LUKA RIJEKA D.D.

LUKA RIJEKA D.D.
RIJEKA

ANNUAL REPORT FOR
FOR THE YEAR 2022

CONTENT

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

LUKA RIJEKA GROUP

MANAGEMENT REPORT FOR THE YEAR 2022

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

Rijeka, April 2023

STRUCTURE OF THE PORT OF RIJEKA GROUP

The LUKA RIJEKA Group consists of:

LUKA RIJEKA d.d. Rijeka (Company)

The parent company, the largest concessionaire for the transshipment of dry cargo in the area of the port of Rijeka, which provides the services related to maritime traffic, stevedoring, warehousing of goods and forwarding agents activities.
The headquarters of the Company is in Rijeka, at the address Riva 1.

LUKA - PRIJEVOZ d.o.o. Kukuljanovo,

100% owned by the LUKA RIJEKA d.d., the main business activity of which is providing transport services.
The headquarters of the Company is in Kukuljanovo, at the address Kukuljanovo 460.

STANOVI d.o.o. Rijeka,

100% owned by the LUKA RIJEKA d.d., the main business activity is management of apartments owned by the parent company and the activities related to the management of buildings.
The headquarters of the Company is in Rijeka, at the address Dubrovačka 4.

LUKA RIJEKA CONTAINER DEPOT d.o.o. Kukuljanovo,

100% owned by LUKA RIJEKA d.d., whose principal activity is stuffing/unstuffing, loading/unloading and repair of containers
The headquarters of the Company is in Škrljevo, at the address Kukuljanovo 460.

The LUKA RIJEKA d.d., owns a 49% share in the company **JADRANSKA VRATA d.d.** Rijeka. Profit/loss of this company is attributed to the LUKA RIJEKA d.d., by applying the ownership share method.

As of December 31, 2022, the share capital of the parent company the **LUKA RIJEKA d.d.** amounted to HRK 539.219.000 and was divided into 13.480.475 shares with an individual nominal value of HRK 40. All issued shares are registered and paid in full.

The share of the institutions of the Republic of Croatia: CERP, in the ownership structure of the Company as of December 31, 2022, is 25,02%.

The largest individual private investor, with a share of 17,51% in the Company's ownership structure, is Rubicon Partners Ventures ASI SP Z.O.O.

OWNERSHIP STRUCTURE OF PORT RIJEKA GROUP

An overview of the Company's key shareholders and ownership structure as of December 31, 2022 is as follows:

Shareholder	Number of shares	% ownership
CERP/ REPUBLIC OF CROATIA	3.372.495	25,02%
RUBICON PARTNERS VENTURES ASI S.P.Z.O.O	2.360.924	17,51%
OTP BANK D.D./ AZ OMF B CATEGORY	2.024.227	15,02%
PRIVREDNA BANK ZAGREB D.D./ STATE STREET CLIENT ACCOUNT	1.179.462	8,75%
OT LOGISTICS SPOLKA AKCYJNA (JOINT-STOCK COMPANY)	1.060.300	7,87%
ERSTE & STEIERMARKISCHE BANK D.D./ PBZ CO OMF B CATEGORY	1.024.100	7,60%
OTP BANK D.D./ ERSTE PLAVI OMF B CATEGORY	918.221	6,81%
ERSTE &STEIERMARKISCHE BANK d.d.	255.303	1,89%
OTP BANK D.D./ ERSTE PLAVI EXPERT- VOLUNTARY PENSION FUND	123.093	0,91%
OTP BANK D.D./ AZ OBLIGATORY PENSION FUND OF CATEGORY A	115.000	0,85%
OTHER SHAREHOLDERS	1.047.350	7,77%
Total	**13.480.475**	**100,00%**

The company voluntarily applies the Code of corporate governance, which was jointly developed by the Croatian Financial services supervision agency and the Zagreb Stock Exchange d.d., and regularly issues a Statement on the application of the Code of corporate governance. The statement and the Corporate governance code are available on the Company's website.

Change in voting rights

Until the date of approval of these financial statements, the company Port Acquisitions a.s. with headquarters in Prague, Czech Republic, on March 14, 2023, acquired 33,73% of the Company's ordinary shares, which exceeded the threshold of 25% with voting rights of the Issuer, and holds a total of 34,42% of the votes at the Issuer's General Assembly.

Composition of the Company's management and supervisory bodies

Audit Committee

The members of the Audit Committee during 2022 were as follows:

Hrvoje Pauković	President from March 25, 2022 to August 31, 2022
Alen Jugović	Member from March 28, 2018 to August 31, 2022
Witold Waldemar Rusinek	Member from June 2, 2021 to August 31, 2022
Alen Host	Member since August 31, 2022
Vesna Buterin	Member since August 31, 2022
Marin Mijolović	Member since August 31, 2022

Supervisory Board

The members of the Supervisory Board during 2022 were as follows:

Alen Jugović	President of Supervisory Board from 27 Dec 2017 to 20 Jan 2021 (term of office) Reappointed as a member of the Supervisory Board on 28 January 2021 Re-elected Chairman of the Supervisory Board on 10 February 2021
Dragica Varljen	Vice president of Supervisory Board from 10 February 2021 Re-elected as Deputy Chairman of the Supervisory Board from 13 July 2022
Hrvoje Pauković	Member since February 28, 2022
Witold Waldemar Rusinek	Member since August 31, 2020
Tomislav Penić	Member since August 31, 2022

The Management Board

The members of the Management Board in 2022 were as follows:

Duško Grabovac	President of the Management Board since May 1, 2020
Marina Cesarac Dorčić	Member since December 1, 2022
Bartlomiej M. Pastwa	Member from June 19, 2018 to December 31, 2022

KEY EVENTS during 2022

CEF (Connecting Europe Facillity) projects

On the CEF Rijeka project in 2022, works were carried out at the locations of the eastern part of the De Franceschi pier, final works on the north side of the silo, final works on Visinov pier east, final works on the north side of warehouses 20, 21 and 22, works on the north side warehouse 7, Orlando's pier east, works on the Budapest coast, and the beginning of works on the sea side of the silo. During 2022, investments in the amount of HRK 54 million were made on the CEF project.

As part of the CEF Bakar project, during 2022, all activities for the preparation of the technical inspection were carried out and a use permit was obtained. On April 04, 2023 by the European executive agency that manages the programs of the European Commission for sustainable development, and for the works performed at the Bakar terminal, the Company received a confirmation of the conclusion of all activities and the final verification of the final and financial report, thereby ensuring the final payment of the total co-financed funds by European executive agency.

Terminal container Depo

During 2022, investments were made in the infrastructure and improvement of the surface of the existing plateau for the Container Depot in the amount of HRK 3,4 million. In 2022, a design project for the new storage and operational area of the terminal was drawn up and a building permit was requested for it.

Škrljevo terminal

Warehouse No. 5, which was originally used for storing general cargo, was converted into a warehouse for conditioned cargo - a cold storage, and the value of the investment is HRK 11,4 million. Refrigeration equipment was installed in the warehouse, which was moved from the existing cold store at Orlando's pier. The new cold storage facility at the Škrljevo Terminal has over 60% more storage capacity than the cold storage facility that was at the Rijeka Terminal, which will enable a greater turnover of conditioned cargo.

Bakar terminal

At the Bakar Terminal, water cannons have been installed for moistening bulk cargo and roads against dust.

Rijeka terminal

In the area of Terminal Rijeka, all port facilities - garages, mechanization, procurement warehouses from the area of Zagrebačka coast have been relocated, due to the loss of the concession over Zagrebačka coast.

Project documentation was created for the remodeling of part of the warehouse no. 9 in workshops of various purposes for the needs of maintenance services (auto mechanic, auto electrician, vulcanizer, locksmith, mechanic and lathe workshops).

Within warehouse no. 12, office spaces are arranged for the use of administrative employees of the mechanization service, maintenance service, as well as space for the needs of the fire department and central space for operational port workers (waiting rooms).

For the needs of operational business at the Rijeka Terminal, a new mobile crane for transshipment of cargo weighing up to 63 tons was purchased and put into operation, with a purchase value of HRK 17,3 million. Also, two reach stackers for handling full containers worth HRK 6,4 million, and one 20 T loader were purchased, and the purchase of 10 new motorized forklifts, whose delivery is planned for the first half of 2023, was also contracted.

NATURAL BUSINESS INDICATORS

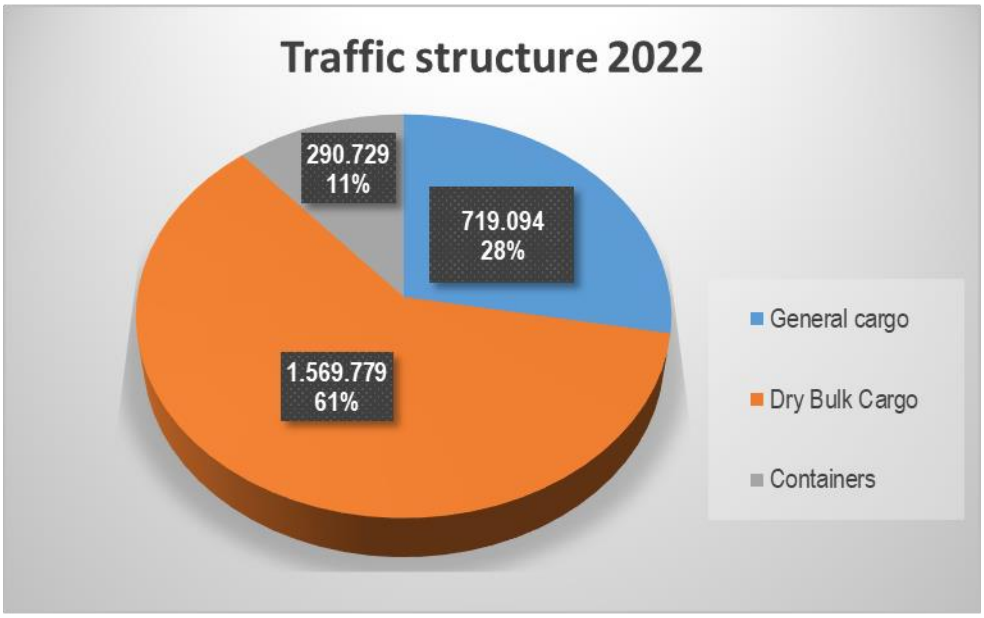
Total traffic

In natural traffic for 2022, 2.579.602 tons of cargo were realized, with an index of 115 compared to 2021. General cargo increased by 9%, and 719.094 tons were handled, while bulk cargo increased by 4%. The most significant growth of 226% was achieved in container traffic, which amounts to 290.729 tons, or 147.523 TEU units.

Total traffic of LUKA RIJEKA d.d. from January to December 2022/2021 was as follows:

LUKA RIJEKA d.d.	Realization 01.-12.2022	Realization 01.-12.2021	Index 2022/2021
General cargo (tons)	719.094	657.085	109
Bulk cargo (tons)	1.569.779	1.506.560	104
Containers (tons)	290.729	89.183	326
TOTAL (tons)	**2.579.602**	**2.252.828**	**115**

Traffic structure – LUKA RIJEKA d.d. in 2022



General cargo

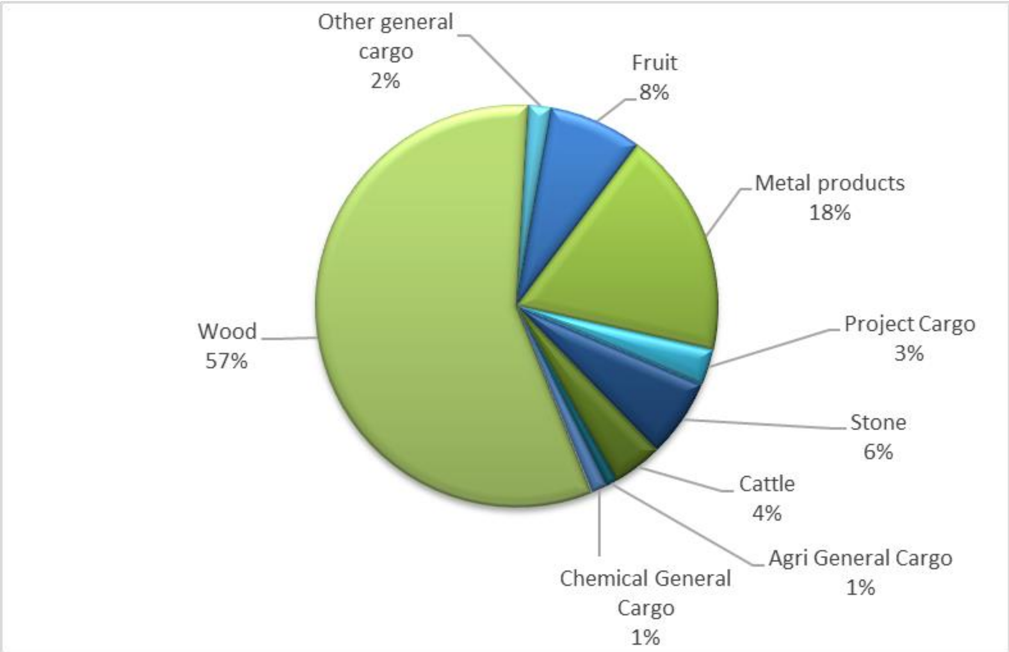
The traffic of general cargo achieved in 2022 is 719.094 tons, which represents an increase of 9% compared to 2021, when the traffic was 657.085 tons.

The structure of general cargo in traffic realized during the reporting period indicates two dominant types of cargo. We are talking about wood and metal cargo, so the trends in transshipment of these types of cargo are mostly reflected in the realization of the total turnover of general cargo. The total turnover of wood (conventional and container filling) in the observed period amounts to 410.178 tons, which represents a share of 57% in the total turnover of general cargo. The turnover of soft wood (fir) recorded an increase of 11%, while the turnover of hardwood recorded a decrease of 5%.

With a share of 18% and an increase in traffic of 19%, transshipment of metal products has a significant place in the traffic of general cargo.

The turnover of refrigerated cargo (index 172), equipment and structures (index 149), and food products (index 118) is visibly increasing.

General cargo structure:

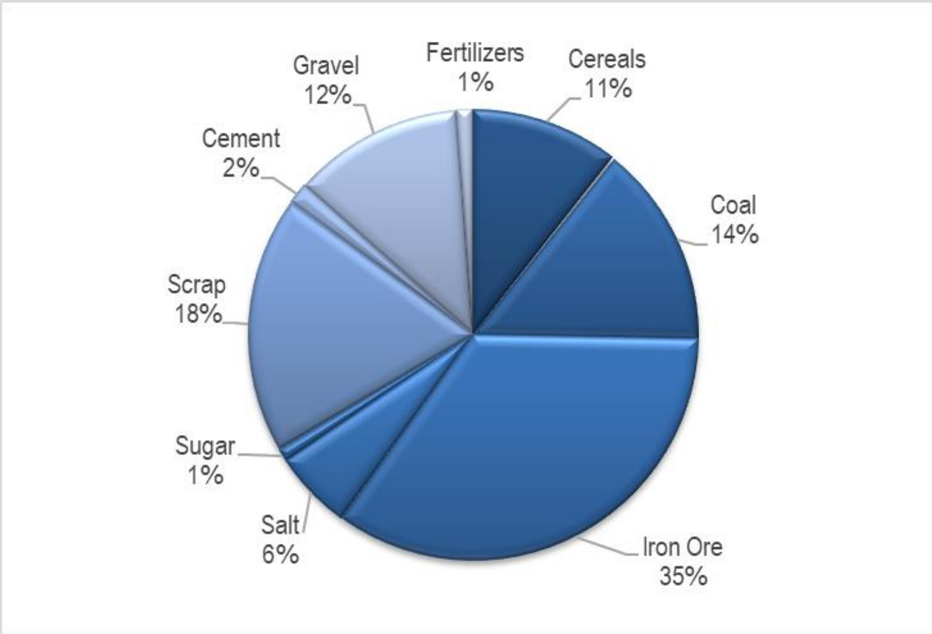


Bulk cargo

In 2022, a total of 1.569.779 tons of bulk cargo was realized, compared to 1.506.560 tons of traffic realized in 2021 (index 104).

In the structure of transshipment of bulk cargo, the turnover of grain (index 140), iron ore (index 133), sugar (index 179), artificial fertilizers (index 147) and stone aggregates (index 130) increased. The significant drop in soybean transshipment (3.640 t) is due to the suspension of exports to Russia, as well as the reduced soybean harvest in 2022.

Structure of bulk cargo:



Container traffic

Container traffic of the Company and Group 2022/2021.

LUKA RIJEKA d.d.	Realization 01.-12.2022	Realization 01.-12.2021	Index
Containers (tons)	290.729	89.183	326
Containers (TEU)	*147.523*	*43.747*	*337*
TOTAL (tons)	**290.729**	**89.183**	**326**

LUKA RIJEKA d.d., is engaged in container loading and unloading services, as well as land manipulation of cargo from Terminal Brajdica to Terminal Škrljevo and Terminal Rijeka (and vice versa). In 2022, a turnover of 147.523 TEU units was achieved, i.e. 237% more than the previous year.

Associated company JADRANSKA VRATA d. d. container terminal achieved turnover of 373.343 TEU units, and an increase of 20%. They deal with the service of transshipment of containers from container ships to trucks and wagons.

Container traffic of the JADRANSKA VRATA d. d. 2022/2021

JADRANSKA VRATA d. d.	Realization 01.-12.2022	Realization 01.-12.2021	Index
Containers (tons)	3.725.434	3.286.127	113
Containers (TEU)	*373.343*	*312.321*	*120*
TOTAL (tons)	**3.725.434**	**3.286.127**	**113**

BUSINESS FINANCIAL INDICATORS

Key performance indicators of the Company and Group

Indicators	31.12. 2022 Group	31.12. 2021 Group	31.12. 2022 Company	31.12. 2021 Company	Index Group '22/'21	Index Company '22/'21
Liquidity indicators						
Working capital (in 000 HRK)	(22.683)	(71.253)	(25.843)	(73.120)	32	35
Current liquidity	0,89	0,60	0,87	0,59	148	148
Indebtedness indicators						
Current liabilities/capital	0,45	0,45	0,61	0,68	98	90
Long term liabilities/capital	0,58	0,79	0,78	1,16	73	67
Loan obligations/capital	0,29	0,26	0,40	0,40	111	100
Total liabilities/assets	0,45	0,51	0,50	0,59	88	85
Profitability indicators						
EBIT (in 000 HRK)	31.351	(15.453)	29.432	(15.072)	303	295
EBITDA (in 000 HRK)	52.657	4.795	50.128	5.017	1.098	999
EBITDA margin	22,8%	2,9%	21,7%	3,0%	671	724
EBIT margin	13,6%	(8,9%)	12,8%	(9,1%)	253	240
NET margin	25,2%	0,3%	29,8%	(16,6%)	33.134	280
Productivity indicators						
Number of employees	664	519	646	503	128	128
Revenue per employee (in 000 HRK)	348	321	357	330	109	108

For the business year 2022, the company realized extremely good financial results. The Company's EBIT in 2022 was HRK 29.432 (Group: HRK 31.351), which compared to the negative value realized in the pandemic 2021 in the amount of HRK -15.072 is an excellent success (Group: HRK -15.453).

The company's EBITDA was realized in the amount of HRK 50.128 which represents an increase of 919% compared to the previous year, when EBITDA was achieved in the amount of HRK 4.795 (Group: HRK 5.017).

The current liquidity of the company has improved by almost 50%, which provides stability in further operations and the possibility of necessary investments in the coming period from the company's own funds. Although the working capital is negative, it is primarily due to the short-term concession investment obligation of the Company and the Group, which primarily refers to the CEF project Rijeka, in the amount of HRK 114 million, which will be 85% financed from grants from the European Union. If the stated obligation were excluded, the working capital would be positive.

And all debt indicators are better in 2022 compared to the previous year 2021, which also shows more successful and efficient operations of the company (Group).

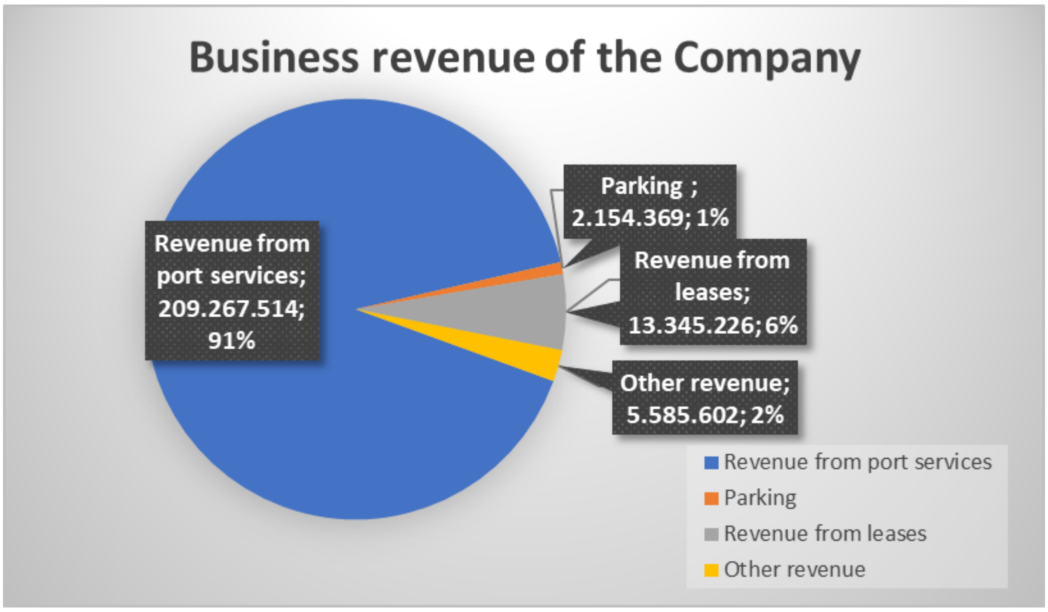
In 2022, cargo transhipment increased by 15%, while operating revenues increased by 40%, thanks to additional services provided in addition to basic cargo handling. At the same time, a more successful business result was achieved due to better and more efficient management of the company's costs, which led to the fact that costs grew more slowly than revenue.

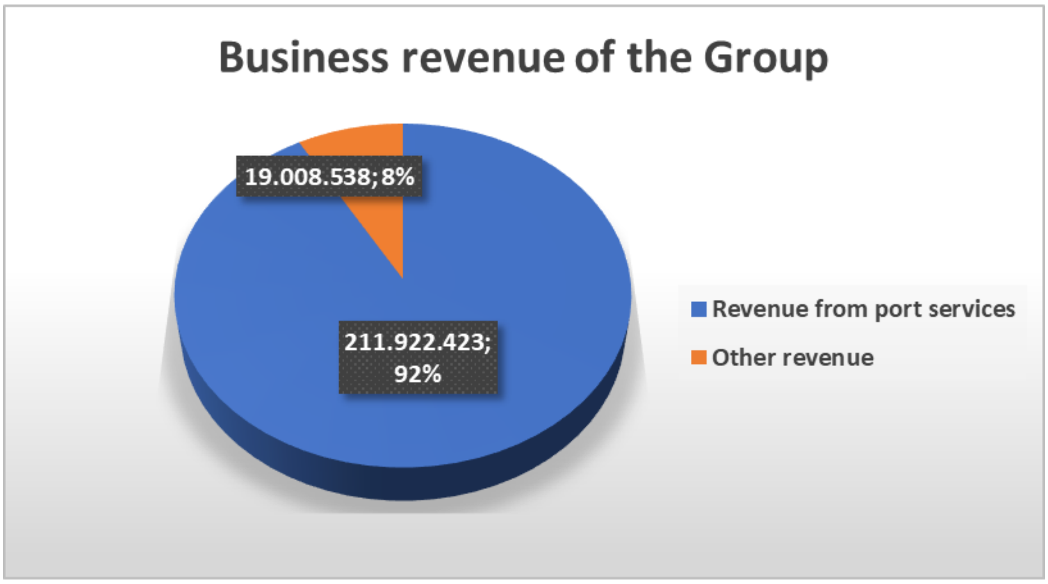
Revenues of the Company and Group

In the observed period, the total revenues amount to THRK 287.200, and the Group: THRK 275.344, which is 73% (Group: 40%) higher than in the same period of the previous year. In the structure of total revenues, the largest part is occupied by business revenues with THRK 230.353 (Group: THRK 230.929), which increased significantly, by 39%, compared to 2021. As part of financial revenue, there was a large increase because at the end of 2022, the dividends of the associated company JADRANSKA VRATA d.d. were collected from previous periods, including the dividend in 2021 in the amount of HRK 56,3 million, which significantly increased financial revenue from previous periods.

Natural traffic generates key business revenues from the core business - revenues from the sale of services in the country and abroad amounting to THRK 211.422 (Group: THRK 211.922), which make up 92% of business revenues.

The structure of the Company's and Group's business revenue:

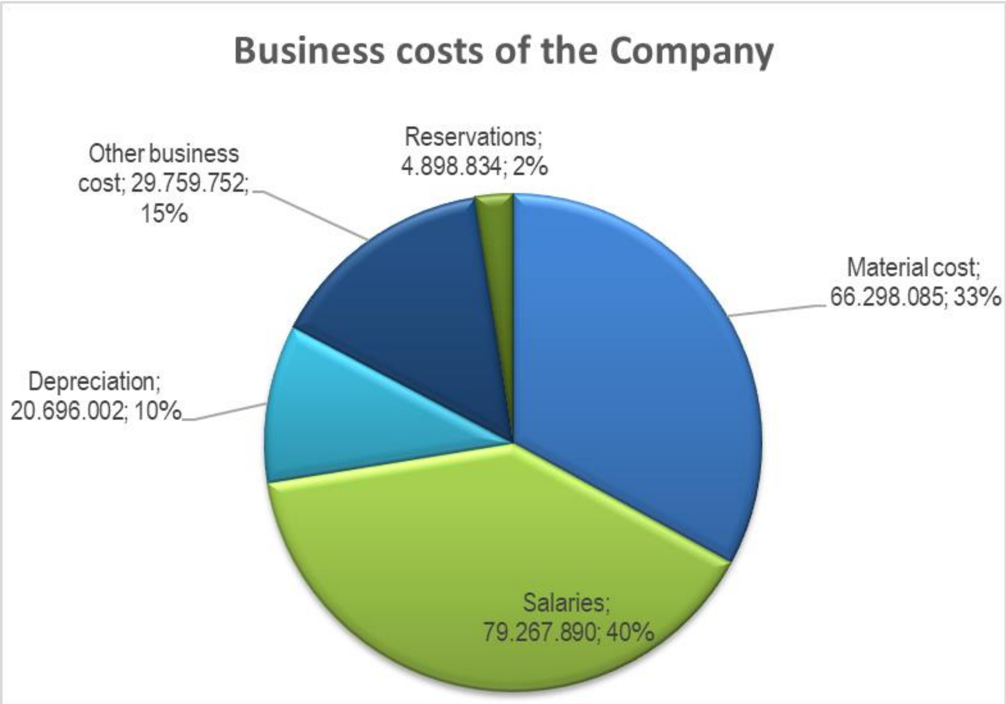


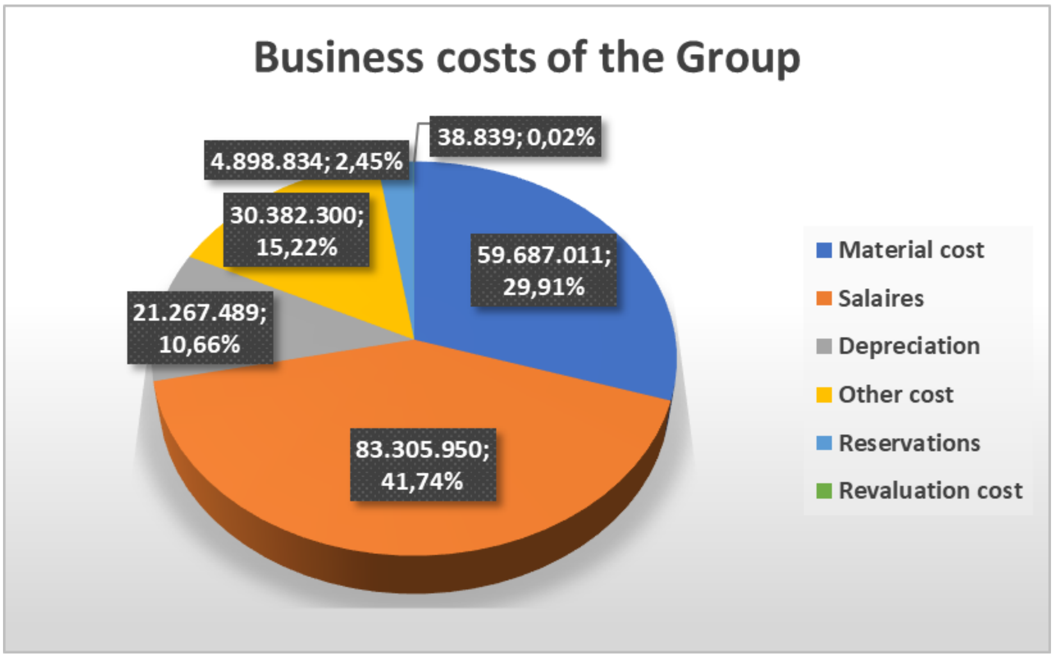


Costs of the Company and Group

Total costs for the period of 2022 amount to THRK 218.473 (Group: THRK 217.141), which represents an increase of 13% (Group: 12%) compared to 2021. Costs grew more slowly than revenue, which indicates a good business result achieved by the company (Group) in 2022. The company's profit was THRK 68.728 (Group: THRK 57.899).
Business costs for the mentioned period amount to THRK 200.921 (Group: THRK 199.578), which represents a growth of 12.5% (Group: 11%) compared to the previous year.

Structure of business costs of the Company and Group:





Personnel

According to personnel records as of December 31, 2022, LUKA RIJEKA d.d. has 646 employed workers, i.e. 143 workers more than on December 31, 2021. (503 workers). Due to the increase in the volume of operations and transshipment of cargo, it was necessary to hire additional workers. In 2022, a large number of people were continuously employed, mostly operators of technical equipment and port transport workers. In the Services and at the Terminals, the positions where subcontractors were employed in previous years were filled. Only in the maintenance service and in the port fire brigade are part of subcontractors hired due to the lack of qualified workers for those specific jobs on the labor market. The search for the mentioned occupations continues with the aim of employing our own workforce.

The increase in the number of employees is a reflection of the change in business policy, where the company decided to employ its own workforce, instead of the previous use of hired labor (cooperatives).

The company also pays special attention to retaining the existing quality workforce. We believe that developing the professional competencies of employees, their skills and knowledge is crucial for successful business. Every employee has the right to education, training and professional development which are carried out in accordance with the requirements of the workplace.

RISK MANAGEMENT

Market risk

For many years, the LUKA RIJEKA d.d. has been an important transit port for the hinterland countries, mainly the countries of Central, Central and Eastern Europe. In this large area, it strategically targets two groups of countries in the group of priority and secondary markets, and then third markets and the wider gravitational hinterland.

It is part of the world network of maritime trade traffic and the point of change of transport modality from sea to land and vice versa. Complex supply chains that touch that point are very dynamic because they react to changes in the global economy, as well as the movement of the economies of individual regions. Therefore, strategic planning is important in order to assess potential risks and achieve the set plans.

Destination markets

The destination (emission) markets that trade with the gravitational hinterland of the port of Rijeka are the most significant ones via the Suez Canal. Markets that do not use the Suez Canal (western or Atlantic route) also use the traffic route via the northern Adriatic cluster, but are more oriented towards the European North Sea cluster.

The very important market of the Middle East and North Africa continues to be shaken by political crises, which have escalated into conflicts and large population migration. The generally complex relations in the area of the Middle East are a generator of high risks regarding the volume of overseas trade of those countries.

Market competition

The closest competition is the ports of the northern Adriatic cluster (the port of Koper and the port of Trieste). The cluster of northern Adriatic ports (Koper, Trieste, Venezia, Ravenna, Monfalcone, and Chioggia) otherwise has the natural advantage of the shortest sea route for ships with cargo whose destination is the wider area of Central and Eastern Europe coming from the direction of the Far East and passing through the Suez Canal. This advantage amounts to more than 2.000 Nm, or approx. 5-7 days of shorter navigation, which significantly affects the total transport costs and therefore the competitiveness of these goods on the market.

However, the ports of the North Adriatic cluster have strong competitors in other clusters: the strongest European cluster of North European ports (Rotterdam, Amsterdam, Antwerp, Ghent, Hamburg, Bremen, etc.) which is connected to the port of Constance from the Black Sea cluster by the Rhine-Main-Danube canal, which passes through the very heart of the gravity area of the port of Rijeka. The competitive Baltic cluster (Rostock, Gdansk, Gdynia, etc.) is also targeting this area (especially the Polish and Czech markets).

There are also marginal clusters of the southern Adriatic and the Aegean Sea, which also target the southern part of the gravity area of the port of Rijeka. These are primarily the port of Ploče, which is oriented towards Bosnia and Herzegovina, the port of Bar towards Montenegro and Serbia, the port of Durrës towards Albania and Kosovo, and the port of Thessaloniki and other Aegean ports which, apart from Greece, also target the market of North Macedonia and Serbia, but the word is about the secondary zone of competitive interest of the port of Rijeka.

After the impact suffered by the global economy due to the COVID pandemic, in early 2022 the conflict between Russia and Ukraine affects changes in some of the world's main trade flows.

Rising energy costs affect the global economy and the rise in the inflation rate. Along with the current growth in the inflation rate and changes in some of the main trade flows, oscillations in certain sectors of maritime transport are to be expected.

The Company's Management Board works to minimize market risks through price-tariff adjustments, continuous investment in technology, capacity development and through measures to increase work productivity. According to current announcements and plans, a continuous increase in cargo is expected at all terminals of the LUKA RIJEKA d.d.

Credit risk

The company uses several credit risk control methods, first of all creditworthiness checks in cooperation with credit rating agencies, and additional insurance instruments. The risk is greater when contracting with new customers, where it may happen that the port service is contracted with an unreliable client (in terms of dynamic failure to fulfill the contract, in terms of non-payment of services, etc.). This can cause various problems (filling of the warehouse with goods for which the storage fee has not been paid, which takes up valuable space, delays in the agreed loading of liners and other shippers or wagons and trucks, which results in demurrage and other damages, etc.).

This risk is minimized by updating the built-up database of existing clients where all their data is accumulated over the years, so that before each contract an assessment can be made as to whether and how much that customer is acceptable.

Currency risk

The exposure to currency risk in the EUR currency is reflected in the fact that a significant part of the services are charged in EUR, as well as that a significant part of the credit obligations is bound by the EUR currency clause. In addition, the risk of the HRK exchange rate against the EUR is moderate, as long as the CNB implements the policy of a relatively tight peg of the HRK to the EUR. With the entry of the Republic of Croatia into the Eurozone - the European Monetary Union - from January 1, 2023 currency risk will disappear for transactions carried out within the Eurozone, the EURO has become the functional currency of the Republic of Croatia.

The exposure to currency risk in the USD currency is reflected in the fact that the prices of the services are in a negligible part expressed in USD, and a smaller part of the receivables is collected in that currency, so it is estimated that there is no increased risk of collecting receivables in the specified currency, and the receivables are also regularly collected.

Interest rate risk

The company is exposed to interest rate risk since it borrows at variable interest rates. The company has increased its credit exposure in the part of loans with variable interest rates, and it is estimated that a possible increase in variable interest rates in the near future will not be so significant as to require special protection mechanisms against interest rate risk.

Liquidity risk

Liquidity risk is managed through activities to maintain an adequate term structure of assets and liabilities, and through planning and management of cash inflows and outflows and ensuring an adequate amount of liquid funds to settle liabilities according to their due date dynamics. Financial indicators of current liquidity and working capital are monitored regularly.

Technological risk

The technological risk is reflected in the obsolescence of the existing port technology, which increases maintenance costs, reduces the productivity of port manipulations, that is, the profitability of the process, and reduces competitiveness.

The Company solves the reduction of technological risk by preventive maintenance on the one hand, and on the other hand by capital investments in new equipment and technology that enables greater speed, reliability and efficiency of transshipment and other port manipulations.

By increasing the capacity through the inland Terminal Škrljevo, a long-term increase in traffic, which is necessary for business growth and development of the company, has been achieved. There is a weaker connection with the hinterland via the railway network, which requires restructuring and modernization, in order to enable faster and quantitatively greater railway traffic, which would increase the efficiency of cargo transshipment turnover.

Technologically, a good land connection to the gravitational hinterland with a good railway and road network is extremely important. In the case of the port of Rijeka, the road connection with the hinterland is very good.

Technological processes that are based on technology and personnel, and are directed towards the fulfillment of the Company's commercial goals, are also subject to risks. The risk is minimized by continuous monitoring and adjustment of the work process dictated by certain goods and services and by implementing changes through written work procedures.

Personnel risk

The port industry has an extremely labor-intensive character. In the operational sense, they dominate the so-called 'Blue-collar workers', i.e. 'Dockers' (handlers of technical equipment and port transport workers), and their service support (maintenance, cargo insurance, mooring and unmooring). Their number alone represents a significant factor in the Company's operations.

Environmental risk

The basic environmental risk for the Company is defined by the type of cargo itself and the way it is manipulated. This refers primarily to bulk cargoes, which in their manipulation can emit dust, i.e. air, sea and soil pollution in the environment of the place of manipulation. This risk is reduced by installing technology that reduces or prevents it. For example, at the terminal in Bakar, special floating dams have been introduced for the reception of each vessel, which increase the safety of cargo unloading and are in the function of preventing the spread of possible pollution, as well as by introducing a system of creating a cover on the stored cargo to prevent dust from rising. In 2022, the company installed a water cannon dusting system at the Bakar Terminal during the manipulation of bulk cargo, which reduces and prevents air pollution.

There is also a risk in the maintenance of vehicles and other manipulative means (waste oil, waste water from cleaning, old batteries, old tires, etc.), which is controlled by the installation of oil separators in garages and workshops, as well as standardized procedures and controls for the collection of liquid and solid waste.

Risk control system

The system of internal supervision and control of the risks to which the Group is exposed is carried out through:

- control of business processes the Company has a certified quality system ISO 9001-2015, which is permanently monitored, checked and upgraded.
- LUKA RIJEKA d.d. on March 15, 2021 received a certificate of compliance of its energy management system with the international standard ISO 50001:2018, which is valid until March 15, 2024 In the meantime, two monitoring visits follow, and it is necessary to continue improving the energy consumption control system.
- Control of business/financial transactions and financial reports through the accounting system and the Controlling Department:

The Controlling Department prepares and monitors annual and multi-year business planning at the level of the Group and all its business units, as well as monthly, quarterly and annual monitoring of the implementation of the plan through the Controlling Department. The monitoring of the implementation of the annual plan is done internally on a monthly basis by monitoring the natural realization by cargo categories and terminals, monitoring the financial realization at the level of individual organizational units and the company as a whole in the format of a profit and loss account, forecasting the final result by combining the current realization and the remaining planning period (forecasting), and as necessary analysis of realization according to defined criteria.

BUSINESS EXPECTATIONS

CEF (Connecting Europe Facility) project Rijeka

The CEF Rijeka project is planned to be completed by the end of 2023 in accordance with the provisions of the contract concluded with the European Commission, through the Agency for Innovation and Networking - INEA and the Port Authority of Rijeka, as partners, which will ensure the quality infrastructure required for the operational business of cargo transshipment. The reconstruction of the existing pavement and storage area, tracks, tracks for cranes and accompanying communal infrastructure (water supply, drainage and wastewater treatment) in the Rijeka basin, which includes the Prague, Budapest and Vienna piers, as well as the Visin, Orlando and De Franceschi piers, will be completed.

By removing the existing dilapidated and operationally unsuitable railway infrastructure, the aim is to improve the connection of the entire Rijeka basin with the railway network in the hinterland and indirectly towards European corridors.

Considering that the work on the CEF Rijeka project is planned to be completed by the end of 2023, we expect to use the entire operational area of the Rijeka Terminal in the coming periods, which will end the restrictions on daily operational activities, which we have due to the works, and simpler and faster manipulative transshipment of cargo is expected, which opens up the possibility of growth and an increase in the amount of cargo handled.

Rijeka terminal

In view of the loss of the concession on the Zagreb coast, where the maintenance service workshops were located until now, it is necessary to provide them with a new space. During 2023, it is planned to renovate part of warehouse no. 9 into workshops of various purposes for the needs of maintenance services, namely auto mechanic, auto electrician, vulcanizer, locksmith, mechanic and lathe workshops, where the means of work that we use in daily business to perform port activities will be maintained.

In 2023, it is planned to demolish Warehouse no. 16, which will enable the space to be used for transshipment and storage of metal products.

Terminal container Depo

At the Container Depot Terminal, expansion works and the arrangement of a new storage operational area are planned, which refers to the construction of additional plateaus for the accommodation of containers on an area of about 66.000 m2, and to the arrangement of internal roads on it, with the necessary storm drainage and external lighting, then asphalting of the storage areas surface and execution of additional electrical connections.

In addition, the plan is to prepare documentation for the construction of the railway track from the railway entrance in Škrljevo to the Container depot.

Plateau 2

In the future, it is planned to arrange an additional open storage space called Plateau 2, which is located outside the fenced area of the customs zone in Škrljevo. In the first phase, about 20.000 m² of leveled space was fenced off and outdoor lighting was carried out. In the second phase, it is possible to expand the plateau to a total of about 50.000 m² with the necessary filling and leveling of the terrain.

Bršica terminal

At the Bršica Terminal in 2023, the necessary investments will be made to increase the productivity of transshipment of general cargo, and it is planned to purchase a 20 T coastal crane for transshipment of wood and two motorized forklifts, which will enable the simultaneous operation of two vessels and thus increase productivity.

Bakar terminal

During the year 2023, the rehabilitation and reconstruction of the transshipment bridge for bulk cargo is planned, which will enable transshipment operations to take place smoothly, while reducing stoppages and breakdowns in the operation of the bridge. In this way, an increase in efficiency and greater transshipment of cargo is expected, which, as a result, creates a higher revenue that will be realized at the terminal.

A total of 13 motorized forklifts, 6 electric forklifts, one loader and one boat are planned to be procured in 2023.

With such significant investments planned for 2023, we want to strengthen the position of the LUKA RIJEKA d.d. on the market, and achieve better business efficiency and increase cargo transshipment both in 2023 and in the following periods. We are currently in the phase of negotiations to extend the duration of the concession contract which was concluded until 2042 so that the mentioned investments, as well as those planned in the coming period, would be economically justified and profitable.

Duško Grabovac
President of the MB

DUŠKO GRABOVAC

Digitally signed by DUŠKO GRABOVAC
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Date: 2023.04.26 15:08:25 +02'00'

Marina Cesarac Dorčić
Member of the MB

MARINA CESARAC DORČIĆ

Digitally signed by MARINA CESARAC DORČIĆ
DN: c=HR, o=LUKA RIJEKA D.D., 2.5.4.97=HR92590920313, l=RIJEKA, sn=CESARAC DORČIĆ, givenName=MARINA, cn=MARINA CESARAC DORČIĆ, serialNumber=HR21363153089.6.21
Date: 2023.04.26 14:44:57 +02'00'

26 April 2023

Rijeka,
Croatia

NON-FINANCIAL STATEMENT
Sustainable development

Luka Rijeka d.d. is the largest concessionaire for transshipment of dry cargo in the area of the Rijeka port basin and provides services in maritime traffic, port services, and storage services that, in the manner of a reliable business partner, continuously adapts to the needs of its clients.

We took advantage of the natural advantages of Luka Rijeka, ensured the quality of service and developed a partnership relationship with clients, and based on these values we built a stable market position of the Company in the country and abroad.

GENERAL INFORMATION

Luka Rijeka d.d. (45°19.8' N - 14°25.4' E)

It is located in the Kvarner Gulf, a protected natural area, and through the Kupa River valley there is a connection potential with Zagreb and the Pannonian plain, as well as the Danube region and Central Europe.

The advantage of North Adriatic ports over North Sea or Baltic ports stems from the shortest maritime connection between Europe and the Near, Middle and Far East. Since the Adriatic Sea is the most deeply indented part of the European land, it is precisely the Northern Adriatic that gives the Central European countries the closest access to the world's seas.

Luka Rijeka has an exceptional geotraffic position. The draft depth of more than 16 m (18 m) allows the largest ships to be accommodated, and will be increased to 20 m with the construction of new spaces.

Basic information

Address:
Riva 1,51000 Rijeka,
Hrvatska

Telephone:
+385 51 496 000

e-mail:
info@lukarijeka.hr

Personal/commercial no.:
PIN:
92590920313

Commercial reg. no.:
3330494

Company reg. no.:
040141664

Number of employees:
646

Share capital
539.219.000,00

Subsidiaries
Luka prijevoz d.o.o.
Stanovi d.o.o.

Affiliated Company

Jadranska vrata d.d.
(Adriatic Gate Container Terminal)

Concessionaire at Luka Rijeka container terminal

Ownership share in the affiliated company 49%

Shares
Stock symbol LKRI-R-A
Zagreb Stock Exchange - Official market
Number of regular issued and listed shares 13,480,475

Luka Rijeka d.d. joint-stock company for services in maritime transport, port services, storage of goods and forwarding is the largest concessionaire for transshipment of dry cargo in the Republic of Croatia, which operates in Luka Rijeka at specialized terminals in three port basins: Rijeka, Bakar and Raša.

The Company specializes in the shipping and handling of dry cargo, with the primary activities of loading, unloading, storage and transportation of general cargo, lumber, bulk cargo, livestock, tropical and other fruits, grains and oilseeds. It is the holder of the concession until 2042 and the owner of the inland port terminal Škrljevo.

Management Board members

Duško Grabovac
CHAIRMAN OF THE BOARD

Marina Cesarac Dorčić
BOARD MEMBER

Bartlomiej M. Pastwa
BOARD MEMBER (until December 31, 2022)

Supervisory Board members

Dr. sc. Alen Jugović
CHAIRMAN OF THE SUPERVISORY BOARD

Dragica Varljen
DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD

Witold Rusinek
SUPERVISORY BOARD MEMBER

Tomislav Penić
SUPERVISORY BOARD MEMBER

Hrvoje Pauković
SUPERVISORY BOARD MEMBER

Geographical location

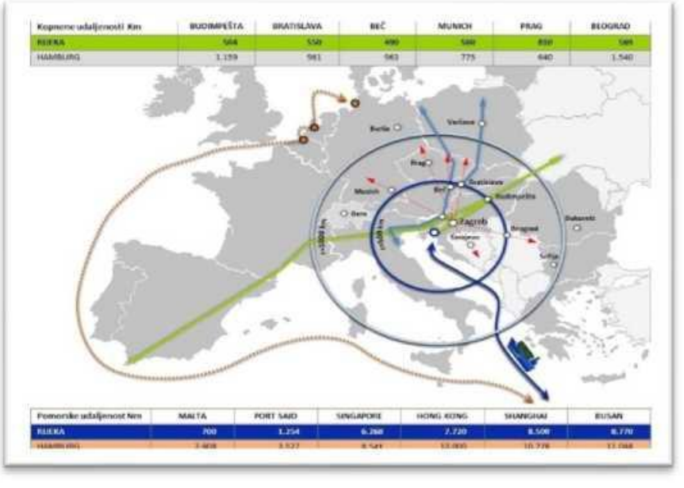
> Luka Rijeka is located on a strategic EU traffic route (TEN-T Mediterranean Corridor) and connects to the "Baltic - Adriatic" route.

> Due to its favorable location, Luka Rijeka provides the shortest sea connection between the countries of Central and Eastern Europe and overseas countries.

> As an integral part of the TEN-T transport network and corridor, Luka Rijeka has special significance for landlocked countries (Hungary, Austria, Slovakia, the Czech Republic, Serbia and Bosnia and Herzegovina), and is in an excellent position to take advantage of its location.

> The EU and Croatia strategically and operationally support investments in port and railway infrastructure that increase the traffic capacity of that route and eliminate bottlenecks on it. Structural and cohesion funds of the EU will act as significant support of the investment cycle of both the port and railway sectors

> Liberalization of the market of railway operators, as well as the entry of private capital into port operations, increases their efficiency, as well as the competitiveness of the Rijeka transport route.



Geostrategic position and market

For many years, Luka Rijeka has been an important transit port for the hinterland countries, mainly the countries of Central, Eastern Central and Eastern Europe. In this large area, it strategically targets two groups of countries in the group of priority and secondary markets, as well as then third markets and the wider gravitational hinterland.

> Priority markets on the central line Croatia-Hungary-Slovakia

> Secondary markets on the northern line Austria-Czech Republic-Poland and the southern line Bosnia and Herzegovina-Serbia

> 3rd zone, countries of competitive northern Adriatic ports (Italy and Slovenia)

> Wider gravity area of western Romania, western Ukraine and southern Germany

Regarding the destination (emission) markets that trade with the gravitational hinterland of Luka Rijeka, the most significant are those via the Suez Canal:

> North Africa (Morocco, Algeria, Tunisia, Libya, Egypt, Sudan)
> Eastern Mediterranean-Levant (Turkey, Syria, Lebanon, Jordan and Israel)
> Middle East (Saudi Arabia, Bahrain, Qatar, United Arab Emirates, Oman, Yemen, Kuwait, Iraq, Iran and Afghanistan)
> Far East (China, Hong Kong, Taiwan, Japan and South Korea)
> Indian subcontinent (India, Pakistan, Bangladesh and Sri Lanka)
> SE Asia (Indonesia, Philippines, Thailand, Vietnam, Malaysia and Singapore)
> East Africa (Ethiopia, Kenya, Tanzania, Mozambique and converging 'Land-Locked' African countries)

In relation to the North Sea, the North Adriatic sea route has a great nautical advantage for the traffic of goods via the Suez Canal from the direction of the Middle and Far East. For ships from the Far East, the route is shorter by 2,000 nautical mile and shortens the cargo transport by approx. 6 days sailing.

In addition to shorter time and lower transport costs, the northern Adriatic route also contributes to significant savings in CO_2 emissions.

Markets that do not use the Suez Canal (western or Atlantic route) also use the traffic route via the northern Adriatic cluster, but are more oriented towards the European North Sea cluster. Liberalization of the market of railway operators, as well as the entry of private capital into port operations, increases their efficiency, as well as the competitiveness of the Rijeka transport route.

Free zone

The free zone of Luka Rijeka has a favorable geographical position, a developed transport infrastructure, and the system is compatible with the new legislative system and legislation of the European Union.

The free zone of Luka Rijeka can be used by local and foreign legal and natural persons to perform the following economic activities: production, refining and storage of goods, wholesale trade and mediation in trade.

The user of the zone can invest in the construction or reconstruction of infrastructure and facilities in the free zone, as well as in additional equipment that is necessary for the performance of his activity.

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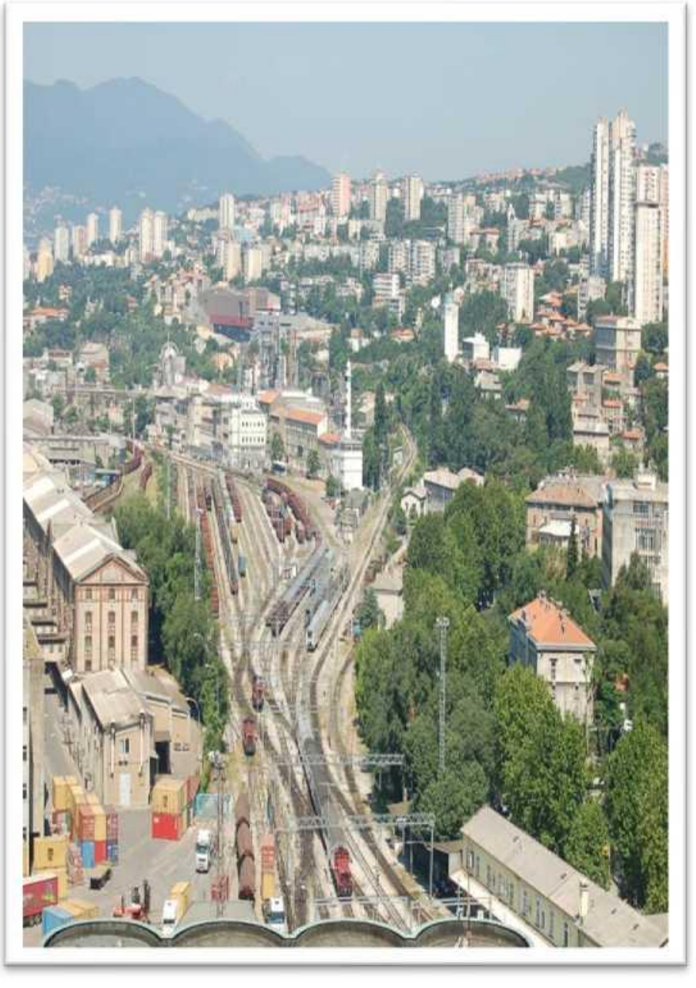


Traffic connection

Luka Rijeka is the largest port in Croatia and is the starting point of the Mediterranean corridor. One of the biggest advantages is its intermodality. In addition to maritime traffic, it is well connected with road and rail traffic.

The transport connection of the port with other transport branches and important road connections includes:

> Motorway A6 (Mediterranean Corridor) - Rijeka - Zagreb

> Motorway A8/A9 - Rijeka - Istrian ‘Y’ motorway

> Rijeka bypass

> Railway (Mediterranean corridor) Šapjane - Rijeka - Zagreb - Koprivnica - Botovo

> Railway M502: Rijeka - Pivka

> Rijeka airport - Krk: 17 kilometers air distance, 25 kilometers road distance

> The oil pipeline connects refineries in Croatia, Hungary, Austria, Bosnia and Herzegovina, Serbia, the Czech Republic and Slovakia

> Connection with the Rhine - Danube corridor of the TEN-T network and the X corridor, which pass through the Republic of Croatia

> Baltic-Adriatic corridor - Venice - Trieste - Koper - Ljubljana - Budapest: 115 km

Rijeka basin

Prague pier

For general and heavy loads

Orlando pier

Terminal for conditioned cargo

Visin gate

For general and heavy loads

Vienna pier

Various loads

Budapest pier

Terminal for grains and oilseeds

De Franceschi gate

Various loads

RIJEKA TERMINAL

Wood business unit

> It is located in the eastern part of the Rijeka basin
> Sea depth 10 m
> One-time wood storage capacity is 35,000 - 50,000 m^3, depending on the type of wood
> The maximum annual capacity of 500,000 t of timber is also stored in inland warehouse - Škrljevo
> A favorable climate enables natural drying of timber
> Preparation of sawn timber for: sorting, impregnation, marking, packaging and tying

General cargo business unit

> Located on the western part of the harbor basin
> Sea depth 12 m
> The possibility of handling and storing various types of general cargo: steel and iron products (60 m rails!), various machines and constructions, marble and granite blocks, salt, cement, paper, cardboard and more
> It has 9 berths, numerous coastal and mobile cranes of 40 and 63 t capacity, and other transshipment machinery
> Maximum annual capacity approx. 1,000,000 t
> Two Liebherr cranes, installed in May 2013, each with a nominal capacity of 84 t, possibility of working in pairs

SILOS TERMINAL

Grain terminal

> Located in the western part of the Rijeka harbor basin
> Transshipment and storage of grains and oilseeds
> It has a railway connection
> Sea depth 14 m
> Maximum annual capacity 1,000,000 t
> Possibility of one-time storage of approx. 56,000 t of grain
> Its equipment enables loading/unloading operations: ship-silo silo-ship; ship-silo-wagon (truck) wagon (truck)-silo-ship wagon (truck)-silo-wagon (truck)

Inland port terminal Škrljevo

Škrljevo Terminal

Terminal for storage of containers, general and bulk cargo and wood

ŠKRLJEVO TERMINAL

- Distance from the Rijeka basin is 10 km, and from Bakar 3 km
- Inland terminal - a multi-purpose logistics center intended for the handling and storage of general and bulk cargo and wood
- Owned by Luka Rijeka d.d., the terminal has the status of a free customs zone
- Provision of value-added services on goods
- Direct connection with the railway, motorway and roads on the VB corridor
- Railway infrastructure: 6 tracks with a length of 3,500 m
- Total area 440,000 m^2, of which:
54,965.34 m^2 of closed warehouses
35,553.43 m^2 canopy
125,813 m^2 of open warehouses

FRIGO business unit

- Moved in July 2022 from Rijeka Terminal to a larger and new warehouse at Škrljevo
- The storage capacity is much larger and can receive much more goods
- Serves for transshipment of refrigerated cargo
- The total area of the conditioned warehouse is 4,000 m^2
- One-time warehouse capacity 3,175 t
- Maximum annual capacity 50,000 - 100,000 t, depending on the number of revolutions
- Refrigeration areas for receiving southern fruits: bananas

DEPO CONTAINER TERMINAL

- New Terminal for container handling and storage
- Inland terminal - multipurpose logistics center intended for container handling and storage
- Achieved great business success in 2022

Bakar basin

Podbok pier
Terminal for bulk cargo

Goranin pier
For general, bulk and ro-ro cargo

BAKAR TERMINAL

Terminal for bulk cargo

- Located in Bakar basin, 13 km from Rijeka
- It is intended for the manipulation and storage of iron ore and coal, as well as for bulk cargoes
- Accepts Panamax and Capesize ships
- It has a railway connection with the hinterland
- Sea depth 18 m
- Terminal key equipment: coastal gantry crane with grab, continuous ship unloader, continuous ship loader, mobile storage bridge, conveyor belts
- Annual capacity : 4.000.000 t
- One-time storage capacity:

for fine iron ore 300,000 t
for iron ore pellets 250,000 t
for coal 120,000 t

Rasa basin

Bršica Terminal
Ground handling of livestock, transshipment of general cargo and wood

BRŠICA TERMINAL

- It is located in the Raša basin, a multi-purpose terminal for the accommodation and transshipment of livestock and transshipment of wood
- Sea depth next to the pier 8 m
- Equipped with a berth for two boats, the possibility of storing approx. 1,000 head of large cattle
- Maximum annual capacity is 600,000 t
- Continuous veterinary supervision of livestock
- Special attention is paid to the preservation of the human environment
- The immediate vicinity of the Štalija warehouse, which is in the concession of two Croatian wood exporters via the Bršica terminal

Total warehouse area: 510,383 m2

Covered area: 35,500 m2

Services

Mechanization service

Maintenance service

Cargo insurance service

Mooring and unmooring service

MISSION, VISION, STRATEGY

The provision of high-quality port service, which the port constantly adapts to the demands of the world market, is the basis of the port's business policy. The preservation of the current and future expansion of Luka Rijeka's position on the northern Adriatic sea route and its role as an important transit port for the countries of Central and Central Eastern Europe are based on this.

MISSION

VISION

In the local, regional and global environment, be recognizable as a well-organized business entity, oriented towards the future and business excellence.

Through a strategic partnership with world leaders in shipping, ensure new investment projects in order to further strengthen the market position of Luka Rijeka. Reduce business expenses by modernizing work processes, and increase business income and maximize business effects with higher turnover. Increase the profitability of the business to ensure the growth of the value of the shares and the further development of the joint-stock company Luka Rijeka.

STRATEGY

Additional information can be found on the website of Luka Rijeka: https://lukarijeka.hr/

ABOUT THE NON-FINANCIAL STATEMENT

Non-financial statement is the publication of the organization's information on its contribution to sustainable development, meaning on its environmental, social and economic impacts. Information about the sustainability of an organization is becoming increasingly important to investors, consumers and other interested parties when making decisions, therefore the importance of reporting has increased in recent years.

This non-financial statement describes the activities in the area of socially responsible operations of Luka Rijeka in 2022. Sustainable development and social responsibility are part of the long-term business development of Luka Rijeka. Sustainability and responsibility are embedded in the Company's business processes and activities. In order to have a positive effect on the business, a focus is established towards the realization of economic, social and environmental responsibility.

Directive 2014/95/EU

In the Directive on non-financial statement, four sustainability factors are defined, due to which it is prescribed that companies are obliged to publish non-financial information about their business model, policies, results, risks and key non-financial performance indicators that are relevant to their business.

SUSTAINABILITY FACTORS

This statement describes the impacts of Luka Rijeka on the economy, society and the environment and the ways in which these impacts are managed.

ENVIRONMENTAL ISSUES

> the effects of company operations on the environment and on health and safety, use of renewable and/or non-renewable energy sources, greenhouse gas emissions, water use and air pollution

SOCIAL AND PERSONNEL ISSUES

> guaranteeing gender equality, decent working conditions, non-discrimination, social communication, respect for workers' right to information and consultation, respect for trade union rights, health and safety at work and communication with local communities

HUMAN RIGHTS

> preventing violations of human rights

AGAINST BRIBERY AND CORRUPTION

> methods for fighting corruption and bribery, anti-corruption policy

APPROACH TO SUSTAINABILITY IN LUKA RIJEKA d.d.

The contemporary rapid economic, social and technological development sets challenging requirements that Luka Rijeka strives to respond to by actively managing its impacts. Efforts are made to identify all business impacts in a timely manner, so that they can be properly managed and thus contribute to the economy and protect the environment.

Sustainable development management is based on the principle that sustainable development should be an integral part of everyday business. This implies that sustainability measures are integrated into business activities and recognized as a normal part of the work process.

In Luka Rijeka, a responsible approach is taken in all segments of sustainable development: in the form of respect for human and labor rights, occupational safety, fire protection and environmental protection, and security is managed by identifying and considering risks.

Every employee of Luka Rijeka has an obligation to apply and promote the values of socially responsible business.

KEY GOALS FOR SUSTAINABLE DEVELOPMENT:

ENVIRONMENTAL PROTECTION AND ENERGY PERFORMANCE

OCCUPATIONAL HEALTH AND SAFETY

INFRASTRUCTURE AND MODERNIZATION OF WORK MEANS

DIGITALIZATION AND INNOVATIVE TECHNOLOGIES

HUMAN RESOURCES AND COMMUNITY BUILDING

UN Sustainable Development Goals:

<u>Luka Rijeka is committed to responsible business, which includes:</u> ***developing responsible business processes to strengthen its position as a reliable partner with all interested parties, protection of occupational health and safety, responsible management of the supply chain.***

LUKA RIJEKA STRIVES TO CONDUCT ITS BUSINESS AVOIDING POTENTIAL NEGATIVE IMPACTS ON THE ENVIRONMENT AND THE COMMUNITY IN WHICH IT OPERATES.

The integration of sustainability into the processes and activities of Luka Rijeka contributes positively to the creation of safe and effective business values. Sustainability and responsible business operations help achieve positive effects and reduce all forms of risk.

The long-term investment plan in new and more modern technologies, work methods and means of work contributes to positive changes important for the sustainable development of Luka Rijeka.

By harmonizing the rational use of resources and business growth, it can contribute to the reduction of carbon dioxide emissions, the protection of clean air, drinking water and other natural resources. Luka Rijeka strives to increase the positive impact on the community, through environmentally responsible use of energy and water, procurement of more environmentally friendly means and equipment for work, and waste management and energy management, monitoring its energy performance and contributing to greater energy efficiency.

The focus on energy efficiency supports both the ecological effects and the positive social effects of all interested parties of Luka Rijeka.

Sustainable seaports are the way of the future: they operate with environmental impacts in mind and take steps to mitigate them wherever possible. Sustainable ports focus on social, economic and environmental impacts as well as business as usual.

Luka Rijeka considers the 17 UN Sustainable Development Goals as a unique orientation for the sustainable development of the port.

Luka Rijeka's sustainability program is implemented in accordance with the UN Sustainable Development Goals, paying special attention to five themes, each of which includes specific goals that the port strives to achieve.

ENVIRONMENTAL PROTECTION

OBJECTIVES: solving air and water pollution problems, protecting water resources and the sea, solving water consumption, solving noise problems, collecting and separating waste, reuse and recycling initiatives, solving soil and sediment pollution problems, protecting habitats and increasing biodiversity.

Connection with relevant UN objectives:

AND ENERGY PERFORMANCE

OBJECTIVES: energy efficiency, reduction of energy use, circular economy, biological economy, renewable energy, initiatives to reduce CO_2, application of alternative transport fuels.

Connection with relevant UN objectives:

OCCUPATIONAL HEALTH AND SAFETY

OBJECTIVES: integrating occupational health and safety into port operations, promoting a culture of health and safety, improving the health and safety of employees and port visitors, innovations in safety controls, cargo inspections and work methods, establishing a safe and accessible port environment, working in safe environments, investment in new and safer means of work, modernization of work

Connection with relevant UN objectives:

INFRASTRUCTURE AND MODERNIZATION OF WORK MEANS

OBJECTIVES: optimization of port infrastructure, new state-of-the-art facilities, optimization of the use of existing port capacities, handling of increasingly large ships, sustainable dredging projects and beneficial use of excavated material, focus on climate preservation in infrastructure development.

Connection with relevant UN objectives:

DIGITALIZATION AND INNOVATIVE TECHNOLOGIES

OBJECTIVES: acceleration of digitization in the port and the maritime transport chain, quick and easy exchange of data with stakeholders, improvements in processes and documentation flow, mobility within the port, optimization of port docking and ship arrivals, optimization of cargo management and warehouse operations, overall improvement of connectivity in all business activities.

Connection with relevant UN objectives:

HUMAN RESOURCES AND COMMUNITY BUILDING

OBJECTIVES: social integration of the port, alignment of port and community goals for mutual improvement, compliance with the principles of good corporate governance, social engagement programs, education and employment initiatives, transparency and reporting, equal rights and opportunities, gender equality, business ethics, fair procurement and responsible supply chains, anti-corruption.

Connection with relevant UN objectives:

INTEGRATED MANAGEMENT SYSTEMS

The management system consists of the requirements and business rules of Luka Rijeka, described in the adopted policies and procedures that include specified work processes in the organization and provide guidelines and instructions for work.

The management system in Luka Rijeka encourages organizational culture and ensures business management:

> in order to fulfill the objectives,

> within the established risk limits and with reliable internal control,

> in accordance with current legislation.

The management system is based on an integrated system that includes a quality management system and an energy management system, and is designed as a dynamic system, adaptable to changing requirements and expectations, which contributes to greater improvement for the port and for all interested parties, and at the same time helps in sustainable development in all business segments of Luka Rijeka.

An integrated management system is a prerequisite for operational excellence that results in increased customer satisfaction, reduced costs and increased competitiveness. The Department of Quality and Energy Management continuously works on the establishment and maintenance of an integrated management system. The focus is on constant improvement of systems, work processes, implementation of adopted policies and realization of set goals. Luka Rijeka also has a Team of Internal Auditors for internal control of processes and activities, and an Energy Team was formed to solve energy efficiency issues.

CERTIFICATES

Luka Rijeka regularly certifies its management system through independent certification companies and holds the following certificates:

The certificates ensure that Luka Rijeka fully meets the requirements for the quality of its services, processes and solutions, and that it fulfills the requirements for the best possible energy performance. The above is a prerequisite for maintaining business continuity.

Certificate ISO 9001:2015
Quality management system

ISO 9001 BUREAU VERITAS Certification

Certificate ISO 50001:2018
Energy management system

ISO 50001 BUREAU VERITAS Certification

The certification of the quality management system according to the international norm ISO 9001:2015 began in 2006, and external audits of certification companies are regularly conducted every year with the purpose of monitoring and maintaining the Certificate. In 2022, Luka Rijeka successfully re-certified its quality management system. The certification was carried out by two certification companies: Bureau Veritas Croatia and the Croatian Ship Register.

The certification of the energy management system according to the international standard ISO 50001:2018 was carried out for the first time in 2018, after which the certificate was successfully maintained. In 2022, the Certificate was extended by the certification company Bureau Veritas Croatia.

FUTURE PERSPECTIVE

Luka Rijeka plans to implement a complete integrated management system that would consist of a management system for quality, energy, environment, occupational health and safety, and information security.

Continuous work and permanent improvement of the management system will have a positive impact on the entire business, and it is important to emphasize that it will contribute to sustainable development in all business segments and contribute to the betterment of Luka Rijeka and the entire community.

OBJECTIVES

ISO 14001:2015 Certification

Environmental Management System

ISO 45001:2018 Certification

Occupational health and safety management system

ISO 27001:2013 Certification

Information security management system

Implementation and adoption of all requirements of standards, and, finally, certification.

ENVIRONMENTAL PROTECTION AND ENERGY PERFORMANCE

Environmental responsibility

In the foundation of its operations, Luka Rijeka has incorporated responsibility towards the environment and combating climate change, as well as concern for energy efficiency and reducing the use of energy sources.

Reducing the negative impact on the environment, caused by business activities, implies consideration of all processes in the entire business chain, which includes employees, suppliers and business partners. Luka Rijeka strives to contribute to shaping positive changes.

The approach of Luka Rijeka is guided by an understanding of the impact of port operations on the environment, and with an effective integrated management system, Luka Rijeka is committed to development and sustainability in the management of projects and work processes.

In 2022, the existing work procedures were revised and new procedures were created, in which the considered processes were adapted to an ecologically sustainable way of doing business according to the capabilities of the port. The goal is to ensure continuous work on environmental impact management, and in the coming years, to improve adaptation and increasingly switch to renewable energy sources where possible.

In 2022, there was no significant environmental pollution in Luka Rijeka.

In order to protect the environment in Luka Rijeka, the following activities are carried out:

- the legal regulations related to the area of environmental protection (water, air, soil and waste) are followed, which serves as the basis for creating regulations, intervention and operational plans, and instructions for the application of environmental protection measures, meaning their implementation in business,
- the level of service quality is increased in order to minimize existing or potential harmful effects on the environment,
- efforts are made to prevent pollution and protect the environment through water analysis, wastewater treatment, safe disposal of waste, hazardous and harmful substances, noise protection, analysis of declared cargo, safe handling of dangerous cargo, application of internal operational and intervention plans in case of accidental situations,
- efforts are made to reduce drinking water losses, through more rational use of water resources and repairs and rehabilitation of the water network,
- the priority is to reduce the consumption of electricity in all forms and to reduce the consumption of fossil fuels, through the development of the best possible energy consumption monitoring system,
- the conditions for dealing with waste are improved, efforts are made to reduce the amount of waste generated, waste is separated and handed over to authorized waste management companies in a timely manner,
- as part of projects for the reconstruction of existing and the construction of new plants, acts prescribed by law (studies, reports and so on) are drawn up with the purpose of respecting the principles of environmental protection,
- internal trainings are conducted on various topics related to environmental protection and employees are encouraged to be conscientious and responsible towards the environment.

Water management

Water management is an important segment in Luka Rijeka, and reducing water consumption and preserving it is one of the strategic goals.

In accordance with the Water Management Permits, regular analyzes of sanitary technological wastewater are carried out at all locations of the Luka Rijeka.

In 2022, on a quarterly basis, sources of water from certain locations in Luka Rijeka were taken by the authorized laboratory:

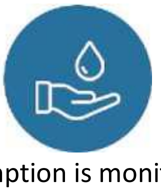
> DEPARTMENT FOR WATER CONTROL, WASTE AND ECOTOXICOLOGY OF THE PUBLIC HEALTH INSTITUTE OF THE PRIMORJE-GORSKI KOTAR COUNTY

Physicochemical and chemical data that are tested are: pH, measurement temperature, precipitable matter, suspended matter KPK ($K_2Cr_2O_7$) , BPK$_5$, total oils and fats, anionic detergents, nitrites, nitrates, Kjeldahl nitrogen, total nitrogen, chlorides, total phosphorus and total hydrocarbons.

Tests and analyzes have shown that the values of the tested parameters are below the prescribed limit values of emissions and are in accordance with the conditions prescribed by the water permits.

For operations in Luka Rijeka, water is primarily used for cleaning and washing manipulative surfaces, warehouses and work equipment. Water is also used in fire fighting.

Ships that come to the port with cargo are subject to the Port's rules, which aim to preserve the waters and the sea. They are familiar with these rules by contract, they must not discharge ballast water or any waste, they must secure the cargo they unload from the possibility of spillage and penetration into the sea and underground water, and preserve the environment as much as possible.



The risk of spillage into the environment:

> danger to the sea and underground water,

> in case of unintentional dismissal, the operational and intervention plans for accidental situations are followed, in accordance with the legal regulations,

> the incident is immediately reacted to and reported to all responsible persons, the Security Department of Luka Rijeka and external specialized companies for environmental remediation and protection against further spread of pollution, in order to remove the spilled liquid,

> the plans and instructions describe specific actions that should be carried out in order to protect the health of employees and preserve the environment, property and reputation of Luka Rijeka,

> adverse events are recorded and thus monitored and analyzed, and efforts are made to avoid their recurrence or at least reduce the risk to the lowest possible level,

> internal trainings are also carried out, during which an effort is made to develop awareness and to encourage maximum attention and caution in when there is a risk of spillage into the environment, and knowledge about reacting in such situations is also transferred,

Examples of hazards: the fall of a transformer station that was lifted with a crane, spills when handling liquid cargo, drilling barrels with forklift forks, spilling impralit used for wood impregnation, and similar.

In 2022, no spillages into the environment were recorded.

In Luka Rijeka water consumption is monitored by locations and organizational units on a monthly basis.

Air management

The measurement of pollutant emissions into the air is regulated by the Air Protection Law (Official Gazette 57/22) and is carried out in accordance with the provisions of the Regulation on emission limit values.

The goal is to continuously monitor and control emissions into the air, which especially applies to Bakar Terminal - *a bulk cargo terminal*, given that there is a high risk of pollution due to the creation of a large amount of dust during the transshipment of bulk cargo.

The state of air quality is monitored at the source of the pollution, at Bakar Terminal, which includes the area of the city of Bakar in the immediate vicinity. Continuous emission monitoring of floating PM10 particles from the Bakar Luka measuring station is carried out by the authorized laboratory:

- NASTAVNOG PUBLIC HEALTH INSTITUTE OF THE PRIMORJE-GORSKI KOTAR COUNTY

which sends half-yearly reports to the port where the limit values can be seen on the exact days, if they have occurred.

The parameters that are measured are the hourly and daily concentrations of floating particles PM10 with an indication of meteorological indicators, meaning wind direction and speed.

The measurements in 2022 were mostly in accordance with the environmental requirements, the air was clean all the time except on certain days when deviations and excesses of floating particles in the air were recorded.

- In the period from 1 January to 30 June, five exceedances of the daily limit value for floating particles PM_{10} (GV = 50 μg/m^3) were recorded, which specifically occurred on 17 and 27 March, 25 April, 19 May and 13 June.
- In the period from 1 July to 31 December, one exceedance was recorded on 5 July for floating particles PM_{10} (GV = 50 μg/m^3).

Air emissions:

- lead to air pollution,
- can contribute to local impacts and affect human health and the environment,
- application of the best available techniques to reduce air pollution,
- in case of excessive air pollution, operation is stopped,
- in case of unfavorable weather conditions, meaning a strong storm, work with bulk cargo is stopped, in order to avoid the creation and spread of dust in the air,
- the main source of emissions into the air are floating particles PM_{10}
- Bakar is a terminal for bulk cargo and as such represents a risk for the creation of dust and floating particles in the air.

Air protection at the Bakar Terminal is a major challenge for Luka Rijeka, which strives to improve the possibilities of reducing the generation of dust that can affect the health of people living in the immediate vicinity and the environment. The effort is to find the best and most efficient air pollution control measures in accordance with technical and economic possibilities.

Numerous complaints from the residents of the city of Bakar are also a problem, which also affects the reputation of the Port.

The future perspective is the continuation of the continuous monitoring of air pollution parameters and the analysis of the possibility of improvement and finding better and more adequate solutions in reducing the generation of dust in order to ensure benefits for the environment, air and people's health, which will also preserve the reputation of Luka Rijeka.

The demolition of the last boiler room, which has been in use since 2022, was also considered. In previous years, three boiler rooms were used, in 2021, two remained, and in 2022, only one. After the demolition of the boiler room at the location of the Rijeka basin, a more environmentally friendly solution in the form of a heat pump or similar more environmentally and energy-friendly method is planned.

Greater use of electric forklifts instead of mechanical ones is also being considered, which will also contribute to less air pollution.

Waste management

Waste is handled in accordance with the Waste Management Act (Official Gazette 84/21) and the current Ordinance on Waste Management (Official Gazette 106/22), as well as all other rules, regulations and decisions of EU regulations related to waste.

All relevant regulations related to special categories of waste are also applied, and the procedures of Luka Rijeka are harmonized with the aforementioned legal regulations.

Complete and systematic care is taken of all types of waste generated at the locations of the Port, and all necessary documentation is kept on the generation and flow of waste. Collection and transportation, as well as recycling, recovery or disposal of waste, are contracted with external executors authorized for waste management.

In Luka Rijeka, an internal Rulebook on waste management was adopted, in accordance with which regular annual trainings are held for employees according to the internal training plan, with the aim of raising the awareness of each employee about the importance of waste management.

The key goals of waste management are to reduce the total amount of waste, avoid the generation of hazardous waste and control the generation of non-hazardous waste.

> It is planned to include a continuous analysis of the generation of waste at the locations in Luka Rijeka, environmentally conscious handling of waste and consideration of all options for reducing waste according to the concept

5R - ***refuse, reduce, reuse, repurpose and recycle.***

The responsibility of every employee in the port is to strive to create as little waste as possible and to sort it appropriately. To support the recycling process, special, clearly marked cardboard containers for paper and cardboard packaging have been installed in many places in Luka Rijeka, which are regularly emptied and collected from external contractors.

In all administrative buildings, paper and cardboard, as well as used toners, are collected separately. Mixed municipal waste, paper and cardboard packaging, plastic packaging, oily packaging and other oily waste (absorbents, oily cloths, filter materials), waste accumulators and batteries, and tires are separated on-the-spot. Construction material and bulky waste, as well as iron and steel are temporarily positioned in the designated places until they are handed over to the executor.

ENVIRONMENTAL POLLUTION REGISTER

In the event that more than 500 kg of hazardous waste or 20 t of non-hazardous waste is generated, and if certain amounts of waste remain temporarily at the locations of organizational units, data on the generation of waste is reported to the Environmental Pollution Register.

According to the *Ordinance on the catalog of waste* (Official Gazette 90/15), waste generated in Luka Rijeka during 2022 at different locations includes the categories listed in the following tables:

Location: Rijeka Terminal

KEY NUMBER	WASTE NAME	YEAR OF WASTE GENERATION (tons) 2021	2022
02 03 04	Materials unsuitable for consumption or processing	31,09	**45,3**
13 02 05*	Non-chlorinated motor, machine and lubricating oils, mineral-based	5,42	**8,75**
13 05 02*	Sludge from oil/water separator	3,84	**0**
13 05 07*	Oily water from the oil/water separator	14,24	**0,1**
15 01 01	Paper and cardboard packaging	6,63	**0**
15 01 03	Wooden packaging	204,13	**114,04**
15 01 10*	Packaging containing residues of dangerous substances or contaminated with dangerous substances	0	**0,29**
15 02 02*	Absorbents, filter materials, cloths and protective clothing, contaminated with dangerous substances	0,07	**0,02**
16 01 03	Waste tires	16,75	**20,9**
16 01 07*	Oil filters	0,85	**0,08**
16 02 13*	Discarded equipment containing dangerous components	1,42	**0,6**
16 06 01*	Lead batteries	0	**0,5**
16 06 04	Alkaline batteries	0	**0,01**
17 04 05	Iron and steel	355,78	**314,17**
17 04 11	Guidewires	0	**0,7**
17 06 05*	Construction materials containing asbestos	0	**4,09**
20 01 01	Paper and cardboard	24,15	**8,37**
20 03 07	Bulky waste	280,41	**268,02**

Location: Škrljevo Terminal

KEY NUMBER	WASTE NAME	YEAR OF WASTE GENERATION (tons) 2021	2022
13 02 05*	Non-chlorinated motor, machine and lubricating oils, mineral-based	0	**2,16**
15 01 01	Paper and cardboard packaging	0	**3,91**
15 01 02	Plastic packaging	0	**3,57**
15 01 03	Wooden packaging	39,18	**48,37**
17 04 05	Iron and steel	0,86	**4,27**
20 01 01	Paper and cardboard packaging	4,67	**0**
20 03 07	Bulky waste	19,91	**66**

Location: Bakar Terminal

KEY NUMBER	WASTE NAME	YEAR OF WASTE GENERATION (tons) 2021	2022
13 02 05*	Non-chlorinated motor, machine and lubricating oils, mineral-based	1,44	**0,54**
15 01 03	Wooden packaging	2,76	**2,87**
15 01 10*	Packaging containing residues of dangerous substances or contaminated with dangerous substance	0,92	**0,05**
15 02 02*	Absorbents, filter materials, cloths and protective clothing, contaminated with dangerous substanc	0,02	**0**
17 04 05	Iron and steel	26,54	**19,2**
17 04 11	Guidewires	4,7	**0**
20 03 07	Bulky waste	0	**5,76**

Location: Bršica Terminal

KEY NUMBER	WASTE NAME	YEAR OF WASTE GENERATION (tons) 2021	2022
16 01 07*	Non-chlorinated motor, machine and lubricating oils, mineral-based	0	**0,29**
20 03 07	Bulky waste	0	**16,73**

Note*: an asterisk (*) next to the waste key number indicates hazardous waste.*

TOTAL AMOUNT OF NON-HAZARDOUS WASTE GENERATED IN 2022:

942.19 tons

In comparison with the year 2021, when

1017.56 tons

which indicates an insignificant decrease in the generated non-hazardous waste.

UKUPNA TOTAL AMOUNT OF HAZARDOUS WASTE GENERATED IN 2022:

17.47 tons

In comparison with the year 2021, when

28.22 tons

the total amount of hazardous waste was reduced.

In certain categories of waste, an increased amount of non-hazardous waste appeared as a result of intensive work on the CEF project and other infrastructure renewal projects in Luka Rijeka.

The most represented type of waste according to composition, which was generated in the port during 2022, is:

> iron and steel,

> bulky waste,

> packaging, especially wooden packaging.

Regarding the hazardous waste, construction material containing asbestos in an amount greater than 2 tons should be highlighted.

The mentioned waste was created due to exhaustive works on outdated infrastructure, and it was handed over to the executor for disposal.

The specified amounts of waste, which include both non-hazardous waste and hazardous waste, were handed over to external contractors for recovery. Waste intended for recovery includes preparation for reuse, recycling or other recovery processes, and waste aimed at disposal includes incineration - with or without energy recovery, landfilling and other disposal processes.

Energy management

Increasing energy efficiency is the most important mechanism for reducing energy consumption and one of the basic principles of the energy transition.

The fundamental determination of Luka Rijeka in energy management is the focus on responsible use of energy and the achievement of permanently improved energy performance and measurable results related to energy efficiency and energy consumption in all processes and in all organizational units.

It acts according to the requirements of the ISO 50001:2018 standard and in accordance with the *Law on Energy Efficiency* (Official Gazette 127/14, 116/18, 25/20, 32/21, 41/21) and other valid legal and by-laws related to energy management.

Luka Rijeka has implemented an energy management system according to the international standard ISO 50001:2018, and from the certification company Bureau Veritas Croatia obtained the Certificate for the first time in 2018 and has been regularly maintaining and renewing it ever since.

The certificate is a confirmation that the energy management system has been established, that it is applied and maintained in accordance with the norm.

The energy management system includes monitoring, measurement, analysis and evaluation of energy performance, with the aim of reducing energy consumption, energy costs and greenhouse gas emissions. ENERGY PRODUCTS IN LUKA RIJEKA:

- FUEL,
- ELECTRIC ENERGY,
- FUEL OIL

Luka Rijeka has established and adopted its Energy Policy**, which every employee is familiar with and which is implemented in all business processes.**

*Both long-**term and individual goals** for achieving energy efficiency have been defined, and action plans have been established that must be implemented to achieve the goals.*

Luka Rijeka also appointed its ENERGY TEAM. Team members and the team leader meet regularly to resolve the issue of energy use and consumption and to monitor energy efficiency.

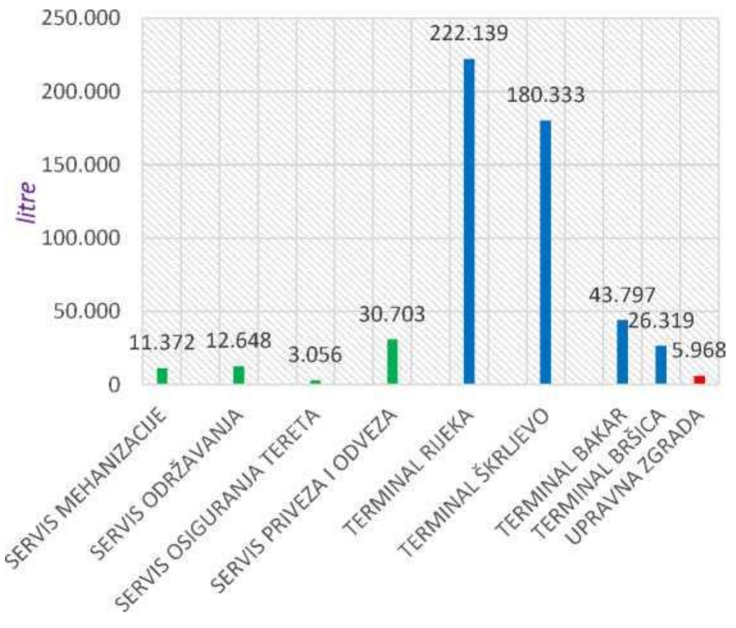
Data on energy consumption are collected according to the Data Collection Plan: responsible persons continuously monitor and record the data, and send it monthly to the Quality and Energy Management Department for further processing, analysis and evaluation.

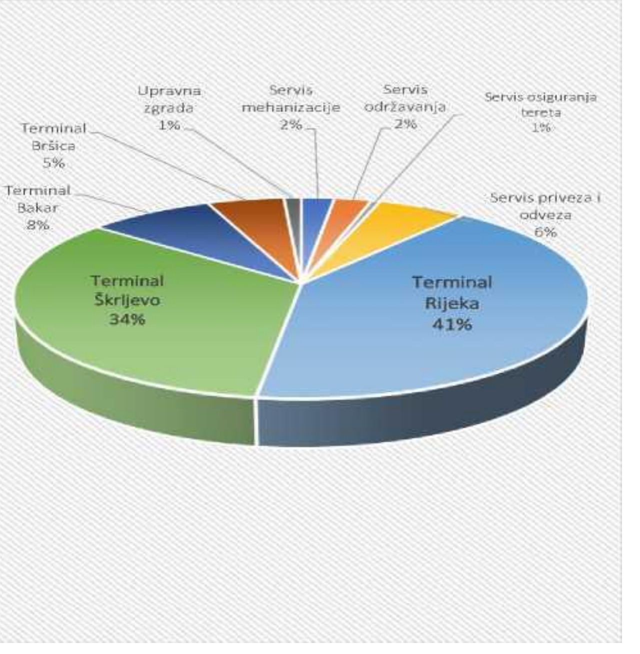
Every year, the data is carefully analyzed and the results are compared with previous years, thus monitoring energy performance and measuring success in achieving defined goals for energy efficiency.

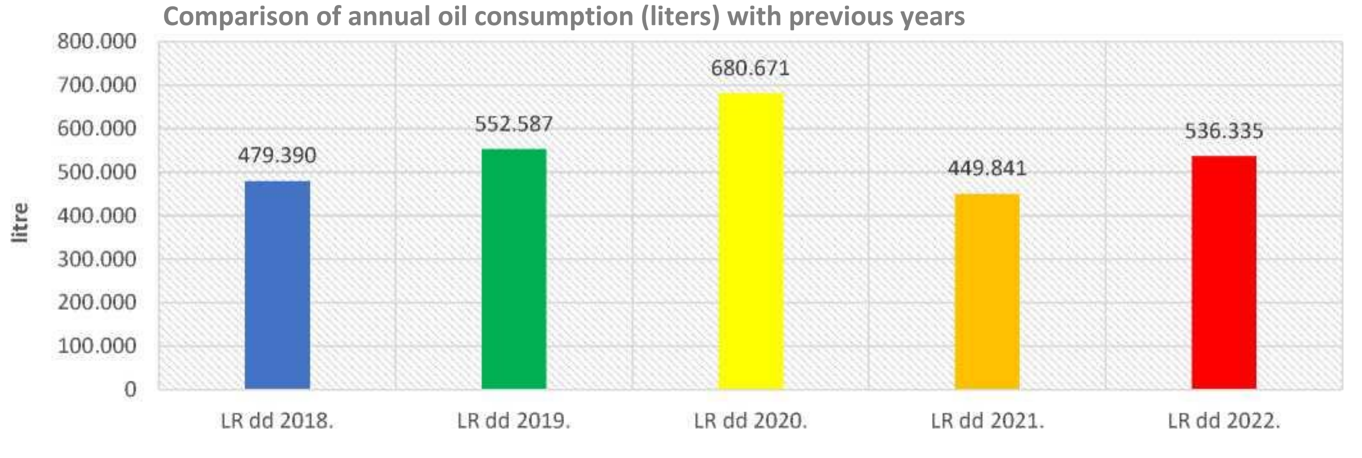
Due to the nature of its operations, Luka Rijeka consumes a large part of energy in its operational work. It strives towards continuous energy efficiency in order to reduce the impact of its own processes on the environment. Systematic work is being done to optimize the consumption of all types of energy sources, by continuously monitoring data and finding more environmentally friendly solutions in order to achieve energy savings.

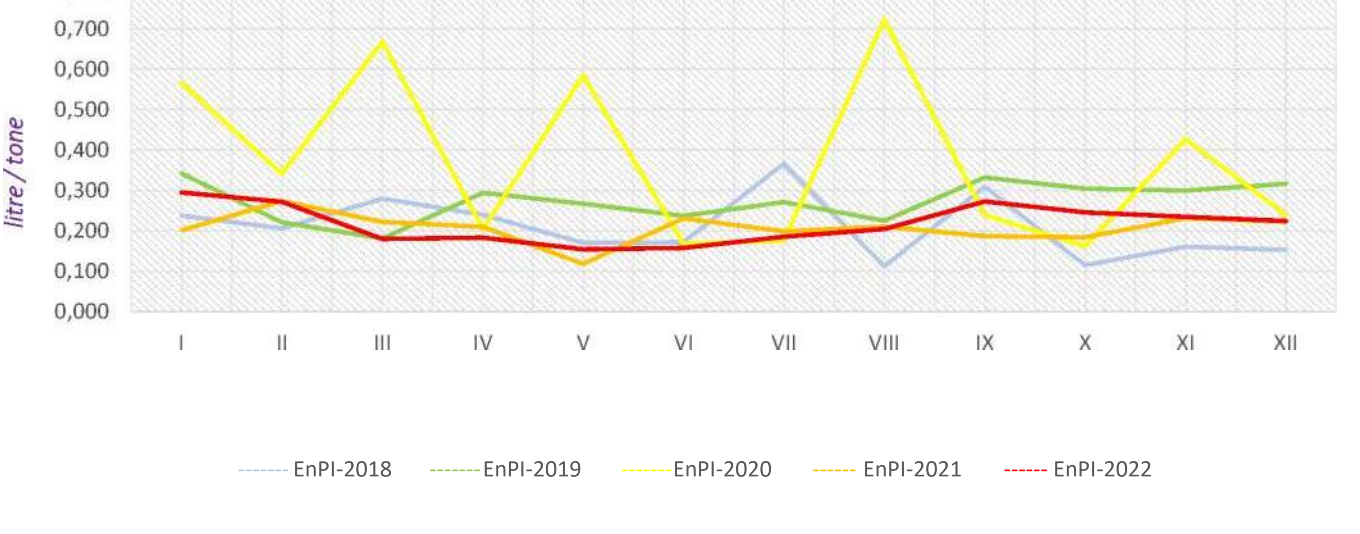
The data is monitored for each energy product separately, and the results are displayed in the total consumption of each energy source in the port and in separate displays per energy source for each organizational unit.

Energy consumption in Luka Rijeka in 2022 was as follows:
FUEL-OIL CONSUMPTION (liters) by place of consumption in 2022

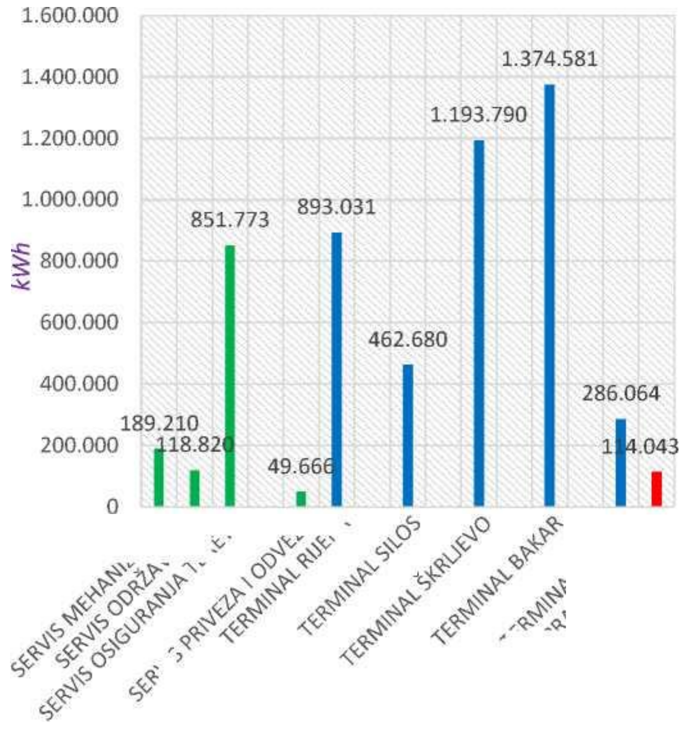


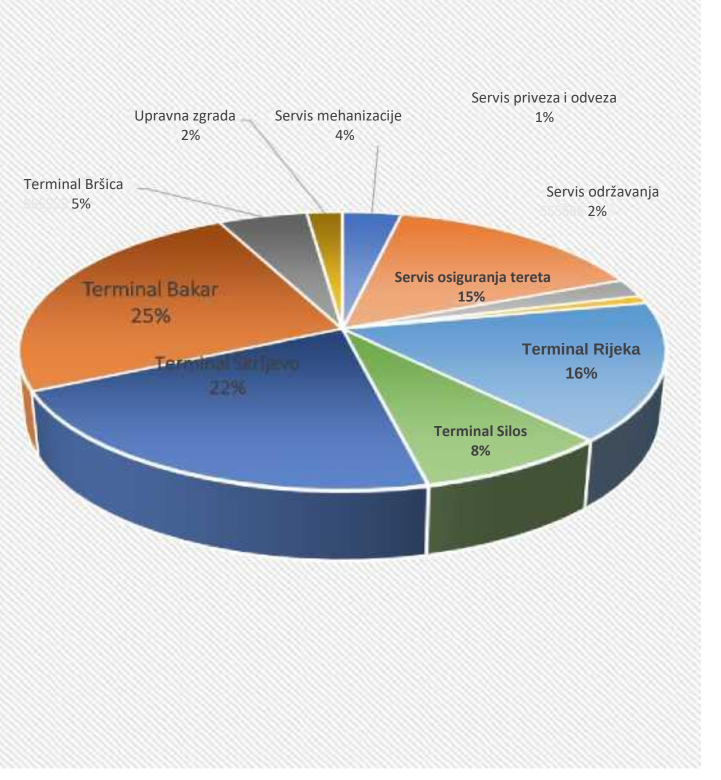




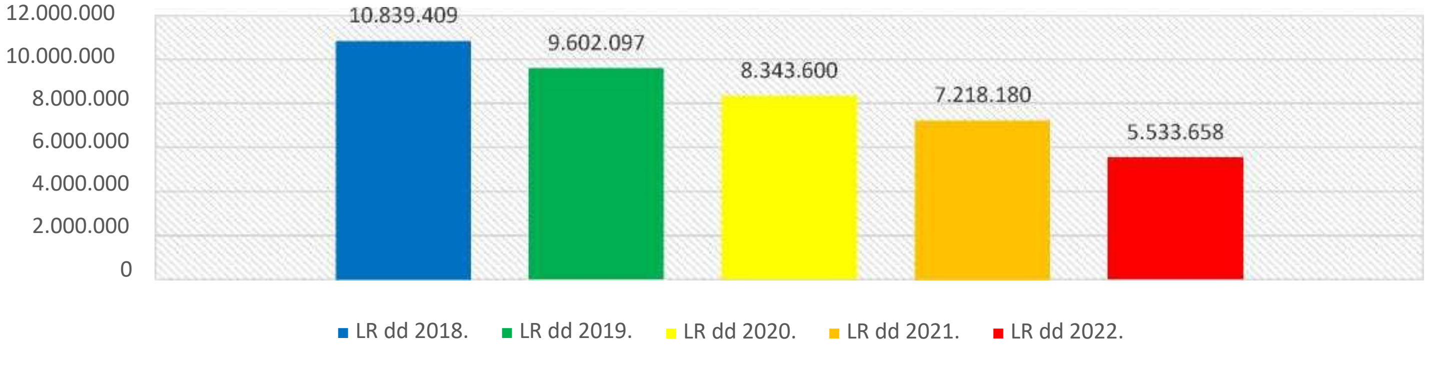


CONSUMPTION OF ELECTRICAL ENERGY (kWh) by place of consumption in 2022



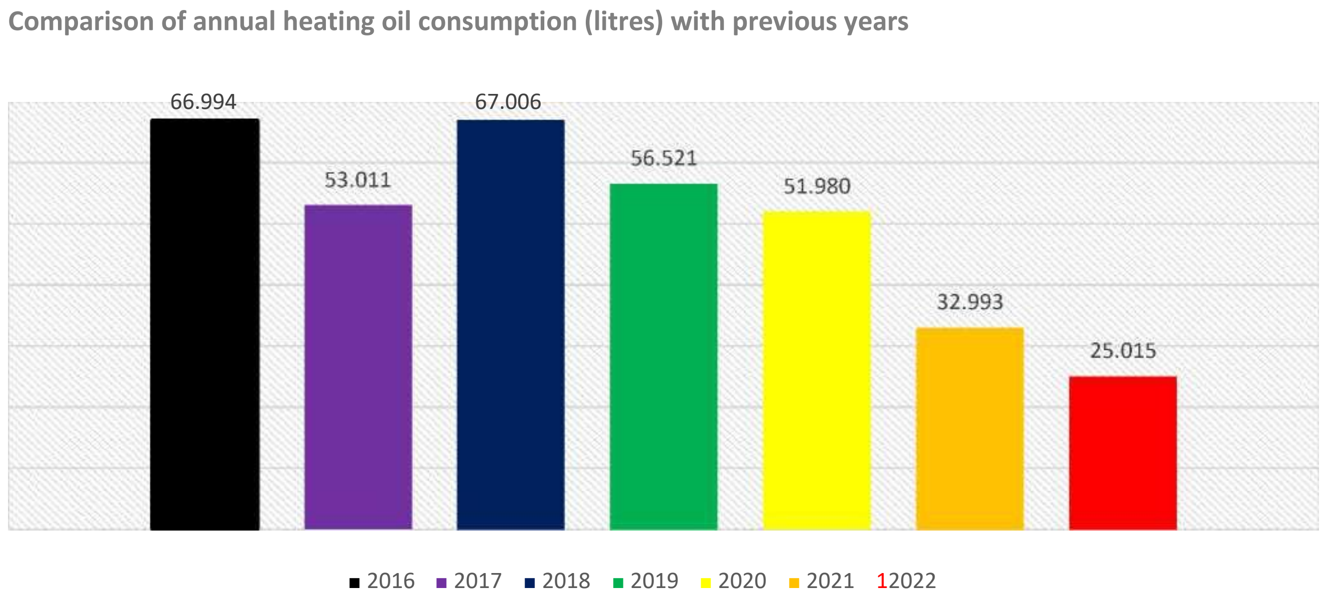


Comparison of annual electricity consumption (kWh) with previous years



Electricity consumption (kWh) per ton of total cargo

FUEL OIL CONSUMPTION (litres) in 2022



THE MAIN ACHIEVEMENTS IN THE ENERGY EFFICIENCY OF LUKA RIJEKA IN 2022 AND FUTURE PERSPECTIVES:

U In 2022, the main goal of ***reducing the irrational use of electricity*** was realized and energy savings were achieved in the amount of **23.34%** less than in 2021.

Fuel consumption has **increased** by **19.23%** compared to 2021 due to extensive works on infrastructure renovation in Luka Rijeka.

Fuel oil consumption has **decreased** by **24.18%** compared to 2021.

Out of a total of three boiler rooms that were used in the port in previous years, only one remained in operation in 2022, and in 2023, it is predicted to be "demolished" and its use stopped, and the transition to an alternative environmentally friendly solution such as a heat pump.

In the second half of 2022, the replacement of all energy-consuming lighting with energy-saving LED lighting began, and the plan is to completely replace it at all locations of the port. Given that it is a long-term procedure, it is predicted that it will last the whole of 2023.

For heating office spaces, air conditioners are used that are programmed in a coordinated way of heating/cooling and do not have the possibility to manipulate the temperature, that is, settings within precisely defined limits are allowed, all in order to avoid irrational behavior and waste of energy.

According to the Internal Training Plan, employee training on various topics related to energy is planned. In all organizational units, instructions on the rules of behavior for energy saving have been posted in visible places, and brochures on the mentioned topic have been created and distributed to the employees Luka Rijeka. **Efforts are being made to strengthen employees' awareness of energy savings as much as possible.**

OCCUPATIONAL HEALTH AND SAFETY

Luka Rijeka recognizes the fact that long-term business can only be successful if the health and safety of employees is ensured.

In addition to legally binding documents and the application of procedures and internal regulations, the basic document for the implementation of health, safety and occupational protection in Luka Rijeka is the **RISK ASSESSMENT, where all hazards for each individual workplace are identified and which represent the root cause of health and safety risks.**

The goal is to ensure operational excellence while preserving the health and safety of all employees and interested parties (clients, suppliers, contractors, associates and others).

Health, safety and security at work is one of the leading priorities of Luka Rijeka.

The security department of Luka Rijeka includes:

- occupational health and safety,
- fire protection,
- environmental protection.

The security department operates as a well-organized team and carries out protection tasks in compliance with legal regulations, and undertakes all necessary measures to establish a safe working environment.

The department ensures the implementation and improvement of protection, and carries out internal supervision over the application of occupational safety regulations, points out detected irregularities and adopts measures to eliminate them. It also monitors and analyzes data related to work injuries and occupational diseases and prepares annual reports.

The department cooperates with:

- labour inspection,
- authorized institutions dealing with occupational health and safety,
- occupational medicine specialists.

In Luka Rijeka, occupational health and safety officers (managers) operate in the manner established by the *Law on Occupational Health and Safety* (Official Gazette 71/14, 118/14, 154/14, 94/18, 96/18), and the selection and appointment , as well as the number of commissioners, is carried out in accordance with the provisions of the aforementioned law.

Health and safety management

The priority is to create optimal working conditions and ensure operational efficiency while protecting health and safety.

The focus is on reducing the number of accidents at work, without work-related deaths, and raising awareness of the importance of the health and safety of all employees and interested parties, all with the aim of ensuring safe workplaces and a working environment.

Effective health and safety management is achieved by carefully selecting competent employees, training them and ensuring personal protection of equipment, safe working tools, and acting according to clearly defined procedures, work instructions and work procedures.

The risks that are recognized are recorded and the status of their removal is monitored, and the corrective actions and preventive actions that will be taken in order to eliminate the risk or reduce it to the lowest possible level are recorded, too.

Accidents at work and occupational diseases can leave lasting consequences for the injured or sick person, and at the same time cause considerable costs to the community and Luka Rijeka.

The safety department monitors and records all accidents at work, and analyzes and compares them with previous years.

The goal is to reduce accidents at work to a minimum, and ideally to eliminate them.

In 2022, out of 646 employees in Luka Rijeka, a total of 25 accidents were recorded, of which **18** were recognized as **accidents at work**.

U In all cases, the injured were men.

All 18 accidents at work occurred at the place of work, and not a single injury occurred on the regular route from the place of residence to the place of work.

The largest number of accidents occurred in the first regular shift (12 accidents), a smaller number of accidents occurred in the second regular shift (5 accidents), and one accident occurred in the night shift, precisely at 4 am.

The most frequently injured parts of the body were: fingers (3 accidents), head-unspecified (2 accidents), hand (2 accidents), foot (2 accidents), lower extremities-unspecified (2 accidents), ankle (1 accident), toes (1 accident), head-brain-nerves (1 accident), eye (1 accident), back-spine (1 accident), shoulder (1 accident), upper extremity-unspecified (1 accident).

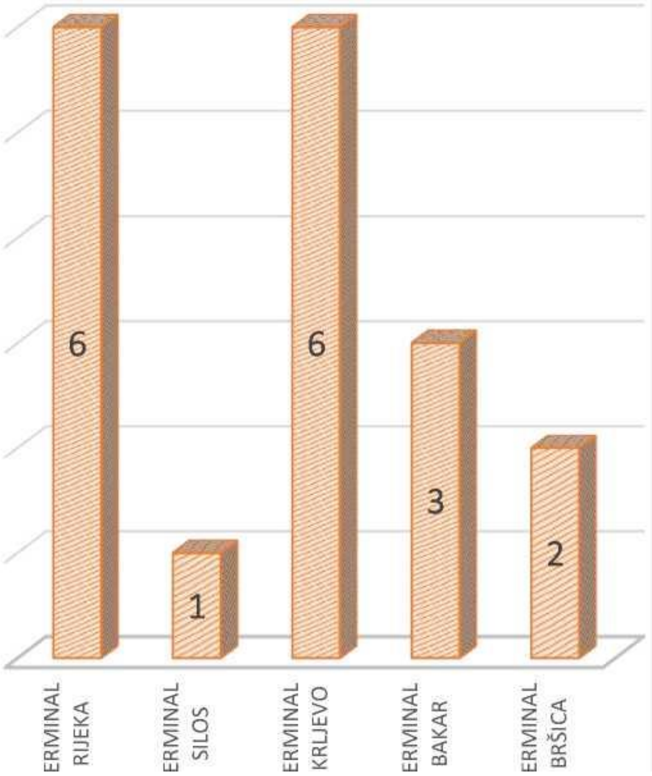
In 2022, a smaller number of accidents at work occurred, compared to 2021.

Comparison of the number of accidents at work in relation to the number of employees

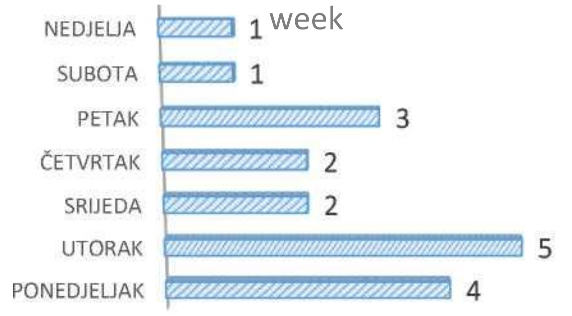
- 2.79 % of injured in 2022
- 3.98 % of injured in 2021

Reduction in the number of accidents at work by 1.2% in 2022

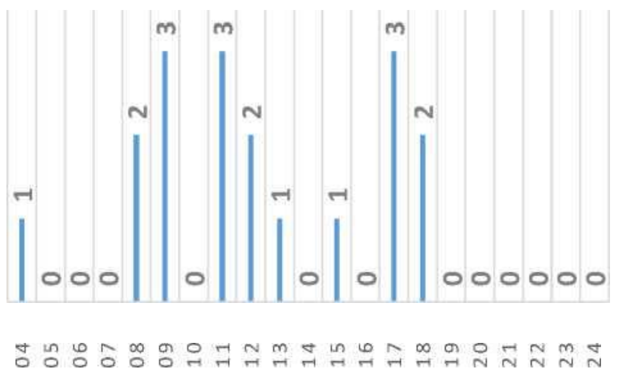
Total number of accidents at work in 2022 according to the location



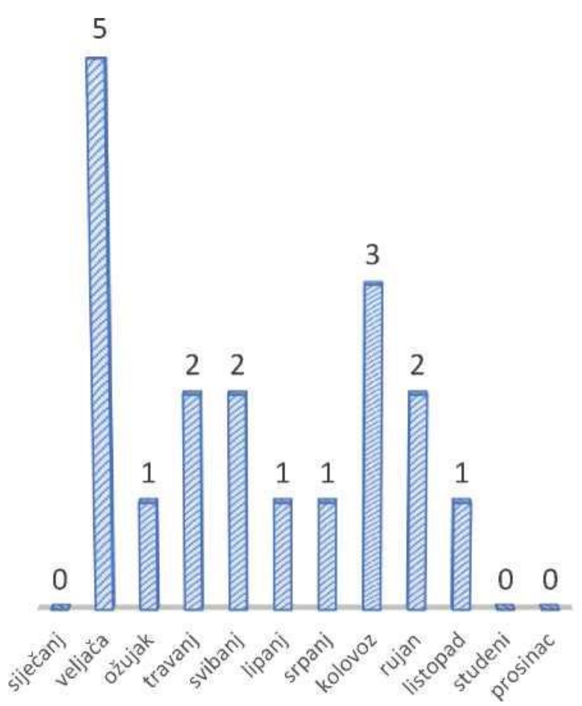
Total number of accidents at work in 2022 by day of the week



Total number of accidents at work in 2022 by hour



Total number of accidents at work in 2022 by months



ACCIDENT CAUSES IN 2022

> *"Malfunction, slipperiness and congestion of passages and surfaces from which work is carried out"*
7 accidents at work

> *"Disturbances in the technological work process"*
5 accidents at work

> *„Other unapplied special occupational health and safety rules"* - Poor work organization
1 accident at work

MANNAR OF ACCIDENT IN 2022

> *"Other manner of accidents at work"*
7 accidents at work

> *"Collision of employees with objects"*
5 accidents at work

> *"Fall of employees"*
4 accidents at work

> *"Excessive physical exertion or incorrect movement of the employee"*
2 accidents at work

Luka Rijeka takes care of the health of employees and determines their ability to work.

According to the *Ordinance on jobs with special working conditions* (Official Gazette 5/84) and Risk Assessment, before being assigned to a workplace with special working conditions, the employee is required to undergo an examination referred by the port in order to determine the state of health, mental and physical abilities.

The state of health of employees who work in jobs with special working conditions is monitored periodically, and employees are referred to occupational medicine specialists for an assessment of their state of health once a year, and more often if necessary.

Employees with weaker health are taken care of, they are referred for extraordinary examinations and, in accordance with the obtained occupational medicine assessment, their workplace is adjusted or they are found a new suitable workplace. Every employee has the right to request an extraordinary examination if he/she has an objective need for it.

Records are also kept of occupational diseases and their eventual occurrence. During 2022, not a single case of occupational disease was recorded.

MEASURES OF DERATIZATION AND DISINSECTION

In order to preserve health, deratization and disinsection measures are carried out regularly.

Public Health Institute of the Primorje-Gorski kotar County conducted expert supervision with the purpose of inspection and consultation on procedures for ensuring a healthy working environment, with an emphasis on pest control. Supervision is carried out regularly on a semi-annual basis. Luka Rijeka has a contracted executor for the implementation of disinsection and pest control services.

HACCP SYSTEM

The protection of food stored in Luka Rijeka is also taken care of.

Food warehouses in Luka Rijeka in 2022 include: a Frigo refrigerator for bananas, a silo for grains and oilseeds, and individual warehouses at the Škrljevo Terminal for receiving food that does not require special temperature conditions.

A HACCP SYSTEM has been implemented and maintained in food warehouses, and food is handled in accordance with legal regulations and HACCP studies of Luka Rijeka.
In July 2022, the cold storage for receiving bananas moved from Rijeka Terminal to Škrljevo Terminal to a larger, more convenient and safer Frigo warehouse.
In September 2022, the Certificate for the storage of Danube soybeans of controlled origin (Danube) and quality, which results from the production of non-genetically modified varieties found in the EU catalog of varieties or the state catalog of varieties, was renewed. It is stored separately in the Silos according to the internal Procedure for dealing with Danube soy (which is an attachment to the HACCP study) in accordance with the standard. The certification was carried out by Bureau Veritas.

HANDLING OF DANGEROUS CARGO

In order to preserve health, a safe working environment and environmental protection, special attention is paid to the handling of dangerous goods.

Luka Rijeka has an established program for dealing with dangerous goods, and precisely designated warehouses that have a license to accept dangerous goods and locations where handling is permitted.
When announcing the possibility of accepting dangerous cargo, it is carefully analyzed what kind of cargo it is, and all necessary protection measures are implemented if it is decided to accept it.

Through 2022, Luka Rijeka has not accepted dangerous cargo.

HANDLING OF LIVE CARGO

The main part of the Bršica Terminal is intended for “live cargo”, and cattle are handled with increased care and caution.

Every employee who works with livestock is trained to work with livestock and, according to the Internal Training Plan, has attended training on the specified topic.

Luka Rijeka has a *Crisis Plan for working with livestock*, which is being acted upon.

In April 2022, the employees of Bršica Terminal renewed their knowledge of proper handling of livestock and completed an exercise in dealing with unforeseen situations when working with livestock (escape of livestock).

Each employee is responsible for treating animals in a humane manner, with maximum care.

Animal care is checked regularly by the Veterinary Inspection, Ministry of Agriculture.

FIRE PROTECTION

Particular attention is paid to fire protection, given that there is a high risk of fire.

Luka Rijeka is committed to ensuring fire protection requirements and fulfilling legal provisions.

Internal trainings on the aforementioned are also conducted annually.

The port fire brigade is made up of a certain number of firefighters who, working in shifts, are available constantly and present in the port for 24 hours.

Due to the insufficient number of firefighters, in 2022 Luka Rijeka initiated the hiring of an additional number of subcontractor firefighters, who will fill the brigade in 2023, which will contribute to greater safety, and, at the same time, comply with legal regulations.

INCIDENT SITUATIONS PROCEDURE

It is acted in a timely manner according to the internal Operative and Intervention Regulations of the Port, in accordance with the legal regulations.

Luka Rijeka has adopted Operational Plans and Intervention Plans in which the exact procedures to be followed in the event of an incident during work are described and defined.

Internal trainings on the aforementioned are also conducted annually.

In June 2022, a fire broke out in the silo.

There were no other major incidents in 2022.

Due to increased safety and the high risk of fire, a FIRE DRILL was held in 2022.

The following participated in the fire drill:

- **the fire brigade of Luka Rijeka,**
- **the public fire department of the city of Rijeka,**
- **the Security department of Luka Rijeka,**
- **the manager and employees of the Silos Terminal.**

As part of the fire drill, an evacuation drill was carried out at the Silos Terminal.

The plan is to conduct periodic firefighting and similar safety drills at least once a year, in order to ensure better control over safety-related risks.

INFRASTRUCTURE AND MODERNIZING WORK MEANS

Quality infrastructure and work means represent an essential element in sustainable development, given that they positively affect business, the quality of life of people and the preservation of the environment.

European projects

CEF-PROJECT

In 2017, Luka Rijeka was approved for co-financing of two projects from the **Connecting Europe Facility - CEF** (*Connecting Europe Facility - Transport*) funds.

Luka Rijeka d.d., together with the Port Authority of Rijeka, successfully submitted to the European Commission two projects for the reconstruction and upgrading of infrastructure in the port basins of Rijeka and Bakar for co-financing from the CEF project.

For the mentioned projects, the maximum amount of co-financing up to 85%, meaning almost EUR 34 million in grants, was granted to Luka Rijeka.

In accordance with the CAPEX plan in 2022, investments in port infrastructure were made in the CEF project Rijeka and CEF project Bakar in the amount of EUR 7 million.

In August 2022, the tracks on the de Franceschi gate - DF3 and DF4 - were completed.

In July 2022, a bypass track was built on the sea side of Silos and on the Budapest pier.

Other investments in 2022

Luka Rijeka has invested in and built a new Cold Storage at the Škrljevo Terminal with a 60% higher capacity for receiving cargo, and an increase in cargo traffic (bananas) is expected and planned. The old Cold Storage at Rijeka Terminal has become a floor warehouse.

Investments were also made in the infrastructure and arrangement of the surface of the Container Depo in Škrljevo, and a significant increase in container traffic was achieved, and further growth is expected.

Two "*reach stackers*" for handling full containers, one 20-ton loader, and a mobile port crane were purchased regarding work means. The procurement of 10 new motorized forklifts, whose delivery is planned for 2023, has also been contracted.

In 2022, the renovation works of the parking lot in front of the Administration Building were also carried out: spaces were provided for the employees who work in the Administration Building, with bollards and bollard management technology via a mobile application for the Administration Building employees. In addition, the asphalt renewal works in front of the Administration Building have been completed.

Port development and asset management sector

During design and construction, the negative effects of the project on the local community are analyzed, and the environmental acceptability decision prescribes the measures that must be applied during the creation of project documentation and the execution of works in order to reduce negative effects on the environment.

DIGITALIZATION AND INNOVATIVE TECHNOLOGIES

Possibilities for a great improvement in the functioning of the process can be achieved through the computerization of the entire business.

In the field of IT infrastructure, in accordance with the planned funds, further significant improvements are expected. Funds are planned for the improvement of the "backup/recovery" system.

In Luka Rijeka there is an IT Department that continuously works on the improvement and computerization of all work processes.

Programs-applications used in business:

- > STATUS (for personnel affairs, hourly rates, salaries, reports) > F4B (financial, bookkeeping and accounting operations, procurement)
- > ISPS (for monitoring the entry of trucks to Škrljevo Terminal) > COMBIS (for tracking container cargo at Depo Terminal)
- > AMICO (for monitoring fuel consumption) > PROSOFT (for hardware and system maintenance/replacement of cameras, wireless antennas, and video recorders)

Improvements and replacements of the mentioned programs-applications are planned.

In addition to investments in *hardware* infrastructure, investments are also being made in the computerization of part of the basic business, which includes processes: starting with PIK, through orders for the execution of works on the ship and in the warehouse, as well as connections with Work Reports and the extension of ERP to the planning and operational execution of ordered works, meaning capacity planning, human and technical resources, issuing work orders and execution, analysis of business costs, and so on. ERP has not yet been implemented, it is planned for 2023.

Introduction of PCS (*Port Community System*)

In 2022, a step forward was made regarding the computerization of PIK.

It is a project led by the Ministry of the Maritime Affairs of the Republic of Croatia and the Port Authority of Rijeka, financed by grants from the CEF fund, which should monitor the process of circulating documents in the entire port environment.

In 2022, the preparation of the "*application interface*" for the operational business of the port began. With the help of the Port Authority of Rijeka, PCS Helpdesk, freight forwarders and agents, the functionality of the software solution Module D6 of planning, execution and control of port resources and activities at the Rijeka, Škrljevo, Bakar and Bršica terminals was tested with the ultimate goal that all external users of Luka Rijeka send job announcements exclusively through the PCS application.

In October 2022, a complete transition to PCS took place: it was decided that PCS is the only way to receive orders in Luka Rijeka, with the remark that in exceptional cases the possibility of manual entry is possible.

ACHIEVEMENTS IN 2022:

The construction of the "*Backbone*" network towards the warehouses in the Rijeka Terminal area has been completed.

Optical cabling or wireless connections between warehouses and local distribution of individual warehouses or offices/floors in the warehouse with associated passive (distribution) and active (*switches, routers, links*) network equipment have been completed.

The project encompassed and connected all the warehouses of the western part and the office spaces in them (40 locations, approx. 100 workstations) in a common LAN network with the Administration Building of Luka Rijeka.

Awareness of the benefit of the project for all participants, but also the demands and changes that come with this computerization, it is clear, that initially, there will be problems and errors that will be promptly resolved, in order to create a product that will have a positive impact on all aspects of the business in the long term, and thus competitiveness on the market, as well as sustainable development.

HUMAN RESOURCES AND COMMUNITY BUILDING

Responsible business is integrated into all processes of Luka Rijeka. Integrity and ethics are an integral part of the organizational culture and are a basic feature of the daily way of working and conducting business. All employees have an obligation and commitment to the highest level of business integrity and ethics. Doing business with a strict sense of honesty is crucial to maintaining the credibility and trust of clients, partners, employees, suppliers and contractors, and all other interested parties.

The goal is to build an organizational culture that is strongly focused on compliance and ethics. Everyone is required to act in accordance with the Code of Ethics, published on the website of Luka Rijeka, in their daily work.

An important factor in achieving the business results of Luka Rijeka is the knowledge, skills and competencies of employees, as well as their work performance, motivation and job satisfaction.

Therefore, it is essential to continuously develop human potential and teamwork, organizational culture, and business efficiency, along with the introduction of best practices in human resource management.

In carrying out its basic purpose, the Department for Human Resources Management carries out activities in accordance with all applicable laws and by-laws, as well as internal acts, of which the basic Ordinance on Internal Organization and the Work Ordinance, and applies other internal ordinances, procedures, instructions and decisions of the Management, in which the methods of handling and management of all processes important for employees are defined.

EMPLOYEE CARE

Luka Rijeka states that human resources are the foundation on which business is built and that taking care of employees is key to achieving responsible business and sustainability.

Luka Rijeka undertakes to take care of the protection of the rights of employees, as well as the protection of their health and safety at the workplace.

CODE OF ETHICS

The expectation is that the port is managed in accordance with the principles stated in the Code of Ethics, and everyone is responsible for complying with the norms from the code: from the members of the Supervisory Board, the Company's Management Board and the executive management to every individual who works in Luka Rijeka.

In their daily work, all employees of the port behave and perform their tasks in accordance with the principles of the organizational culture, which includes core values: professionalism, perseverance and mutual respect.

Luka Rijeka is committed to the highest level of integrity, ethics and transparency in business, and has zero tolerance for any form of discrimination.

All employees and persons seeking employment in the port are guaranteed equality in terms of race, skin color, sex, marital status, age, language, religion, political or other belief, national or social origin, property status, social position, membership or not-membership in a political party, membership or non-membership in a trade union.

Luka Rijeka requires its employees to behave professionally and politely towards their colleagues and business partners, applying the principles of mutual respect and tolerance, and respecting differences.

Every employee is obliged to respect the standards, procedures and rules of the port so that their behavior does not damage the reputation and property, and that they do not call into question the ability of other workers to perform their regular duties and obligations.

Human Resources Management

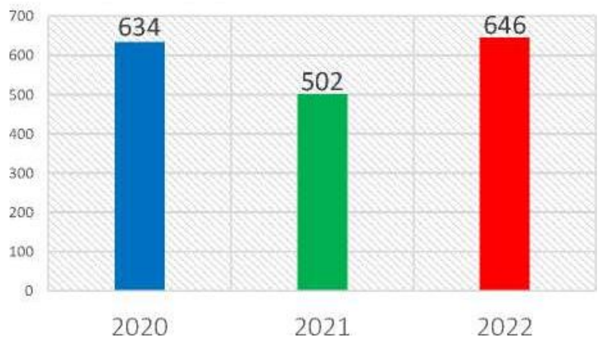
Employee care and a motivating work environment increases their engagement and motivation.

EMPLOYEE STRUCTURE:

At the end of 2022, there were **646 employees** in Luka Rijeka (29% more than in 2021).

There were 66 women and 580 men employed.

Total number of employees



The number of employed women in relation to the total number of employees

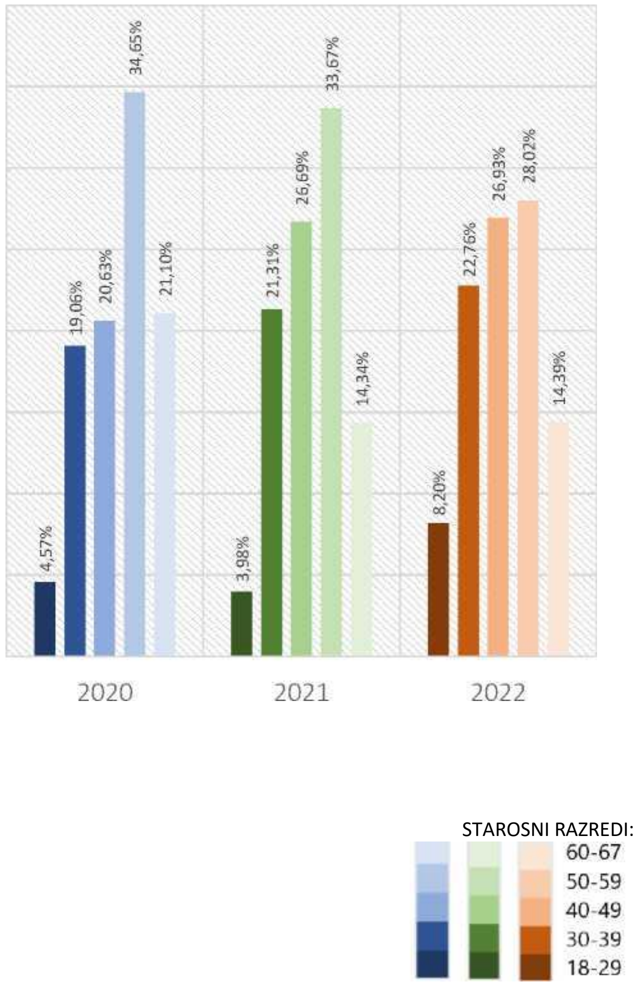
>10.22% of employed women in 2022

>13.15% of employed women in 2021

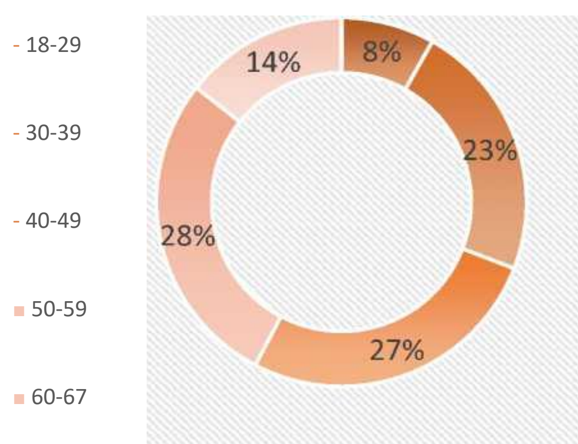
>12.04 % of employed women in 2020

The number of employed women has not changed significantly.

The number of employed women in managerial positions in relation to men



Age structure in 2022



Regarding age groups, a slight trend of a younger workforce can be seen, meaning an increase in the share of employees who are of a younger age.

Special attention is paid to the recruitment and retention of the workforce.

In 2022, a large number of people were continuously employed month after month.

In the Services and at the Terminals, the positions where subcontractors were employed in previous years were filled.

Only in the maintenance service and in the port fire brigade, there are some subcontractors hired due to the lack of qualified workers for those specific jobs on the labour market. The search for the mentioned occupations continues with the aim of employing own workforce.

The increase in the number of employees is a reflection of the change in business policy, where the Company decided to employ own workforce, instead of the previous use of hired labor (cooperatives).

In 2022, 187 new employees were hired, compared to 2021 when only 3 were hired.

In Luka Rijeka, equal advancement opportunities are offered to all employees.

Intergenerational understanding, respect and complementarity are encouraged.

A working environment is ensured in which every person feels valued and welcome.

The Code of Ethics reflects the dedication of Luka Rijeka in responsible business management, respecting:

- *human rights in all business segments,*
- *taking care of health and safety at work,*
- *protection and proper use of property,*
- *appropriate resolution of a potential conflict of interest,*
- *sustainable development and the obligations we have as responsible citizens.*

EMPLOYEE TRAINING

Training and development opportunities are a high priority of Luka Rijeka, and every employee is given the right to training related to their job.

It is key to develop the professional competencies of employees, their skills and knowledge.

Education, training and professional development of employees are maintained in accordance with the requirements of the workplace.

In 2022, vocational education was implemented through an authorized educational institution for a total of 15 employees, specifically:

VOCATIONAL EDUCATION	NUMBER
Locotrack operator	6
Forklift operator	1
Gantry and tower crane operator	8

Training was also implemented through an authorized educational institution for a total of 50 employees, specifically:

TRAINING	NUMBER
Signalman - load binder	39
Compressor station mechanic	4
Livestock work	7

One employee was sent for professional training through an authorized educational institution, specifically:

PROFESSIONAL TRAINING	NUMBER
ISO 9001:2015 *Internal auditors course* **ISO 50001:2018 *Internal auditors course*** **ISO 9001:2015 IRCA *Leading auditors course***	1

All new employees in 2022 have mastered the theoretical and practical part of training to work in a safe manner and completed the legally prescribed occupational health and safety training.

EMPLOYEE SATISFACTION MONITORING

U In 2022, an analysis of employee satisfaction was carried out.

It is key to develop the professional competencies of employees, their skills and knowledge.

Employee satisfaction is monitored by the Quality and Energy Management Department through employee surveys. The results of survey analysis represent an important tool for measuring the organizational climate and obtaining employees' opinions on different areas.

Surveys are analyzed at the end of the survey cycle, and the results are published at the Works' Council. This way, relevant feedback from employees is obtained, which is crucial for further action and adjustment, as well as opportunities for improvement.

The overall rating of employee satisfaction was 3.78 (rating scale: 1 - 5)

Some of the main questions	rating
Are you satisfied with your job?	4,1
How do you feel at the workplace?	4,0
Do you consider your job safe?	3,4
How satisfied are you with the work organization?	3,6
Rate your relationship with your superior!	4,3
Rate your relationship with other colleagues!	4,4
Are your professional potentials sufficiently used in the workplace?	3,5
How do you assess the utilization of your working time?	4,2
Do you think you can advance within your professional qualification?	3,3
Do you think you are well informed about important matters in your company?	2,9

INVOLVEMENT OF INTERESTED PARTIES

Luka Rijeka includes all interested parties through continuous communication and builds relationships with mutual trust for the achievement of common goals important for the sustainable development of the port and the entire community.

Interested parties are clients, business partners, suppliers, contractors, employees and others.

Information on the requests of interested parties is continuously monitored and reviewed, and this applies in particular to clients.

In 2022, 15 key clients have been defined according to the generated revenue.

Luka Rijeka pays special attention to the selection of business partners, so it will not do business with those who violate contractual obligations and rules of business ethics.

Annual analyzes of client satisfaction are carried out in the Sales Department.

In 2022, the analysis was carried out on two occasions, and included the results of completed surveys from clients, records of complaints and unrealized offers, as well as their causes.

The analysis provided valuable information on the possibilities of improving business and providing better port services, with the aim of improving and maintaining partnership relations with clients, and achieving greater community satisfaction.

The overall rating of client satisfaction was 3.6 (rating scale: 1-5)

In 2022, the following was recorded:

- 15 reclamations
- 35 unrealized offers

Responsible, reliable and sustainable procurement

The concept of responsible procurement is one of the components in achieving sustainable development.

Responsible procurement of materials and services ensures high standards during the procurement process, by regularly conducting analyzes and evaluations, as well as assessments and audits of suppliers.

The supplier evaluation system according to the criteria supports the development of performance in the selection of suitable suppliers.

Evaluations of suppliers of materials and services and evaluations of subcontractor suppliers are carried out periodically according to defined criteria.

In 2022, evaluations of material and service suppliers were conducted twice in the Procurement Department and once in the IT Department, and evaluations of subcontractor suppliers were conducted twice in the Maintenance Service.

The list of key suppliers with whom active business cooperation was achieved in 2022 includes:

- 24 key suppliers for the Procurement Department
- 5 suppliers for the IT Department
- 2 suppliers for Maintenance Service

The lists are regularly updated, and suppliers who have not proved to be of sufficient quality to be able to cooperate are excluded from them. This evaluation approach provides relevant information for further analysis and business decision-making, as well as optimization of possible risks related to supplier selection.

Business responsibility

The system of quality management with respect, ensures the integration of sustainability and organizational responsibility in every aspect of business.

The Quality and Energy Management Department and the Internal Auditor Team of Luka Rijeka regularly check the implementation of policies, processes, procedures and work instructions, as well as risk management and the achievement of set goals. Moreover, once a year, external certification houses check the compliance of the quality management system with the requirements of the ISO 9001:2015 standard for the purpose of maintaining the Certificate, while re-certification of the system is required every three years. In 2022, re-certification of the Quality Management System was successfully achieved.

ISO 9001
BUREAU VERITAS
Certification

Luka Rijeka strives to quality manage all types of business risks, including environmental, social and ethical ones.

A responsible approach to business brings new business opportunities, greater efficiency, reduces risks, strengthens the value of services and market position, and strengthens competitiveness.

Procurement procedures are carried out in accordance with the *Law on Public Procurement* (Official Gazette 120/16, 114/22) and other legal regulations.

CONCLUSION

The concept of "*sustainability*" for ports is the integration of environmentally friendly methods of port activities, processes and management.

Sustainable development has emerged as a guiding principle of long-term global development, which includes economic development, social development and environmental protection.

The concept is highlighted in the UN's Transforming our world: the 2030 Agenda for Sustainable Development.

Sustainable development is defined as:

"***the development that meets the needs of the present without jeopardizing the ability of future generations to meet their own needs***"

"***the process of change in which the exploitation of resources, the direction of investment, the orientation of technological development and institutional changes are aligned and increase the present and future potential to meet human needs and aspirations***"

(*World Commission on Environment and Development - Brundtland Commission*)

Sustainable development should be an integral part of everyday business. This implies that sustainability measures are integrated into business activities and recognized as a normal part of the work process.

Due to climate change and the demands of the maritime industry, Luka Rijeka needs to adapt its entire operation in a sustainable manner, contributing to the improvement of measures and control of air, water, noise and waste quality.

Within the scope of sustainability, access to the "*port of the future*" can be achieved through sustainable planning to preserve the environment while protecting human rights. Sustainability plans should be dynamic and reviewed annually, to ensure that Luka Rijeka is up to date with new technologies and industry trends.

Measures for the establishment of a future sustainable port include the application of policies and a regulatory framework to reduce emissions of harmful substances, the ecological design of the port-city landscape and the integration of the port into the urban area, which includes trees that absorb noise and air pollution, the use of renewable energy sources in port operations and activities, the transition from a linear economy to a circular economy in order to redefine products and services in order to manage waste, improving the means of transport between Luka Rijeka and the community, increasing energy efficiency, including the concept of "*green growth*" in the further development and establishment of ecological planning within the mentioned areas, digitization and automation of port operations and activities, and improvement of cooperation between Luka Rijeka and all interested parties.

Luka Rijeka plans further investments in development and continuously works on improved organization while respecting environmental and social requirements, and despite the many challenges it faces, it strives to be a "*smart green port*".

Rijeka, 26 April 2023

Made by:

Lara Dežulović, Head of the Quality and Energy Management Department

Approved by:

MANAGEMENT BOARD

DUŠKO GRABOVAC

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Duško Grabovac, Chairman of the Management Board

MARINA CESARAC DORČIĆ

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Marina Cesarac Dorčić, Member of the Management Board

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 2022, a regular Annual General Assembly Meeting was held on 31 August 2022.

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 five 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 of Supervisory Board from 27 Dec 2017 to 20 Jan 2021 (term of office) Reappointed as a member of the Supervisory Board on 28 January 2021 Re-elected Chairman of the Supervisory Board on 10 February 2021
Dragica Varljen	Vice president of Supervisory Board from 28 February 2020 Re-elected as Deputy Chairman of the Supervisory Board from 13 July 2022
Witold Waldemar Rusinek	Member from 31 August 2020
Hrvoje Pauković	Member from 28 February 2022
Tomislav Penić	Member from 31 August 2022

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. During 2022, two meetings of the Audit Committee were held.

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

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

Alen Host	Member from 31 August 2022
Vesna Buterin	Member from 31 August 2022
Marin Mijolović	Member from 31 August 2022
Alen Jugović	Member to 31 August 2022
Witold Waldemar Rusinek	Member to 31 August 2022
Hrvoje Pauković	President to 31 August 2022

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:

Duško Grabovac	President of the Management Board from 01 May 2020
Marina Cesarac Dorčić	Member from 1 December 2022
Bartlomiej Michal Pastwa	Member from 19 June 2018 to 31 December 2022

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 adopted by EU 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 auditors are required to report directly to the Management Board on the following issues:

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The Management Board of Luka Rijeka d.d. ("the Company") is required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company and the Group (the Company and its subsidiaries and associates form the Group) and of the results of their operations and their cash flows, in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union, 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 applied 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, Non-financial report and the Statement on the implementation of corporate governance code, as required by the Croatian Accounting Act. The Management Report, Non-financial 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 26 April 2023 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
President of the
Management Board

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Marina Cesarac Dorčić
Member of the
Management Board

MARINA CESARAC DORČIĆ
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26 April 2023
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Hrvatska

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Independent Auditors' report
To the shareholders of Luka Rijeka d.d.

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 2022, and their respective separate and consolidated income statements and the statement of other 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 2022, 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 ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 International Ethics Standards Board of Accountants' (IESBA Code) International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA), together with the ethical requirements that are relevant to our audit of the financial statements in Republic of Croatia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Key Audit Matter	How our audit addressed the matter
The Group and the Company recognized right of use (ROU) assets as at 31 December 2022 in the amount of HRK 153.930 thousand (31 Dec 2021: HRK 161.830 thousand) and liabilities arising from the concession arrangement of HRK 276.781 thousand (31 Dec 2021: HRK 325.656 thousand). Refer to accounting policy 3.7 and note 32 to the financial statements. The Group and the Company apply IFRS 16 Leases in accounting for the concession arrangement and have consequently recognized, in the statement of financial position, the ROU asset and corresponding liability associated with the port concession arrangement. The concession arrangement contains, among other things, an obligation to pay fixed and variable concession fees to the port authority, and to incur infrastructure related expenditures in the concession term. In applying IFRS 16, significant judgement is required from management in identifying the lease and non-lease components within the arrangement, and in developing	Our procedures included the following: • Evaluating of the appropriateness of the accounting approach to the concession arrangement against the requirements of the standard and the identification of lease and non-lease components of the arrangement; • Recalculating the remeasurement of ROU liabilities (where applicable) and tracing of inputs in the model to relevant source documentation, including evaluating the applied discount rate; • Tracing the expected amounts of lease payments with relevant source documentation, (such as investments in infrastructure assets in previous periods, payment 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 carrying amounts of ROU assets, our procedures, performed where applicable, included: • Challenging the management's assessment of the ROU assets for impairment with particular focus on the grouping of assets within

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Independent Auditors' report (continued)
To the shareholders of Luka Rijeka d.d.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the matter
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 Group and the Company regularly assess whether there are indicators of impairment of the concession ROU asset, and, if required, assesses its recoverability as part of an impairment test for the port cash-generating unit (CGU), which comprises assets within and outside of the concession area. The recoverable amount of the CGU is estimated using a present value technique based on a discounted cash flow model. The impairment test required a significant degree of judgement by management, including, but not limited to, in respect of the identification and determination of assets underlying the CGU, the reasonableness of assumptions with respect to cash flow forecasts used, and the determination of the appropriate discount rate. Due to the above factors, this area required our analysis, significant judgment and increased attention in the audit and we considered it to be a significant risk in our audit and our key audit matter.	appropriate cash-generating units and the appropriateness of the valuation technique applied for compliance with the relevant accounting; • 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; - evaluation of key assumptions applied (such as discount rates and growth rates) for reasonableness compared to externally derived data and historical financial performance; - performing a sensitivity analysis to changes in key assumptions; • Evaluating the adequacy and completeness of impairment related disclosures in the financial statements.

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Independent Auditors' report (continued)
To the shareholders of Luka Rijeka d.d.

Other Information

Management is responsible for the other information. The other information comprises the Management Report, Non-financial 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.

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

With respect to the Management Report, Non-financial 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 of the Accounting Act, whether the Non-financial Report is prepared in accordance with the requirements of Article 21a of the Accounting Act and whether 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 of the Accounting Act, respectively;

Other Information (continued)

- the Non-financial Report is prepared in accordance with requirements of Article 21a of the Accounting Act; and
- 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, Non-financial 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 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.

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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.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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

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

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

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Report on Other Legal and Regulatory Requirements

On 31 August 2022, we were appointed by General Assembly on the proposal of the Supervisory Board to audit the financial statements of the Company and the Group for the year 2022.

As of the date of this report, we are continuously engaged in performing legal audits of the Company and the Group from the audit of the Company's and Group's financial statements for 2021 to the audit of the Company's and Group's financial statements for 2022, which amounts to a total of two years.

During the period between the initial date of the audited financial statements of the Company and the Group for the year 2022 and the date of this report, we did not provide the Company and the Group with prohibited non-audit services, and in the business year prior to the aforementioned period, we did not provide services for the design and implementation of internal control or risk management procedures related to the preparation and/or the control of financial information or the design and implementation of technological systems for financial information, and in performing the audit we preserved independence in relation to the Company.

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Report based on Delegated Regulation (EU) 2018/815 on supplementing Directive 2004/109/EZ of European parliament and Council related to regulatory technical standard for specification of single electronic reporting format of reporting

Auditor's assurance report on compliance of the consolidated and non-consolidated financial statements (hereinafter: financial statements), prepared pursuant to the provisions of article 462, paragraph 5 of the Capital Market Act (Official Gazette, no. 65/18, 17/20, 83/21 and 151/22) by applying the requirements of the Delegated Regulation (EU) 2018/815 determining a single electronic reporting format for issuers (hereinafter: ESEF Regulation).

We performed our engagement with expressing reasonable assurance on whether the financial statements prepared for public disclosure purposes based on article 462, paragraph 5 of the Capital Market Act, included in the accompanying XBRL electronic file are prepared, in all material aspects, in accordance with the requirements of the ESEF Regulation.

Responsibilities of Management and Those Charged with Governance

The Management is responsible for the preparation and content of the financial statements in accordance with the ESEF Regulation.

The Management is further responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material non-compliance, whether due to fraud or error, with the reporting requirements of the ESEF Regulation.

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Responsibilities of Management and Those Charged with Governance (continued)

Management is also responsible for:

- publishing the financial statements included in the annual report in the valid XHTML format, and
- the selection and use of XBRL tags in compliance with the requirements of the ESEF Regulation -u.

Those charged with governance are responsible for monitoring the preparation of the financial statements in the ESEF format as part of the financial reporting process.

Responsibilities of the Auditor

Our responsibility is to express a conclusion, based on obtained audit evidence, about whether the financial statements are free from material non-compliance with the requirements of the ESEF Regulation. We performed our engagement with expressing reasonable assurance in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information.

Performed procedures

The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable assurance is a high degree of assurance, however it does not guarantee that the scope of testing will reveal any significant (material) non-compliance with the ESEF Regulation

As part of the selected procedures, we performed the following activities:

- we have read the requirements of the ESEF Regulation,
- we have obtained an understanding of internal controls relevant to the application of the requirements of the ESEF Regulation,

Performed procedures (continued)

- we have identified and assessed the risks of material non-compliance with the ESEF Regulation, whether due to fraud or error; and
- based on this we have designed and performed procedures responsive to estimated risks, and to obtain a reasonable assurance for expressing our conclusion.

The objective of our procedures was to assess as to whether:

- the financial statements included in the consolidated financial statements have been prepared in the valid XHTML format,
- the information contained in the consolidated financial statements required by the ESEF Regulation is marked and all markings meet the following requirements:
    - use of XBRL tagging language,
    - use of basic taxonomy elements stated in the ESEF Regulation with the closest accounting meaning, unless an additional taxonomy element was created in accordance with Appendix IV. of the ESEF Regulations,
    - tags comply with the common tagging rules as required by the ESEF Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independent Auditors' report (continued)
To the shareholders of Luka Rijeka d.d.

Conclusion

Based on the procedures performed and evidence gathered, the consolidated financial statements presented in ESEF format for the year ended on 31 December 2022, contained in the aforementioned attached electronic file and prepared pursuant to Article 462 paragraph 5 of the Capital Market Act prepared for public disclosure, are prepared in all material respects in line with the requirements of Articles 3, 4 and 6 of the ESEF Regulation.

Further to this conclusion, as well as the opinion contained in this independent auditor's report related to accompanying consolidated financial statements and annual report for the year ended 31 December 2022, we do not express any opinion on the information contained in these presentations or on any other information contained in the aforementioned file.

The partners in charge of the audit resulting in this independent auditor's report is Janja Kulić.

Kulić i Sperk Revizija d.o.o.
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Croatia

Zagreb, 26 April 2023

JANJA KULIĆ Digitalno potpisao: JANJA KULIĆ
Datum: 2023.04.26 15:37:22
+02'00'

Janja Kulić
Director, Certified Auditor

Income statement and Statement of other comprehensive income

for the year ended 31 December 2022

	Note	2022 (in THRK) *Group*	2021 (in THRK) *Group*	2022 (in THRK) *Company*	2021 (in THRK) *Company*
Revenue from sales	7	211.922	142.528	211.422	142.020
Other income	8	19.008	21.436	18.931	21.443
		230.929	**163.964**	**230.353**	**163.462**
Materials, services and consumables used	9	(59.687)	(47.888)	(66.298)	(51.054)
Personnel expenses	10	(88.240)	(77.932)	(84.167)	(74.988)
Depreciation and amortisation	16,17,18, 32	(21.267)	(20.470)	(20.696)	(19.867)
Other expenses	11	(30.382)	(33.126)	(29.760)	(32.625)
		(199.578)	**(179.417)**	**(200.921)**	**(178.534)**
Finance income	12	497	1.754	56.848	1.749
Finance costs	13	(17.564)	(14.200)	(17.552)	(14.191)
Net finance costs		**(17.067)**	**(12.446)**	**39.296**	**(12.442)**
Share of profit of equity-accounted investees	19	43.918	28.026	-	-
Income / (loss) before tax		**58.203**	**127**	**68.728**	**(27.513)**
Income tax	14	(304)	404	-	404
Income / (loss) for the year		**57.899**	**531**	**68.728**	**(27.109)**
Change in fair value of financial assets		-	-	-	-
Deferred tax effect		-	-	-	-
Other comprehensive income		**-**	**-**	**-**	**-**
Total comprehensive income / (loss)		**57.899**	**531**	**68.728**	**(27.109)**
Income / (loss) per share (in HRK)					
- basic and diluted	15	4,30	0,04		

Statement of financial position

at 31 December 2022

ASSETS	Note	2022 (in THRK) *Group*	2021 (in THRK) *Group*	2022 (in THRK) *Company*	2021 (in THRK) *Company*
Non-current assets					
Intangible assets	16	204	7	204	7
Property, plant and equipment	17	554.069	520.522	552.654	519.545
Investment property	18	5.489	6.114	5.489	6.114
Concession assets with right of use	32	153.930	161.830	153.930	161.830
Investments in subsidiaries and equity accounted investees	19	133.912	146.344	11.787	11.787
Non-current financial assets	20	333	772	333	772
Deferred tax assets	14	8.956	8.956	8.956	8.956
Total non-current assets		**856.893**	**844.545**	**733.352**	**709.011**
Current assets					
Inventories		1.243	942	1.243	942
Trade and other receivables	22	41.465	43.926	40.817	43.179
Income tax receivable		-	-	-	-
Current financial assets	21	700	700	1.529	700
Cash and cash equivalents	23	136.142	62.133	132.977	60.837
Total current assets		**179.551**	**107.702**	**176.565**	**105.659**
Total assets		**1.036.444**	**952.247**	**909.918**	**814.670**

Statement of financial position (continued)

at 31 December 2022

EQUITY AND LIABILITIES	Note	2022 (in THRK) *Group*	2021 (in THRK) *Group*	2022 (in THRK) *Company*	2021 (in THRK) *Company*
Shareholders' equity					
Share capital	24	539.219	539.219	539.219	539.219
Capital and other reserves	25	38.624	38.624	38.624	38.624
Revaluation reserves	25	29.180	29.180	29.180	29.180
Accumulated losses		(156.196)	(214.095)	(277.687)	(346.414)
Total equity		**450.827**	**392.927**	**329.336**	**260.608**
Non-current liabilities					
Borrowings	26	117.218	94.004	117.058	93.940
Liabilities for concession assets with right of use	32	131.767	201.028	131.767	201.028
Provisions	27	2.364	2.364	2.364	2.364
Deferred tax liability	14	11.470	11.470	6.415	6.415
Total non-current liabilities		**262.820**	**308.867**	**257.604**	**303.747**
Current liabilities					
Trade and other payables	28	156.603	110.450	157.212	110.444
Liabilities for concession assets with right of use	32	145.014	124.629	145.014	124.629
Income tax liability	14	272	-	-	-
Borrowings	26	13.910	9.412	13.754	9.280
Provisions	27	6.998	5.962	6.998	5.962
Total current liabilities		**322.797**	**250.453**	**322.978**	**250.315**
Total liabilities		**585.617**	**559.320**	**580.582**	**554.062**
Total equity and liabilities		**1.036.444**	**952.247**	**909.918**	**814.670**

Statement of changes in equity of the Group

for the year ended 31 December 2022

GROUP	Share capital *(in THRK)*	Capital and other reserves *(in THRK)*	Revaluation reserves *(in THRK)*	Accumulated losses *(in THRK)*	Total *(in THRK)*
As at 1 January 2021	**539.219**	**38.624**	**34.137**	**(219.508)**	**392.472**
Profit / (Loss) for the year	-	-	-	531	531
Change in fair value of land	-	-	(5.945)	5.945	-
Change in fair value of equity instruments	-	-	(82)	-	(82)
Deferred tax effect	-	-	1.070	(1.070)	-
Other comprehensive income / (loss)	-	-	-	-	-
As at 31 December 2021	**539.219**	**38.624**	**29.180**	**(214.102)**	**392.921**
Profit / (Loss) for the year	-	-	-	57.899	57.899
Change in fair value of land	-	-	-	-	-
Change in fair value of equity instruments	-	-	-	-	-
Deferred tax effect	-	-	-	-	-
Other comprehensive income / (loss)	-	-	-	-	-
As at 31 December 2022	**539.219**	**38.624**	**29.180**	**(156.203)**	**450.820**

Statement of changes in equity of the Company

for the year ended 31 December 2022

COMPANY	Share capital *(in THRK)*	Capital and other reserves *(in THRK)*	Revaluation reserves *(in THRK)*	Accumulated losses *(in THRK)*	Total *(in THRK)*
As at 1 January 2021	**539.219**	**38.624**	**34.137**	**(324.180)**	**287.800**
Profit / (Loss) for the year	-	-	-	(27.109)	(27.109)
Change in fair value of land	-	-	(5.945)	5.945	-
Change in fair value of equity instruments	-	-	(82)	-	(82)
Deferred tax effect	-	-	1.070	(1.070)	-
Other comprehensive income / (loss)	-	-	-	-	-
As at 31 December 2021	**539.219**	**38.624**	**29.180**	**(346.414)**	**260.609**
Profit / (Loss) for the year	-	-	-	68.728	68.728
Change in fair value of land	-	-	-	-	-
Change in fair value of equity instruments	-	-	-	-	-
Deferred tax effect	-	-	-	-	-
Other comprehensive income / (loss)	-	-	-	-	-
As at 31 December 2022	**539.219**	**38.624**	**29.180**	**(277.687)**	**329.336**

Statement of cash flows – Indirect method

for the year ended 31 December 2022

	Note	**2022** (in THRK) *Group*	**2021** (in THRK) *Group*	**2022** (in THRK) Company	**2021** (in THRK) Company
Income / (Loss) before tax		58.203	127	68.728	(27.513)
Share of net profit of equity accounted investee	19	(43.918)	(28.026)	-	-
Depreciation and amortization	16,17,18,32	21.267	20.470	20.696	19.867
Gain on disposal of property, plant and equipment and intangibles	8	(1.341)	(6.159)	(1.380)	(6.159)
Interest income	12	(11)	(4)	(10)	(3)
Interest expense	13	16.090	13.504	16.087	13.496
Dividend income	12	-	-	(56.350)	-
Foreign exchange differences - net		670	(1.032)	662	(1.029)
		50.961	**(1.119)**	**48.433**	**(1.341)**
Changes in working capital:					
Decrease/(increase) in inventories		(301)	597	(301)	597
Decrease/(increase) in trade and other receivables		374	7.824	1.372	7.926
Increase/(decrease) in trade and other payables		2.425	24.803	1.662	24.492
Increase/(decrease) in provisions		1.036	885	1.036	885
Cash from operations		**3.533**	**34.108**	**3.770**	**33.900**
Income tax paid		(9)	-	-	-
Interest paid		(5.984)	(2.052)	(5.974)	(2.044)
Net cash from operating activities		**48.501**	**30.937**	**46.229**	**30.515**

Statement of cash flows - Indirect method (continued)

for the year ended 31 December 2022

	Note	2022 (in THRK) *Group*	2021 (in THRK) *Group*	2022 (in THRK) Company	2021 (in THRK) Company
Cash flows from investing activities					
Purchase of property, plant, equipment and intangibles		(47.372)	(3.099)	(46.322)	(2.491)
Proceeds from disposal of property, plant and equipment and invest		2.226	14.199	2.226	14.199
Net inflows/(outflows) related to Group and State owned apartment		1.429	1.964	1.429	1.964
Interest received		11	4	10	3
Dividend from equity accounted investees	19	56.350	-	56.350	-
Net inflows/(outflows) from bank deposits and loans		-	21.872	(828)	21.872
Other net inflows/(outflows) from financial assets		-	166	-	166
Net cash from investing activities		**12.644**	**35.105**	**12.865**	**35.713**
Cash flows from financing activities					
Proceeds from loans	26	36.172	42.473	36.172	42.473
Repayment of loans	26	(8.435)	(8.913)	(8.435)	(8.913)
Repayments of leases	26	(578)	(2.377)	(396)	(2.248)
Receipts from grants related to capital investments	28	45.070	29.566	45.070	29.566
Infrastructure related expenditures for concession assets	32	(59.365)	(84.284)	(59.365)	(84.284)
Net cash from financing activities		**12.864**	**(23.536)**	**13.046**	**(23.407)**
Net increase of cash and cash equivalents		**74.009**	**42.507**	**72.139**	**42.821**
Cash and cash equivalents at beginning of year		62.133	19.626	60.837	18.016
Cash and cash equivalents at the end of year		**136.142**	**62.133**	**132.977**	**60.837**

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 main 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, its subsidiaries and associates are together referred to as the Group.

Main 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 24.

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

First name	Last name	Role	Appointed	Resigned
Alen	Jugović	Member President	20.01.2017 27.12.2017	-
Dragica	Varljen	Deputy president Member	28.02.2020 04.07.2018	-
Witold Waldemar	Rusinek	Member	31.08.2020	-
Hrvoje	Pauković	Member	38.02.2022	-
Tomislav	Penić	Member	31.08.2022	-

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

Duško Grabovac	Deputy President until 1 May 2020 when he became President
Marina Cesarac Dorčić	Member from 1 December 2022
Bartlomiej Michal Pastwa	Member from 19 June 2018 to 31 December 2022

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".

(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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, transshipment, 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 godina

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Land (continued)

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 realised 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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Buildings, plant and equipment (continued)

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.

3.7. Leases

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

(i) As a lessee

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) As a lessee (continued)

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)

(i) As a lessee (continued)

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

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

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

Short-term leases and leases of low-value assets

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

i. 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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. As a lessor (continued)

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.

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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Impairment of non-financial assets (continued)

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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14. Provisions (continued)

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

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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Classification and subsequent measurement (continued)

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.

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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Classification and subsequent measurement (continued)

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)

(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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of loss allowances (continued)

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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Deferred tax assets and liabilities (continued)

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.

(ii) Deferred tax assets and liabilities (continued)

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.

NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical judgements and estimates in applying accounting policies

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

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

(i) Accounting for the Concession Agreement

Characteristics of the Concession Agreement

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

NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(i) Accounting for the Concession Agreement (continued)

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 meter of area under concession and a variable fee per tonne of each type of cargo transshipped through the port of Rijeka.

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

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

NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(i) Accounting for the Concession Agreement (continued)

Considerations on the applicability of IFRIC 12

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

Application of IFRS 16 to the Concession Agreement

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

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

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

NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(i) Accounting for the Concession Agreement (continued)

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

The Group also exercises judgements in assessing the recoverability of the ROU assets and determining the appropriate approach to impairment testing. In this context, the Group assessed the recoverability of the ROU assets recognised on transition to IFRS 16 in the preceding year as part of an impairment test on the level of a larger cash generating unit (CGU) which comprises both the area within and outside of the concession area (such as the supporting warehousing and logistics terminal). The recoverable amount of the combined CGU was measured using a present value technique based on a discounted cash flow model which required a significant degree of judgement in evaluating the reasonableness of grouping of assets into the combined CGU, the reasonableness of assumptions with respect to cash flow forecasts of the CGU and the determination of the appropriate discount rate and growth rate. The impairment test model included cash flow projections discounted with a weighted average cost of capital (WACC) of 9% and implied an annual growth rate of between 0.5% and 1% after the project period ending 2027.

The projected cash flows also reflect the expected use of EU (INEA) grants for currently active CEF projects for rehabilitation and modernisation of the port area. The Group and the Port Authority of Rijeka applied for financing from EU structuring funds for these projects which should be completed by the end of 2023 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.

NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(i) Accounting for the Concession Agreement (continued)

During the 2020 and 2021, the Group observed disruptions in its operations due to the COVID 19 pandemic which has primarily affected the timeline of the execution of investments into the concession area (namely CEF projects), a significant part of which was to be executed by the reporting date. However, given a number of restrictions imposed by the pandemic, the Group reassessed the project execution timeline and now expect a 1-year delay in executing the CEF projects. Since this change in the timing of cash flows was deemed significant given the magnitude of investments which amount to a total of 39.7 million euro, the Group remeasured the relevant ROU liability to reflect the modification in timeline of expected lease payments at a discount rate of 3% based on currently expected interest rates on long term debt. The effect of the remeasurement was accounted for as a change in the ROU liability with a corresponding effect on the ROU asset.

(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).

NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(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 27).

(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 27).

NOTE 4 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(v) Recoverability of trade and other receivables

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

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

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

(vi) Revaluation of land

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

NOTE 5 – DETERMINING FAIR VALUES

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

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

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

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

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices included in level 1, that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 - input variables for assets or liabilities that are not based on observable market data (unobservable inputs)

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

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

NOTE 5 – DETERMINING FAIR VALUES (CONTINUED)

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 6 – NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting periods ending 31 December 2022 and that have not been early adopted by the Group in the preparation of these financial statements. Management does not expect any of these standards to have a significant impact on the financial statements of the Group.

7. Revenue from sales

	2022 *(in THRK) Group*	2021 *(in THRK) Group*	2022 *(in THRK) Company*	2021 *(in THRK) Company*
Sales to domestic customers	46.271	48.040	45.807	47.532
Sales to foreign customers	165.651	94.488	165.615	94.488
Total	**211.922**	**142.528**	**211.422**	**142.020**
An overview of revenue per type of cargo is given below:				
General cargo	64.254	59.527	64.254	59.527
Bulk cargo	60.559	50.332	60.559	50.332
Containers	27.223	5.539	27.223	5.539
Other port services	59.886	27.130	59.386	26.622
Total	**211.922**	**142.528**	**211.422**	**142.020**

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.

8. Other income

	2022 *(in THRK) Group*	2021 *(in THRK) Group*	2022 *(in THRK) Company*	2021 *(in THRK) Company*
Gain on sale of non-current tangible and intangible assets	1.616	6.159	1.616	6.159
Donations and grants	3.319	-	3.319	-
Bad debts recovered	17	77	17	77
Insurance recoveries	323	390	321	339
Rental income *(i)*	13.288	12.752	13.345	12.858
Reversal of provisions	-	-	-	-
Income from court cases	50	104	50	104
Other income	395	1.954	263	1.906
Total	**19.008**	**21.436**	**18.931**	**21.443**

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

9. Materials, services and consumables used

	2022 *(in THRK) Group*	2021 *(in THRK) Group*	2022 *(in THRK) Company*	2021 *(in THRK) Company*
Energy	20.632	14.325	19.328	13.746
Utilities	5.003	4.063	4.996	4.054
Postage and telecommunications	531	670	496	635
Concession fees *(i)*	2.199	1.669	2.199	1.669
Transport services	6.794	2.487	14.747	5.843
Quality control and desinfection	1.661	1.605	1.661	1.605
Freight handling services	1.828	5.302	1.828	5.302
Maintenance	7.687	9.532	8.328	9.725
Raw materials and consumables	2.204	6.826	1.844	6.728
Rent	10.004	982	10.011	992
Other materials expenses	1.144	427	860	755
Total	**59.687**	**47.888**	**66.298**	**51.054**

(i) 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 4.030 thousand (2021: HRK 4.113 thousand) which have been accounted for as a reduction in the liability for concession assets with right-of-use.

10. Personnel expenses

	2022 *(in THRK)* *Group*	2021 *(in THRK)* *Group*	2022 *(in THRK)* *Company*	2021 *(in THRK)* *Company*
Gross salaries and wages	71.392	62.233	68.342	59.965
Contributions on salaries	11.916	10.276	11.310	9.905
Other employee related costs	4.932	5.423	4.515	5.118
Total	**88.240**	**77.932**	**84.167**	**74.988**

As at 31 December 2022 the number of staff employed by the Group was 664 (2021: 519) while the Company employed 646 employees (2021: 503).

11. Other expenses

	2022 *(in THRK)* *Group*	2021 *(in THRK)* *Group*	2022 *(in THRK)* *Company*	2021 *(in THRK)* *Company*
Bank charges	364	871	346	853
Intellectual services	1.813	1.605	1.669	1.468
Fines and penalties	3.655	550	3.671	550
Reimbursement of costs to employees	3.388	2.628	3.231	2.488
Severance pays *(i)*	128	9.395	128	9.395
Non-income related taxes, contributions and fees *(ii)*	11.319	10.486	11.232	10.408
Insurance	2.514	2.403	2.388	2.281
Court fees and expenses	96	289	96	289
Impairment of receivables	-	-	-	-
Marketing and entertainment	164	81	161	78
Increase in provisions for court cases	4.899	3.500	4.899	3.500
Other expenses	2.042	1.318	1.939	1.315
Total	**30.382**	**33.126**	**29.760**	**32.625**

(i) Based on the program of collective care for employees, which included the restructuring and formation of a new staff structure, in 2021 the Company paid severance pay for 118 employees.

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

12. Finance income

	2022 *(in THRK)* *Group*	2021 *(in THRK)* *Group*	2022 *(in THRK)* *Company*	2021 *(in THRK)* *Company*
Interest and similar income	**8**	4	10	3
Foreign exchange gains	489	1.728	488	1.724
Other financial income *(i)*	-	22	56.350	22
Total	**497**	**1.754**	**56.848**	**1.749**

(i) Other financial income in 2022 relates to dividend income from the associated company Jadranska vrata d.d. (2021: HRK 0 thousand).

13. Finance costs

	2022 *(in THRK)* *Group*	2021 *(in THRK)* *Group*	2022 *(in THRK)* *Company*	2021 *(in THRK)* *Company*
Interest and similar expenses *(i)*	16.098	13.504	16.087	13.496
Foreign exchange losses	1.466	696	1.465	695
Total	**17.564**	**14.200**	**17.552**	**14.191**

(i) Interest and similar expenses include HRK 10.077 thousand (2021: HRK 12.108 thousand) for expense for unwinding of discount on the liability for concession assets with right of use while remaining amounts mainly include interest on bank loans.

14. Income tax

Tax income consists of:

	2022 *(in THRK)* *Group*	2021 *(in THRK)* *Group*	2022 *(in THRK)* *Company*	2021 *(in THRK)* *Company*
Current income tax	304	-	-	-
Deferred tax	-	(404)	-	(404)
Income tax expense / (benefit)	**304**	**(404)**	**-**	**(404)**

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

	2022 *(in THRK)* *Group*	2021 *(in THRK)* *Group*	2022 *(in THRK)* *Company*	2021 *(in THRK)* *Company*
Tax calculated at 18% (2021: 18%)	**10.477**	**(5.022)**	**12.371**	**(4.952)**
Non-taxable income	(133)	-	(10.276)	-
Non-deductible expenses	2.894	3.605	2.890	3.597
Tax effect of share in result of equity accounted investee	(7.905)	(5.045)	-	-
Tax incentive - reduction of tax rate	(16)	(11)	(13)	(8)
Effect of unused tax loss	28	6.069	-	959
Effect of utilized tax losses	(5.041)	-	(4.972)	-
Tax expense / (benefit) recognised in the statement of comprehensive income	**304**	**(404)**	**-**	**(404)**
Effective tax rate	3%	-	-	-

As at 31 December 2022, the Company and the Group has unused tax losses to carry forward of HRK 13.796 thousand and HRK 14.157 thousand, respectively (31 December 2021: HRK 45.469 thousand and HRK 46.051 thousand, respectively).

14. Income tax (continued)

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

2022 Group and Company	**Opening balance** *(in THRK)*	**Recognised in equity** *(in THRK)*	**Recognised in profit or loss** *(in THRK)*	**Closing balance** *(in THRK)*
Land and buildings	8.211	-	-	8.211
Other financial assets	319	-	-	319
Provision for employee entitlements	426	-	-	426
Total	**8.956**	**-**	**-**	**8.956**

2021 Group and Company	**Opening balance** *(in THRK)*	**Recognised in equity** *(in THRK)*	**Recognised in profit or loss** *(in THRK)*	**Closing balance** *(in THRK)*
Land and buildings	8.460	-	(249)	8.211
Other financial assets	319	-	-	319
Financial assets available for sale	399	-	(399)	-
Provision for employee entitlements	426	-	-	426
Total	**9.604**	-	**(648)**	**8.956**

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 mostly relates to the impairment of land and buildings recorded in 2018 as presented in more detail in note 17.

14. Income tax (continued)

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

2022 Group	Opening balance	Recognised in equity	Recognised in profit or loss	Closing balance
	(in THRK)	*(in THRK)*	*(in THRK)*	*(in THRK)*
Revaluation of land	6.401	-	-	6.401
Financial assets available for sale	13	-	-	13
Investments in equity accounted investees	5.056	-	-	5.056
Total	**11.470**	**-**	**-**	**11.470**

2021 Group	Opening balance	Recognised in equity	Recognised in profit or loss	Closing balance
	(in THRK)	*(in THRK)*	*(in THRK)*	*(in THRK)*
Revaluation of land	7.476	-	(1.075)	6.401
Financial assets available for sale	13	-	-	13
Investments in equity accounted investees	5.056	-	-	5.056
Total	**12.545**	**-**	**(1.075)**	**11.470**

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

2022 Company	Opening balance	Recognised in equity	Recognised in profit or loss	Closing balance
	(in THRK)	*(in THRK)*	*(in THRK)*	*(in THRK)*
Revaluation of land	6.401	-	-	6.401
Investments in equity accounted investees	14	-	-	14
Total	**6.415**	**-**	**-**	**6.415**

2021 Company	Opening balance	Recognised in equity	Recognised in profit or loss	Closing balance
	(in THRK)	*(in THRK)*	*(in THRK)*	*(in THRK)*
Revaluation of land	7.476	-	(1.075)	6.401
Investments in equity accounted investees	14	-	-	14
Total	**7.489**	**-**	**(1.075)**	**6.415**

14. Income tax (continued)

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.

15. Earnings per share

	2022 *(in THRK)* *Group*	**2021** *(in THRK)* *Group*
Income / (Loss) for the year (in thousands of HRK)	57.899	531
Total and weighted number of issued shares	13.480.475	13.480.475
Earnings per share (basic and diluted) in HRK	**4,30**	**0,04**

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.

16. Intangible assets

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

(in THRK)	**Software**
Cost	
At 1 January 2021	**4.687**
Additions	1
Transfers	-
Disposals and write-off's	(19)
At 31 December 2021	**4.669**
Additions	226
Transfers	-
Disposals and write-off's	-
At 31 December 2022	**4.895**
Accumulated amortisation	
At 1 January 2021	**4.649**
Charge for the year	32
Disposals and write-off's	(19)
At 31 December 2021	**4.662**
Charge for the year	29
Disposals and write-off's	-
At 31 December 2022	**4.691**
Carrying amount	
At 31 December 2021	**7**
At 31 December 2022	**204**

17. Property, plant and equipment

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

(in THRK)	Land	Buildings	Equipment and fittings	Leasehold improvements	Assets under construction and advances	Total
Cost or revalued amount						
At 1 January 2021	**222.859**	**373.768**	**169.770**	**366**	**-**	**766.763**
Additions	-	-	342	-	2.757	3.099
Transfers	-	-	1.289	-	(1.289)	-
Disposals and write-off's	(5.900)	(3.707)	(4.833)	-	-	(14.440)
At 31 December 2021	**216.959**	**370.061**	**166.568**	**366**	**1.468**	**755.422**
Additions	-	-	1.076	-	46.327	47.403
Transfers	-	11.598	10.885	-	(22.483)	-
Disposals and write-off's	-	-	(2.606)	-	(258)	(2.864)
At 31 December 2022	**216.959**	**381.659**	**175.923**	**366**	**25.054**	**799.961**
Accumulated depreciation and impairment losses						
At 1 January 2021	**12.666**	**62.507**	**153.862**	**76**	**-**	**229.111**
Charge for the year	-	9.021	3.591	12	-	12.624
Disposals and write-off's	-	(2.102)	(4.734)	-	-	(6.836)
At 31 December 2021	**12.666**	**69.426**	**152.719**	**88**	**-**	**234.899**
Charge for the year	**-**	**9.072**	**4.357**	**12**	**-**	**13.440**
Disposals and write-off's	**-**	**-**	**(2.448)**	**-**	**-**	**(2.448)**
At 31 December 2022	**12.666**	**78.498**	**154.628**	**100**	**-**	**245.891**
Carrying amount						
At 31 December 2021	**204.293**	**300.635**	**13.849**	**278**	**1.468**	**520.522**
At 31 December 2022	**204.293**	**303.161**	**21.295**	**266**	**25.054**	**554.069**

17. Property, plant and equipment (continued)

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

(in THRK)	Land	Buildings	Equipment and fittings	Leasehold improvements	Assets under construction and advances	Total
Cost or revalued amount						
At 1 January 2021	**222.859**	**373.768**	**162.642**	**366**	**-**	**759.635**
Additions	-	-	-	-	2.757	2.757
Transfers	-	-	1.289	-	(1.289)	-
Disposals and write-off's	(5.900)	(3.707)	(4.341)	-	-	(13.948)
At 31 December 2021	**216.959**	**370.061**	**159.590**	**366**	**1.468**	**748.444**
Additions	-	-	27	-	46.327	46.354
Transfers	-	11.598	10.885	-	(22.483)	-
Disposals and write-off's	-	-	(2.260)	-	(258)	(2.518)
At 31 December 2022	**216.959**	**381.659**	**168.242**	**366**	**25.054**	**792.280**
Accumulated depreciation and impairment losses						
At 1 January 2021	**12.666**	**62.507**	**147.973**	**76**	**-**	**223.222**
Charge for the year	-	9.021	2.987	12	-	12.020
Disposals and write-off's	-	(2.102)	(4.242)	-	-	(6.344)
At 31 December 2021	**12.666**	**69.426**	**146.718**	**88**	**-**	**228.898**
Charge for the year	-	9.072	3.786	12	-	12.869
Disposals and write-off's	-	-	(2.141)	-	-	(2.141)
At 31 December 2022	**12.666**	**78.498**	**148.363**	**100**	-	**239.626**
Carrying amount						
At 31 December 2021	**204.293**	**300.635**	**12.872**	**278**	**1.468**	**519.545**
At 31 December 2022	**204.293**	**303.161**	**19.879**	**266**	**25.054**	**552.654**

17. Property, plant and equipment (continued)

Land and buildings of the Company with a carrying amount of HRK 420.237 thousand (2021: HRK 429.101 thousand) are mortgaged against the Company's borrowings.

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 170.762 thousand (2021: HRK 170.762 thousand). As at 31 December 2022, the revaluation surplus recognised in revaluation reserves amounts to HRK 29.180 thousand (2021: HRK 29.180 thousand). Furthermore, valuation reports of independent valuators included also valuation of the buildings that are carried at cost model. For buildings where the recoverable amount was estimated to be less than the carrying amount, the carrying amount of the asset is reduced to the recoverable amount. No impairment losses were recognised in 2022 and 2021.

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.

18. Investment property

	31.12.2022 (in THRK) Group	31.12.2021 (in THRK) Group	31.12.2022 (in THRK) Company	31.12.2021 (in THRK) Company
Cost				
At 1 January	**10.166**	**10.876**	**10.166**	**10.876**
Disposals and write-off's	(750)	(710)	(750)	(710)
Total	**9.416**	**10.166**	**9.416**	**10.166**
Accumulated depreciation				
At 1 January	**4.052**	**4.143**	**4.052**	**4.143**
Charge for the year	102	111	102	111
Disposals and write-off's	(227)	(202)	(227)	(202)
	3.927	**4.052**	**3.927**	**4.052**
Carrying amount as at 31 December	**5.489**	**6.114**	**5.489**	**6.114**

Investment property relates to 32 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 2022, Group sold three apartments and gain on sale of HRK 1.535 thousand (2021: sale of four apartments and gain on sale of HRK 796 thousand).

19. Investments in subsidiairies and equity accounted investees

	31.12.2022 *(in THRK)* *Group*	31.12.2021 *(in THRK)* *Group*	31.12.2022 *(in THRK)* *Company*	31.12.2021 *(in THRK)* *Company*
Investments in subsidiaries	-	-	60	60
Investment in equity accounted investees	133.912	146.344	11.727	11.727
Total	**133.912**	**146.344**	**11.787**	**11.787**

The investments in subsidiaries are as follows:

	Ownership interest		Investment	
(in THRK)	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Luka - prijevoz d.o.o.	100%	100%	20	20
Stanovi d.o.o.	100%	100%	20	20
Luka Rijeka Container Depot d.o.o.	100%	100%	20	20
			60	**60**

The investments in equity accounted investees relate to the following:

	31.12.2022 *(in THRK)* *Group*	31.12.2021 *(in THRK)* *Group*	31.12.2022 *(in THRK)* *Company*	31.12.2021 *(in THRK)* *Company*
Jadranska vrata d.d.				
- at cost	-	-	11.727	11.727
- applying the equity method	133.912	146.344	-	-
Total	**133.912**	**146.344**	**11.727**	**11.727**

	31.12.2022 *(in THRK)* *Group*	31.12.2021 *(in THRK)* *Group*
As at 1 January	**146.344**	**118.318**
Share of profit/(loss) of associate	43.918	28.026
Dividend payment	(56.350)	-
As at 31 December	**133.912**	**146.344**

19. Investments in subsidiairies and equity accounted investees (continued)

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

Jadranska vrata d.d.	**31.12.2022** *(in THRK)*	**31.12.2021** *(in THRK)*
Assets	242.340	266.087
Liabilities	25.625	24.015
Revenue	240.949	177.443
Net profit	89.642	57.204

The General Assembly of the company Jadranska vrata d.d. voted for a dividend during 2022 in the amount of HRK 115.000 thousand (2021: HRK 0 thousand), of which HRK 56.350 thousand related to the dividend payable to the Company, which was recognized within financial income in the unconsolidated financial statements.

20. Non-current financial assets

	31.12.2022 *(in THRK)* *Group*	**31.12.2021** *(in THRK)* *Group*	**31.12.2022** *(in THRK)* *Company*	**31.12.2021** *(in THRK)* *Company*
Non-current receivables for apartments sold	293	732	293	732
Other financial assets	40	40	40	40
	333	**772**	**333**	**772**

Receivables for apartments sold

In 2022, 207 apartments were repaid in full (2021: 185 apartments). As at 31 December 2022, a total of 474 apartments were in repayment (2021: 675 apartments).

21. Current financial assets

	31.12.2022 *(in THRK)* *Group*	31.12.2021 *(in THRK)* *Group*	31.12.2022 *(in THRK)* *Company*	31.12.2021 *(in THRK)* *Company*
Short-term deposits in banks	700	700	700	700
Given loans	-	-	829	-
As at 31 December	**700**	**700**	**1.529**	**700**

Interest rate on short-term deposits are variable, ranging from 0,02% to 1,45% per annum.

22. Trade and other receivables

	31.12.2022 *(in THRK)* *Group*	31.12.2021 *(in THRK)* *Group*	31.12.2022 *(in THRK)* *Company*	31.12.2021 *(in THRK)* *Company*
Receivables from domestic customers	16.116	12.714	16.081	12.643
Receivables from foreign customers	18.292	11.760	18.290	11.758
Receivables for apartments sold on credit	1.030	1.429	1.030	1.429
Taxes, contributions and fees receivable	195	210	194	208
Advances given *(i)*	3.688	16.115	3.667	16.057
VAT receivable	1.100	102	980	-
Prepaid expenses	528	432	526	424
Other receivables	516	1.164	49	660
	41.465	**43.926**	**40.817**	**43.179**

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

22. Trade and other receivables (continued)

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

	31.12.2022 *(in THRK)* *Group*	**31.12.2021** *(in THRK)* *Group*	**31.12.2022** *(in THRK)* *Company*	**31.12.2021** *(in THRK)* *Company*
At 1 January	**13.008**	**12.780**	**13.008**	**12.780**
Increase	-	-	-	-
Collected	(17)	(7)	(17)	(7)
Written-off	(17)	-	(17)	-
Exchange rates	257	235	258	235
At 31 December	**13.231**	**13.008**	**13.232**	**13.008**

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

Ageing analysis of trade receivables is as follows:

	31.12.2022 *(in THRK)* *Group*	**31.12.2021** *(in THRK)* *Group*	**31.12.2022** *(in THRK)* *Company*	**31.12.2021** *(in THRK)* *Company*
Non-matured	26.427	17.639	26.393	17.565
Up to 90 days	5.402	4.573	5.402	4.573
91-180 days	238	841	238	841
181-360 days	380	131	380	131
Over 360 days	1.961	1.290	1.958	1.291
	34.408	**24.474**	**34.371**	**24.401**

Trade receivables are denominated in following currencies:

	31.12.2022 *(in THRK)* *Group*	**31.12.2021** *(in THRK)* *Group*	**31.12.2022** *(in THRK)* *Company*	**31.12.2021** *(in THRK)* *Company*
HRK	14.191	12.714	14.156	12.643
EUR	19.915	11.600	19.912	11.598
USD	302	160	303	160
	34.408	**24.474**	**34.371**	**24.401**

23. Cash and cash equivalents

	31.12.2022 *(in THRK)* *Group*	31.12.2021 *(in THRK)* *Group*	31.12.2022 *(in THRK)* *Company*	31.12.2021 *(in THRK)* *Company*
Cash with banks	136.087	62.127	132.975	60.834
Cash at hand	55	6	2	3
	136.142	**62.133**	**132.977**	**60.837**

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 45.808 thousand (2021: HRK 13.540 thousand) of restricted funds relating to grants received for the purpose of capital investments into CEF project for which bank guarantees have been issued.

Cash and cash equivalents are denominated in the following currencies:

	31.12.2022 *(in THRK)* *Group*	31.12.2021 *(in THRK)* *Group*	31.12.2022 *(in THRK)* *Company*	31.12.2021 *(in THRK)* *Company*
HRK	107.217	57.254	104.272	56.353
EUR	26.887	4.422	26.668	4.257
USD	2.038	457	2.037	227
	136.142	**62.133**	**132.977**	**60.837**

24. Share capital

	31.12.2022 *(in THRK)* *Company*	31.12.2021 *(in THRK)* *Company*
Share capital	539.219	539.219
	539.219	**539.219**

As at 31 December 2022, 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.

24. Share capital (continued)

An overview of key shareholders and the shareholder structure as of the date of the statement of financial position is as follows:

	% of ownership	
	2022	**2021**
CERP / Republic of Croatia	25,02%	25,02%
RUBICON PARTNERS VENTURES ASI SP. Z O.O.	17,51%	17,51%
OTP BANKA D.D./ AZ OMF KATEGORIJE B	15,02%	15,20%
PRIVREDNA BANKA ZAGREB D.D.	8,75%	8,75%
OT LOGISTICS SPOLKA AKCYJNA	7,87%	9,76%
ERSTE & STEIERMARKISCHE BANK D.D./PBZ CO OMF - KATEGORIJA B	7,60%	7,60%
OTP BANKA D.D./ ERSTE PLAVI OMF KATEGORIJE B	6,81%	6,81%
Other shareholders	11,42%	9,35%
Total	**100%**	**100%**

Change in voting rights

By the date of approval of these financial statements, the company Port Acquisitions a.s. with headquarters in Prague, Czech Republic on March 14, 2023 acquired 33.73% of the ordinary shares of the Company, and exceeds the threshold of 25% with voting rights of the Issuer and after additional acquisitions, it holds a total of 34.42% of votes at the Issuer's General Assembly.

25. Reserves

	31.12.2022 *(in THRK)* *Group*	**31.12.2021** *(in THRK)* *Group*	**31.12.2022** *(in THRK)* *Company*	**31.12.2021** *(in THRK)* *Company*
Capital and other reserves	38.624	38.624	38.624	38.624
Revaluation reserves	29.180	29.180	29.180	29.180
	67.804	**67.804**	**67.804**	**67.804**

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.

26. Borrowings

	31.12.2022 *(in THRK)* *Group*	31.12.2021 *(in THRK)* *Group*	31.12.2022 *(in THRK)* *Company*	31.12.2021 *(in THRK)* *Company*
Non-current borrowings				
Bank loans	116.427	92.916	116.427	92.916
Lease liabilities	791	1.088	631	1.024
	117.218	**94.004**	**117.058**	**93.940**
Current borrowings				
Bank loans	13.358	8.897	13.358	8.897
Lease liabilities	552	515	396	383
	13.910	**9.412**	**13.754**	**9.280**
Total borrowings	**131.128**	**103.416**	**130.812**	**103.220**

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

	31.12.2022 *(in THRK)* *Group*	31.12.2021 *(in THRK)* *Group*	31.12.2022 *(in THRK)* *Company*	31.12.2021 *(in THRK)* *Company*
1 year or less	12.873	8.897	12.873	8.897
1 - 2 years	16.829	11.022	16.829	11.022
2 – 5 years	43.336	35.394	43.336	35.394
Over 5 years	56.747	46.500	56.747	46.500
	129.785	**101.813**	**129.785**	**101.813**

The carrying amounts of the Group's borrowings are denominated in euro.

26. Borrowings (continued)

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

	31.12.2022 *(in THRK)* *Group*	**31.12.2021** *(in THRK)* *Group*	**31.12.2022** *(in THRK)* *Company*	**31.12.2021** *(in THRK)* *Company*
Up to 1 year	552	515	396	383
Between 1 and 2 years	513	459	408	395
Between 2 and 5 years	278	629	223	629
Over 5 years	-	-	-	-
	1.343	**1.603**	**1.027**	**1.407**

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

	Loans *(in THRK)*	**Leases** *(in THRK)*	**Total** *(in THRK)*
Balance as at 1 January 2022	**101.813**	**1.603**	**103.416**
Cash transactions:			
Loans repaid	(8.435)	-	(8.435)
Received loans	36.172	401	36.573
Leases repaid	-	(677)	(677)
Total cash transactions	**27.737**	**(276)**	**27.461**
Non-cash transactions			
Exchange rate effect	235	16	251
Other non-cash transactions	-	-	-
Balance as at 31 December 2022	**129.785**	**1.343**	**131.128**

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 32.

Bank loans

Bank loans amounting to HRK 121.458 thousand have variable interest rates (2021: HRK 90.417 thousand). The variable interest rates for bank loans were in the range from 1,5% to 5,9% per annum (2021: from 1,6% to 4%).

Bank loans amounting to HRK 8.327 thousand have fixed interest rates (2021: HRK 11.396 thousand). The fixed interest rates for bank loans included in the table above were around 3% (2021: around 3%).

26. Borrowings (continued)

Leases

Leases of the Group and the Company relate to finance leases of equipment in the amount of HRK 1.343 thousand of equity as at 31 December 2022 with an interest rate of 3% per annum (2021: 3%).

Security

Bank borrowings in the amount of HRK 129.785 thousand (2021: HRK 101.813 thousand) are secured by mortgages over the Company's and Group's land and buildings (note 17).

Debt terms

Under the loan agreement, the Group is required to comply with certain borrowing conditions. At the reporting dates, the Group did not maintain borrowing conditions. However, the Group has so far repaid the loan in accordance with the repayment schedule and financial institutions regularly review the Group's books of account and are adequately informed regarding the maintenance of borrowing conditions. The Management Board applied the judgment and estimated that the loan will not be repaid in full in the foreseeable future as a result of non-compliance with the terms of the loan.

Furthermore, the Management Board believes that the Group's ability to repay the loan according to the agreed maturities is not in question, as the Group could provide additional financing through collateralisation of its assets in case its operating cash flows are insufficient to service the loan.

27. Provisions

Group and Company	Jubilee awards and retirement benefits (in THRK)	Legal cases (in THRK)	Total (in THRK)
As at 31 December 2021			
Non-current	2.364	-	2.364
Current	-	5.962	5.962
	2.364	**5.962**	**8.326**
As at 31 December 2022			
Non-current	2.364	-	2.364
Current	-	6.998	6.998
	2.364	**6.998**	**9.362**

Movement in provisions was as follows:

Group and Company	Jubilee awards and retirement benefits (in THRK)	Legal cases (in THRK)	Total (in THRK)
As at 1 January 2021	**2.364**	**5.077**	**7.441**
Increase	-	3.500	3.500
Decrease	-	(2.615)	(2.615)
As at 31 December 2021	**2.364**	**5.962**	**8.326**
As at 1 January 2022	**2.364**	**5.962**	**8.326**
Increase	-	4.899	4.899
Decrease	-	(3.863)	(3.863)
As at 31 December 2022	**2.364**	**6.998**	**9.362**

(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 an actuarial calculation.

27. Provisions (continued)

(ii) Legal cases

Legal provisions relate to a number of legal proceedings initiated against the Group which stem from regular commercial activities, Republic of Croatia Ministry of Finance - Tax Administration and court cases including former employees. The expenses relating to the provisions are included in the income statement within Other expenses.

28. Trade and other payables

	31.12.2022 *(in THRK)* *Group*	31.12.2021 *(in THRK)* *Group*	31.12.2022 *(in THRK)* *Company*	31.12.2021 *(in THRK)* *Company*
Trade payables - domestic	22.927	30.073	24.466	31.054
Trade payables - foreign	3.203	-	3.203	-
Liabilities toward employees	6.748	5.677	6.558	5.514
Liabilities for apartments sold	8.090	7.343	8.090	7.343
Interest payable	169	133	169	133
Other taxes, contributions and fees payable	58	129	58	129
VAT liabilities	7	55	-	46
Salary taxes and contributions payable	2.737	2.234	2.621	2.141
Deferred income *(i)*	99.976	54.906	99.976	54.906
Accrued expenses	1.091	1.097	1.091	1.097
Other payables *(ii)*	11.597	8.803	10.980	8.081
	156.603	**110.450**	**157.212**	**110.444**

(i) Two funding contracts were concluded at the end of 2017, as part of the incentives of the European Commission for the reconstruction of the port area in Rijeka and Bakar, between the INEA Agency (the Innovation and Networks Executive Agency) as the Grantor, Port Authority of Rijeka as the coordinator and the Company. The Company and the Port Authority of Rijeka are also considered recipients of the grant (the Company has the right to approximately 96% of the total amount of the grant while the remainder relates to the port authority). The total amount of the grant for both contracts (CEF projects) is up to a maximum of 85% of the costs that will be required for the planned works in this area which amounts to 33.795 thousand euros. As of 31 December 2022, the Company received a total of HRK 99.976 thousand in grant related to the financed projects.

(ii) Continuing with point *(i),* Other payables mostly relate to the obligation to retain the amount of 10% of the interim situations performed for the above mentioned projects until the final situation.

29. 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:

	31.12.2022 *(in THRK)* *Group*	**31.12.2021** *(in THRK)* *Group*	**31.12.2022** *(in THRK)* *Company*	**31.12.2021** *(in THRK)* *Company*
Debt (long- and short-term borrowings) = D	(131.128)	(103.416)	(130.812)	(103.220)
Short term bank deposits and given loans	700	700	1.529	700
Cash and cash equivalents	136.142	62.133	132.977	60.837
Net cash / (debt)	**5.714**	**(40.583)**	**3.694**	**(41.683)**
Equity = E	(450.827)	(392.927)	(329.336)	(260.608)
Financial leverage ratio = D/(D+E)				
excl. concession related liabilities	23%	21%	28%	28%
incl. concession related liabilities	48%	52%	55%	62%

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

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

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

29. Risk management (continued)

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:

	31.12.2022 (in THRK) Group	31.12.2021 (in THRK) Group	31.12.2022 (in THRK) Company	31.12.2021 (in THRK) Company
Financial assets at FVOCI	-	-	-	-
Total FVOCI financial assets	-	**-**	-	**-**
Non-current financial assets	333	772	333	772
Short-term financial assets	700	700	1.529	700
Trade receivables	37.054	27.169	36.430	26.490
Cash and cash equivalents	136.142	62.133	132.977	60.837
Total financial assets at amortised cost	**174.229**	**90.774**	**171.268**	**88.800**
Total financial assets	**174.229**	**90.774**	**171.268**	**88.800**
Lease liabilities	1.343	1.603	1.027	1.407
Liabilities for concession assets	276.781	325.656	276.781	325.656
Loan liabilities	129.785	101.813	129.785	101.813
Trade payables	45.985	46.352	46.909	46.611
Total financial liabilities at amortised cost	**453.894**	**475.425**	**454.501**	**475.487**
Total financial liabilities	**453.894**	**475.425**	**454.501**	**475.487**

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.

29. Risk management (continued)

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.

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.

29. Risk management (continued)

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 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.

(in THRK)	Carrying amount	Contractual cash flows	Up to 1 year	1 – 2 years	2 - 5 years	Over 5 years
As at 31 December 2022						
Non-interest bearing:						
Non-current receivables	1.363	1.363	1.030	333	-	-
Trade receivables	37.054	37.054	37.054	-	-	-
	38.417	**38.417**	**38.084**	**333**	**-**	**-**
Interest bearing:						
Current financial assets	700	700	700	-	-	-
Cash and cash equivalents	136.142	136.142	136.142	-	-	-
	136.842	**136.842**	**136.842**	**-**	-	-
Total	**175.260**	**175.260**	**174.927**	**333**	**-**	**-**

(in THRK)	Carrying amount	Contractual cash flows	Up to 1 year	1 – 2 years	2 - 5 years	Over 5 years
As at 31 December 2022						
Non-interest bearing:						
Lease liabilities	-	-	-	-	-	-
Trade payables	45.985	45.985	45.985	-	-	-
	45.985	**45.985**	**45.985**	-	-	-
Interest bearing:						
Lease liabilities	1.343	1.397	590	526	282	-
Liabilities for concession assets	276.781	300.983	153.502	18.440	116.681	12.360
Loan liabilities	129.785	157.451	16.418	21.864	54.694	64.475
	407.909	**459.832**	**170.510**	**40.830**	**171.656**	**76.835**
Total	**453.894**	**505.817**	**216.495**	**40.830**	**171.656**	**76.835**

29. Risk management (continued)

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

Liquidity risk analysis (continued)

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

(in THRK)	Carrying amount	Contractual cash flows	Up to 1 year	1 – 2 years	2 - 5 years	Over 5 years
As at 31 December 2021						
Non-interest bearing:						
Non-current receivables	2.202	2.202	1.429	315	458	-
Trade receivables	27.169	27.169	27.169	-	-	-
Equity instruments at FVOCI	**29.371**	**29.371**	**28.598**	**315**	**458**	**-**
Interest bearing:						
Current financial assets	700	700	700	-	-	-
Cash and cash equivalents	62.133	62.133	62.133	-	-	-
	62.833	**62.833**	**62.833**	**-**	**-**	**-**
Total	**92.204**	**92.204**	**91.431**	**315**	**458**	**-**

29. Risk management (continued)

(in THRK)	Carrying amount	Contractual cash flows	Up to 1 year	1 – 2 years	2 - 5 years	Over 5 years
As at 31 December 2021						
Non-interest bearing:						
Lease liabilities	-	-	-	-	-	-
Trade payables	46.352	46.352	46.352	-	-	-
	46.352	**46.352**	**46.352**	**-**	**-**	**-**
Interest bearing:						
Lease liabilities	1.603	1.685	556	484	645	-
Liabilities for concession assets	325.656	347.050	134.643	190.411	8.834	13.162
Loan liabilities	101.813	114.861	9.887	11.001	39.611	54.362
	429.072	**463.596**	**145.086**	**201.896**	**49.090**	**67.524**
Total	**475.424**	**509.948**	**191.438**	**201.896**	**49.090**	**67.524**

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:

	31.12.2022 *(in THRK)* *Group*	**31.12.2021** *(in THRK)* *Group*	**31.12.2022** *(in THRK)* *Company*	**31.12.2021** *(in THRK)* *Company*
EURIBOR based bank loans	121.458	90.417	121.458	90.417

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.

29. Risk management (continued)

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:

(in THRK)	**Contractual cash flows**
As at 31 December 2022	
At currently applicable int. rates	148.784
At currently applicable int. rates + 50 basis points	153.481
Effect of increase of int. rates by 50 basis points	**(4.697)**

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

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**	
	31.12.2022	**31.12.2021**	**31.12.2022**	**31.12.2021**
(in THRK)	Group	Group	Company	Company
EUR	134.301	103.417	133.984	103.221
USD	30	-	30	-
	134.331	**103.417**	**134.014**	**103.221**

	Assets		**Assets**	
	31.12.2022	**31.12.2021**	**31.12.2022**	**31.12.2021**
(in THRK)	Group	Group	Company	Company
EUR	49.853	19.759	49.631	19.756
USD	2.340	388	2.340	388
	52.193	**20.147**	**51.971**	**20.144**

29. Risk management (continued)

Foreign currency sensitivity analysis

The Group does not currently hedge currency risk with respect to USD is not considered significant. 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**	
	31.12.2022	**31.12.2021**	**31.12.2022**	**31.12.2021**
EUR	7,534500	7,517174	7,531585	7,524102
USD	7,064035	6,643548	7,163295	6,370942

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 22% (2021: 34%) of its revenue from domestic customers, whereas around 78% (2021: 66%) 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.

29. Risk management (continued)

Operational risk management (continued)

Sales concentration risk management (continued)

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 2022, top 10 customers of the Group generated approximately 61% of operating revenues (2021: 63%) while the top five customer generated approximately 46% of operating revenues (2021: 48%). 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.

30. Related party transactions

The Company has a related relationship with is majority shareholder (and companies under its control) and its subsidiaries and associates. The most important individual shareholder of the company Luka Rijeka d.d. on the date of the financial statements is the Republic of Croatia holding a share of 25.02% in the share capital and voting rights of the Company.

Given that the Republic of Croatia holds 25.02% 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.

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”).

30. Related party transactions (continued)

Transactions with State and entities under its control or influence

Receivables and sales with the State and related parties:

(in THRK)	**2022**	**2021**
Petrokemija d.d.		
Sales of services	-	-
Receivables as at 31 December	-	-
Port Authority of Rijeka		
Rent of premises and provision of regular services	4.270	5.688
Receivables as at 31 December	1.491	635
Jadrolinija d.d.		
Sales of services	153	165
Receivables as at 31 December	18	8
Croatia insurance Group		
Insurance claims	32	-
Receivables as at 31 December	-	-
HEP Group		
Sales of services	-	-
Receivables as at 31 December	-	-
HŽ Cargo d.o.o		
Sales of services	29	-
Receivables as at 31 December	-	-
INA Group		
Sales of services	-	-
Receivables as at 31 December	-	-
Faculty of Maritime studies in Rijeka		
Sales of services	-	-
Receivables as at 31 December	-	-
Total sales	**4.484**	**5.853**
Total receivables as at 31 December	**1.509**	**643**

30. Related party transactions (continued)

Payables and purchases with the State and related parties:

(in THRK)	**2022**	**2021**
Croatia insurance Group		
Purchase of insurance policies	6	-
Liabilities as at 31 December	16	-
HEP Group		
Purchase of electricity	13.303	4.455
Liabilities as at 31 December	5.529	454
HŽ Cargo d.o.o.		
Purchase of transport services	317	4
Liabilities as at 31 December	242	-
INA Group		
Purchase of fuel	154	317
Liabilities as at 31 December	-	24
Faculty of Maritime studies in Rijeka		
Purchase of services	5	-
Liabilities as at 31 December	-	-
Total purchases	**13.785**	**4.776**
Total liabilities as at 31 December	**5.787**	**478**

Transactions with owners - OT Logistics S.A. and RUBICON PARTNERS VENTURES ASI SP.Z.O.O.

During 2022 and 2021, there were no transactions with OT Logistics S.A. and RUBICON PARTNERS VENTURES ASI SP. Z O.O.. As at 31 December 2022 and 31 December 2021, the Group and the Company did not have any receivables or payables towards OT Logistics S.A. and RUBICON PARTNERS VENTURES ASI SP. Z O.O.

30. Related party transactions (continued)

Transactions with subsidiaries

During 2022, the Company purchased goods and services from subsidiaries in the amount of HRK 13.765 thousand (2021: HRK 6.185 thousand) and at 31 December 2022 owed to subsidiaries HRK 2.219 thousand (2021: HRK 1.112 thousand). During 2022, the Company sold goods and services to subsidiaries in the amount of HRK 110 thousand (2021: HRK 106 thousand) and at 31 December 2022 had receivables from subsidiaries in the amount of HRK 830 thousand (2021: 11 thousand kuna).

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 2022 and 31 December 2021 and transactions in the statement of comprehensive income for the years then ended are as follows:

(in THRK)	**2022**	**2021**
Trade receivables	1.717	430
Sales revenue and other income	22	63
Other financial income (*Note 12*)	56.350	-

Transactions with State bodies

Concession fees

During 2022, in relation to the Concession Agreement, the Group paid fixed concession fees toward the Port Authority of Rijeka in the amount of HRK 4.030 thousand (2021: HRK 4.113 thousand) and recognized expenditure related to variable concession fees in the amount of HRK 1.864 thousand (2021: HRK 1.651 thousand). As at 31 December 2022, the Group had outstanding payables toward the Port Authority of Rijeka with respect concession and related expenses of HRK 488 thousand (31 December 2021: HRK 446 thousand).

Remuneration to the Management Board members

Key management of the Company comprises the Management Board and consists of 2 persons (2021: 2 persons). During 2022, the Group paid out HRK 1.754 thousand to the Management Board (2021: HRK 1.561 thousand) with respect to gross salaries (including contributions on salaries).

31. Contingent liabilities and assets

Exposure to court cases

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

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

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

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

Current service levels are considerably lower than those included in the initial business plans. Calculated potential penalties by the Company, without interest, amount to approximately HRK 98,1 million, of which HRK 13,4 million relates to 2016, HRK 12,9 million to 2017, HRK 13,2 million for 2018, HRK 15,7 million for 2019, HRK 14,4 million for 2020, HRK 15 million for 2021 and 13,5 HRK million for 2022.

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.

32. Concession related right-of-use assets, liabilities and contractual commitments

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

As stipulated in the Concession Agreement modified at the end of 2011, the extension of the concession period up to 2042 was granted in return for expenditure to be made by the Group during the term of the concession in the total amount of EUR 146,5 million in relation to investments into rehabilitation of the port infrastructure and investments in equipment (a total of EUR 87,1 million of required expenditure) as well as in relation to maintenance of concession assets in the amount of EUR 59,4 million.

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

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

During 2022, the Group remeasured the ROU liability related to infrastructure capital expenditure in order to reflect the modification in timeline of expected lease payments with a discount rate of 3% based on currently expected interest rates on long term debt. The effect of the remeasurement was accounted for as a change in the ROU liability with a corresponding effect on the ROU asset.

32. 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 THRK)	**Concession assets with right-of-use**
Cost	
At 1 January 2021	**332.277**
Effect of remeasurement	16.117
At 31 December 2021	**348.394**
Effect of remeasurement	(204)
At 31 December 2022	**348.190**
Accumulated amortisation and impairment	
At 1 January 2021	**178.859**
Charge for the year	7.705
At 31 December 2021	**186.564**
Charge for the year	7.696
At 31 December 2022	**194.260**
Carrying amount	
At 31 December 2021	**161.830**
At 31 December 2022	**153.930**

32. Concession related right-of-use assets, liabilities and contractual commitments (continued)

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

(in THRK)	**Liabilities for concession assets with right of use**
At 1 January 2021	
Non-cash transactions	**382.476**
Unwiding of discount	
Exchange rate differences	12.135
Effect of remeasurement	(788)
Cash transactions (i)	16.117
Payment of concession fees	
Infrastructure related expenditure	(4.113)
At 31 December 2021	(80.171)
	325.656
Non-cash transactions	
Unwiding of discount	10.077
Exchange rate differences	617
Effect of remeasurement	(204)
Cash transactions (i)	
Payment of concession fees	(4.030)
Infrastructure related expenditure	(55.335)
At 31 December 2022	**276.781**

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

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

(in THRK)	**31.12.2022**	**31.12.2021**
Up to 1 year - current portion of liability	145.014	124.629
1 - 2 years	14.331	184.182
2 - 3 years	37.776	2.718
3 - 4 years	4.898	2.842
4 - 5 years	65.552	1.673
Over 5 years	9.210	9.612
Net book value	**276.781**	**325.656**

32. Concession related right-of-use assets, liabilities and contractual commitments (continued)

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

(in TEUR)	**Executed** up to 2022	**Outstanding** *2023-2042*	**Total**
Infrastructure related expenditure	29.912	36.865	66.777
Equipment related expenditure	13.996	6.357	20.353
Maintenance of concession assets	31.340	28.060	59.400
	75.248	**71.282**	**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.

33. Events after the reporting date

By the Law on the introduction of the euro as official currency in the Republic of Croatia, from 1 January 2023, the euro has become an official monetary unit and a legal tender in the Republic of Croatia. The fixed conversion rate is 7,5345 HRK for 1 euro.

The introduction of the euro as an official currency constitutes a change in the functional currency to be accounted for prospectively and shall not constitute an event after the balance sheet date required to comply.

Apart from the above, there were no other events after the balance sheet date that would have a significant impact on the Group's financial statements as of or for the period ended 31 December 2022.