liabilities**

	31 Dec 2019	31 Dec 2018
	('000 HRK)	('000 HRK)
Loans to related parties outside of Group (note 23)	375,172	376,597
City of Zagreb (note 23)	1,144,990	1,383,298
	<b>1,520,162</b>	<b>1,759,895</b>

**Other non-current liabilities**

	31 Dec 2019	31 Dec 2018
	('000 HRK)	('000 HRK)
City of Zagreb (note 32)	11,282	65,857

Loans to related parties outside the Group relate to long-term loans to newly established entities under the Plan after the statutory change with the maturity of 10 years. Contracted interest rates can be compared with market interest rates by which the Group can borrow money on the market. Loans are secured by means of debentures.

Apart from the City of Zagreb, the Group's related parties are the Management Board and the members of the Supervisory Board. The members of the Management Board (the Company's Management, Branch Managers and Directors of Affiliated Companies) and the Supervisory Board received the following remuneration:

	2019	2018
	('000 HRK)	('000 HRK)
Salaries of Management Board and Branch Directors	10,797	9,330
Fees of Supervisory and Auditing Board	942	1,102
	<b>11,739</b>	<b>10,432</b>

### 39/ EMPLOYEE BENEFITS

As of 31 December 2019, provisions for employee benefits, which include jubilee awards, severance payments and solidarity support, amount to HRK 136.597 thousand (31 December 2018: 126.885 thousand).

Jubilee awards, severance payments and solidarity support

According to the Collective Agreement, the Group has the obligation to pay jubilee awards to its employees. These companies have a defined benefit plan for employees who meet certain criteria.

In most of the Group's subsidiaries, the rights to jubilee awards are defined in the following amounts in accordance with the non-fixed length of service in the Group:

- HRK 1,500 for 10 years of service
- HRK 2,000 for 15 years of service
- HRK 2,500 for 20 years of service
- HRK 3,000 for 25 years of service
- HRK 3,500 for 30 years of service
- HRK 4,000 for 35 years of service
- HRK 4,500 for 40 years of service

At the time of regular retirement, the employee under the Collective Agreement is entitled to compensation in the amount of 3 average monthly salaries paid out in the Zagreb in the previous three months.

Solidarity support is based on the average salary paid in the territory of Zagreb and is paid in the following cases:

- death of the employee or a member of his/her close family
- severe disability of the employee, his/her children or spouse
- sick leave of the employee beyond 90 days
- support to the children of employees - Homeland War veterans
- purchase of medical aids, coverage of the participation component in purchasing necessary pharmaceuticals required by the opinion of the competent doctor
- restoration of damage resulting from an Act of God
- birth of a child
- severe occupational injury

The present value of defined benefit obligations and the related current and past service costs have been determined using the Projected Credit Unit method and the discount rate of 1,5% (2018. godine: 2,4%) which reflects the market yield on government bonds.

Actuarial estimates are made based on the following key assumptions:

	<u>2019</u>	<u>2018</u>
Discount rate	1,50%	2,40%
Fluctuation rate	average 4%	average 4%
Average expected remaining service period (in years)	19	19

The amount reported in the statement of financial position (balance sheet) in respect of defined retirement payments and jubilee awards.

	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>
	('000 HRK)	('000 HRK)
The present value of the liability for employee benefits	136,597	126,885

## 40/ FINANCIAL INSTRUMENTS

### Capital risk management

#### Net capital to debt ratio

The capital structure is analysed by analysis of the capital cost and related risks.

The gearing ratio at the end of the reporting period amounted to:

	2019	2018	2017
	('000 HRK)	restated ('000 HRK)	restated ('000 HRK)
<b>Debt</b>	<b>4,003,805</b>	<b>3,977,548</b>	<b>4,393,560</b>
Borrowings, loans and finance leases (long-term and short-term portion)	2,367,235	2,372,519	2,851,508
Liabilities for long-term securities	2,261,551	2,251,357	2,243,265
-based on the financial lease of the Arena Hall (also shown as a receivable from the City of Zagreb and the Government of the Republic of Croatia)	(624,981)	(646,328)	(677,364)
- liabilities for ZET branch loan; for which there is simultaneously the receivable from the City of Zagreb (because of the guarantees given by the City of Zagreb for the payment of the above liabilities)	-	-	(23,849)
<b>Cash on hand and balances with banks</b>	<b>202,179</b>	<b>310,461</b>	<b>158,909</b>
<b>Net debt</b>	<b>3,801,626</b>	<b>3,667,087</b>	<b>4,234,651</b>
<b>Capital</b>	<b>6,211,987</b>	<b>6,039,715</b>	<b>7,705,078</b>
Net debt and equity ratio	61,2%	60,0%	54,0%

**40/ FINANCIAL INSTRUMENTS / CONTINUED**
**Categories of financial instruments**

	2019	2018	2017
		restated	restated
('000 HRK)	<u>          </u>	<u>          </u>	<u>          </u>
<b>Financial assets</b>			
Cash on hand and balances with banks	202,179	310,461	158,909
Long-term deposits and other financial assets	168,902	164,071	181,740
Financial assets available for sale	16,503	15,990	14,760
Receivables from affiliated companies and trade receivables	2,407,638	2,929,724	2,715,882
Receivables from loans and sale on credit	395,054	18,383	23,441
Receivables from employees	461	430	4,630
Other receivables	808,706	671,808	672,382
Financial assets carried at fair value	1,338	1,332	897
	<u><b>4,000,781</b></u>	<u><b>4,112,199</b></u>	<u><b>3,772,641</b></u>
<b>Financial liabilities</b>			
Finance lease agreements	704,394	698,919	1,372,532
Received loans and borrowings (long-term and short-term maturity)	1,662,842	1,626,568	1,478,976
Liabilities for issued non-current securities	2,261,551	2,251,357	2,243,265
Liabilities to affiliated companies and trade payables	515,754	625,154	762,805
Liabilities for advances, deposits and guarantees	24,939	17,737	15,700
Liabilities for employee benefits	57,143	51,239	98,532
Other non-current liabilities	267,830	184,138	130,996
Other current liabilities	183,740	370,680	79,262
	<u><b>5,678,193</b></u>	<u><b>5,825,792</b></u>	<u><b>6,182,068</b></u>

## 40/ FINANCIAL INSTRUMENTS / CONTINUED

### Objectives of management of financial risk

For the purpose of forecasting potential scenarios that may have a negative impact on the operations and achievement of the Group's objectives, the Group identifies financial risks, assesses their potential impact on the Group's future operations and manages those risks.

The various financial risks which the Group is exposed to in the course of its operations are sought to be minimised, avoided and overcome in order to safeguard its operations. If economically feasible, certain financial risks are accepted.

The key risks and methods of their management are described below. The Group did not use any derivative instruments to manage the risks. The Group does not use derivatives for speculative purposes.

### Market risk

The communal service prices are proposed by the Management Board based on the market prices, and determined and approved by the City of Zagreb.

The activities of the Group expose it to the financial risks of foreign exchange and interest rates (see below). The market risk exposure is supplemented by sensitivity analyses. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

### Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign-currency denominated monetary assets and monetary liabilities at the reporting date are provided in the table below.

	Liabilities			Assets		
	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2019	31 Dec 2018	31 Dec 2017
	('000 HRK)			('000 HRK)		
EUR	827,577	933,218	1,469,690	1,351,180	1,087,119	1,440,248

### Foreign currency sensitivity analysis

The Group is predominantly exposed to foreign currency risk of exchange rate fluctuations in relation to EUR based on long-term loan liabilities, of which 21% are related to EUR, while the issue of the HRK bonds and repurchase of Eurobonds significantly reduced the Group's exposure to currency risk. The following table analyses the Group's sensitivity to an 1% increase in the HRK exchange rate relative to the relevant foreign currencies. The 1% sensitivity rate is the rate used in the internal currency risk reporting and represents the Group's estimate of the realistic possible exchange rate movements of the HRK against the EUR. Sensitivity analysis includes monetary assets and monetary liabilities in the currency. The negative figure shows a decrease in the profit if HRK to the relevant currency is changed for the above percentages. In the case of a reverse proportional change in the value of HRK relative to the relevant currency, there would be an equal and opposite impact on the profit.

	EUR effect		
	31 Dec 2019	31 Dec 2018	31 Dec 2017
		restated	restated
	('000 HRK)		
(Profit / (loss))	5.236	3.552	(294)



## **40/ FINANCIAL INSTRUMENTS / CONTINUED**

### **Interest rate risk management**

The Group is not significantly exposed to interest rate risk since 12% of total loan liabilities are related to floating interest rates. Of the total loan liabilities of the Group 88% were contracted with a fixed interest rate. The largest portion of fixed-interest credit liabilities refers to issued HRK bonds with a coupon rate of 3,875% per annum.

### **Credit risk management**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group obtains collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Customers are classified into risk groups based on the financial indicators and own trading records, and appropriate credit risk mitigation measures are taken for each risk class. Customers are classified mainly on the basis of their official financial statements and the Group's history of trading with each customer.

The Group transacts with a large number of customers from various industries and of various size, as well as with citizens (individuals). Trade receivables are presented net of allowance for bad and doubtful receivables.

### **Liquidity risk management**

Instruments used to monitor and mitigate liquidity risk are as follows: analysing and managing cash flows; analysing assets and the sources of financing those assets; analysing customer creditworthiness; collaterals; credit and revolving facilities, and similar.

For the year ended 31 December 2019

## 40/ FINANCIAL INSTRUMENTS / CONTINUED

Liquidity risk management / continued

Liquidity and interest rate risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both principal and interest cash outflows.

	Average weighted interest rate	%					Total
		Up to 1 year	1-2-years	2-3 years	3-4 years	4-5 years	
<b>31 December 2019</b>							
<b>Interest free</b>							
Liabilities to associates and trade payables		504,472	3,080	3,080	3,080	2,042	515,754
Liabilities for advances, deposits and guarantees		24,939	-	-	-	-	24,939
Employee benefit liabilities		57,143	-	-	-	-	57,143
Other current liabilities		183,740	-	-	-	-	183,740
<b>Instruments with floating interest rate</b>							
Financial lease	4.68%	96,095	80,035	67,429	58,982	55,622	1,001,811
Loans and borrowings	3.38%	114,514	74,920	72,188	62,475	30,495	354,592
Other non-current liabilities	2.2%	38,461	37,577	36,797	35,992	36,347	299,819
<b>Instruments with fixed interest rate</b>							
Bonds	3.88%	89,125	89,125	89,125	2,300,000	-	2,567,375
Loans and borrowings	2.66%	933,213	89,583	88,845	85,969	65,207	1,324,015
		<b>2,041,702</b>	<b>374,320</b>	<b>357,464</b>	<b>2,546,498</b>	<b>189,713</b>	<b>6,329,188</b>

For the year ended 31 December 2019

## 40/ FINANCIAL INSTRUMENTS / CONTINUED

Liquidity risk management / continued

Liquidity and interest rate risk tables

	Average weighted interest rate	Up to 1 year	1-2-years	2-3 years	3-4 years	4-5 years	After 5 years	Total
	%							
<b>31 December 2018 restated</b>								
<i>Interest free</i>								
Liabilities to associates and trade payables		562,257	2,960	2,960	2,960	2,352	51,665	625,154
Liabilities for advances, deposits and guarantees		17,737	-	-	-	-	-	17,737
Employee benefit liabilities		51,239	-	-	-	-	-	51,239
Other current liabilities		367,746	-	-	-	-	-	399,616
<i>Instruments with floating interest rate</i>								
Financial lease	4.68%	81,487	73,988	59,693	53,407	53,407	694,285	1,016,267
Loans and borrowings	3.02%	170,534	86,353	74,716	73,229	62,809	32,403	500,044
Other long-term liabilities	2.20%	32,216	29,378	24,722	20,927	16,399	86,372	210,014
<i>Instruments with fixed interest rate</i>								
Bonds	3.88%	89,125	89,125	89,125	89,125	2,389,125	-	2,745,625
Loans and borrowings	2.66%	646,582	63,636	307,020	55,582	54,146	94,440	1,221,406
		<b>2,018,923</b>	<b>345,440</b>	<b>558,236</b>	<b>295,230</b>	<b>2,578,238</b>	<b>959,165</b>	<b>6,787,102</b>

For the year ended 31 December 2019

## 40/ FINANCIAL INSTRUMENTS / CONTINUED

Liquidity risk management (continued)

Liquidity and interest rate risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets until contractual maturities, including interest to be earned on those assets

	Average weighted interest rate	Up to 1 year	1-2-years	2-3 years	3-4 years	4-5 years	After 5 years	Total
	%							
<b>31 December 2019</b>								
<b>Interest free</b>								
Cash and cash equivalents		202,179	-	-	-	-	-	202,179
Financial liabilities at fair value		1,338	-	-	-	-	-	1,338
Receivables from associates and trade receivables		1,262,649	-	-	-	-	-	1,262,649
Receivables from employees		461	-	-	-	-	-	461
Other receivables		259,793	26,703	26,703	26,703	26,793	198,890	565,585
<b>Instruments with floating interest rate</b>								
Deposits given and other securities held to maturity	1.56%	874	874	874	874	56,437	-	59,933
Other receivables	2.40%	35,484	37,199	36,439	35,680	34,920	111,826	291,548
<b>Instruments with fixed interest rate</b>								
Deposits given and other securities held to maturity	2.33%	23,295	2,445	10,156	2,363	2,363	86,770	127,392
Loans	5%	5,976	3,731	1,513	3,703	4,098	-	19,021
Receivables from housing loans	4.00%	693	731	672	583	243	482	3,404
Loans to associates		166,367	169,702	175,569	178,764	188,905	502,975	1,382,282
Loans to affiliates and accrued interest on loans		82,869	51,162	49,637	48,112	46,589	171,104	449,473
		<b>2,041,978</b>	<b>292,547</b>	<b>301,563</b>	<b>296,782</b>	<b>360,348</b>	<b>1,072,047</b>	<b>4,365,265</b>

For the year ended 31 December 2019

## 40/ FINANCIAL INSTRUMENTS / CONTINUED

Liquidity risk management (continued)

Liquidity and interest rate risk tables

	Average weighted interest rate	Up to 1 year	1-2-years	2-3 years	3-4 years	4-5 years	After 5 years	Total
(in '000 HRK)	%							
<b>31 December 2018</b>								
<b>Interest free</b>								
Cash and cash equivalents		310,461	-	-	-	-	-	310,461
Financial liabilities at fair value		17,322	-	-	-	-	-	17,322
Receivables from associates and trade receivables		1,171,021	-	-	-	-	-	1,171,021
Receivables from employees		430	-	-	-	-	-	430
Other receivables		190,551	27,192	26,828	26,708	26,708	347,180	645,167
<b>Instruments with floating interest rate</b>								
Deposits and other securities	1.56%	874	873	874	874	874	56,436	60,805
<b>Instruments with fixed interest rate</b>								
Deposits and other securities	2.33%	33,091	2,298	2,298	2,298	4,956	67,492	112,433
Loans	5%	7,412	4,372	-	-	-	-	11,784
Receivables from housing loans	1%	195	272	249	235	128	96	1,175
Loans to associates	3.88%	32,230	52,688	51,162	49,637	48,112	217,692	451,521
Receivables from associates		278,358	301,613	253,031	237,075	232,061	695,477	1,997,615
		<b>2,041,945</b>	<b>389,308</b>	<b>334,442</b>	<b>316,827</b>	<b>312,839</b>	<b>1,384,373</b>	<b>4,779,734</b>

## 40/ FINANCIAL INSTRUMENTS / CONTINUED

Fair value of financial instruments

Fair value measurements recognized in the statement of financial position / (balance sheet)

The table below analyses the financial instruments subsequently measured at fair value, classified within 3 groups according to availability of fair value indicators:

- Level 1 indicators – indicators are derived from quoted prices in active market for identical assets or liabilities
- Level 2 indicators – are indicators other than quoted market prices included within Level 1, that are observable directly (i.e. their prices) or indirectly (i.e. derived from prices), and
- Level 3 indicators – indicators derived using valuation methods in which asset data or liabilities that are not based on available market data (unavailable input data) are used as input data.

				31 Dec 2019
(in '000 HRK)	Level 1	Level 2	Level 3	Total
<i>Financial assets at fair value through profit or loss</i>				
- equity investment	-	-	1,338	1,338
	-	-	<b>1,338</b>	<b>1,338</b>

				31 Dec 2018
(in '000 HRK)	Level 1	Level 2	Level 3	Total
<i>Financial assets at fair value through profit or loss</i>				
- equity investment	-	-	1,332	1,332
	-	-	<b>1,332</b>	<b>1,332</b>

## 41/ COMMITMENTS

The Group has concluded contracts whose execution has begun but has not been completed. The value of the investment to be incurred under these contracts is estimated at HRK 362,869 thousand (31 December 2018: HRK 210,441 thousand).

## 42/ LEGAL DISPUTES

The group is exposed to various court disputes. The Management believes that provision for legal disputes that was made in the amount of HRK 187,434 thousand (31 December 2018: HRK 236,741 thousand) is sufficient for possible liabilities that could be incurred (Note 33).

## 43/ CONTINGENT LIABILITIES

Environmental Protection

Within the Group is the ZGOS subsidiary, whose main activity is the disposal of municipal and other waste, as well as the rehabilitation of the Jakuševac landfill and the assistance to the City of Zagreb in the establishment of a long-term strategy for the development of a municipal waste management system in the City of Zagreb. The impact of these activities on the environment is monitored by local authorities and state-level environmental protection bodies. In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the Group (ZGOS subsidiary) booked the amount of HRK 51,163 thousand (31 Dec 2018: HRK 49,964 thousand) (Note 33) in respect of future costs of maintenance and control over the landfill.

## **44/ EVENTS AFTER THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION / (BALANCE SHEET)**

### **COVID 19 Virus Epidemic Declaration**

On March 11, 2020, the World Health Organization (WHO) declared a global pandemic due to coronavirus (COVID 19) while its occurrence was confirmed in early 2020. The virus has spread to many countries around the world and, in addition to having an impact on human health and safety, causes disruptions to business and economic activity in general.

The Group has taken the necessary risk protection measures and adjusted its operations to the crisis situation. Operating costs have been reduced to what is necessary in the current circumstances and all in order to manage business continuity.

The possible negative impact on the Group's operations depends primarily on the length of the emergency measures and on several factors that can be described as:

- Downtime and reduction of sales activities due to the reduction of total activities on the Group's market
- Delays and deliveries of individual suppliers that are significantly exposed to COVID-19
- Disruption of road transport due to various restrictions
- Risk of delays in performing service activities due to the prohibition of certain activities by decisions of competent institutions

The group follows the recommendations of the Civil Protection Headquarters and the Croatian Institute of Public Health and has implemented the following measures:

- It is possible to work from home for workers from the administration and other categories of jobs and the continuous rotation of workers in certain categories of jobs
- In accordance with the Agreement on working hours, paid leave, working conditions and salary compensation during the COVID - 19 epidemic in the territory of the Republic of Croatia, risk groups are provided with additional paid annual leave.
- A high level of protection and implementation of social distancing measures has been ensured in all business segments

At this time, the Management Board is not able to reliably assess the impact on the Group's financial statements due to continuing development of these events and the inability to predict the duration of the pandemic.

The parent company was approved a measure of deferral of payment of tax liabilities (does not include value added tax) from the set of measures of the Government of the Republic of Croatia to help the economy during the coronavirus epidemic.

### **Earthquake in the City of Zagreb**

On March 22, 2020, the city of Zagreb was hit by an earthquake of magnitude 5.5, which was followed by numerous subsequent earthquakes and in which numerous properties in the inner city were significantly damaged. The Group has initiated activities to inspect buildings owned by the Group to determine damages and the possibility of repairing them for re-commissioning.

Preliminary reports on damage to buildings are being prepared. For certain facilities that have suffered major and significant damage, their use has been limited by appropriate measures to protect the safety of workers. Some of the buildings that were less damaged were repaired so that the buildings could be used.

As the inspection of all facilities has not yet been completed, data on damage assessment of facilities are currently not available. In accordance with safety measures, the Group has made every effort to continue its regular activities in facilities that are usable and that are not damaged or are minimally damaged.

### **Credit liabilities**

After the balance sheet date, a long-term 5-year loan in the amount of HRK 150 million was contracted with OTP bank d.d. Also, an additional short-term line (framework) in the amount of HRK 70 million was contracted with Erste & Steiermärkische Bank d.d. Subsidiary Vodoopskrba i odvodnja d.o.o. contracted a short-term loan in the amount of HRK 100 million with Erste & Steiermärkische Bank d.d. and in the amount of HRK 70 million with HPB d.d.

#### 45/PENSION INSURANCE

The Group does not have any special model of pension insurance for its employees or the Management Board. Consequently, no provision for these expenses has been entered.

For employees of the Group employed in the Republic of Croatia, statutory contributions to pension insurance are paid. These contributions form the basis for pensions paid by the Croatian Pension Fund to Croatian workers after their retirement. Currently the Group has no outstanding liabilities for unpaid pensions, either for current or former employees.

#### 46/LEGAL AND REGULATORY FRAMEWORK

The Group's operations, as well as revenue recovery, are the subject of several laws of which the most significant are:

- The Communal Management Act
- The Local Self-government Act
- The Waste Act
- The Institutions Act
- The Waters Act
- The Cemeteries Act
- The Building Maintenance Act
- The Act on Free Zones

#### 47/APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were adopted by the Management and authorized for issue on 27 May 2020



Ana Stojić Deban,  
President of the Management Board



Bernard Mršo,  
Member of the Management Board



Daniela Franić,  
Member of the Management Board



Marica Dusper,  
Member of the Management Board

**ZAGREBAČKI HOLDING**  
d. o. o. 9  
ZAGREB, Ulica grada Vukovara 41



**BILANCA**  
stanje na dan 31.12.2019

u kunama

Obveznik: ZAGREBAČKI HOLDING d.o.o.			
Naziv pozicije	AOP oznaka	Zadnji dan prethodne poslovne godine	Na izvještajni datum tekućeg razdoblja
1	2	3	4
<b>A) POTRAŽIVANJA ZA UPISANI A NEUPLAĆENI KAPITAL</b>	<b>001</b>	0	0
<b>B) DUGOTRAJNA IMOVINA (AOP 003+010+020+031+036)</b>	<b>002</b>	14.010.685.360	14.127.891.213
<b>I. NEMATERIJALNA IMOVINA (AOP 004 do 009)</b>	<b>003</b>	23.194.046	33.581.186
1. Izdaci za razvoj	<b>004</b>	123.257	89.476
2. Koncesije, patenti, licencije, robne i uslužne marke, softver i ostala prava	<b>005</b>	8.779.738	16.090.204
3. Goodwill	<b>006</b>	11.810.638	1.631.382
4. Predumovi za nabavu nematerijalne imovine	<b>007</b>	0	0
5. Nematerijalna imovina u pripremi	<b>008</b>	1.149.599	14.039.522
6. Ostala nematerijalna imovina	<b>009</b>	1.330.814	1.730.602
<b>II. MATERIJALNA IMOVINA (AOP 011 do 019)</b>	<b>010</b>	11.755.974.272	11.914.270.002
1. Zemljište	<b>011</b>	3.214.929.560	3.374.575.767
2. Građevinski objekti	<b>012</b>	5.772.762.472	5.699.247.683
3. Postrojenja i oprema	<b>013</b>	243.220.805	265.619.701
4. Alati, pogonski inventar i transportna imovina	<b>014</b>	155.756.894	161.837.093
5. Biološka imovina	<b>015</b>	0	0
6. Predumovi za materijalnu imovinu	<b>016</b>	3.963.580	5.766.665
7. Materijalna imovina u pripremi	<b>017</b>	566.331.180	648.402.364
8. Ostala materijalna imovina	<b>018</b>	46.354.643	70.206.754
9. Ulaganje u nekretnine	<b>019</b>	1.752.655.138	1.688.613.975
<b>III. DUGOTRAJNA FINACIJSKA IMOVINA (AOP 021 do 030)</b>	<b>020</b>	516.749.279	482.182.993
1. Ulaganja u udjele (dionice) poduzetnika unutar grupe	<b>021</b>	0	0
2. Ulaganja u ostale vrijednosne papire poduzetnika unutar grupe	<b>022</b>	0	0
3. Dani zajmovi, depoziti i slično poduzetnicima unutar grupe	<b>023</b>	354.133.773	314.785.576
4. Ulaganja u udjele (dionice) društava povezanih sudjelujućim interesom	<b>024</b>	17.300.408	17.412.230
5. Ulaganja u ostale vrijednosne papire društava povezanih sudjelujućim interesom	<b>025</b>	0	0
6. Dani zajmovi, depoziti i slično društvima povezanim sudjelujućim interesom	<b>026</b>	0	0
7. Ulaganja u vrijednosne papire	<b>027</b>	21.207	6.273
8. Dani zajmovi, depoziti i slično	<b>028</b>	7.675.550	11.507.984
9. Ostala ulaganja koja se obračunavaju metodom udjela	<b>029</b>	0	0
10. Ostala dugotrajna financijska imovina	<b>030</b>	137.618.341	138.470.930
<b>IV. POTRAŽIVANJA (AOP 032 do 035)</b>	<b>031</b>	1.643.008.024	1.612.233.574
1. Potraživanja od poduzetnika unutar grupe	<b>032</b>	1.143.595.948	1.047.077.406
2. Potraživanja od društava povezanih sudjelujućim interesom	<b>033</b>	0	0
3. Potraživanja od kupaca	<b>034</b>	3.172.588	2.446.351
4. Ostala potraživanja	<b>035</b>	496.239.488	562.709.817
<b>V. ODGOĐENA POREZNA IMOVINA</b>	<b>036</b>	71.759.739	85.623.458

**BILANCA - nastavak**  
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<b>Obveznik: ZAGREBAČKI HOLDING d.o.o.</b>			
<b>Naziv pozicije</b>	<b>AOP oznaka</b>	<b>Zadnji dan prethodne poslovne godine</b>	<b>Na izvještajni datum tekućeg razdoblja</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>C) KRATKOTRAJNA IMOVINA (AOP 038+046+053+063)</b>	<b>037</b>	2.265.643.747	2.318.832.889
<b>I. ZALIHE (AOP 039 do 045)</b>	<b>038</b>	316.345.512	396.303.410
1. Sirovine i materijal	<b>039</b>	90.682.911	105.394.139
2. Proizvodnja u tijeku	<b>040</b>	32.091.256	33.769.914
3. Gotovi proizvodi	<b>041</b>	153.911.290	33.444.076
4. Trgovačka roba	<b>042</b>	37.843.933	42.877.151
5. Predujmovi za zalihe	<b>043</b>	1.816.122	2.789.930
6. Dugotrajna imovina namijenjena prodaji	<b>044</b>	0	178.028.200
7. Biološka imovina	<b>045</b>	0	0
<b>II. POTRAŽIVANJA (AOP 047 do 052)</b>	<b>046</b>	1.583.000.654	1.614.613.144
1. Potraživanja od poduzetnika unutar grupe	<b>047</b>	542.007.624	583.078.357
2. Potraživanja od društava povezanih sudjelujućim interesom	<b>048</b>	0	0
3. Potraživanja od kupaca	<b>049</b>	867.522.684	769.352.332
4. Potraživanja od zaposlenika i članova poduzetnika	<b>050</b>	429.748	460.940
5. Potraživanja od države i drugih institucija	<b>051</b>	45.482.000	52.954.247
6. Ostala potraživanja	<b>052</b>	127.558.598	208.767.268
<b>III. KRATKOTRAJNA FINANCIJSKA IMOVINA (AOP 054 do 062)</b>	<b>053</b>	55.836.297	105.737.183
1. Ulaganja u udjele (dionice) poduzetnika unutar grupe	<b>054</b>	0	0
2. Ulaganja u ostale vrijednosne papire poduzetnika unutar grupe	<b>055</b>	0	0
3. Dani zajmovi, depoziti i slično poduzetnicima unutar grupe	<b>056</b>	22.463.285	69.529.874
4. Ulaganja u udjele (dionice) društava povezanih sudjelujućim interesom	<b>057</b>	0	0
5. Ulaganja u ostale vrijednosne papire društava povezanih sudjelujućim interesom	<b>058</b>	0	0
6. Dani zajmovi, depoziti i slično društvima povezanim sudjelujućim interesom	<b>059</b>	0	0
7. Ulaganja u vrijednosne papire	<b>060</b>	147.889	0
8. Dani zajmovi, depoziti i slično	<b>061</b>	6.919.844	5.354.030
9. Ostala financijska imovina	<b>062</b>	26.305.279	30.853.279
<b>IV. NOVAC U BANCI I BLAGAJNI</b>	<b>063</b>	310.461.284	202.179.152
<b>D) PLAĆENI TROŠKOVI BUDUĆEG RAZDOBLJA I OBRAČUNATI PRIHODI</b>	<b>064</b>	37.480.032	38.188.453
<b>E) UKUPNO AKTIVA (AOP 001+002+037+064)</b>	<b>065</b>	16.313.809.139	16.484.912.555
<b>F) IZVANBILANČNI ZAPISI</b>	<b>066</b>	185.274.996	162.911.108

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Obveznik: ZAGREBAČKI HOLDING d.o.o.			
Naziv pozicije	AOP oznaka	Zadnji dan prethodne poslovne godine	Na izvještajni datum tekućeg razdoblja
1	2	3	4
<b>PASIVA</b>			
<b>A) KAPITAL I REZERVE (AOP 068 do 070+076+077+081+084+087)</b>	<b>067</b>	6.039.713.086	6.211.986.662
I. TEMELJNI (UPISANI) KAPITAL	<b>068</b>	3.177.043.600	3.177.043.600
II. KAPITALNE REZERVE	<b>069</b>	0	0
III. REZERVE IZ DOBITI (AOP 071+072-073+074+075)	<b>070</b>	322.617.489	322.617.489
1. Zakonske rezerve	<b>071</b>	0	0
2. Rezerve za vlastite dionice	<b>072</b>	0	0
3. Vlastite dionice i udjeli (odbitna stavka)	<b>073</b>	0	0
4. Statutarne rezerve	<b>074</b>	0	0
5. Ostale rezerve	<b>075</b>	322.617.489	322.617.489
IV. REVALORIZACIJSKE REZERVE	<b>076</b>	1.839.527.446	1.999.402.490
V. REZERVE FER VRIJEDNOSTI (AOP 078 do 080)	<b>077</b>	0	0
1. Fer vrijednost financijske imovine raspoložive za prodaju	<b>078</b>	0	0
2. Učinkoviti dio zaštite novčanih tokova	<b>079</b>	0	0
3. Učinkoviti dio zaštite neto ulaganja u inozemstvu	<b>080</b>	0	0
VI. ZADRŽANA DOBIT ILI PRENESENI GUBITAK (AOP 082-083)	<b>081</b>	620.237.468	689.462.975
1. Zadržana dobit	<b>082</b>	620.237.468	689.462.975
2. Preneseni gubitak	<b>083</b>	0	0
VII. DOBIT ILI GUBITAK POSLOVNE GODINE (AOP 085-086)	<b>084</b>	68.803.347	9.040.444
1. Dobit poslovne godine	<b>085</b>	68.803.347	9.040.444
2. Gubitak poslovne godine	<b>086</b>	0	0
VIII. MANJINSKI (NEKONTROLIRAJUĆI) INTERES	<b>087</b>	11.483.736	14.419.664
<b>B) REZERVIRANJA (AOP 089 do 094)</b>	<b>088</b>	360.758.019	346.638.466
1. Rezerviranja za mirovine, otpremnine i slične obveze	<b>089</b>	95.978.251	124.985.920
2. Rezerviranja za porezne obveze	<b>090</b>	0	0
3. Rezerviranja za započete sudske sporove	<b>091</b>	214.404.618	170.357.149
4. Rezerviranja za troškove obnavljanja prirodnih bogatstava	<b>092</b>	49.963.513	51.162.637
5. Rezerviranja za troškove u jamstvenim rokovima	<b>093</b>	132.760	132.760
6. Druga rezerviranja	<b>094</b>	278.877	0
<b>C) DUGOROČNE OBVEZE (AOP 096 do 106)</b>	<b>095</b>	4.435.554.729	4.234.872.802
1. Obveze prema poduzetnicima unutar grupe	<b>096</b>	65.857.272	11.281.736
2. Obveze za zajmove, depozite i slično poduzetnika unutar grupe	<b>097</b>	0	0
3. Obveze prema društvima povezanim sudjelujućim interesom	<b>098</b>	0	0
4. Obveze za zajmove, depozite i slično društava povezanih sudjelujućim interesom	<b>099</b>	0	0
5. Obveze za zajmove, depozite i slično	<b>100</b>	0	0
6. Obveze prema bankama i drugim financijskim institucijama	<b>101</b>	872.363.747	631.200.699
7. Obveze za predujmove	<b>102</b>	0	0
8. Obveze prema dobavljačima	<b>103</b>	622.882.265	600.332.618
9. Obveze po vrijednosnim papirima	<b>104</b>	2.251.357.581	2.261.551.232
10. Ostale dugoročne obveze	<b>105</b>	187.578.026	267.390.130
11. Odgođena porezna obveza	<b>106</b>	435.515.838	463.116.387

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<b>Obveznik: ZAGREBAČKI HOLDING d.o.o.</b>			
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<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>D) KRATKOROČNE OBVEZE (AOP 108 do 121)</b>	<b>107</b>	2.181.038.441	2.428.962.949
1. Obveze prema poduzetnicima unutar grupe	<b>108</b>	29.776.833	12.559.291
2. Obveze za zajmove, depozite i slično poduzetnika unutar grupe	<b>109</b>	0	0
3. Obveze prema društvima povezanim sudjelujućim interesom	<b>110</b>	0	0
4. Obveze za zajmove, depozite i slično društava povezanih sudjelujućim interesom	<b>111</b>	0	0
5. Obveze za zajmove, depozite i slično	<b>112</b>	0	0
6. Obveze prema bankama i drugim financijskim institucijama	<b>113</b>	877.272.824	1.135.702.433
7. Obveze za predujmove	<b>114</b>	17.737.121	24.938.962
8. Obveze prema dobavljačima	<b>115</b>	529.014.171	491.518.815
9. Obveze po vrijednosnim papirima	<b>116</b>	0	0
10. Obveze prema zaposlenicima	<b>117</b>	51.239.445	57.143.469
11. Obveze za poreze, doprinose i sličana davanja	<b>118</b>	72.834.952	72.963.211
12. Obveze s osnove udjela u rezultatu	<b>119</b>	2.018.000	2.018.000
13. Obveze po osnovi dugotrajne imovine namijenjene prodaji	<b>120</b>	0	0
14. Ostale kratkoročne obveze	<b>121</b>	601.145.095	632.118.768
<b>E) ODGOĐENO PLAĆANJE TROŠKOVA I PRIHOD BUDUĆEGA RAZDOBLJA</b>	<b>122</b>	3.296.744.864	3.262.451.676
<b>F) UKUPNO – PASIVA (AOP 067+088+095+107+122)</b>	<b>123</b>	16.313.809.139	16.484.912.555
<b>G) IZVANBILANČNI ZAPISI</b>	<b>124</b>	185.274.996	162.911.108

**RAČUN DOBITI I GUBITKA**  
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u kunama

Obveznik: ZAGREBAČKI HOLDING d.o.o.			
Naziv pozicije	AOP oznaka	Isto razdoblje prethodne godine	Tekuće razdoblje
1	2	3	4
<b>I. POSLOVNI PRIHODI (AOP 126 do 130)</b>	<b>125</b>	3.847.177.385	4.087.551.962
1. Prihodi od prodaje s poduzetnicima unutar grupe	126	730.281.206	785.066.155
2. Prihodi od prodaje (izvan grupe)	127	2.533.462.785	2.721.823.176
3. Prihodi na temelju upotrebe vlastitih proizvoda, robe i usluga	128	30.854.954	39.626.669
4. Ostali poslovni prihodi s poduzetnicima unutar grupe	129	39.848.040	21.686.025
5. Ostali poslovni prihodi (izvan grupe)	130	512.730.400	519.349.937
<b>II. POSLOVNI RASHODI (AOP 132+133+137+141+142+143+146+153)</b>	<b>131</b>	3.686.412.800	4.013.084.585
1. Promjene vrijednosti zaliha proizvodnje u tijeku i gotovih proizvoda	132	22.439.509	-617.659
2. Materijalni troškovi (AOP 134 do 136)	133	1.908.833.551	2.154.488.069
a) Troškovi sirovina i materijala	134	334.398.270	359.200.386
b) Troškovi prodane robe	135	940.883.937	1.104.226.395
c) Ostali vanjski troškovi	136	633.551.344	691.061.288
3. Troškovi osoblja (AOP 138 do 140)	137	1.057.119.841	1.147.561.141
a) Neto plaće i nadnice	138	699.257.595	770.048.088
b) Troškovi poreza i doprinosa iz plaća	139	222.835.049	241.834.097
c) Doprinosi na plaće	140	135.027.197	135.678.956
4. Amortizacija	141	373.175.885	389.698.781
5. Ostali troškovi	142	30.156.158	26.970.111
6. Vrijednosna usklađenja (AOP 144+145)	143	152.474.730	163.285.766
a) dugotrajne imovine osim financijske imovine	144	48.368.049	90.718.043
b) kratkotrajne imovine osim financijske imovine	145	104.106.681	72.567.723
7. Rezerviranja (AOP 147 do 152)	146	67.037.159	58.110.613
a) Rezerviranja za mirovine, otpremnine i slične obveze	147	18.154.259	17.044.320
b) Rezerviranja za porezne obveze	148	0	0
c) Rezerviranja za započete sudske sporove	149	23.670.573	7.906.001
d) Rezerviranja za troškove obnavljanja prirodnih bogatstava	150	1.237.233	1.199.124
e) Rezerviranja za troškove u jamstvenim rokovima	151	132.760	0
f) Druga rezerviranja	152	23.842.334	31.961.168
8. Ostali poslovni rashodi	153	75.175.967	73.587.763
<b>III. FINANCIJSKI PRIHODI (AOP 155 do 164)</b>	<b>154</b>	170.432.684	145.999.648
1. Prihodi od ulaganja u udjele (dionice) poduzetnika unutar grupe	155	0	0
2. Prihodi od ulaganja u udjele (dionice) društava povezanih sudjelujućim interesima	156	23.033	800.014
3. Prihodi od ostalih dugotrajnih financijskih ulaganja i zajmova poduzetnicima unutar grupe	157	107.541.362	91.263.952
4. Ostali prihodi s osnove kamata iz odnosa s poduzetnicima unutar grupe	158	11.708	22.850
5. Tečajne razlike i ostali financijski prihodi iz odnosa s poduzetnicima unutar grupe	159	340.065	628.112
6. Prihodi od ostalih dugotrajnih financijskih ulaganja i zajmova	160	0	9.267
7. Ostali prihodi s osnove kamata	161	20.068.001	16.548.884
8. Tečajne razlike i ostali financijski prihodi	162	29.116.548	12.253.308
9. Nerealizirani dobiti (prihodi) od financijske imovine	163	12.184.540	23.445.609
10. Ostali financijski prihodi	164	1.147.427	1.027.652

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u kunama

<b>Obveznik: ZAGREBAČKI HOLDING d.o.o.</b>			
<b>Naziv pozicije</b>	<b>AOP oznaka</b>	<b>Isto razdoblje prethodne godine</b>	<b>Tekuće razdoblje</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>IV. FINANCIJSKI RASHODI (AOP 166 do 172)</b>	<b>165</b>	237.381.286	197.743.595
1. Rashodi s osnove kamata i slični rashodi s poduzetnicima unutar grupe	<b>166</b>	345.948	128.957
2. Tečajne razlike i drugi rashodi s poduzetnicima unutar grupe	<b>167</b>	2.340.967	1.501.992
3. Rashodi s osnove kamata i slični rashodi	<b>168</b>	167.375.800	162.334.473
4. Tečajne razlike i drugi rashodi	<b>169</b>	18.840.310	5.674.152
5. Nerealizirani gubici (rashodi) od financijske imovine	<b>170</b>	8.378	4.970
6. Vrijednosna usklađenja financijske imovine (neto)	<b>171</b>	0	0
7. Ostali financijski rashodi	<b>172</b>	48.469.883	28.099.051
<b>V. UDIO U DOBITI OD DRUŠTAVA POVEZANIH SUDJELUJUĆIM INTERESOM</b>	<b>173</b>	0	0
<b>VI. UDIO U DOBITI OD ZAJEDNIČKIH POTHVATA</b>	<b>174</b>	0	0
<b>VII. UDIO U GUBITKU OD DRUŠTAVA POVEZANIH SUDJELUJUĆIM INTERESOM</b>	<b>175</b>	0	0
<b>VIII. UDIO U GUBITKU OD ZAJEDNIČKIH POTHVATA</b>	<b>176</b>	0	0
<b>IX. UKUPNI PRIHODI (AOP 125+154+173 + 174)</b>	<b>177</b>	4.017.610.069	4.233.551.610
<b>X. UKUPNI RASHODI (AOP 131+165+175 + 176)</b>	<b>178</b>	3.923.794.086	4.210.828.180
<b>XI. DOBIT ILI GUBITAK PRIJE OPOREZIVANJA (AOP 177-178)</b>	<b>179</b>	93.815.983	22.723.430
1. Dobit prije oporezivanja (AOP 177-178)	<b>180</b>	93.815.983	22.723.430
2. Gubitak prije oporezivanja (AOP 178-177)	<b>181</b>	0	0
<b>XII. POREZ NA DOBIT</b>	<b>182</b>	21.412.326	8.412.635
<b>XIII. DOBIT ILI GUBITAK RAZDOBLJA (AOP 179-182)</b>	<b>183</b>	72.403.657	14.310.795
1. Dobit razdoblja (AOP 179-182)	<b>184</b>	72.403.657	14.310.795
2. Gubitak razdoblja (AOP 182-179)	<b>185</b>	0	0
<b>PREKINUTO POSLOVANJE (popunjavanje poduzetnik obveznika MSFI-a samo ako ima prekinuto poslovanje)</b>			
<b>XIV. DOBIT ILI GUBITAK PREKINUTOG POSLOVANJA PRIJE OPOREZIVANJA (AOP 187-188)</b>	<b>186</b>	0	0
1. Dobit prekinutog poslovanja prije oporezivanja	<b>187</b>	0	0
2. Gubitak prekinutog poslovanja prije oporezivanja	<b>188</b>	0	0
<b>XV. POREZ NA DOBIT PREKINUTOG POSLOVANJA</b>	<b>189</b>	0	0
1. Dobit prekinutog poslovanja za razdoblje (AOP 186-189)	<b>190</b>	0	0
2. Gubitak prekinutog poslovanja za razdoblje (AOP 189-186)	<b>191</b>	0	0
<b>UKUPNO POSLOVANJE (popunjavanje samo poduzetnik obveznik MSFI-a koji ima prekinuto poslovanje)</b>			
<b>XVI. DOBIT ILI GUBITAK PRIJE OPOREZIVANJA (AOP 179+186)</b>	<b>192</b>	0	0
1. Dobit prije oporezivanja (AOP 192)	<b>193</b>	0	0
2. Gubitak prije oporezivanja (AOP 192)	<b>194</b>	0	0
<b>XVII. POREZ NA DOBIT (AOP 182+189)</b>	<b>195</b>	0	0
<b>XVIII. DOBIT ILI GUBITAK RAZDOBLJA (AOP 192-195)</b>	<b>196</b>	0	0
1. Dobit razdoblja (AOP 192-195)	<b>197</b>	0	0
2. Gubitak razdoblja (AOP 195-192)	<b>198</b>	0	0
<b>DODATAK RDG-u (popunjavanje poduzetnik koji sastavlja konsolidirani godišnji financijski izvještaj)</b>			
<b>XIX. DOBIT ILI GUBITAK RAZDOBLJA (AOP 200+201)</b>	<b>199</b>	72.403.657	14.310.795
1. Pripisana imateljima kapitala matice	<b>200</b>	68.803.347	9.040.444
2. Pripisana manjinskom (nekontrolirajućem) interesu	<b>201</b>	3.600.310	5.270.351

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Naziv pozicije	AOP oznaka	Isto razdoblje prethodne godine	Tekuće razdoblje
1	2	3	4
<b>IZVJEŠTAJ O OSTALOJ SVEOBUHVAATNOJ DOBITI (popunjava poduzetnik obveznik primjene MSFI-a)</b>			
<b>I. DOBIT ILI GUBITAK RAZDOBLJA</b>	<b>202</b>	72.403.657	14.310.795
<b>II. OSTALA SVEOBUHVAATNA DOBIT/GUBITAK PRIJE POREZA (AOP 204 do 211)</b>	<b>203</b>	7.260.017	195.482.066
1. Tečajne razlike iz preračuna inozemnog poslovanja	<b>204</b>	0	0
2. Promjene revalorizacijskih rezervi dugotrajne materijalne i nematerijalne imovine	<b>205</b>	6.030.017	194.969.566
3. Dobit ili gubitak s osnove naknadnog vrednovanja financijske imovine raspoložive za prodaju	<b>206</b>	1.230.000	512.500
4. Dobit ili gubitak s osnove učinkovite zaštite novčanih tokova	<b>207</b>	0	0
5. Dobit ili gubitak s osnove učinkovite zaštite neto ulaganja u inozemstvu	<b>208</b>	0	0
6. Udio u ostaloj sveobuhvatnoj dobiti/gubitku društava povezanih sudjelujućim interesom	<b>209</b>	0	0
7. Aktuarski dobiti/gubici po planovima definiranih primanja	<b>210</b>	0	0
8. Ostale nevlasničke promjene kapitala	<b>211</b>	0	0
<b>III. POREZ NA OSTALU SVEOBUHVAATNU DOBIT RAZDOBLJA</b>	<b>212</b>	1.306.803	35.186.772
<b>IV. NETO OSTALA SVEOBUHVAATNA DOBIT ILI GUBITAK (AOP 203-212)</b>	<b>213</b>	5.953.214	160.295.294
<b>V. SVEOBUHVAATNA DOBIT ILI GUBITAK RAZDOBLJA (AOP 202+213)</b>	<b>214</b>	78.356.871	174.606.089
<b>DODATAK Izvještaju o ostaloj sveobuhvatnoj dobiti (popunjava poduzetnik koji sastavlja konsolidirani izvještaj)</b>			
<b>VI. SVEOBUHVAATNA DOBIT ILI GUBITAK RAZDOBLJA (AOP 216+217)</b>	<b>215</b>	78.356.871	174.606.089
1. Pripisana imateljima kapitala matice	<b>216</b>	74.756.561	169.335.738
2. Pripisana manjinskom (nekontrolirajućem) interesu	<b>217</b>	3.600.310	5.270.351

**IZVJEŠTAJ O NOVČANOM TIJEKU - Indirektna metoda  
u razdoblju 01.01.2019. do 31.12.2019.**

u kunama

<b>Obveznik: ZAGREBAČKI HOLDING d.o.o.</b>			
<b>Naziv pozicije</b>	<b>AOP oznaka</b>	<b>Isto razdoblje prethodne godine</b>	<b>Tekuće razdoblje</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Novčani tokovi od poslovnih aktivnosti</b>			
1. Dobit prije oporezivanja	001	93.815.983	22.723.430
2. Usklađenja (AOP 003 do 010):	002	432.713.499	455.567.005
a) Amortizacija	003	373.175.885	389.698.781
b) Dobici i gubici od prodaje i vrijednosna usklađenja dugotrajne materijalne i nematerijalne imovine	004	-91.098.000	-97.081.000
c) Dobici i gubici od prodaje i nerealizirani dobici i gubici i vrijednosno usklađenje financijske imovine	005	0	0
d) Prihodi od kamata i dividendi	006	-122.036.000	-108.464.000
e) Rashodi od kamata	007	0	0
f) Rezerviranja	008	-37.730.000	-14.119.553
g) Tečajne razlike (nerealizirane)	009	-4.687.179	1.697.000
h) Ostala usklađenja za nenovčane transakcije i nerealizirane dobitke i gubitke	010	315.088.793	283.835.777
<b>I. Povećanje ili smanjenje novčanih tokova prije promjena u radnom kapitalu (AOP 001+002)</b>	<b>011</b>	<b>526.529.482</b>	<b>478.290.435</b>
3. Promjene u radnom kapitalu (AOP 013 do 016)	012	116.353.000	-102.978.000
a) Povećanje ili smanjenje kratkoročnih obveza	013	333.011.000	42.365.000
b) Povećanje ili smanjenje kratkotrajnih potraživanja	014	-207.724.000	-243.414.000
c) Povećanje ili smanjenje zaliha	015	-8.934.000	98.071.000
d) Ostala povećanja ili smanjenja radnog kapitala	016	0	0
<b>II. Novac iz poslovanja (AOP 011+012)</b>	<b>017</b>	<b>642.882.482</b>	<b>375.312.435</b>
4. Novčani izdaci za kamate	018	-170.651.000	-165.149.000
5. Plaćeni porez na dobit	019	0	-27.917.567
<b>A) NETO NOVČANI TOKOVI OD POSLOVNIH AKTIVNOSTI (AOP 017 do 019)</b>	<b>020</b>	<b>472.231.482</b>	<b>182.245.868</b>
<b>Novčani tokovi od investicijskih aktivnosti</b>			
1. Novčani primici od prodaje dugotrajne materijalne i nematerijalne imovine	021	870.000	0
2. Novčani primici od prodaje financijskih instrumenata	022	0	0
3. Novčani primici od kamata	023	125.996.000	111.515.000
4. Novčani primici od dividendi	024	23.033	45.104
5. Novačani primici s osnove povrata danih zajmova i štednih uloga	025	0	0
6. Ostali novčani primici od investicijskih aktivnosti	026	39.056.967	66.243.896
<b>III. Ukupno novčani primici od investicijskih aktivnosti (AOP 021 do 026)</b>	<b>027</b>	<b>165.946.000</b>	<b>177.804.000</b>
1. Novčani izdaci za kupnju dugotrajne materijalne i nematerijalne imovine	028	-424.720.000	-453.945.000
2. Novčani izdaci za stjecanje financijskih instrumenata	029	0	0
3. Novačani izdaci s osnove danih zajmova i štednih uloga za razdoblje	030	0	0
4. Stjecanje ovisnog društva, umanjeno za stečeni novac	031	0	0
5. Ostali novčani izdaci od investicijskih aktivnosti	032	-267.254.000	-7.152.000
<b>IV. Ukupno novčani izdaci od investicijskih aktivnosti (AOP 028 do 032)</b>	<b>033</b>	<b>-691.974.000</b>	<b>-461.097.000</b>



**IZVJEŠTAJ O NOVČANOM TIJEKU - Indirektna metoda - nastavak**  
**u razdoblju 01.01.2019. do 31.12.2019.**

u kunama

<b>Obveznik: ZAGREBAČKI HOLDING d.o.o.</b>			
<b>Naziv pozicije</b>	<b>AOP oznaka</b>	<b>Isto razdoblje prethodne godine</b>	<b>Tekuće razdoblje</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>B) NETO NOVČANI TOKOVI OD INVESTICIJSKIH AKTIVNOSTI (AOP 027+033)</b>	<b>034</b>	-526.028.000	-283.293.000
<b>Novčani tokovi od financijskih aktivnosti</b>			
1. Novčani primici od povećanja temeljnog (upisanog) kapitala	<b>035</b>	0	0
2. Novčani primici od izdavanja vlasničkih i dužničkih financijskih instrumenata	<b>036</b>	0	0
3. Novčani primici od glavnice kredita, pozajmica i drugih posudbi	<b>037</b>	981.548.003	850.308.000
4. Ostali novčani primici od financijskih aktivnosti	<b>038</b>	0	0
<b>V. Ukupno novčani primici od financijskih aktivnosti (AOP 035 do 038)</b>	<b>039</b>	981.548.003	850.308.000
1. Novčani izdaci za otplatu glavnice kredita, pozajmica i drugih posudbi i dužničkih financijskih instrumenata	<b>040</b>	-716.294.375	-775.579.000
2. Novčani izdaci za isplatu dividendi	<b>041</b>	0	0
3. Novčani izdaci za financijski najam	<b>042</b>	-59.906.000	-81.964.000
4. Novčani izdaci za otkup vlastitih dionica i smanjenje temeljnog (upisanog) kapitala	<b>043</b>	0	0
5. Ostali novčani izdaci od financijskih aktivnosti	<b>044</b>	0	0
<b>VI. Ukupno novčani izdaci od financijskih aktivnosti (AOP 040 do 044)</b>	<b>045</b>	-776.200.375	-857.543.000
<b>C) NETO NOVČANI TOKOVI OD FINACIJSKIH AKTIVNOSTI (AOP 039+045)</b>	<b>046</b>	205.347.628	-7.235.000
1. Nerealizirane tečajne razlike po novcu i novčanim ekvivalentima	<b>047</b>	0	0
<b>D) NETO POVEĆANJE ILI SMANJENJE NOVČANIH TOKOVA (AOP 020+034+046+047)</b>	<b>048</b>	151.551.110	-108.282.132
<b>E) NOVAC I NOVČANI EKVIVALENTI NA POČETKU RAZDOBLJA</b>	<b>049</b>	158.909.174	310.461.284
<b>F) NOVAC I NOVČANI EKVIVALENTI NA KRAJU RAZDOBLJA (AOP 048+049)</b>	<b>050</b>	310.460.284	202.179.152

## Standard annual financial statements

For the year ended 31 December 2019

## IZVJEŠTAJ O PROMJENAMA KAPITALA

za razdoblje od 01.01.2019 do 31.12.2019

Opis pozicije	AOP oznaka	Raspodjeljivo imateljima kapitala matice									
		1	2	3	4	5	6	7	8	9	10
		Temeljni (upisani) kapital	Kapitalne rezerve	Zakonske rezerve	Rezerve za vlastite dionice	Vlastite dionice i udjeli (odbitna stavka)	Statutarne rezerve	Ostale rezerve	Revalorizacijske rezerve		
<b>Prethodno razdoblje</b>											
1. Stanje na dan početka prethodne poslovne godine	1	3.833.236.200	0	0	0	0	0	322.617.489	2.884.931.147		
2. Promjene računovodstvenih politika	2	0	0	0	0	0	0	0	0		
3. Ispravak pogreški	3	0	0	0	0	0	0	0	-18.685.328		
4. Stanje na dan početka prethodne poslovne godine (prepravljeno) (AOP 01 do 03)	4	3.833.236.200	0	0	0	0	0	322.617.489	2.866.245.819		
5. Dobit/gubitak razdoblja	5	0	0	0	0	0	0	0	0		
6. Tečajne razlike iz preračuna inozemnog poslovanja	6	0	0	0	0	0	0	0	0		
7. Promjene revalorizacijskih rezervi dugotrajne materijalne i nematerijalne imovine	7	0	0	0	0	0	0	0	5.953.214		
8. Dobitak ili gubitak s osnove naknadnog vrednovanja financijske imovine raspoložive za prodaju	8	0	0	0	0	0	0	0	0		
9. Dobitak ili gubitak s osnove učinkovite zaštite novčanog toka	9	0	0	0	0	0	0	0	0		
10. Dobitak ili gubitak s osnove učinkovite zaštite neto ulaganja u inozemstvu	10	0	0	0	0	0	0	0	0		
11. Udio u ostaloj sveobuhvatnoj dobiti/gubitku društava povezanih sudjelujućim interesom	11	0	0	0	0	0	0	0	0		
12. Aktuarski dobiti/gubici po planovima definiranih primanja	12	0	0	0	0	0	0	0	0		
13. Ostale nevlasničke promjene kapitala	13	0	0	0	0	0	0	0	0		
14. Porez na transakcije priznate direktno u kapitalu	14	0	0	0	0	0	0	0	0		
15. Povećanje/smanjenje temeljnog (upisanog) kapitala (osim reinvestiranjem dobiti i u postupku predstečajne nagodbe	15	-656.192.600	0	0	0	0	0	0	-1.032.671.587		
16. Povećanje temeljnog (upisanog) kapitala reinvestiranjem dobiti	16	0	0	0	0	0	0	0	0		
17. Povećanje temeljnog (upisanog) kapitala u postupku predstečajne nagodbe	17	0	0	0	0	0	0	0	0		
18. Otkup vlastitih dionica/udjela	18	0	0	0	0	0	0	0	0		
19. Isplata udjela u dobiti/dividende	19	0	0	0	0	0	0	0	0		
20. Ostale raspodjele vlasnicima	20	0	0	0	0	0	0	0	0		
21. Prijenos u pozicije rezervi po godišnjem rasporedu	21	0	0	0	0	0	0	0	0		
22. Povećanje rezervi u postupku predstečajne nagodbe	22	0	0	0	0	0	0	0	0		
<b>23. Stanje na zadnji dan izvještajnog razdoblja prethodne poslovne godine (04 do 22)</b>	<b>23</b>	<b>3.177.043.600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>322.617.489</b>	<b>1.839.527.446</b>		

**IZVJEŠTAJ O PROMJENAMA KAPITALA - nastavak**

za razdoblje od 01.01.2019 do 31.12.2019

Opis pozicije	AOP oznaka	Raspodjeljivo imateljima kapitala matice									
		1	2	3	4	5	6	7	8	9	10
		Temeljni (upisani) kapital	Kapitalne rezerve	Zakonske rezerve	Rezerve za vlastite dionice	Vlastite dionice i udjeli (odbitna stavka)	Statutarne rezerve	Ostale rezerve	Revalorizacijske rezerve		
<b>DODATAK IZVJEŠTAJU O PROMJENAMA KAPITALA (popunjava poduzetnik obveznik primjene MSFI-a)</b>											
<b>I. OSTALA SVEOBUHVAATNA DOBIT PRETHODNOG RAZDOBLJA, UMANJENO ZA POREZE (AOP 06 do 14)</b>											
	24	0	0	0	0	0	0	0	0	0	5.953.214
<b>II. SVEOBUHVAATNA DOBIT ILI GUBITAK PRETHODNOG RAZDOBLJA (AOP 05+24)</b>											
	25	0	0	0	0	0	0	0	0	0	5.953.214
<b>III. TRANSKACIJE S VLASNICIMA PRETHODNOG RAZDOBLJA PRIZNATE DIREKTNO U KAPITALU (AOP 15 do 22)</b>											
	26	-656.192.600	0	0	0	0	0	0	0	0	-1.032.671.587
<b>Tekuće razdoblje</b>											
1. Stanje na dan početka tekuće poslovne godine	27	3.177.043.600	0	0	0	0	0	0	0	322.617.489	1.839.527.446
2. Promjene računovodstvenih politika	28	0	0	0	0	0	0	0	0	0	0
3. Ispravak pogreški	29	0	0	0	0	0	0	0	0	0	0
4. Stanje na dan početka tekuće poslovne godine (prepravljeno) (AOP 27 do 29)	30	3.177.043.600	0	0	0	0	0	0	0	322.617.489	1.839.527.446
5. Dobit/gubitak razdoblja	31	0	0	0	0	0	0	0	0	0	0
6. Tečajne razlike iz preračuna inozemnog poslovanja	32	0	0	0	0	0	0	0	0	0	0
7. Promjene revalorizacijskih rezervi dugotrajne materijalne i nematerijalne imovine	33	0	0	0	0	0	0	0	0	0	159.875.044
8. Dobitak ili gubitak s osnovne naknadnog vrednovanja financijske imovine raspoložive za prodaju	34	0	0	0	0	0	0	0	0	0	0
9. Dobitak ili gubitak s osnovne učinkovite zaštite novčanog toka	35	0	0	0	0	0	0	0	0	0	0
10. Dobitak ili gubitak s osnovne učinkovite zaštite neto ulaganja u inozemstvu	36	0	0	0	0	0	0	0	0	0	0
11. Udio u ostaloj sveobuhvatnoj dobiti/gubitku društava povezanih sudjelujućim interesom	37	0	0	0	0	0	0	0	0	0	0
12. Aktuarski dobiti/gubici po planovima definiranih primanja	38	0	0	0	0	0	0	0	0	0	0
13. Ostale nevladničke promjene kapitala	39	0	0	0	0	0	0	0	0	0	0
14. Porez na transakcije priznate direktno u kapitalu	40	0	0	0	0	0	0	0	0	0	0
15. Povećanje/smanjenje temeljnog (upisanog) kapitala (osim reinvestiranjem dobiti i u postupku predstečajne nagodbe)	41	0	0	0	0	0	0	0	0	0	0
16. Povećanje temeljnog (upisanog) kapitala reinvestiranjem dobiti	42	0	0	0	0	0	0	0	0	0	0

**IZVJEŠTAJ O PROMJENAMA KAPITALA - nastavak**

za razdoblje od 01.01.2019 do 31.12.2019

Opis pozicije	AOP oznaka	Raspodjeljivo imateljima kapitala matice							
		3	4	5	6	7	8	9	10
		Temeljni (upisani) kapital	Kapitalne rezerve	Zakonske rezerve	Rezerve za vlastite dionice	Vlastite dionice i udjeli (odbitna stavka)	Statutarne rezerve	Ostale rezerve	Revalorizacijske rezerve
1	2	3	4	5	6	7	8	9	10
17. Povećanje temeljnog (upisanog) kapitala u postupku predstečajne nagodbe	43	0	0	0	0	0	0	0	0
18. Otkup vlastitih dionica/udjela	44	0	0	0	0	0	0	0	0
19. Isplata udjela u dobiti/dividende	45	0	0	0	0	0	0	0	0
20. Ostale raspodjele vlasnicima	46	0	0	0	0	0	0	0	0
21. Prijenos u pozicije rezervi po godišnjem rasporedu	47	0	0	0	0	0	0	0	0
22. Povećanje rezervi u postupku predstečajne nagodbe	48	0	0	0	0	0	0	0	0
<b>23. Stanje na zadnji dan izvještajnog razdoblja tekuće poslovne godine (AOP 30 do 48)</b>	<b>49</b>	<b>3.177.043.600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>322.617.489</b>	<b>1.999.402.490</b>
<b>DODATAK IZVJEŠTAJU O PROMJENAMA KAPITALA (popunjava poduzetnik obveznik primjene MSFI-a)</b>									
I. OSTALA SVEOBUHvatNA DOBIT TEKUĆEG RAZDOBLJA; UMANJENO ZA POREZE (AOP 32 do 40)	50	0	0	0	0	0	0	0	159.875.044
II. SVEOBUHvatNA DOBIT ILI GUBITAK TEKUĆEG RAZDOBLJA (AOP 31 + 50)	51	0	0	0	0	0	0	0	159.875.044
III. TRANSAKCIJE S VLASNICIMA TEKUĆEG RAZDOBLJA PRIZNATE DIREKTNO U KAPITALU (AOP 41 do 48)	52	0	0	0	0	0	0	0	0

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## IZVJEŠTAJ O PROMJENAMA KAPITALA - nastavak

za razdoblje od 01.01.2019 do 31.12.2019

u kunama

Opis pozicije	AOP oznaka	Raspodjeljivo imateljima kapitala matice										Manjinski (nekontrolirajući) interes	Ukupno kapital i rezerve						
		11	12	13	14	15	16 (3 do 6 - 7 + 8 do 15)	17	18 (16+17)										
<b>Prethodno razdoblje</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>15</b>	<b>16 (3 do 6 - 7 + 8 do 15)</b>	<b>17</b>	<b>18 (16+17)</b>
1. Stanje na dan početka prethodne poslovne godine		1	0	0	0	0	0	0	625.550.105	-334.388	7.666.000.553	10.386.192	7.676.386.745						
2. Promjene računovodstvenih politika		2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3. Ispravak pogreški		3	0	0	0	0	0	0	-57.934.941	21.085.027	-55.535.242	0	-55.535.242	0	0	0	0	0	-55.535.242
4. Stanje na dan početka prethodne poslovne godine (prepravljeno) (AOP 01 do 03)		4	0	0	0	0	0	0	567.615.164	20.750.639	7.610.465.311	10.386.192	7.620.851.503						
5. Dobit/gubitak razdoblja		5	0	0	0	0	0	0	0	68.803.347	68.803.347	3.600.310	72.403.657						
6. Tečajne razlike iz preračuna inozemnog poslovanja		6	0	0	0	0	0	0	0	0	0	0	0						
7. Promjene revalorizacijskih rezervi dugotrajne materijalne i nematerijalne imovine		7	0	0	0	0	0	0	0	0	5.953.214	0	5.953.214						5.953.214
8. Dobitak ili gubitak s osnove naknadnog vrednovanja financijske imovine raspoložive za prodaju		8	0	0	0	0	0	0	0	0	0	0	0						0
9. Dobitak ili gubitak s osnove učinkovite zaštite novčanog toka		9	0	0	0	0	0	0	0	0	0	0	0						0
10. Dobitak ili gubitak s osnove učinkovite zaštite neto ulaganja u inozemstvu		10	0	0	0	0	0	0	0	0	0	0	0						0
11. Udio u ostaloj sveobuhvatnoj dobiti/gubitku društava povezanih sudjeljujućim interesom		11	0	0	0	0	0	0	0	0	0	0	0						0
12. Aktuarski dobiti/gubici po planovima definiranih primanja		12	0	0	0	0	0	0	0	0	0	0	0						0
13. Ostale nevladničke promjene kapitala		13	0	0	0	0	0	0	0	0	0	0	0						0
14. Porez na transakcije priznate direktno u kapitalu		14	0	0	0	0	0	0	0	0	0	0	0						0
15. Povećanje/smanjenje temeljnog (upisanog) kapitala (osim reinvestiranjem dobiti i u postupku predstečajne nagodbe		15	0	0	0	0	0	0	31.871.665	0	-1.656.992.522	0	-1.656.992.522						-1.656.992.522
16. Povećanje temeljnog (upisanog) kapitala reinvestiranjem dobiti		16	0	0	0	0	0	0	0	0	0	0	0						0
17. Povećanje temeljnog (upisanog) kapitala u postupku predstečajne nagodbe		17	0	0	0	0	0	0	0	0	0	0	0						0
18. Otkup vlastitih dionica/udjela		18	0	0	0	0	0	0	0	0	0	0	0						0
19. Isplata udjela u dobiti/dividende		19	0	0	0	0	0	0	0	0	0	0	0					-2.502.766	-2.502.766
20. Ostale raspodjele vlasnicima		20	0	0	0	0	0	0	20.750.639	-20.750.639	0	0	0					0	0
21. Prijenos u pozicije rezervi po godišnjem rasporedu		21	0	0	0	0	0	0	0	0	0	0	0					0	0
22. Povećanje rezervi u postupku predstečajne nagodbe		22	0	0	0	0	0	0	0	0	0	0	0					0	0
23. Stanje na zadnji dan izvještajnog razdoblja prethodne poslovne godine (04 do 22)		23	0	0	0	0	0	0	620.237.468	68.803.347	6.028.229.350	11.483.736	6.039.713.086						

**IZVJEŠTAJ O PROMJENAMA KAPITALA - nastavak**  
za razdoblje od 01.01.2019 do 31.12.2019

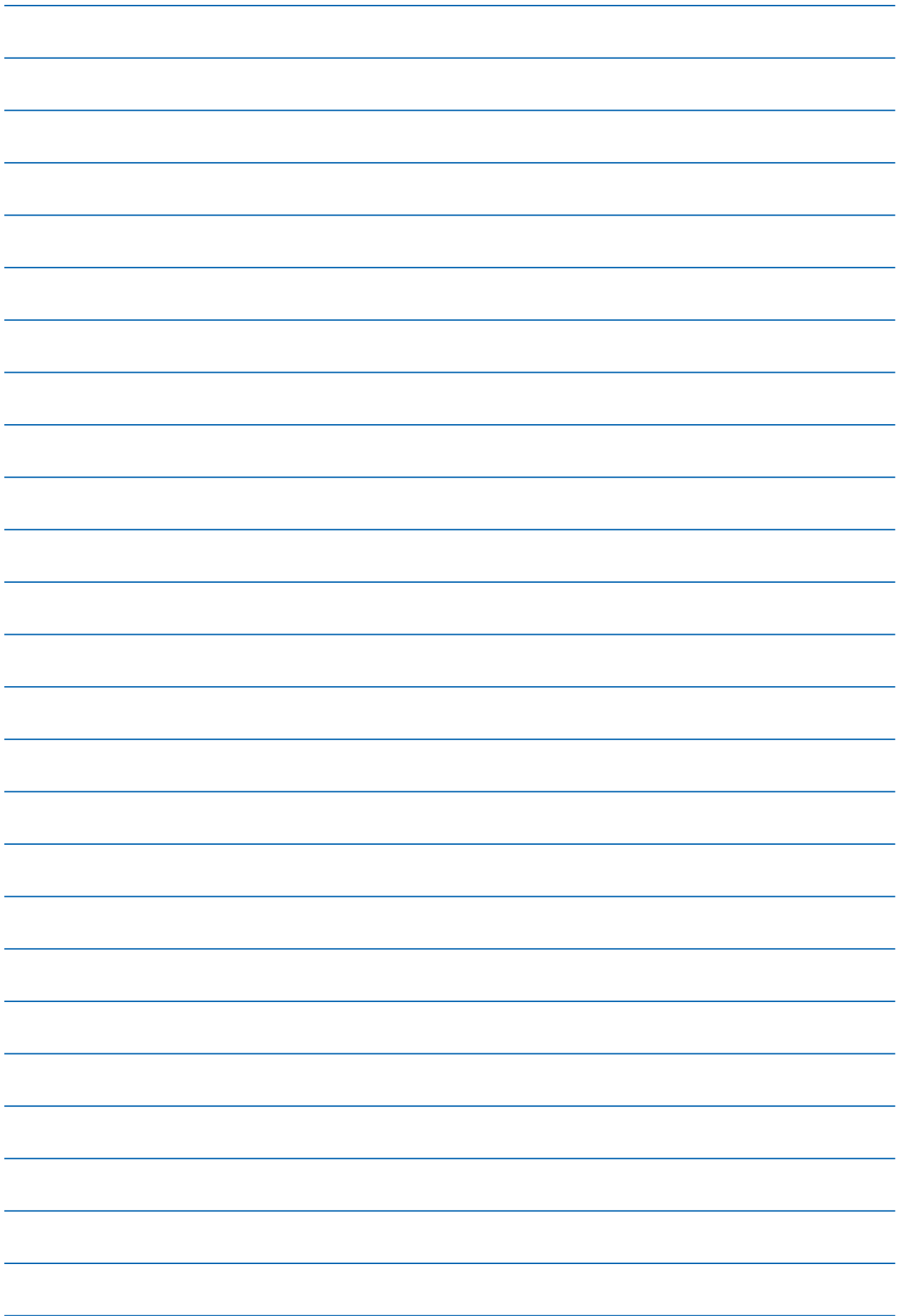
u kunama

Opis pozicije	AOP oznaka	Raspodjeljivo imateljima kapitala matice										Manjinski (nekontrolirajući) interes	Ukupno kapital i rezerve
		11	12	13	14	15	16 (3 do 6 - 7 + 8 do 15)	17	18 (16+17)				
		Fer vrijednost financijske imovine raspoložive za prodaju	Učinkoviti dio zaštite novčanih tokova	Učinkoviti dio zaštite neto ulaganja u inozemstvo	Zadržana dobit / preneseni gubitak	Dobit / gubitak poslovne godine	Ukupno raspodjeljivo imateljima kapitala matice						
	1	2											
<b>DODATAK IZVJEŠTAJU O PROMJENAMA KAPITALA (popunjava poduzetnik obveznik primjene MSF I-a)</b>													
<b>I. OSTALA SVEOBUHVAATNA DOBIT PRETHODNOG RAZDOBLJA, UMANJENO ZA POREZE (AOP 06 do 14)</b>													
	24	0	0	0	0	0	5.953.214	0	0	0	5.953.214	0	5.953.214
<b>II. SVEOBUHVAATNA DOBIT ILI GUBITAK PRETHODNOG RAZDOBLJA (AOP 05+24)</b>													
	25	0	0	0	0	68.803.347	74.756.561	0	0	68.803.347	3.600.310	3.600.310	78.356.871
<b>III. TRANSAKCIJE S VLASNICIMA PRETHODNOG RAZDOBLJA PRIZNATE DIREKTNO U KAPITALU (AOP 15 do 22)</b>													
	26	0	0	0	52.622.304	-20.750.639	-1.656.992.522	0	0	-20.750.639	-2.502.766	-2.502.766	-1.659.495.288
<b>Tekuće razdoblje</b>													
1. Stanje na dan početka tekuće poslovne godine	27	0	0	0	620.237.468	68.803.347	6.028.229.350	0	620.237.468	68.803.347	11.483.736	11.483.736	6.039.713.086
2. Promjene računovodstvenih politika	28	0	0	0	0	0	0	0	0	0	0	0	0
3. Ispravak pogreški	29	0	0	0	422.160	0	422.160	0	422.160	0	0	0	422.160
4. Stanje na dan početka tekuće poslovne godine (prepravljeno) (AOP 27 do 29)	30	0	0	0	620.659.628	68.803.347	6.028.651.510	0	620.659.628	68.803.347	11.483.736	11.483.736	6.040.135.246
5. Dobit/gubitak razdoblja	31	0	0	0	0	9.040.444	9.040.444	0	0	9.040.444	5.270.351	5.270.351	14.310.795
6. Tečajne razlike iz preračuna inozemnog poslovanja	32	0	0	0	0	0	0	0	0	0	0	0	0
7. Promjene revalorizacijskih rezervi dugotrajne materijalne i nematerijalne imovine	33	0	0	0	0	0	159.875.044	0	0	0	0	0	159.875.044
8. Dobitak ili gubitak s osnovne naknadnog vrednovanja financijske imovine raspoložive za prodaju	34	0	0	0	0	0	0	0	0	0	0	0	0
9. Dobitak ili gubitak s osnovne učinkovite zaštite novčanog toka	35	0	0	0	0	0	0	0	0	0	0	0	0
10. Dobitak ili gubitak s osnovne učinkovite zaštite neto ulaganja u inozemstvu	36	0	0	0	0	0	0	0	0	0	0	0	0
11. Udio u ostaloj sveobuhvatnoj dobiti/gubitku društava povezanih sudjelujućim interesom	37	0	0	0	0	0	0	0	0	0	0	0	0
12. Aktuarski dobiti/gubici po planovima definiranih primanja	38	0	0	0	0	0	0	0	0	0	0	0	0
13. Ostale nevlasničke promjene kapitala	39	0	0	0	0	0	0	0	0	0	0	0	0
14. Porez na transakcije priznate direktno u kapitalu	40	0	0	0	0	0	0	0	0	0	0	0	0
15. Povećanje/smanjenje temeljnog (upisanog) kapitala (osim reinvestiranjem dobiti i u postupku predstečajne nagodbe)	41	0	0	0	0	0	0	0	0	0	0	0	0
16. Povećanje temeljnog (upisanog) kapitala reinvestiranjem dobiti	42	0	0	0	0	0	0	0	0	0	0	0	0

**IZVJEŠTAJ O PROMJENAMA KAPITALA - nastavak**  
za razdoblje od 01.01.2019 do 31.12.2019

Opis pozicije	AOP oznaka	u kunama										Ukupno kapital i rezerve						
		Raspodjeljivo imateljima kapitala matice						Manjinski (nekontrolirajući) interes		18 (16+17)								
		11	12	13	14	15	16 (3 do 6 - 7 + 8 do 15)	17	18									
	2																	
17. Povećanje temeljnog (upisanog) kapitala u postupku predstečajne nagodbe	43		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18. Otkup vlastitih dionical udjela	44		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19. Isplata udjela u dobiti/dividende	45		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20. Ostale raspodjele vlasnicima	46		0	0	0	68.803.347	68.803.347	-68.803.347	0	0	0	0	0	0	0	0	0	0
21. Prijenos u pozicije rezervi po godišnjem rasporedu	47		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22. Povećanje rezervi u postupku predstečajne nagodbe	48		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>23. Stanje na zadnji dan izvještajnog razdoblja tekuće poslovne godine (AOP 30 do 48)</b>	<b>49</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>689.462.975</b>	<b>689.462.975</b>	<b>9.040.444</b>	<b>6.197.566.998</b>	<b>14.419.664</b>	<b>6.211.986.662</b>							
<b>DODATAK IZVJEŠTAJU O PROMJENAMA KAPITALA (popunjava poduzetnik obveznik primjene MSFI-a)</b>																		
I. OSTALA SVEOBUHVATNA DOBIT TEKUĆEG RAZDOBLJA, UMANJENO ZA POREZE (AOP 32 do 40)	50		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
II. SVEOBUHVATNA DOBIT ILI GUBITAK TEKUĆEG RAZDOBLJA (AOP 31 + 50)	51		0	0	0	0	0	9.040.444	168.915.488	5.270.351	174.185.839							
III. TRANSAKCIJE S VLASNICIMA TEKUĆEG RAZDOBLJA PRIZNATE DIREKTNO U KAPITALU (AOP 41 do 48)	52		0	0	0	68.803.347	68.803.347	-68.803.347	0	-2.334.423	-2.334.423							

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