



VIKTORLENAC

ANNUAL REPORT 2015

April 2016

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➤ **Foreword**

The Management Board of the Viktor Lenac Shipyard j.s.c. presents its Annual Report for 2015 to all its shareholders, clients, employees, business partners and the entire public.

The Annual Report 2015 contains a detailed review of the financial results for the year, an assessment of the Company's situation, a review of the Company's business operations, consolidated and non-consolidated financial statements and the Auditor's Report. In a separate enclosure to this Report, the corporate governance rules applied by the Company are described.

➤ **Annual Report in Croatian and English**

The Viktor Lenac Shipyard's Annual Report 2015 has been issued both in Croatian and English. The Annual Report is submitted to the Company's shareholders at the General Assembly and is published on the Company's website.

➤ **Legal Form**

According to the Companies Act, Article 250.a and 250.b, in this document to the General Assembly the annual financial statements and report on the Company's situation are submitted, while the Supervisory Board's report to the General Assembly is submitted as a separate document.

The annual financial statements have been made in accordance with the Law on Accounting and International Financial Reporting Standards and have been revised according to the International Standards on Auditing.

This Annual Report has been made in accordance with the Law on Accounting and Companies Act and gives an objective assessment of the Company's situation and development with its business results as well as other important information for the Company.

➤ **Subsidiary Company and Consolidation**

Viktor Servisi Ltd. Rijeka is an entity owned by the Viktor Lenac Shipyard. The consolidated and non-consolidated financial statements form an integral part of this Report. The difference between the consolidated and the non-consolidated financial statements is not significant in material terms, as the results and assets of the Company's subsidiary company (Viktor Servisi limited liability company, Rijeka) participate with less than 1% in the Group's results and assets. In this Annual Report, the emphasis is, therefore, put on the business results of the mother company - Viktor Lenac Shipyard.

➤ **Abbreviations**

In this Annual Report, the Viktor Lenac Shipyard j.s.c. is called the "Shipyard" or "Viktor Lenac" or the "Company" respectively, together with its subsidiary company, the "Group".

➤ **Foreign Exchange Rates**

The amounts of assets, liabilities and equity have been converted to foreign currency (EUR) at the midpoint exchange rate of the Croatian National Bank as at 31 December of the reference year. The items from the income statement have been converted at the average of midpoint exchange rates of the Croatian National Bank determined on the last day of the month for the reference year.

For year	Exchange rate as of 31 Dec	Average exchange rate
2015	7,6350	7,6173
2014	7,6615	7,6344
2013	7,6376	7,5755
2012	7,5456	7,5265

President's Address to Shareholders

Dear Shareholders,

We are pleased to say that Viktor Lenac recorded the highest occupancy rates in 2015, which resulted in extraordinarily high revenues and profits, making 2015 the best in the Company's history. Successful completion of the conversion of the cable laying barge *Cable Enterprise* and starting extensive repair works on board the US 6th Fleet command ship *USS Mount Whitney* marked the beginning of the year. During the year the Company had a high and stable occupancy rate in shiprepair activity and the year ended with more than 80 repair projects successfully completed.



The *Cable Enterprise* conversion project reaching a total value of over 23 million euros for *Prysmian Powerlink Services Ltd*, part of the multinational company Prysmian Group was completed in March 2015. This project is one of the most complex projects in the history of Viktor Lenac from the technical, technological, organizational and financial aspect. It was carried out in compliance with the highest quality standards to the satisfaction of both the client and the final user *Exxon Mobile*, which led Viktor Lenac to compare favourably with the world's leading shipyards specialized in performing the most sophisticated ship conversions.

Viktor Lenac is recognised as a provider of quality of work and reliability, which was again confirmed in September 2014 when it was awarded a major contract from the US Navy for repair and conversion works on board the US 6th Fleet command ship *USS Mount Whitney*. Satisfied with the repair work carried out on board the ship in 2011, the US Navy granted to Viktor Lenac another, more demanding and more extensive contract. The works were carried from January to September 2015, exceeding the original contract value to a total figure of more than 30 million US dollars.

The shiprepair activity was marked by the highest number of shiprepair projects ever completed during one financial year. With a total of 86 projects completed during 2015 and 4 more in progress, Viktor Lenac has proved to be flexible and able to meet the growing demands of its clients in time of extremely high occupancy of its capacity.

The total consolidated revenues generated in 2015 amounted to 528.1 million Croatian Kuna, or the equivalent of 69.2 million Euros, and the consolidated expenses totalled 500.6 million Croatian Kuna, or the equivalent of 65.6 million Euros. The profit before tax amounted to 27.5 million Croatian Kuna, and the profit after tax amounted to 26.2 million Croatian Kuna.

The continued growth in operating revenue and positive results achieved in recent years show that Viktor Lenac is ready with its people and flexible organization to satisfy the growing market demands and customer needs on the market that is constantly changing and oscillating. With further measures aimed at reducing costs and improving utilization of working capacity we expect to continue to achieve positive financial results with a growing profit rate, to the satisfaction of all participants in our business environment.

President of the Board

Robert Škifić, dipl.ing



BRODOGRADILIŠTE VIKTOR
LENAC d.o.o.
RIJEKA, Martinčića bb



Business Environment



Shiprepair

The crisis in the shipping market lasting several years, unpredictability of the freight rate recovery and shipping companies' budgets still limited marked the business of shipping during 2015 continuing to strongly influence the ship repair market, intensifying competition among shipyards and pushing them to fight for every repair job. Faced with their main competitors from Turkey, Viktor Lenac continues to fight in the market with low prices and short deadlines, trying to win clients with flexible approach in meeting their needs with simultaneous

efforts to overcome problems caused by fluctuations in employment of capacity.

On the other hand, faced with new ballast water treatment regulations some of the shipowners lost no time to send their vessels to various shipyards to undergo docking and repairs during 2015 in order to delay high expenditures for the next five years. This led to a shiprepair supply and demand imbalance and resulted in a significantly higher interest in docking capacity in the second half of the year, especially when speaking of tankers.

It is expected that in the coming period, Viktor Lenac will be faced with fluctuations in employment of capacity, and freight rate recovery remains uncertain. For example, freight rate for container ships and bulk cargo carriers are very low and below profitability level. Also, tanker freight rates decreased at the end of the year. In such circumstances, no significant financial recovery of shipowners can be expected, and consequently shipping companies' budgets are likely to remain limited. Competition among shipyards will be very strong, and repair contracts are expected to be of smaller scope and value.

Conversions

Ship conversion market is a specific market with boom-and-bust. Shipowners' interests for conversions oscillate depending on the possibilities of employing a ship in certain specific market niches. A shipowner may find interest in converting a ship to quickly enter a specific market instead of building a new ship. Given that a number of ship conversions was linked to the offshore market, because of the fall in oil prices the offshore market has completely died out, and thus the interest of investors for conversion of ships for this purpose. Since there are currently a large number of unemployed ships, there is a potential interest of some shipowners to change their original purpose and convert them into offshore support vessels, wind farms support vessels or other commercial purposes. However, financing costs of such projects are large, and conversion projects are determined by ship employment contracts, without which banks are not willing to finance the shipping companies.



Viktor Lenac is actively present in tendering ship conversions, and lately there have been more inquiries related to conversion of LPG vessels into LNG ships with LNG propulsion instead of conventional diesel propulsion, also conversion of container ship into livestock carrier, conversion of fishing boat into live fish carrier, and ship lengthening.



Viktor Lenac has built a respectable list of references in conversions, especially including the recent conversion of the cable laying barge *Cable Enterprise*, which provide continuity of contracting such kind of projects in the future. The Company's strategy is to do one or two conversion projects a year, depending on the scope and value of works.

Offshore projects



In the offshore market, there was a downturn due to a sharp drop in oil prices on the world market and the recovery is not expected before the end of 2016 when it is expected that there could be a recovery in oil prices. Viktor Lenac's references acquired from construction of 17 different offshore gas exploitation platforms for the project of gasification of the North Adriatic are a good basis for reawakening activities in this segment of the market.

Before new opportunities start to emerge, Viktor Lenac continues to be a reliable partner in the maintenance of the North Adriatic gas

exploitation platforms on their offshore locations. There is also a possibility for storage and maintenance of offshore platforms at the yard until recovery of the market, but such kind of job requires a sufficient number of additional berths.

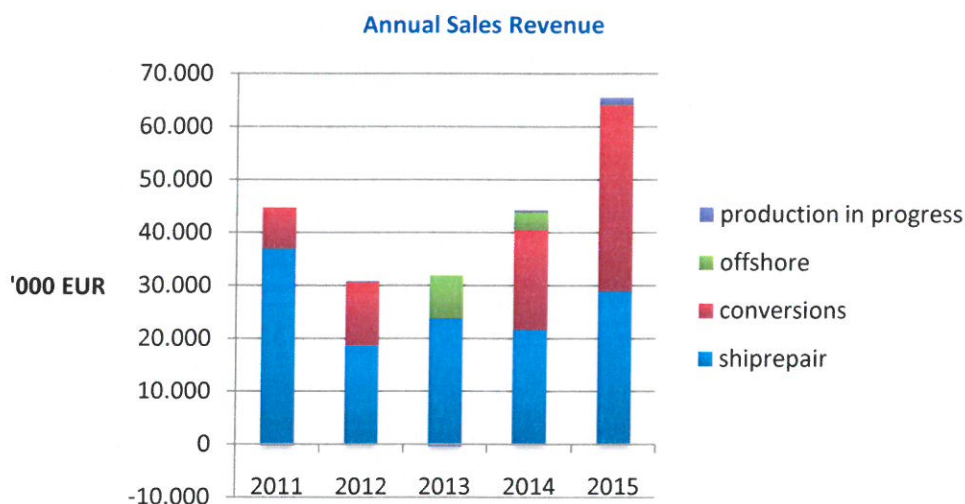
Reduction of activity in the oil exploitation market may be compensated with offshore activities related to alternative energy sources such as floating wind parks or underwater plants or modular units for process industry, for which projects Viktor Lenac also has specific contacts.



Business Activities

Sales

Realized Revenues



In 2015, Viktor Lenac generated a total of 63.9 million Euros of operating revenues, or 65.3 million Euros after including work in progress. This is the highest result ever recorded in the past not only five but also more years of Viktor Lenac. Compared to the previous year, revenues from core business increased by almost 50%. This robust growth in operating income in 2015 was mainly influenced by extensive repairs and conversion of the US 6th Fleet flagship *USS Mount Whitney*, including approximately 3.5 million Euros of revenues generated from renting a ship for the accommodation of ship's crew for the duration of execution of works, reaching a total value of revenues from main activities to nearly 69 million Euros, or 67.5 million Euros excluding work in progress.

A total of 28.9 million Euros was generated from ship repair activity deriving from 82 repair projects, including four projects in progress at the end of the year. The average value of repair job amounted to 352,000 Euros, which is a significant increase compared to the previous year when the average repair job was only 278,000 Euros. This was mostly the result of several major repair projects of individual value greater than one million Euros such as *AF Francesca*, *Glory Ocean*, *Levante* and *Fall*.

Specific repair jobs carried out on board the oil rig *Key Manhattan* and another ship of the US 6th Fleet, aluminium catamaran *USNS Choctaw County* marked the year and brought the yard major references.



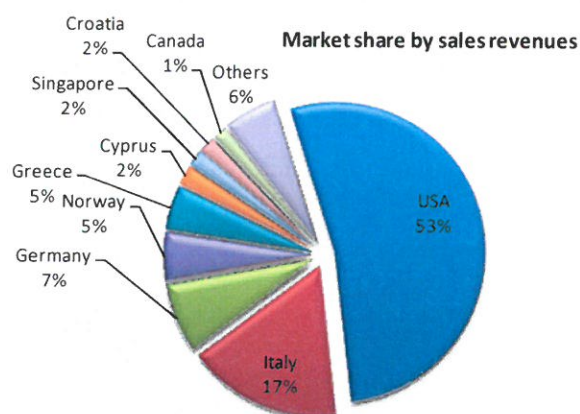
	in HRK			in EUR		
	2013	2014	2015	2013	2014	2015
Shiprepair	180.557.056	165.820.853	221.012.950	24.012.833	21.817.778	28.870.299
Conversions	0	143.793.961	267.504.399	0	18.810.720	35.029.536
Offshore	61.346.394	25.334.411	334.404	8.097.959	3.318.440	43.727
Realized revenues	241.903.450	334.949.226	488.851.753	32.110.791	43.946.938	63.943.561
Production in progress	-3.244.332	3.376.577	10.235.775	-424.782	440.722	1.340.630
Realized scope of works	238.659.118	338.325.802	499.087.528	31.686.009	44.387.660	65.284.191

The most important project in 2015 was the project of extensive repairs and conversion of the US Navy 6th Fleet flagship USS Mount Whitney, contracted in September 2014 having a value of 16.2 million Euros. The works started in January 2015 and ultimately achieved a total value of more than 31 million Euros. The conversion activity was marked by successful completion of the conversion of the cable laying barge Cable Enterprise for UK's Prysmian Powerlink Services Ltd, part of a multinational company Prysmian Group, based in Milan, one of the leading companies in the high tech industry and cable system energy and telecommunications. In February 2014, the yard won the contract among the world's leading shipyards.



The offshore activity recorded a modest income of only a few tens of thousands of Euros deriving from minor maintenance works carried out on gas exploitation platforms located in the North Adriatic.

Market Analysis



Market	Revenues in EUR	Number of projects
USA	35.823.352	3
Italy	11.292.393	16
Germany	4.997.807	12
Norway	3.475.895	5
Greece	3.179.711	10
Cyprus	1.470.170	4
Singapore	1.225.596	3
Croatia	1.187.653	15
Canada	1.058.811	2
Other markets	3.826.945	16
Total	67.538.333	86

Put in perspective of market structure, in 2015 over half of the total revenue generated from core activities derived from the US clients (USS Mount Whitney shiprepair project, which also included revenue from renting a ship for the accommodation of ship's crew). The Italian clients ranked second thanks to the major conversion project of the barge Cable Enterprise (revenues generated from the Cable Enterprise project made a third of the revenues generated in the Italian market). Importantly, the Norwegian market ranking fourth recorded the highest average value of ship repair works per ship, followed by the Canadian market, where the yard recorded over one million Euros with only two repair jobs.



In domestic market, the yard completed a number of small scope projects for docking of new buildings for domestic shipyards as well as other ships for domestic shipping companies, achieving only about 1.2 million Euros that makes just 2% of the market revenue structure. Overall, revenues generated from core activities in 2015 derived from 16 different countries.

Sales

During 2015 Viktor Lenac received 400 inquiries from shipowners for various shiprepair works, of which 317 inquiries were processed. Viktor Lenac has not responded to eighty inquiries primarily due to unavailability of dry dock facilities in the requested period or a deviation from the voyage with respect to the yard's geographic location.

A total of 86 contracts were concluded. The analysis of contracts concluded to quotations issued per years indicates a growing trend in the number of inquiries received and the number of quotations issued as well as the number of contracts concluded and the contracting rate.

More inquiries are the result of the increasing competition and the fact that shipowners are seeking to obtain more offers from different shipyards aimed at selecting the best offer and lowering shiprepair prices, also revealing that shipyards are in the race for every job.

Focusing on taking a selective approach and concentrating on deals with more certain outcomes while increasing the quality of processing customer inquiries, has resulted in the growth of contracting rate from year to year, reaching a satisfactory rate of 27% in 2015.

Contracts concluded to quotations issued

	2012	2013	2014	2015
Number of inquiries	330	312	347	401
Number of quotations issued	308	295	317	317
Number of contracts concluded	58	62	77	86
Contracting rate	19%	21%	24%	27%

Contracting on the ship repair market is done through agents and direct contact with shipowners. More than 20% of revenues generated from ship repair contracts derives from direct contact with shipowners, not counting the major project of repairs of USS Mount Whitney, contracted directly between the yard's Sales and the US Navy.

A higher demand for ship repair works allowed the yard to a slight raise in its selling prices compared to the previous years. On the other hand, as such a high demand is not expected in 2016, the yard is likely to be forced to lower prices of some of its works to stay competitive and compensate for its unenviable geographic location, while keeping good quality of work and improving works completion period.

Production

Production Activity

In 2015 Viktor Lenac realized 86 various projects completed by the end of the year (including 4 projects under progress) that included the following types of vessel:

- ✓ 26 tankers (oil tankers, chemical tankers, LPG tankers)
- ✓ 14 general cargo ships
- ✓ 10 bulk carriers
- ✓ 15 passenger ships/ ferry boats
- ✓ 6 ro-ro vessels

- ✓ 5 container ships
- ✓ and other types of vessels such as barges, pusher tug boats, gas platforms and military ships.

One of the most important and most complex projects was the conversion of *Cable Enterprise* from a moored cable laying barge into a DP2 cable laying barge. The contract was concluded in the end of February 2014 and was completed and delivered to the customer in March 2015. The largest part of the conversion works were done during 2014. The electrical works and installation of sophisticated equipment, testing and commissioning was carried out in 2015. The conversion included construction of a stern section with engine room, two forward sections with engine room, bulbous bow and superstructure sections (a total of 1,400 tons of steel installed), including diesel-electric propulsion and six thrusters. A total of 155 t of pipeline and 150 km of electrical cables was installed. The yard installed sophisticated cable laying equipment including fabrication and installation of the pick-up arm.

In January 2015, Viktor Lenac started working on its largest and most important project of extensive repair and conversion of the US 6th Fleet command ship *USS Mount Whitney*. The project included extensive repairs and docking, accommodation works including renovation of galleys, shell plating and deckhouse renewal. Particularly interesting was the modification of the existing power system and installation of new generators and control mechanisms, modification of the fuel oil overflow system, reverse osmosis system, black and gray water system and fire alarm systems.

Other repair projects consisted of typical works mainly steel renewal and surface preparation and coating.

The overall shiprepair projects recorded a total of 680 tonnes of steel, of which 108 tonnes of steel built in on board *USS Mount Whitney* and a total of 196 tonnes of steel was renewed on the Floating Dock 11. A total of 240,000 m² of ship surface was treated and a total of 1,440,000 m² was coated. A total of 130,000 m³ of scaffolding was erected for the purpose of performing a variety of works.



Production Capacity and Cost, Structure of Works

The annual production capacity is measured in the number of available and used productive hours in core activities, including maintenance and investment activities carried out by own workers.

	2014	2015	% 2014	% 2015	2015/ 2014
Surface preparation and coating	252.380	361.095	14,6%	16,0%	143,1%
Electrical works	144.323	324.399	8,3%	14,3%	224,8%
Steel works	326.351	299.367	18,8%	13,2%	91,7%
Mechanical works	142.229	210.671	8,2%	9,3%	148,1%
Pipe works	169.123	196.693	9,8%	8,7%	116,3%
Transportation works	173.138	186.824	10,0%	8,3%	107,9%
Outfitting	142.280	182.977	8,2%	8,1%	128,6%
Other works	382.810	501.754	22,1%	22,2%	131,1%
	1.732.634	2.263.780	100,0%	100,0%	130,6%

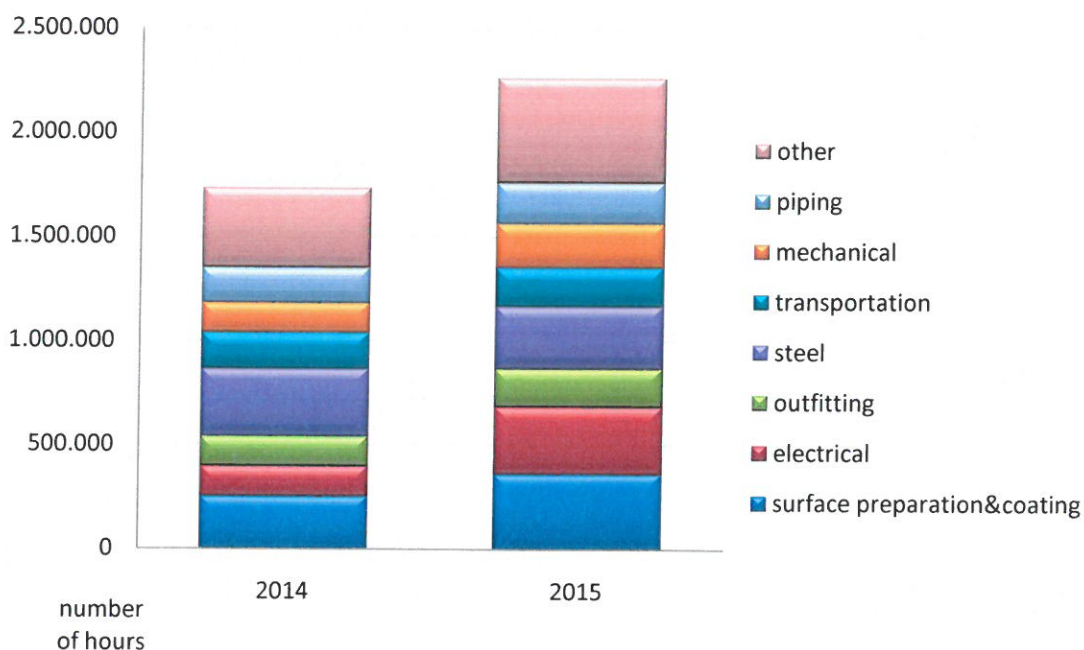


More than 2.2 million productive hours were produced in core activities in 2015, up by 30% compared to the previous year, as a result of a large number of projects and increase in revenue by about 50% compared to 2014. The structure of works in production primarily depends on project structure, and intensified activity in conversions and offshore. A large

scope of testing and commissioning works carried out on board Cable Enterprise and extensive repairs carried out on board USS Mount Whitney caused a significant increase in electrical works compared to the previous year. A large increase was also recorded in surface preparation and coating works as well as in mechanical works, mainly deriving from standard repair works.



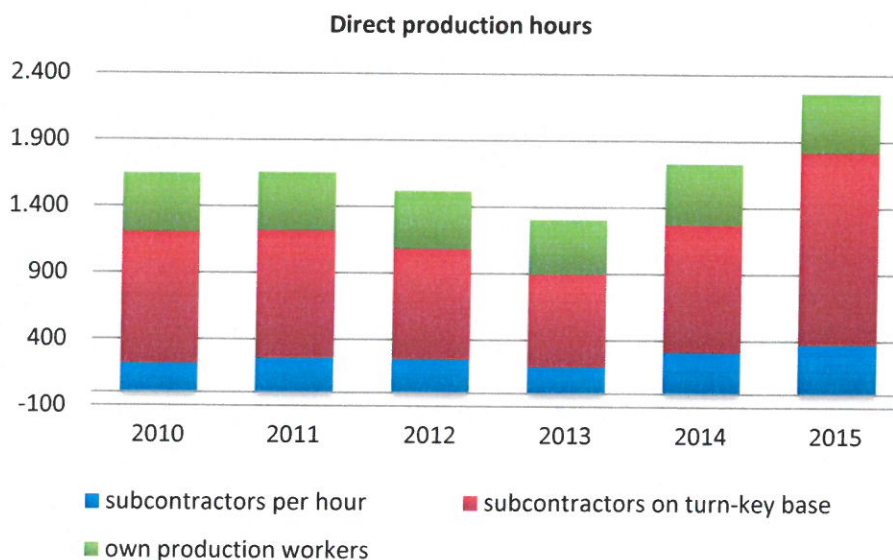
Structure of production works



Apart from its own permanent production workers, depending on needs, Viktor Lenac uses subcontractors for all its production activities. Subcontractors workers are mainly contracted on turn-key base, and in lesser scope per hour, noticeably during periods of oscillations where own labour is not sufficient. High occupancy rates increased needs for all crafts and trades in shipbuilding as well as additional workforce from the wider region.

Own production workers, more or less in a stable number, represent fixed production capacity producing in average about 430,000 productive hours. In 2015, workers of Viktor Lenac produced a total of 443,000 productive hours, or only 19.6% of the total productive hours (2.26 million) produced largely by subcontractors both steady and newly-contracted.





In figures, the total cost of production work incorporated in working orders from main, auxiliary and investment activities in 2015 amounted to 150.6 million Croatian Kuna, up by 37% compared to the previous year as a result of an increase in production activity. The shipyard's own workers are fixed production capacity and the cost of production work remained at the level of last year; the cost increase referred to an increase in subcontractors services contracted on turn-key base.

Dock and Berth Occupancy Rate

Viktor Lenac disposes of three floating docks (Dock 5, Dock 11 and Dock RI-38) allowing for the flexibility required in the shiprepair industry.

Dock occupancy rate increased by 15% compared to the last years. Dock 5 and Dock RI-38 recorded a low occupancy rate during the first semester due to normal season oscillation, while Dock 11 recorded a high occupancy rate during the entire year due to extensive works carried out on board USS Mount Whitney that was docked in Dock 11 from January to the end of April 2015. Dock RI-38 recorded one case of co-dry-docking, while Dock 5 recorded three cases of co-dry-docking docking two ships at the same time.

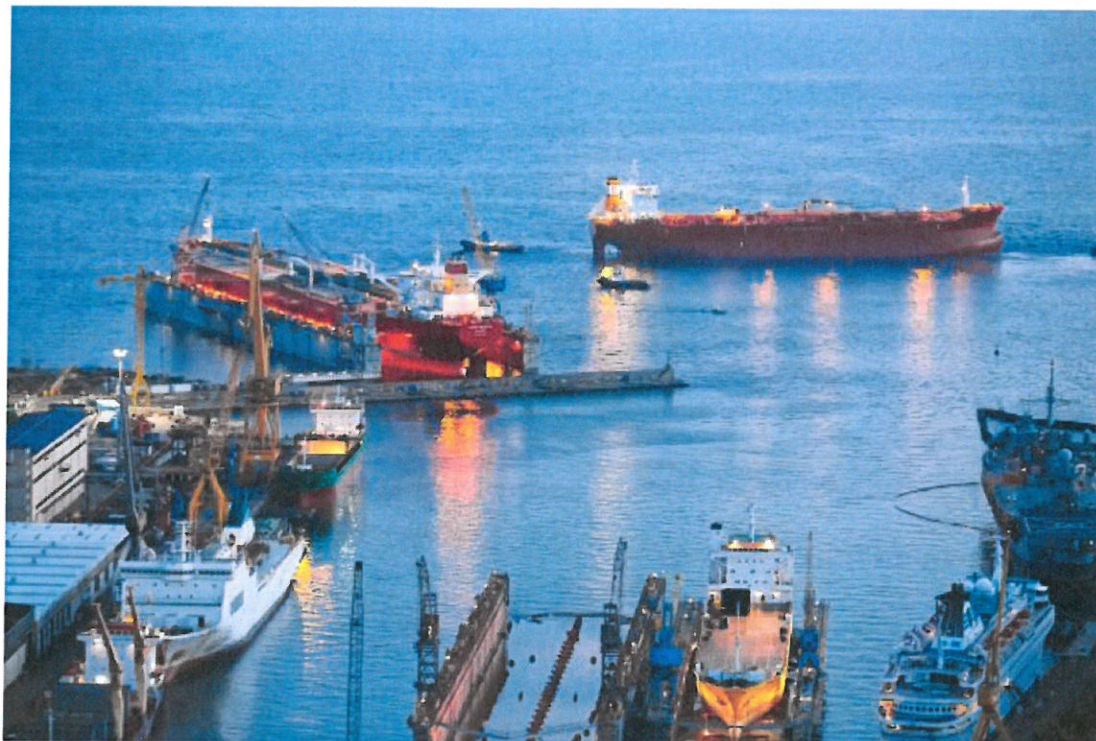
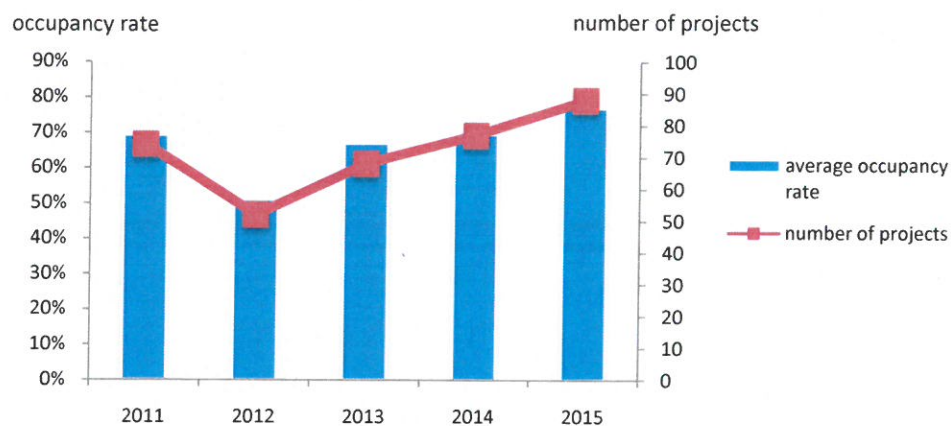
Dock	Dock Occupancy Rate		Number of docked ships	Revenues generated from projects that included docking (in Euros)
	In days	In percent of time		
Dock 5	333	91%	35	11.291.281
Dock 11	340	93%	22	41.334.180
Dock RI-38	305	84%	22	5.177.038

The shipyard's main operative berths are 1, 2 and 3 that are situated next to the shipyard's plants, workshops and warehouses. The operative berths 8 and 9 are of special purpose and are used when main operative berths are not sufficient to cover the shipyard's needs. During the past few years the operative berths 4, 5 and 6 have been accommodating vessels for berth; in 2014 and particularly in 2015 these berths were used also for execution of shiprepair works according to the need on the account of increased number of ships undergoing repairs, and are increasingly used for core ship repair activities.



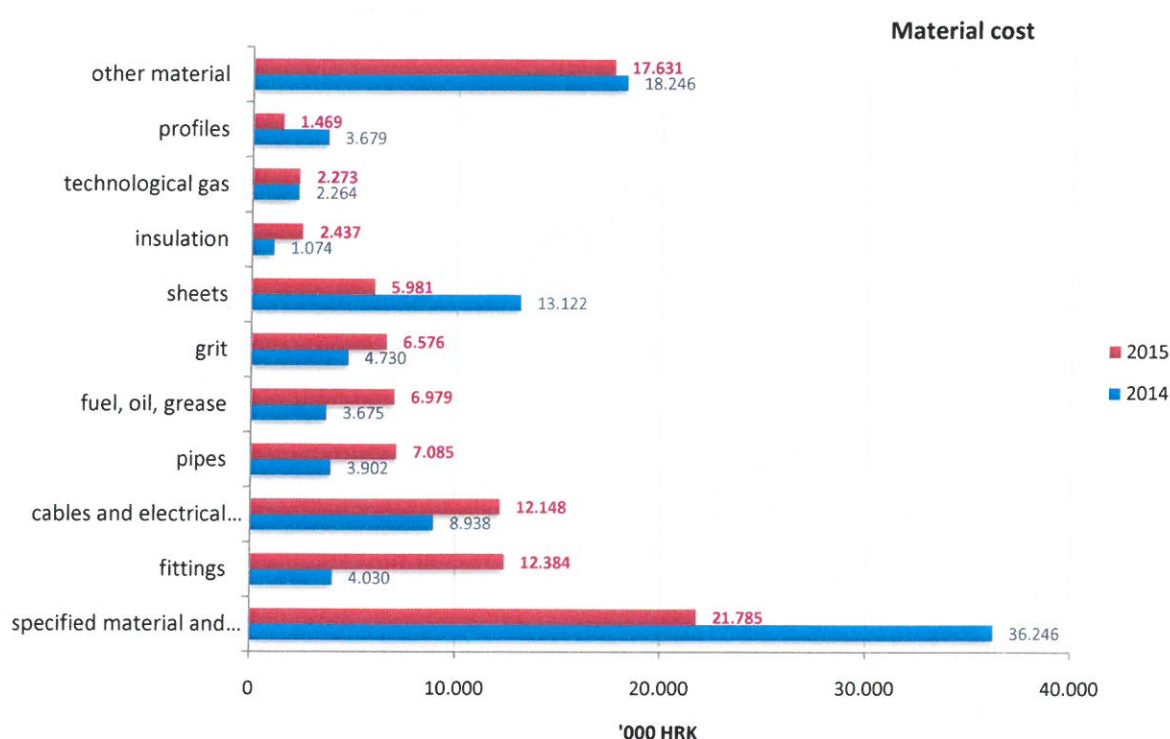
Dock and berth occupancy rate indicates employment of repair facilities. The average occupancy of the main operational berths in 2015 was 77%, which is the highest rate in the past four years as a result of the significantly larger number of ships under repair during 2015 compared to the previous years. The highest occupancy rate was recorded in September when there were 12 ships at the shipyard.

Occupancy rate/number of projects



Raw Material and Energy Consumption

The cost of raw material and energy consumption in main activities in general participate with 20 to 30%, depending on structure of works, put in relation to total operating revenues. In general, the amount of raw materials and installed equipment is larger in conversion and offshore projects with respect to standard ship repair projects. In other words, the share of value of consumed raw material and installed equipment in 2014 was a high 30% put in relation to the value of completed projects due to a large scope of consumed raw material and installed equipment in the Cable Enterprise project. In 2015, the share was only 21%, as the share of raw material and equipment in the USS Mount Whitney project was 20% put in relation to the value of the whole project. In 2015 a total of 96.7 million Croatian Kuna was spent for various raw material and installed equipment in production.



Structure of raw material consumption varies depending on the structure of works. The most important groups of raw materials that are built-in on vessels under repairs or used in technological processes are ferrous materials (sheets, profiles and tubes), grit or sand for blasting in anti-corrosion treatment, technical gases and fuel. In 2015 it was recorded a significant consumption of raw material and equipment, cables and electric material, valves and fittings mostly used for the purpose of installation on board USS Mt Whitney and Cable Enterprise.

A total of 1,100 tonnes of sheets, 224 tonnes of profiles and 129 tonnes of pipes was used for steel works, outfitting and pipe works, including 140 km of cables, of which half was installed on board USS Mount Whitney. A total of 9,300 tonnes of grit was used for surface preparation works.

Viktor Lenac uses significant amounts of energy such as electric power, fresh water, technological water and gas.

A part of electric energy and fresh water represent fixed costs, while part is calculated as variable production costs that depend on scope of production activity. Technological water which is not used for drinking and technological gas such as liquid oxygen and acetylene are variable costs, which depend in whole on scope of production activity.

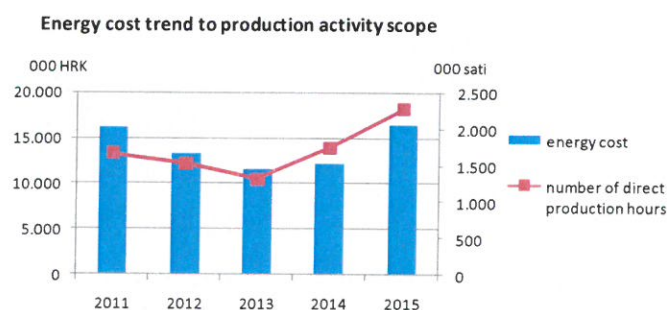
Technological water is used in washing and high pressure jetting, steel cutting and assembly. Liquid oxygen and acetylene are used in steel cutting and machining.

Energy cost increased significantly compared to the previous year as a result of a significant increase in production activity.

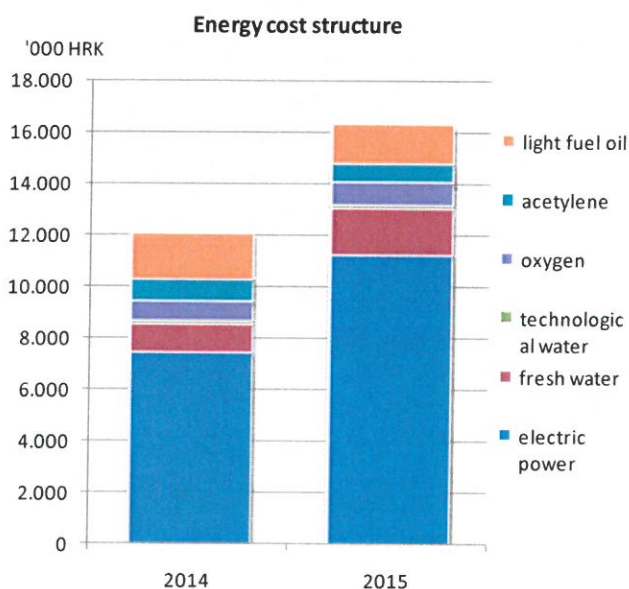
Energy source	Unit	2012	2013	2014	2015	2015/2014
Electric power	kWh	13.906.640	10.867.568	11.806.000	19.338.512	163,8%
Fresh water	m3	79.786	60.818	64.818	93.298	143,9%
Technological water	m3	178.158	185.271	199.001	265.044	133,2%
Oxygen and acetylene	kg	564.596	602.084	589.771	672.225	114,0%
Light fuel oil	kg	544.720	523.400	449.960	484.520	107,7%

Energy cost is influenced by various factors. A comparative analysis of energy costs and production activity scope reveals a noticeable trend of continuous cost reduction. During the last two years, the yard was producing more effective hours at lower energy costs, primarily thanks to energy management system.

Most electricity is consumed for ship supply. In 2015 a significant growth in electricity consumption was recorded as a result of supplying USS Mount Whitney and Dolphin that was accommodating the ship's crew during several months of execution of works, as well as a large number of ships that undertook repair works during 2015.



Energy costs in 2015 increased by about 4 million Croatian Kuna, or about 35% compared to the previous year, which is in line with the increase in the scope of production activities. Almost 70% of the energy cost referred to electricity (62% in 2014). Also, the electricity cost recorded the highest growth compared to the previous year.



However, putting in relation the electricity cost and the number of consumed kWh in 2015 as compared to the previous year, it can be concluded that a reduction in unit costs by more than 8% has been achieved resulting in a decrease in the electricity cost by approximately a million of Croatian Kuna.

Electricity saving has been achieved primarily by planning and monthly contracting required power using energy monitoring system which plans and controls the peak power and load. In addition, compressed air system leaks are systematically fixed, and it is taken care that consumers which are not related to operational processes are disconnected.

Electricity saving has also been achieved by replacing existing lights with new, energy-efficient fluorescent and LED sources, within a project conducted in collaboration with HEP ESCO Ltd. which started and has already been largely implemented in 2015.

The yard also recorded an increase in water consumption and cost, partly as a result of growing production needs and also due to above-average high temperatures during the summer months of 2015.

In order to assure proper management of water resources any leaks are promptly eliminated, and consumption monitoring devices have been installed. The existing technological water distribution system enables the use of technological water instead of more expensive water from the public water supply. More reduction will be achieved by installing additional technological water pipelines aimed at using technological water at larger scope.

Technological Development and Investment



In 2015 Viktor Lenac invested 13.8 million Croatian Kuna in existing and new tangible and intangible fixed assets, of which the biggest investment in the amount of 8.2 million Croatian Kuna referred to the renovation of Dock 11 to increase its existing value and extend its life, while 4.8 million Croatian Kuna related to purchase of various production equipment, measuring and special tools, floating containment booms, fire fighting vehicles and

other miscellaneous equipment. A smaller part of investment included renovation of working spaces and workshops with the aim of improving working conditions and productivity.

In order to increase energy efficiency and lower energy costs, in 2015 Viktor Lenac in collaboration with HEP ESCO Ltd. initiated and largely implemented the project of modernization of indoor lighting, outdoor lighting and temporary ship lighting. The planned works are expected to be completed in mid April 2016. The project is based on the ESCO model, which stands for intelligent energy solutions in planning, construction and financing of energy efficiency projects. The project worth over 12 million Croatian Kuna includes replacement of existing sources of light with fluorescent and LED, and 920 lamps of the interior lighting, 136 road lamps and reflectors, and 4,500 lamps for temporary lighting for work on ships, enabling better working conditions, increasing operational efficiency and reducing consumable lighting material. Significant savings in electricity will enable the self-financing of the project in the coming seven years; it is estimated that already about 800,000 Croatian Kuna have been saved.

The existing mercury and metal halide light sources in workshops, halls and auxiliary premises have been replaced by fluorescent sources, enabling twice the brightness of workplaces while reducing power consumption by about 65%.



The temporary lighting system for works on board ships that previously used incandescent lamps has been replaced by LED lamps. New GALA LED lamps bring savings in electricity consumption, and, unlike the previously used lamps, can be used in various stages of work, resulting in significant savings in the cost of maintenance and supplies, especially reducing effort required for installation and removal of temporary lighting on board ships.



Cooperation between Viktor Lenac and HEP ESCO Ltd. continues with a new energy efficiency project, based on the ESCO model, aimed at reducing fuel consumption and the cost of space heating and hot water. The project includes installation of a thermal energy system instead of the existing steam system, compressor waste heat recovery and central control system, and installation of a modern termotech system. The investment is estimated at 4.1 million Croatian Kuna and will be self-financed from anticipated savings. The project started in January and will be completed in the last quarter of 2016.

Organisational Development,

Quality Management System, Information & Communication

The Company's business processes are based on matrix organization principles, combining functional and project organizational structure. The business processes are monitored, reviewed and modelled depending on the requirements of the external and internal environment, in order to improve efficiency.

The Company's Quality Management System is certified according to ISO 9001: 2008 by Bureau Veritas. In 2015, a total of 21 internal audits were carried out, including the external audit carried out by the certification agency. The objective of the external audit is to make analysis and detect non-compliances aimed at improving business processes speed up the flow of feedback and reaction from line managers to improve business processes. The internal audits cover all organizational units and business processes of the Company.

The Company's ICT system was focused on ensuring continuous support to business processes, increasing information security, system and hardware equipment consolidation, and mobile application solution development.

The most important ICT projects in realization during 2015 were:

- Upgrading existing server infrastructure and its migration to a virtual environment with the high-availability option, to enable faster and more efficient data recovery and increase availability of IT infrastructure and services;
- Upgrading print management system in cooperation with Konica-Minolta Croatia, including installation of new multifunctional devices;
- Implementation of a new, comprehensive Symantec Endpoint protection system, including a new antivirus solution for workstations and servers, data backup, rapid recovery and mobile device management and protection on different mobile platforms;



- Upgrading existing hardware infrastructure based on Fortinet and Extreme Networks products, which comprise a wide range of functionality to significantly improve system and information security through protection and control of network traffic;
- Upgrading Time, Attendance and Access Control System (by Špica Time & Space), which enables attendance control via mobile devices;
- Upgrading video surveillance systems with new cameras;
- Development and implementation of mobile applications to support business processes in cooperation with the Login company; the project covered procurement processes of approving requisitions of materials, labour and services.

LogInfo Business Information System is continuously upgraded according to business processes. The system improvement included cost estimation and quoting capabilities, material procurement and warehouse services.

Safe Work, Health and Safety at Work and Fire Protection

The system of occupational health and safety, determined by legislation, is an integral part of the comprehensive quality management system and is included in all organizational, operational & technological processes. Improving occupational safety and health standards is becoming an increasingly important part of the Company's business policy. The HSE system is continuously improved through various measures and raising workers' awareness of safe work. This is all the more important concerning that Viktor Lenac's clients consider safety and health issues increasingly important. HSE is becoming one of the essential factors of competitiveness in the international market. This is particularly true for major ship conversion projects, as it was the case with the Cable Enterprise conversion project and USS Mount Whitney repair and conversion project carried out during 2014 and 2015. Safety requirements implemented in these projects have contributed to improvement of the overall safety system of Viktor Lenac.



During 2015, the Occupational Safety department performed a number of health and safety at work activities such as training 78 workers for safe work, testing a total of 169 machines and devices for high level of danger, inspection of work places and activities for safe work in specific conditions with specific dangers, approvals of entrance and work in closed and limited spaces and similar.

Distribution of personal protective equipment was carried out according to established timelines and actual needs, with full control over the use of personal protective equipment, and not just workers Viktor Lenac, but also employees of subcontractors.

Shipyard's workers employed at posts characterized with special work conditions pass obligatory medical examination at the Institute of Occupational Medicine. Aware of the importance of preventive healthcare, Viktor Lenac has renewed its agreement with a reputable medical establishment for eight years in a row for annual preventive medical exams and other medical services for the benefit of its employees.

Funds spent in employee healthcare:

	2011	2012	2013	2014	2015
Annual preventive medical exams	719.280	907.091	376.875	618.546	655.688
PPE	820.559	665.333	653.745	783.165	680.286
	1.539.839	1.572.424	1.030.620	1.401.711	1.335.974

The implementation of safety measures in recent years have led to a reduction in the number of injuries, and observed in the absolute number of injuries and relative to the number of workers. Looking at the index of severity of injuries, typically it comes to minor injuries, according to the nature of the injury is usually a concussion, wounds and sprains.

During 2015, Viktor Lenac recorded 17 injuries at work with a total of 354 lost working days. The lowest number of injuries in the last five years resulted in the lowest frequency index that is represented by number of injuries with respect to effective hours. Compared to the previous year, all injury indicators were significantly improved.

Of the total 17 work-related injuries incurred during 2015, five of them were severe. Despite the increase in the number of severe injuries compared to 2014 with two severe injuries recorded, the total work-injury index is still substantially lower, as the other injuries were minor in nature without major consequences.

Injury indicators:

	2011	2012	2013	2014	2015
Effective hours	1.090.191	1.019.687	925.669	957.147	937.020
Number of injuries	29	23	23	18	17
Total lost days due to sick leave	636	557	738	556	354
Frequency index	26,60	22,56	24,85	18,81	18,14
Number of injuries/Effective hours					
Work-injury index					
Total lost days due to sick leave/Total effective hours	58,34	54,62	79,73	58,10	37,78
Number of injuries as against number of workers	5,00	4,03	4,44	3,58	3,45

Reducing the number, frequency and severity of accidents at work remains a goal of Viktor Lenac in future periods. The Company will continue to develop and take measures to improve safety at work, and one of the most important tasks will be education and closer involvement of subcontractors' employees in the safety system of Viktor Lenac.

The Shipyard's Fire Protection System integrates a spectrum of preventive measures among which inspecting work sites for issuing of permits for work with open flame, making emergency evacuation plan for each vessel, educating and training new employees, inspecting, maintaining and renewing fire fighting equipment and practicing periodic fire fighting exercises. Hot works such as welding and cutting can be carried out only after a preventive inspection has been performed and a hot work permit has been issued. In 2015, a total of 11,100 hot work permits were issued, of which more than 8,000 work permits issued for the USS Mount Whitney project, or up by over 70% compared to 2014 when a total of 6,500 work permits were issued. This figure shows the complexity of works, the amount of flammable substances in a workplace and complexity of the structures and systems of the vessels.

The increased scope of production activities, despite the undertaken measures, carries an increased risk of fire, which last year were a total of 17, of which 10 initial fires without any material damage and 7 fires have resulted in minor material damage reaching an individual value of up to 500 Euros. A large-loss fire occurred in the engine room of USS Mount Whitney resulting in a large material damage for which responsibility was not to Viktor Lenac, but on the client's equipment supplier; the yard's Fire Brigade quickly responded to the fire and prevented more damage.



At the end of 2015, the yard purchased a naval fire engine, which has further increased the readiness of the yard's Fire Brigade in demanding interventions. The newly-purchased fire engine can use water, foam and dry powder to extinguish fire and is complied with all the requirements provided by the competent authorities of the National Protection and Rescue Directorate and the Interior Ministry, which regularly carry out inspections in the field of fire protection.

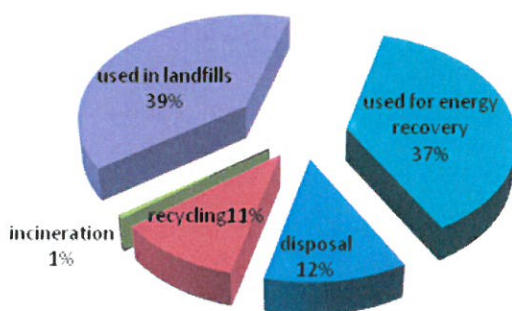
Environmental Protection

The Company's Environmental Management System is included in the Quality Management System according to ISO 9001:2008 and is one of the most important building blocks in the Company's sustainable business model. The Environmental Management System is based on the principles of social responsibility aimed at ensuring quality coexistence with the local community, by integrating basic technological processes, technological advances, professional rules and positive regulations.

In order to determine the impact on the environment, Viktor Lenac uses its own measuring equipment to continuously monitor the quality of the components of the environment, especially water, sea and air. Based on the findings, as interpreted by certified laboratories, Viktor Lenac is taking necessary actions aimed at reducing emissions.

In July 2015 the yard faced with sudden and unexpected changes in waste disposal because the landfills in the vicinity completely closed their doors for industrial waste, which has marked the turning point in the waste management strategy. Adapting to these changes is a major challenge for complex industrial systems such as Viktor Lenac and whose activities comprise of a number of technological processes that generate various types of waste.

Waste Management



The Company's Waste Management System implements the 4R basic principles of good waste management (Reduce, Reuse, Recycle, Replace) with a tendency for continuous improvement of waste utilisation. Waste abrasive sand resulting from surface preparation was used as intermediate layer to cover waste at

landfill, but it is no longer possible. In addition, Viktor Lenac started investigating the possibility of using this type of material in the production of asphalt, pavers and cement. However, despite the fact that waste abrasive sand can partially replace the raw material for the production of such products, unfortunately, in Croatia, the industry is not yet developed enough and there is no interest for the use of valuable properties of this kind of waste. Taking into account the protection of the environment and the (im)possibility of disposal or utilization of waste, Viktor Lenac is oriented towards clean technologies, using ultra high pressure water as an alternative to grit blasting technology. During 2015 the new process replaced sandblasting on 20% of surface treated, with a tendency to increase in the coming years.



During 2015, the shipyard generated 22,000 tons of waste, of which 39% of waste abrasive sand used as intermediate layer at landfill, 37% of waste that does not contain oil, which after chemical and physical treatment can go for energy recovery in cement plants. About 11% of waste refers to waste metals, plastics and rubber, which are recycled, and only 12% of waste is permanently disposed at landfill.

Given the problem of non-acceptance of industrial waste by nearby landfills and consequently the risk of a significant increase in disposal cost, the yard intensified primary selection of waste from the workshop area aimed at recycling the maximum possible amount of waste in order to avoid or maximumally reduce the need for disposal. Containers previously used for collection of waste from the workshop area have been replaced with containers for sorting waste produced in technological processes. All workplaces in the workshop area have been equipped with containers for sorting plastic, paper, wood, batteries, tires, metals, non-ferrous metals, chipping, waste oil, absorbent and filter containing oil, package containing hazardous substances, toners and other waste.



Human Resources

Number and Structure of Employees

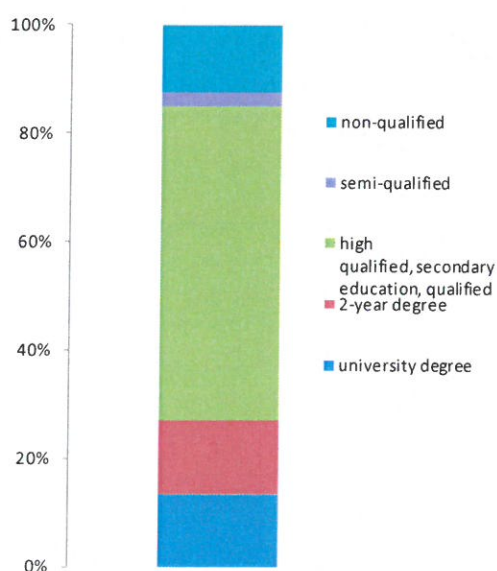
On 31 December 2015, Viktor Lenac had 493 employees or 28 employees less than at the end of 2014. The average number of employees during 2015 was 497 workers, or 6 workers less than the average in 2014. During the year the Company employed 21 workers and 45 left. The Company's Employment Policy is aimed at keeping the number of employees at the current level with the trend of gradual downsizing by natural outflow.

Specifically, in its production activities, Viktor Lenac relies in large part on subcontractors services, and new workers are employed depending on need to increase the number of workers for timely execution of works in those activities in which it is not possible or not efficient to employ external labour. The Company's Human Resource Management Policy is focused on keeping skilled workers with specific technical and commercial knowledge, especially important for Viktor Lenac such as sales engineers, project managers, technicians and similar.

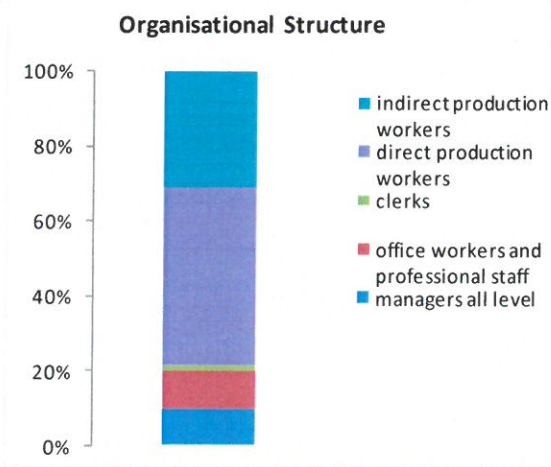
On 31 December 2015, Viktor Lenac's subsidiary company (Viktor Servi d.o.o.) had total 16 employees, of which 13 maintenance and repair technicians.

Put in the perspective of the total structure of employees, there are 234 direct workers and 153 indirect workers

Employee Structure



(safety and environmental protection, maintenance, quality foremen and other production overhead). The remaining number of employees include technical-commercial and other highly qualified staff (50 employees), administrative staff (8 employees), as well as project managers, heads of departments and managers of organizational units of all levels (total 48 employees).



Viktor Lenac's personnel structure in terms of qualification and profession is satisfactory. A small number of employees refer to non-qualified workers and those are mostly workers occupied with cleaning works and simple manufacturing jobs which require internal training. The average age of the Shipyard's employees is 45.5 years, which is slightly lower than in the previous 2014. The Company's goal in the coming years remains rejuvenating the age structure of employees, which will be implemented gradually, as older workers are eligible for the retirement.

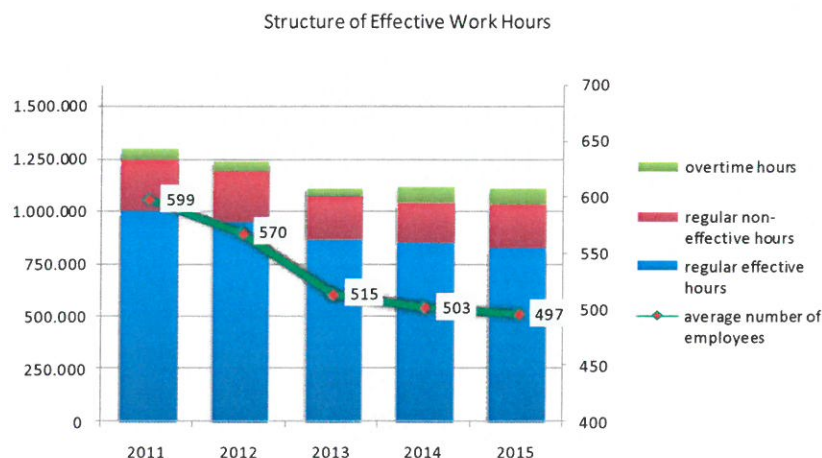
Of total number of employees at the end of 2015, 87.4% had employment contracts for an indefinite period of time, up by 1.5% compared to 2014.

Structure of Effective Work Hours and Salaries

In 2015, Viktor Lenac's employees produced total 1,037,440 work hours in normal working hours, of which 81.3% or 834,000 were effective work hours, down by 1.4% compared to the previous year, which is largely a result of utilisation of unused vacation days from previous 2014. The remaining hours mostly referred to vacation days (9.7%), sick leave (4.8%), national holidays (3.5%) and paid or non-paid non-effective work hours (0.7%).

During 2015, a total of 82,000 overtime hours was produced, which is 10,000 hours, or 14% more than in the previous year. The increase in overtime is the result of the high occupancy rate, intensification of production activities in certain periods and execution of multiple projects at the same time, but is also the result of an increased use of vacation days. Viktor Lenac for six years uses a system of redistribution of working hours, as

agreed with trade union organizations, primarily with the aim of better utilization of working time and to decrease negative effects of frequent changes in occupancy rate.





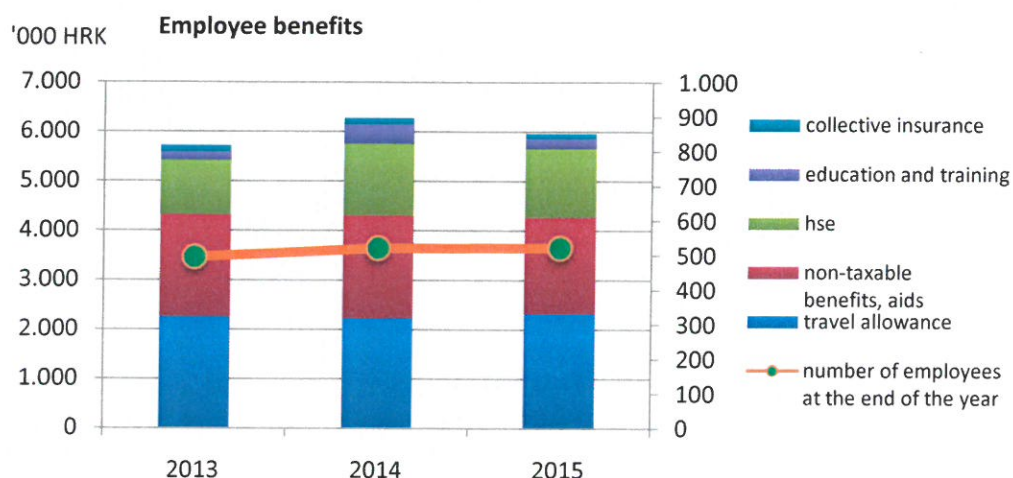
In 2015, Viktor Lenac paid total 71.7 million Croatian Kuna on the account of salaries and other employee material rights, of which 67.2 million Croatian Kuna referred to salaries, while 4.5 million Croatian Kuna referred to other material rights to which employees are entitled based on the Collective Agreement and Works Regulations. Compared with the previous year, the total salaries and other employee material rights increased by 12.3% primarily resulting from an increase in overtime work and incentive pay during the high occupancy periods.



Calculated in accordance with the State Statistics Institute's calculation methods, the average net salary per month in 2015, after deduction of contributions and taxes, amounted to HRK 6,690.00, higher by 17% compared to the average net salary in Croatia. The salary consists of a fixed part and a variable part allowing increase or decrease depending on operating results and occupancy rates.

Analysis of trends in annual average monthly net salaries shows that salaries in Viktor Lenac were growing with respect to Croatia's average salary until 2011 where a drop had occurred as a result of general trends in shipping activity that affected Company's results. Stable business and increased capacity employment in 2014 provided the basis for the regrowth of salaries, therefore, as the result of increased production and business activities in 2014, and especially in 2015, the average salary of Viktor Lenac is again above the national average in the last two years.

In addition to the regular payment of salaries, with all appropriate taxes and contributions, other workers' material rights, to which they are entitled pursuant to the Collective Agreement and the Rules of procedure have been maintained at a high level during the past years.





Employee Education

During 2015 the Company continued with permanent education activities at all business levels. All employees are provided professional training and continuous further education and improvement, taking into account the Company's business and production needs. The focus of educational strategy is to encourage workers to acquire additional knowledge and skills required to become multi-skilled to improve flexibility and efficiency.

During the year workers were attending various courses and seminars organised by educational institutions such as Magnetic, Ultrasonic and Radiographic Testing Recertification, apprenticeship for maritime occupations, training in procurement and finance expertise, training in specific areas of work in occupational safety, environmental protection and fire protection, driver training for driving of goods vehicles. An employee was educated to acquire the profession of European welding engineer.

The costs of education and training activities during 2015 amounted to 205,000 Croatian Kuna, which should be added the cost of travel-related educational activities.

Social Dialogue

The year 2015 was traditionally marked with a social dialogue of mutual respect between the Viktor Lenac's Management Board and its social partners, the Unions and Workers' Council.

Cooperation between the Workers' Council and the Management Board is maintained at monthly meetings, where the Workers' Council is informed about actual situation and perspectives. The Workers' Council is regularly informed on all issues significant for employee economic and social status. In co-deciding processes, the Workers' Council participates in decision making in accordance with the provisions of the Labour Act. During 2015, the Workers' Council held nine sessions, of which all workers have been informed through their representatives and by the minutes of these sessions.

At the Employee Meeting at the end of the year, the President of the Board informed employees on the Company's development plans.

In December 2008 the Management and the Unions concluded the Collective Agreement. The Collective Agreement stipulates all employee rights in terms of working hours, minimal salary, salary structure, health and safety at work and other material rights. During last year all provisions as adopted by the Collective Agreement were applied to mutual satisfaction of all interested parties.

In addition, on the Company's Intranet site the employees can find all important information about Viktor Lenac, new projects and other news and actualities.

Workers' representative is the fifth member of the Supervisory Board, being elected for the period of three years.

Finance

Key Financial Figures

Consolidated Financial Figures:

	in thousands of HRK			in thousands of EUR *		
	2015	2014	Index	2015	2014	Index
Total Revenues	528.103	364.687	1,45	69.174	48.024	1,44
Total Expenses	500.625	364.177	1,37	65.575	47.958	1,37
Operating Revenues	527.764	363.855	1,45	69.129	47.660	1,45
Operating Expenses	496.150	359.395	1,38	64.988	47.076	1,38
Operating Profit (or Loss)	31.614	4.460	7,09	4.141	584	7,09
Profit and Loss Before Tax	27.478	510	53,88	3.599	67	53,72
Net Profit and Loss	26.180	497	52,68	3.429	65	52,76
Total Assets	398.581	415.815	0,96	52.204	54.274	0,96
Equity	222.507	196.326	1,13	29.143	25.625	1,14

Non-consolidated Financial Figures:

	in thousands of HRK			in thousands of EUR *		
	2015	2014		2015	2014	
Total Revenues	527.497	364.182	1,45	69.250	47.955	1,44
Total Expenses	500.266	363.703	1,38	65.675	47.893	1,37
Operating Revenues	527.178	363.367	1,45	69.208	47.596	1,45
Operating Expenses	495.798	358.921	1,38	65.088	47.013	1,38
Operating Profit (or Loss)	31.380	4.446	-	4.120	582	-
Profit and Loss Before Tax	27.231	479	-	3.575	63	-
Net Profit and Loss	25.924	479	-	3.403	63	-
Total Assets	396.609	414.043	0,96	51.946	54.042	0,96
Equity	219.389	193.440	1,13	28.734	25.248	1,14

* All amounts expressed in Croatian Kuna, except for assets, share capital and reserves, have been converted into Euros according to the average midpoint exchange rate by the Croatian National Bank for 2015 respectively 2014. Assets, share capital and reserves have been converted into Euros according to the midpoint exchange rate by the Croatian National Bank on 31st December 2015 respectively 31st December 2014 as listed on page 3 of the report.

The consolidated profit and loss statement and other financial statements include Viktor Lenac's subsidiary company Viktor Servisi d.o.o. Rijeka, which, during 2015, realized revenues from its normal business activities consisting in providing specialized services in shipbuilding.

In 2015 Viktor Lenac and Viktor Servisi realized together total revenues in the amount of 528.1 million Croatian Kuna and total expenses in the amount of 500.6 million Croatian Kuna, after annulment of their reciprocal transactions and after balancing positive and negative exchange rate differences.

Comparing the consolidated financial statements with the non-consolidated ones, it can be concluded that the influence of Viktor Lenac's subsidiary company is irrelevant. Viktor Lenac's subsidiary company realized a net profit in the amount of 246,000 Croatian Kuna. Revenues and expenses of the Mother Company make more than 99% of revenues respectively expenses of the Group. Moreover, the assets of the Mother Company make 99% of the Group's assets.

Further in this Report, therefore, the emphasis will be put on the financial results, assets, equity and liabilities of the Mother Company.

Financial Results

Realized Revenues and Expenses

In 2015, Viktor Lenac generated a total of 527.2 million Croatian Kuna of operating revenues, almost entirely from core activities, almost equalling to total revenues. Operating expenses amounted to 495.8 million Croatian Kuna, representing 99% of total expenses. Compared to the previous year, revenues increased by 45%, while expenses increased by 38%, which ultimately resulted in a significant increase of profit compared to last year and previous years.

Revenues, Expenses and Profit per years:

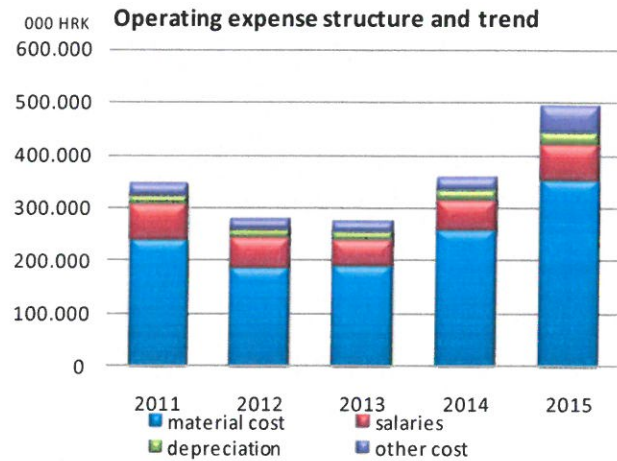
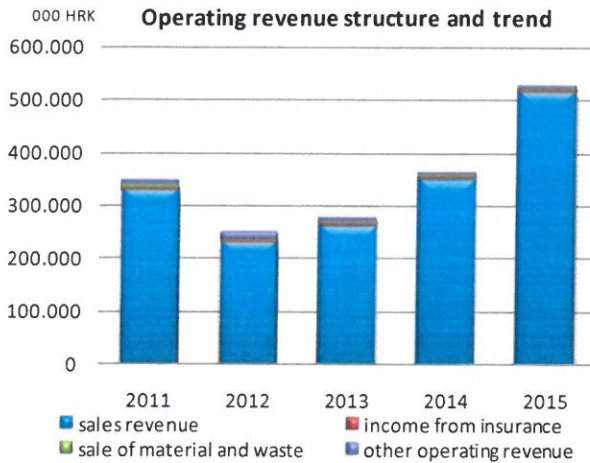
'000 HRK

	2011	2012	2013	2014	2015	2015 /2014
Sales	334.419	234.976	264.310	353.242	520.569	147%
Insurance	292	22	4.747	2.575	856	33%
Sale of Material and Waste	6.477	3.887	4.208	4.147	3.615	87%
Other Operating Revenues	6.814	11.618	5.593	3.403	2.138	63%
Total Operating Revenues	348.002	250.503	278.858	363.367	527.178	145%
Financial Income	3.292	1.726	1.533	814	319	39%
Total Revenues	351.294	252.229	280.391	364.181	527.497	145%
Material Costs*	240.211	187.863	190.468	260.268	356.065	137%
Salaries*	67.848	57.329	49.744	56.903	65.669	115%
Depreciation	16.505	13.657	16.076	19.718	23.399	119%
Other Expenses	20.952	19.848	19.815	22.032	50.665	230%
Total Operating Expenses	345.516	278.697	276.103	358.921	495.798	138%
Financial Expenses	472	3.190	3.867	4.782	4.468	93%
Total Expenses	345.988	281.887	279.970	363.703	500.266	138%
Profit before tax	5.306	-29.658	421	479	27.231	
Profit tax	1.234	0	0	0	1.307	
Net Profit	4.071	(29.658)	421	479	25.924	

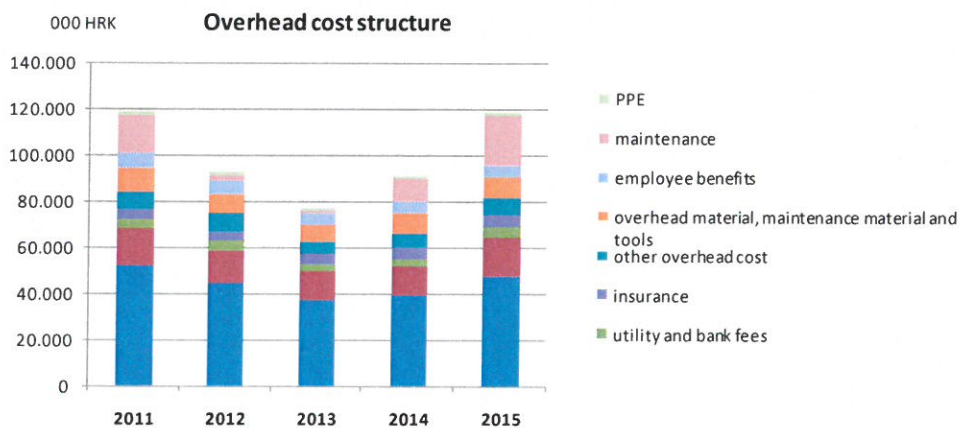
* Adjusted for the amounts relating to the increase of work in progress

Sales revenues include revenues generated from core activities which comprise of shiprepair, conversions and offshore, and revenues generated from other services. Of total 520 million Croatian Kuna of revenues from sales, 489 million Croatian Kuna, or almost 93% refers to revenues generated from shiprepair and conversions. After adding revenues generated from renting a ship for the accommodation of the crew of "USS Mount Whitney" for duration of repairs onboard the US Navy ship, revenues from sales generated from shiprepair and conversions totalled 516 million Croatian Kuna or 98% of operating revenues. The remaining 4 million Croatian Kuna of sales revenue related to a variety of other services.

Income from insurance in the amount of 856,000 Croatian Kuna resulted from coverage of damages incurred on the yard's dock cranes in 2014 due to unforeseen weather conditions; repairs were completed in 2015. Other operating revenues included income from rental of office space, withdrawal of long-term reservations, surpluses, debt write-off and other extraordinary revenues.



Put in the perspective of the total structure of operating expenses, the material costs were the most important and included material costs and equipment (30%) and outside services (70%), for the most part services provided by subcontractors in the production activities of Viktor Lenac. In 2015, there was a significant increase in other expenses on the account of impairment of fixed assets and accounts receivable, primarily referring to value adjustment of accounts receivable of the Italian customer Ilva Servizi Maritimi that declared bankruptcy amounting to HRK 18.4 million. Impairment of fixed assets included fixed assets out of use and loss of value at sold and disposed assets. Other expenses included provision for cost of unused vacation days, court cases and warranty repairs related to "Cable Enterprise" in the total amount of HRK 3.3 million.

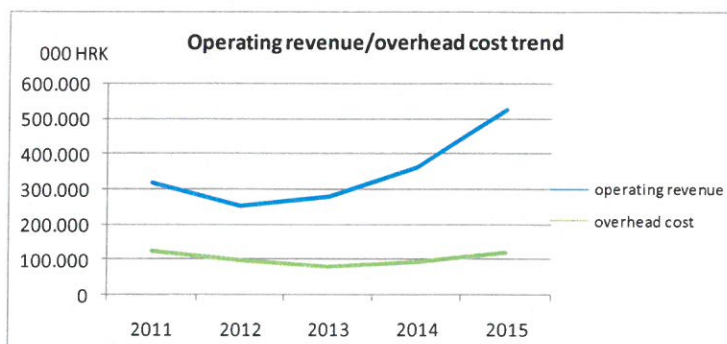


Twenty-two point six percent of operating expenses were overhead costs, mostly fixed. Compared to the previous year, overhead costs in total operating expenses decreased by 2.5%. The growth of overhead costs was caused by an increase in production activities, up by 30% compared to 2014.

This increase mainly resulted from that part of the overhead costs which are variable to production activities. In 2015 these costs included energy costs and costs of increased maintenance of the yard's property, referring

both to outside services and own works. In spite of limiting overhead and fixed cost budget and decrease in overhead costs with respect to direct production costs, high overhead costs are very difficult to overcome, especially in periods of high oscillation in employment of capacities.

The difference between operating revenues and expenses realized in 2015 produced an operating profit before depreciation in the amount of 54.8 million Croatian Kuna, or a profit rate of 10.4%.



Depreciation cost amounted to 23.4 million Croatian Kuna, up by 3.6 million Croatian Kuna or 18.7% compared to the previous year mainly due to new purchases and increase in the value of Dock 11 on the basis of investments, which increased the base for the calculation of depreciation.

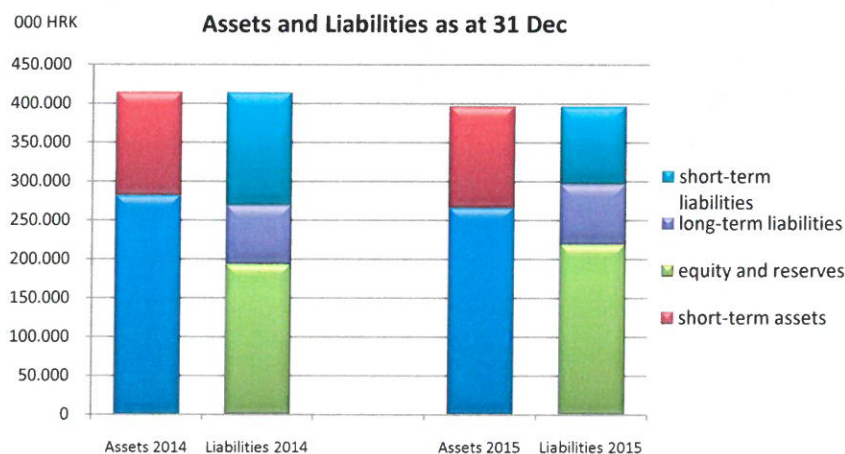
After including depreciation cost, the operating profit for 2015 was 31.4 million Croatian Kuna.

The most important item on the side of financial income and expenses are interest expenses on loans to banks in the total amount of 4.3 million Croatian Kuna, of which 2.8 million Croatian Kuna related to the investment loan to finance investment in fixed assets and 1.3 million Croatian Kuna relating to interests on short-term loans and financial leasing. During 2015, Viktor Lenac earned 319,000 Croatian Kuna of interest income. The total negative balance of financial income and expenses in the amount of 181,000 Croatian Kuna was recorded.

After calculating financial income and expenses, the profit before tax amounted to 27.2 million Croatian Kuna. In consideration of deferred taxes arising from unused tax losses from 2012 amounting to 22.6 million Croatian Kuna, the profit tax for 2015 amounted to 1.3 million Croatian Kuna resulting in a net profit of 25.9 million Croatian Kuna.

Viktor Lenac's subsidiary company „Viktor Servisi“ also achieved a positive financial result in 2015 amounting to 219,000 Croatian Kuna, resulting in a consolidated profit before tax in the amount of 27.5 million Croatian Kuna, and a total net consolidated profit of 26.1 million Croatian Kuna.

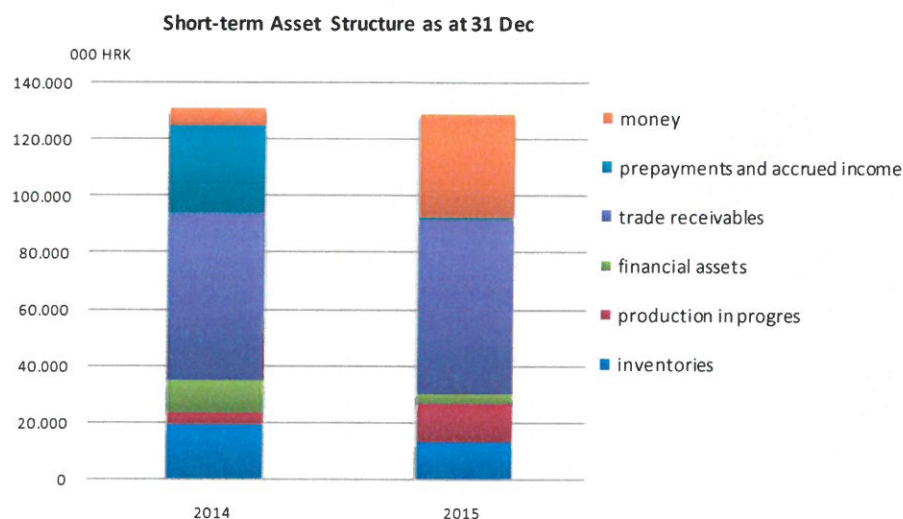
Assets and Liabilities



The total value of Viktor Lenac's assets on 31st December 2015 amounted to 397 million Croatian Kuna, of which 266.8 million Croatian Kuna or 67.3% of long-term assets. Comparing to the previous year, long-term assets decreased by 15.5 million Croatian Kuna, and short-term assets decreased by 1.9 million Croatian Kuna.

Of total long-term assets, tangible fixed assets made 94.3%, among which the most important being the Shipyard's Floating Drydocks. Land and buildings made only 9.2 million Croatian Kuna considering that Viktor Lenac's operations are located on maritime property, based on Concession agreement.

Of total 129.8 million Croatian Kuna of current assets, cash and other liquid assets, including the value of work in progress, amounted to 116.3 million Croatian Kuna, or 89.6% of total current assets. Inventories of materials amounted to 13.5 million Croatian Kuna, down by 6.4 million Croatian Kuna compared to the last year.

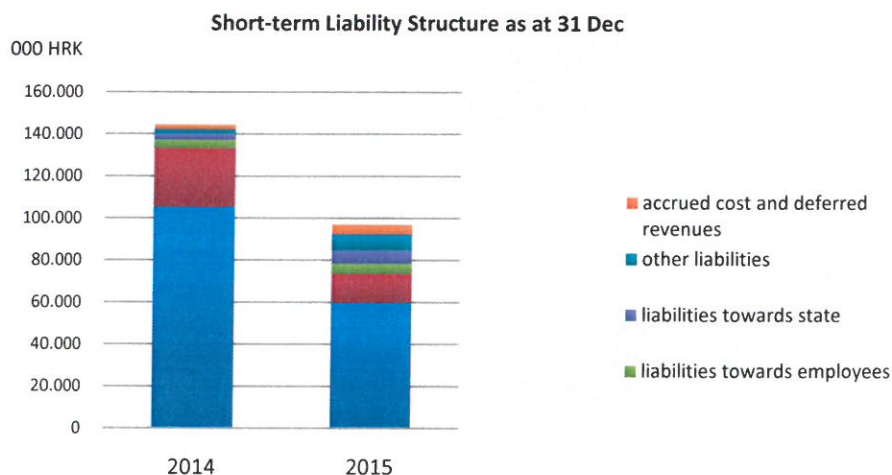


Trade receivables as at 31 Dec 2015 totalled 48.5 million Croatian Kuna, of which 30.4 million Croatian Kuna even referred to receivables generated from the USS Mount Whitney repair project, accounted in full in February 2016.

In addition to trade receivables, a pre-tax claim against the state in the amount of 12.7 million Croatian Kuna represented a significant amount.

The profit realized in 2015 improved liquidity and reduced liability, which led to a decrease in short-term liabilities by 47 million Croatian Kuna compared to the previous year.

Trade payables accounted for 59.8 million Croatian Kuna or 61.6% of total short-term liabilities, down by 45.7 million Croatian Kuna compared to the last year.



The short-term liabilities also included short-term provisions in the amount of 2.9 million Croatian Kuna.

Strengthened investment in fixed assets during 2012 and 2013, with modest business results achieved until 2014, impaired the balance sheet structure and reduced the amount of working capital of which Viktor Lenac disposed in previous years. But thanks to high occupancy rates and high profit generated in 2015, working capital increased by 42.7 million Croatian Kuna compared to 2014 and at the end of 2015 amounted to 29.9 million Croatian Kuna, in contrast to last year's current assets / current liabilities deficit in the amount of 12.8 million Croatian Kuna.

Total capital of Viktor Lenca as at 31 Dec 2015 amounted to 219.4 million Croatian Kuna, with a equity/debt ratio of 1.24, exceeding obligations by 42.2 million Croatian Kuna.

According to the consolidated financial reports, on 31st December 2015 the Group's assets totalled 398.6 million Croatian Kuna, of which 222.5 million Croatian Kuna of share capital and reserves and 176.1 million Croatian Kuna of liabilities, with an almost the same structure as the Mother Company alone.

More detailed information on Viktor Lenac's financial situation is contained in the financial statements and their associated notes, while information on the Group's business is contained in the consolidated financial statements and their associated notes, accompanied by an auditor's report (the Inženjerski biro – revizija company from Zadar).

Main Risks

Having in mind the nature of Viktor Lenac's activities and its export orientation, the major effect to Viktor Lenac's business comes from the world's maritime market trends. When speaking about its productivity and production costs, newly membership of Croatia in the European Union and liberalization of the labour market, in connection with the development of the maritime market may pose significant challenges to further development of Viktor Lenac. Hence it follows that Viktor Lenac is mostly exposed to high labour cost risk, while it is believed that its exposure to financial risks is of minor importance. However, so far, no significant negative impact of labour market liberalization on the Company's labour costs has been observed. At the same time, the Croatia's membership in the European Union did not affect the Company's revenues, considering that for many years the Shipyard earns more than 80% of its revenues from foreign market, where EU countries make the biggest piece of the pie.

Market Risk and Competitive Risk

The ship repair and conversion market is conditioned by cyclic changes on the shipping market and changes in freight rates. It is unpredictable when the global economy and the world shipping trade will recover significantly over time. However, past experience suggests that on the long-term it is likely to expect that a sufficient number of vessels sailing within range of Viktor Lenac will need repair services. Issues of market risk and competitive risk with respect to Viktor Lenac's activities primarily have influence on changes in Viktor Lenac's prices arising therefrom, as well as occupancy rates.

Price Risk

On 1st July 2013, Croatia became the 28th member of the European Union. The compliance with the European laws has been completed when speaking of environmental protection, health and safety at work, fire protection and safety, causing an increase of overhead workers as well as operative expenses deriving from fulfilment of such requirements.

Viktor Lenac can expect further increase of operative expenses, which will unavoidably lead to a need for increasing productivity and identifying internal resources. In other words, it is not likely to expect that raising prices could compensate for increased costs, having in mind that shipyards are under big pressure to decrease prices if they want to remain competitive.

Global factors, such as oscillation in oil price during the last few years, have also affected Viktor Lenac. The effect of these factors is not of major importance for Viktor Lenac's competitiveness for the reason that their impact is evenly spread across all Viktor Lenac's competitors.

Risks connected with changes in prices of raw material and other materials used in shipbuilding industry, such as steel, have no significant impact on Viktor Lenac. Specifically, Viktor Lenac's activities in terms of contracting and production process, particularly concerning ship repair activity, are characterized by short cycles, therefore, Viktor Lenac is not exposed to risk of firm fixed price contracts. Moreover, material cost participates in revenues with less than 20%.

Currency Risk

Most of the revenues from sales have been generated on foreign markets, mainly in EUR. Changes in exchange rates (EUR/HRK) may therefore have an impact on operating results. However, due to a high receivable turnover ratio, currency risk is not significant, which means that Viktor Lenac does not require an active hedging strategy in

foreign currency transactions. On the other hand, the Company's liabilities are not exposed to significant currency risk, since most of these liabilities are denominated in local currency. The USS Mount Whitney Repair Contract stipulated in US dollars brought a gain obtained in positive exchange rate differences. Depending on the assessment of future trends in USD/EUR exchange rates, Viktor Lenac may use hedging instruments.

Personnel Risk and Risk of Price of Labour

EU membership brings a risk of increasing price of labour, though the price of labour in Croatia is already higher than in some EU members. Considerable skilled labour migration to countries of the Western Europe can also be expected. Consequently, more pressure will be felt that price of labour is increased in order to be able to acquire and maintain skilled workers.

Lack of skilled workers is a problem that has been present in the shipbuilding industry for a long time. Generally, during the last few years, there has been a lack of interest for shipbuilding trades. Seeking to avoid risk of skilled labour migration, reduce consequences of employee fluctuation and provide skilled labour, Viktor Lenac is continuously investing in education and training of human resources. In such circumstances, an increase of the price of labour is inevitable. Viktor Lenac is trying to compensate it through introduction of new technologies, aimed at the rationalization of production, and better performance in production and other business activities.

Other Risks

Other risks affecting Viktor Lenac business include currency, credit, interest, solvency, cash flow, and litigation. Other risks are described in Non-Consolidated Annual Financial Statements and Consolidated Annual Financial Statements.

Ownership Structure

On the day of 31 December 2015, the total share capital of the Company amounted to 168,132,470 Croatian Kuna, divided in 16.813.247 registered ordinary shares, with the ticker symbol VLEN-R-B, having a nominal value of 10.00 Croatian Kuna each, registered in the depository of the Central Depository & Clearing Company. The total of 13.844.447 shares have been included in quotation of public joint-stock companies on the Zagreb Stock Exchange.

During 2015, the Zagreb Stock Exchange recorded 96 transactions in trading of Viktor Lenac's stocks having a trade transaction value of HRK 574,500 from 106,513 shares, with the average cost of HRK 5.39 per share.

On the day of 31 December 2015, ten largest shareholders of Viktor Lenac participated with almost 92% in the company share capital as follows:

	Shareholder	Shareholder's equity	%
1	Tankerska Plovidba j.s.c. Zadar	62.127.380	36,95
2	Uljanik Shipyard j.s.c. Pula	58.297.850	34,67
3	Privredna Bank j.s.c. Zagreb / collective custody account	13.672.680	8,13
4	Shipyard Viktor Lenac j.s.c. Rijeka	8.251.870	4,91
5	Croatian Restructuring and Sale Centre (CERP)	6.418.740	3,82
6	JADROAGENT j.s.c.	3.247.660	1,93
7	R.L.E. Ltd. Drniš	1.052.110	0,63
8	Weiss Branka Maria	773.080	0,46
9	Preswick Marina	543.290	0,32
10	Koscec Michael	543.290	0,32
	Others	13.204.520	7,85
	Total	168.132.470	100,00

Until 2011, in accordance with the decisions made by the General Assembly, the Company acquired total 825.187 own shares, representing 4.91% of the company share capital.

Corporate Governance

Corporate Governance is a frame for planning, organizing, directing and controlling of the company's business operations. Viktor Lenac's Management and Supervisory Board have been applying the corporate governance principles consistently with its fundamental objectives of successful and growing business and growing of share value for the benefit of its shareholders.

Respecting the principles of corporate governance ensures protection of rights and equal treatment of shareholders, business transparency and responsibility toward all interested parties.

After the termination of the bankruptcy in April 2008, Viktor Lenac has obtained the status of the joint-stock company. On 12 September 2008, Viktor Lenac's shares were included in quotation of public joint-stock companies on the Zagreb Stock Exchange, preceded by issuance of the Short Prospectus approved by the Croatian Agency for Supervision of Financial Services.



Since inclusion of its shares in quotation of public joint-stock companies on the Zagreb Stock Exchange, Viktor Lenac has been voluntarily applying the Corporate Governance Code made by the Croatian Agency for Supervision of Financial Services and Zagreb Stock Exchange. Viktor Lenac has been applying recommendations of the Code, by publishing all information which is in the interest of its shareholders and as stipulated by regulations.

In accordance with the Capital Market Act, obligatory information is displayed to the Croatian Agency for Supervision of Financial Services through the Zagreb Stock Exchange's website and Company's website (www.lenac.hr). In addition, new information is announced through the Croatian News Agency OTS service.

In 2015, Viktor Lenac's Supervisory Board held four meetings, where its members discussed Viktor Lenac's financial results, its position on the market, business plans and key projects. The members of the Supervisory Board regularly receive detailed information on the Company's management and business to be allowed to efficiently supervise the Company. The Audit Committee held four meetings.

The Company's shareholders execute their rights at the General Assembly, where they decide on profit allocation, amendments to the company statute and appointment and revocation of members of the Supervisory Board. Furthermore, the General Assembly makes decisions over the Management and Supervisory Board performance, appointment of financial auditor and other important issues stipulated by law and company statute. General Assembly was held in June 2015.

By implementing the principles of the Corporate Governance Code, Viktor Lenac aims to create a high-quality and long-term relationship with the entire investment community.

Supervisory Board and Management Board

Supervisory Board

Supervisory Board of the Viktor Lenac Shipyard is composed of five members, of whom four members representatives of two largest individual shareholders and the fifth member is a representative of the workers.

The members of the Supervisory Board, except for the workers' representative, are appointed by the General Assembly for a term of office of four years. During the entire 2015, the Company's Supervisory Board has been composed of the following members: Mr. John Karavanić, Chairman, Mr. Elvis Pahljina, Vice-Chairman, and Mr. Hrvoje Markulinčić and Mr. Mate Valčić as members.

Workers' representative in the Supervisory Board is elected by the Workers' Council for the period of three years. In April 2014, with the new composition of the Workers' Council for a new three-year term, Mr. Božo Balen was elected as a new representative of workers in the Supervisory Board.

A Committee for Audit was established by the Supervisory Board in December 2014, composed of Mr. Elvis Pahljina, Mr. Genarij Sutlović and Mrs. Ines Mirković.

Biographies of Members of Supervisory Board

Mr. **John Karavanić** was born in New York in 1967. He attended the St Thomas the Apostles Primary School in Queens where he grew up. He returned to Croatia and finished secondary education in Zadar. He continued education at the Faculty of Economics in Zagreb and in 1992 he acquired master's degree in economics. In the same year he was employed as an intern in the marketing sector of the Tankerska Plovidba Company. In 1993 he became full-time employed in the commercial sector as Assistant Manager in the Department for Transport of Petroleum Products and Chemicals. From 1997 to mid 1999 he held the position of Deputy Manager of the department. In 1999 he started his four-year term of office in London's affiliate of the Tankerska navigation Company, where he worked as a broker until 2004. On his return from London's *Alan Shipping* he continued to work in the commercial sector as Chartering Manager in the Department of crude oil tankers. Two years later, he became Head of Tankers Department and Deputy Commercial Director. Since August 2014 he is the sole member of the Management Board of Tankerska Next Generation

Mr. **Elvis Pahljina** was born in Pula in 1971 where he completed secondary education. After graduation in economics and business in 1996 he begun to work as an intern in the Uljanik Shipyard (Common Affairs). His career in finance quickly brought him to a place where in 1998 he became Manager of Foreign Currency Loans. From 2001 to 2013 he performed functions of Assistant Financial Director, Assistant Director for Foreign Exchange Operations and Assistant General Director. In June 2013 he was appointed Director of Finance and then Financial Director of the Uljanik Group. He has been constantly upgrading his expert knowledge by participating in various seminars and training courses following the modern trends in financial operations, so in 2013 he participated in Project Finance Academy and obtained a certificate of Project Financing Advisor. He has also been developing other skills such as managing teams and projects.

Mr. **Hrvoje Markulinčić** was born in Pula in 1975. After graduating from high school, in 1994 he entered the Faculty of Law in Rijeka, where he gained a law degree. After a number of different jobs, in 2001 he was employed in the Uljanik Shipyard as PR Manager working in all major communications projects and promoting

Uljanik as a modern group, oriented to building sophisticated ships. In 2007 he became Head of General Affairs, and then Director of Common Affairs, which by reorganizing Uljanik Shipyard became Business Information Systems consolidating all supporting functions for the performance of the group, that function is performed today.

Mr. **Mate Valčić** was born in Zadar in 1975. After finishing elementary school and high school mathematics extensions in Zadar, he entered the Faculty of Mechanical Engineering and Naval Architecture in Zagreb and obtained a degree in mechanical engineering. The first working experience gained in the shipyard Walter Wolf in Lamjana on the island of Ugljan or today's Nauta Lamjana, where he worked for three years, of which most of the time as Project Manager. In early 2005, he was employed in the Tankerska Plovidba Company in the Department of Newbuildings. As Newbuildings Inspector he has been working most of his time as part of a team in supervising the construction of ships in domestic and foreign shipyards.

Mr. **Božo Balen**, was born in Gospić in 1958. After finishing elementary school, he obtained a scholarship from the Viktor Lenac Shipyard and continued his secondary education in the Shipbuilding and industrial school in Rijeka, where he graduated in 1979. He was employed at the Viktor Lenac Shipyard, where he has spent his entire working life. He acquired the fifth qualification degree as a specialist in labour, and since 1993 he has been holding the position of foreman (shipbuilding).

Income and Ownership Interest of the Members of the Supervisory Board

In accordance with data obtained from the State Statistics Institute, the compensation of the Chairman of the Supervisory Board is established in a net amount equalling one average monthly net salary, while the compensation of the Vice-Chairman of the Supervisory Board is established in a net amount equalling 3/4 of the average monthly net salary in the Republic of Croatia, according to recent statistical information provided by the Central Bureau of Statistics. The fee of the Supervisory Board member who is also the Chairman of the Audit Committee has been increased by 10% for his work done in the Audit Committee. Other members of the Audit Committee are granted for meetings held in the amount of HRK 2,000 for work done in the Committee and travel expenses.

Mr. Božo Balen, member of the Supervisory Board owns 848 company shares, which he, as former bankruptcy creditor, acquired by converting his monetary claim into the company share capital.

Management Board

The members of the Viktor Lenac's Management Board are: Mr. Robert Škifić, President of the Board and Mrs. Sandra Uzelac, member of the Board. The Management Board has been appointed by the Supervisory Board in March 2013 for a new term of office of five years from 8 April 2013 to 7 April 2018.

Biographies of Members of Management Board

Mr. **Robert Škifić**, B.Sc. in Mechanical Engineering, was born in Zadar (Croatia) in 1956. After finishing primary and secondary education in Zadar, in 1981 he graduated at the Faculty of Mechanical Engineering and Naval Architecture of Zadar.

Upon graduation, in 1982 he was employed in the Rade Končar Institute, working in development of home electrical appliances, where he remained until 1984. From 1984 to 2000 he worked at SAS, a factory for special machine tools in Zadar, where he held various positions of Technologist, Operative Planning Manager, Production Manager and finally became Technical Director. In 1995 he was appointed General Manager of the SAS - Zadar Company and from 2000 to 2006 he held the position of General Manager of the SAS Strojogradnja Company. From 2006 to 2008 he held the position of General Manager of the Crosi Company, a consulting company. In 2008, he was elected President of the Management Board of the Viktor Lenac Shipyard.

In 2008 he passed exam at the Faculty of Economics of Zagreb for corporate governance for members of supervisory and management boards. He speaks fluently English and Italian.

Mrs. **Sandra Uzelac**, B.Sc. in Economics, was born in Rijeka (Croatia) in 1969. After finishing primary and secondary education in Rijeka, in 1994 she graduated at the Faculty of Economics in Rijeka. She has been employed in the Viktor Lenac Shipyard since 1994 at various positions: Office Worker in Salary & Economics of Work Department from 1994 to 1997, Financial Officer and Assistant Accounting Manager in Financial Department from 1997 to 2001 and Manager of Planning and Analysis Department from 2001 to 2004. From 2004 to 2008 she held the position of Manager of Financial Division. After termination of the bankruptcy, she has been appointed member of the Management Board, and has also been holding the position of Financial Director.

During the period from 1997 to 2006, she attended several specialized seminars and upgrading programmes. In 2013 she finished postgraduate economics (controlling) at the Faculty of Economics of Rijeka. She speaks fluently English.

Income and Ownership Interest of the Members of the Management Board

Each member of the Management Board receives income, which is stipulated by employment contract concluded with each member and approved by the Supervisory Board. Incomes of the members of the Management Board are related to the average income of the Shipyard's employees. Accordingly, the President of the Management Board receives income, which equals five average incomes of the Shipyard's employees, while members of the Management Board each receive income, which equals four and a half average incomes of the Shipyard's employees. Furthermore, the President of the Management Board is entitled to a monthly net amount of 5,000.00 Croatian Kuna for covering his living costs in Rijeka, where the Company's headquarters is located.

The President and members of the Management Board have not received any bonus or other income, either in money or in company shares, on the account of good performance results achieved by the Company in previous years, as the Company's Stimulation policy has not yet been developed.

As on the day of this Report, Mrs. Sandra Uzelac, member of the Management Board owns 1038 company shares, which she, as former bankruptcy creditor, acquired by converting her monetary claims into the company share capital.

The President of the Management Board, Mr. Robert Škifić owns 26601 company shares acquired during 2010 and 2012.

For Information



Rijeka, April 2016

Management

Branko Mataija, Marketing and Sales Director
Davor Badurina, Production Manager
Damir Doričić, Manager of Project Mngmt Department
Dražen Bevanda, Safety, Health and Environmental Protection Manager
Aleksandra Masar, Quality Control Manager
Dolores Kuzmić, Purchasing Manager
Alen Karnjuš, ICT, QMS and Organisation Manager
Ljubica Linardić, Human Resources Manager

Auditor

INŽENJERSKI BIRO - REVIZIJA
d.o.o. Zadar

Contact details

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On the basis of Article 272.p and with reference to Article 250.a of the Companies Act (Official Gazette No. 113/93, 34/99, 52/00, 118/03, 107/07 and 148/08, hereinafter referred to as 'CA'), the Management Board of the Viktor Lenac Shipyard (hereinafter referred to as 'Company'), on this April 16, 2016, makes the following

STATEMENT

on Implementation of the Corporate Governance Code

1. Company's shares have been included in quotation of the Zagreb Stock Exchange since September 2008.
2. Since inclusion of its shares in quotation of the Zagreb Stock Exchange, the Company has been voluntarily applying the Corporate Governance Code made by the Croatian Agency for Supervision of Financial Services and Zagreb Stock Exchange. The Code was adopted by the Croatian Agency for Supervision of Financial Services' decision dated April 26, 2007, class 011-02/07-04/28, reg. no. 326-01-07-02 (Official Gazette No. 46/07, hereinafter referred to as 'Code'). The integral version of the Code has been published on the Zagreb Exchange Stock's website.
3. During 2015, the Company was applying recommendations of the Code, by publishing all information which is in the interest of its shareholders and as stipulated by regulations.

During the last year, the Company published all information foreseen by regulations on the Company's website and on the Zagreb Stock Exchange's website, and informed the public on information availability through Croatian News Agency OTS service.
4. Supervision of the Company's business operations has been executed by the Supervisory Board in accordance with the Companies Act. The role of the Supervisory Board is defined by the Company's Statute. Members of the Supervisory Board are provided with detailed information on the Company's management and business operations in order to efficiently fulfil their supervisory role. Supervisory Board's report makes an integral part of the Annual Report submitted to the General Assembly.

The Supervisory Board has established a Committee for Audit, composed of three members, which was working throughout the year.

The Supervisory Board has not established Committee for Appointment or Committee for Rewarding.

5. The Company is implementing rules of the accounting policy, which regulate application of methods and techniques in presenting assets, liabilities, capital, revenues, expenses and financial results in financial statements. Annual audit of financial statements is performed by an independent auditor appointed by the General Assembly.

6. As on the day of December 31, 2015, ten largest shareholders were the following ones:

	Shareholder	Shareholder's equity	%
1	Tankerska Plovidba j.s.c. Zadar	62.127.380	36,95
2	Uljanik Shipyard j.s.c. Pula	58.297.850	34,67
3	Privredna Bank j.s.c. Zagreb / collective custody account	13.672.680	8,13
4	Shipyard Viktor Lenac j.s.c. Rijeka	8.251.870	4,91
5	Croatian Restructuring and Sale Centre (CERP)	6.418.740	3,82
6	JADROAGENT j.s.c.	3.247.660	1,93
7	R.L.E. Ltd. Drniš	1.052.110	0,63
8	Weiss Branka Maria	773.080	0,46
9	Preswick Marina	543.290	0,32
10	Koscec Michael	543.290	0,32
	Others	13.204.520	7,85
	Total	168.132.470	100,00

The right of the Company's shareholders to vote is not limited to a certain percentage or number of votes. The right to vote is recognized by number of shares registered on shareholder's account at the Central Depository & Clearing Company. Each ordinary share gives the right for one vote at the General Assembly. The Company is entitled to issue registered ordinary shares in accordance with positive legal regulations of the Republic of Croatia and Statute of the Company. In accordance with Article 172 of the Companies Act and Company's Statute, decision on share issue is made by the General Assembly. The Company's rights and obligations originating from acquisition of own shares are realized in accordance with the provisions of the Companies Act, hence it follows that the Company can acquire own shares on the basis of the General Assembly's authority for their acquisition.

Amendments to the Statute of the Company are made in accordance with the Companies Act.

7. The Company's Management Board is consisted of two members, Mr. Robert Škifić holding the position of President of the Board and Mrs. Sandra Uzelac as member of the Board. The members of the Management Board represent the Company independently and individually and run Company's business jointly or individually, in accordance with the Statute of the Company and Management Rules of Procedure (acquisition, abalienation or encumbrance to real estate; issuing, abalienation or acquisition of shares; issuing guarantees except for obligations of subsidiary company; taking loans and credits beyond normal business operations of the Company etc.) and in other cases, when required by law, can be undertaken by the Management Board, authorized by the Company's Statute or Supervisory Board's decision, only with previous consent of the Supervisory Board. The Management Board is appointed and revoked by the Supervisory Board for a term of office of five years.



The Supervisory Board of the Company is consisted of five members. The General Assembly elects and relieves of their office four members of the Supervisory Board, while one member is elected, appointed and revoked by the Company's employees in accordance with positive regulations of the Republic of Croatia. During the entire 2015, the members of the Supervisory Board were Mr. John Karavanić (Chairman), Mr. Elvis Pahljina (Vice-Chairman) and Mr. Hrvoje Markulinčić and Mr. Mate Valčić as members of the Supervisory Board. The fifth member of the Supervisory Board is Mr. Božo in quality of the workers' representative in the Supervisory Board.

The Supervisory Board acts as collegial body at sessions, which take place at least once quarterly, where all issues within its competence, as required by the Companies Act and Statute of the Company, are discussed and decided upon. Decisions of the Supervisory Board are made by majority of votes of present members.

8. In accordance with Article 250.a, item 4, and Article 272.p of the Companies Act, this Statement represents a separate section and makes an integral part of the Company's Annual Report 2015.

Robert Škifić

President of the Board


 BRODOGRADILIŠTE VIKTOR
LENAC d.d.
RIJEKA, Martinska bb
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