Supervisory Board meeting hasn't been held, due to current situation with COVID-19 pandemic, therefore, set of financial reports for Zagreb Stock Exchange couldn’t be verified by members of the Supervisory Board. The investment public will be informed in time about Supervisory Board meeting and verification of reports.

# LUKA RIJEKA d.d.

Annual Report
for the year ended 31 December
2020

This version of the Annual Report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the Annual Report takes precedence over this translation.

CONTENTS

# LUKA RIJEKA GROUP

# MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

LUKA RIJEKA D.D.
Riva 1, HR-51 000 RIJEKA
OIB: 92590920313

Rijeka, April 2021.

## *STRUCTURE OF LUKA RIJEKA GROUP*

The Group is comprised of the following companies:

LUKA RIJEKA d.d. Rijeka (the Company)

The Parent is the largest concessionaire for shipping and reload of dry cargo in the Rijeka port basin. The principle activities of the Company comprise provision of maritime transport services, port services, storage of goods and freight forwarding. The Company is headquartered at Riva 1, Rijeka.

LUKA - PRIJEVOZ d.o.o. Kukuljanovo, 100% owned by Luka Rijeka d.d., whose principal activity is providing transport services.
The company is headquartered at Kukuljanovo 460, Kukuljanovo.

STANOVI d.o.o. Rijeka, 100% owned by Luka Rijeka d.d., whose principal activity is management of investment property owned by the Company and management of real-estate.
The company is eadquartered at Dubrovačka 4, Rijeka.

LUKA RIJEKA CONTAINER DEPOT d.o.o. Kukuljanovo, 100% owned by Luka Rijeka d.d., whose principal activity is providing container services.
The company is headquartered at Kukuljanovo 460, Kukuljanovo.

Luka Rijeka d.d. holds a 49% ownership share in Jadranska vrata d.d., Rijeka and is consolidated using the equity method of accounting recognizing the Group's share in the profit or loss of the equity accounted investee AGCT.

As at 31 December 2020, the Company's share capital amounted to HRK 539,219 thousand, distributed among 13.480.475 shares with a nominal value of each share amounting to HRK 40. All issued shares are fully paid in and authorized.

The ownership interest of CERP, institution of the Republic of Croatia, at 31 December 2020. Was 25.02%.

As at 31 December 2020, the biggest single private investor is polish company OT LOGISTIC S.A. with the share of 27,36% in ownership structure of Company.

## *STRUCTURE OF LUKA RIJEKA GROUP (continued)*

The overview of key shareholders and the ownership structure of the Company as at 31 December 2020 is as follows:

| Shareholder | Number of shares | % of ownership |
|---|---|---|
| OT LOGISTICS SPOLKA AKCYJNA | 3.687.759 | 27,36% |
| CERP/ REPUBLIKA HRVATSKA | 3.372.495 | 25,02% |
| OTP BANKA D.D./ AZ OMF KATEGORIJE B | 2.024.227 | 15,02% |
| PRIVREDNA BANKA ZAGREB D.D./ STATE STREET CLIENT ACCOUNT | 1.179.503 | 8,75% |
| ADDIKO BANK D.D./ PBZ CO OMF KATEGORIJE B | 1.024.100 | 7,60% |
| OTP BANKA D.D./ ERSTE PLAVI OMF KATEGORIJE B | 918.221 | 6,81% |
| OTP BANKA D.D./ ERSTE PLAVI EXPERT- DOBROVOLJNI MIROVINSKI FOND | 123.093 | 0,91% |
| OTP BANKA D.D./ AZ OBVEZNI MIROVINSKI FOND KATEGORIJE A | 115.000 | 0,85% |
| ZAGREBAČKA BANKA DD/ AZ PROFIT OTVORENI DOBROVOLJNI MIROVINSKI FOND | 95.575 | 0,71% |
| OTHER SHAREHOLDERS | 940.502 | 6,97% |
| Total | 13.480.475 | 100,00% |

The Company voluntarily applies the Corporate Governance Code jointly adopted by the Croatian Agency for Supervision of Financial Services and the Zagreb Stock Exchange, and regularly submits an annual Statement of corporate governance. Statement and Code of Corporate Governance are available on the Company's web site.

## Management and Supervisory Bodies and Committees

### *Audit committee*

Members of the Audit committee during 2020. were as follows:

| | |
|---|---|
| Dragica Varljen | President of committee from 01.05.2019. |
| Alen Jugović | Member |
| Jerzy Grzegorz Majewski | Member |

### *Supervisory Board*

Members of the Supervisory Board during 2019. were as follows:

| | |
|---|---|
| Alen Jugović | President of Supervisory Board from 27.12 2017. |
| Dragica Varljen | Vice president of Supervisory Board from 28.02.2020. |
| Jerzy Grzegorz Majewski | Member from 27.12.2017. |
| Witold Waldemar | Member from 31.08.2020. |
| Ivan Pavlović | Member from 31.08.2020. |

### *Management Board*

Members of the Management Board during 2020. were as follows:

| | |
|---|---|
| Duško Grabovac | President of the Management Board from 01.05.2020. |
| Tomislav Kalafatić | Member from 06.02.2018. to 19.08.2020. |
| Bartlomiej M. Pastwa | Member from 19.06.2018. |

## *KEY EVENTS*

### Project Škrljevo

The Škrljevo project has been completed with the acquisition of the last use permit. In 2020, minor deficiencies on the roofs S7, S5 and S6 were eliminated, as well as the repair of the water supply shaft at the entrance intersection.

## NATURAL INDICATORS OF OPERATIONS

### Total turnover

Throughput amounted in 2020., realized 2.424.706 tons of cargo,with index 117 in comparison with 2019.

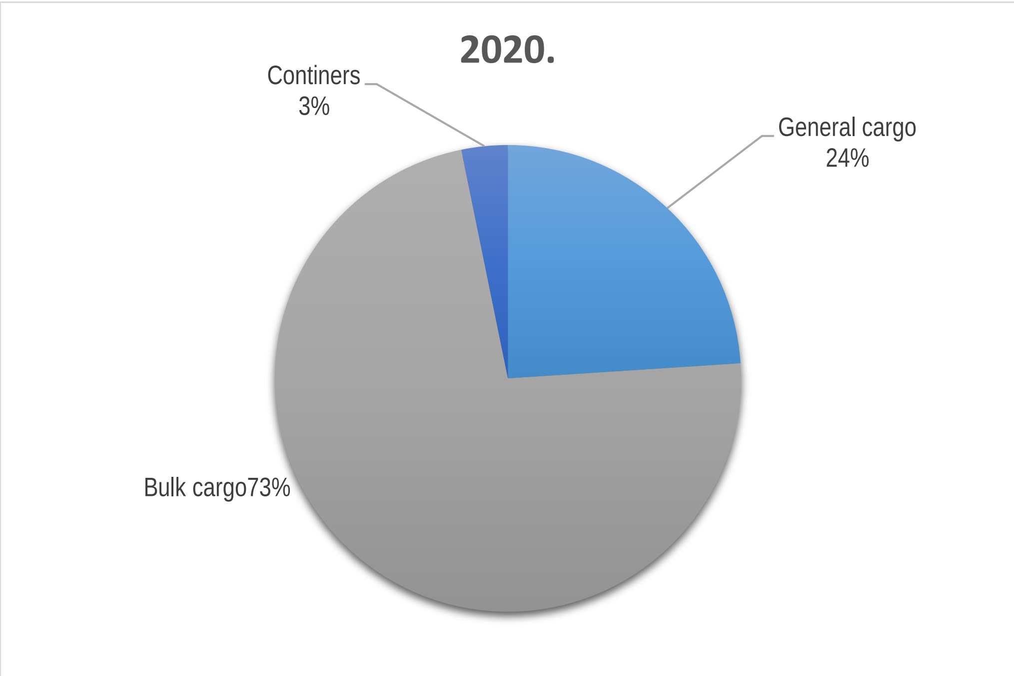
General cargo decreased by 20%, and 581.182 tons were transhipped, while the tonnage of containers increased by 22% to 77.747 tons.

Bulk cargo increased by 38%.

Total throughput of Luka Rijeka d.d. from January to December 2019/ 2020 was as follows:

| Luka Rijeka j.s.c. | Realization 01.-12.2019. | Plan 2020. | Realization 01.-12.2020. | Index 2020/2019 | Index 2020/Plan |
|---|---|---|---|---|---|
| General cargo (tons) | 725.653 | 841.000 | 581.182 | 80 | 69 |
| Dry Bulk Cargo (tons) | 1.274.971 | 1.772.144 | 1.765.777 | 138 | 100 |
| Containers (tons) | 63.943 | 64.356 | 77.747 | 122 | 121 |
| TOTAL (tons) | 2.064.567 | 2.677.500 | 2.424.706 | 117 | 91 |

Structure of throughput Luka Rijeka d.d. in 2020:



*NATURAL INDICATORS OF OPERATIONS (continued)*

## General cargo

Total throughput of general cargo in 2020 amounts to 581.182 tons. The index is 80 compared to 2019.,where turnover amounted to 725.653 tons.

The general cargo structure in throughput realized during the reporting period indicates two dominant types of cargo. They are wood and metal products hence the trend of these types of cargo reflect in the realization of total throughput of general cargo. Total wood throughput (conventional and filling of containers) in the observed period amounts to 375.116 tons, which represents 65% of the total general cargo throughput. The turnover of softwood increased by 12%. Hardwood turnover recorded a significant decrease, of 19% as a result of the closed market of the Middle East and North Africa and the inability to realise the sale of cargo on the international market, resulting in a decrease in the volume of shipments and loading.The results show that wood relocation accounted for 77,8% of the 2020 Plan.

With the share of 10%, the throuhput of metal products has a significant place in the general cargo throughput. In the observed period the Plan is realized with 37% .Due to stoppage of automotive industry, there are reduced exports with finished metal products.

There is significant increase of throughput in reefer cargo (index 144), equipment and construction (index 185), cattle (index 111), agri general cargo (index 106) and paper (index 241).

## Bulk cargo

In 2020., realized cargo amounts to 1.765.777 tons, compared with 1.274.971 tons of throughput realized in 2019 (index 138).

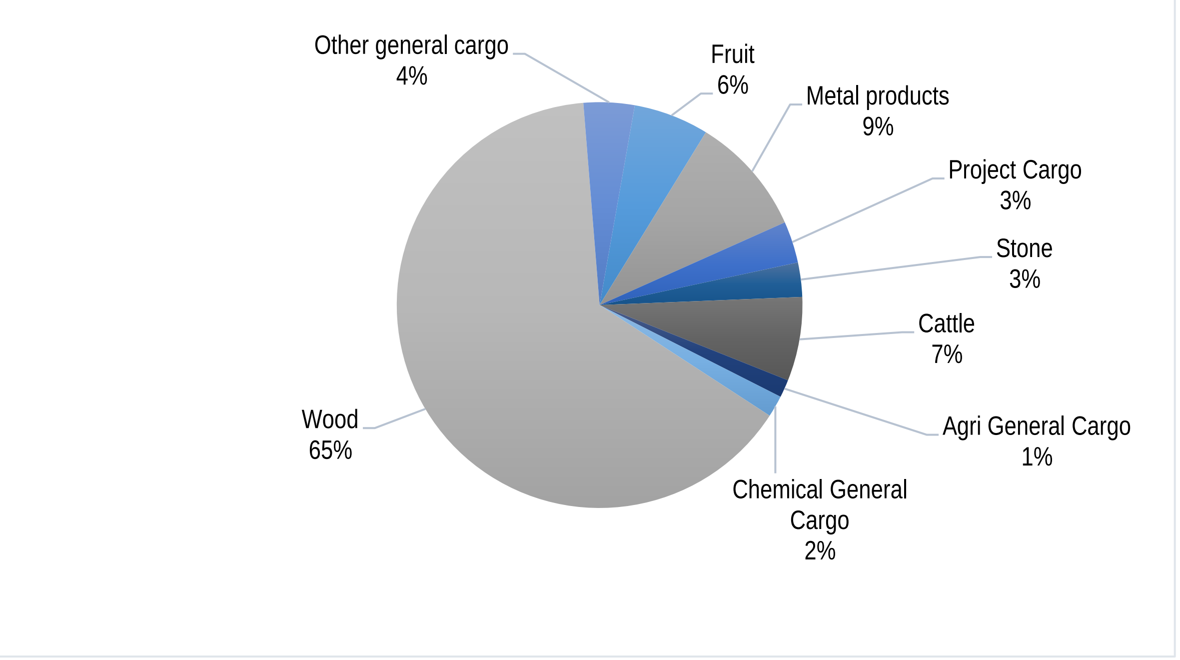
Increased turnover of cereals (index 623), iron ore (index 148), scrap (index 243), cement (index 107), and gravel (index 1970) with 137.910 tons. Decrease in salt traffic, by 60% was caused by a warm winter and smaller quantities for the supplyin road salts. Expected to be further tendency to decline HAC need for salt delivery.

## Container turnover

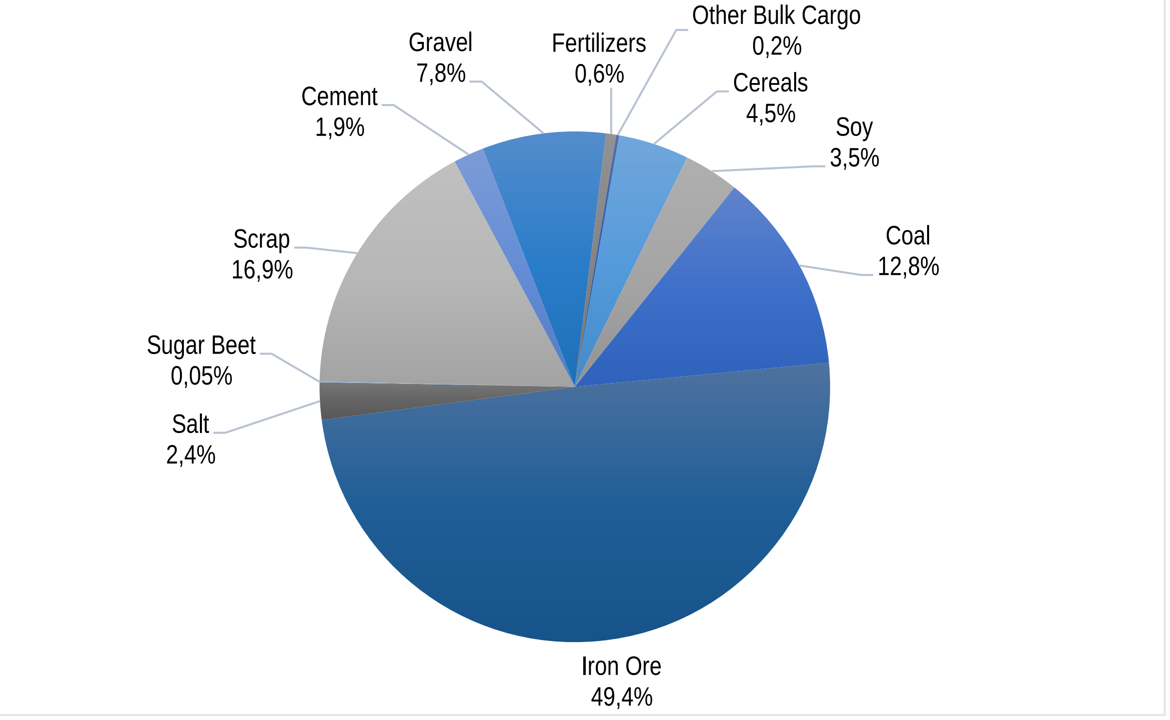
Company Jadranska vrata j.s.c achieved throughput of 303.626 TEU units, and increase of 12%. Jadranska vrata j.s.c are doing the job of transportation of containers from container ships to trucks and wagons. Luka Rijeka j.s.c deals with container loading and unloading services, and land-based manipulations of cargo from Terminal Brajdica to Terminal Škrljevo and Terminal Rijeka (and vice versa). An increase of 22% was achieved on 40.465 TEU in 2020. compared to 2019.

## NATURAL INDICATORS OF OPERATIONS (continued)

General cargo structure:




Bulk cargo structure:



## *FINANCIAL INDICATORS*

During year 2019, the company adopted and implemented the international Financial Reporting standard IFRS 16 lease.

The impact of the application of the new standard on consolidated and non-consolidated financial reports of the company is significant since the new standard also treats the existing concession contract for the performance of port services on the concession area of the port of Rijeka as a contract Contains the components of the lease.

Following the application of IFRS 16, the company applied the new accounting treatment of the concession contract, and certain components of the concession contract payment were recognized as an obligation in its statement of financial position. On the same basis, at the same time company recognized property with the right of use, which constitutes the concession area and the associated infrastructure. Due to consistent reporting, the company IFRS 16 decided to apply retrospectively.

Key financial indicators of the Company are as follows:

| Indicators | 31.12.2019 | 31.12.2020. | Index |
|---|---|---|---|
| *1* | *5* | *6* | *7=5/6* |
| Liquidity indicators | | | |
| Working capital hrk | 5.632 | 24.442 | 434 |
| Current liquidity | 0,35 | 0,45 | 132 |
| Debt indicators | | | |
| Short-term liabilites/capital | 0,77 | 0,71 | 92 |
| Long-term liabilities/capital | 1,10 | 1,09 | 99 |
| Borrowing/capital | 0,28 | 0,25 | 90 |
| Total liabilities/assets | 0,65 | 0,61 | 94 |
| Profitability indicators | | | |
| EBIT hrk | (10.200) | (4.648) | 46 |
| EBITDA hrk | 10.890 | 14.759 | 136 |
| EBITDA margin | 6,8% | 8,9% | 131 |
| EBIT margin | (6,4%) | (2,8%) | 44 |
| NETmargin | (19,3%) | (4,4%) | 23 |
| Productivity indicators | | | |
| Number of employees | 622 | 635 | 102 |
| Revenue per employee hrk | 252 | 260 | 103 |

*EBIT = business revenue – business cost + value adjustment
**EBITDA =EBIT + depreciation

*HRK 000*

| Normalized EBITDA | 2019 | 2020 | Index |
|---|---|---|---|
| EBITDA kn | 16.180 | 18.348 | 113 |
| EBITDA margin | 11,00% | 12,51% | 114 |

In year 2020, EBIT of company was negative, and amounts to HRK -4,65 million and EBITDA was HRK 14,76 million, this is a consequence, in addition to the already mentioned revenues and effective cost management of the Company.

Normalized EBITDA amounts to 18,35 HRK million, while in 2019 was 16,18 mil. Normalized EBITDA measurement removes non-recurring, irregular and one-time items that may distort EBITDA such as revenues that are not results of companies' core business, by acknowledging real cost of concession (by IFRS 16 this is included as part of depreciation) and removing costs of reservations.

Elements affecting the normalization of results

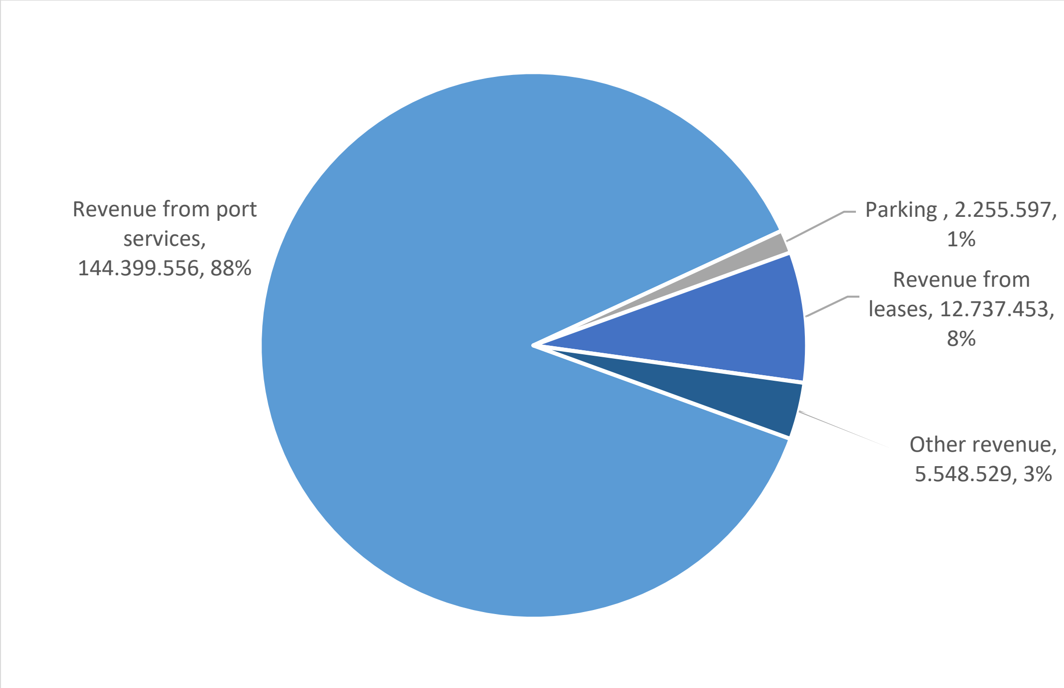
| | 2019. | 2020. |
|---|---|---|
| Value adjustments | 777 | 2.760 |
| Revenues from canceling reservations | (151) | (246) |
| Revenues from selling of assets (flats) | (267) | (2.874) |
| Revenues from material surplus | (79) | - |
| Revenues from charged written off receivables | (41) | (5) |
| Reservation costs | 5.051 | 3.954 |
| TOTAL | 5.290 | 3.589 |

## Revenues

In the observed period total revenue amounts to HRK 184.25 million 5 with 12% increase compared to the previous year. In the structure of total revenue, the greatest part is business revenue with HRK 164.94 miliion with index 97 compared to 2019. Realized financial revenue is HRK 19.31 million.

Natural throughput is key business revenue generator from its core business. Revenue from port business amounted to HRK 144.40 milion accounting for 88% of business revenue.

Operating income structure:

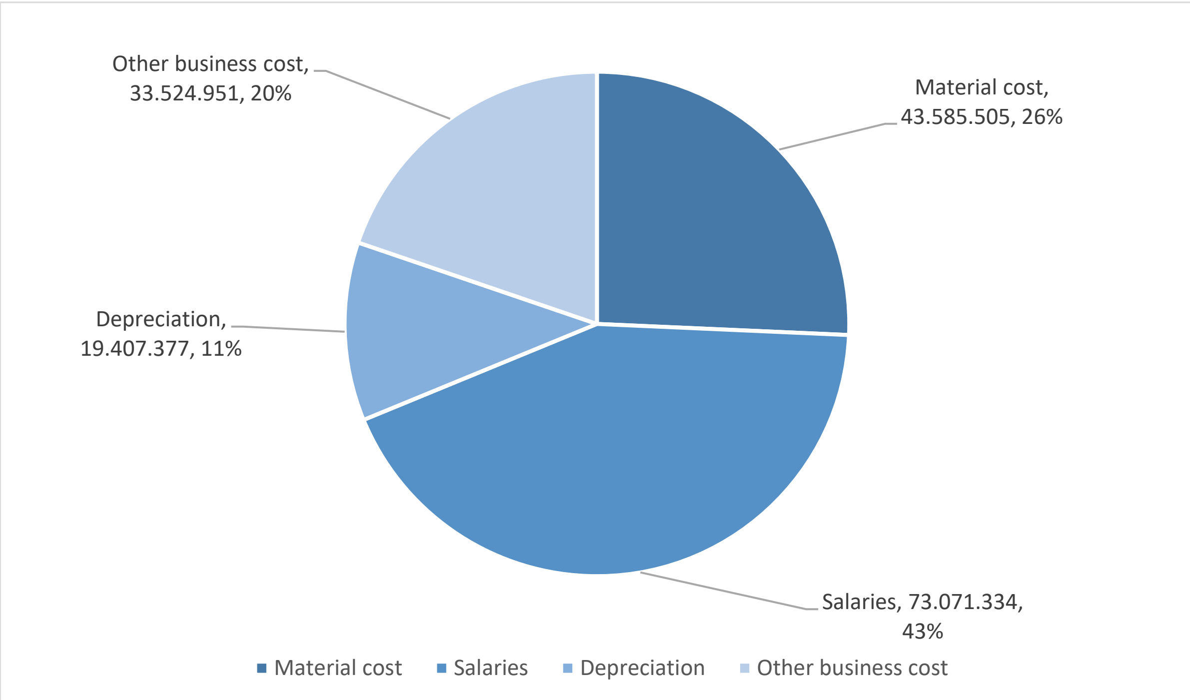



<u>Expenses</u>

Total costs in the observed period of 2020. amount to HRK 190.76 million i.e. they are on the same level compared to 2019. Business costs category for the mentioned period amount to HRK 168.82 million and have been decreased by 1% compared to 2019.

Largest impact of implemented IFRS 16 on P&L account can be seen in Other financial cost, increased to HRK 12.33 million. This cost is in books for 2020 by month, and in 2019 was implemented in the end of year.

Operating expenses structure:



In the observed period, a significant decrease of material cost is shown, increase of staff costs by 2%, due to newly employed and less overtime, slight decrease of depreciation, partly as result of change in implementation of International Financial Reporting Standards IFRS 16 due to capital investments in other's property.

## Staff

According to HR records, on 31.12.2020 there are 635 employees, 12 workers and 2% more than on 31.12.2019.

During 2020., there wasn't any departures with special severance payment, only regular retirements.

## *RISK MANAGEMENT*

### Market risk

The port of Rijeka is part of the worldwide network of maritime trade traffic and the point of change of transport from maritime to land and vice versa. Complex supply chains are extremely dependent on the movement of the total world economy, as well as on the movement of the economy of certain regions of the world. Maritime trade market is cyclical and dependent on changes in the world economy.

*The destination markets*

Regarding the most important destination markets of the port of Rijeka, the situation is very different. Significant markets of the Middle East and North Africa continues to be shaken by political crisis, which escalated into conflicts and extensive emigration of the local population (especially from Syria, Iraq and Libia). Generally complex relationships in the Middle East generator are high risk in terms of the volume of overseas trade in these countries.

A particularly important element for all the countries of this region and the global economy in general are oil prices, while low oil prices significantly affect them in a negative way. The long-term effect is very destructive to the economy of these countries and thus their overseas trading.

*Market competition*

Competition in the gravitational area of Luka Rijeka is extremely strong. Key competitors of Luka Rijeka are ports in the North Adriatic cluster (Koper, Trieste, Venice, Ravenna, Monfalcone). By Croatian accession to the European Union, Luka Rijeka is becoming competitive to other ports of North Adriatic cluster, supported by recuperation of customers and cargos who had (especially during war period) left Luka Rijeka. North Adriatic port cluster has a natural advantage of the shortest maritime route for cargos originating from the east and passing through the Suez Canal. This advantage is more than 2,000 Nm, which is approx. 5-7 days of sailing, significantly affecting the overall transport shipping costs and therefore on the competitiveness of the goods on the market.

Nevertheless, the North Adriatic cluster has strong competitors in other clusters: the most significant European cluster is Northern Sea port cluster (Rotterdam, Amsterdam, Antwerp, Ghent, Hamburg, Bremen, etc.) which is connected with the port Constanta from the Black Sea cluster with Rhine-Main-Danube Canal, which passes through the heart of the gravitational area of the Luka Rijeka. This area (especially the markets of Poland and the Czech Republic) are targeted by the competitive Baltic direction (Rostock, Gdansk, Gdynia, Sczeczin, Swinoujscie etc.).

### Market risk (continued)

Finally, the marginal clusters of the southern Adriatic and the Aegean Sea, which also target the southern part of the gravitational area of the Port of Rijeka should be mentioned. This is primarily Luka Ploče, which is oriented on Bosnia and Herzegovina, Luka Bar on Serbia and Montenegro, the port of Durres on Albania and Kosovo, and the Port of Thessaloniki and other Aegean ports which except Greece, target market of Macedonia and Serbia, but as above, represent the secondary zone of competing interests of Luka Rijeka.

Due to unknown development of situation with Corona Virus there is possibility of negative impact on throughput of goods in Luka Rijeka.

Management of the Company works on minimizing everyday risk through price adjustments - tariffs, continuous investments in technology, capacity increase and through increase in labor productivity.

Credit risk

The Group uses several methods of credit risk control, mostly with insight to credit reports provided by rating companies, and with other insurance instruments. The risk increases when contracting with new customers, where instances can occur that a service is contracted with an unreliable client (in terms of the non-fulfilment of the dynamics of the contract, payment etc.). This can cause a variety of problems (filling of warehouses with goods for which storage fees have not been paid and which occupy valuable space, delays with respect to the agreed schedules with liners and other shipping companies, or wagons and lorries, resulting in the penalties and other damages, etc.). This risk is minimized by updating the base of existing clients of the Company where all of their data over the years is accumulated, so that before any contract is signed, an assessment of the acceptability of the customer is reached.

Currency risk

Exposure to foreign currency risk in EUR is reflected in the high share of foreign income in total operating income, as well as a significant part of the liabilities or their indexation to EUR. Furthermore, the risk of fluctuation of the Kuna towards the EUR is relatively moderated as long as CNB remains with policy of the currency pegged to the EUR.

Exposure to currency risk in US dollars is due to minority of prices being denominated in USD, while liabilities denominated in US dollars (loan and finance lease agreement with the Port Authority of Rijeka subordinated from the World bank; concession fees) further increase the risk due to volatility of the US dollar as a global currency. The Company controls this risk in a way that in 2016 foreign exchange exposure of liabilities in USD are covered by forming deposits in the same currency.

Interest rate risk

The Company is exposed to interest rate risk as it borrows with floating interest rates. The Company enlarged it indebtedness and exposure to variable interest rate loans and estimates that the possible increase in variable interest rates is not significant in near future and does not warrant the use of specific hedging instruments with respect to interest rate risk.

*RISK MANAGEMENT (continued)*

## Liquidity risk

Liquidity risk is managed through maintaining adequate maturity structure of assets and liabilities, and through planning and management of inflows and outflows of cash funds, as well as with the provision of sufficient amounts of liquid assets to settle liabilities as they fall due. The Company regularly monitors the relationship between current assets and current liabilities.

## Technological risk

Technological risk is reflected in the obsolescence of the existing port technology, which increases maintenance costs, reduces productivity of port manipulation, ie. the profitability of the process and reduces the competitiveness. Technological risks are reduced by the Company's preventive maintenance, as well as by investing in technology, a necessity which enables speed, reliability and efficiency of loading and other port manipulation.

Increase in the capacity will enable long-term increase in traffic and is the main reason Luka Rijeka is investing in further expansion of the terminal Škrljevo, as well as the reconstruction of other terminals.

One of the technological factors significant to Luka Rijeka is adequate road and rail infrastructure. In relation to Luka Rijeka, the road connectivity is satisfying.

Technological processes that are based on technology and use of human resources and are directed towards the fulfilment of commercial objectives of the Company are also subject to risks. The risk is minimized by continuous monitoring and adjustments of the working process which is determined by manipulation of certain goods and services and implementation of changes through written procedures.

## Human resource risk

Port industry is a labor-intensive industry. In operational terms it is dominated by the so-called 'Blue collar workers' or dockers (operators of technical equipment and port transport workers), and their support services (maintenance, cargo insurance, mooring and departing). Their number presents an important factor in the operation of Luka Rijeka. Besides that, the Company uses working force of subcontractors for running necessary port operations without disturbance.

*RISK MANAGEMENT (continued)*

## Environmental risk

The main environmental risk for the Company is defined by the type and the way of handling the cargo. This primarily relates to bulk cargo, which while being manipulated can emit dust, or result in air, sea and soil pollution in the near proximity of manipulation site. This risk is reduced by installing technology that disables it. For example, at the terminal in Bakar were placed special floating dams for reception of ships, which increase the safety of unloading of cargo and prevent the spreading of possible pollution.

There is also a risk associated with the maintenance of vehicles and other manipulation items (waste oil, waste water from cleaning, old batteries, old tires, etc.), which is controlled by installation of oil separators in garages and workshops, as well as by standardized procedures and testing of collected liquid and solid wastes.

*System of risk control*

The system of internal control and risk control to which the Group is exposed, is done through:

- Business process control. The company has a certified quality system ISO 9001-2015, which is constantly monitored, checked and upgraded. The certificate of compliance with the ISO 9001: 2015 standard is valid until 12.12.2021. year, and then a new recertification cycle is planned. The company's management is still considering the need for certification under this standard.

- Port of Rijeka d.d. received on 15.03.2021. a certificate of compliance of its energy management system with the international standard ISO 50001: 2018, which is valid until 15.3. 2024. In the meantime, two monitoring visits follow and it is necessary to continue to improve the energy consumption control system.

- Control of business/financial transactions and financial statements thorough the accounting system and the Controlling department

- Annual and long-term planning of the operations at the Group level and at the level of business units, as well as monthly, quarterly and yearly monitoring of the plan through Controlling department. Monitoring the implementation of the annual plan works internally on a monthly basis and covers the following main categories:
  - ✓ Monitoring of natural realization of the following categories and cargo terminals
  - ✓ Monitoring the financial implementation at the level of individual organizational units and the company as a whole in the format of the income statement
  - ✓ Ad hoc analysis of realization according to defined criteria using defined database that are complement monthly with realized quantities

  A particular aspect of controlling is the prediction of the final result with combination of current realization and the rest of the planning period (“Forecasting”)

## *BUSINESS EXPECTATIONS*

### CEF PROJECTS

On the CEF Rijeka project in 2021., it is planned to perform works within the 1st phase, which includes de Franceschijev gat, the north side of the Silos and the north side of warehouses 20, 21 and 22.

The CEF Bakar project in 2021. is planned to be completed by October. Works will be carried out on phases 4, 5 and 6, which include railway 1a, 1 and railway switches 1,2,3 and 4. The COVID-19 pandemic causes delays in the implementation of the project due to the fact that all important materials (rails, switches, GRP pipes...) deliver outside the Republic of Croatia and the delivery deadlines are significantly longer than expected.

## Pandemic SARS-CoV-2 (COVID 19)

Besides impact on CEF, operating in the shipping and port segment, the Group's operations during 2020 were affected to some extent by the consequences of the COVID 19 pandemic, which primarily related to secondary impacts on traffic decrease during the initial phase of establishing local, regional and global measures against pandemic spread and related restrictions. In the short term, these restrictions and measures hindered the movement of goods in the international supply chains and, accordingly, had an impact on the slowdown of traffic through the port of Rijeka, primarily in the first half of the Q2 2020.

The Management closely monitors the development of the COVID 19 situation and implements relevant recommendations to preserve the health and safety of the Group's employees. Given the current and expected measures regarding travel and customs restrictions, which do not include strict limitations related to maritime freight transport, the management does not expect further significant impact on business.

## STATEMENT OF IMPLEMENTATION OF THE CORPORATE GOVERNANCE CODE

**General information**

This Code has the force of recommendations that binds Company authorities and employees of the Company that in making all kinds of decisions, respect the principles laid down and elaborated by this Code. The aim of the Code is to establish high standards of corporate governance and business transparency of Luka Rijeka plc. and associated companies in majority ownership (hereinafter the Company). The Code defines the procedures of corporate governance in order to ensure that by good and responsible management and control of business and management functions, Company protects its shareholders, employees, elected and appointed holders of responsible functions in the Company as well as all other stakeholders. The basic principles of this Code are: business transparency, clearly defined procedures for the operation of the Supervisory Board, Management Board and other bodies and structures making important decisions, avoiding conflicts of interest, efficient internal control and effective system of accountability.

Any interpretation of the directives provided by this Code should be guided primarily by adherence to the principles and achieving these goals.

The Company is listed on the Official market of the Zagreb Stock Exchange, and has complied with the Zagreb Stock Exchange Governance Code. The Company respects and implements the prescribed corporate governance measures (as reported in detail in the prescribed annual questionnaire and published on the Zagreb Stock Exchange).

The major direct shareholders according to the Central Depository and Clearing Company data are listed in the table for structure of ownership in the Share Capital note to the financial statements. The Company is also obligated to its website and through the stock exchange to publish any acquisition or disposal of shares and other securities of the Society by each member of the Management Board and the Supervisory Board, and employees of the Company who have access to price sensitive / inside information of the Company and persons connected with them.

Jurisdiction, procedure of convening and quorum, as ways of making decisions of the General Assembly are regulated by the Articles of Association. When convening the General Assembly, the management board shall set a date by which will be established state in the register of shares that will be relevant for the exercise of voting rights at the General Assembly. This date should be before the General Assembly and may be up to 6 days before the general meeting.

The right to vote should include all shareholders of the Company in such a manner that the number of votes belonging to them in the General Assembly equals the number of shares they hold, regardless of class of shares. Should the company issue shares without voting rights or with restricted voting rights, shall publicly and timely announce all relevant information about the content of all rights resulting from such shares in order to enable the investors to make the right decision about buying these securities. The company shall act in the same manner and under the same conditions to all shareholders, regardless of the number of shares they hold, their country of origin and their other properties. This particularly applies to the duty of equal treatment of individual and institutional investors.

Election and appointment of the Supervisory Board are regulated by the Statute of the joint stock company Luka Rijeka plc. There are no restrictions based on gender, age, education, profession and so on. The Companies Act defines any amendments to the Articles of Association.

The basic medium for the publication of information is the National Gazette and the Company's internet website: www.lukarijeka.hr

**Corporate governance structure**

In accordance with the Companies Act and the Company's Articles of Association, the bodies of the Company are the General Assembly, the Supervisory Board, and the Management Board. The mentioned acts also regulate their duties and responsibilities.

**General Assembly of the Company**

The General Assembly makes decisions that are of significant impact on the status of assets, financial position, operating results, ownership structure and management of the company. Decisions will be made exclusively at the General Assembly, stipulated by majority of votes. The management board shall, as soon as possible, publish the decision of the General Meeting and the data on possible action to challenge these decisions. In 2020, a regular Annual General Assembly Meeting was held on 31 August 2020.

**Supervisory Board**

The tasks and responsibilities of the Supervisory Board are regulated by the Statute of the joint stock company Luka Rijeka plc. The Supervisory Board members should perform their duties with the diligence of an orderly and conscientious businessman and keep business secrets of Company. The Supervisory Board is obligated to make an assessment of its work in the preceding period. Such an assessment includes in particular the assessment of the work of committees established by the Supervisory Board and achievements in relation to the target objectives of the company. The Supervisory Board consists of six members. Chairman of the Supervisory Board is responsible for determining the calendar of regular annual meetings and extraordinary meetings whenever the need arises. The frequency of the Supervisory Board shall be determined in accordance with the needs of the Company.

Members of the Supervisory Board as at the date of this annual report and during the reporting period were as follows:

| | |
|---|---|
| Alen Jugović | President |
| Varljen Dragica | Deputy president from 28 February 2020 |
| Zbigniew Nowik | Deputy president until 31 August 2020 |
| Jerzy Grezegorz Majewski | Member |
| Witold Waldemar Rusinek | Member from 31 August 2020 |
| Ivan Pavlović | Member from 31 August 2020 |
| Duško Grabovac | Member.until 30 April 2020 |

During the reporting period, Supervisory Board had five members.

**Audit Committee**

Pursuant to its Articles of Association, the Supervisory Board of the Company has established an Audit Committee. The Audit Committee is the body that provides support to Management Board and The Supervisory Board in the effective execution of the obligations of corporate governance, financial reporting and control of the Company.

The Audit Committee, appointed in accordance with the law, during the previous year consisted of 3 members all of whom were also members of the Supervisory Board. During 2020, two meetings of the Audit Committee were held.

The Supervisory Board, with the help of the Audit Committee, monitored the adequacy of the internal control system, which is achieved through three independent control functions (internal audit, risk control, compliance), and in order to establish such a system of internal controls that will enable early detection and monitoring of all risks to which the Company is exposed in its operations.

Members of the Audit Committee as at the date of this annual report and during the reporting period were as follows:

| | |
|---|---|
| Duško Grabovac | Committee President until 1 May 2019 |
| Dragica Varljen | Committee President from 1 May 2019 |
| Alen Jugović | Member |
| Jerzy Grzegorz Majewski | Member |

**Management Board**

Management Board runs Company's business in accordance with the Articles of Association and legal regulations. Whole Management board represents the Company, chairman with another member, or member of Management board with another member. Management Board followed that business and other ledgers and business records are in accordance with the law, put together by accounting documents, realistically assessing the assets and liabilities, compiles financial and other reports in accordance with applicable accounting regulations and standards.

Members of the Management Board during the reporting period were as follows:

| | |
|---|---|
| Jedrzej Miroslaw Mierzewski | President until 1 April 2019 |
| Duško Grabovac | Deputy President until 1 May 2020 when he became President |
| Tomislav Kalafatić | Member until 19 August 2020 |
| Bartlomiej Michal Pastwa | Member from 19 June 2018 |

## Key elements of the systems of internal controls and risk management relating to financial reporting for the Company and the Group

The Company is obliged to prepare its financial statements in accordance with International Financial Reporting Standards and publish them in the prescribed time limits defined by the Croatian legislation. Financial reports drawn up by the Management Board and audited by an independent external auditor, are to be published on the website of the Company.

President of the Management Board is responsible for the creation of an internal control system that organizes and monitors the flow of accurate, specific and complete information on the organization of society as well as data on compliance with financial, business and legal obligations that may pose a significant risk to society. Internal Auditor should analyze and examine the effectiveness of such a system at least once a year.

The company shall have independent external auditors as an important instrument of corporate governance, so their main function is to ensure that the financial statements adequately reflect the real state of society as a whole. Independent external auditors shall be considered as the auditor who is related by ownership or interest with the company and does not provide, by itself or through other persons, any other services to the Company.

Independent auditors are required to report directly to the Management Board on the following issues:

- discussion on the main accounting policy,
- alternative accounting procedures,
- disagreement with the management, risk assessment, and
- possible analyses of fraud and / or abuse.

In its annual report and on its web pages the Company shall, in the prescribed form (annual questionnaire), note whether it has complied with the recommendations set out in this Code. This Code and its recommendations are based on the principle of "comply or explain", ie. If the company departs from or not applies some of the recommendations of the Code, the annual survey must give an explanation of why there has been a non-implementation or deviations. The annual survey is an integral part of this Code.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The Management Board of Luka Rijeka d.d. ("the Company") is required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company and the Group (the Company and its subsidiaries and associates form the Group) and of the results of their operations and their cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the separate and consolidated financial statements (together further referred to as "the financial statements") on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

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

The Management is also responsible for the preparation and content of the Management Report and the Statement on the implementation of corporate governance code, as required by the Croatian Accounting Act. The Management Report and the Statement of implementation of the corporate governance code, as well as the accompanying financial statements were authorised and signed by the Management Board on 23 April 2021 for issue to the Supervisory Board. The Supervisory Board is required to approve the annual financial statements for submission to the General Assembly of Shareholders for adoption.

| | | |
|---|---|---|
| **Duško Grabovac** | **Bartlomiej M.Pastwa** | **23 April 2021** |
| *President of the Management Board* | *Member of the Management Board* | Riva 1<br>51000 Rijeka<br>Hrvatska |

LUKA RIJEKA d.d.
Rijeka, Riva 1

# Independent Auditors’ report to the shareholders of Luka Rijeka d.d.

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the separate financial statements of Luka Rijeka d.d. (“the Company”) and the consolidated financial statements of the Company and its subsidiaries (together referred to as “the Group”), which comprise the separate and consolidated statements of financial position of the Company and the Group, respectively, as at 31 December 2020, and their respective separate and consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information (hereinafter “the financial statements”).

In our opinion, the accompanying financial statements give a true and fair view of the unconsolidated financial position of the Company and of the consolidated financial position of the Group as at 31 December 2020, and of their respective unconsolidated and consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (“EU IFRS”).

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

This version of our audit report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our audit report takes precedence over this translation.

KPMG

# Independent Auditors' Report to the shareholders of Luka Rijeka d.d. (continued)

## Report on the Audit of the Financial Statements (continued)

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Carrying amounts of concession related ROU assets and liabilities**

The Group and the Company recognised right of use (ROU) assets for the year ended 31 December 2020 in the amount of HRK 153,419 thousand (31 Dec 2019: HRK 186,331 thousand) and liabilities arising from the concession arrangement of HRK 382,476 thousand (31 Dec 2019: HRK 406,066 thousand). Refer to accounting policy 3.7 and notes 4(i) and 33 to the financial statements.

| Key audit matter | How our audit addressed the matter |
|---|---|
| As discussed in Note 4(i), the Company and the Group apply IFRS 16 *Leases* in accounting for the concession arrangement and have consequently recognized, in the statement of financial position, the ROU asset and corresponding liability associated with the port concession arrangement. The concession arrangement contains, among other things, an obligation to pay fixed and variable concession fees to the port authority, and to incur infrastructure-related expenditures in the concession term. In applying IFRS 16, significant judgement is required from management in identifying the lease and non-lease components within the arrangement, and in developing estimates (including those in respect of the lease payments and discount rates) as part of the determination of the carrying amounts of the ROU asset and the lease liability.<br><br>In addition, the Company and the Group regularly assess whether there are indicators of impairment of the concession ROU asset, and, if required, assesses its recoverability as part of an impairment test for the port cash-generating unit (CGU), which comprises assets within and outside of the concession area. The recoverable amount of the CGU is estimated using a present value technique based on a discounted cash flow model. The impairment test required a significant degree of judgement by management, including, but not limited to, in respect of the identification and determination of assets underlying the CGU, the reasonableness of assumptions with respect to cash flow forecasts used, and the determination of the appropriate discount rate.<br><br>Due to the above factors, this area required our significant judgment and increased attention in the audit and we considered it to be a significant risk in our audit and our key audit matter. | *Our procedures included the following:*<br><br>• Through inquiries of the members of the Management Board and of relevant technical and finance personnel, and reading of the Company's and the Group's internally prepared accounting memoranda and policies, evaluating:<br>- Management's reassessment of the appropriateness of the accounting approach to the concession arrangement against the requirements of the standard;<br>- the identification of lease and non-lease components of the arrangement, especially with respect to distinguishing between infrastructure-related expenditure (as lease component) and own-assets-related capital expenditure;<br>• Tracing the expected amounts and timing of lease payments included in the model for measurement of the lease liabilities to the terms of the concession arrangement and the relevant capital expenditure plans;<br>• Recalculating the remeasurement of ROU liabilities (where applicable) and tracing of inputs in the model to relevant source documentation, including evaluating the applied discount rate;<br>• Evaluating whether the disclosures in the financial statements, as the lessee, appropriately include the relevant quantitative and qualitative information required by the applicable financial reporting framework.<br><br>*In respect of carrying amounts of ROU assets, our procedures, performed where applicable with the assistance from our own valuation specialists, included:*<br><br>• Challenging the management's assessment of the ROU assets for impairment with particular focus on the grouping of assets within appropriate cash-generating units and the appropriateness of the valuation technique applied for compliance with the relevant accounting standards;<br>• Testing the integrity of the impairment model, including but not limited to:<br>- assessing the discounted cash flow model against the requirements of the relevant financial reporting standards and for internal consistency;<br>- evaluation of key assumptions applied (such as discount rates and growth rates) for reasonableness compared to externally derived data and historical financial performance;<br>- performing a sensitivity analysis to changes in key assumptions;<br>• Evaluating the adequacy and completeness of impairment related disclosures in the financial statements. |

# Independent Auditors' Report to the shareholders of Luka Rijeka d.d. (continued)

## Report on the Audit of the Financial Statements (continued)

### *Other Information*

Management is responsible for the other information. The other information comprises the Management Report and the Corporate Governance Statement included in the Annual Report of the Company and the Group but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether:

- the Management Report has been prepared in accordance with the requirements of Articles 21 and 24 of the Accounting Act;
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and the procedures above, in our opinion:

- the information given in the Management Report and Corporate Governance Statement for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report has been prepared, in all material respects, in accordance with the requirements of Articles 21 and 24 of the Accounting Act, respectively;
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report and Corporate Governance Statement. We have nothing to report in this respect.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

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

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

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

# Independent Auditors’ Report to the shareholders of Luka Rijeka d.d. (continued)

## Report on the Audit of the Financial Statements (continued)

### *Auditors’ Responsibilities for the Audit of the Financial Statements*

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

# Independent Auditors' Report to the shareholders of Luka Rijeka d.d. (continued)

## Report on the Audit of the Financial Statements (continued)

***Auditors' Responsibilities for the Audit of the Financial Statements (continued)***

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

## Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 31 August 2020 to audit the financial statements of the Company and the Group for the year ended 31 December 2020. Our total uninterrupted period of engagement is 7 years, covering the periods ending 31 December 2014 to 31 December 2020.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 23 April 2021;
- for the period to which our statutory audit relates, we have not provided any non-audit services, hence we have not provided any prohibited non-audit services referred to in Article 44 of the Audit Act. We also remained independent of the Company and the Group in conducting the audit.

***KPMG Croatia d.o.o. za reviziju*** **23 April 2021**

Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

This version of our audit report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our audit report takes precedence over this translation.

# STATEMENT OF COMPREHENSIVE INCOME

# FOR THE YEAR ENDED 31 DECEMBER 2020

| *(in thousands of HRK)* | ***Note*** | **2020 Group** | 2019 Group | **2020 Company** | 2019 Company |
|---|---|---|---|---|---|
| Revenue from sales | *7* | 147,617 | 147,716 | 146,653 | 147,107 |
| Other income | *8* | 18,456 | 12,652 | 18,285 | 12,509 |
| | | **166,073** | **160,368** | **164,938** | **159,616** |
| Materials, services and consumables used | *9* | (48,508) | (49,542) | (51,655) | (52,688) |
| Personnel expenses | *10* | (75,007) | (73,686) | (72,364) | (71,227) |
| Depreciation and amortisation | *16,17,18, 33* | (20,021) | (21,863) | (19,407) | (21,090) |
| Other expenses | *11* | (26,768) | (25,275) | (26,160) | (24,811) |
| | | **(170,304)** | **(170,366)** | **(169,586)** | **(169,816)** |
| Finance income | *12* | 1,677 | 1,473 | 19,312 | 4,744 |
| Finance costs | *13* | (21,189) | (21,867) | (21,179) | (21,847) |
| **Net finance costs** | | **(19,512)** | **(20,394)** | **(1,867)** | **(17,103)** |
| Share of profit of equity-accounted investees | *19* | 20,581 | 17,570 | - | - |
| **Loss before tax** | | **(3,162)** | **(12,822)** | **(6,515)** | **(27,303)** |
| Income tax | *14* | (87) | (3,579) | 0 | (3,535) |
| **Loss for the year** | | **(3,249)** | **(16,401)** | **(6,515)** | **(30,838)** |
| Revaluation of land | | - | - | - | - |
| Change in fair value of financial assets | | 22 | 19 | 22 | 19 |
| Deferred tax effect | | (4) | (4) | (4) | (4) |
| Other comprehensive income | | **18** | **15** | **18** | **15** |
| **Total comprehensive loss** | | **(3,231)** | **(16,386)** | **(6,497)** | **(30,823)** |
| **Loss per share (in HRK)** | | | | | |
| - basic and diluted | *15* | (0.24) | (1.22) | | |

Notes which follow form an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2020

| *(in thousands of HRK)* | *Note* | **31.12.2020 Group** | 31.12.2019 Group | **31.12.2020 Company** | 31.12.2019 Company |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | *16* | 38 | 158 | 38 | 158 |
| Property, plant and equipment | *17* | 537,654 | 550,826 | 536,413 | 549,735 |
| Investment property | *18* | 6,733 | 6,916 | 6,733 | 6,916 |
| Concession assets with right of use | *33* | 153,419 | 186,331 | 153,419 | 186,331 |
| Investments in subsidiaries and equity accounted investees | *19* | 118,318 | 115,377 | 11,787 | 11,767 |
| Investments in equity instruments | *20* | 166 | 144 | 166 | 144 |
| Non-current financial assets | *21* | 1,416 | 2,192 | 1,416 | 2,192 |
| Deferred tax assets | *14* | 9,604 | 9,608 | 9,604 | 9,608 |
| **Total non-current assets** | | **827,348** | **871,552** | **719,576** | **766,851** |
| **Current assets** | | | | | |
| Inventories | | 1,539 | 1,668 | 1,539 | 1,668 |
| Trade and other receivables | *23* | 52,422 | 30,193 | 51,777 | 29,540 |
| Income tax receivable | | 24 | 1 | - | - |
| Current financial assets | *22* | 22,572 | 17,599 | 22,572 | 17,599 |
| Cash and cash equivalents | *24* | 19,626 | 30,850 | 18,016 | 29,498 |
| **Total current assets** | | **96,183** | **80,311** | **93,904** | **78,305** |
| **Total assets** | | **923,531** | **951,863** | **813,480** | **845,156** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Shareholders' equity** | | | | | |
| Share capital | *25* | 539,219 | 539,219 | 539,219 | 539,219 |
| Capital and other reserves | *26* | 38,624 | 38,624 | 38,624 | 38,624 |
| Revaluation reserves | *26* | 34,137 | 34,119 | 34,137 | 34,119 |
| Accumulated losses | | (219,508) | (216,259) | (324,180) | (317,665) |
| **Total equity** | | **392,472** | **395,703** | **287,800** | **294,297** |
| **Non-current liabilities** | | | | | |
| Borrowings | *27* | 61,210 | 69,443 | 60,885 | 69,382 |
| Liabilities for concession assets with right of use | *33* | 226,338 | 244,703 | 226,338 | 244,703 |
| Provisions | *28* | 2,365 | 2,365 | 2,365 | 2,365 |
| Deferred tax liability | *14* | 12,545 | 12,545 | 7,489 | 7,489 |
| **Total non-current liabilities** | | **302,458** | **329,056** | **297,077** | **323,939** |
| **Current liabilities** | | | | | |
| Trade and other payables | *29* | 56,137 | 48,578 | 56,227 | 48,413 |
| Liabilities for concession assets with right of use | *33* | 156,138 | 161,363 | 156,138 | 161,363 |
| Income tax liability | | 88 | 19 | - | - |
| Borrowings | *27* | 11,161 | 12,537 | 11,161 | 12,537 |
| Provisions | *28* | 5,077 | 4,607 | 5,077 | 4,607 |
| **Total current liabilities** | | **228,601** | **227,104** | **228,603** | **226,920** |
| **Total liabilities** | | **531,059** | **556,160** | **525,680** | **550,859** |
| **Total equity and liabilities** | | **923,531** | **951,863** | **813,480** | **845,156** |

Notes which follow form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2020

**GROUP**

| *(in HRK thousands)* | **Share capital** | **Capital and other reserves** | **Revaluation reserves** | **Accumulated losses** | **Total** |
|---|---|---|---|---|---|
| **As at 1 January 2019** | **539,219** | **38,624** | **34,104** | **(199,858)** | **412,089** |
| Loss for the year | - | - | - | (16,401) | (16,401) |
| *Change in fair value of land* | - | - | - | - | - |
| *Change in fair value of equity instruments* | - | - | *19* | - | *19* |
| *Deferred tax effect* | - | - | *(4)* | - | *(4)* |
| Other comprehensive income | - | - | 15 | - | 15 |
| Total comprehensive income | - | - | 15 | (16,401) | (16,386) |
| **As at 31 December 2019** | **539,219** | **38,624** | **34,119** | **(216,259)** | **395,703** |
| Loss for the year | - | - | - | (3,249) | (3,249) |
| *Change in fair value of land* | - | - | - | - | - |
| *Change in fair value of equity instruments* | - | - | *22* | - | *22* |
| *Deferred tax effect* | - | - | *(4)* | - | *(4)* |
| Other comprehensive income | - | - | 18 | - | 18 |
| Total comprehensive income | - | - | 18 | (3,249) | (3,231) |
| **As at 31 December 2020** | **539,219** | **38,624** | **34,137** | **(219,508)** | **392,472** |

Notes which follow form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

## FOR THE YEAR ENDED 31 DECEMBER 2020

**COMPANY**

| *(in HRK thousands)* | **Share capital** | **Capital and other reserves** | **Revaluation reserves** | **Accumulated losses** | **Total** |
|---|---|---|---|---|---|
| **As at 1 January 2019** | **539,219** | **38,624** | **34,104** | **(286,827)** | **325,120** |
| Loss for the year | - | - | - | (30,838) | (30,838) |
| *Change in fair value of land* | - | - | - | - | - |
| *Change in fair value of equity instruments* | - | - | *19* | - | *19* |
| *Deferred tax effect* | - | - | *(4)* | - | *(4)* |
| Other comprehensive income | - | - | 15 | - | 15 |
| Total comprehensive income | - | - | 15 | (30,838) | (30,823) |
| **As at 31 December 2019** | **539,219** | **38,624** | **34,119** | **(317,665)** | **294,297** |
| Loss for the year | - | - | - | (6,515) | (6,515) |
| *Change in fair value of land* | - | - | - | - | - |
| *Change in fair value of equity instruments* | - | - | *22* | - | *22* |
| *Deferred tax effect* | - | - | *(4)* | - | *(4)* |
| Other comprehensive income | - | - | 18 | - | 18 |
| Total comprehensive income | - | - | 18 | (6,515) | (6,497) |
| **As at 31 December 2020** | **539,219** | **38,624** | **34,137** | **(324,180)** | **287,800** |

Notes which follow form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2020

| *(in thousands of HRK)* | ***Note*** | **2020 Group** | 2019 Group | **2020 Company** | 2019 Company |
|---|---|---|---|---|---|
| **Loss before tax** | | **(3.162)** | **(12.822)** | **(6.515)** | **(27.303)** |
| Share of net profit of equity accounted investee | *19* | (20.581) | (17.570) | - | - |
| Depreciation and amortization | *16,17,18,33* | 20.021 | 21.863 | 19.407 | 21.090 |
| Gain on disposal of property, plant and equipment and intangibles | *8* | (2.874) | (267) | (2.874) | (267) |
| Impairment of property and equipment | *11* | - | - | - | - |
| Impairment of trade receivables - net | *11* | 2.760 | 777 | 2.760 | 777 |
| Interest income | *12* | (42) | (169) | (42) | (169) |
| Interest expense | *13* | 14.644 | 19.858 | 14.636 | 19.838 |
| Dividend income | *12* | - | - | (17.640) | (3.276) |
| Losses on equity instruments | *20* | - | - | - | - |
| Reversal of provisions | *8,11* | (246) | (141) | (246) | (141) |
| Foreign exchange differences - net | | 4.441 | 1.367 | 4.508 | 1.411 |
| | | **14.961** | **12.896** | **13.994** | **11.960** |
| **Changes in working capital:** | | | | | |
| Decrease/(increase) in inventories | | 129 | 136 | 129 | 136 |
| Decrease/(increase) in trade and other receivables | | (25.374) | (3.019) | (25.382) | (3.008) |
| Increase/(decrease) in trade and other payables | | 290 | (9.241) | 5.881 | (9.079) |
| Decrease in provisions | | 716 | 1.973 | 716 | 1.973 |
| **Cash from operations** | | **(9.278)** | **2.745** | **(4.662)** | **1.982** |
| Income tax paid/(received) | | 46 | 23 | - | 2 |
| Interest paid | | (2.210) | (1.995) | (2.202) | (1.975) |
| **Net cash from operating activities** | | **(11.442)** | **773** | **(6.864)** | **9** |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant, equipment and intangibles | | (623) | (28.796) | 141 | (28.224) |
| Proceeds from disposal of property, plant and equipment and invest | | 6.965 | 487 | 6.965 | 487 |
| Net inflows/(outflows) related to Group and State owned apartment | | 2.358 | 2.876 | 2.358 | 2.876 |
| Interest received | | 42 | 169 | 42 | 169 |
| Dividend from equity accounted investees | *19* | 17.640 | 3.276 | 17.640 | 3.276 |
| Net inflows/(outflows) from bank deposits | | (5.001) | (7.727) | (5.001) | (7.727) |
| Other net inflows/(outflows) from financial assets | | 28 | 121 | 28 | 121 |
| **Net cash from investing activities** | | **21.409** | **(29.594)** | **22.173** | **(29.022)** |
| **Cash flows from financing activities** | | | | | |
| Proceeds from loans | *27* | - | 27.663 | - | 27.663 |
| Repayment of loans | *27* | (8.920) | (11.552) | (8.920) | (11.552) |
| Repayments of leases | *27* | (3.784) | (4.267) | (4.048) | (4.048) |
| Receipts from grants related to capital investments | *29* | 5.336 | - | - | - |
| Repayment of liabilities for concession assets | *33* | (13.823) | (4.253) | (13.823) | (4.253) |
| **Net cash from financing activities** | | **(21.191)** | **7.591** | **(26.791)** | **7.810** |
| **Net increase of cash and cash equivalents** | | **(11.224)** | **(21.230)** | **(11.482)** | **(21.203)** |
| Cash and cash equivalents at beginning of year | | 30.850 | 52.080 | 29.498 | 50.701 |
| **Cash and cash equivalents at the end of year** | *24* | **19.626** | **30.850** | **18.016** | **29.498** |

Notes which follow form an integral part of these financial statements.

## NOTE 1 – GENERAL INFORMATION

### History and incorporation

Luka Rijeka d.d. (‘the Company’) was formed through conversion of the former social company and registered as a joint-stock company at the Commercial Court in Rijeka on 25 January 1999 under the trade register number 040141664. The Company’s PIN number is 92590920313. The principle activities of the Company comprise maritime loading, unloading, transshipment and storage of goods as well as mooring and unmooring ships. The Company is headquartered in Riva 1, Rijeka, Croatia. The Company and its subsidiaries and associates are together referred to as the Group.

Principal activities of subsidiaries and associates are as follows: management of investment property (subsidiary Stanovi d.o.o.), carriage, warehousing and freight (subsidiary Luka prijevoz d.o.o.) and container terminal management (associate Jadranska vrata d.d.). All subsidiaries and the associate are based in Rijeka and Bakar, Croatia.

Issued share capital of the Company amounts to HRK 539,219,000 and is distributed among 13,480,475 shares with a nominal value of HRK 40 each. The Company’s shares are listed on the official market of the Zagreb Stock Exchange with the ticker LKRI-R-A. The shareholder structure is shown in note 25.

Members of the Supervisory Board of the Company during the reporting period and to the date of this report were as follows:

| First name | Last name | Role | Appointed | Resigned |
|---|---|---|---|---|
| Alen | Jugović | President | 27.12.2017. | - |
| Dragica | Varljen | Deputy president | 28.2.2020. | - |
| Zbigniew | Nowik | Deputy president | 27.12.2017. | 31.8.2020. |
| Jerzy Grzegorz | Majewski | Member | 27.12.2017. | - |
| Duško | Grabovac | Member | 27.12.2017. | 30.4.2020. |
| Dragica | Varljen | Member | 4.7.2018. | 28.2.2020. |

Members of the Management Board during the reporting period are as follows:

| | |
|---|---|
| Jedrzej Miroslaw Mierzewski | President until 1 April 2019 |
| Duško Grabovac | Deputy President until 1 May 2020 when he became President |
| Tomislav Kalafatić | Member until 19 August 2020 |
| Bartlomiej Michal Pastwa | Member from 19 June 2018 |

**NOTE 2 – BASIS OF PREPARATION**

*(i) Statement of compliance*

The separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

The separate financial statements are presented for the Company while the consolidated financial statements relate to the Company and its subsidiaries and equity accounted investees, i.e. the Group. The separate and consolidated financial statements are further together referred to as the "financial statements".

These financial statements were authorised for issue by the Management Board on 23 April 2021.

*(ii) Basis of measurement*

These financial statements have been prepared on the historical cost basis, except for the following:

- Land (note 3.6 (i))
- Financial assets measured at FVOCI or FVTPL (note 3.15)

Methods used for fair value measurement are explained in note 5.

*(iii) Functional and presentation currency*

These financial statements are prepared in the Croatian kuna ("HRK"), which is also the functional currency, rounded to the nearest thousand.

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied by the Company and its subsidiaries to all periods presented in these financial statements and represent the accounting policies of the Group adopted in the preparation of these financial statements.

**3.1 Basis of consolidation**

*(i) Business combinations*

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

*(ii) Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

In its separate financial statements, the Company accounts for its investments in subsidiaries at cost less any impairment.

*(iii) Associates (equity accounted investees)*

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

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

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

*(iv) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### 3.2 Revenue recognition

*Revenue recognition and performance obligations*

The Group recognizes revenue when it transfers control over a good or service to a customer. The transfer of control of a good or service may take place continuously (revenue recognition on a progress towards completion basis) or on a specific date (recognition on completion). Before revenue is recognised, the Group identifies both the contract (a contract equivalent typically defined as a customer arrangement with direct reference to the prescribed tariff) and the various performance obligations contained in the contract. The number of performance obligations depends on the type of contract and activities. Most of the Group's customer arrangements involve several separate services which have a stand-alone and reliably measurable value to the customer (based on the tariff) whereby each separate service has its own separate performance obligation. Revenue is shown, net of value-added tax.

*(i) Revenue from port services*

The Group provides port related services such as carriage, transhipment, freight, handling (on and off loading) and warehousing of various types of cargo. Revenue is measured based on the consideration specified in a contract with a customer, which is based on the tariff for port services prescribed by the port authority. These services are predominantly recognized over time. The services that have been determined to be one performance obligation are highly inter-related and fulfilled over time. Revenue therefore continues to be recognized over time. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed on the basis of the actual service provided as a proportion of the total services to be provided (for instance, number of tonnes off or on loaded compared to total shipment size; or number of storage days elapsed compared to the total number of storage days contracted).

*(ii) Finance income*

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised when the right to receive payment is established.

## NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 Foreign currency transactions

*Transactions and balances in foreign currencies*

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the foreign exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary assets and items that are measured in terms of historical cost of a foreign currency are not retranslated.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into functional currency at foreign exchange rates ruling at the date of transaction.

### 3.4 Intangible assets

Where patents, licences, and similar rights are acquired by the Group from third parties the costs of acquisition are capitalised to the extent that future economic benefits are probable and will flow to the Group.

Licences are amortised over their estimated useful lives. Estimated useful lives are reviewed annually and impairment reviews are undertaken if events occur which call into question the carrying values of the assets.

Subsequent expenditure on capitalised intangible assets is capitalised only if it is probable that it increases the future economic benefits embodied in the specific asset to which it relates and those benefits will flow to the Group. All other expenditure is recognised in the profit or loss as an expense as incurred.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date on which they are available for use. The estimated useful lives of intangible assets are as follows:

| | |
|---|---|
| Software | 1 – 5 years |

### 3.5 Investment property

Investment property comprises properties held to earn rentals, for capital appreciation, or both. Inbuilt equipment is considered part of the investment property. Cost includes all expenditure directly related to the acquisition of the asset. Investment property under course of construction is classified as non-current tangible assets in the course of construction until it is ready for use. Investment property is carried at cost less accumulated depreciation and any impairment losses.

Subsequent expenditure for investment property is capitalised only if it is probable that it increases the future economic benefits embodied in the specific asset to which it relates and it can be reliably measured. Regular maintenance expenditure is recognised in income statement as an expense as incurred.

Depreciation is charged to income statement over the estimated useful economic life on a straight-line basis to all investment property except from those in the course of construction (in the case of further development of existing investment property), using the following depreciation rates reflecting their estimated useful lives:

| | |
|---|---|
| Residential apartments | 65 years |

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.6 Property, plant and equipment**

*(i) Land*

After initial recognition at cost, land is carried at a revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated impairment losses.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

When the carrying amount is increased as a result of revaluation, the increase is recognised in other comprehensive income and accumulated in equity as a revaluation reserve. Revaluation increase is recognized as income to the extent that it reverses a revaluation decrease of the same asset previously recognized as expense.

When the carrying amount is decreased as a result of revaluation, the decrease is recognized as a decrease in the revaluation reserve only to the extent that it does not exceed the amount held in the revaluation reserve for the same asset, and the remainder is recognised as expense in profit or loss.

The revaluation is carried out with sufficient regularity in a way that the carrying amount does not differ materially from the amount which would be determined using fair values at the reporting date. Certain land is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Gains or losses arising from derecognition of land (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss when it is derecognised.

The relevant portion of the revaluation surplus realized in the previous revaluation is released to retained earnings on the disposal of the revalued asset.

*(ii) Buildings, plant and equipment*

Buildings, plant and equipment are included in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items.

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

Assets under construction are not depreciated. Depreciation of buildings, plant and equipment is calculated using the straight-line method to allocate their cost less any residual value over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | 15 to 60 years |
| Equipment and fittings | 2 to 8 years |
| Leasehold improvements | 10 to 30 years |

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 3.8).

Gains and losses on disposals are determined as the difference between the income from the disposal and the carrying amounts of the asset disposed, and are recognised in profit or loss within other income/expenses.

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.7 Leases**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

*i. As a lessee*

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by reference to interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments;
– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– amounts expected to be payable under a residual value guarantee; and
– the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.7 Leases (continued)**

*i. As a lessee (continued)*

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Other than with respect to right-of-use assets and liabilities arising from the Concession Agreement, the Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position. Concession related right-of-use assets and liabilities are presented as separate items in the statement of financial position.

*Short-term leases and leases of low-value assets*

The Group does not recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The number of such arrangements and the respective amounts is not significant.

*ii. As a lessor*

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from those under IFRS 16.

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.8 Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (apart from inventory and deferred tax assets which are separately reviewed) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

**3.9 Inventories**

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

Trade goods are carried at the lower of purchase cost and net realisable value.

**3.10 Trade receivables**

Trade receivables are recognised initially at cost which is equal to the fair value at the moment of recognition and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

**3.11 Cash and cash equivalents**

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

**3.12 Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions associated with them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or loss already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.13 Employee benefits**

*(i) Pension obligations and post-employment benefits*

In the normal course of business through salary deductions, the Group makes payments to privately operated mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Group is not obliged to provide any other post-employment benefits with respect to these pension schemes.

*(ii) Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as expenses when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

*(iii) Regular retirement benefits*

Retirement benefits falling due more than 12 months after the reporting date are discounted to their present value based on the calculation performed at each reporting date by an independent actuary, using assumptions regarding the number of staff likely to earn regular retirement benefits, estimated benefit cost and the discount rate which is determined as average expected rate of return on investment in government bonds. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in profit or loss.

*(iv) Long-term employee benefits*

The Group recognises a liability for long-term employee benefits (jubilee awards) evenly over the period the benefit is earned based on actual years of service. The long-term employee benefit liability is determined annually by an independent actuary, using assumptions regarding the likely number of staff to whom the benefits will be payable, estimated benefit cost and the discount rate which is determined as the average expected rate of return on investment in government bonds. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in profit or loss.

*(v) Short-term employee benefits*

The Group recognises a liability for employee bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

**3.14 Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the reversal of such discounting in each year is recognized as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

Provisions for restructuring costs are recognized when the Group has a detailed formal plan for the restructuring that has been communicated to parties concerned.

## NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.15 Financial assets

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at:

- amortised cost;
- FVOCI (fair value through other comprehensive income) – debt investment;
- FVOCI – equity investments;
- or FVTPL (fair value through profit or loss).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.15 Financial assets (continued)**

(ii) Classification and subsequent measurement (continued)

*Business model assessment*

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on; earning contractual interest income; maintaining a particular interest rate profile; matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows; or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business and/or the portfolio are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Business model for receivables is for them to be held until collection.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

*Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing the basic criterion of whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that the basic criterion would not be met.

The structure of financial assets of the Group is simple as it primarily relates to trade receivables with no significant financing component and short-term bank deposits at fixed interest rates and cash and cash equivalents. This facilitates and minimizes the complexity of the assessment of whether or not the financial assets meets the basic criterion of representing 'solely payments of principal and interest'.

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.15 Financial assets (continued)**

(ii) Classification and subsequent measurement (continued)

*Subsequent measurement and gains and losses*

The table below provides an overview of key features of the accounting policy that the Group applies with respect to subsequent measurement of financial assets and recognition of gains and losses per each type of financial asset:

| | |
|---|---|
| **Financial assets at FVTPL** | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| **Financial assets at amortised cost** | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| **Debt investments at FVOCI** | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| **Equity investments at FVOCI** | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividends clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. |

(iii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

When the Group enters into transactions whereby it transfers financial assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

## NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.16 Financial liabilities

**(i)** Recognition and initial measurement

Debt securities issued are initially recognised when they are originated. All other financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

**(ii)** Classification and subsequent measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as at FVTPL on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

**(iii)** Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

### 3.17 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### 3.18 Impairment of non-derivative financial assets

*Recognition of loss allowances*

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

## NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.18 Impairment of non-derivative financial assets (continued)

*Recognition of loss allowances (continued)*

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on financial assets (primarily receivables) has increased significantly if early warning indicators are activated in line with the Group's policy or the contractual terms of the instrument.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 360 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

*Credit impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or considerable delays in payment of due receivables;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

*Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

*Write-off of financial assets*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group generally expects no significant recovery from the amount written off.

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### 3.19 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

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

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

All other borrowing costs are charged to the statement of income in the period incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### 3.20 Share capital

Share capital consists of ordinary shares. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds of those transactions. Any excess of the fair value of the consideration received over the par value of the shares issued is presented in the notes as a share premium. Where the Group purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group’s equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group’s equity holders.

### 3.21 Dividends

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

### 3.22 Segment reporting

Segment represents a separable part of the Group either as a part engaged in providing products or services (business segment) or as a part engaged in providing products or services within a particular economic environment (geographical segment) that is subject to risk and benefits that differ from those of other segments. The Group does not report segment information in terms of the requirement of IFRS 8 *Operating segments* as internal reporting is not based on segmental information other than revenues per type of cargo which is disclosed within note 7 to the financial statements.

## NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.23 Taxation

*(i) Income tax*

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

*(ii) Deferred tax assets and liabilities*

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and differences relating to investments in subsidiaries and jointly controlled companies when it is probable that their status will not change in the near future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

*(iii) Tax exposures*

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

*(iv) Value added tax (VAT)*

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

### 3.24 Comparative information

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

**NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES**

*Critical judgements and estimates in applying accounting policies*

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed below.

*(i) Accounting for the Concession Agreement*

*Characteristics of the Concession Agreement*

A significant part of the Group's registered activity is performed on an area under concession over maritime domain. According to the Maritime Domain and Seaports Act, the maritime domain is managed by the Port Authority of Rijeka, who is the concession Grantor. The concession agreement (“Concession Agreement”) was originally signed on 19 September 2000 for a period of 12 years and modified in 2011 thereby, amongst modifying other terms, extending the concession period by a further 30 years ending in 2042. The concession agreement concerns the port operations in the Port of Rijeka area, at the risk and responsibility of the Operator and taking into account; the applicable technical regulations; the terms and conditions of the licence for provision of port services; minimal service limits, and other requirements specified by the Port Authority of Rijeka. According to the concession arrangement, the Operator will have the right of use over the assets representing the infrastructure of the port owned by the Port Authority of Rijeka for the purpose of providing port services.

Under the Concession Agreement, the Operator has the obligation to cover all costs associated with performing concession activities (energy, water, gas, postal and telephone services, garbage collection and similar related costs), as well as utilities, water charges, water protection fees, insurance costs and other miscellaneous fees arising from the use of area under concession. In addition to the above costs, the Operator pays an annual concession fee composed of a fixed fee per square metre of area under concession and a variable fee per tonne of each type of cargo transhipped through the Port of Rijeka.

The Concession Agreement also defines obligations of the Operator to incur capital expenditure relating to the maintenance and replacement of port infrastructure assets and investments into equipment required for port operations in the concession area in a total amount of EUR 146 million of which approximately EUR 86 million relates to infrastructure related expenditure and investment into owned assets (equipment for port operations). The timing of expenditure and its nature (infrastructure related expenditure as opposed to investments into own assets/equipment) is regulated within a predefined schedule which the Operator is required to adhere to the extent allowable by circumstances (for more details see note 33). The assets representing the infrastructure of the port (which includes assets over which the right of use was transferred to the Operator at the signing of the Concession Agreement and the infrastructure related expenditure the Operator is required to incur during the concession term) constitute ‘‘relevant assets’’ the Operator is obligated to return back to the Grantor upon expiry of the concession term or demolish, at no cost and upon the request of the Grantor (currently the Operator does not expect any future demolition costs with respect to such assets).

The Group and Company have considered relevant financial reporting standards and interpretations in determining the appropriate approach to accounting for the Concession Agreement. The Group applies IFRS 16 to account for the Concession Agreement but, similar to prior years, continues to annually consider the applicability of IFRIC 12 *Service Concession Arrangements* (an interpretation governing the accounting for public-to-private service concession arrangements).

*Considerations on the applicability of IFRIC 12*

The Concession Agreement represents a form of public-to-private service concession arrangements and most of the characteristics of the arrangement are aligned with those specified in IFRIC 12. However, one of the main factors that related to the applicability of IFRIC 12 is the mechanism which regulates and revises prices of services. The fees charged by the Group to its customers are continuously significantly below the maximum fee tariff prescribed by the Port Authority of Rijeka and management assessed that the mechanism for regulating and revising prices that is currently in place does not represent a substantive price regulation whereby IFRIC 12 is not applicable.

**NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)**

*Critical judgements and estimates in applying accounting policies (continued)*

*(i) Accounting for the Concession Agreement (continued)*

*Application of IFRS 16 to the Concession Agreement*

By analysing the Concession Agreement, Management concluded that the Concession Agreement is in substance an arrangement containing lease components as defined by IFRS 16 and that the concession area and the related infrastructure represent the underlying identified asset(s) in the arrangement whose economic benefits from use throughout the period of the concession will substantially all be obtained by the Group. The Group has therefore identified the Concession Agreement as an agreement containing a lease which should therefore, in absence of applicability of IFRIC 12, be accounted for under IFRS 16.

Since the Concession Agreement contains various obligations which include, among other things, an obligation to pay fixed and variable concession fees, obligation to incur infrastructure-related expenditure as well as expenditure for own assets and maintenance in the concession area, the Group exercises judgement in identifying the lease and non-lease components in the arrangement.

In this context, the Group concluded that the obligations relating to payment of fixed concession fees and infrastructure-related expenditure represent lease components under IFRS 16 while the remaining obligations relating to expenditure for own assets (equipment) and maintenance as well as payments of variable concession fees do not represent lease components and are therefore accounted for under other relevant standards, primarily IAS 16 *Property, plant and equipment*.

In terms of the duration of the lease term, the Group concluded that the currently valid concession term ending in 2042 and starting from the end of 2011 (date of latest substantial modification of the Concession Agreement) is the most appropriate expected lease term for the purposes of measurement of ROU asset and relevant liabilities.

The Group also exercises judgements in assessing the recoverability of the ROU assets and determining the appropriate approach to impairment testing. In this context, the Group assessed the recoverability of the ROU assets recognised on transition to IFRS 16 in the preceding year as part of an impairment test on the level of a larger cash generating unit (CGU) which comprises both the area within and outside of the concession area (such as the supporting warehousing and logistics terminal). The recoverable amount of the combined CGU was measured using a present value technique based on a discounted cash flow model which required a significant degree of judgement in evaluating the reasonableness of grouping of assets into the combined CGU, the reasonableness of assumptions with respect to cash flow forecasts of the CGU and the determination of the appropriate discount rate and growth rate. The impairment test model included cash flow projections discounted with a weighted average cost of capital (WACC) of 7.3% and implied an annual growth rate of between 0.5% and 1% after the project period ending 2024.

The projected cash flows also reflect the expected use of EU (INEA) grants for currently active CEF projects for rehabilitation and modernisation of the port area. The Group and the Port Authority of Rijeka applied for financing from EU structuring funds for these projects and have received confirmation of funding in the amount of up to a maximum of 85% of the total expected capital expenditure of EUR 39.7 million. However, the projected cash flows from the EU grant money include an adjusting factor to reflect potential changes to the project budget due to its scale and complexity of execution.

During the current year, the Group observed disruptions in its operations due to the COVID 19 pandemic which has primarily affected the timeline of the execution of investments into the concession area (namely CEF projects), a significant part of which was to be executed by the reporting date. However, given a number of restrictions imposed by the pandemic, the Group reassessed the project execution timeline and now expect a 1 year delay in executing the CEF projects. Since this change in the timing of cash flows was deemed significant given the magnitude of investments which amount to a total of 39.7 million euro, the Group remeasured the relevant ROU liability to reflect the modification in timeline of expected lease payments at a revised discount rate of 3% based on currently expected interest rates on long term debt. The effect of the remeasurement was accounted for as a change in the ROU liability with a corresponding effect on the ROU asset.

The Group has also reviewed whether indications of impairment of the ROU asset arose due to the pandemic. Given the long-term nature of the asset and the fact that the majority of its value derives from executing the required CAPEX, the Group concluded that the short term effects of reduced revenues and profitability as a result of the pandemic do not modify the long term plans with respect to its port operations other than extending the cash flow timeline to account for the delays in CAPEX execution. Based on the modification of its plans in accounting for the CAPEX delays, the Group concluded that the ROU asset does not require a reduction in the carrying value other than that which was accounted for as a result of the remeasurement of the corresponding ROU liability which already takes into account the amended timeline of lease payments.

**NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)**

*Critical judgements and estimates in applying accounting policies (continued)*

*(ii) Deferred tax assets recognition*

The net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and applies estimation based on previous years taxable profits and expectations of future income that are believed to be reasonable under the existing circumstances (see notes 3.23 and 14).

*(iii) Actuarial estimates used in determining obligations for employee benefits*

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions about discount rates, future salary increases, staff turnover and the mortality or fluctuation rates. Due to the long-term nature of those plans, these estimates contain an element of uncertainty (see note 3.13 and 28).

*(iv) Consequences of certain legal actions*

There are a number of legal actions which have arisen from the regular course of operations. Management makes estimates of probable outcomes of the legal actions and recognises provisions for liabilities arising from these actions on a consistent basis.

The Group recognises a provision in the total expected amount of outflows of economic benefits as a result of the court case, which is generally the claim amount plus the estimated related legal costs and penalty interest (if applicable), if it is more likely than not, based on the opinion of management after consultation with legal advisers, that the outcome of the court case will be unfavourable for the Group. The Group does not recognise provisions for court cases or the expected related legal costs and penalty interest (if applicable) in cases where management estimates that an unfavourable outcome of the court case is less likely than a favourable outcome for the Group.

Where indications exist of a possible settlement in relation to a particular court case, a provision is recognised, based on the best estimate of management made in consultation with its legal advisers, in the amount of the expected settlement less any existing amounts already provided for in relation to that particular court case.

Where the Group is a plaintiff in a particular court case, any economic benefits expected to flow to the Group as a result are recognised only when virtually certain which is generally as at the date of inflow of these economic benefits.

Provisions for the Group's obligations arising legal actions are recognised on a consistent basis and estimated on a case by case principle (see note 3.14 and 28).

*(v) Recoverability of trade and other receivables*

The recoverable amount of trade and other receivables is estimated at present value of future cash flows discounted at the market interest rate at the measurement date. Short-term receivables with no stated interest rate are measured by the amount of original invoice if the effect of discounting is not significant.

The Group regularly reviews the ageing structure of trade receivables and monitors the average collection period. In cases where debtors with extended payment periods (generally above 120 days) are identified, the Group reduces the related credit limits and payment days for future transactions and, in cases where it deems it necessary, imposes restrictions on future transactions or delivery of cargo held in storage until the outstanding balance is repaid either entirely or in part. In cases where the Group identifies receivables toward debtors which have entered into pre-bankruptcy or bankruptcy proceedings, an impairment loss is immediately recognised in full.

In the process of regulating the collection of overdue debts, the Group actively negotiates with the respective debtors taking into account expectations of future business relations, significance of exposure to an individual debtor, possibilities of compensation, exercise of instruments of security (if any) or seizure of assets etc.

*(vi) Revaluation of land*

As the Group applies the revaluation model of accounting for land, management applies judgement with respect to the adequacy of the frequency of revaluations ensuring that they are performed on a basis regular enough to ensure that the carrying amount does not differ materially from the amount which would be determined using fair values at the reporting date. Management also applies judgement in ensuring that the revaluations are performed based on valuation reports from independent, expert valuers and, where applicable, that the estimates and assumptions used by the valuers reflect the management's own understanding of the specifics attached to each particular land plot.

**NOTE 5 – DETERMINING FAIR VALUES**

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to fair value measurement which assumes the overall responsibility of the Management Board in relation to the monitoring of all significant fair value measurements, consultation with external experts and the responsibility to report, with respect the above, to those charged with corporate governance.

Fair values are measured using information collected from third parties in which case the Board and the finance department assess whether the evidence collected from third parties support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy where such valuations should be classified.

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

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

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

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

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

In preparing these financial statements, the Group has made the following significant fair value estimates statements as further explained in detail in following notes:

- note 17: Property, plant and equipment (with respect to land)
- note 20: Investments in equity instruments

**NOTE 6 – NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting periods ending 31 December 2020 and that have not been early adopted by the Group in the preparation of these financial statements. Management does not expect any of these standards to have a significant impact on the financial statements of the Group.

## NOTE 7 – REVENUE FROM SALES

| *(in thousands of HRK)* | 2020 Group | 2019 Group | 2020 Company | 2019 Company |
|---|---|---|---|---|
| Sales to domestic customers | 48,741 | 38,567 | 52,480 | 42,348 |
| Sales to foreign customers | 98,876 | 109,149 | 94,173 | 104,759 |
| | **147,617** | **147,716** | **146,653** | **147,107** |

An overview of revenue per type of cargo is given below:

| *(in thousands of HRK)* | 2020 Group | 2019 Group | 2020 Company | 2019 Company |
|---|---|---|---|---|
| General cargo | 59,979 | 66,852 | 59,979 | 66,852 |
| Bulk cargo | 61,183 | 51,036 | 61,183 | 51,036 |
| Containers | 6,678 | 5,453 | 6,678 | 5,453 |
| Other port services | 19,777 | 24,375 | 18,813 | 23,766 |
| | **147,617** | **147,716** | **146,653** | **147,107** |

General and bulk cargo revenue relates to services in relation to transhipment of those types of cargo for which the Group charges fees based on tonnes of transhipped cargo while other port services and containers relate to storage, warehouse handling and other services related to transhipment of other types of cargo.

An overview of revenue per type of service is given below:

| *(u tisućama kuna)* | 2020 Group | 2019 Group | 2020 Company | 2019 Company |
|---|---|---|---|---|
| Port manipulation | 128,028 | 121,516 | 128,028 | 121,516 |
| Rent and warehousing | 7,011 | 14,451 | 7,011 | 14,451 |
| Transport services | 4,234 | 3,803 | - | - |
| Other port services | 8,344 | 7,946 | 11,614 | 11,140 |
| | **147,617** | **147,716** | **146,653** | **147,107** |

## NOTE 8 – OTHER INCOME

| *(in thousands of HRK)* | 2020 Group | 2019 Group | 2020 Company | 2019 Company |
|---|---|---|---|---|
| Gain on sale of non-current tangible and intangible assets | 2,874 | 267 | 2,874 | 267 |
| Donations and grants | 31 | 42 | - | - |
| Bad debts recovered | 5 | 41 | 5 | 41 |
| Insurance recoveries | 199 | 481 | 199 | 481 |
| Rental income (i) | 12,692 | 10,225 | 12,736 | 10,315 |
| Reversal of provisions | 246 | 141 | 246 | 141 |
| Income from court cases | 120 | 209 | 120 | 209 |
| Other income | 2,289 | 1,246 | 2,105 | 1,055 |
| | **18,456** | **12,652** | **18,285** | **12,509** |

(i) Rental income relates to income from rental of parking lots and offices in the city of Rijeka.

## NOTE 9 – MATERIALS, SERVICES AND CONSUMABLES USED

| *(in thousands of HRK)* | **2020 Group** | **2019 Group** | **2020 Company** | **2019 Company** |
|---|---|---|---|---|
| Energy | 13,281 | 11,733 | 13,278 | 11,733 |
| Utilities | 4,270 | 4,264 | 4,263 | 4,256 |
| Postage and telecommunications | 624 | 654 | 603 | 632 |
| Concession fees | 1,999 | 2,043 | 1,999 | 2,043 |
| Transport services | 7,837 | 6,803 | 11,925 | 10,399 |
| Quality control and desinfection | 1,680 | 998 | 1,680 | 998 |
| Freight handling services | 1,736 | 6,414 | 1,736 | 6,414 |
| Maintenance | 9,296 | 9,053 | 9,134 | 9,107 |
| Raw materials and consumables | 6,675 | 6,740 | 5,975 | 5,989 |
| Rent | 413 | 473 | 367 | 483 |
| Other materials expenses | 697 | 367 | 695 | 634 |
| | **48,508** | **49,542** | **51,655** | **52,688** |

Expenses for concession fees relate to the variable concession fee payable under the Concession Agreement. In addition to these variable concession fees, the Group and Company also incurred expenditure relating to fixed or in-substance fixed concession fees in the amount of HRK 4,157 thousand (2019: HRK 4,250 thousand) which have been accounted for as a reduction in the liability for concession assets with right-of-use

## NOTE 10 – PERSONNEL EXPENSES

| *(in thousands of HRK)* | **2020 Group** | **2019 Group** | **2020 Company** | **2019 Company** |
|---|---|---|---|---|
| Gross salaries and wages | 59,816 | 57,933 | 57,911 | 56,172 |
| Contributions on salaries | 10,080 | 9,765 | 9,560 | 9,272 |
| Other employee related costs | 5,111 | 5,988 | 4,893 | 5,783 |
| | **75,007** | **73,686** | **72,364** | **71,227** |

As at 31 December 2020 the number of staff employed by the Group was 654 (*2019: 637*) while the Company employed 635 employees *(2019: 622)*.

**NOTE 11 – OTHER EXPENSES**

| *(in thousands of HRK)* | **2020 Group** | **2019 Group** | **2020 Company** | **2019 Company** |
|---|---|---|---|---|
| Bank charges | 335 | 245 | 221 | 195 |
| Intellectual services | 1,634 | 1,434 | 1,538 | 1,339 |
| Fines and penalties | 1,871 | 2,296 | 1,871 | 2,296 |
| Reimbursement of costs to employees | 2,730 | 2,743 | 2,730 | 2,743 |
| Non-income related taxes, contributions and fees | 11,203 | 11,262 | 11,164 | 11,220 |
| Insurance | 2,382 | 2,888 | 2,251 | 2,764 |
| Court fees and expenses | 491 | 263 | 491 | 263 |
| Impairment of receivables | 2,760 | 777 | 2,760 | 777 |
| Marketing and entertainment | 102 | 98 | 95 | 97 |
| Increase in provisions for court cases | 2,117 | 1,973 | 2,117 | 1,973 |
| Other expenses | 1,143 | 1,296 | 922 | 1,144 |
| | **26,768** | **25,275** | **26,160** | **24,811** |

Non-income related taxes, contributions and fees relate to utility charges and fees for water regulation.

**NOTE 12 – FINANCE INCOME**

| *(in thousands of HRK)* | **2020 Group** | **2019 Group** | **2020 Company** | **2019 Company** |
|---|---|---|---|---|
| Interest and similar income | 42 | 169 | 42 | 169 |
| Foreign exchange gains | 1.356 | 1.304 | 1.352 | 1.299 |
| Other financial income | 279 | - | 17.918 | 3.276 |
| | **1.677** | **1.473** | **19.312** | **4.744** |

Other financial income for the Company relates to dividend from the associate company Jadranska vrata d.d.

**NOTE 13 – FINANCE COSTS**

| *(in thousands of HRK)* | **2020 Group** | **2019 Group** | **2020 Company** | **2019 Company** |
|---|---|---|---|---|
| Interest and similar expenses | 14,644 | 19,858 | 14,636 | 19,838 |
| Foreign exchange losses | 6,545 | 2,009 | 6,543 | 2,009 |
| Losses on equity financial instruments | - | - | - | - |
| Other financial expenses | - | - | - | - |
| | **21,189** | **21,867** | **21,179** | **21,847** |

Interest and similar expenses include HRK 11,817 thousand (2019: HRK 17,121, thousand) for expense for unwinding of discount on the liability for concession assets with right of use while remaining amounts mainly include interest on bank loans.

### NOTE 14 – INCOME TAX

Tax income consists of:

| *(in thousands of HRK)* | 2020 Group | 2019 Group | 2020 Company | 2019 Company |
|---|---|---|---|---|
| Current income tax | 87 | 37 | - | (7) |
| Deferred tax | - | 3,542 | - | 3,542 |
| **Income tax expense / (benefit)** | **87** | **3,579** | **-** | **3,535** |

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

| *(in thousands of HRK)* | 2020 Group | 2019 Group | 2020 Company | 2019 Company |
|---|---|---|---|---|
| **Loss before taxation** | (3.162) | (12.822) | (6.515) | (27.303) |
| Tax calculated at 18% (2018: 18%) | (569) | (2.308) | (1.173) | (4.915) |
| Non-taxable income | (20) | (20) | (3.175) | (613) |
| Non-deductible expenses | 3.929 | 4.045 | 3.902 | 4.038 |
| Tax effect of share in result of equity accounted investee | (3.705) | (3.163) | - | - |
| Tax incentive - reduction of tax rate | (11) | (17) | (10) | (17) |
| Recognition of previously unrecognised temporary differences | 4 | 23 | 4 | 23 |
| Current year losses for which no deferred tax asset has been recognised | 459 | 1.504 | 452 | 1.504 |
| Tax losses utilization | - | 3.515 | - | 3.515 |
| **Tax expense/(benefit) recognised in the statement of comprehensive income** | **87** | **3.579** | **-** | **3.535** |
| **Effective tax rate** | **(3%)** | **(28%)** | **-** | **(13%)** |

**NOTE 14 – INCOME TAX *(CONTINUED)***

As at 31 December 2020, the Company and the Group has unused tax losses to carry forward of HRK 34,289 thousand and HRL 34,511 thousand, respectively *(31 December 2019: HRK 41,305 thousand and HRK 41,484 thousand, respectively)* for which a deferred tax asset was not recognised as management believes that sufficient future taxable profits will not be available against which the tax losses can be offset.

Movement in deferred tax assets for the Company and the Group was as follows:

| **2019 - Company and Group** | **Opening balance** | **Recognised in equity** | **Recognised in profit or loss** | **Closing balance** |
|---|---|---|---|---|
| | | *(in thousands of HRK)* | | |
| Land | 8,460 | - | - | 8,460 |
| Other financial assets | 319 | - | - | 319 |
| Financial assets available for sale | 406 | - | (3) | 403 |
| Provision for employee entitlements | 446 | - | (20) | 426 |
| Tax losses | 3,515 | - | (3,515) | - |
| | **13,146** | **-** | **(3,538)** | **9,608** |

| **2020 - Company and Group** | **Opening balance** | **Recognised in equity** | **Recognised in profit or loss** | **Closing balance** |
|---|---|---|---|---|
| | | *(in thousands of HRK)* | | |
| Land and buildings | 8,460 | - | - | 8,460 |
| Other financial assets | 319 | - | - | 319 |
| Financial assets available for sale | 403 | - | (4) | 399 |
| Provision for employee entitlements | 426 | - | - | 426 |
| | **9,608** | **-** | **(4)** | **9,604** |

Deferred tax assets with respect to provisions relate to temporary differences arising from provisions on employee entitlements (jubilee awards and retirement benefits) while the deferred tax asset with respect to land relates to the impairment of land and buildings recorded in 2018 as presented in more detail in note 17.

**NOTE 14 – INCOME TAX *(CONTINUED)***

Movement in deferred tax liability for the Group was as follows:

| **2019 - Group** | **Opening balance** | **Recognised in equity** | **Recognised in profit or loss** | **Closing balance** |
|---|---|---|---|---|
| | *(in thousands of HRK)* | | | |
| Revaluation of land | 7,476 | - | - | 7,476 |
| Financial assets available for sale | 9 | - | 4 | 13 |
| Investments in equity accounted investees | 5,056 | - | - | 5,056 |
| | **12,541** | **-** | **4** | **12,545** |

| **2020 - Group** | **Opening balance** | **Recognised in equity** | **Recognised in profit or loss** | **Closing balance** |
|---|---|---|---|---|
| | *(in thousands of HRK)* | | | |
| Revaluation of land | 7,476 | - | - | 7,476 |
| Financial assets available for sale | 13 | - | - | 13 |
| Investments in equity accounted investees | 5,056 | - | - | 5,056 |
| | **12,545** | **-** | **-** | **12,545** |

Movement in deferred tax assets for the Company was as follows:

| **2019 - Company** | **Opening balance** | **Recognised in equity** | **Recognised in profit or loss** | **Closing balance** |
|---|---|---|---|---|
| | *(in thousands of HRK)* | | | |
| Revaluation of land | 7.476 | - | - | 7.476 |
| Investments in equity accounted investees | 9 | - | 4 | 13 |
| | **7.485** | **-** | **4** | **7.489** |

| **2020 - Company** | **Opening balance** | **Recognised in equity** | **Recognised in profit or loss** | **Closing balance** |
|---|---|---|---|---|
| | *(in thousands of HRK)* | | | |
| Revaluation of land | 7,476 | - | - | 7,476 |
| Investments in equity accounted investees | 13 | - | - | 13 |
| | **7,489** | **-** | **-** | **7,489** |

At Group level, the deferred tax liability relating to investments in equity accounted investees relates to the surplus from measurement of remaining interest in a former subsidiary Jadranska vrata d.d. as a result of loss of control subsequent to the Group disposing of 51% of its shareholding in the subsidiary in 2011.

Deferred tax liability with respect to land stems from the Company's and the Group's application of the revaluation model of accounting for land and the respective revaluations.

## NOTE 15 – EARNINGS PER SHARE

| | 2020 Group | 2019 Group |
|---|---|---|
| Loss for the year *(in thousands of HRK)* | (3,249) | (16,401) |
| Total and weighted number of issued shares | 13,480,475 | 13,480,475 |
| **Earnings per share (basic and diluted) in HRK** | **(0.24)** | **(1.22)** |

Basic earnings per share are determined by dividing the Group's net earnings or losses with the weighted average number of ordinary shares in issue during the year. The Group does not own any treasury shares. The Group has not issued any potentially dilutive instruments.

## NOTE 16 – INTANGIBLE ASSETS

Movement in intangibles for the Group and Company was as follows:

| *(in thousands of HRK)* | **Software** |
|---|---|
| **Cost** | |
| **At 1 January 2019** | **4,639** |
| Additions | 9 |
| Transfers | - |
| Disposals and write-off's | - |
| **At 31 December 2019** | **4,648** |
| Additions | 39 |
| Transfers | - |
| Disposals and write-off's | - |
| **At 31 December 2020** | **4,687** |
| **Accumulated amortisation** | |
| **At 1 January 2019** | **4,313** |
| Charge for the year | 177 |
| Disposals and write-off's | - |
| **At 31 December 2019** | **4,490** |
| Charge for the year | 159 |
| Disposals and write-off's | - |
| **At 31 December 2020** | **4,649** |
| **Carrying amount** | |
| **At 31 December 2019** | **158** |
| **At 31 December 2020** | **38** |

### NOTE 17 – PROPERTY, PLANT AND EQUIPMENT

Movement in property, plant and equipment for the Group was as follows:

| *(in thousands of HRK)* | **Land** | **Buildings** | **Equipment and fittings** | **Leasehold improvements** | **Assets under construction and advances** | **Total** |
|---|---|---|---|---|---|---|
| **Cost or revalued amount** | | | | | | |
| **At 1 January 2019** | **226.950** | **262.464** | **166.724** | **366** | **102.641** | **759.145** |
| Additions | - | - | - | - | 25.517 | 25.517 |
| Transfers | - | 125.894 | 2.264 | - | (128.158) | - |
| Disposals and write-off's | - | (14.590) | (2.848) | - | - | (17.438) |
| **At 31 December 2019** | **226.950** | **373.768** | **166.140** | **366** | **-** | **767.224** |
| Additions | - | 764 | - | - | 2.914 | 3.678 |
| Transfers | - | - | 2.914 | - | (2.914) | - |
| Disposals and write-off's | (4.091) | - | (48) | - | - | (4.139) |
| **At 31 December 2020** | **222.859** | **374.532** | **169.006** | **366** | **-** | **766.763** |
| **Accumulated depreciation and impairment losses** | | | | | | |
| **At 1 January 2019** | **12.666** | **59.590** | **149.153** | **53** | **-** | **221.462** |
| Charge for the year | - | 9.523 | 3.865 | 12 | - | 13.400 |
| Disposals and write-off's | - | (14.547) | (2.837) | - | - | (17.384) |
| Transfer to investment property | - | (1.080) | - | - | - | (1.080) |
| **At 31 December 2019** | **12.666** | **53.486** | **150.181** | **65** | **-** | **216.398** |
| Charge for the year | - | 9.021 | 3.729 | 9 | - | 12.759 |
| Disposals and write-off's | - | - | (48) | - | - | (48) |
| **At 31 December 2020** | **12.666** | **62.507** | **153.862** | **74** | **-** | **229.109** |
| **Carrying amount** | | | | | | |
| **At 31 December 2019** | **214.284** | **320.282** | **15.959** | **301** | **-** | **550.826** |
| **At 31 December 2020** | **210.193** | **312.025** | **15.144** | **292** | **-** | **537.654** |

Land and buildings of the Group with a carrying amount of HRK 416,890 thousand *(2019: HRK* 425,223 *thousand*) are mortgaged against the Group's borrowings.

### NOTE 17 – PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Movement in property, plant and equipment for the Company was as follows:

| *(in thousands of HRK)* | **Land** | **Buildings** | **Equipment and fittings** | **Leasehold improvements** | **Assets under construction and advances** | **Total** |
|---|---|---|---|---|---|---|
| **Cost or revalued amount** | | | | | | |
| **At 1 January 2019** | 226.950 | 262.464 | 160.881 | 366 | 102.644 | 753.305 |
| Additions | - | - | - | - | 24.945 | 24.945 |
| Transfers | - | 125.894 | 1.695 | - | (127.589) | - |
| Disposals and write-off's | - | (14.590) | (2.848) | - | - | (17.438) |
| **At 31 December 2019** | **226.950** | **373.768** | **159.728** | **366** | **-** | **760.812** |
| Additions | - | - | - | - | 2.914 | 2.914 |
| Transfers | - | - | 2.914 | - | (2.914) | - |
| Disposals and write-off's | (4.091) | - | - | - | - | (4.091) |
| **At 31 December 2020** | **222.859** | **373.768** | **162.642** | **366** | **-** | **759.635** |
| **Accumulated depreciation and impairment losses** | | | | | | |
| **At 1 January 2019** | **12.666** | **59.590** | **144.603** | **55** | **-** | **216.914** |
| Charge for the year | - | 9.523 | 3.092 | 12 | - | 12.627 |
| Disposals and write-off's | - | (14.547) | (2.837) | - | - | (17.384) |
| Transfer to investment property | - | (1.080) | - | - | - | (1.080) |
| **At 31 December 2019** | **12.666** | **53.486** | **144.858** | **67** | **-** | **211.077** |
| Charge for the year | - | 9.021 | 3.115 | 9 | - | 12.145 |
| Disposals and write-off's | - | - | - | - | - | - |
| **At 31 December 2020** | **12.666** | **62.507** | **147.973** | **76** | **-** | **223.222** |
| **Carrying amount** | | | | | | |
| **At 31 December 2019** | **214.284** | **320.282** | **14.870** | **299** | **-** | **549.735** |
| **At 31 December 2020** | **210.193** | **311.261** | **14.669** | **290** | **-** | **536.413** |

Land and buildings of the Company with a carrying amount of HRK 416,890 thousand *(2019: HRK* 425,223 *thousand*) are mortgaged against the Company's borrowings.

**NOTE 17 – PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)***

*Revaluation of land*

The Group and the Company revalued their land during the second quarter of 2018 based on fair value estimates made by an independent expert valuer. Management considers that the fair values of land have not changed significantly since the date of that last valuation and that the carrying value of land as at the reporting date approximates its fair value. The carrying amount that would have been recognised had the land been carried under the cost model amounts to HRK 172,754 thousand. As at 31 December 2020, the revaluation surplus recognised in revaluation reserves amounts to HRK 34,055 thousand. Furthermore, valuation reports of independent valuators included also valuation of the buildings that are carried at cost model. For buildings where the recoverable amount was estimated to be less than the carrying amount, the carrying amount of the asset is reduced to the recoverable amount. No impairment losses were recognised in 2019 and 2020.

*Measurement of fair values*

Revaluation of land is performed on the basis of independent expert valuer reports. For most land plots, the method used for measuring the fair value of land by the valuer is the comparison of realised market selling prices for similar and comparable real estate taking into account geographical specifics, type of land plot, restrictions imposed by local building regulations and other factors.

The Group’s land balance also includes a land plot which is currently used as a parking lot. The Group has not classified this land as investment property as the initial planned purpose was to build own premises for use in the principal activity, but is currently in the process of considering its purpose and conversion into investment property which would result in its reclassification.

**NOTE 18 – INVESTMENT PROPERTY**

| *(in thousands of HRK)* | **31.12.2020 Group** | **31.12.2019 Group** | **31.12.2020 Company** | **31.12.2019 Company** |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January | 10,876 | 12,177 | 10,876 | 12,177 |
| Transfer from property, plant and equipment | - | (1,080) | - | (1,080) |
| Disposals and write-off's | - | (221) | - | (221) |
| | **10,876** | **10,876** | **10,876** | **10,876** |
| **Accumulated depreciation** | | | | |
| At 1 January | 3,960 | 3,830 | 3,960 | 3,830 |
| Charge for the year | 183 | 185 | 183 | 185 |
| Disposals and write-off's | - | (55) | - | (55) |
| | **4,143** | **3,960** | **4,143** | **3,960** |
| **Carrying amount as at 31 December** | **6,733** | **6,916** | **6,733** | **6,916** |

Investment property relates to 39 apartments owned by the Group and leased for an indefinite period to protected tenants.

Following the revision of the lease agreements with protected tenants, instead of paying a protected lease rental fee, the tenants agreed to pay for mandatory monthly maintenance fees and operational expenses stemming from the use of the apartments. As a result, the Group does not generate rental income from apartments but also does not incur direct operating expenses (including maintenance and repairs) as these are borne by lessees.

Overall business operations relating to investment property are performed by the subsidiary Stanovi d.o.o.

The Group regularly tests the investment property for impairment by analysis of comparable real estate prices. As at the reporting dates, current quoted market prices for similar properties and realised sales prices do not indicate impairment and the carrying amount is a reasonable approximation of fair value. Furthermore, in 2020, had no sale of apartments *(2019: one apartment and gain on sale of HRK 267 thousand).*

## NOTE 19 – INVESTMENTS IN SUBSIDIAIRIES AND EQUITY ACCOUNTED INVESTEES

| *(in thousands of HRK)* | 31.12.2020 Group | 31.12.2019 Group | 31.12.2020 Company | 31.12.2019 Company |
|---|---|---|---|---|
| Investments in subsidiaries | - | - | 60 | 40 |
| Investment in equity accounted investees | 118,318 | 115,377 | 11,727 | 11,727 |
| | **118,318** | **115,377** | **11,787** | **11,767** |

The investments in subsidiaries are as follows:

| | Ownership interest | | Investment | |
|---|---|---|---|---|
| **COMPANY** | **31.12.2020.** | **31.12.2019.** | **31.12.2020.** | **31.12.2019.** |
| Luka - prijevoz d.o.o. | 100% | 100% | 20 | 20 |
| Stanovi d.o.o. | 100% | 100% | 20 | 20 |
| Luka Rijeka Container Depot d.o.o. | 100% | 100% | 20 | - |
| | | | **60** | **40** |

The investments in equity accounted investees relate to the following:

| *(in thousands of HRK)* | 31.12.2020 Group | 31.12.2019 Group | 31.12.2020 Company | 31.12.2019 Company |
|---|---|---|---|---|
| Jadranska vrata d.d. | | | | |
| - at cost | - | - | 11,727 | 11,727 |
| - applying the equity method | 118,318 | 115,377 | - | - |
| | **118,318** | **115,377** | **11,727** | **11,727** |

| *(in thousands of HRK)* | 2020 Group | 2019 Group |
|---|---|---|
| As at 1 January | 115.377 | 101.083 |
| Share of profit/(loss) of associate | 20.581 | 17.570 |
| Dividend payment | (17.640) | (3.276) |
| **As at 31 December** | **118.318** | **115.377** |

Summary of information about the equity accounted investee Jadranska vrata d.d. is as follows:

| **Jadranska vrata d.d.**<br>*(in thousands of HRK)* | **31.12.2020.** | **31.12.2019.** |
|---|---|---|
| Assets | 203,290 | 195,753 |
| Liabilities | 18,422 | 16,894 |
| Revenue | 152,733 | 143,200 |
| Net profit/(loss) | 42,009 | 35,854 |

The General Assembly of Jadranska Vrata d.d. declared a dividend during 2020 in the total amount of 36,000 thousand (2019: HRK 6,686 thousand) of which HRK 17,640 thousand (2019: HRK 3,276 thousand) relates to the Company and was recognized as financial income in 2020 in the separate financial statements.

## NOTE 20 – INVESTMENTS IN EQUITY INSTRUMENTS

Investments in equity instruments comprise the following:

| *(in thousands of HRK)* | **31.12.2020 Group** | **31.12.2019 Group** | **31.12.2020 Company** | **31.12.2019 Company** |
|---|---|---|---|---|
| Investment in quoted equity securities | 166 | 144 | 166 | 144 |
| | **166** | **144** | **166** | **144** |

Movement in AFS financial assets was as follows:

| *(in thousands of HRK)* | **31.12.2020 Group** | **31.12.2019 Group** | **31.12.2020 Company** | **31.12.2019 Company** |
|---|---|---|---|---|
| As at 1 January | 144 | 125 | 144 | 125 |
| Revaluation recognised through equity | 22 | 19 | 22 | 19 |
| **As at 31 December** | **166** | **144** | **166** | **144** |

*Fair value measurement*

The fair value of investments in shares of listed companies is based on stock market prices at the reporting date. In accordance with the input variables used, the assessment is categorized in the fair value hierarchy as level 1 (see note 5). Investments in equity instruments quoted on the stock exchange but where there is no active market are carried at cost and tested for impairment regularly.

## NOTE 21 – NON-CURRENT FINANCIAL ASSETS

| *(in thousands of HRK)* | **31.12.2020 Group** | **31.12.2019 Group** | **31.12.2020 Company** | **31.12.2019 Company** |
|---|---|---|---|---|
| Non-current receivables for apartments sold | 1,322 | 2,098 | 1,322 | 2,098 |
| Other financial assets | 94 | 94 | 94 | 94 |
| | **1,416** | **2,192** | **1,416** | **2,192** |

*Receivables for apartments sold*

Non-current receivables relate to receivables for apartments sold on credit to employees which are EUR denominated and bear a below market interest rate. In 2020, 145 apartments were repaid in full *(2019: 142 apartments)*. As at 31 December 2020, a total of 860 apartments were in repayment *(2019: 1,002 apartments)*. Management considers that the fair value of non-current receivables approximates their carrying amount as the effect of discounting is estimated as immaterial due to low levels of current market interest rates for similar loans.

### NOTE 22 – CURRENT FINANCIAL ASSETS

| *(in thousands of HRK)* | 31.12.2020 Group | 31.12.2019 Group | 31.12.2020 Company | 31.12.2019 Company |
|---|---|---|---|---|
| Short-term deposits in banks | 22,572 | 17,571 | 22,572 | 17,571 |
| Other loans, deposits and similar items | - | 28 | - | 28 |
| | **22,572** | **17,599** | **22,572** | **17,599** |

Interest rate on short-term deposits are variable, ranging from 0.02% to 1.45% per annum.

### NOTE 23 – TRADE AND OTHER RECEIVABLES

| *(in thousands of HRK)* | 31.12.2020 Group | 31.12.2019 Group | 31.12.2020 Company | 31.12.2019 Company |
|---|---|---|---|---|
| Receivables from domestic customers | 13,267 | 10,971 | 12,823 | 10,444 |
| Receivables from foreign customers | 11,394 | 14,875 | 11,391 | 14,872 |
| Receivables for apartments sold on credit | 1,964 | 2,349 | 1,964 | 2,349 |
| Taxes, contributions and fees receivable | 277 | 677 | 238 | 664 |
| Advances given | 24,269 | - | 24,269 | - |
| VAT receivable | 145 | 95 | - | - |
| Prepaid expenses | 788 | 732 | 775 | 722 |
| Other receivables | 318 | 494 | 317 | 489 |
| | **52,422** | **30,193** | **51,777** | **29,540** |

Advances given relate to advance to contractors with respect to the capital expenditure on CEF projects.

Movements in the accumulated impairment allowance for trade receivables are as follows:

| *(in thousands of HRK)* | 31.12.2020 Group | 31.12.2019 Group | 31.12.2020 Company | 31.12.2019 Company |
|---|---|---|---|---|
| At 1 January | 10,485 | 9,766 | 10,485 | 9,766 |
| Increase | 2,760 | 777 | 2,760 | 777 |
| Collected | (5) | (41) | (5) | (41) |
| Written-off | (460) | (17) | (460) | (17) |
| **At 31 December** | **12,780** | **10,485** | **12,780** | **10,485** |

Impairment losses on trade receivables are included in note 'Other expenses'.

Ageing analysis of trade receivables is as follows:

| *(in thousands of HRK)* | 31.12.2020 Group | 31.12.2019 Group | 31.12.2020 Company | 31.12.2019 Company |
|---|---|---|---|---|
| Up to 90 days | 19,769 | 21,683 | 19,322 | 21,153 |
| 91-180 days | 110 | 552 | 110 | 552 |
| 181-360 days | 2,568 | 3,600 | 2,568 | 3,600 |
| Over 360 days | 2,214 | 11 | 2,214 | 11 |
| | **24,661** | **25,846** | **24,214** | **25,316** |

Trade receivables are denominated in following currencies:

| *(in thousands of HRK)* | 31.12.2020 Group | 31.12.2019 Group | 31.12.2020 Company | 31.12.2019 Company |
|---|---|---|---|---|
| HRK | 13,267 | 10,971 | 10,337 | 10,444 |
| EUR | 10,852 | 14,875 | 13,335 | 14,685 |
| USD | 542 | - | 542 | 187 |
| | **24,661** | **25,846** | **24,214** | **25,316** |

### NOTE 24 – CASH AND CASH EQUIVALENTS

| *(in thousands of HRK)* | 31.12.2020 Group | 31.12.2019 Group | 31.12.2020 Company | 31.12.2019 Company |
|---|---|---|---|---|
| Cash with banks | 19,192 | 30,350 | 18,011 | 29,494 |
| Cash at hand | 434 | 500 | 5 | 4 |
| | **19,626** | **30,850** | **18,016** | **29,498** |

Cash with banks relates to cash accounts with commercial banks carrying an average interest rate of 0.01% per annum. Cash with banks includes HRK 3,238 thousand (2019: HRK 20,071 thousand) of restricted funds relating to grants received for the purpose of capital investments into CEF project for which bank guarantees have been issued.

### NOTE 25 – SHARE CAPITAL

| *(in thousands of HRK)* | 31.12.2020 Company | 31.12.2019 Company |
|---|---|---|
| Share capital | 539,219 | 539,219 |
| | **539,219** | **539,219** |

As at 31 December 2020, the Company's share capital amounted to HRK 539,219 thousand, distributed among 13,480,475 shares with a nominal value of each share amounting to HRK 40. All issued shares are fully paid in and authorised.

An overview of key shareholders and the shareholder structure is as follows:

| | % of ownership 2019 | 2018 |
|---|---|---|
| OT LOGISTICS SPOLKA AKCYJNA | 27.35% | 26.51% |
| CERP - Republic of Croatia | 25.75% | 25.02% |
| OTP BANK d.d./AZ d.d. (custodial account) | 15.46% | 15.02% |
| PBZ D.D./FUNDUSZ INWESTYCYJNY ZAMKNIĘTY AKTYWÓW NIEPUBLICZNYCH managed by PFR TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A. | 9.01% | 8.75% |
| ADDIKO BANK D.D./PBZ CO OMF KATEGORIJE B | 7.82% | 7.60% |
| OTP BANKA D.D./ ERSTE PLAVI OMF KATEGORIJE B | 6.81% | 7.55% |
| Other shareholders | 7.80% | 9.56% |
| **Total** | **100.00%** | **100.00%** |

## NOTE 26 – RESERVES

| *(in thousands of HRK)* | 31.12.2020 Group | 31.12.2019 Group | 31.12.2020 Company | 31.12.2019 Company |
|---|---|---|---|---|
| Capital and other reserves | 38,624 | 38,624 | 38,624 | 38,624 |
| Revaluation reserves | 34,137 | 34,119 | 34,137 | 34,119 |
| | **72,761** | **72,743** | **72,761** | **72,743** |

The Company is required to create legal reserves under Croatian law amounting to a minimum of 5% of the profit for the year until the total legal reserves reach 5% of the share capital. The Company currently does not have any legal reserve.

Revaluation reserve relates to the revaluation of land with a minor amount relating to financial assets available for sale.

## NOTE 27 – BORROWINGS

| *(in thousands of HRK)* | 31.12.2020 Group | 31.12.2019 Group | 31.12.2020 Company | 31.12.2019 Company |
|---|---|---|---|---|
| **Non-current borrowings** | | | | |
| Bank loans | 59,474 | 67,540 | 59,474 | 67,540 |
| Lease liabilities | 1,736 | 1,903 | 1,411 | 1,842 |
| | **61,210** | **69,443** | **60,885** | **69,382** |
| **Current borrowings** | | | | |
| Bank loans | 8,920 | 8,826 | 8,920 | 8,826 |
| Lease liabilities | 2,241 | 3,711 | 2,241 | 3,711 |
| | **11,161** | **12,537** | **11,161** | **12,537** |
| **Total borrowings** | **72,371** | **81,980** | **72,046** | **81,919** |

The maturity of bank loans and loans from other financial institutions at the reporting date is as follows:

| *(in thousands of HRK)* | 31.12.2020 Group | 31.12.2019 Group | 31.12.2020 Company | 31.12.2019 Company |
|---|---|---|---|---|
| 1 year or less | 8,920 | 8,826 | 8,920 | 8,826 |
| 1 - 2 years | 8,920 | 8,808 | 8,920 | 8,808 |
| 2 – 5 years | 26,762 | 26,426 | 26,762 | 26,426 |
| Over 5 years | 23,792 | 32,306 | 23,792 | 32,306 |
| | **68,394** | **76,366** | **68,394** | **76,366** |

**NOTE 27 – BORROWINGS *(CONTINUED)***

The maturity of finance lease liabilities at the reporting date is as follows:

| *(in thousands of HRK)* | **31.12.2020 Group** | **31.12.2019 Group** | **31.12.2020 Company** | **31.12.2019 Company** |
|---|---|---|---|---|
| Up to 1 year | 2,241 | 3,711 | 2,241 | 3,711 |
| Between 1 and 2 years | 508 | 1,903 | 385 | 1,842 |
| Between 2 and 5 years | 1,228 | - | 1,026 | - |
| Over 5 years | - | - | - | - |
| | **3,977** | **5,614** | **3,652** | **5,553** |

The carrying amounts of the Group's borrowings are denominated in the following currencies:

| *(in thousands of HRK)* | **31.12.2020 Group** | **31.12.2019 Group** | **31.12.2020 Company** | **31.12.2019 Company** |
|---|---|---|---|---|
| EUR | 68,719 | 76,427 | 68,394 | 76,366 |
| USD | 3,652 | 5,553 | 3,652 | 5,553 |
| | **72,371** | **81,980** | **72,046** | **81,919** |

Reconciliation of movements in borrowings to cash flows arising from financing activities for the Group is as follows:

| *(in thousands of HRK)* | **Loans** | **Leases** | **Total** |
|---|---|---|---|
| Balance as at 1 January 2020 | 76.366 | 5.614 | 81.980 |
| *Cash transactions* | | | |
| Loans repaid | (8.920) | - | (8.920) |
| Leases repaid | - | (3.784) | (3.784) |
| Total cash transactions | (8.920) | (3.784) | (12.704) |
| *Non-cash transactions* | | | |
| Exchange rate effect | 816 | (199) | 617 |
| Other non-cash transactions | 132 | 2.346 | 2.478 |
| Balance as at 31 December 2020 | **68.394** | **3.977** | **72.371** |

Liability for concession related right-of-use assets is disclosed separately as is the reconciliation of movement in said liability with cash flows from financing activities. See note 33.

***Bank loans***

Bank loans amounting to HRK 53,872 thousand have variable interest rates *(2019: HRK 58,948 thousand)*. The variable interest rates for bank loans were in the range from 1.7% to 2% per annum (*2019: from 1.7% to 2%)*.

Bank loans amounting to HRK 14,522 thousand have fixed interest rates *(2019: HRK 17,418 thousand)*. The fixed interest rates for bank loans included in the table above were around 3.0% (*2019: around 3.0%).*

***Leases***

Leases for both the Group and Company relate mostly to lease of equipment. Most of the balance relates to the interest free finance lease arrangement with the Port authority of Rijeka amounting to HRK 3,652 thousand at 31 December 2020.

***Security***

Bank borrowings in the amount of HRK 68,394 thousand *(2019: HRK 76,366 thousand)* are secured by mortgages over the Company’s and Group's land and buildings (note 17).

## NOTE 28 – PROVISIONS

| **Group and Company** - *(in thousands of HRK)* | **Jubilee awards and retirement benefits** | **Legal cases** | **Total** |
|---|---|---|---|
| **As at 31 December 2019** | | | |
| Non-current | 2,365 | - | 2,365 |
| Current | - | 4,607 | 4,607 |
| | **2,365** | **4,607** | **6,972** |
| **As at 31 December 2020** | | | |
| Non-current | 2,365 | - | 2,365 |
| Current | - | 5,077 | 5,077 |
| | **2,365** | **5,077** | **7,442** |

Movement in provisions was as follows:

| **Group and Company** - *(in thousands of HRK)* | **Jubilee awards and retirement benefits** | **Legal cases** | **Total** |
|---|---|---|---|
| As at 1 January 2019 | 2,478 | 2,662 | 5,140 |
| Increase | - | 1,973 | 1,973 |
| Decrease | (113) | (28) | (141) |
| **As at 31 December 2019** | **2,365** | **4,607** | **6,972** |
| As at 1 January 2020 | 2,365 | 4,607 | 6,972 |
| Increase | - | 2,117 | 2,117 |
| Decrease | - | (1,647) | (1,647) |
| **As at 31 December 2020** | **2,365** | **5,077** | **7,442** |

*(i)* *Jubilee awards and regular retirement benefits*

According to the Collective Agreement the Group has an obligation to pay jubilee awards and regular retirement benefits. No other post-retirement benefits are provided.

Provisions for both jubilee awards and regular retirement benefits are calculated based on a actuarial calculation using estimates derived on the basis of the following key assumptions:

| | **Estimate 2019** | **2018** |
|---|---|---|
| Discount rate | 1.86% | 2.85% |
| Average rate of staff turnover | 10.18% | 10.39% |
| Average expected retirement age | 61 - 65 | 61 - 65 |

*(ii)* *Legal cases*

Legal provisions relate to a number of legal proceedings initiated against the Group which stem from regular commercial activities and court cases including former employees. The expenses relating to the provisions are included in the consolidated statement of comprehensive income within ‘Other expenses’.

## NOTE 29 – TRADE AND OTHER PAYABLES

| *(in thousands of HRK)* | **31.12.2020 Group** | **31.12.2019 Group** | **31.12.2020 Company** | **31.12.2019 Company** |
|---|---|---|---|---|
| Trade payables - domestic | 12,495 | 12,072 | 13,543 | 12,813 |
| Trade payables - foreign | 134 | 400 | 134 | 400 |
| Liabilities toward employees | 5,701 | 5,505 | 5,659 | 5,467 |
| Liabilities for apartments sold | 6,312 | 5,115 | 6,312 | 5,115 |
| Interest payable | 190 | 188 | 190 | 188 |
| Other taxes, contributions and fees payable | 1,085 | 1,168 | 899 | 1,042 |
| VAT liabilities | 23 | 16 | 13 | - |
| Salary taxes and contributions payable | 2,161 | 2,027 | 2,161 | 2,027 |
| Deferred income (i) | 25,407 | 20,071 | 25,407 | 20,071 |
| Accrued expenses | 1,843 | 1,109 | 1,843 | 1,109 |
| Other payables | 786 | 907 | 66 | 181 |
| | **56,137** | **48,578** | **56,227** | **48,413** |

(i) Two funding contracts were concluded at the end of 2017, as part of the incentives of the European Commission for the reconstruction of the port area in Rijeka and Bakar, between the INEA Agency (the Innovation and Networks Executive Agency) as the Grantor, Port Authority of Rijeka as the coordinator and the Company. The Company and the Port Authority of Rijeka are also considered recipients of the grant (the Company has the right to approximately 96% of the total amount of the grant while the remainder relates to the port authority). The total amount of the grant for both contracts (CEF projects) is up to a maximum of 85% of the costs that will be required for the planned works in this area which amounts to 33,795 thousand euros. As of 31 December 2020, the Company received a total of HRK 25,407 thousand in grant related to the financed projects.

## NOTE 30 – RISK MANAGEMENT

### Capital risk management

*Financial leverage ratio*

The finance function of the Group reviews the capital structure on an annual basis. As part of this review, the Group considers the cost of capital and the risks associated with each class of capital. One of the ratios monitored is the financial leverage ratio which was as follows at the reporting date:

| *(in thousands of HRK)* | 31.12.2020 Group | 31.12.2019 Group | 31.12.2020 Company | 31.12.2019 Company |
|---|---|---|---|---|
| Debt (long- and short-term borrowings) = **D** | (72,371) | (81,980) | (72,046) | (81,919) |
| Short term bank deposits | 22,572 | 17,571 | 22,572 | 17,571 |
| Cash and cash equivalents | 19,626 | 30,850 | 18,016 | 29,498 |
| Net cash / (debt) | (30,173) | (33,559) | (31,458) | (34,850) |
| Equity = **E** | (392,472) | (395,703) | (287,800) | (294,297) |
| Financial leverage ratio = **D/(D+E)** | | | | |
| *excl. concession related liabilities* | *16%* | *17%* | *20%* | *22%* |
| *incl. concession related liabilities* | *54%* | *55%* | *61%* | *62%* |

Debt is defined as long-term and short-term borrowings and bonds. Equity includes all capital and reserves of the Group.

The Group manages its capital to ensure that it will be able to continue as a going concern.

Apart from the financial leverage ratio, the Group regularly monitors the relation between consolidated current assets and liabilities in order to assess the reasonableness of the going concern assumption applied in the preparation of its financial statements and identify any requirements for additional financial via debt or equity.

### Financial risk management

The Group operates with international customers and finances its operations using foreign currency denominated borrowings to a significant extent. As a result, the Group is exposed to the effect of changes in market prices and of exchange differences and changes in interest rates. In addition, due to credit terms extended to its customers, the Group is exposed to a risk of default. Categories of financial instruments are as follows**:**

| *(in thousands of HRK)* | 31.12.2020 Group | 31.12.2019 Group | 31.12.2020 Company | 31.12.2019 Company |
|---|---|---|---|---|
| Financial assets at FVOCI | 166 | 144 | 166 | 144 |
| **Total FVOCI financial assets** | **166** | **144** | **166** | **144** |
| Non-current financial assets | 1.416 | 2.192 | 1.416 | 2.192 |
| Short-term financial assets | 22.572 | 17.599 | 22.572 | 17.599 |
| Trade receivables | 27.088 | 28.784 | 26.495 | 28.154 |
| Cash and cash equivalents | 19.626 | 30.850 | 18.016 | 29.498 |
| **Total financial assets at amortised cost** | **70.702** | **79.425** | **68.499** | **77.443** |
| **Total financial assets** | **70.868** | **79.569** | **68.665** | **77.587** |
| Lease liabilities | 3.977 | 5.614 | 3.652 | 5.553 |
| Liabilities for concession assets | 382.476 | 406.066 | 382.476 | 406.066 |
| Loan liabilities | 68.394 | 76.366 | 68.394 | 76.366 |
| Trade payables | 19.917 | 18.682 | 20.245 | 18.697 |
| **Total financial liabilities at amortised cost** | **474.764** | **506.728** | **474.767** | **506.682** |
| **Total financial liabilities** | **474.764** | **506.728** | **474.767** | **506.682** |

**NOTE 30 – RISK MANAGEMENT *(CONTINUED)***

**Financial risk management *(continued)***

**Fair value of financial instruments**

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Financial instruments held for collection in the normal course of operations are carried at the lower of cost and the net amount less the portion repaid. Fair value is determined as the amount at which a financial instrument can be exchanged between willing and knowledgeable parties in an arm's-length transaction, except in the event of forced sale or liquidation. The fair value of financial instruments is the one quoted on the securities market or obtained using the discounted cash flow method.

As at the reporting date, the carrying amounts of cash and cash equivalents, short-term deposits, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments approximate their fair value due to the short-term nature of those assets and liabilities and due to the fact that a majority of short term assets and liabilities are at variable interest rates.

Management considers that the fair value of non-current receivables of the Group stemming from the sale of apartments to employees does not significantly differ from the carrying amount due to the currently low market interest rates for such receivables. Management regularly monitors relevant market interest rates on similar assets in order to assess the reasonableness of this assumption.

As at the reporting dates, the carrying amounts of borrowings arising from bank and other loans approximates their fair values as the majority of these borrowings bear variable interest rates or fixed interest rate approximating current market interest rates.

The carrying amount of finance lease liabilities relates mostly to a non-interest bearing finance lease agreement which has been discounted to its fair value by using the effective interest rate method at a discount rate on equal to market interest rates on similar leases.

## NOTE 30 – RISK MANAGEMENT *(CONTINUED)*

**Financial risk management *(continued)***

***Liquidity risk management***

Ultimate responsibility for liquidity risk management rests with the Management board which manages the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by monitoring the consolidated net current asset position and addressing any expected current liquidity deficits. Management monitors but does not separately disclose the liquidity analysis at the standalone level as it is considered to be approximate to that at the consolidated level due to relative insignificance of operations in subsidiaries.

*Liquidity risk analysis*

The following tables detail the Group's remaining contractual maturity for its financial liabilities and its financial assets presented in the consolidated statement of financial position at the each reporting period end. The tables have been drawn up based on the undiscounted cash flows until maturity and include cash flows from both interest and principal.

| *as at 31 December 2020* | **Carrying amount** | **Contractual cash flows** | up to 1 year | 1 - 2 years | 2 - 5 years | over 5 years |
|---|---|---|---|---|---|---|
| | | *(in thousands of HRK)* | | | | |
| *Non-interest bearing:* | | | | | | |
| Non-current receivables | **3,380** | **3,380** | 1,964 | 1,049 | 367 | - |
| Trade receivables | **27,088** | **27,088** | 27,088 | - | - | - |
| Equity instruments at FVOCI | **166** | **166** | 166 | - | - | - |
| | **30,634** | **30,634** | **29,218** | **1,049** | **367** | **-** |
| *Interest bearing:* | | | | | | |
| Current financial assets | **22,572** | **22,579** | 22,579 | - | - | - |
| Cash and cash equivalents | **19,626** | **19,627** | 19,627 | - | - | - |
| | **42,198** | **42,206** | **42,206** | **-** | **-** | **-** |
| | **72,832** | **72,840** | **71,424** | **1,049** | **367** | **-** |

| *as at 31 December 2020* | **Carrying amount** | **Contractual cash flows** | up to 1 year | 1 - 2 years | 2 - 5 years | over 5 years |
|---|---|---|---|---|---|---|
| | | *(in thousands of HRK)* | | | | |
| *Non-interest bearing:* | | | | | | |
| Lease liabilities | **1,868** | **1,868** | 1,868 | - | - | - |
| Trade payables | **19,917** | **19,917** | 19,917 | - | - | - |
| | **21,785** | **21,785** | **21,785** | **-** | **-** | **-** |
| *Interest bearing:* | | | | | | |
| Lease liabilities | **2,109** | **2,230** | 544 | 544 | 1,142 | - |
| Liabilities for concession assets | **382,476** | **382,476** | 156,138 | 151,431 | 63,636 | 11,271 |
| Loan liabilities | **68,394** | **75,723** | 10,212 | 10,069 | 26,672 | 28,770 |
| | **452,979** | **460,429** | **166,894** | **162,044** | **91,450** | **40,041** |
| | **474,764** | **482,214** | **188,679** | **162,044** | **91,450** | **40,041** |

The Group's analysis shows a deficit of short-term contractual cash flows. However, the majority of the short-term cash outflows relate to the liability for concession assets with right-of-use, more specifically to capital investments into port infrastructure as part of the CEF investment projects. As these projects have been approved for financing from the European Commission (INEA Agency) in the amount of up to a maximum of 85% of planned costs, management believes that the long-term liquidity position is stable.

### NOTE 30 – RISK MANAGEMENT *(CONTINUED)*

**Financial risk management *(continued)***

***Liquidity risk management (continued)***

The contractual maturities of financial assets and liabilities in the preceding period were as follows:

| *as at 31 December 2019* | **Carrying amount** | **Contractual cash flows** | up to 1 year | 1 - 2 years | 2 - 5 years | over 5 years |
|---|---|---|---|---|---|---|
| | | | *(in thousands of HRK)* | | | |
| *Non-interest bearing:* | | | | | | |
| Non-current receivables | **4.541** | **4.541** | 2.349 | 1.049 | 1.143 | - |
| Trade receivables | **28.784** | **28.784** | 28.784 | - | - | - |
| Equity instruments at FVOCI | **144** | **144** | 144 | - | - | - |
| | **33.469** | **33.469** | **31.277** | **1.049** | **1.143** | **-** |
| *Interest bearing:* | | | | | | |
| Current financial assets | **17.599** | **17.898** | 17.898 | - | - | - |
| Cash and cash equivalents | **30.850** | **31.159** | 31.159 | - | - | - |
| | **48.449** | **49.057** | **49.057** | **-** | **-** | **-** |
| | **81.918** | **82.526** | **80.334** | **1.049** | **1.143** | **-** |

| *as at 31 December 2019* | **Carrying amount** | **Contractual cash flows** | up to 1 year | 1 - 2 years | 2 - 5 years | over 5 years |
|---|---|---|---|---|---|---|
| | | | *(in thousands of HRK)* | | | |
| *Non-interest bearing:* | | | | | | |
| Lease liabilities | **5,553** | **5,553** | 3,711 | 1,842 | **-** | **-** |
| Trade payables | **18,682** | **18,682** | 18,682 | - | - | - |
| | **24,235** | **24,235** | **22,393** | **1,842** | **-** | **-** |
| *Interest bearing:* | | | | | | |
| Lease liabilities | **61** | **64** | 64 | - | - | - |
| Liabilities for concession assets | **406,066** | **446,021** | 161,363 | 170,848 | 95,273 | 18,537 |
| Loan liabilities | **76,366** | **80,457** | 10,340 | 10,140 | 27,358 | 32,619 |
| | **482,493** | **526,542** | **171,767** | **180,988** | **122,631** | **51,156** |
| | **506,728** | **550,777** | **194,160** | **182,830** | **122,631** | **51,156** |

## NOTE 30 – RISK MANAGEMENT *(CONTINUED)*

**Financial risk management *(continued)***

***Interest rate risk management***

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The variable interest rates currently applicable on the carrying values of floating rate debt as at the reporting dates are based on the following:

| *(in thousands of HRK)* | **31.12.2020 Group** | **31.12.2019 Group** | **31.12.2020 Company** | **31.12.2019 Company** |
|---|---|---|---|---|
| EURIBOR based bank loans | 53,872 | 58,948 | 53,872 | 58,948 |

*Interest rate sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date. For floating rate liabilities, the analysis is prepared by calculating the effect of a reasonably possible increase in interest rates on floating rate debt on the expected contractual cash flows of such debt compared to those calculated using the interest rates applicable at the current reporting period end date. A 50 basis point increase/decrease is used when reporting interest rate risk internally to key management personnel and represents the management's assessment of the reasonably possible change in interest rates.

The estimated effect of the reasonably possible change in variable interest rates on the Group's result before tax for the reporting periods is as follows:

| *as at 31 December 2020* | **Contractual cash flows** | up to 1 year | from 1 to 2 years | from 2 to 5 years | over 5 years |
|---|---|---|---|---|---|
| | | *(in thousands of HRK)* | | | |
| At currently applicable int. rates | **60,171** | 6,703 | 6,630 | 18,131 | 28,707 |
| At currently applicable int. rates + 50 basis points | **62,049** | 6,965 | 6,870 | 18,328 | 29,886 |
| **Effect of increase of int. rates by 50 basis points** | **(1,878)** | **(262)** | **(240)** | **(197)** | **(1,179)** |

The Group does not hedge interest rate risk as changes of interest rates are not expected to occur.

**NOTE 30 – RISK MANAGEMENT *(CONTINUED)***

**Financial risk management *(continued)***

***Currency risk management***

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

| | **Liabilities** | | **Liabilities** | |
|---|---|---|---|---|
| | **31.12.2020** | **31.12.2019** | **31.12.2020** | **31.12.2019** |
| *(in thousands of HRK)* | **Group** | **Group** | **Company** | **Company** |
| EUR | 68,853 | 76,827 | 68,528 | 76,766 |
| USD | 3,652 | 5,553 | 3,652 | 5,553 |
| | **72,505** | **82,380** | **72,180** | **82,319** |

| | **Assets** | | **Assets** | |
|---|---|---|---|---|
| | **31.12.2020** | **31.12.2019** | **31.12.2020** | **31.12.2019** |
| *(in thousands of HRK)* | **Group** | **Group** | **Company** | **Company** |
| EUR | 23,898 | 41,635 | 26,166 | 41,445 |
| USD | 2,650 | 6,185 | 2,650 | 6,372 |
| | **26,548** | **47,820** | **28,816** | **47,817** |

*Foreign currency sensitivity analysis*

The Group is mainly exposed to the fluctuations in the exchange rate of Croatian kuna to Euro and US dollar, since the most of the transactions with international customers is in Euro and US dollar. The relevant foreign exchange rates for the Euro and the US dollar during the reporting period were as follows:

| | **Spot FX rate** | | **Average FX rate** | |
|---|---|---|---|---|
| *(in thousands of HRK)* | **31.12.2020.** | **31.12.2019.** | **2020** | **2019** |
| EUR | 7.536898 | 7.442580 | 7.533080 | 7.413605 |
| USD | 6,139039 | 6.649911 | 6.610754 | 6.622347 |

The following table details the Group's sensitivity to a 1% increase in Croatian kuna against the EUR and a 10% increase against the USD as the estimated reasonably possible change in the exchange rate of the respective currencies. The sensitivity analysis includes outstanding balances in foreign currencies which are recalculated at the reporting date applying a percentage change in foreign exchange rates. The sensitivity analysis includes monetary assets and monetary liabilities in foreign currencies. A negative number below indicates a decrease in profit and other equity where Croatian kuna increases against the relevant currency for the percentage specified above. For a weakening of Croatian kuna against the relevant currency in the same percentage, there would be an equal and opposite impact on the profit.

| | **EUR exposure** | | **EUR exposure** | |
|---|---|---|---|---|
| | **31.12.2020** | **31.12.2019** | **31.12.2020** | **31.12.2019** |
| *(in thousands of HRK)* | **Group** | **Group** | **Company** | **Company** |
| Increase/(decrease) of net result | (450) | (352) | (424) | (353) |

| | **USD exposure** | | **USD exposure** | |
|---|---|---|---|---|
| | **31.12.2020** | **31.12.2019** | **31.12.2020** | **31.12.2019** |
| *(in thousands of HRK)* | **Group** | **Group** | **Company** | **Company** |
| Increase/(decrease) of net result | (100) | 63 | (100) | 82 |

The Group does not currently hedge currency risk with respect to the EUR as the local currency is pegged against the EUR while the exposure with respect to USD is not considered significant.

**NOTE 30 – RISK MANAGEMENT *(CONTINUED)***

**Financial risk management *(continued)***

***Credit risk management***

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

Customers are classified into risk groupings based on the financial indicators and own trading records, and appropriate credit risk mitigation measures are taken for each risk class. Customers are classified mainly on the basis of official financial statements of customers, and credit ratings supplied by independent rating agencies, and the history of trading with each customer. The Group's exposure and the credit ratings of its counterparties are continuously monitored and credit exposure is controlled by counterparty limits that are reviewed at least annually.

The Group has no significant credit exposures that would not be covered by collateral and which have not been assessed for impairment indicators as at the reporting date.

**Operational risk management**

*Sales concentration risk management*

The Group generates approximately 33% *(2019: 26%)* of its revenue from domestic customers, whereas around 67% *(2019: 74%)* of the sales are generated from international customers (based on geographical location of customer). The Group determines the selling prices in accordance with the macroeconomic conditions prevailing in each of the markets where the customers are located having in mind the maximum approved tariffs for services defined in the concession agreement.

The Group's revenues are to a significant extent exposed to volatility due to high concentration of revenues from a smaller number of customers. In 2020, top 10 customers of the Group generated approximately 61% of operating revenues *(2019: 58%)* while the top five customer generated approximately 44% of operating revenues *(2019: 42%).* As a result of its exposure to a small number of customer, the Group manages this risk through active and frequent communication with key customers, acquisitions of new customers, and through monitoring of relevant competitors and market conditions both locally and internationally.

The Group expects increased risks associated with maintaining market position (both in terms of international and domestic customers) due to the strengthening of competitors. To lessen this effect, the Group aims to further increase its competitiveness by increasing productivity and capacity and modernising its technology, which it expects to achieve to a large extent through the realisation of planned capital investments coupled with the expected refurbishment of local railways.

**NOTE 31 – RELATED PARTY TRANSACTIONS**

The Company has a related party relationship with is majority shareholder (and entities under its control) and its own subsidiaries and equity accounted investees. The most significant individual shareholder of Luka Rijeka d.d. is OT Logistics S.A. which holds 26.51% of share capital and voting rights of the Company.

Furthermore, key management personnel including close family members of key management personnel and entities controlled, jointly controlled or significantly influenced by key management personnel and their close family members, are also considered related parties and disclosed in accordance with the definitions contained in International Accounting Standard 24 *Related Party Disclosures* ("IAS 24").

Given that the Republic of Croatia holds 25.01% of share capital and voting rights of the Group/Company via CERP and has significant influence over the Group/Company, the State and entities under its control or influence are also considered related parties. However, for the purposes of related party disclosures, routine transactions with various communal entities or other bodies controlled by the State with respect to taxes, levies or with respect to standard purchases of basic consumables are not considered or disclosed as related party transactions.

## NOTE 31 – RELATED PARTY TRANSACTIONS *(CONTINUED)*

*Transactions with State and entities under its control or influence*

**Receivables and sales with the State and related parties:**

| *(in thousands of HRK)* | **2020** | **2019** |
|---|---|---|
| *Petrokemija d.d.* | | |
| Sales of services | - | 218 |
| Receivables as at 31 December | - | - |
| *Port Authority of Rijeka* | | |
| Rent of premises and provision of regular services | 3.281 | 1.458 |
| Receivables as at 31 December | 548 | 225 |
| *Jadrolinija d.d.* | | |
| Sales of services | 99 | 121 |
| Receivables as at 31 December | 7 | 6 |
| *Croatia insurance Group* | | |
| Insurance claims | - | - |
| Receivables as at 31 December | - | - |
| *HEP Group* | | |
| Sales of services | - | - |
| Receivables as at 31 December | - | - |
| *INA Group* | | |
| Sales of services | 221 | 187 |
| Receivables as at 31 December | 22 | 13 |
| *Faculty of Maritime studies in Rijeka* | - | |
| Sales of services | - | - |
| Receivables as at 31 December | - | - |
| **Total sales** | **3.601** | **1.985** |
| **Total receivables as at 31 December** | **577** | **244** |

**Payables and purchases with the State and related parties:**

| *(in thousands of HRK)* | **2020** | **2019** |
|---|---|---|
| *HEP Group* | | |
| Purchase of electricity | 10.054 | 9.586 |
| Liabilities as at 31 December | 1.575 | 1.045 |
| *HŽ Cargo* | | |
| Purchase of transport services | - | 464 |
| Liabilities as at 31 December | 9 | - |
| *INA Group* | | |
| Purchase of fuel | 142 | 145 |
| Liabilities as at 31 December | 28 | 44 |
| **Total purchases** | **10.196** | **10.195** |
| **Total liabilities as at 31 December** | **1.612** | **1.089** |

## NOTE 31 – RELATED PARTY TRANSACTIONS *(CONTINUED)*

*Transactions with Owners - OT Logistics S.A.*

During 2020 and 2019, there were no transactions with OT Logistics S.A. As at 31 December 2020 and 31 December 2019, the Company and the Group did not have any receivables or payables towards OT Logistics S.A.

*Transactions with subsidiaries*

During 2020, the Company purchased goods and services from subsidiaries in the amount of HRK 5,349 thousand (2019: HRK 4,877 thousand) and at 31 December 2020 owed to subsidiaries HRK 1,099 thousand (2019: HRK 892 thousand). During 2020, the Company sold goods and services to subsidiaries in the amount of HRK 98 thousand (2019: HRK 90 thousand) and at 31 December 2020 had receivables from subsidiaries in the amount of HRK 1 thousand (2019: 8 thousand kuna). The Company also realised HRK 261 thousand of dividend income from subsidiaries in 2020.

*Transactions with equity accounted investees*

The Group enters into transactions with the associate company Jadranska vrata d.d. where Luka Rijeka d.d. has a 49% ownership interest. Transactions with the associate relating to balances in the statement of financial position as at 31 December 2020 and 31 December 2019 and transactions in the statement of comprehensive income for the years then ended are as follows:

| *(in thousands of HRK)* | **2020** | **2019** |
|---|---|---|
| Trade receivables | 345 | 594 |
| Sales revenue and other income | 100 | 2,924 |

*Transactions with State bodies*

*(i) Concession fees*

During 2020, in relation to the Concession Agreement, the Group paid fixed concession fees toward the Port Authority of Rijeka in the amount of HRK 4,157 thousand *(2019: HRK 4,250 thousand)* and recognized expenditure related to variable concession fees in the amount of HRK 1,699 thousand *(2019: HRK 1,481 thousand).* As at 31 December 2020, the Group had outstanding payables toward the Port Authority of Rijeka with respect concession and related expenses of HRK 527 thousand *(31 December 2019: HRK 362 thousand).*

During 2020, the Group also recognized expenditure related to variable concession fees in the amount of HRK 300 thousand *(2019: HRK 562 thousand)* payable to the Croatian Ministry of economy (MoE) with respect to the operations on the Škrljevo terminal and has outstanding pazables to MoE in the amount of HRK 0 thousand *(31 December 2019: HRK 300 thousand).*

*(ii) Leases*

As at 31 December 2020, the Company has a lease balance payable to the Port Authority of Rijeka with a carrying amount of HRK 1,868 thousand *(31 December 2019: HRK 5,553 thousand)*. During 2020, the Company repaid a total of HRK 3,926 thousand of principal and interest with respect to this finance lease *(2019: HRK 3,888 thousand).*

*Remuneration to the Management Board members*

Key management of the Group comprises the Management Board and consists of 2 persons (*2019: 3 persons*). During 2020, the Group paid out HRK 2,236 thousand to the Management Board (2*019: HRK 3,504 thousand)* with respect to gross salaries (including contributions on salaries).

## NOTE 32 – CONTINGENT LIABILITIES AND ASSETS

*Exposure to court cases*

As at the reporting date, there are number of legal proceeding against the Group which stem from regular commercial activities and court cases including former employees.

Based on consultation with legal advisors, management applied its judgment as described in more detail in note 4 and estimated that the legal proceedings the Group is involved in should not give rise to significant losses apart from those already provided for as detailed in note 28.

*Potential penalties arising from minimal service limits defined in the concession arrangement*

According to the concession agreement in place, from 2016 onward the Group is obligated to maintain minimal service levels defined in quantities of transshipped cargo and based on the initial business plans submitted to the Port Authority of Rijeka at the inception of the agreement. Should the minimal service levels not be met, the Port Authority of Rijeka would be entitled to charge concession penalties based on the variance of actual versus initially planned service levels.

Current service levels are considerably lower than those included in the initial business plans. Calculated potential penalties by the Company, without interest, amount to approximately HRK 69.7 million at 31 December 2020 amounted, of which HRK 13.4 million relates to 2016, 12.9 million to 2017, 13.2 million to 2018, 15.7 million to 2019 and 14.4 million to 2020.

The Group is actively communicating with the port authority with respect to updating minimal levels of service and their alignment with current market conditions. Given the fact that the port authority historically did not charge these amounts and taking into account the changed market conditions as opposed to those present at the initial determination of minimal service level, the Group does not expect that the amount will be charged but it cannot exclude this entirely.

## NOTE 33 – CONCESSION RELATED RIGHT-OF-USE ASSETS, LIABILITIES AND CONTRACTUAL COMMITMENTS

As described in note 4(i), the Group and Company applied IFRS 16 to account for the recognition of right-of-use assets and liabilities arising from the Concession Agreement.

As stipulated in the Concession Agreement modified at the end of 2011, the extension of the concession period up to 2042 was granted in return for expenditure to be made by the Group during the term of the concession in the total amount of EUR 146.5 million in relation to investments into rehabilitation of the port infrastructure and investments in equipment (a total of EUR 87.1 million of required expenditure) as well as in relation to maintenance of concession assets in the amount of EUR 59.4 million.

The Group recognised liabilities for concession assets with right-of-use as the present value of expected payments for infrastructure related expenditure and fixed or in-substance fixed concession fees, and has also recognised a corresponding right-of-use asset at cost less accumulated amortisation and impairment losses.

Expenditure related to investments into equipment and maintenance of the port concession area are disclosed as contractual commitments and will be recognised as assets (in case of investments into equipment) or expenditure (in case of maintenance) when they are incurred.

During 2020, the Group remeasured the ROU liability related to infrastructure capital expenditure in order to reflect the modification in timeline of expected lease payments at a revised discount rate of 3% based on currently expected interest rates on long term debt. The effect of the remeasurement was accounted for as a change in the ROU liability with a corresponding effect on the ROU asset.

### NOTE 33 – CONCESSION RELATED RIGHT-OF-USE ASSETS, LIABILITIES AND CONTRACTUAL COMMITMENTS (CONTINUED)

The movement in the concession related right-of-use assets for the Group and Company was as follows:

| *(in thousands of HRK)* | **Concession assets with right-of-use** |
|---|---|
| **Cost** | |
| **At 1 January 2019** | **358,269** |
| **At 31 December 2019** | **358,269** |
| Effect of remeasurement | (25,992) |
| **At 31 December 2020** | **332,277** |
| | |
| **Accumulated amortisation and impairment** | |
| **At 1 January 2019** | **163,837** |
| Charge for the year | 8,101 |
| **At 31 December 2019** | **171,938** |
| Charge for the year | 6,920 |
| **At 31 December 2020** | **178,858** |
| | |
| **Carrying amount** | |
| **At 31 December 2019** | **186,331** |
| **At 31 December 2020** | **153,419** |

The movement in the liabilities for concession assets with right-of-use for the Group and Company was as follows:

| *(in thousands of HRK)* | **Liabilities for concession assets with right of use** |
|---|---|
| **At 1 January 2019** | **391.969** |
| *Non-cash transactions* | |
| Unwiding of discount | 17.527 |
| Exchange rate differences | 823 |
| *Cash transactions (i)* | |
| Payment of concession fees | (4.250) |
| Infrastructure related expenditure | (3) |
| **At 31 December 2019** | **406.066** |
| *Non-cash transactions* | |
| Unwiding of discount | 11.817 |
| Exchange rate differences | 4.408 |
| Effect of remeasurement | (25.992) |
| *Cash transactions (i)* | |
| Payment of concession fees | (4.157) |
| Infrastructure related expenditure | (9.666) |
| **At 31 December 2020** | **382.476** |

(i) Cash transactions with respect to movements in liabilities for concession assets with right-of-use are presented within cash flows from financing activities.

### NOTE 33 – CONCESSION RELATED RIGHT-OF-USE ASSETS, LIABILITIES AND CONTRACTUAL COMMITMENTS (CONTINUED)

Maturity analysis of liabilities for concession assets with right-of-use is as follows:

| *(in thousands of HRK)* | 31 Dec 2019 | 31 Dec 2020 |
|---|---|---|
| up to 1 year - current portion of liability | 161.363 | 156.138 |
| 1 - 2 years | 170.848 | 151.431 |
| 2 - 3 years | 88.463 | 55.959 |
| 3 - 4 years | 3.405 | 4.615 |
| 4 - 5 years | 3.405 | 3.062 |
| over 5 years | 18.537 | 11.271 |
| **Total contractual cash flows** | 446.021 | 382.476 |

The structure and status of total and outstanding expenditure requirements stipulated by the Concession Agreement, as at the reporting date is shown below:

| | Executed | Outstanding | |
|---|---|---|---|
| *in EUR thousands* | up to 2020 | 2021 - 2042 | **Total** |
| Infrastructure related expenditure | 11,921 | 48,279 | **60,200** |
| Equipment related expenditure | 10,583 | 16,347 | **26,930** |
| Maintenance of concession assets | 27,489 | 31,911 | **59,400** |
| | **49,993** | **96,537** | **146,530** |

Where not specifically prescribed, the allocation of total expenditure to periods was allocated based on best estimate of expected timing of expenditure and classified by type based on management interpretations for the purpose of applying IFRS 16.

## NOTE 34 – EVENTS AFTER THE REPORTING DATE

*Pandemic of SARS-CoV-2 (COVID 19)*

Operating in the shipping and port industry segment, the operations of the Group in 2020 were to a certain extent under impact of the repercussions caused by the COVID 19 pandemic. This primarily related to the secondary effects on decrease in freight turnover during the initial phase of implementation of local, regional and global restrictions and measure to fight the pandemic. These restrictions and measure had a short term impact on the slowdown and delay in cargo turnover through the port of Rijeka during the first half of the second quarter of 2020.

However, operations and cargo turnover have recovered quickly driven by international supply chains which adapted to the new circumstances and the overall impact of the pandemic on the operations of the Group for 2020 was not significant.

The most significant impact of the COVID 19 pandemic on the operations of the Group is related to the extension of deadlines and commencement of CEF project (primarily CEF Rijeka) given the fact that the contractor for the project is a Slovenian entity and travel and other restrictions were in place in the initial phase of the pandemic while the delivery times for certain key materials and components for the project have been extended. However, the Group reacted timely and requested an extension of CEF Rijeka project deadlines with respect to which an annex of the agreement with INEA was signed resulting in the extension of project completion up to 31 May 2023.

Management is closely monitoring the development of the situation concerning COVID 19 and implementing relevant recommendations to preserve the health and safety of the employees of the Group. Given that current and expected measures with respect to travel and customs restrictions do not include severe limitations for sea port cargo shipping, management does not expect further significant impact of the pandemic on Group operations.

# ISSUER’S GENERAL DATA

| | | | |
|---|---|---|---|
| Reporting period: | 01.01.2020. | to | 31.12.2020. |
| Year: | 2020 | | |

## Annual financial statements

| | | | |
|---|---|---|---|
| egistration number (MB): | 03330494 | Issuer’s home Member State code: | HR |
| Entity’s registration number (MBS): | 040141664 | | |
| Personal identification number (OIB): | 92590920313 | LEI: | 74780000F0FHSC596W39 |
| Institution code: | 1333 | | |
| Name of the issuer: | LUKA RIJEKA d.d. | | |
| Postcode and town: | 51000 | | Rijeka |
| treet and house number: | Riva 1 | | |
| E-mail address: | uprava@lukarijeka.hr | | |
| Web address: | www.lukarijeka.hr | | |
| Number of employees (end of the reporting | 654 | | |
| Consolidated report: | KD | (KN-not consolidated/KD-consolidated) | |
| Audited: | RD | (RN-not audited/RD-audited) | |

| Names of subsidiaries (according to IFRS) | Registered office: | MB: |
|---|---|---|
| LUKA PRIJEVOZ d.o.o. | Škrljevo | 1230000 |
| STANOVI d.o.o. | Rijeka | 1230077 |
| LUKA RIJEKA CONTAINER DEPOT d.o.o. | Škrljevo | 5362164 |
| | | |
| | | |
| | | |

| | | | |
|---|---|---|---|
| Bookkeeping firm: | No | (Yes/No) | (name of the bookkeeping firm) |
| Contact person: | Gordana Fućak (only name and surname of the contact person) | | |
| Telephone: | 051/496-629 | | |
| E-mail address: | gordana.fucak@lukarijeka.hr | | |
| Audit firm: | KPMG Croatia d.o.o. (name of the audit firm) | | |
| Certified auditor: | Igor Gošek (name and surname) | | |

# BALANCE SHEET
**balance as at 31.12.2020.**

in HRK

**Submitter: LUKA RIJEKA d.d.**

| Item | ADP code | Last day of the preceding business year | At the reporting date of the current period |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| **A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID** | 001 | 0 | 0 |
| **B) FIXED ASSETS** (ADP 003+010+020+031+036) | 002 | 871.551.963 | 827.360.288 |
| I INTANGIBLE ASSETS (ADP 004 to 009) | 003 | 186.487.697 | 153.455.261 |
| 1 Research and development | 004 | 0 | 0 |
| 2 Concessions, patents, licences, trademarks, software and other rights | 005 | 186.487.697 | 153.455.261 |
| 3 Goodwill | 006 | 0 | 0 |
| 4 Advance payments for purchase of intangible assets | 007 | 0 | 0 |
| 5 Intangible assets in preparation | 008 | 0 | 0 |
| 6 Other intangible assets | 009 | 0 | 0 |
| II TANGIBLE ASSETS (ADP 011 to 019) | 010 | 557.747.030 | 544.380.765 |
| 1 Land | 011 | 214.283.420 | 210.192.469 |
| 2 Buildings | 012 | 321.794.959 | 312.697.999 |
| 3 Plant and equipment | 013 | 1.930.904 | 1.740.421 |
| 4 Tools, working inventory and transportation assets | 014 | 13.708.037 | 13.836.179 |
| 5 Biological assets | 015 | 0 | 0 |
| 6 Advance payments for purchase of tangible assets | 016 | 0 | 0 |
| 7 Tangible assets in preparation | 017 | 0 | 0 |
| 8 Other tangible assets | 018 | 325.736 | 325.736 |
| 9 Investment property | 019 | 5.703.974 | 5.587.961 |
| III FIXED FINANCIAL ASSETS (ADP 021 to 030) | 020 | 115.611.666 | 118.598.646 |
| 1 Investments in holdings (shares) of undertakings within the group | 021 | 0 | 0 |
| 2 Investments in other securities of undertakings within the group | 022 | 0 | 0 |
| 3 Loans, deposits, etc. to undertakings within the group | 023 | 0 | 0 |
| 4 Investments in holdings (shares) of companies linked by virtue of participating interest | 024 | 115.468.108 | 118.432.698 |
| 5 Investment in other securities of companies linked by virtue of participating interest | 025 | 0 | 0 |
| 6 Loans, deposits etc. given to companies linked by virtue of participating interest | 026 | 0 | 0 |
| 7 Investments in securities | 027 | 143.558 | 165.948 |
| 8 Loans, deposits, etc. given | 028 | 0 | 0 |
| 9 Other investments accounted for using the equity method | 029 | 0 | 0 |
| 10 Other fixed financial assets | 030 | 0 | 0 |
| IV RECEIVABLES (ADP 032 to 035) | 031 | 2.098.233 | 1.322.309 |
| 1 Receivables from undertakings within the group | 032 | 0 | 0 |
| 2 Receivables from companies linked by virtue of participating interests | 033 | 0 | 0 |
| 3 Customer receivables | 034 | 2.098.233 | 1.322.309 |
| 4 Other receivables | 035 | 0 | 0 |
| V. Deferred tax assets | 036 | 9.607.337 | 9.603.307 |
| **C) CURRENT ASSETS** (ADP 038+046+053+063) | 037 | 79.576.091 | 95.454.826 |
| I INVENTORIES (ADP 039 to 045) | 038 | 1.668.009 | 1.539.013 |
| 1 Raw materials | 039 | 1.668.009 | 1.539.013 |
| 2 Work in progress | 040 | 0 | 0 |
| 3 Finished goods | 041 | 0 | 0 |
| 4 Merchandise | 042 | 0 | 0 |
| 5 Advance payments for inventories | 043 | 0 | 0 |
| 6 Fixed assets held for sale | 044 | 0 | 0 |
| 7 Biological assets | 045 | 0 | 0 |
| II RECEIVABLES (ADP 047 to 052) | 046 | 29.459.785 | 51.716.905 |
| 1 Receivables from undertakings within the group | 047 | 593.719 | 344.743 |

| | | | |
|---|---|---|---|
| 2 Receivables from companies linked by virtue of participating interest | 048 | 0 | 0 |
| 3 Customer receivables | 049 | 27.599.942 | 26.362.753 |
| 4 Receivables from employees and members of the undertaking | 050 | 4.978 | 4.960 |
| 5 Receivables from government and other institutions | 051 | 772.621 | 423.309 |
| 6 Other receivables | 052 | 488.525 | 24.581.140 |
| III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062) | 053 | 17.598.943 | 22.572.847 |
| 1 Investments in holdings (shares) of undertakings within the group | 054 | 0 | 0 |
| 2 Investments in other securities of undertakings within the group | 055 | 0 | 0 |
| 3 Loans, deposits, etc. to undertakings within the group | 056 | 0 | 0 |
| 4 Investments in holdings (shares) of companies linked by virtue of participating interest | 057 | 0 | 0 |
| 5 Investment in other securities of companies linked by virtue of participating interest | 058 | 0 | 0 |
| 6 Loans, deposits etc. given to companies linked by virtue of participating interest | 059 | 0 | 0 |
| 7 Investments in securities | 060 | 0 | 0 |
| 8 Loans, deposits, etc. given | 061 | 17.598.943 | 22.572.847 |
| 9 Other financial assets | 062 | 0 | 0 |
| IV CASH AT BANK AND IN HAND | 063 | 30.849.354 | 19.626.061 |
| **D ) PREPAID EXPENSES AND ACCRUED INCOME** | 064 | 732.908 | 789.093 |
| **E) TOTAL ASSETS** (ADP 001+002+037+064) | 065 | 951.860.962 | 923.604.207 |
| **OFF-BALANCE SHEET ITEMS** | 066 | 804.016 | 804.016 |
| **LIABILITIES** | | | |
| **A) CAPITAL AND RESERVES** (ADP 068 to | 067 | 395.701.200 | 392.472.222 |
| I. INITIAL (SUBSCRIBED) CAPITAL | 068 | 539.219.000 | 539.219.000 |
| II CAPITAL RESERVES | 069 | 38.623.828 | 38.623.828 |
| III RESERVES FROM PROFIT (ADP 071+072-073+074+075) | 070 | 0 | 0 |
| 1 Legal reserves | 071 | 0 | 0 |
| 2 Reserves for treasury shares | 072 | 0 | 0 |
| 3 Treasury shares and holdings (deductible item) | 073 | 0 | 0 |
| 4 Statutory reserves | 074 | 0 | 0 |
| 5 Other reserves | 075 | 0 | 0 |
| IV REVALUATION RESERVES | 076 | 34.119.678 | 34.138.038 |
| V FAIR VALUE RESERVES (ADP 078 to 080) | 077 | 0 | 0 |
| 1 Fair value of financial assets available for sale | 078 | 0 | 0 |
| 2 Cash flow hedge - effective portion | 079 | 0 | 0 |
| 3 Hedge of a net investment in a foreign operation - effective portion | 080 | 0 | 0 |
| VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083) | 081 | -199.856.835 | -216.261.308 |
| 1 Retained profit | 082 | 0 | 0 |
| 2 Loss brought forward | 083 | 199.856.835 | 216.261.308 |
| VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086) | 084 | -16.404.471 | -3.247.336 |
| 1 Profit for the business year | 085 | 0 | 0 |
| 2 Loss for the business year | 086 | 16.404.471 | 3.247.336 |
| VIII MINORITY (NON-CONTROLLING) INTEREST | 087 | 0 | 0 |
| **B) PROVISIONS** (ADP 089 to 094) | 088 | 6.972.160 | 7.441.991 |
| 1 Provisions for pensions, termination benefits and similar obligations | 089 | 2.364.376 | 2.364.376 |
| 2 Provisions for tax liabilities | 090 | 0 | 0 |
| 3 Provisions for ongoing legal cases | 091 | 0 | 0 |
| 4 Provisions for renewal of natural resources | 092 | 0 | 0 |
| 5 Provisions for warranty obligations | 093 | 0 | 0 |
| 6 Other provisions | 094 | 4.607.784 | 5.077.615 |
| **C) LONG-TERM LIABILITIES** (ADP 096 to 106) | 095 | 326.700.868 | 299.963.007 |
| 1 Liabilities towards undertakings within the group | 096 | 0 | 0 |
| 2 Liabilities for loans, deposits, etc. to companies within the group | 097 | 0 | 0 |
| 3 Liabilities towards companies linked by virtue of participating interest | 098 | 0 | 0 |
| 4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest | 099 | 0 | 0 |
| 5 Liabilities for loans, deposits etc. | 100 | 0 | 0 |

| | | | |
|---|---|---|---|
| 6 Liabilities towards banks and other financial institutions | **101** | 67.615.702 | 61.081.454 |
| 7 Liabilities for advance payments | **102** | 0 | 0 |
| 8 Liabilities towards suppliers | **103** | 1.841.433 | 0 |
| 9 Liabilities for securities | **104** | 0 | 0 |
| 10 Other long-term liabilities | **105** | 244.703.203 | 226.341.023 |
| 11 Deferred tax liability | **106** | 12.540.530 | 12.540.530 |
| **D) SHORT-TERM LIABILITIES** (ADP 108 to 121) | **107** | 199.325.994 | 194.639.411 |
| 1 Liabilities towards undertakings within the group | **108** | 0 | 0 |
| 2 Liabilities for loans, deposits, etc. to companies within the group | **109** | 3.634.235 | 1.868.275 |
| 3 Liabilities towards companies linked by virtue of participating interest | **110** | 0 | 0 |
| 4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest | **111** | 0 | 0 |
| 5 Liabilities for loans, deposits etc. | **112** | 0 | 0 |
| 6 Liabilities towards banks and other financial institutions | **113** | 9.074.602 | 9.611.432 |
| 7 Liabilities for advance payments | **114** | 0 | 861.257 |
| 8 Liabilities towards suppliers | **115** | 12.469.594 | 11.847.300 |
| 9 Liabilities for securities | **116** | 0 | 0 |
| 10 Liabilities towards employees | **117** | 3.605.077 | 3.968.575 |
| 11 Taxes, contributions and similar liabilities | **118** | 3.314.012 | 3.262.362 |
| 12 Liabilities arising from the share in the result | **119** | 0 | 0 |
| 13 Liabilities arising from fixed assets held for sale | **120** | 0 | 0 |
| 14 Other short-term liabilities | **121** | 167.228.474 | 163.220.210 |
| **E) ACCRUALS AND DEFERRED INCOME** | **122** | 23.160.740 | 29.087.576 |
| **F) TOTAL – LIABILITIES** (ADP 067+088+095+107+122) | **123** | 951.860.962 | 923.604.207 |
| **G) OFF-BALANCE SHEET ITEMS** | **124** | 804.016 | 804.016 |

## STATEMENT OF PROFIT OR LOSS
**for the period 01.01.2020 to 31.12.2020**

in HRK

**Submitter: LUKA RIJEKA d.d.**

| Item | ADP code | Same period of the previous year | Current period |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| **I OPERATING INCOME** (ADP 126 to 130) | 125 | 160.368.197 | 165.481.597 |
| 1 Income from sales with undertakings within the group | 126 | 0 | 0 |
| 2 Income from sales (outside group) | 127 | 147.716.075 | 147.070.422 |
| 3 Income from the use of own products, goods and services | 128 | 0 | 0 |
| 4 Other operating income with undertakings within the group | 129 | 0 | 0 |
| 5 Other operating income (outside the group) | 130 | 12.652.122 | 18.411.175 |
| **II OPERATING EXPENSES** (ADP 132+133+137+141+142+143+146+153) | 131 | 170.365.635 | 169.713.478 |
| 1 Changes in inventories of work in progress and finished goods | 132 | 0 | 0 |
| 2 Material costs (ADP 134 to 136) | 133 | 49.848.427 | 48.273.840 |
| *a) Costs of raw material* | 134 | 18.470.717 | 19.954.102 |
| *b) Costs of goods sold* | 135 | 0 | 0 |
| *c) Other external costs* | 136 | 31.377.710 | 28.319.738 |
| 3 Staff costs (ADP 138 to 140) | 137 | 67.728.117 | 69.929.550 |
| *a) Net salaries and wages* | 138 | 42.317.362 | 44.324.265 |
| *b) Tax and contributions from salaries expenses* | 139 | 15.776.641 | 15.655.721 |
| *c) Contributions on salaries* | 140 | 9.634.114 | 9.949.564 |
| 4 Depreciation | 141 | 21.863.124 | 20.021.680 |
| 5 Other expenses | 142 | 25.506.237 | 24.516.397 |
| 6 Value adjustments (ADP 144+145) | 143 | 777.027 | 2.759.914 |
| *a) fixed assets other than financial assets* | 144 | 0 | 0 |
| *b) current assets other than financial assets* | 145 | 777.027 | 2.759.914 |
| 7 Provisions (ADP 147 to 152) | 146 | 3.070.460 | 2.117.088 |
| *a) Provisions for pensions, termination benefits and similar obligations* | 147 | 0 | 0 |
| *b) Provisions for tax liabilities* | 148 | 0 | 0 |
| *c) Provisions for ongoing legal cases* | 149 | 1.973.227 | 2.117.088 |
| *d) Provisions for renewal of natural resources* | 150 | 0 | 0 |
| *e) Provisions for warranty obligations* | 151 | 0 | 0 |
| *f) Other provisions* | 152 | 1.097.233 | 0 |
| 8 Other operating expenses | 153 | 1.572.243 | 2.095.009 |
| **III FINANCIAL INCOME** (ADP 155 to 164) | 154 | 1.474.983 | 1.677.360 |
| 1 Income from investments in holdings (shares) of undertakings within the group | 155 | 0 | 0 |
| 2 Income from investments in holdings (shares) of companies linked by virtue of participating interest | 156 | 0 | 0 |
| 3 Income from other long-term financial investment and loans granted to undertakings within the group | 157 | 0 | 0 |
| 4 Other interest income from operations with undertakings within the group | 158 | 0 | 0 |
| 5 Exchange rate differences and other financial income from operations with undertakings within the group | 159 | 0 | 0 |
| 6 Income from other long-term financial investments and loans | 160 | 0 | 0 |
| 7 Other interest income | 161 | 1.474.983 | 1.399.494 |
| 8 Exchange rate differences and other financial income | 162 | 0 | 0 |
| 9 Unrealised gains (income) from financial assets | 163 | 0 | 0 |
| 10 Other financial income | 164 | 0 | 277.866 |
| **IV FINANCIAL EXPENDITURE** (ADP 166 to 172) | 165 | 21.871.351 | 21.188.859 |
| 1 Interest expenses and similar expenses with undertakings within the group | 166 | 0 | 0 |
| 2 Exchange rate differences and other expenses from operations with undertakings within the group | 167 | 0 | 0 |
| 3 Interest expenses and similar expenses | 168 | 3.724.675 | 8.854.837 |
| 4 Exchange rate differences and other expenses | 169 | 0 | 0 |
| 5 Unrealised losses (expenses) from financial assets | 170 | 0 | 0 |
| 6 Value adjustments of financial assets (net) | 171 | 0 | 0 |
| 7 Other financial expenses | 172 | 18.146.676 | 12.334.022 |

| | | | |
|---|---|---|---|
| **V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST** | **173** | 17.568.191 | 20.584.590 |
| **VI SHARE IN PROFIT FROM JOINT VENTURES** | **174** | 0 | 0 |
| **VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST** | **175** | 0 | 0 |
| **VIII SHARE IN LOSS OF JOINT VENTURES** | **176** | 0 | 0 |
| **IX TOTAL INCOME** (ADP 125+154+173 + 174) | **177** | 179.411.371 | 187.743.547 |
| **X TOTAL EXPENDITURE** (ADP 131+165+175 + 176) | **178** | 192.236.986 | 190.902.337 |
| **XI PRE-TAX PROFIT OR LOSS** (ADP 177-178) | **179** | -12.825.615 | -3.158.790 |
| 1 Pre-tax profit (ADP 177-178) | **180** | 0 | 0 |
| 2 Pre-tax loss (ADP 178-177) | **181** | -12.825.615 | -3.158.790 |
| **XII INCOME TAX** | **182** | 3.578.856 | 88.546 |
| **XIII PROFIT OR LOSS FOR THE PERIOD** (ADP 179-182) | **183** | -16.404.471 | -3.247.336 |
| 1 Profit for the period (ADP 179-182) | **184** | 0 | 0 |
| 2 Loss for the period (ADP 182-179) | **185** | -16.404.471 | -3.247.336 |
| **DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)** | | | |
| **XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS** (ADP 187-188) | **186** | 0 | 0 |
| 1 Pre-tax profit from discontinued operations | **187** | 0 | 0 |
| 2 Pre-tax loss on discontinued operations | **188** | 0 | 0 |
| **XV INCOME TAX OF DISCONTINUED OPERATIONS** | **189** | 0 | 0 |
| 1 Discontinued operations profit for the period (ADP 186-189) | **190** | 0 | 0 |
| 2 Discontinued operations loss for the period (ADP 189-186) | **191** | 0 | 0 |
| **TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)** | | | |
| **XVI PRE-TAX PROFIT OR LOSS** (ADP 179+186) | **192** | 0 | 0 |
| 1 Pre-tax profit (ADP 192) | **193** | 0 | 0 |
| 2 Pre-tax loss (ADP 192) | **194** | 0 | 0 |
| **XVII INCOME TAX** (ADP 182+189) | **195** | 0 | 0 |
| **XVIII PROFIT OR LOSS FOR THE PERIOD** (ADP 192-195) | **196** | 0 | 0 |
| 1 Profit for the period (ADP 192-195) | **197** | 0 | 0 |
| 2 Loss for the period (ADP 195-192) | **198** | 0 | 0 |
| **APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)** | | | |
| **XIX PROFIT OR LOSS FOR THE PERIOD** (ADP 200+201) | **199** | -16.404.471 | -3.247.336 |
| **1 Attributable to owners of the parent** | **200** | -16.404.471 | -3.247.336 |
| **2 Attributable to minority (non-controlling) interest** | **201** | 0 | 0 |
| **STATEMENT OF OTHER COMPRHENSIVE INCOME (to be filled in by undertakings subject to IFRS)** | | | |
| **I PROFIT OR LOSS FOR THE PERIOD** | **202** | -16.404.471 | -3.247.336 |
| **II OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX** (ADP 204 to 211) | **203** | 19.032 | 22.390 |
| 1 Exchange rate differences from translation of foreign operations | **204** | 0 | 0 |
| 2 Changes in revaluation reserves of fixed tangible and intangible assets | **205** | 0 | 0 |
| 3 Profit or loss arising from re-evaluation of financial assets available for sale | **206** | 19.032 | 22.390 |
| 4 Profit or loss arising from effective cash flow hedging | **207** | 0 | 0 |
| 5 Profit or loss arising from effective hedge of a net investment in a foreign operation | **208** | 0 | 0 |
| 6 Share in other comprehensive income/loss of companies linked by virtue of participating interest | **209** | 0 | 0 |
| 7 Actuarial gains/losses on defined remuneration plans | **210** | 0 | 0 |
| 8 Other changes in equity unrelated to owners | **211** | 0 | 0 |
| **III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD** | **212** | 3.426 | 4.030 |
| **IV NET OTHER COMPREHENSIVE INCOME OR LOSS** (ADP 203-212) | **213** | 15.606 | 18.360 |
| **V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD** (ADP 202+213) | **214** | -16.388.865 | -3.228.976 |
| **APPENDIX to the Statement on comprehensive income (to be filled in by entrepreneurs who draw up consolidated statements)** | | | |
| **VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD** (ADP 216+217) | **215** | -16.388.865 | -3.228.976 |
| **1 Attributable to owners of the parent** | **216** | -16.388.865 | -3.228.976 |
| **2 Attributable to minority (non-controlling) interest** | **217** | 0 | 0 |

## STATEMENT OF CASH FLOWS - indirect method
**for the period 01.01.2020 to 31.01.2020**

in HRK

Submitter: LUKA RIJEKA d.d.

| Item | ADP code | Same period of the previous year | Current period |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| **Cash flow from operating activities** | | | |
| 1 Pre-tax profit | 001 | -12.825.615 | -3.158.790 |
| 2 Adjustments (ADP 003 to 010): | 002 | 25.480.992 | 16.652.000 |
| *a) Depreciation* | 003 | 21.863.124 | 20.021.680 |
| *b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets* | 004 | -267 | -3.899.733 |
| *c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets* | 005 | 777.028 | 2.759.914 |
| *d) Interest and dividend income* | 006 | -169 | -19.312.273 |
| *e) Interest expenses* | 007 | 19.839.872 | 14.643.702 |
| *f) Provisions* | 008 | -141.286 | -469.831 |
| *g) Exchange rate differences (unrealised)* | 009 | 710.881 | -5.972.236 |
| *h) Other adjustments for non-cash transactions and unrealised gains and losses* | 010 | -17.568.191 | 8.880.777 |
| **I Cash flow increase or decrease before changes in the working capital** (ADP 001+002) | 011 | 12.655.377 | 13.493.210 |
| 3 Changes in the working capital (ADP 013 to 016) | 012 | -12.137.949 | -4.783.089 |
| *a) Increase or decrease in short-term liabilities* | 013 | -10.705.602 | 4.496.557 |
| *b) Increase or decrease in short-term receivables* | 014 | -3.541.232 | -1.106.687 |
| *c) Increase or decrease in inventories* | 015 | 135.885 | 128.996 |
| *d) Other increase or decrease in the working capital* | 016 | 1.973.000 | -8.301.955 |
| **II Cash from operations** (ADP 011+012) | 017 | 517.428 | 8.710.121 |
| 4 Interest paid | 018 | -1.902.321 | -2.326.346 |
| 5 Income tax paid | 019 | 23 | 0 |
| **A) NET CASH FLOW FROM OPERATING ACTIVITIES** (ADP 017 to 019) | 020 | -1.384.870 | 6.383.775 |
| **Cash flow from investment activities** | | | |
| 1 Cash receipts from sales of fixed tangible and intangible assets | 021 | 3.307.743 | 6.313.455 |
| 2 Cash receipts from sales of financial instruments | 022 | 0 | 0 |
| 3 Interest received | 023 | 168.867 | 53.110 |
| 4 Dividends received | 024 | 3.276.192 | 17.640.000 |
| 5 Cash receipts from repayment of loans and deposits | 025 | 0 | 0 |
| 6 Other cash receipts from investment activities | 026 | 0 | 5.555.879 |
| **III Total cash receipts from investment activities** (ADP 021 to 026) | 027 | 6.752.802 | 29.562.444 |
| 1 Cash payments for the purchase of fixed tangible and intangible assets | 028 | -26.552.650 | -30.974.935 |
| 2 Cash payments for the acquisition of financial instruments | 029 | 0 | 0 |
| 3 Cash payments for loans and deposits for the period | 030 | 0 | 0 |
| 4 Acquisition of a subsidiary, net of cash acquired | 031 | 0 | 0 |
| 5 Other cash payments from investment activities | 032 | -7.635.724 | -5.000.997 |
| **IV Total cash payments from investment activities** (ADP 028 to 032) | 033 | -34.188.374 | -35.975.932 |
| **B) NET CASH FLOW FROM INVESTMENT ACTIVITIES** (ADP 027 +033) | 034 | -27.435.572 | -6.413.488 |
| **Cash flow from financing activities** | | | |
| 1 Cash receipts from the increase of initial (subscribed) capital | 035 | 0 | 0 |
| 2 Cash receipts from the issue of equity financial instruments and debt financial instruments | 036 | 0 | 0 |
| 3 Cash receipts from credit principals, loans and other borrowings | 037 | 27.663.000 | 3.826.039 |
| 4 Other cash receipts from financing activities | 038 | 0 | 0 |
| **V Total cash receipts from financing activities** (ADP 035 to 038) | 039 | 27.663.000 | 3.826.039 |
| 1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments | 040 | -11.552.000 | -10.661.344 |

| | | | |
|---|---|---|---|
| 2 Dividends paid | **041** | 0 | |
| 3 Cash payments for finance lease | **042** | -4.267.591 | -4.358.275 |
| 4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital | **043** | 0 | 0 |
| 5 Other cash payments from financing activities | **044** | -4.253.000 | 0 |
| **VI Total cash payments from financing activities** (ADP 040 to 044) | **045** | -20.072.591 | -15.019.619 |
| **C) NET CASH FLOW FROM FINANCING ACTIVITIES** (ADP 039 +045) | **046** | 7.590.409 | -11.193.580 |
| 1 Unrealised exchange rate differences in cash and cash equivalents | **047** | 0 | 0 |
| **D) NET INCREASE OR DECREASE OF CASH FLOWS** (ADP 020+034+046+047) | **048** | -21.230.033 | -11.223.293 |
| **E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD** | **049** | 52.079.387 | 30.849.354 |
| **F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD**(ADP 048+049) | **050** | 30.849.354 | 19.626.061 |

## STATEMENT OF CHANGES IN EQUITY

for the period from 1.1.2020 to 31.1.2020

in HRK

| Item | ADP code | Attributable to owners of the parent | | | | | | | | | | | | | | Minority (non-controlling) interest | Total capital and reserves |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Initial (subscribed) capital | Capital reserves | Legal reserves | Reserves for treasury shares | Treasury shares and holdings (deductible item) | Statutory reserves | Other reserves | Revaluation reserves | Fair value of financial assets available for sale | Cash flow hedge effective portion | Hedge of a net investment in a foreign operation - effective portion | Retained profit / loss brought forward | Profit/loss for the business year | Total attributable to owners of the parent | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 (3 to 6 - 7 + 8 to 15) | 17 | 18 (16+17) |
| **Previous period** | | | | | | | | | | | | | | | | | |
| **1 Balance on the first day of the previous business year** | **01** | 539.219.000 | 38.623.828 | 0 | 0 | 0 | 0 | 0 | 34.054.579 | 49.493 | 0 | 0 | 80.776.103 | -28.887.333 | 663.835.670 | 0 | 663.835.670 |
| 2 Changes in accounting policies | **02** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -251.745.605 | 0 | -251.745.605 | 0 | -251.745.605 |
| 3 Correction of errors | **03** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **4 Balance on the first day of the previous business year (restated)** (ADP 01 to 03) | **04** | 539.219.000 | 38.623.828 | 0 | 0 | 0 | 0 | 0 | 34.054.579 | 49.493 | 0 | 0 | -170.969.502 | -28.887.333 | 412.090.065 | 0 | 412.090.065 |
| 5 Profit/loss of the period | **05** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -16.404.471 | -16.404.471 | 0 | -16.404.471 |
| 6 Exchange rate differences from translation of foreign operations | **06** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 Changes in revaluation reserves of fixed tangible and intangible assets | **07** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8 Profit or loss arising from re-evaluation of financial assets available for sale | **08** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 19.032 | 0 | 0 | 0 | 0 | 19.032 | 0 | 19.032 |
| 9 Gains or losses on efficient cash flow hedging | **09** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 Gains or losses arising from effective hedge of a net investment in a foreign operation | **10** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11 Share in other comprehensive income/loss of companies linked by virtue of participating interest | **11** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 Actuarial gains/losses on defined benefit plans | **12** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 13 Other changes in equity unrelated to owners | **13** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14 Tax on transactions recognised directly in equity | **14** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -3.426 | 0 | 0 | 0 | 0 | -3.426 | 0 | -3.426 |
| 15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure) | **15** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 Increase of initial (subscribed) capital by reinvesting profit | **16** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure | **17** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 18 Redemption of treasury shares/holdings | **18** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 19 Payment of share in profit/dividend | **19** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 20 Other distribution to owners | **20** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 21 Transfer to reserves by annual schedule | **21** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -28.887.333 | 28.887.333 | 0 | 0 | 0 |
| 22 Increase in reserves arising from the pre-bankruptcy settlement procedure | **22** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **23 Balance on the last day of the previous business year reporting period** (ADP 04 to 22) | **23** | 539.219.000 | 38.623.828 | 0 | 0 | 0 | 0 | 0 | 34.054.579 | 65.099 | 0 | 0 | -199.856.835 | -16.404.471 | 395.701.200 | 0 | 395.701.200 |
| **APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)** | | | | | | | | | | | | | | | | | |
| **I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX** (ADP 06 to 14) | **24** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15.606 | 0 | 0 | 0 | 0 | 15.606 | 0 | 15.606 |
| **II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD** (ADP 05+24) | **25** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15.606 | 0 | 0 | 0 | -16.404.471 | -16.388.865 | 0 | -16.388.865 |
| **III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY** (ADP 15 to 22) | **26** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -28.887.333 | 28.887.333 | 0 | 0 | 0 |
| **Current period** | | | | | | | | | | | | | | | | | |
| **1 Balance on the first day of the current business year** | **27** | 539.219.000 | 38.623.828 | 0 | 0 | 0 | 0 | 0 | 34.054.579 | 65.099 | 0 | 0 | -199.856.835 | -16.404.471 | 395.701.200 | 0 | 395.701.200 |
| 2 Changes in accounting policies | **28** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 Correction of errors | **29** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **4 Balance on the first day of the current business year (restated)** (ADP 27 to 29) | **30** | 539.219.000 | 38.623.828 | 0 | 0 | 0 | 0 | 0 | 34.054.579 | 65.099 | 0 | 0 | -199.856.835 | -16.404.471 | 395.701.200 | 0 | 395.701.200 |
| 5 Profit/loss of the period | **31** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -3.247.336 | -3.247.336 | 0 | -3.247.336 |
| 6 Exchange rate differences from translation of foreign operations | **32** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 Changes in revaluation reserves of fixed tangible and intangible assets | **33** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8 Profit or loss arising from re-evaluation of financial assets available for sale | **34** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 22.390 | 0 | 0 | 0 | 0 | 22.390 | 0 | 22.390 |
| 9 Gains or losses on efficient cash flow hedging | **35** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 Gains or losses arising from effective hedge of a net investment in a foreign operation | **36** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11 Share in other comprehensive income/loss of companies linked by virtue of participating interest | **37** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 Actuarial gains/losses on defined remuneration plans | **38** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 13 Other changes in equity unrelated to owners | **39** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14 Tax on transactions recognised directly in equity | **40** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -4.030 | 0 | 0 | 0 | 0 | -4.030 | 0 | -4.030 |
| 15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure) | **41** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 Increase of initial (subscribed) capital by reinvesting profit | **42** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure | **43** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 18 Redemption of treasury shares/holdings | **44** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 19 Payment of share in profit/dividend | **45** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 20 Other distribution to owners | **46** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 21 Transfer to reserves by annual schedule | **47** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -16.404.471 | 16.404.471 | 0 | 0 | 0 |
| 22 Increase in reserves arising from the pre-bankruptcy settlement procedure | **48** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **23 Balance on the last day of the current business year reporting period** (ADP 30 to 48) | **49** | 539.219.000 | 38.623.828 | 0 | 0 | 0 | 0 | 0 | 34.054.579 | 83.459 | 0 | 0 | -216.261.306 | -3.247.336 | 392.472.224 | 0 | 392.472.224 |
| **APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)** | | | | | | | | | | | | | | | | | |
| **I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX** (ADP 32 to 40) | **50** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 18.360 | 0 | 0 | 0 | 0 | 18.360 | 0 | 18.360 |
| **II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD** (ADP 31+50) | **51** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 18.360 | 0 | 0 | 0 | -3.247.336 | -3.228.976 | 0 | -3.228.976 |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY** (ADP 41 to 48) | **52** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -16.404.471 | 16.404.471 | 0 | 0 | 0 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - GFI

Name of issuer: LUKA RIJEKA d.d.

Personal identification number (OIB): 92590920313

Reporting period: 01.01.2020.-31.12.2020.

Notes to the financial statements are to be drawn up in accordance with the International Financial Reporting Standards (hereinafter: IFRS) in such a way that they:

a) present information about the basis for the preparation of the financial statements and the specific accounting policies used in accordance with the International Accounting Standard 1 (IAS 1),

b) disclose any information required by IFRSs that is not presented elsewhere in the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity,

c) provide additional information that is not presented elsewhere in the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity, but is relevant for understanding any of them.

(d) in the notes to the financial statements, in addition to the information stated above, information in respect of the following matters shall be disclosed:

1. issuer's name, registered office (address), legal form, country of establishment, entity's registration number and, if applicable, the indication whether the issuer is undergoing liquidation, bankruptcy proceedings, shortened termination proceedings or extraordinary administration

2. adopted accounting policies

3. the total amount of any financial commitments, guarantees or contingencies that are not included in the balance sheet, and an indication of the nature and form of any valuable security which has been provided; any commitments concerning pensions of the issuer within the group or company linked by virtue of participating interest shall be disclosed separately

4. the amount of advances and credits granted to the members of the administrative, managerial and supervisory bodies, with indications of the interest rates, main conditions and any amounts repaid, written-off or revoked, as well as commitments entered into on their behalf by way of guarantees of any kind, with an indication of the total for each category

5. the amount and nature of individual items of income or expenditure which are of exceptional size or incidence

6. amounts owed by the issuer and falling due after more than five years, as well as the total debts of the issuer covered by valuable security furnished by the issuer, specifying the type and form of security

7. average number of employees during the financial year

8. where, in accordance with the regulations, the issuer capitalised on the cost of salaries in part or in full, information on the amount of the total cost of employees during the year broken down into the amount directly debiting the costs of the period and the amount capitalised on the value of the assets during the period, showing separately the total amount of net salaries and the amount of taxes, contributions from salaries and contributions on salaries

9. the amount of the emoluments granted in respect of the financial year to the members of the administrative, managerial and supervisory bodies by reason of their responsibilities, and any commitments arising or entered into in respect of retirement pensions for former members of those bodies, with an indication of the total for each category

10. the average number of persons employed during the financial year, broken down by categories and, if they are not disclosed separately in the profit and loss account, the staff costs relating to the financial year, broken down between net salaries and wages, tax costs and contributions from salaries, contributions on salaries and other salary costs, excluding cost allowances

11. where a provision for deferred tax is recognised in the balance sheet, the deferred tax balances at the end of the financial year, and the movement in those balances during the financial year

12. the name and registered office of each of the companies in which the issuer, either itself or through a person acting in their own name but on the issuer's behalf, holds a participating interest, showing the proportion of the capital held, the amount of capital and reserves, and the profit or loss for the latest financial year of the company concerned for which financial statements have been adopted; the information concerning capital and reserves and the profit or loss may be omitted where the company concerned does not publish its balance sheet and is not controlled by another company

13. the number and the nominal value or, in the absence of a nominal value, the accounting par value of the shares subscribed during the financial year within the limits of the authorised capital

14. where there is more than one class of shares, the number and the nominal value or, in the absence of a nominal value, the accounting value for each class

15. the existence of any participation certificates, convertible debentures, warrants, options or similar securities or rights, with an indication of their number and the rights they confer

16. the name, registered office and legal form of each of the companies of which the issuer is a member having unlimited liability

17. the name and registered office of the company which draws up the consolidated financial statements of the largest group of companies of which the issuer forms part as a controlled group member

18. the name and registered office of the company which draws up the consolidated financial statements of the smallest group of companies of which the issuer forms part as a controlled group member and which is also included in the group of companies referred to in point 17.

19. the place where copies of the consolidated financial statements referred to in points 17 and 18 may be obtained, provided that they are available

20. the proposed appropriation of profit or treatment of loss, or where applicable, the appropriation of the profit or treatment of the loss

21. the nature and business purpose of the company's arrangements that are not included in the balance sheet and the financial impact on the company of those arrangements, provided that the risks or benefits arising from such arrangements are material and in so far as the disclosure of such risks or benefits is necessary for the purposes of assessing the financial position of the company

22. the nature and the financial effect of material events arising after the balance sheet date which are not reflected in the profit and loss account or balance sheet

23. the net income broken down by categories of activity and into geographical markets, in so far as those categories and markets differ substantially from one another, taking account of the manner in which the sale of products and the provision of services are organised.

24 the total fees for the financial year charged by each statutory auditor or audit firm for the statutory audit of the annual financial statements, i.e. annual consolidated financial statements, the total fees charged for other assurance services, the total fees charged for tax advisory services and the total fees charged for other non-audit services, total research and development expenditure as the basis for granting state aid.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union (EU).

A summary of significant accounting policies is presented in Note 3 to the audited financial statements.

The Group has also prepared unconsolidated financial statements as at December 31, 2020 and the year then ended, in accordance with IFRS approved by the European Union (EU) for the Company and its subsidiaries (Group) approved by the Management Board. The unconsolidated and consolidated financial statements, as well as the detailed notes to the financial statements, are published on the Company's website, on the Zagreb Stock Exchange website and in the Official Register of Prescribed Information (HANFA). Information that under IFRS must be made public and that is not presented in the financial position statement, statement of comprehensive income, statement of cash flows and statement of changes in equity, is disclosed in Notes 7 to 33 to the audited financial statements.

The name, registered office (address) of the issuer, legal form of the issuer, country of establishment, identification number of the entity, personal identification number are published on the General Data page within this document and in Note 1 to the audited financial statements.

The adopted accounting policies are explained in Note 3 to the audited financial statements.

Financial liabilities based on given guarantees that are not included in the balance sheet are not materially significant and the Management Board believes that the possibility of any outflow based on them is negligible. The Group has no pension liabilities.

The Group has no advance payments and loans granted to members of the administrative, management and supervisory bodies nor obligations agreed in their favor through any guarantees.

Debts maturing after more than five years are explained in Note 27 to the audited financial statements.

Lease liabilities arising from the application of IFRS 16 are disclosed in AOP 105 and AOP 121, and explained in Note 33.

In 2020, the Group had an average of 648 employees. The Group does not monitor employees by category.

There was no wage capitalization in 2020.

In 2020, members of the Management Board received a total gross amount of 2.236 thousand HRK on the basis of salary and annual bonus.

Members of the Supervisory Board of the Company are entitled to remuneration that was paid to the members of the Supervisory Board in 2020 in the gross amount of 469 thousand HRK.

Provisions for deferred tax, deferred tax balances at the end of the financial year and movements in these balances during the financial year are presented in Note 14 to the financial statements.

The Company has business relations with the associated Company Jadranska vrata d.d., Brajdica 16, 51000 Rijeka in which Luka Rijeka d.d. has 49% ownership. Transactions with an associated Group relating to balances in the financial position statement as at December 31, 2020 and 2019 and transactions in the statement of comprehensive income for the years then ended are as follows:

| (thousands HRK) | 2020. | | 2019. | |
|---|---|---|---|---|
| Receivables | | 345 | | 594 |
| Income from sale and other income | 100 | | 2.924. | |

Investments in subsidiaries and associates using the equity method are explained in Note 19 to the audited financial statements.

There were no transactions of subscription of shares or stakes during the business year within the authorized capital.

There are no multiple ranks of shares.

The Group has no certificates of participation, convertible debentures, guarantees, options or similar securities or rights.

The Group has no stake in companies with unlimited liability

The Group has no stake in companies with unlimited liability.

The consolidated financial statements of the Issuer are the largest group of companies and the Issuer is not a controlled member of any group.

The audited non-consolidated and consolidated financial statements for 2020 will be sent to the Supervisory Board for examination and proposed that the Supervisory Board gives its consent to them at the meeting scheduled according to the published calendar of events. Upon adoption of the decision by the Supervisory Board, the Management Board of the Group shall at the same time, at the meeting of the Supervisory Board, send to the Supervisory Board a Decision proposal on covering the loss in order to take a stand.

Transactions with other related parties are disclosed in Note 31 to the audited financial statements.

Significant events that occurred after the balance sheet date and are not reflected in the profit and loss account or balance sheet are disclosed in Note 34 to the audited financial statements.

The Group's net income is analyzed in Notes 7 and 8 to the audited financial statements.

Fees for the statutory audit of the Company's financial statements amounted to HRK 266 thousand, while fees for tax consulting services amounted to HRK 111 thousand. Other services relate to the Report on remuneration of the Management Board and the Supervisory Board.

Lease obligations arising from the application of IFRS 16 are disclosed under AOP 105 and AOP 121, and the right to use assets under items AOP 005. Details are disclosed in Note 33 to the audited financial statements.

Notes on differences between the AFS-POD form and the audited annual reports:

The position of Intangible Assets and Concession Assets with the right to use from the consolidated balance sheet published in the audited annual report of Luka Rijeka d.d. is stated in the AFS-POD form at AOP item 005.

The positions of Total Fixed Assets are explained in Notes 14, 16 to 21 and 33 in the audited annual report of Luka Rijeka d.d.

The position Receivables from clients and other receivables from the consolidated balance sheet published in the audited annual report of Luka Rijeka d.d. is stated in the AFS-POD form at AOP items 046 and 064.

The position of the Revaluation Reserve from the consolidated balance sheet published in the audited annual report of Luka Rijeka d.d. is stated in the AFS-POD form at AOP items 076 and 078.

Position Accumulated losses from the consolidated balance sheet published in the audited annual report of Luka Rijeka d.d. is stated in the AFS-POD form at AOP items 081 and 084.

Position Liabilities for concession assets with the right to use from the consolidated balance sheet published in the audited annual report of Luka Rijeka d.d. is presented in the AFS-POD form in AOP item 121. The remaining amount of AOP 121 is contained in the item Liabilities to clients and other liabilities in the audited annual report.

The position of loans and borrowings from the consolidated balance sheet published in the audited annual report of Luka Rijeka d.d. is presented in the AFS-POD form in AOP items 113 and 109. The difference in AOP 113 is presented in the item Liabilities to suppliers and other liabilities in the audited annual report.

Position Other income from the non-consolidated profit and loss account published in the audited annual report of Luka Rijeka d.d. is stated in the AFS-POD form at AOP items 129 and 130.

Position Staff costs from the consolidated profit and loss account published in the audited annual report of Luka Rijeka d.d. is stated in the AFS-POD form on AOP items 138, 139, 140 and part 142.

The positions of the Cash Flow Statement are explained in Notes 8, 11-13, 16-20, 24, 27, 29 and 33 in the audited annual report of Luka Rijeka d.d.

Differences that do not arise as a consequence of the structure and content of the AFS-POD form in the XLS format relate to rounding, i.e. presentation in thousands of HRK in relation to the presentation of data in the AFS_POD form.

Notes to the consolidated financial statements are included in the audited annual report of Luka Rijeka d.d. The audited annual report is available at https://www.lukarijeka.hr/.