LUKA RIJEKA d.d.

Annual Report
for the year ended 31 December
2019

ISSUER'S GENERAL DATA

Reporting period:	1.1.2019	to	31.12.2019
Year:	2019		

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	622		
Consolidated report:	KN	(KN-not consolidated/KD-consolidated)	
Audited:	RN	(RN-not audited/RD-audited)	

Names of subsidiaries (according to IFRS)	Registered office:	MB:

Bookkeeping firm:	No	(Yes/No)	(name of the bookkeeping firm)
Contact person:	Gordana Fućak (only name and surname of the contact person)		
Telephone:	051/496-324		
E-mail address:	financije@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 31.12.2019

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**	627.930.851	766.848.598
I INTANGIBLE ASSETS (ADP 004 to 009)	**003**	325.643	186.487.697
1 Research and development	**004**	0	0
2 Concessions, patents, licences, trademarks, software and other rights	**005**	325.643	186.487.697
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**	599.377.413	556.650.963
1 Land	**011**	214.283.420	214.283.420
2 Buildings	**012**	217.757.923	321.794.959
3 Plant and equipment	**013**	2.127.531	1.926.599
4 Tools, working inventory and transportation assets	**014**	46.451.817	12.616.275
5 Biological assets	**015**	0	0
6 Advance payments for purchase of tangible assets	**016**	480.590	0
7 Tangible assets in preparation	**017**	111.964.323	0
8 Other tangible assets	**018**	325.736	325.736
9 Investment property	**019**	5.986.073	5.703.974
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	**020**	11.985.336	12.004.368
1 Investments in holdings (shares) of undertakings within the group	**021**	40.000	40.000
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**	11.820.810	11.820.810
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**	124.526	143.558
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**	3.096.861	2.098.233
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**	3.096.861	0
4 Other receivables	**035**	0	2.098.233
V. Deferred tax assets	**036**	13.145.598	9.607.337
C) CURRENT ASSETS (ADP 038+046+053+063)	**037**	88.874.906	77.585.226
I INVENTORIES (ADP 039 to 045)	**038**	1.803.894	1.668.009
1 Raw materials	**039**	1.803.894	1.668.009
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**	26.377.465	28.821.598
1 Receivables from undertakings within the group	**047**	545.412	602.946

2 Receivables from companies linked by virtue of participating interest	048	0	0
3 Customer receivables	049	24.798.033	27.061.978
4 Receivables from employees and members of the undertaking	050	893	4.978
5 Receivables from government and other institutions	051	611.682	663.171
6 Other receivables	052	421.445	488.525
III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	053	9.992.658	17.598.943
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	9.992.658	17.598.943
9 Other financial assets	062	0	0
IV CASH AT BANK AND IN HAND	063	50.700.889	29.496.676
D) PREPAID EXPENSES AND ACCRUED INCOME	064	776.855	722.572
E) TOTAL ASSETS (ADP 001+002+037+064)	065	717.582.612	845.156.396
OFF-BALANCE SHEET ITEMS	066	804.016	804.016
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to	067	576.869.571	294.297.150
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	34.054.579	34.054.579
V FAIR VALUE RESERVES (ADP 078 to 080)	077	49.493	65.099
1 Fair value of financial assets available for sale	078	49.493	65.099
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	-5.103.089	-286.822.934
1 Retained profit	082	0	0
2 Loss brought forward	083	5.103.089	286.822.934
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	084	-29.974.240	-30.842.422
1 Profit for the business year	085	0	0
2 Loss for the business year	086	29.974.240	30.842.422
VIII MINORITY (NON-CONTROLLING) INTEREST	087	0	0
B) PROVISIONS (ADP 089 to 094)	088	5.140.220	6.972.160
1 Provisions for pensions, termination benefits and similar obligations	089	2.477.663	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	2.662.557	4.607.784
C) LONG-TERM LIABILITIES (ADP 096 to 106)	095	61.304.036	321.645.389
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**	48.492.125	67.615.702
7 Liabilities for advance payments	**102**	0	0
8 Liabilities towards suppliers	**103**	5.326.860	1.841.433
9 Liabilities for securities	**104**	0	0
10 Other long-term liabilities	**105**	0	244.703.203
11 Deferred tax liability	**106**	7.485.051	7.485.051
D) SHORT-TERM LIABILITIES (ADP 108 to 121)	**107**	49.066.705	199.080.957
1 Liabilities towards undertakings within the group	**108**	879.893	891.552
2 Liabilities for loans, deposits, etc. to companies within the group	**109**	0	0
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**	7.770.423	3.634.235
6 Liabilities towards banks and other financial institutions	**113**	7.534.025	9.014.018
7 Liabilities for advance payments	**114**	0	0
8 Liabilities towards suppliers	**115**	22.355.831	12.319.996
9 Liabilities for securities	**116**	0	0
10 Liabilities towards employees	**117**	3.476.354	3.486.240
11 Taxes, contributions and similar liabilities	**118**	3.507.776	3.233.490
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**	3.542.403	166.501.426
E) ACCRUALS AND DEFERRED INCOME	**122**	25.202.080	23.160.740
F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)	**123**	717.582.612	845.156.396
G) OFF-BALANCE SHEET ITEMS	**124**	804.016	804.016

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2019 to 31.12.2019

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**	156.439.286	159.616.031
1 Income from sales with undertakings within the group	**126**	2.200	3.947
2 Income from sales (outside group)	**127**	143.447.634	147.106.649
3 Income from the use of own products, goods and services	**128**	0	0
4 Other operating income with undertakings within the group	**129**	92.108	80.428
5 Other operating income (outside the group)	**130**	12.897.344	12.425.007
II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	**131**	193.905.551	169.817.525
1 Changes in inventories of work in progress and finished goods	**132**	0	0
2 Material costs (ADP 134 to 136)	**133**	62.327.295	52.681.153
a) Costs of raw material	**134**	17.378.519	17.720.199
b) Costs of goods sold	**135**	0	0
c) Other external costs	**136**	44.948.776	34.960.954
3 Staff costs (ADP 138 to 140)	**137**	66.468.919	65.443.633
a) Net salaries and wages	**138**	41.250.083	40.987.488
b) Tax and contributions from salaries expenses	**139**	15.471.699	15.184.730
c) Contributions on salaries	**140**	9.747.137	9.271.415
4 Depreciation	**141**	9.923.146	21.090.291
5 Other expenses	**142**	25.424.806	25.192.718
6 Value adjustments (ADP 144+145)	**143**	27.061.286	777.027
a) fixed assets other than financial assets	**144**	26.989.808	0
b) current assets other than financial assets	**145**	71.478	777.027
7 Provisions (ADP 147 to 152)	**146**	623.717	3.070.460
a) Provisions for pensions, termination benefits and similar	**147**	0	0
b) Provisions for tax liabilities	**148**	0	0
c) Provisions for ongoing legal cases	**149**	623.717	1.973.227
d) Provisions for renewal of natural resources	**150**	0	0
e) Provisions for warranty obligations	**151**	0	0
f) Other provisions	**152**	0	1.097.233
8 Other operating expenses	**153**	2.076.382	1.562.243
III FINANCIAL INCOME (ADP 155 to 164)	**154**	14.532.897	4.744.858
1 Income from investments in holdings (shares) of undertakings within the group	**155**	261.222	0
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	**156**	11.591.588	3.276.192
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**	583.465	168.867
8 Exchange rate differences and other financial income	**162**	2.096.622	1.299.799
9 Unrealised gains (income) from financial assets	**163**	0	0
10 Other financial income	**164**	0	0
IV FINANCIAL EXPENDITURE (ADP 166 to 172)	**165**	3.880.208	21.850.951
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**	1.064.522	1.693.595
4 Exchange rate differences and other expenses	**169**	1.878.791	2.010.680
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**	936.895	18.146.676
V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	**173**	0	0
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**	170.972.183	164.360.889
X TOTAL EXPENDITURE (ADP 131+165+175 + 176)	**178**	197.785.759	191.668.476
XI PRE-TAX PROFIT OR LOSS (ADP 177-178)	**179**	-26.813.576	-27.307.587
1 Pre-tax profit (ADP 177-178)	**180**	0	0
2 Pre-tax loss (ADP 178-177)	**181**	-26.813.576	-27.307.587
XII INCOME TAX	**182**	3.160.664	3.534.835
XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	**183**	-29.974.240	-30.842.422
1 Profit for the period (ADP 179-182)	**184**	0	0
2 Loss for the period (ADP 182-179)	**185**	-29.974.240	-30.842.422
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**	0	0
1 Attributable to owners of the parent	**200**	0	0
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**	-29.974.240	-30.842.422
II OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (ADP 204 to 211)	**203**	-3.181.623	19.032
1 Exchange rate differences from translation of foreign operations	**204**	0	0
2 Changes in revaluation reserves of fixed tangible and intangible assets	**205**	-3.145.703	0
3 Profit or loss arising from re-evaluation of financial assets available for sale	**206**	-35.920	19.032
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**	-572.692	3.426
IV NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)	**213**	-2.608.931	15.606
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)	**214**	-32.583.171	-30.826.816
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**	0	0
1 Attributable to owners of the parent	**216**	0	0
2 Attributable to minority (non-controlling) interest	**217**	0	0

STATEMENT OF CASH FLOWS - indirect method
for the period 01.01.2019. to 31.12.2019

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**	-26.813.576	-27.307.587
2 Adjustments (ADP 003 to 010):	**002**	38.359.220	39.264.908
a) Depreciation	**003**	9.923.146	21.090.291
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	**004**	-66.202	-267.487
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	**005**	35.757	777.027
d) Interest and dividend income	**006**	-583.465	-168.867
e) Interest expenses	**007**	2.384.451	19.838.000
f) Provisions	**008**	-177.921	-141.286
g) Exchange rate differences (unrealised)	**009**	-217.832	1.413.422
h) Other adjustments for non-cash transactions and unrealised gains and losses	**010**	27.061.286	-3.276.192
I Cash flow increase or decrease before changes in the working capital (ADP 001+002)	**011**	11.545.644	11.957.321
3 Changes in the working capital (ADP 013 to 016)	**012**	7.204.504	-9.973.833
a) Increase or decrease in short-term liabilities	**013**	7.488.810	-9.079.000
b) Increase or decrease in short-term receivables	**014**	2.033.493	-3.003.718
c) Increase or decrease in inventories	**015**	1.272.018	135.885
d) Other increase or decrease in the working capital	**016**	-3.589.817	1.973.000
II Cash from operations (ADP 011+012)	**017**	18.750.148	1.983.488
4 Interest paid	**018**	-1.842.188	-1.975.000
5 Income tax paid	**019**	0	23
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	**020**	16.907.960	8.511
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	**021**	3.867.533	3.363.000
2 Cash receipts from sales of financial instruments	**022**	0	0
3 Interest received	**023**	583.465	169.174
4 Dividends received	**024**	0	3.276.192
5 Cash receipts from repayment of loans and deposits	**025**	0	0
6 Other cash receipts from investment activities	**026**	60.306.605	121.000
III Total cash receipts from investment activities (ADP 021 to 026)	**027**	64.757.603	6.929.366
1 Cash payments for the purchase of fixed tangible and intangible assets	**028**	-21.484.028	-28.224.000
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**	0	-7.727.499
IV Total cash payments from investment activities (ADP 028 to 032)	**033**	-21.484.028	-35.951.499
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)	**034**	43.273.575	-29.022.133
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**	0	27.663.000
4 Other cash receipts from financing activities	**038**	0	0
V Total cash receipts from financing activities (ADP 035 to 038)	**039**	0	27.663.000
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	**040**	-7.912.362	-11.552.000

2 Dividends paid	**041**	0	0
3 Cash payments for finance lease	**042**	-3.888.323	-4.048.591
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**	0	-4.253.000
VI Total cash payments from financing activities (ADP 040 to 044)	**045**	-11.800.685	-19.853.591
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)	**046**	-11.800.685	7.809.409
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**	48.380.850	-21.204.213
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**049**	2.320.039	50.700.889
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(ADP 048+049)	**050**	50.700.889	29.496.676

STATEMENT OF CHANGES IN EQUITY

for the period from 1.1.2019 to ########

in HRK

Item	ADP code	Attributable to owners of the parent: 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	Minority (non-controlling) interest	Total capital and reserves
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	36.634.056	78.947	0	0	1.508.183	-6.611.271	609.452.743	0	609.452.743
2 Changes in accounting policies	02	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
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	36.634.056	78.947	0	0	1.508.183	-6.611.271	609.452.743	0	609.452.743
5 Profit/loss of the period	05	0	0	0	0	0	0	0	0	0	0	0	0	-29.974.240	-29.974.240	0	-29.974.240
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	-2.579.477	0	0	0	0	0	-2.579.477	0	-2.579.477
8 Profit or loss arising from re-evaluation of financial assets available for sale	08	0	0	0	0	0	0	0	0	-29.454	0	0	0	0	-29.454	0	-29.454
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	0	0	0	0	0	0	0	0
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	-6.611.271	6.611.271	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	49.493	0	0	-5.103.088	-29.974.240	576.869.572	0	576.869.572
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	-2.579.477	-29.454	0	0	0	0	-2.608.931	0	-2.608.931
II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	25	0	0	0	0	0	0	0	-2.579.477	-29.454	0	0	0	-29.974.240	-32.583.171	0	-32.583.171
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	-6.611.271	6.611.271	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	49.493	0	0	-5.103.088	-29.974.240	576.869.572	0	576.869.572
2 Changes in accounting policies	28	0	0	0	0	0	0	0	0	0	0	0	-251.745.606	0	-251.745.606	0	-251.745.606
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	49.493	0	0	-256.848.694	-29.974.240	325.123.966	0	325.123.966
5 Profit/loss of the period	31	0	0	0	0	0	0	0	0	0	0	0	0	-30.842.422	-30.842.422	0	-30.842.422
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	19.032	0	0	0	0	19.032	0	19.032
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	-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)	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
20 Other distribution to owners	46	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	-29.974.240	29.974.240	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	65.099	0	0	-286.822.934	-30.842.422	294.297.150	0	294.297.150
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	15.606	0	0	0	0	15.606	0	15.606
II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31+50)	51	0	0	0	0	0	0	0	0	15.606	0	0	0	-30.842.422	-30.826.816	0	-30.826.816
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	0	-29.974.240	29.974.240	0	0	0

CONTENTS

LUKA RIJEKA GROUP

MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

Rijeka, 30 March 2020

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 headquartered at Dubrovačka 4, Rijeka.

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 2019, 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, was at 31 December 2019. 25.02%.

The biggest individual private investor is polish company OT LOGISTIC S.A. with the share of 26.51% 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 2019 is as follows:

Shareholder	Number of shares	% of ownership
OT LOGISTICS SPOLKA AKCYJNA	3.574.116	26,51%
CERP/ REPUBLIKA HRVATSKA	3.372.495	25,02%
OTP BANKA D.D./ AZ OMF KATEGORIJE B	2.024.227	15,02%
Polish Development Fund (PFR)	1.179.425	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	1.017.260	7,55%
OTP BANKA D.D./ ESRTE PLAVI EXPERT- DOBROVOLJNI MIROVINSKI FOND	136.370	1,01%
OTP BANKA D.D./ AZ OBVEZNI MIROVINSKI FOND KATEGORIJE A	115.000	0,85%
ZAGREBAČKA BANKA D.D./ AZ PROFIT OTVORENI DOBROVLJNI MIROVINSKI FOND	95.575	0,71%
OTP BANKA D.D./ ESRTE PLAVI OMF KATEGORIJE A	38.800	0,29%
OSTALI DIONIČARI	903.107	6,69%
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 2019 were as follows:

Duško Grabovac	President of committee to 01.05.2019.
Dragica Varljen	President of committee from 01.05.2019.
Alen Jugović	Member
Jerzy Grezegorz Majewski	Member

Supervisory Board

Members of the Supervisory Board during 2019 were as follows:

Alen Jugović	Member from 20.01.2017 - President from 27.12 2017
Zbigniew Nowik	Vice president from 27.12.2017
Jerzy Grezegorz Majewski	Member from 27.12.2017
Duško Grabovac	Member from 27.12.2017 to 01.05.2019.
Dragica Varljen	Member from 04.07.2018

Management Board

Members of the Management Board during 2019 were as follows:

Jędrzej Mirosław Mierzewski	President from 01.01.2018 to 01.04.2019
Duško Grabovac	Deputy President from 01.05.2019.
Tomislav Kalafatić	Member from 06.02.2018
Bartlomiej M. Pastwa	Member from 19.06.2018

KEY EVENTS

Project Škrljevo

After the work was completed on the usable units 1 and 3 in 2018, for which usage permits were obtained, on 7 March 2019, Škrljevo got last use permit, so the terminal is now completely in use. The port of Rijeka increased its closed storage capacities for an additional area of approx. 26,000 m2, i.e. received covered spaces with a total area of approximately 35,000 m2. An additional 14,000 square meters of space have been designated for the container depot, which in the future, if necessary, the growth of traffic can be further increased in order to be able to service all containers.

NATURAL INDICATORS OF OPERATIONS

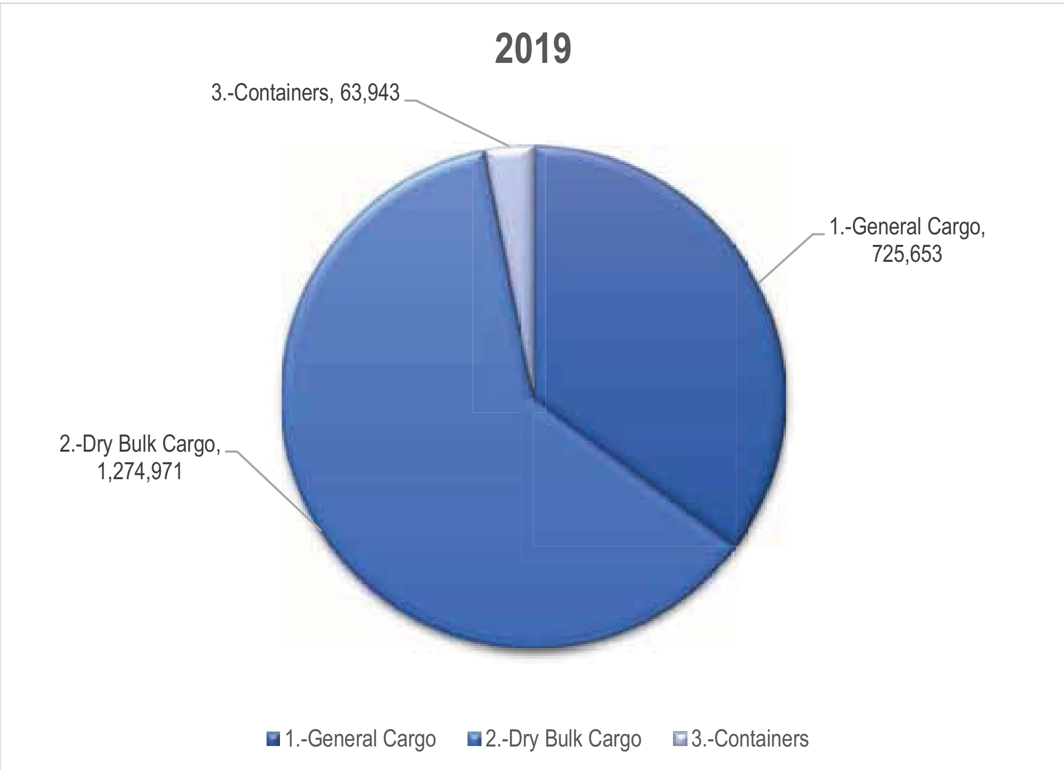
Total turnover

In the January to December, turnover amounted to 2,534,422 tons of cargo. Dry bulk cargo increased by 6%, and 1,717,192 tons were transshipped in that period.

Total turnover of Luka Rijeka d.d. from January to December 2018/2019 was as follows:

Luka Rijeka d.d.	Realization 01.-12.2018	Plan 2019	Realization 01.-12.2019	Index 2019/2018	Index 2019/Plan
General cargo (tons)	753.696	810.700	725.653	96	90
Bulk cargo (tons)	1.717.192	1.966.000	1.274.971	74	65
Containers (tons)	63.534	73.500	63.943	101	87
TOTAL (tons)	**2.534.422**	**2.850.200**	**2.064.567**	**81**	**72**

Structure of turnover Luka Rijeka d.d. in 2019:



NATURAL INDICATORS OF OPERATIONS (continued)

General cargo

Total turnover of general cargo in 2019 amounts to 725.653 tons. The index is 96 compared to the observed period of 2018., where turnover amounted to 753.696 tons. The general cargo structure of turnover realized during the reporting period indicates two dominant types of cargo. Those are wood and metal products hence the trend of these types of cargo reflect in the realization of total turnover of general cargo. Total wood turnover (conventional and filling of containers) in the observed period of 2019 amounts to 452.564 tons, which represents 62% of the total general cargo turnover. Soft wood turnover is decreased. The results show that wood relocation accounted for 90,5% of the annual plan. With the share of 20%, the turnover of metal products has a significant place in the general cargo turnover. In the observed period annual plan of metal products of 91,9% was realized.

There were significant increases of turnover of reefer cargo (24.246 tons), equipment and construction (10.432 tons), vehicles (573 tons), chemical products (12.446 tons), paper (9.263 tons), stone (24.204 tons), and other general cargo (5.293 tons).

Bulk cargo

In the 2019 realized cargo amounts to 1.274.971 tons, compared with 1.717.192 tons of turnover realized in 2018 (index 74). In 2019, Luka Rijeka realized 51.158 tons of sugar, while in 2018 there wasn't any.

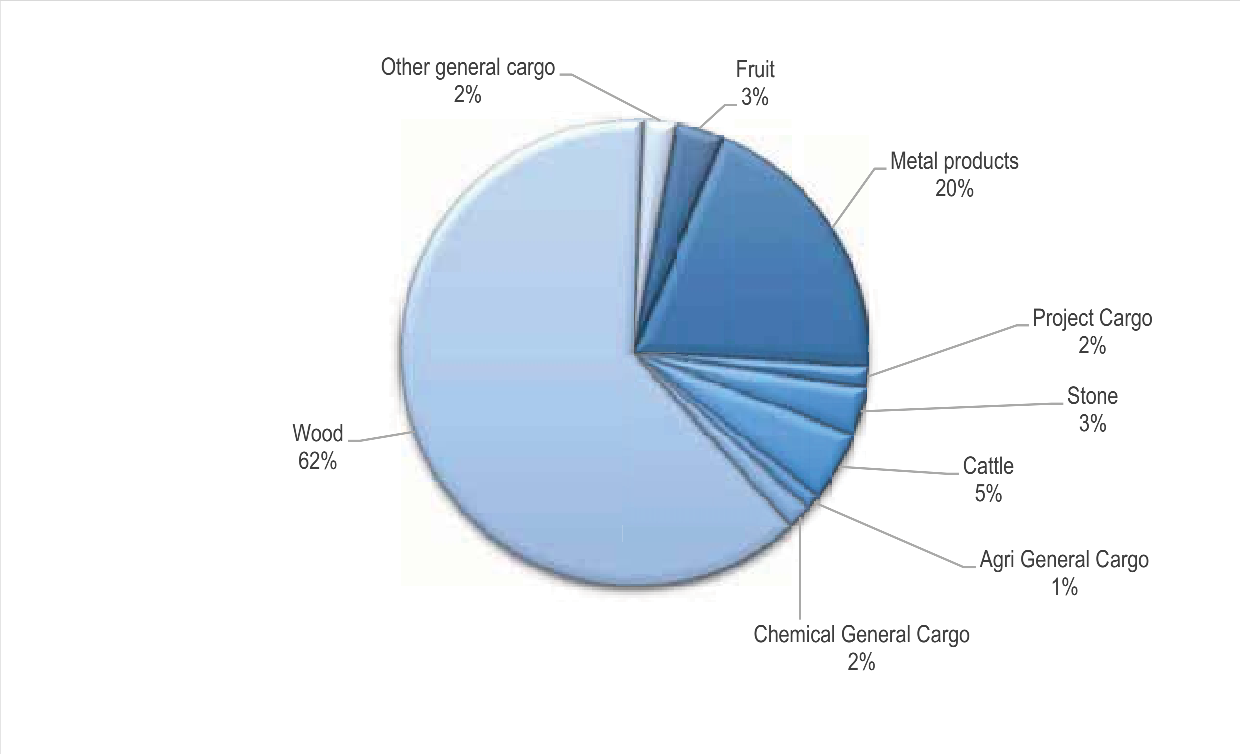
Turnover of scrap was increased for 39% (122.474 tons), other bulk cargo for 69% (6.469 tons), and fertilizers for 62% with 26.133 tons. Turnover of iron ore decreased for 12% (589.838 tons). The reason for the fall of turnover of the iron ore is the crisis on the steel product market and the reduction of production of two factories with which the port has a transshipment contract. Decrease of the traffic of salt happen because of the warm winter and decrease of gravel due to technical errors of pontoons at the Terminal Bršica

Container turnover

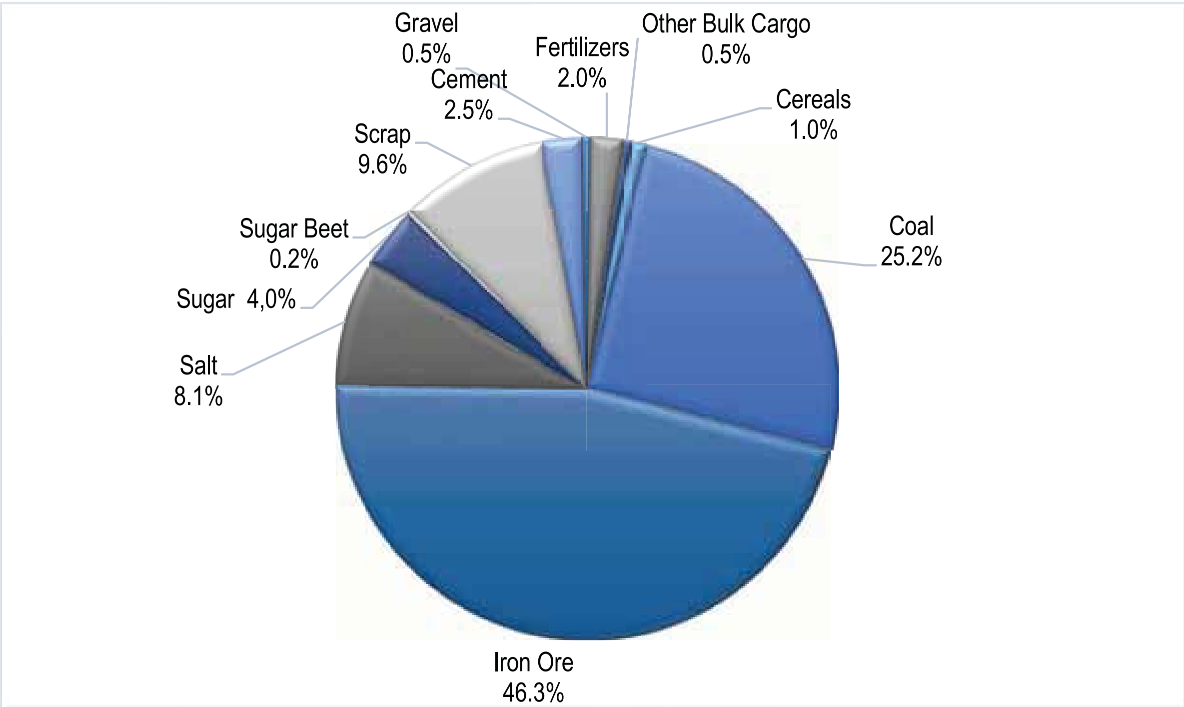
Associate company Jadranska vrata d.d. achieved turnover of 271.817 TEU units, and increase of 20%. Jadranska vrata d.d. are operating in transportation of containers from container ships to trucks and wagons. Container turnover on Luka Rijeka d.d. terminals shows a increase of 1% to 33,232 TEU (in observed period of 2019 from 2018. Luka Rijeka d.d. deals with container loading and unloading services, and land-based manipulations of cargo from Terminal Brajdica to Terminal Škrljevo and Terminal Zapad (and vice versa).

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 Leases.

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

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 lease liabilities in its statement of financial position. On the same basis, at the same time company recognized assets 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.

As a result of the retrospective application of IFRS 16, the company recognized the liabilities under the concession contract on 1.1.2018 in the amount of 388,34 HRK million (31.12.2018: 391.97 HRK million and 31.12.2019: 406.07 HRK million) and the depreciated value of the right-of-use asset of 202.53 HRK million (31.12.2018: 194.43 HRK million and 31.12.2019: 186.33 HRK million) with the corresponding effects recognized within the capital and reserves. Report on comprehensive income for 2019 was also adjusted to reflect the new accounting treatment of IFRS 16 whereby the company recognized interest expense (17.53 HRK million) and exchange rate differences (0.83 HRK million) on the basis of a concession contract obligation and the operating costs increased by the depreciation of assets with the right of usage (6.19 HRK million), and decrease in the fixed concession fees (4.25 HRK million).

The overall effect of IFRS 16 implementation on the income statement is additional expense of HRK 20.29 million.

In applying the standards, the company applied various judgements and assessments, including an estimate of the dynamics of the settlement of liabilities under the concession contract in relation to the required amounts of capital investments and assessments related to the determination of discount rates and growth rates used for the calculations of future cash flows from the concession activity. Given the comprehensibility of the application of IFRS 16 to the concession contract and a number of assessments, judgments and assumptions (including assumptions regarding the possibility of modification of contractual conditions) that the company should have used in order to apply the standard not only for current and previous periods, the company's retrospective application model was gradually working out and the full effect of the retrospective application of the standard was demonstrated in unaudited results for the last quarter of 2019. The estimated impact of standards on the current period has been published in previous quarters. For the aforementioned reason, the quarterly reports for the previous intermediate periods of 2019 are not fully comparable. A detailed view of all the modifications to the historical financial statements resulting from the application of the new IFRS 16 standard and the assumptions and judgments used in its application will be presented as part of the notes to the consolidated and unconsolidated financial statements.

Due to significant effects of IFRS 16 implementation on the financial statements and retrospective method applied, the Group presented financial indicators with and without IFRS 16 effects as follows.

Indicators	2019		2018 *restated		Index 2019/2018	
in HRK 000	w/o IFRS 16	with IFRS 16	w/o IFRS 16	with IFRS 16	w/o IFRS 16	with IFRS 16
1	*2*	*5*	*3*	*6*	*4=2/3*	*7=5/6*
Liquidity indicators						
Working capital hrk	6,120	6,120	(8,843)	(8,843)	(144)	(144)
Current liquidity	1.22	0.35	1.19	1.13	98	320
Debt indicators						
Short-term liabilites/capital	0.17	0.57	0.19	0.20	113	34
Long-term liabilities/capital	0.21	0.83	0.17	1.11	79	133
Borrowing/capital	0.21	0.21	0.17	0.17	81	81
Total liabilities/assets	0.16	0.58	0.15	0.57	98	97
Profitability indicators						
EBIT hrk	(8,055)	(9,998)	(32,419)	(39,248)	402	393
EBITDA hrk	7,615	11,865	(26,805)	(22,467)	(352)	(189)
EBITDA margin	4.7%	7.4%	(17.1%)	(14.3%)	(359)	(193)
EBIT margin	(5.0%)	(5.0%)	(20.6%)	(20.6%)	411	411
NET result	3,892	(16,401)	(23,988)	(43,273)	(616)	264
NETmargin	2.4%	(10.2%)	(15.3%)	(27.5%)	(629)	269
Productivity indicators						
Number of employees	637	637	587	587	92	92
Revenue per employee hrk	252	252	268	268	106	106

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

Normalized indicators	2019		2018 *restated		Index 2019/2018	
in HRK 000	w/o IFRS 16	with IFRS 16	w/o IFRS 16	with IFRS 16	w/o IFRS 16	with IFRS 16
EBITDA kn	12,128	16,378	(1,033)	3,305	(1,174)	496
EBITDA margin	7.6%	10.2%	(0.7%)	2.1%	(1,151)	486
EBIT kn	(3,542)	(5,485)	(6,647)	(13,476)	53	41
EBIT margin	(2.2%)	(2.2%)	(4.2%)	(4.2%)	52	52
NET result	8,405	(11,888)	1,784	(17,501)	471	68
NETmargin	5.2%	(7.4%)	1.1%	(11.1%)	462	67

FINANCIAL INDICATORS (continued)

Due to significant effects of IFRS 16 implementation on the financial statements and retrospective method applied, the Company presented financial indicators with and without IFRS 16 effects as follows.

Indicators	2019		2018 *restated		Index 2019/2018	
in HRK 000	w/o IFRS 16	with IFRS 16	w/o IFRS 16	with IFRS 16	w/o IFRS 16	with IFRS 16
1	*2*	*5*	*3*	*6*	*4=2/3*	*7=5/6*
Liquidity indicators						
Working capital hrk	5,632	5,632	(9,158)	(9,158)	(61)	(61)
Current liquidity	1.19	0.35	1.17	1.11	102	31
Debt indicators						
Short-term liabilites/capital	0.22	0.77	0.24	0.25	94	309
Long-term liabilities/capital	0.27	1.10	0.20	1.39	137	79
Borrowing/capital	0.28	0.28	0.21	0.21	132	132
Total liabilities/assets	0.17	0.65	0.16	0.62	104	105
Profitability indicators						
EBIT hrk	(8,257)	(10,200)	(32,299)	(39,128)	26	26
EBITDA hrk	6,640	10,890	(27,468)	(23,130)	(24)	(47)
EBITDA margin	4.2%	6.8%	(17.6%)	(14.8%)	(24)	(46)
EBIT margin	(5.2%)	(6.4%)	(20.6%)	(25.0%)	25	26
NET result	(10,545)	(30,838)	(25,079)	(44,364)	42	70
NETmargin	(6.6%)	(19.3%)	(16.0%)	(28.4%)	41	68
Productivity indicators						
Number of employees	622	622	572	572	109	109
Revenue per employee hrk	252	252	279	279	90	90

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

Normalized indicators	2019		2018 *restated		Index 2019/2018	
in HRK 000	w/o IFRS 16	with IFRS 16	w/o IFRS 16	with IFRS 16	w/o IFRS 16	with IFRS 16
EBITDA kn	11,153	15,403	(1,696)	2,642	(658)	583
EBITDA margin	7.0%	9.7%	(1.1%)	(1.1%)	(645)	(890)
EBIT kn	(3,744)	(5,687)	(6,527)	(13,356)	57	43
EBIT margin	(2.3%)	(3.6%)	(4.2%)	(8.5%)	56	42
NET result	(6,032)	(26,325)	693	(18,592)	(870)	142
NETmargin	(3.8%)	(16.5%)	0.4%	(11.9%)	(853)	139

FINANCIAL INDICATORS (continued)

In year 2019, EBIT of company was negative, and amounts to **HRK -10,2 million** and EBITDA was HRK 10,9 million, while in the previous year, it was negative (HRK -23,1 million) due to already mentioned effect of revenues and improved management of expenses.

Normalized EBITDA without IFRS 16 effects amounts to 11,2 HRK million, while in 2018 was negative (HRK -1,7 million).

The normalized EBITDA is decreased by non-recurring, irregular and one-time items that may distort EBITDA such as revenues that are not results of companies' core business, decreased by concession fee (according to IFRS 16 included as part of depreciation) and increased by provision expenses.

Normalizations	**2019**		**2018 *restated**	
in HRK 000	**w/o IFRS 16**	**with IFRS 16**	**w/o IFRS 16**	**with IFRS 16**
Concession cost presented as depreciation (IFRS 16)	(4,250)	-	(4,338)	-
Impairments	-	-	26,990	26,990
Reversal of provisions	(151)	(151)	(263)	(263)
Revenues from selling of assets (flats)	(267)	(267)	(66)	(66)
Revenues from material surplus	(79)	(79)	(1,493)	(1,493)
Revenues from collected written off receivables	(41)	(41)	(20)	(20)
Provisions	5,051	5,051	624	624
Total normalizations of EBITDA	**263**	**4,513**	**21,434**	**25,772**
Effect of higher depreciation (IFRS 16)	6,193	-	11,167	-
Total normalizations of EBIT	**6,456**	**4,513**	**32,601**	**25,772**
Discount (IFRS 16)	17,527	-	17,121	-
Exchange differences (IFRS 16)	823	-	(4,665)	-
Total normalizations of net result	**24,806**	**4,513**	**45,057**	**25,772**

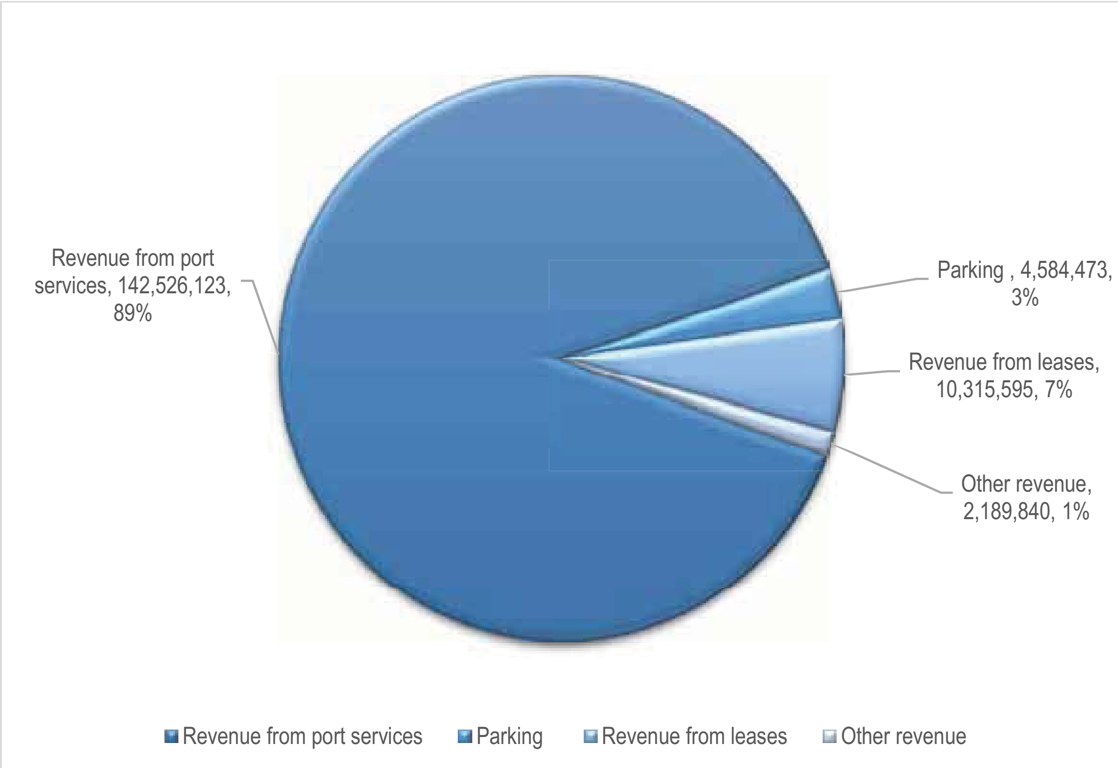
FINANCIAL INDICATORS (continued)

Revenues

In the observed period total revenue of the Company Luka Rijeka d.d. amounts to HRK 164.4 million and is currently on index 96 compared to previous year. Regarding big difference in last year's higher payment of dividend for AGCT(2018 – 11,8 mil HRK, 2019 - 3,3 mil HRK), it is clear that business revenues are rising. In the structure of total revenue, the greatest part is business revenue with HRK 159,6 million that are on index 102 compared to 2018. Realized financial revenue is HRK 4,7 million.

Natural throughput is key business revenue generator from its core business. Revenue from port business amounted to HRK 142,6 million accounting for 89,3% of business revenue.

Operating income structure:



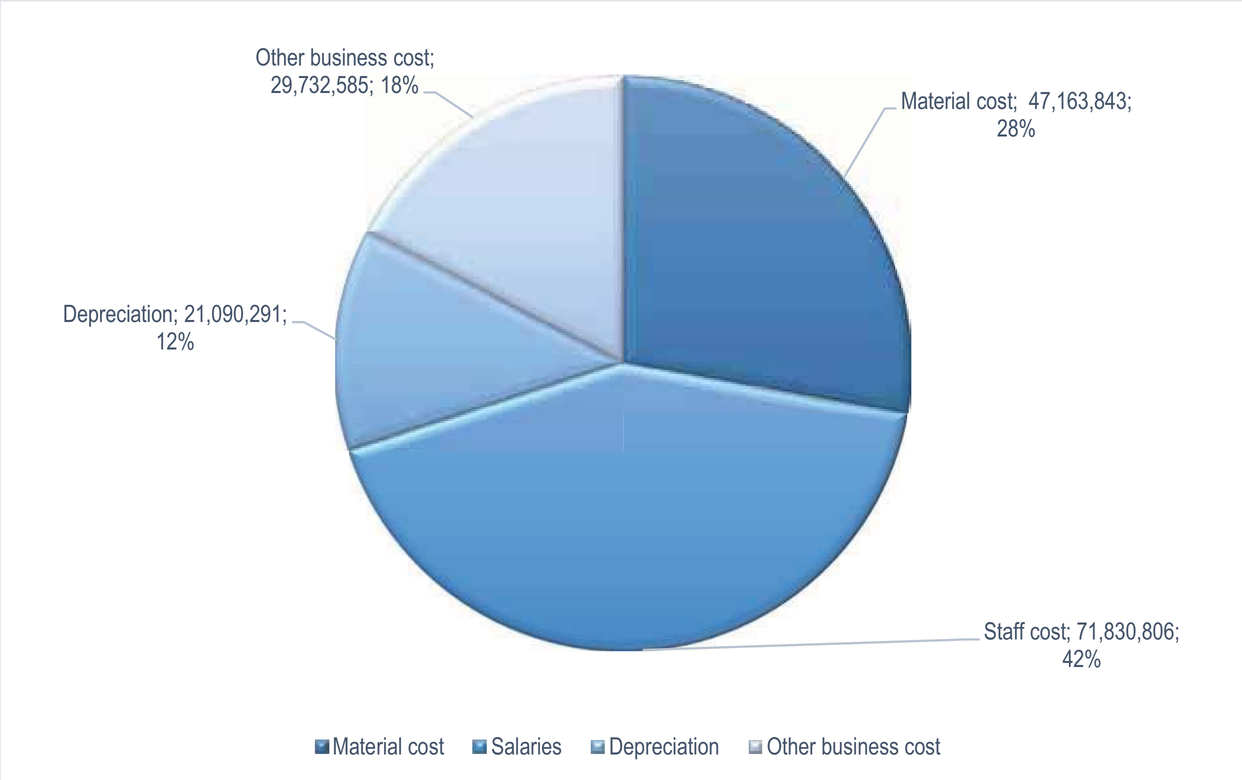
Expenses

Total costs in 2019 amount to HRK 191,7 million i.e. represent an 3% decrease compared to 2018. Business costs for the aforementioned period amount to HRK 169,8 million and have decreased by 12% compared to 2018,

Largest impact of implemented IFRS 16 on P&L account can be seen in Other financial cost, (HRK 17,5 million) which therefor increased to HRK 18,1 million.

FINANCIAL INDICATORS (continued)

Operating expenses structure:



In the observed period, there was a significant decrease of material cost due to cost cutting process. In addition, there was a slighter increase of staff costs, and an increase of depreciation, as a result of activating of a new warehouses in terminal Škrljevo.(+6,01 HRK million).

Staff

According to HR records, on 31.12.2019 there are 622 employees, 50 workers more than on 31.12.2018.

During 2019., there wasn't any departures with special severance payment, except 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 and Iraq). 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.).

The aforementioned port Constanza in Romania, due to its advantage of inland waterways, is a significant competitor for the eastern part of the gravitational area. The Bulgarian part of the Black Sea clusters (Varna and Burgas) does not present stronger competitive significance (except for the part of Serbia, which is not the primary zone of competing interests for Luka Rijeka).

RISK MANAGEMENT (continued)

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, especially for vessels from/to Italy.

Management of the Company is aware of the competition and 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 due to unreliable and slow service. 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. More important is the connection to the railway network, which, due to its characteristics, requires significant investments, which, in addition to large investment projects already underway, are still being debated at the level of the transport strategy of the Republic of Croatia (the issue of the lowland railway).

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, as well as organization into trade unions presents an important factor in the operation of Luka Rijeka.

During the previous years, the Company reduced the number of employees towards the level of operationally needed number for the realization of its long-term plans, pursuing an active personnel policy with constant dialogue with the social partners.

A significant personnel risk is the high average age of employees. The management of the Company, taking into account the needs of business processes, conducts a proactive personnel policy of rejuvenation of the personnel using the leverage: on the one hand, the departures of older employees (pension, contract severance pay), and on the other, the employment of young personnel.

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. Despite the efforts, the risk is decreased, but it is not completely gone, evidence for which is fine for marine pollution in Bakar from port's office.

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.

In order to minimize or eliminate negative impacts on the environment, the Company gradually implements requirements of the ISO 14000 with the aim to become certified. Employees are gradually being educated so at to implement the required norms and enhance ecological awareness.

System of risk control

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

- Control of business processes. The parent company has a certified quality management system ISO 9001-2015, which is constantly monitored, improved and controlled. Certificate of compliance with ISO 9001: 2008 is valid until 12.12.2021, until when is required to documentation of the existing quality management system with the requirements of the new ISO 9001:2015

- Luka Rijeka d.d. 16.03.2018 received the certificate of compliance of its energy management system with the international standard ISO 5001: 2011. For 2020, a certification by norm ISO 50001:2015 is planned, with the objectives of implementing system and control of usage of energy.

- 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

In 2020, for both CEF projects, execution of works is planned. Contractors for Bakar signed contracts on 14.02.2020, and works are expected to be finished by end of 2021. Signing with contractors for CEF Rijeka is also expected soon. Construction works for Rijeka is planned to be finished by year 2022. After prolongation in start of projects, CEF projects are now going as scheduled.

PROJECT ŠKRLJEVO

Completion of port background warehouse Škrljevo, Luka Rijeka d.d. will somewhat solve its problem of lack of storage space and cramp in the city center. The new terminal will also provide additional support for the development of container traffic in the Rijeka, which grows year after year. New areas have been created for the deposit of empty, filling and discharging of containers, which will affect the development of two-way traffic.

SUBSEQUENT EVENTS

Contracts for construction of CEF project Bakar signed

On 14 February 2020, the Company signed contracts for the execution of CEF project for the Bakar area, funded primarily with EU grants for INEA agency. Total contract value amounts to HRK 48,494 thousand and was signed with GP Krk d.d. (a domestic construction company) and COLAS Rail Croatia and COLAS Rail S.A.S. (both subsidiaries of COLAS S.A., a French multinational construction company).

Pandemic of SARS-CoV-2 (COVID 19)

Operating in the shipping and port industry segment, the Group is under impact of the repercussions caused by the pandemic of coronavirus infectious disease (COVID 19) caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) which spread rapidly from China to most major world economies in the first quarter of 2020.

Detailed disclosures with respect to the potential implications are presented in Note 34 to the financial statements.

Duško Grabovac *Deputy President of the Management Board*	**Tomislav Kalafatić** *Member of the Management Board*	**Bartlomiej Pastwa** *Member of the Management Board*	**30 March 2020** Rijeka, Croatia

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 2019, a regular Annual General Assembly Meeting was held on 30 August 2019.

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
Zbigniew Nowik	Deputy president
Jerzy Grezegorz Majewski	Member
Duško Grabovac	Member.until 1 May 2019
Varljen Dragica	Member

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 2019, three 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 from 1 May 2019
Vedran Tičac	Member until 19 June 2018
Tomislav Kalafatić	Member from 6 February 2018
Bartlomiej Michal Pastwa	Member from 19 June 2018

STATEMENT OF IMPLEMENTATION OF THE CORPORATE GOVERNANCE CODE (CONTINUED)

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.

Duško Grabovac	**Bartlomiej M.Pastwa**	**Tomislav Kalafatić**	**30 March 2020**
Deputy President of the Management Board	*Member of the Management Board*	*Member of the Management Board*	Riva 1
			51000 Rijeka
			Hrvatska

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 30 March 2020 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 *Deputy President of the Management Board*	**Bartlomiej M.Pastwa** *Member of the Management Board*	**Tomislav Kalafatić** *Member of the Management Board*	**30 March 2020** Riva 1 51000 Rijeka Hrvatska

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 2019, 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 2019, 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.

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.

Revenue recognition

The Group and the Company recognised revenues for the year ended 31 December 2019 in the amount of HRK 147,716 thousand and HRK 147,107 thousand, respectively.

Refer to accounting policy 3.2 and note 7 to the financial statements.

Key audit matter	How our audit addressed the matter
The Company's and the Group's core activities include transhipment of goods, cargo management and manipulation, and rendering other accompanying services, such as warehousing of goods and docking. The applicable financial reporting standard governing the accounting for revenues, IFRS 15 *Revenue from Contracts with Customers,* requires management to identify all goods or services provided to customers and determine whether to account for each such good or service as a separate performance obligation. In certain circumstances, arrangements can contain two or more service components which might need to be grouped together if their commercial effect cannot be understood without accounting for them as an integrated service package and one performance obligation. As discussed in Note 3.2, the arrangements with customers are generally based on the formal port tariff specified by the port authority which identifies separate services with a stand-alone and reliably measurable value to the customer and for which revenue is accounted for separately over time or at a point-in-time as the performance obligation relevant to the service is executed. Due to the above factors, accounting for revenues requires management to exercise significant judgment and making complex estimates. The area required our increased attention in the audit and was considered by us to be a key audit matter.	Our procedures performed in this area included: • Testing of the design, implementation and operating effectiveness of controls over the revenue cycle and evaluating the controls within the information technology (IT) systems that support the recording of revenue; • Assessing the Company's and the Group's policy for recognizing revenue, including considering whether the policy is in accordance with the five-step approach required by the revenue standard; • For a sample of contracts or contract equivalents with key customers in force during the reporting period: - challenging the Company's and the Group's identification of performance obligations included therein; - critically assessing the Company's and the Group's determination of revenue recognition pattern (point-in-time vs over time) for identified performance obligations by reference to the provisions of the contracts and our understanding of the resulting pattern of satisfying related performance obligations; - based on the results of the above procedures, critically evaluating the revenue amounts recognized by, among other things, inspecting contracts and supporting documents, such as statements of facts and timesheets, for all ships berthed in the Port of Rijeka harbour in the periods immediately before and after the reporting date; • For a sample of customers, obtaining external confirmations of amounts due as at the reporting date, and inquiring as to the reasons for any significant differences between the amounts confirmed and the Company's and the Group's accounting records, and inspecting the underlying documentation; • Inspecting journal entries posted to revenue accounts focusing on unusual and irregular items.

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Effects of IFRS 16 Leases on the accounting for the port concession arrangement

The Group and the Company recognised right of use (ROU) assets for the year ended 31 December 2019 in the amount of HRK 186,331 thousand (31 Dec 2018: HRK 194,432 thousand) and liabilities arising from the concession arrangement of HRK 406,066 thousand (31 Dec 2018: HRK 391,969 thousand). Refer to accounting policy 3.7 and notes 6a and 33 to the financial statements.

Key audit matter

As discussed in Note 6a, during the year, the Company and the Group adopted IFRS 16 *Leases*. As a result, recognized in the separate and consolidated statements of financial position are 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 the requirements of the new standard, significant judgement was 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.

In addition, the Company and the Group assessed the recoverability of the ROU assets 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 was 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.

Due to the above factors, satisfying ourselves in respect of the effects of the new Standard required our significant judgment and increased attention in the audit. As such, we considered the area to be a significant risk in our audit and our key audit matter.

How our audit addressed the matter

In respect of the initial adoption of the new leases standard, our procedures included the following:

- 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:
  - the appropriateness of the accounting approach to the concession arrangement against the requirements of the new leases standard;
  - the identification of lease and non-lease components of the arrangement, especially as regards distinguishing between infrastructure-related expenditure (as lease component) and own-assets-related capital expenditure;
  - the determination of the discount rate for liabilities arising from the concession arrangement, by reference to interest rates on the Group's and Company's debt.
- 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;
- Performing an independent determination of the cost of the ROU asset and examining whether the initial measurement of the lease liability used in the calculation of the ROU asset agrees to the lease liability recorded at lease commencement. As part of the procedure we also traced lease payments to relevant documentation (such as additions to infrastructure assets in previous periods, payments of fixed concession fees etc.);
- 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.

In respect of the impairment assessment of ROU assets, our procedures, performed where applicable with the assistance from our own valuation specialists, included:

- 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;
- Testing the integrity of the impairment model, including but not limited to:
  - assessing the discounted cash flow model against the requirements of the relevant financial reporting standards, market practice and for internal consistency,
  - evaluation of key assumptions applied (such as discount rates and growth rates) for reasonableness compared to both externally derived data and historical financial performance;
  - performing a sensitivity analysis of the impairment test results to changes in key assumptions;
- Evaluating the adequacy and completeness of impairment related disclosures in the financial statements.

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 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, related safeguards.

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 30 August 2019 to audit the financial statements of the Company and the Group for the year ended 31 December 2019. Our total uninterrupted period of engagement is 6 years, covering the periods ending 31 December 2014 to 31 December 2019.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 28 February 2020;
- 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 **30 March 2020**
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 2019

(in thousands of HRK)	*Note*	**2019 Group**	**restated* 2018 Group	**2019 Company**	**restated* 2018 Company
Revenue from sales	*7*	147,716	144,097	147,107	143,449
Other income	*8*	12,652	13,065	12,509	12,989
		160,368	**157,162**	**159,616**	**156,438**
Materials, services and consumables used	*9*	(49,542)	(55,141)	(52,688)	(57,914)
Personnel expenses	*10*	(73,686)	(73,517)	(71,227)	(71,103)
Depreciation and amortisation	*16,17,18, 33*	(21,863)	(16,781)	(21,090)	(15,998)
Other expenses	*11*	(25,275)	(50,971)	(24,811)	(50,551)
		(170,366)	**(196,410)**	**(169,816)**	**(195,566)**
Finance income	*12*	1,473	7,075	4,744	18,926
Finance costs	*13*	(21,867)	(21,026)	(21,847)	(21,001)
Net finance costs		**(20,394)**	**(13,951)**	**(17,103)**	**(2,075)**
Share of profit of equity-accounted investees	*19*	17,570	13,105	-	-
Loss before tax		**(12,822)**	**(40,094)**	**(27,303)**	**(41,203)**
Income tax	*14*	(3,579)	(3,179)	(3,535)	(3,161)
Loss for the year		**(16,401)**	**(43,273)**	**(30,838)**	**(44,364)**
Revaluation of land		-	(3,511)	-	(3,511)
Change in fair value of financial assets		19	(89)	19	(89)
Deferred tax effect		(4)	991	(4)	991
Other comprehensive income		**15**	**(2,609)**	**15**	**(2,609)**
Total comprehensive loss		**(16,386)**	**(45,882)**	**(30,823)**	**(46,973)**
Loss per share (in HRK)					
- basic and diluted	*15*	(1.22)	(3.21)		

**for restatements see note 6a*

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

(in thousands of HRK)	Note	**31.12.2019 Group**	*restated 31.12.2018 Group	*restated 1.1.2018 Group	**31.12.2019 Company**	*restated 31.12.2018 Company	*restated 1.1.2018 Company
ASSETS							
Non-current assets							
Intangible assets	16	158	326	481	158	326	481
Property, plant and equipment	17	550,826	537,683	529,540	549,735	536,391	527,554
Investment property	18	6,916	8,347	8,557	6,916	8,347	8,557
Concession assets with right of use	33	186,331	194,432	202,533	186,331	194,432	202,533
Investments in subsidiaries and equity accounted investees	19	115,377	101,083	99,569	11,767	11,767	11,767
Investments in equity instruments	20	144	125	250	144	125	250
Non-current financial assets	21	2,192	3,191	4,379	2,192	3,191	4,379
Deferred tax assets	14	9,608	13,146	17,856	9,608	13,146	17,856
Total non-current assets		**871,552**	**858,333**	**863,165**	**766,851**	**767,725**	**773,377**
Current assets							
Inventories		1,668	1,804	532	1,668	1,804	532
Trade and other receivables	23	30,193	28,226	29,758	29,540	27,584	29,145
Income tax receivable		1	5	24	-	2	6
Current financial assets	22	17,599	9,993	70,250	17,599	9,993	70,250
Cash and cash equivalents	24	30,850	52,080	3,753	29,498	50,701	2,320
Total current assets		**80,311**	**92,108**	**104,317**	**78,305**	**90,084**	**102,253**
Total assets		**951,863**	**950,441**	**967,482**	**845,156**	**857,809**	**875,630**
EQUITY AND LIABILITIES							
Shareholders' equity							
Share capital	25	539,219	539,219	539,219	539,219	539,219	539,219
Capital and other reserves	26	38,624	38,624	38,624	38,624	38,624	38,624
Revaluation reserves	26	34,119	34,104	36,713	34,119	34,104	36,713
Accumulated losses		(216,259)	(199,858)	(156,585)	(317,665)	(286,827)	(242,463)
Total equity		**395,703**	**412,089**	**457,971**	**294,297**	**325,120**	**372,093**
Non-current liabilities							
Borrowings	27	69,443	53,879	30,199	69,382	53,819	29,926
Liabilities for concession assets with right of use	33	244,703	387,859	379,569	244,703	387,859	379,569
Provisions	28	2,365	2,478	2,656	2,365	2,478	2,656
Deferred tax liability	14	12,545	12,541	13,099	7,489	7,485	8,043
Total non-current liabilities		**329,056**	**456,757**	**425,523**	**323,939**	**451,641**	**420,194**
Current liabilities							
Trade and other payables	29	48,578	59,766	54,108	48,413	59,439	53,902
Liabilities for concession assets with right of use	33	161,363	4,110	8,768	161,363	4,110	8,768
Income tax liability		19	-	-	-	-	-
Borrowings	27	12,537	15,057	14,860	12,537	14,837	14,421
Provisions	28	4,607	2,662	6,252	4,607	2,662	6,252
Total current liabilities		**227,104**	**81,595**	**83,988**	**226,920**	**81,048**	**83,343**
Total liabilities		**556,160**	**538,352**	**509,511**	**550,859**	**532,689**	**503,537**
Total equity and liabilities		**951,863**	**950,441**	**967,482**	**845,156**	**857,809**	**875,630**

**for restatements see note 6a*

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

GROUP

(in HRK thousands)	Share capital	Capital and other reserves	Revaluation reserves	Accumulated losses	Total
As at 1 January 2018 (previously reported)	**539,219**	**38,624**	**36,713**	**80,774**	**695,330**
Restatement*	-	-	-	**(237,359)**	**(237,359)**
As at 1 January 2018 (restated*)	**539,219**	**38,624**	**36,713**	**(156,585)**	**457,971**
Loss for the year (restated*)	-	-	-	(43,273)	(43,273)
Change in fair value of land	-	-	*(3,511)*	-	*(3,511)*
Change in fair value of equity instruments	-	-	*(89)*	-	*(89)*
Deferred tax effect	-	-	*991*	-	*991*
Other comprehensive income	-	-	(2,609)	-	(2,609)
Total comprehensive income	-	-	(2,609)	(43,273)	(45,882)
As at 31 December 2018 (restated*)	**539,219**	**38,624**	**34,104**	**(199,858)**	**412,089**
Loss for the year	-	-	-	(16,401)	(16,401)
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**

**for restatements see note 6a*

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

STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2019

COMPANY

(in HRK thousands)	Share capital	Capital and other reserves	Revaluation reserves	Accumulated losses	Total
As at 1 January 2018 (previously reported)	**539,219**	**38,624**	**36,713**	**(5,104)**	**609,452**
Restatement*	-	-	-	**(237,359)**	**(237,359)**
As at 1 January 2018 (restated*)	**539,219**	**38,624**	**36,713**	**(242,463)**	**372,093**
Loss for the year (restated*)	-	-	-	(44,364)	(44,364)
Change in fair value of land	-	-	*(3,511)*	-	*(3,511)*
Change in fair value of equity instruments	-	-	*(89)*	-	*(89)*
Deferred tax effect	-	-	*991*	-	*991*
Other comprehensive income	-	-	(2,609)	-	(2,609)
Total comprehensive income	-	-	(2,609)	(44,364)	(46,973)
As at 31 December 2018 (restated*)	**539,219**	**38,624**	**34,104**	**(286,827)**	**325,120**
Loss for the year	-	-	-	(30,838)	(30,838)
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**

**for restatements see note 6a*

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of HRK)	Note	**2019 Group**	*restated* 2018 Group	**2019 Company**	*restated* 2018 Company
Loss before tax		**(12,822)**	**(40,094)**	**(27,303)**	**(41,203)**
Share of net profit of equity accounted investee	*19*	(17,570)	(13,105)	-	-
Depreciation and amortization	*16,17,18,33*	21,863	16,781	21,090	15,998
Gain on disposal of property, plant and equipment and intangibles	*8*	(267)	(66)	(267)	(66)
Impairment of property and equipment	*11*	-	26,990	-	26,990
Impairment of trade receivables - net	*11*	777	71	777	71
Interest income	*12*	(169)	(323)	(169)	(584)
Interest expense	*13*	19,858	18,980	19,838	18,963
Dividend income	*12*	-	-	(3,276)	(11,591)
Losses on equity instruments	*20*	-	36	-	36
Reversal of provisions	*8,11*	(141)	(263)	(141)	(263)
Foreign exchange differences - net		1,367	(4,786)	1,411	(4,768)
		12,896	**4,221**	**11,960**	**3,583**
Changes in working capital:					
Decrease/(increase) in inventories		136	(1,272)	136	(1,272)
Decrease/(increase) in trade and other receivables		(3,019)	1,322	(3,008)	1,351
Increase/(decrease) in trade and other payables		(9,241)	(3,263)	(9,079)	(3,384)
Decrease in provisions		1,973	(3,505)	1,973	(3,505)
Cash from operations		**2,745**	**(2,497)**	**1,982**	**(3,227)**
Income tax paid/(received)		23	19	2	4
Interest paid		(1,995)	(1,066)	(1,975)	(1,049)
Net cash from operating activities		**773**	**(3,544)**	**9**	**(4,272)**
Cash flows from investing activities					
Purchase of property, plant, equipment and intangibles		(28,796)	(56,795)	(28,224)	(56,585)
Proceeds from disposal of property, plant and equipment and inves		487	732	487	611
Net inflows/(outflows) related to Group and State owned apartmer		2,876	1,382	2,876	1,382
Interest received		169	323	169	584
Dividend from equity accounted investees	*19*	3,276	11,591	3,276	11,591
Net inflows/(outflows) from bank deposits		(7,727)	60,628	(7,727)	60,628
Other net inflows/(outflows) from financial assets		121	(104)	121	(104)
Net cash from investing activities		**(29,594)**	**17,757**	**(29,022)**	**18,107**
Cash flows from financing activities					
Proceeds from loans	*27*	27,663	35,418	27,663	35,418
Repayment of loans	*27*	(11,552)	(8,027)	(11,552)	(7,891)
Repayments of leases	*27*	(4,267)	(4,184)	(4,048)	(3,888)
Receipts from grants related to capital investments	*29*	-	20,004	-	20,004
Repayment of liabilities for concession assets	*33*	(4,253)	(9,097)	(4,253)	(9,097)
Net cash from financing activities		**7,591**	**34,114**	**7,810**	**34,546**
Net increase of cash and cash equivalents		**(21,230)**	**48,327**	**(21,203)**	**48,381**
Cash and cash equivalents at beginning of year		52,080	3,753	50,701	2,320
Cash and cash equivalents at the end of year	*24*	**30,850**	**52,080**	**29,498**	**50,701**

**for restatements see note 6a*

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
Krešimir	Trtanj	Member	13.05.2015.	4.07.2018.
Alen	Jugović	President	27.12.2017.	-
Zbigniew	Nowik	Deputy president	27.12.2017.	-
Jerzy Grzegorz	Majewski	Member	27.12.2017.	-
Duško	Grabovac	Member	27.12.2017.	-
Dragica	Varljen	Member	4.07.2018.	-

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

Jedrzej Miroslaw Mierzewski	President until 1 April 2019
Duško Grabovac	Deputy President from 1 May 2019
Vedran Tičac	Member until 19 June 2018
Tomislav Kalafatić	Member from 6 February 2018
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 30 March 2020.

(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

The Group has applied IFRS 16 *Leases* using the full retrospective approach and therefore the comparative information has been restated to reflect the requirements of IFRS 16.

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 has elected not to 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

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 established territory (Port of Rijeka area), at the risk and responsibility of the Operator and taking into account; the technical regulations applicable to the operation, modernization, rehabilitation and development of port services as specified in the Maritime Domain and Seaports Act; 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).

NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

(i) Accounting for the Concession Agreement (continued)

The Group and Company have considered relevant financial reporting standards and interpretations in determining the appropriate approach to accounting for the Concession Agreement. As part of the analysis, similar to prior years, management continued to consider the applicability of IFRIC 12 *Service Concession Arrangements* (an interpretation governing the accounting for public-to-private service concession arrangements) but has also extended its analysis to the applicability and impact of the new standard for leases, IFRS 16 *Leases*.

The outcome of the analysis was the adoption of the requirement of IFRS 16 in the accounting for the Concession Agreement. Considerations and judgements applied by management in this analysis are given in more detail below while the detailed impact of applying IFRS 16 is given in note 6a to the financial statements.

Considerations on the applicability of IFRIC 12

Considering the current ownership structure, 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, the Group and Company have concluded that the current arrangement does not fall under the scope of IFRIC 12. One of the main factors that management considered in arriving at the conclusion on the inapplicability of IFRIC 12 is the mechanism which regulates and revises prices throughout the term of the service concession agreement. The Grantor, under the current agreement has the right to regulate the maximum prices that the Company may charge for services regulated by the Concession Agreement by prescribing maximum fee tariffs and adjusting it or approving requests for modification of fees or price lists as proposed by the Operator. However, due to the specifics of the port, its location and the prices of the supporting transport infrastructure, in order to maintain competitiveness and a satisfactory level of turnover, fees charged by the Operator to its customers are continuously significantly below the maximum fee tariff prescribed by the Port Authority of Rijeka. Therefore, taking into account all relevant provisions of IFRIC 12, management applied judgment and assessed that the mechanism for regulating and revising prices that is currently in place does not represent a substantive price regulation.

Management regularly monitors differences between service fees charged to customers and maximum tariffs in order to determine if this assessments is still applicable and reasonable. If, during its monitoring of key elements of the current price regulation mechanism, management identifies a substantial change in circumstances which would render the above mechanism relevant and substantive, and if such circumstances were to be considered long-term in nature, management would re-assess the applicability of IFRIC 12.

Considerations on the applicability of IFRS 16

Another standard which was considered by management in relation to determining the appropriate accounting for the Concession Agreement is the new standard for accounting for lease arrangements, IFRS 16 *Leases*.

The new lease standard became applicable from 1 January 2019 and introduced a single, on-balance lease sheet accounting model for lessees with respect to contracts containing a lease. Under the standard, a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Management has considered the requirements and guidance in relating to the new standard for leases and concluded that the Concession Agreement is in substance an arrangement containing lease components as defined by IFRS 16 and should therefore, in absence of applicability of IFRIC 12, be accounted for under IFRS 16.

In arriving at the conclusion on the applicability of IFRS 16 on the Concession Agreement, management took into account its assessment that the concession area and the related infrastructure represent the underlying identified asset(s) in the arrangement as well as its revised assessment regarding the commitment to incur capital expenditure based on which it has determined that it will obtain substantially all of the economic benefits from use of the concession area throughout the period of the concession. A detailed overview of impact of applying IFRS 16 is given in note 6a to the financial statements.

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.

NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

(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 6a – CHANGES IN ACCOUNTING POLICIES: ADOPTION OF IFRS 16

The Group has initially adopted IFRS 16 *Leases* in its financial statements for year ended 31 December 2019 applying a full retrospective approach as if IFRS 16 had been applicable from the inception of all relevant lease arrangements. Accordingly, the comparative information presented for 2018 and as at 1 January 2018, as previously reported under IAS 17 and related interpretations, is restated. Additionally, the disclosure requirements in IFRS 16 have generally been applied to comparative information. The details of the changes in accounting policies are disclosed below.

IFRS 16 Leases

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 3.7.

On transition to IFRS 16, the Group elected to apply the full retrospective approach without practical expedients, other than for low value leases such as IT and office equipment. Therefore, the definition of a lease under IFRS 16 was applied to all contracts which existed as at the earliest period reported in this financial statements, 1 January 2018 as well as to all contracts entered into after this date.

With this in respect, the Group identified only the Concession Agreement for port operations as the single contract which contains a lease thus falling in scope of IFRS 16. Further details on the judgements and estimates included in this assessment are described in note 4(i).

B. As a lessee

Leases classified as operating leases under IAS 17 - Accounting for the Concession Agreement

As part of the Concession Agreement, the local port authority (the "Grantor") transferred operational rights over a number of assets comprising the port infrastructure (including land, buildings, infrastructure) to the Group which is entitled to use these assets in the course of providing the services defined in the Concession Agreement. The Group previously classified the lease of port infrastructure as an operating lease based on its estimate of the expected duration of the concession and modification of certain payments under the arrangement. As a result, such assets were previously kept off-balance sheet while the corresponding obligations were disclosed as contractual obligations.

Capital expenditure related to equipment and infrastructure incurred by the Group as part of its obligations under the Concession Agreement were previously accounted for as own assets and capitalised on-balance sheet within appropriate classes of property, plant and equipment when incurred. Such assets were carried at cost less accumulated depreciation and accumulated impairment losses, if any, whereby cost included expenditure that was directly attributable to the acquisition of the items.

In cases where these assets related to items which are transferred to the Grantor at the expiry of the concession term, the depreciation was calculated using a straight-line method to allocate their cost less any residual value over the shorter of their estimated useful lives and the remaining term of the concession arrangement.

In cases where such assets were not transferrable to the Grantor, the depreciation was calculated in accordance with the depreciation policy applicable to the category property, plant and equipment to which the asset was classified.

Maintenance of assets within the concession area was recognised as an expense when incurred within profit or loss and presented within cost of materials and services used.

Leases classified as finance leases under IAS 17

The Group had one lease arrangement accounted for as a finance lease under IAS 17. However, the assets underlying this lease arrangement have been fully amortised while the lease liability was reprogrammed in past years. Therefore, the adoption of IFRS 16 had no impact on this particular lease arrangement as the assets would have been amortised or impaired to nil under the new standard as well while the liability would continue to be measured as previously reported.

NOTE 6a – CHANGES IN ACCOUNTING POLICIES: ADOPTION OF IFRS 16 (CONTINUED)

Impact on transition to IFRS 16

In the process of adopting IFRS 16, significant judgement was required in identifying whether the Concession Agreement represents a lease and in making assumptions and estimates in order to determine the ROU asset and the lease liability. In this context, by analysis of the Concession Agreement, the Group concluded that the concession area and the related infrastructure assets represents a single integrated asset and that the Group obtains substantially all of the economic benefits from use of this asset throughout the period of the concession.

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, in applying the requirements of the new standard, significant judgement was required 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 the standard 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 under IFRS 16 and will be therefore continued to be 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 which was the latest substantial modification of the Concession Agreement is the most appropriate expected lease term for the purposes of adoption of IFRS 16 and measurement of ROU asset and relevant liabilities. As a result the Group recognised an initial liability for payments under the Concession Agreement and corresponding ROU assets of HRK 358,269 thousand as at 1 January 2012. Preliminary estimates of IFRS 16 impact disclosed in prior year financial statements were amended to include revised assessments of variables such as timing of capital expenditure and assumptions regarding potential modification of concession terms.

In assessing the retrospective effects of application of IFRS 16, the Group also made significant judgement 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 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 flow 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 which are expected to be completed by end of 2022 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.

In lieu of all the above, in its statement of financial position as at 31 December 2019 the Group recognised liabilities arising from the concession arrangement in the amount of HRK 406,066 thousand as well as the amortised cost of ROU assets in the amount of HRK 186,331 thousand. Furthermore, certain assets previously reported within property, plant and equipment which related to infrastructure related expenditure were re-classified to ROU assets.

In its statement of comprehensive income for 2018, the Group derecognised operating expenses relating to fixed or in-substance fixed concession fees in the amount of HRK 4,416 thousand and recognised amortisation charges relating to the ROU assets in the amount of HRK 6,075 thousand (net of depreciation charges previously recognised in relation to assets re-classified to ROU assets) while it also recognised income from positive exchange rate differences and expenses related to unwinding of discount on the liability for ROU concession assets in the amount of HRK 4,392 thousand and HRK 17,121 thousand, respectively. A detailed overview of the impact of transition to IFRS 16 on the previously reported statement of financial position as at 1 January 2018 and 31 December 2018 as well as on the previously reported statement of comprehensive income for the year ended 31 December 2018 are presented further in this note.

NOTE 6a – CHANGES IN ACCOUNTING POLICIES: ADOPTION OF IFRS 16 (CONTINUED)

Impact of transition to IFRS 16 on the statement of financial position of the Group was as follows:

(in thousands of HRK)	1.1.2018. reported	*restatements*	**1.1.2018. restated**	31.12.2018. reported	*restatements*	**31.12.2018. restated**
ASSETS						
Non-current assets						
Intangible assets	481	-	**481**	326	-	**326**
Property, plant and equipment	581,095	*(51,555)*	**529,540**	591,893	*(54,210)*	**537,683**
Investment property	8,557	-	**8,557**	8,347	-	**8,347**
Concession assets with right of use	-	*202,533*	**202,533**	-	*194,432*	**194,432**
Investments in subsidiaries and equity accounted investees	99,569	-	**99,569**	101,083	-	**101,083**
Investments in equity instruments	250	-	**250**	125	-	**125**
Non-current financial assets	4,379	-	**4,379**	3,191	-	**3,191**
Deferred tax assets	17,856	-	**17,856**	13,146	-	**13,146**
Total non-current assets	**712,187**	*150,978*	**863,165**	**718,111**	*140,222*	**858,333**
Current assets						
Inventories	532	-	**532**	1,804	-	**1,804**
Trade and other receivables	29,758	-	**29,758**	28,226	-	**28,226**
Income tax receivable	24	-	**24**	5	-	**5**
Current financial assets	70,250	-	**70,250**	9,993	-	**9,993**
Cash and cash equivalents	3,753	-	**3,753**	52,080	-	**52,080**
Total current assets	**104,317**	-	**104,317**	**92,108**	-	**92,108**
Total assets	**816,504**	*150,978*	**967,482**	**810,219**	*140,222*	**950,441**
EQUITY AND LIABILITIES						
Shareholders' equity						
Share capital	539,219	-	**539,219**	539,219	-	**539,219**
Capital and other reserves	38,624	-	**38,624**	38,624	-	**38,624**
Revaluation reserves	36,713	-	**36,713**	34,104	-	**34,104**
Accumulated losses	80,774	*(237,359)*	**(156,585)**	51,889	*(251,747)*	**(199,858)**
Total equity	**695,330**	*(237,359)*	**457,971**	**663,836**	*(251,747)*	**412,089**
Non-current liabilities						
Borrowings	30,199	-	**30,199**	53,879	-	**53,879**
Liabilities for concession assets with right of use	-	*379,569*	**379,569**	-	*387,859*	**387,859**
Provisions	2,656	-	**2,656**	2,478	-	**2,478**
Deferred tax liability	13,099	-	**13,099**	12,541	-	**12,541**
Total non-current liabilities	**45,954**	*379,569*	**425,523**	**68,898**	*387,859*	**456,757**
Current liabilities						
Trade and other payables	54,108	-	**54,108**	59,766	-	**59,766**
Liabilities for concession assets with right of use	-	*8,768*	**8,768**	-	*4,110*	**4,110**
Income tax liability	-	-	**-**	-	-	**-**
Borrowings	14,860	-	**14,860**	15,057	-	**15,057**
Provisions	6,252	-	**6,252**	2,662	-	**2,662**
Total current liabilities	**75,220**	*8,768*	**83,988**	**77,485**	*4,110*	**81,595**
Total liabilities	**121,174**	*388,337*	**509,511**	**146,383**	*391,969*	**538,352**
Total equity and liabilities	**816,504**	*150,978*	**967,482**	**810,219**	*140,222*	**950,441**

NOTE 6a – CHANGES IN ACCOUNTING POLICIES: ADOPTION OF IFRS 16 (CONTINUED)

Impact of transition to IFRS 16 on the statement of comprehensive income of the Group was as follows:

(in thousands of HRK)	2018. reported	*restatements*	**2018. restated**
Revenue from sales	144,097	-	**144,097**
Other income	13,065	-	**13,065**
	157,162	-	**157,162**
Materials, services and consumables used	(59,557)	*4,416*	**(55,141)**
Personnel expenses	(73,517)	-	**(73,517)**
Depreciation and amortisation	(10,706)	*(6,075)*	**(16,781)**
Other expenses	(50,971)	-	**(50,971)**
	(194,751)	*(1,659)*	**(196,410)**
Finance income	2,683	*4,392*	**7,075**
Finance costs	(3,905)	*(17,121)*	**(21,026)**
Net finance costs	**(1,222)**	*(12,729)*	**(13,951)**
Share of profit of equity-accounted investees	13,105	-	**13,105**
Loss before tax	**(25,706)**	*(14,388)*	**(40,094)**
Income tax	(3,179)	-	**(3,179)**
Loss for the year	**(28,885)**	*(14,388)*	**(43,273)**
Revaluation of land	(3,511)	-	**(3,511)**
Change in fair value of financial assets	(89)	-	**(89)**
Deferred tax effect	991	-	**991**
Other comprehensive income	**(2,609)**	-	**(2,609)**
Total comprehensive loss	**(31,494)**	*(14,388)*	**(45,882)**
Loss per share (in HRK)			
- basic and diluted	(2.14)		**(3.21)**

NOTE 6a – CHANGES IN ACCOUNTING POLICIES: ADOPTION OF IFRS 16 (CONTINUED)

Impact of transition to IFRS 16 on the statement of cash flows of the Group was as follows:

(in thousands of HRK)	2018. reported	*restatements*	**2018. restated**
Loss before tax	**(25,706)**	**(14,388)**	**(40,094)**
Share of net profit of equity accounted investee	**(13,105)**	**-**	**(13,105)**
Depreciation and amortization	10,706	6,075	16,781
Gain on disposal of property, plant and equipment and intangibles	(66)	-	(66)
Impairment of property and equipment	26,990	-	26,990
Impairment of trade receivables - net	71	-	71
Interest income	(323)	-	(323)
Interest expense	1,859	17,121	18,980
Dividend income	-	-	-
Losses on equity instruments	36	-	36
Reversal of provisions	(263)	-	(263)
Foreign exchange differences - net	(394)	(4,392)	(4,786)
	(195)	**4,416**	**4,221**
Changes in working capital:			
Decrease/(increase) in inventories	(1,272)	-	(1,272)
Decrease/(increase) in trade and other receivables	1,322	-	1,322
Increase/(decrease) in trade and other payables	(3,263)	-	(3,263)
Decrease in provisions	(3,505)	-	(3,505)
Cash from operations	**(6,913)**	**4,416**	**(2,497)**
Income tax paid/(received)	19	-	19
Interest paid	(1,066)	-	(1,066)
Net cash from operating activities	**(7,960)**	**4,416**	**(3,544)**
Cash flows from investing activities			
Purchase of property, plant, equipment and intangibles	(41,472)	(15,323)	(56,795)
Proceeds from disposal of property, plant and equipment and investment property	732	-	732
Net inflows/(outflows) related to Group and State owned apartments	1,382	-	1,382
Interest received	323	-	323
Dividend from equity accounted investees	11,591	-	11,591
Net inflows/(outflows) from bank deposits	60,628	-	60,628
Other net inflows/(outflows) from financial assets	(104)	-	(104)
Net cash from investing activities	**33,080**	**(15,323)**	**17,757**
Cash flows from financing activities			
Proceeds from loans	35,418	-	35,418
Repayment of loans	(8,027)	-	(8,027)
Repayment of finance leases	(4,184)	4,184	-
Repayments of leases	-	(4,184)	(4,184)
Receipts from grants related to capital investments	-	20,004	20,004
Repayment of liabilities for concession assets	-	(9,097)	(9,097)
Net cash from financing activities	**23,207**	**10,907**	**34,114**
Net increase of cash and cash equivalents	**48,327**	**-**	**48,327**
Cash and cash equivalents at beginning of year	3,753	-	3,753
Cash and cash equivalents at the end of year	**52,080**	**-**	**52,080**

The initial adoption of IFRS 16 resulted in the recognition of right-of-use concession assets and corresponding liabilities for concession assets which represent non-cash transactions for the purposes of preparation of the cash flow statement. Addition changes in the cash flow statement relate to the reclassification of grants related to capital investments from investing activities to financing activities to match the presentation of cash flows from corresponding concession liabilities.

NOTE 6a – CHANGES IN ACCOUNTING POLICIES: ADOPTION OF IFRS 16 (CONTINUED)

Impact of transition to IFRS 16 on the statement of financial position of the Company was as follows:

(in thousands of HRK)	1.1.2018. reported	*restatements*	**1.1.2018. restated**	31.12.2018. reported	*restatements*	**31.12.2018. restated**
ASSETS						
Non-current assets						
Intangible assets	481	-	**481**	326	-	**326**
Property, plant and equipment	579,109	*(51,555)*	**527,554**	590,601	*(54,210)*	**536,391**
Investment property	8,557	-	**8,557**	8,347	-	**8,347**
Concession assets with right of use	-	*202,533*	**202,533**	-	*194,432*	**194,432**
Investments in subsidiaries and equity ac	11,767	-	**11,767**	11,767	-	**11,767**
Investments in equity instruments	250	-	**250**	125	-	**125**
Non-current financial assets	4,379	-	**4,379**	3,191	-	**3,191**
Deferred tax assets	17,856	-	**17,856**	13,146	-	**13,146**
Total non-current assets	**622,399**	*150,978*	**773,377**	**627,503**	*140,222*	**767,725**
Current assets						
Inventories	532	-	**532**	1,804	-	**1,804**
Trade and other receivables	29,145	-	**29,145**	27,584	-	**27,584**
Income tax receivable	6	-	**6**	2	-	**2**
Current financial assets	70,250	-	**70,250**	9,993	-	**9,993**
Cash and cash equivalents	2,320	-	**2,320**	50,701	-	**50,701**
Total current assets	**102,253**	-	**102,253**	**90,084**	-	**90,084**
Total assets	**724,652**	*150,978*	**875,630**	**717,587**	*140,222*	**857,809**
EQUITY AND LIABILITIES						
Shareholders' equity						
Share capital	539,219	-	**539,219**	539,219	-	**539,219**
Capital and other reserves	38,624	-	**38,624**	38,624	-	**38,624**
Revaluation reserves	36,713	-	**36,713**	34,104	-	**34,104**
Accumulated losses	(5,104)	*(237,359)*	**(242,463)**	(35,080)	*(251,747)*	**(286,827)**
Total equity	**609,452**	*(237,359)*	**372,093**	**576,867**	*(251,747)*	**325,120**
Non-current liabilities						
Borrowings	29,926	-	**29,926**	53,819	-	**53,819**
Liabilities for concession assets with right of use	-	*379,569*	**379,569**	-	*387,859*	**387,859**
Provisions	2,656	-	**2,656**	2,478	-	**2,478**
Deferred tax liability	8,043	-	**8,043**	7,485	-	**7,485**
Total non-current liabilities	**40,625**	*379,569*	**420,194**	**63,782**	*387,859*	**451,641**
Current liabilities						
Trade and other payables	53,902	-	**53,902**	59,439	-	**59,439**
Liabilities for concession assets with right of use	-	*8,768*	**8,768**	-	*4,110*	**4,110**
Income tax liability	-	-	**-**	-	-	**-**
Borrowings	14,421	-	**14,421**	14,837	-	**14,837**
Provisions	6,252	-	**6,252**	2,662	-	**2,662**
Total current liabilities	**74,575**	*8,768*	**83,343**	**76,938**	*4,110*	**81,048**
Total liabilities	**115,200**	*388,337*	**503,537**	**140,720**	*391,969*	**532,689**
Total equity and liabilities	**724,652**	*150,978*	**875,630**	**717,587**	*140,222*	**857,809**

NOTE 6a – CHANGES IN ACCOUNTING POLICIES: ADOPTION OF IFRS 16 (CONTINUED)

Impact of transition to IFRS 16 on the statement of comprehensive income of the Company was as follows:

(in thousands of HRK)	2018 reported	*restatements*	**2018 restated**
Revenue from sales	143,449	-	**143,449**
Other income	12,989	-	**12,989**
	156,438	-	**156,438**
Materials, services and consumables used	(62,330)	*4,416*	**(57,914)**
Personnel expenses	(71,103)	-	**(71,103)**
Depreciation and amortisation	(9,923)	*(6,075)*	**(15,998)**
Other expenses	(50,551)	-	**(50,551)**
	(193,907)	*(1,659)*	**(195,566)**
Finance income	14,534	*4,392*	**18,926**
Finance costs	(3,880)	*(17,121)*	**(21,001)**
Net finance costs	**10,654**	*(12,729)*	**(2,075)**
Share of profit of equity-accounted investees	-	-	**-**
Loss before tax	**(26,815)**	*(14,388)*	**(41,203)**
Income tax	(3,161)	-	**(3,161)**
Loss for the year	**(29,976)**	*(14,388)*	**(44,364)**
Revaluation of land	(3,511)	-	**(3,511)**
Change in fair value of financial assets	(89)	-	**(89)**
Deferred tax effect	991	-	**991**
Other comprehensive income	**(2,609)**	-	**(2,609)**
Total comprehensive loss	**(32,585)**	*(14,388)*	**(46,973)**

Impact of transition to IFRS 16 on the statement of cash flows of the Company was as follows:

(in thousands of HRK)	2018 reported	*restatements*	**2018 restated**
Loss before tax	**(26,815)**	**(14,388)**	**(41,203)**
Share of net profit of equity accounted investee	-	-	-
Depreciation and amortization	9,923	6,075	15,998
Gain on disposal of property, plant and equipment and intangibles	(66)	-	(66)
Impairment of property and equipment	26,990	-	26,990
Impairment of trade receivables - net	71	-	71
Interest income	(584)	-	(584)
Interest expense	1,842	17,121	18,963
Dividend income	(11,591)	-	(11,591)
Losses on equity instruments	36	-	36
Reversal of provisions	(263)	-	(263)
Foreign exchange differences - net	(376)	(4,392)	(4,768)
	(833)	**4,416**	**3,583**
Changes in working capital:			
Decrease/(increase) in inventories	(1,272)	-	(1,272)
Decrease/(increase) in trade and other receivables	1,351	-	1,351
Increase/(decrease) in trade and other payables	(3,384)	-	(3,384)
Decrease in provisions	(3,505)	-	(3,505)
Cash from operations	**(7,643)**	**4,416**	**(3,227)**
Income tax paid/(received)	4	-	4
Interest paid	(1,049)	-	(1,049)
Net cash from operating activities	**(8,688)**	**4,416**	**(4,272)**
Cash flows from investing activities			
Purchase of property, plant, equipment and intangibles	(41,262)	(15,323)	(56,585)
Proceeds from disposal of property, plant and equipment and investment property	611	-	611
Net inflows/(outflows) related to Group and State owned apartments	1,382	-	1,382
Interest received	584	-	584
Dividend from equity accounted investees	11,591	-	11,591
Net inflows/(outflows) from bank deposits	60,628	-	60,628
Other net inflows/(outflows) from financial assets	(104)	-	(104)
Net cash from investing activities	**33,430**	**(15,323)**	**18,107**
Cash flows from financing activities			
Proceeds from loans	35,418	-	35,418
Repayment of loans	(7,891)	-	(7,891)
Repayment of finance leases	(3,888)	3,888	-
Repayments of leases	-	(3,888)	(3,888)
Receipts from grants related to capital investments	-	20,004	20,004
Repayment of liabilities for concession assets	-	(9,097)	(9,097)
Net cash from financing activities	**23,639**	**10,907**	**34,546**
Net increase of cash and cash equivalents	**48,381**	**-**	**48,381**
Cash and cash equivalents at beginning of year	2,320	-	2,320
Cash and cash equivalents at the end of year	**50,701**	**-**	**50,701**

The initial adoption of IFRS 16 resulted in the recognition of right-of-use concession assets and corresponding liabilities for concession assets which represent non-cash transactions for the purposes of preparation of the cash flow statement. Addition changes in the cash flow statement relate to the reclassification of grants related to capital investments from investing activities to financing activities to match the presentation of cash flows from corresponding concession liabilities.

NOTE 6b – NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted. However, the Group and Company have not early adopted the new or amended standards in preparing these consolidated and separate financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's and the Company's financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- IFRS 17 Insurance Contracts.

NOTE 7 – REVENUE FROM SALES

(in thousands of HRK)	2019 Group	2018 Group	2019 Company	2018 Company
Sales to domestic customers	38,567	33,536	42,348	36,834
Sales to foreign customers	109,149	110,561	104,759	106,615
	147,716	**144,097**	**147,107**	**143,449**

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

(in thousands of HRK)	2019 Group	2018 Group	2019 Company	2018 Company
General cargo	66,852	65,715	66,852	65,715
Bulk cargo	51,036	50,651	51,036	50,651
Containers	5,453	5,180	5,453	5,180
Other port services	24,375	22,551	23,766	21,903
	147,716	**144,097**	**147,107**	**143,449**

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)	2019 Group	2018 Group	2019 Company	2018 Company
Port manipulation	121,516	126,343	121,516	126,343
Rent and warehousing	14,451	5,470	14,451	5,470
Transport services	3,803	3,636	-	-
Other port services	7,946	8,648	11,140	11,636
	147,716	**144,097**	**147,107**	**143,449**

NOTE 8 – OTHER INCOME

(in thousands of HRK)	2019 Group	2018 Group	2019 Company	2018 Company
Gain on sale of non-current tangible and intangible assets	267	66	267	66
Donations and grants	42	32	-	-
Bad debts recovered	41	20	41	20
Insurance recoveries	481	498	481	498
Rental income (i)	10,225	9,499	10,315	9,591
Reversal of provisions	141	263	141	263
Income from court cases	209	673	209	673
Other income	1,246	2,014	1,055	1,878
	12,652	**13,065**	**12,509**	**12,989**

(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)	**2019 Group**	** restated* **2018 Group**	**2019 Company**	** restated* **2018 Company**
Energy	11,733	12,236	11,733	12,236
Utilities	4,264	5,891	4,256	5,881
Postage and telecommunications	654	691	632	670
Concession fees	2,043	2,185	2,043	2,185
Transport services	6,803	6,921	10,399	10,418
Quality control and desinfection	998	1,328	998	1,328
Freight handling services	6,414	9,946	6,414	9,946
Maintenance	9,053	9,149	9,107	9,104
Raw materials and consumables	6,740	5,803	5,989	5,145
Rent	473	315	483	315
Other materials expenses	367	676	634	686
	49,542	**55,141**	**52,688**	**57,914**

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 4,250 thousand (2018.: HRK 4,416 thousand) which have been accounted for as a reduction in the liability for concession assets with right-of-use but were previously reported within operating costs (see note 6a for details on restatements).

NOTE 10 – PERSONNEL EXPENSES

(in thousands of HRK)	**2019 Group**	**2018 Group**	**2019 Company**	**2018 Company**
Gross salaries and wages	57,933	58,476	56,172	56,723
Contributions on salaries	9,765	10,221	9,272	9,748
Other employee related costs	5,988	4,820	5,783	4,632
	73,686	**73,517**	**71,227**	**71,103**

As at 31 December 2019 the number of staff employed by the Group was 637 (*2018: 587*) while the Company employed 622 employees *(2018: 572)*. In 2019, termination benefits in the amount of HRK 305 thousand were recognised as an expense *(2018: HRK 2,043 thousand)*.

NOTE 11 – OTHER EXPENSES

(in thousands of HRK)	**2019 Group**	**2018 Group**	**2019 Company**	**2018 Company**
Bank charges	245	325	195	292
Intellectual services	1,434	2,796	1,339	2,707
Fines and penalties	2,296	1,733	2,296	1,733
Reimbursement of costs to employees	2,743	2,578	2,743	2,578
Non-income related taxes, contributions and fees	11,262	10,156	11,220	10,115
Insurance	2,888	3,755	2,764	3,631
Court fees and expenses	263	412	263	412
Impairment of receivables	777	71	777	71
Marketing and entertainment	98	104	97	103
Increase in provisions for court cases	1,973	624	1,973	624
Impairment of land	-	26,990	-	26,990
Other expenses	1,296	1,427	1,144	1,295
	25,275	**50,971**	**24,811**	**50,551**

Non-income related taxes, contributions and fees relate to utility charges and fees for water regulation. Intellectual services include audit and related services (HRK 370 thousand), accounting services, legal and other consulting services.

NOTE 12 – FINANCE INCOME

(in thousands of HRK)	**2019 Group**	** restated* **2018 Group**	**2019 Company**	** restated* **2018 Company**
Interest and similar income	169	323	169	584
Foreign exchange gains	1,304	6,490	1,299	6,489
Other financial income	-	262	3,276	11,853
	1,473	**7,075**	**4,744**	**18,926**

Interest income mostly consists of interest on bank deposits in the amount of HRK 165 thousand *(2018: HRK 484 thousand).*

As a result of adoption of IFRS 16 and the recognition of a liability for concession assets with right-of-use denominated in EUR, the Group and Company restated the comparative information to account in for the effect of positive exchange rate difference on the remeasurement of the liability in the amount of HRK 4,392 thousand. For details see note 6a.

NOTE 13 – FINANCE COSTS

(in thousands of HRK)	**2019 Group**	** restated* **2018 Group**	**2019 Company**	** restated* **2018 Company**
Interest and similar expenses	19,858	18,980	19,838	18,963
Foreign exchange losses	2,009	1,887	2,009	1,879
Losses on equity financial instruments	-	36	-	36
Other financial expenses	-	123	-	123
	21,867	**21,026**	**21,847**	**21,001**

As a result of adoption of IFRS 16 and the recognition of a liability for concession assets with right-of-use, the Group and Company restated the comparative information to account in for the effect of unwinding of the discount on the liability (recognised within interest and similar expenses) in the amount of HRK 17,121 thousand. For details see note 6a. Remaining amounts of interest and similar expenses mainly include interest on bank loans and leases.

NOTE 14 – INCOME TAX

Tax income consists of:

(in thousands of HRK)	**2019 Group**	**2018 Group**	**2019 Company**	**2018 Company**
Current income tax	37	18	(7)	-
Deferred tax	3,542	3,161	3,542	3,161
Income tax expense / (benefit)	**3,579**	**3,179**	**3,535**	**3,161**

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)	**2019 Group**	** restated* **2018 Group**	**2019 Company**	** restated* **2018 Company**
Loss before taxation	(12,822)	(40,094)	(27,303)	(41,203)
Tax calculated at 18% (2018: 18%)	(2,308)	(7,217)	(4,915)	(7,417)
Non-taxable income	(20)	-	(613)	(2,177)
Non-deductible expenses	4,045	2,681	4,038	2,681
Tax effect of share in result of equity accounted investee	(3,163)	(2,359)	-	-
Tax incentive - reduction of tax rate	(17)	(8)	(17)	(8)
Recognition of previously unrecognised temporary differences	23	(1,520)	23	(1,520)
Current year losses for which no deferred tax asset has been recognised	1,504	2,044	1,504	2,044
Tax losses utilization	3,515	9,558	3,515	9,558
Tax expense/(benefit) recognised in the statement of comprehensive income	**3,579**	**3,179**	**3,535**	**3,161**
Effective tax rate	**(28%)**	**(8%)**	**(13%)**	**(8%)**

NOTE 14 – INCOME TAX *(CONTINUED)*

As at 31 December 2019, the Company and the Group has unused tax losses to carry forward of HRK 104,957 thousand *(31 December 2018: HRK 85,237 thousand)* 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:

2018 - Company and Group	**Opening balance**	**Recognised in equity**	**Recognised in profit or loss**	**Closing balance**
	(in thousands of HRK)			
Land	3,602	-	4,858	8,460
Other financial assets	319	-	-	319
Financial assets available for sale	384	-	22	406
Provision for employee entitlements	478	-	(32)	446
Tax losses	13,073	-	(9,558)	3,515
	17,856	**-**	**(4,710)**	**13,146**

2019 - 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
Receivables from insurance policies	-	-	-	-
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**

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:

2018 - Group	**Opening balance**	**Recognised in equity**	**Recognised in profit or loss**	**Closing balance**
	(in thousands of HRK)			
Revaluation of land	8,043	982	(1,549)	7,476
Financial assets available for sale	-	9	-	9
Investments in equity accounted investees	5,056	-	-	5,056
	13,099	**991**	**(1,549)**	**12,541**

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**

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

2018 - Company	**Opening balance**	**Recognised in equity**	**Recognised in profit or loss**	**Closing balance**
	(in thousands of HRK)			
Reavaluation of land	8,043	982	(1,549)	7,476
Investments in equity accounted investees	-	9	-	9
	8,043	**991**	**(1,549)**	**7,485**

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**

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

	2019 Group	2018 Group
Loss for the year *(in thousands of HRK)*	(16,401)	(43,273)
Total and weighted number of issued shares	13,480,475	13,480,475
Earnings per share (basic and diluted) in HRK	**(1.22)**	**(3.21)**

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 2018	**4,619**
Additions	20
Transfers	-
Disposals and write-off's	-
At 31 December 2018	**4,639**
Additions	9
Transfers	-
Disposals and write-off's	-
At 31 December 2019	**4,648**
Accumulated amortisation	
At 1 January 2018	**4,138**
Charge for the year	175
Disposals and write-off's	-
At 31 December 2018	**4,313**
Charge for the year	177
Disposals and write-off's	-
At 31 December 2019	**4,490**
Carrying amount	
At 31 December 2018	**326**
At 31 December 2019	**158**

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 2018 (reported)	229,076	139,355	209,007	9,157	190,598	777,193
Restatement	-	-	(41,994)	(8,800)	(9,263)	(60,057)
At 1 January 2018 (restated)	**229,076**	**139,355**	**167,013**	**357**	**181,335**	**717,136**
Additions	-	-	-	-	45,675	45,675
Disposals and write-off's	-	123,109	1,251	9	(124,369)	-
Transfers	(545)	-	(1,540)	-	-	(2,085)
Revaluation	(1,581)	-	-	-	-	(1,581)
At 31 December 2018 (restated)	**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**
Accumulated depreciation and impairment losses						
At 1 January 2018 (reported)	-	41,703	153,765	630	-	196,098
Restatement	-	(160)	(7,752)	(590)	-	(8,502)
At 1 January 2018 (restated)	**-**	**41,543**	**146,013**	**40**	**-**	**187,596**
Charge for the year (restated)	-	3,723	4,559	13	-	8,295
Disposals and write-off's	-	-	(1,419)	-	-	(1,419)
Impairment	12,666	14,324	-	-	-	26,990
At 31 December 2018 (restated)	**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**
Carrying amount						
At 1 January 2018 (restated)	**229,076**	**97,812**	**21,000**	**317**	**181,335**	**529,540**
At 31 December 2018 (restated)	**214,284**	**202,874**	**17,571**	**313**	**102,641**	**537,683**
At 31 December 2019	**214,284**	**320,282**	**15,959**	**301**	**-**	**550,826**

Assets under construction relate mainly to investments in development of terminal Škrljevo which is owned by the Group and is not part of the area under concession.

Land and buildings of the Group with a carrying amount of HRK 425,223 thousand *(2018: HRK 308,009 thousand)* are mortgaged against the Group's borrowings.

The Group initially adopted IFRS 16 and restated its comparative information regarding property, plant and equipment whereby certain items of property, plant and equipment were re-classified to concession assets with right-of-use. Accordingly, the opening balances of historical cost and accumulated depreciation and impairment losses as at 1 January 2018, as well as the depreciation charge for 2018, were restated to reflect this re-classification. For more details see note 6a.

The Group re-classified part of the accumulated impairment losses in the amount HRK 1,080 thousand from property, plant and equipment to investment property. The re-classification does not affect any other financial statement items.

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 2018 (reported)	229,076	139,355	202,471	9,166	190,713	770,781
Restatement	-	-	(41,994)	(8,800)	(9,263)	(60,057)
At 1 January 2018 (restated)	**229,076**	**139,355**	**160,477**	**366**	**181,450**	**710,724**
Additions	-	-	-	-	45,465	45,465
Disposals and write-off's	-	123,109	1,162	-	(124,271)	-
Transfers	(545)	-	(758)	-	-	(1,303)
Revaluation	(1,581)	-	-	-	-	(1,581)
At 31 December 2018 (restated)	**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**
Accumulated depreciation and impairment losses						
At 1 January 2018 (reported)	-	41,703	149,337	632	-	191,672
Restatement	-	(160)	(7,752)	(590)	-	(8,502)
At 1 January 2018 (restated)	**-**	**41,543**	**141,585**	**42**	**-**	**183,170**
Charge for the year (restated)	-	3,723	3,776	13	-	7,512
Disposals and write-off's	-	-	(758)	-	-	
Impairment	12,666	14,324	-	-	-	26,990
At 31 December 2018 (restated)	**12,666**	**59,590**	**144,603**	**55**	**-**	**217,672**
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**
Carrying amount						
At 1 January 2018 (restated)	**229,076**	**97,812**	**18,892**	**324**	**181,450**	**527,554**
At 31 December 2018 (restated)	**214,284**	**202,874**	**16,278**	**311**	**102,644**	**535,633**
At 31 December 2019	**214,284**	**320,282**	**14,870**	**299**	**-**	**549,735**

Assets under construction relate mainly to investments in development of terminal Škrljevo which is owned by the Company and not part of the area under concession.

Land and buildings of the Company with a carrying amount of HRK 425,223 thousand *(2018: HRK 308,009 thousand*) are mortgaged against the Company's borrowings.

During 2018 interest in the amount of HRK 365 thousand was capitalised in assets and presented within assets under construction.

The Company initially adopted IFRS 16 and restated its comparative information regarding property, plant and equipment whereby certain items of property, plant and equipment were re-classified to concession assets with right-of-use. Accordingly, the balances of historical cost and accumulated depreciation and impairment losses as at 1 January 2018, as well as the depreciation charge for 2018, were restated to reflect this re-classification. For more details see note 6a.

The Company re-classified part of the accumulated impairment losses in the amount HRK 1,080 thousand from property, plant and equipment to investment property. The re-classification does not affect any other financial statement items.

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 2019, 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. In 2018, impairment losses on land and buildings recognized as expense and reported in Note 11 amounted to HRK 26,990 thousand. No impairment losses were recognised in 2019.

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)	31.12.2019 Group	31.12.2018 Group	31.12.2019 Company	31.12.2018 Company
Cost				
At 1 January	12,177	12,177	12,177	12,177
Additions	-	-	-	-
Disposals and write-off's	(221)	-	(221)	-
	11,956	**12,177**	**11,956**	**12,177**
Accumulated depreciation				
At 1 January	3,830	3,620	3,830	3,620
Charge for the year	185	210	185	210
Disposals and write-off's	(55)	-	(55)	-
Transfer from property, plant and equipment	1,080	-	1,080	-
	5,040	**3,830**	**5,040**	**3,830**
Carrying amount as at 31 December	**6,916**	**8,347**	**6,916**	**8,347**

Investment property relates to 40 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 2019, the Group sold one apartment and realised a gain on sale of HRK 267 thousand *(2018: no apartments sold)*.

NOTE 19 – INVESTMENTS IN SUBSIDIAIRIES AND EQUITY ACCOUNTED INVESTEES

(in thousands of HRK)	31.12.2019 Group	31.12.2018 Group	31.12.2019 Company	31.12.2018 Company
Investments in subsidiaries	-	-	40	40
Investment in equity accounted investees	115,377	101,083	11,727	11,727
	115,377	**101,083**	**11,767**	**11,767**

The investments in subsidiaries are as follows:

COMPANY	Ownership interest 31.12.2019.	31.12.2018.	Investment 31.12.2019.	31.12.2018.
Luka - prijevoz d.o.o.	100%	100%	20	20
Stanovi d.o.o.	100%	100%	20	20
			40	**40**

The investments in equity accounted investees relate to the following:

(in thousands of HRK)	31.12.2019 Group	31.12.2018 Group	31.12.2019 Company	31.12.2018 Company
Jadranska vrata d.d.				
- at cost	-	-	11,727	11,727
- applying the equity method	115,377	101,083	-	-
	115,377	**101,083**	**11,727**	**11,727**

During 2011, the Group sold a 51% ownership interest in its former wholly owned subsidiary Jadranska vrata d.d. As a result, upon loss of control, the Group ceased consolidating the subsidiary and remeasured the remaining interest therein to fair value based on a valuation performed by an expert independent valuer and with the surplus from the remeasurement being recognised as financial income at the date of disposal. From the date of loss of control, the former subsidiary is accounted for as an associate by applying the equity method of accounting. Principal operations of the equity accounted investee are related to operating a container cargo terminal in port of Rijeka area. Movement in the investment in equity accounted investees is as follows:

(in thousands of HRK)	2019 Group	2018 Group
As at 1 January	101,083	99,569
Share of profit/(loss) of associate	17,570	13,105
Dividend payment	(3,276)	(11,591)
As at 31 December	**118,653**	**112,674**

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

Jadranska vrata d.d. *(in thousands of HRK)*	31.12.2019.	31.12.2018.
Assets	195,753	203,978
Liabilities	16,894	55,638
Revenue	143,200	121,867
Net profit/(loss)	35,854	26,744

The General Assembly of Jadranska Vrata d.d. held on 28 March 2018 adopted a decision to pay out dividend from net profits for 2017 in the total amount of 23,656 thousand of which 11,591 thousand relates to the Company and was recognized as financial income in 2018. Further, the General Assembly of Jadranska Vrata d.d. held on 8 April 2019 adopted a decision to pay out dividend from net profits for 2018 in the total amount of 6,686 thousand of which HRK 3,276 thousand relates to the Company and was recognized as financial income in 2019.

NOTE 20 – INVESTMENTS IN EQUITY INSTRUMENTS

Investments in equity instruments comprise the following:

(in thousands of HRK)	**31.12.2019 Group**	**31.12.2018 Group**	**31.12.2019 Company**	**31.12.2018 Company**
Investment in quoted equity securities	144	125	144	125
	144	**125**	**144**	**125**

Movement in AFS financial assets was as follows:

(in thousands of HRK)	**31.12.2019 Group**	**31.12.2018 Group**	**31.12.2019 Company**	**31.12.2018 Company**
As at 1 January	125	250	125	250
Impairment recognised in profit or loss	-	(36)	-	(36)
Revaluation recognised through equity	19	(89)	19	(89)
As at 31 December	**144**	**125**	**144**	**125**

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 6b). 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)	**31.12.2019 Group**	**31.12.2018 Group**	**31.12.2019 Company**	**31.12.2018 Company**
Non-current receivables for apartments sold	2,098	3,097	2,098	3,097
Other financial assets	94	94	94	94
	2,192	**3,191**	**2,192**	**3,191**

(i) 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 2019, 142 apartments were repaid in full *(2018: 58 apartments)*. As at 31 December 2019, a total of 1,002 apartments were in repayment *(2018: 1,145 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)	**31.12.2019 Group**	**31.12.2018 Group**	**31.12.2019 Company**	**31.12.2018 Company**
Short-term deposits in banks	17,571	9,844	17,571	9,844
Other loans, deposits and similar items	28	149	28	149
	17,599	**9,993**	**17,599**	**9,993**

Interest rate on short-term deposits are variable, ranging from 0.09% to 1.45% per annum.

NOTE 23 – TRADE AND OTHER RECEIVABLES

(in thousands of HRK)	**31.12.2019 Group**	**31.12.2018 Group**	**31.12.2019 Company**	**31.12.2018 Company**
Receivables from domestic customers	10,971	11,770	10,444	11,273
Receivables from foreign customers	14,875	11,447	14,872	11,447
Current receivables for apartments sold on credit	2,349	2,624	2,349	2,624
Receivables from State for taxes, contributions and fees	677	646	664	610
Advances given	-	431	-	431
VAT receivable	95	79	-	-
Prepaid expenses	732	804	722	777
Other receivables	494	425	489	422
	30,193	**28,226**	**29,540**	**27,584**

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

(in thousands of HRK)	**31.12.2019 Group**	**31.12.2018 Group**	**31.12.2019 Company**	**31.12.2018 Company**
At 1 January	9,766	11,682	9,766	11,682
Increase	777	71	777	71
Collected	(41)	(20)	(41)	(20)
Written-off	(17)	(1,967)	(17)	(1,967)
At 31 December	**10,485**	**9,766**	**10,485**	**9,766**

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

Ageing analysis of trade receivables is as follows:

(in thousands of HRK)	**31.12.2019 Group**	**31.12.2018 Group**	**31.12.2019 Company**	**31.12.2018 Company**
Up to 90 days	21,683	22,720	21,153	22,223
91-180 days	552	272	552	272
181-360 days	3,600	150	3,600	150
Over 360 days	11	75	11	75
	25,846	**23,217**	**25,316**	**22,720**

Trade receivables are denominated in following currencies:

(in thousands of HRK)	**31.12.2019 Group**	**31.12.2018 Group**	**31.12.2019 Company**	**31.12.2018 Company**
HRK	10,971	11,770	10,444	11,273
EUR	14,688	11,447	14,685	11,447
USD	187	-	187	-
	25,846	**23,217**	**25,316**	**22,720**

NOTE 24 – CASH AND CASH EQUIVALENTS

(in thousands of HRK)	31.12.2019 Group	31.12.2018 Group	31.12.2019 Company	31.12.2018 Company
Cash with banks	30,350	51,486	29,494	50,695
Cash at hand	500	594	4	6
	30,850	**52,080**	**29,498**	**50,701**

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 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)	31.12.2019 Company	31.12.2018 Company
Share capital	539,219	539,219
	539,219	**539,219**

As at 31 December 2019, 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:

	2019		2018	
	Number of shares	% of ownership	Number of shares	% of ownership
OT LOGISTICS SPOLKA AKCYJNA	3,574,116	26.51%	3,574,116	26.51%
CERP - Republic of Croatia	3,372,495	25.02%	3,372,495	25.02%
OTP BANK d.d./AZ d.d. (custodial account)	2,024,227	15.02%	2,020,492	14.99%
PBZ D.D./FUNDUSZ INWESTYCYJNY ZAMKNIĘTY AKTYWÓW NIEPUBLICZNYCH managed by PFR TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A.	1,179,425	8.75%	1,179,425	8.75%
ADDIKO BANK D.D./PBZ CO OMF KATEGORIJE B	1,024,100	7.60%	1,024,100	7.60%
OTP BANKA D.D./ ERSTE PLAVI OMF KATEGORIJE B	1,017,260	7.55%	1,017,260	7.55%
OTP BANKA D.D./ ERSTE PLAVI EXPERT- DOBROVOLJNI MIROVINSKI FOND	136,370	1.01%	136,370	1.01%
OTP BANKA D.D./ AZ OBVEZNI MIROVINSKI FOND KATEGORIJE A	115,000	0.85%	115,000	0.85%
Zagrebačka Banka d.d. /AZ PROFIT OTVORENI DOBROVOLJNI MIROVINSKI FOND (Custodial account)	95,575	0.71%	95,575	0.71%
OTP BANK d.d./Erste Plavi OMF Kategorije A- (custodial account)	38,800	0.29%	38,800	0.29%
Other shareholders	903,107	6.69%	906,842	6.72%
Total	**13,480,475**	**100.00%**	**13,480,475**	**100.00%**

NOTE 26 – RESERVES

(in thousands of HRK)	31.12.2019 Group	31.12.2018 Group	31.12.2019 Company	31.12.2018 Company
Capital and other reserves	38,624	38,624	38,624	38,624
Revaluation reserves	34,119	34,104	34,119	34,104
	72,743	**72,728**	**72,743**	**72,728**

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)	31.12.2019 Group	31.12.2018 Group	31.12.2019 Company	31.12.2018 Company
Non-current borrowings				
Bank loans	67,540	48,492	67,540	48,492
Lease liabilities	1,903	5,387	1,842	5,327
	69,443	**53,879**	**69,382**	**53,819**
Current borrowings				
Bank loans	8,826	7,346	8,826	7,346
Loans from other financial institutions	-	4,167	-	4,167
Lease liabilities	3,711	3,544	3,711	3,324
	12,537	**15,057**	**12,537**	**14,837**
Total borrowings	**81,980**	**68,936**	**81,919**	**68,656**

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

(in thousands of HRK)	31.12.2019 Group	31.12.2018 Group	31.12.2019 Company	31.12.2018 Company
1 year or less	8,826	11,513	8,826	11,513
1 - 2 years	8,808	8,764	8,808	8,764
2 – 5 years	26,426	26,272	26,426	26,272
Over 5 years	32,306	13,456	32,306	13,456
	76,366	**60,005**	**76,366**	**60,005**

NOTE 27 – BORROWINGS *(CONTINUED)*

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

(in thousands of HRK)	31.12.2019 Group	31.12.2018 Group	31.12.2019 Company	31.12.2018 Company
Up to 1 year	3,711	3,544	3,711	3,324
Between 1 and 2 years	1,903	3,595	1,842	3,535
Between 2 and 5 years	-	1,792	-	1,792
	5,614	**8,931**	**5,553**	**8,651**

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

(in thousands of HRK)	31.12.2019 Group	31.12.2018 Group	31.12.2019 Company	31.12.2018 Company
EUR	76,427	60,285	76,366	60,005
USD	5,553	8,651	5,553	8,651
	81,980	**68,936**	**81,919**	**68,656**

As at 31 December 2019, the Group has a borrowing facility for guarantees of HRK 25,789 thousand (2018: HRK 20,703 thousand).

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 2019	60,005	8,931	68,936
Cash transactions			
Loans received	27,663	-	27,663
Loans repaid	(11,552)	-	(11,552)
Leases repaid	-	(4,267)	(4,267)
Total cash transactions	16,111	(4,267)	11,844
Non-cash transactions			
Exchange rate effect	250	335	585
Other non-cash transactions	-	615	615
Balance as at 31 December 2019	**76,366**	**5,614**	**81,980**

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 58,948 thousand have variable interest rates *(2018: HRK 35,451 thousand)*. The variable interest rates for bank loans were in the range from 1.7% to 2% per annum (*2018: from 1.7% to 4.25%)*.

Bank loans amounting to HRK 17,418 thousand have fixed interest rates *(2018: HRK 20,388 thousand)*. The fixed interest rates for bank loans included in the table above were around 3.0% (*2018: from 3.0% to 5.0%)*.

Loans from other financial institutions

Loans from other financial institutions relate to loans from Royal pension insurance fund which were used to finance the workforce restructuring process in previous period. These borrowings have been repaid in full during 2019.

NOTE 27 – BORROWINGS *(CONTINUED)*

Leases

Leases in the amount of HRK 5,614 thousand for the Group and HRK 5,553 thousand for the 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 5,553 thousand at 31 December 2019. The lease has a term of seven years ending in 2021.

Security

Bank borrowings in the amount of HRK 76,366 thousand *(2018: HRK 55,838 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 2018			
Non-current	2,478	-	2,478
Current	-	2,662	2,662
	2,478	**2,662**	**5,140**
As at 31 December 2019			
Non-current	2,365	-	2,365
Current	-	4,607	4,607
	2,365	**4,607**	**6,972**

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 2018	2,656	6,252	8,908
Increase	-	624	624
Decrease	(178)	(4,214)	(4,392)
As at 31 December 2018	**2,478**	**2,662**	**5,140**
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**

NOTE 28 – PROVISIONS (continued)

(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)	31.12.2019 Group	31.12.2018 Group	31.12.2019 Company	31.12.2018 Company
Trade payables - domestic	12,072	22,468	12,813	23,135
Trade payables - foreign	400	100	400	100
Liabilities toward employees	5,505	4,323	5,467	4,293
Liabilities for apartments sold	5,115	3,513	5,115	3,513
Interest payable	188	467	188	467
Other taxes, contributions and fees payable	1,168	1,537	1,042	1,362
VAT liabilities	16	49	-	38
Salary taxes and contributions payable	2,027	2,108	2,027	2,108
Deferred income (i)	20,071	20,004	20,071	20,004
Accrued expenses	1,109	4,379	1,109	4,379
Other payables	907	818	181	40
	48,578	**59,766**	**48,413**	**59,439**

(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 is up to a maximum of 85% of the costs that will be required for the planned works in this area and amounts to 33.795 thousand euros. The payment of these funds is planned in instalments, in accordance with the dynamics specified in the contract. During 2018, the Company received HRK 20 million with respect to these contracts. Assets that are a prerequisite for the realization and retention of this grant are still not under construction as at 31 December 2019. The Company expects to start construction in 2020 and completion is expected in 2021 (for Bakar location) and 2022 (for Rijeka location).

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)	**31.12.2019 Group**	**31.12.2018 Group**	**31.12.2019 Company**	**31.12.2018 Company**
Debt (long- and short-term borrowings) = **D**	(81,980)	(68,936)	(81,919)	(68,656)
Short term bank deposits	17,571	9,844	17,571	9,844
Cash and cash equivalents	30,850	52,080	29,498	50,701
Net cash / (debt)	(33,559)	(7,012)	(34,850)	(8,111)
Equity = **E**	(395,703)	(412,089)	(294,297)	(325,120)
Financial leverage ratio = **D/(D+E)**				
excl. concession related liabilities	*17%*	*14%*	*22%*	*17%*
incl. concession related liabilities	*55%*	*53%*	*62%*	*59%*

Debt is defined as long-term and short-term borrowings and bonds. Equity includes all capital and reserves of the Group. As a result of adopting IFRS 16 which had significant impacts on the financial position of the Group and Company in view of recognition of concession related liabilities and assets previously kept off balance sheet, the Group and Company present the debt financing ratio (D/(D+E)) both including and excluding the newly recognised liabilities for the purpose of comparison with prior reporting.

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)	**31.12.2019 Group**	**31.12.2018 Group**	**31.12.2019 Company**	**31.12.2018 Company**
Financial assets available for sale	144	125	144	125
Total AFS financial assets	**144**	**125**	**144**	**125**
Non-current financial assets	2,192	3,191	2,192	3,191
Short-term financial assets	17,599	9,993	17,599	9,993
Trade receivables	28,784	26,345	28,154	25,766
Cash and cash equivalents	30,850	52,080	29,498	50,701
Total loans and receivables	**79,425**	**91,609**	**77,443**	**89,651**
Total financial assets	**79,569**	**91,734**	**77,587**	**89,776**
Lease liabilities	5,614	8,931	5,553	8,651
Liabilities for concession assets with right of use	406,066	391,969	406,066	391,969
Loan liabilities	76,366	60,005	76,366	60,005
Trade payables	18,682	27,366	18,697	27,255
Total financial liabilities at amortised cost	**506,728**	**488,271**	**506,682**	**487,880**
Total financial liabilities	**506,728**	**488,271**	**506,682**	**487,880**

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 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 with right of use	**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**

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 scheduled for commencement in 2020. 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 but expects that additional financing will be required during the construction and completion of the CEF projects.

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 (restated for impact of adoption of IFRS 16) were as follows:

as at 31 December 2018	**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	**5,815**	**5,815**	2,624	1,300	1,891	-
Trade receivables	**26,345**	**26,345**	26,345	-	-	-
Equity instruments at FVOCI	**125**	**125**	125	-	-	-
	32,285	**32,285**	**29,094**	**1,300**	**1,891**	**-**
Interest bearing:						
Current financial assets	**9,993**	**10,163**	10,163	-	-	-
Cash and cash equivalents	**52,080**	**52,601**	52,601	-	-	-
	62,073	**62,764**	**62,764**	**-**	**-**	**-**
	94,358	**95,049**	**91,858**	**1,300**	**1,891**	**-**

as at 31 December 2018	**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	**8,651**	**8,651**	3,324	3,535	1,792	-
Trade payables	**27,366**	**27,366**	27,366	-	-	-
	36,017	**36,017**	**30,690**	**3,535**	**1,792**	**-**
Interest bearing:						
Lease liabilities	**280**	**295**	232	63	-	-
Liabilities for concession assets with right of use	**391,969**	**450,131**	4,110	161,363	262,716	21,942
Loan liabilities	**60,005**	**61,658**	11,833	8,998	26,994	13,833
	452,254	**512,084**	**16,175**	**170,424**	**289,710**	**35,775**
	488,271	**548,101**	**46,865**	**173,959**	**291,502**	**35,775**

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)	**31.12.2019 Group**	**31.12.2018 Group**	**31.12.2019 Company**	**31.12.2018 Company**
EURIBOR based bank loans	58,948	35,451	58,948	35,451

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 2019	**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	**61,893**	6,402	6,279	18,068	31,144
At currently applicable int. rates + 50 basis points	**62,580**	6,542	6,405	18,262	31,371
Effect of increase of int. rates by 50 basis points	**(687)**	**(140)**	**(126)**	**(194)**	**(227)**

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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
(in thousands of HRK)	Group	Group	Company	Company
EUR	76,827	60,385	76,766	60,105
USD	5,553	8,651	5,553	8,651
	82,380	**69,036**	**82,319**	**68,756**

	Assets		Assets	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
(in thousands of HRK)	Group	Group	Company	Company
EUR	41,665	40,141	41,445	39,961
USD	6,372	10,152	6,372	10,152
	48,037	**50,293**	**47,817**	**50,113**

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)	31.12.2019.	31.12.2018.	2019	2018
EUR	7.442580	7.417575	7.413605	7.414111
USD	6.649911	6.469192	6.622347	6.278406

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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
(in thousands of HRK)	Group	Group	Company	Company
Increase/(decrease) of net result	(352)	(202)	(353)	(201)

	USD exposure		USD exposure	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
(in thousands of HRK)	Group	Group	Company	Company
Increase/(decrease) of net result	82	150	82	150

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 26% *(2018: 23%)* of its revenue from domestic customers, whereas around 74% *(2018: 77%)* 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 2018, top 10 customers of the Group generated approximately 58% of operating revenues *(2018: 64%)* while the top five customer generated approximately 42% of operating revenues *(2018: 54%).* 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 its 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)	**2019**	**2018**
Petrokemija d.d.		
Sales of services	218	-
Receivables as at 31 December	-	-
Port Authority of Rijeka		
Rent of premises and provision of regular services	1,458	1,470
Receivables as at 31 December	225	173
Jadrolinija d.d.		
Sales of services	121	112
Receivables as at 31 December	6	12
INA Group		
Sales of services	187	264
Receivables as at 31 December	13	98
Total sales	**1,985**	**1,846**
Total receivables as at 31 December	**244**	**283**

Payables and purchases with the State and related parties:

(in thousands of HRK)	**2019**	**2018**
HEP Group		
Purchase of electricity	9,586	9,310
Liabilities as at 31 December	1,045	1,266
HŽ Group		
Purchase of transport services	464	979
Liabilities as at 31 December	-	9
INA Group		
Purchase of fuel	145	174
Liabilities as at 31 December	44	32
Total purchases	**10,195**	**10,195**
Total liabilities as at 31 December	**1,089**	**1,089**

NOTE 31 – RELATED PARTY TRANSACTIONS *(CONTINUED)*

Transactions with Owners - OT Logistics S.A.

During 2019, there were no transactions with OT Logistics S.A. During 2018, the Company sold goods and services to OT Logistics S.A. in the total amount of HRK 2,462 thousand and purchased goods and services in the amount of HRK 34 thousand in the same period. As at 31 December 2019 and 31 December 2018, the Company and the Group did not have any receivables or payables towards OT Logistics S.A.

Transactions with subsidiaries

During 2019, the Company purchased goods and services from subsidiaries in the amount of HRK 4,877 thousand (2018: HRK 4,506 thousand) and at 31 December 2018 owed to subsidiaries HRK 892 thousand (2018: HRK 810 thousand). During 2019, the Company sold goods and services to subsidiaries in the amount of HRK 90 thousand (2018: HRK 92 thousand) and at 31 December 2019 had receivables from subsidiaries in the amount of HRK 8 thousand (2018: 9 thousand kuna). In addition, during 2018, the Company realized revenues from the share of profits of subsidiaries in the amount of HRK 261 thousand.

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 2019 and 31 December 2018 and transactions in the statement of comprehensive income for the years then ended are as follows:

(in thousands of HRK)	**2019**	**2018**
Trade receivables	594	537
Sales revenue and other income	2,924	2,130

Transactions with State bodies

(i) Concession fees

During 2019, in relation to the Concession Agreement, the Group paid fixed concession fees toward the Port Authority of Rijeka in the amount of HRK 4,250 thousand *(2018: HRK 4,416 thousand)* and recognized expenditure related to variable concession fees in the amount of HRK 1,481 thousand *(2018: HRK 1,786 thousand).* As at 31 December 2019, the Group had outstanding payables toward the Port Authority of Rijeka with respect concession and related expenses of HRK 362 thousand *(31 December 2018: HRK 575 thousand).*

During 2019, the Group also recognized expenditure related to variable concession fees in the amount of HRK 562 thousand *(2018: HRK 399 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 300 thousand *(31 December 2018: HRK 194 thousand).*

(ii) Leases

As at 31 December 2019, the Company has a lease balance payable to the Port Authority of Rijeka with a carrying amount of HRK 5,553 thousand *(31 December 2018: HRK 8,651 thousand)*. The lease matures in 2021. During 2019, the Company repaid a total of HRK 3,888 thousand of principal and interest with respect to this finance lease *(2018: HRK 3,888 thousand).*

Remuneration to the Management Board members

Key management of the Group comprises the Management Board and consists of 3 persons (*2018: 3 persons*). During 2019, the Group paid out HRK 3,504 thousand to the Management Board (2*018: HRK 3,494 thousand)* with respect to gross salaries (including contributions on salaries).

NOTE 32 – CONTINGENT LIABILITIES AND ASSETS

Exposure to court cases

As at 31 December 2019 there are number of legal proceeding against the Group which stem from regular commercial activities and court cases including former employees.

The Group's exposure to court cases with suppliers as at 31 December 2019 amounts to approximately HRK 33 million (based on claim amounts relating to cases in progress at the date of this report), mainly relating to the legal cases with suppliers, out of which the Group recognized provisions amounting to HRK 4,607 thousand as at 31 December 2019 *(2017: HRK 2,662 thousand)* in relation to court cases where it expects an unfavorable outcome.

The Group's exposure to court cases with former employees stems mostly from work related injuries and amounts to approximately HRK 8 million based on the total amount of claims relating to cases in progress as at 31 December 2019.

Based on consultation with legal advisors, management applied its judgment as described in more detail in note 5 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 54.4 million at 31 December 2019 amounted, of which HRK 13.2 million relates to 2016, 12.7 million to 2017, 13 million to 2018 and 15.4 million to 2019.

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 6a, the Group and Company initially adopted IFRS 16 in these consolidated and separate financial statements using a full retrospective approach. As a result, comparative information has been restated 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.

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 2018 (restated)	**358,269**
At 31 December 2018 (restated)	**358,269**
At 31 December 2019	**358,269**
Accumulated amortisation and impairment	
At 1 January 2018 (restated)	**155,736**
Charge for the year	8,101
At 31 December 2018 (restated)	**163,837**
Charge for the year	8,101
At 31 December 2019	**171,938**
Carrying amount	
At 1 January 2018 (restated)	**202,533**
At 31 December 2018 (restated)	**194,432**
At 31 December 2019	**186,331**

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 2018 (restated)	**388,337**
Non-cash transactions	
Unwiding of discount	17,121
Exchange rate differences	(4,392)
Cash transactions (i)	
Payment of concession fees	(4,338)
Infrastructure related expenditure	(4,759)
At 31 December 2018 (restated)	**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**

(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 2017	31 Dec 2018	31 Dec 2019
up to 1 year - current portion of liability	8,768	4,110	161,363
1 - 2 years	4,110	161,363	170,848
2 - 4 years	161,363	170,848	88,463
3 - 4 years	170,848	88,463	3,405
4 - 5 years	88,463	3,405	3,405
over 5 years	25,347	21,942	18,537
Total contractual cash flows	458,899	450,131	446,021
Carrying amount	**388,337**	**391,969**	**406,066**

The structure and status of total and outstanding expenditure requirements stipulated by the Concession Agreement, as at 31 December 2019 is shown below:

in EUR thousands	Executed up to 2019	Outstanding 2020 - 2042	Total
Infrastructure related expenditure	10.086	57.224	**67.310**
Equipment related expenditure	7.669	12.151	**19.820**
Maintenance of concession assets	26.255	33.145	**59.400**
	44.010	**102.520**	**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

Contracts for construction of CEF project Bakar signed

On 14 February 2020, the Company signed contracts for the execution of CEF project for the Bakar area, funded primarily with EU grants for INEA agency. Total contract value amounts to HRK 48,494 thousand and was signed with GP Krk d.d. (a domestic construction company) and COLAS Rail Croatia and COLAS Rail S.A.S. (both subsidiaries of COLAS S.A., a French multinational construction company).

Pandemic of SARS-CoV-2 (COVID 19)

Operating in the shipping and port industry segment, the Group is under impact of the repercussions caused by the pandemic of coronavirus infectious disease (COVID 19) caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) which spread rapidly from China to most major world economies in the first quarter of 2020.

A large majority of world goods trade by volume is carried by sea and China is home to a substantial number of world's busiest ports and the most significant hub for port and shipping globally. Travel restrictions, quarantine requirements and temporary shutdown of major plants as a result of the pandemic, heavily impact the volume of shipping worldwide and disrupt the movement of goods in international supply chains.

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.

Assessing the impact of COVID 19 on the operations of the Group in the foreseeable period is complex and far reaching given the variety of factors which impact the ports and shipping sector globally and regionally as well as given the complexity of estimating how wider global and regional effects will be translated locally. Current measures implemented by the government of Croatia with respect to travel and customs restrictions do not include severe limitations for sea port cargo shipping. At present, some slowdown and delay in turnover of cargo is expected, primarily in the first half of 2020, but the extent of the impact is ultimately dependent on the length and severity of the health crisis caused by COVID 19 pandemic.

NOTE 34 – EVENTS AFTER THE REPORTING DATE (CONTINUED)

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

Furthermore, a significant prolongation of restrictive measures could potentially affect the commencement and execution of CEF projects and disrupt the cash flow dynamics with respect to project financing. The Company intends to finance the projects through additional financing and/or disposal of non-core assets (real-estate and investments). However, as a precautionary measure, management has already initiated talks with relevant ministries (Ministry of Maritime Affairs, Transport and Infrastructure; Ministry of Regional Development and EU Funds; Ministry of Economy, Entrepreneurship and Crafts) and the project coordinator, the Port authority of Rijeka, with respect to mechanisms for securing financing in case the adverse impact of the pandemic on the economy affect the ability of the Company secure liquidity on time. Given the strategic importance of the projects and their long-term character of the investment, as well as the potential extension of project execution deadlines, management believes that project implementation will not be disrupted.

Given the information available as of the date of this report, management estimates regarding the appropriateness of the going concern assumption and the carrying amounts of assets reported in the financial statements remain unchanged.