



ZAGREBAČKA BURZA

HRVATSKA AGENCIJA ZA NADZOR
FINANCIJSKIH USLUGA

HRVATSKA IZVJEŠTAJNA
NOVINSKA AGENCIJA

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Erste&Steiermärkische Bank d.d.

IBAN: HR4623400091117046842

Privredna banka Zagreb d.d.

Rijeka, April 1st, 2020.

Ur. br. LR-PU-25/2020.

Management board report on the realized loss of more than half of the share capital of the Company

In accordance with Art. 251 paragraph 1 of the Companies Act, the Management Board of Luka Rijeka d.d. is obliged to convene the Assembly of the Luka Rijeka d.d. and reported that, when preparing the Annual Financial Statements, it was found that the Company had a loss in excess of half of the Company's share capital. The aforementioned loss was incurred in applying International Financial Reporting Standard IFRS 16 Leases. So far, the presentation of these effects was visible through the notes in the audit reports, and now for the first time the same effects seen in the balance sheet and income statement, which tells us that this is not a newly created state, but only a new presentation of the state, which in addition has no effect on cash flows. The impact of the application of the new standard on the Company's consolidated and non-consolidated financial statements is significant given that the new standard also treats the existing Concession agreement for the performance of port services in the concession area of the Port of Rijeka as a contract containing lease components. According to the previously applicable standards, the Company's assets (i.e. port infrastructure) which had the right to use pursuant to the Concession agreement for the performance of port services portrayed off-balance sheet, and while liabilities under the concession agreement (related to capital investments) also displayed off-balance sheet and publicized within the notes to the financial statements. However, the new IFRS 16 standard provides for the recognition of assets and liabilities under the Concession Agreement on the balance sheet, which required the Company to recognize certain payments under the Concession Agreement as liabilities on the balance sheet, while recognizing the assets with the rights of use made up of the concession area and associated infrastructure. For the purpose of presenting the financial statements consistently, company applied IFRS 16 retrospectively and, for the first time, its application in the financial statements for 2019 showed the effect of recognizing the Concession Agreement on the balance sheet and in the income statement for the current and prior periods.

It is important to note that the application of the standard did not, in essence, lead to any changes in the concession arrangement or to changes in the operating activities of the Luka Rijeka d.d. and its cash flows are already solely about the application of a new accounting statement of previously assumed obligations under the Concession Agreement.

LUKA RIJEKA d.d