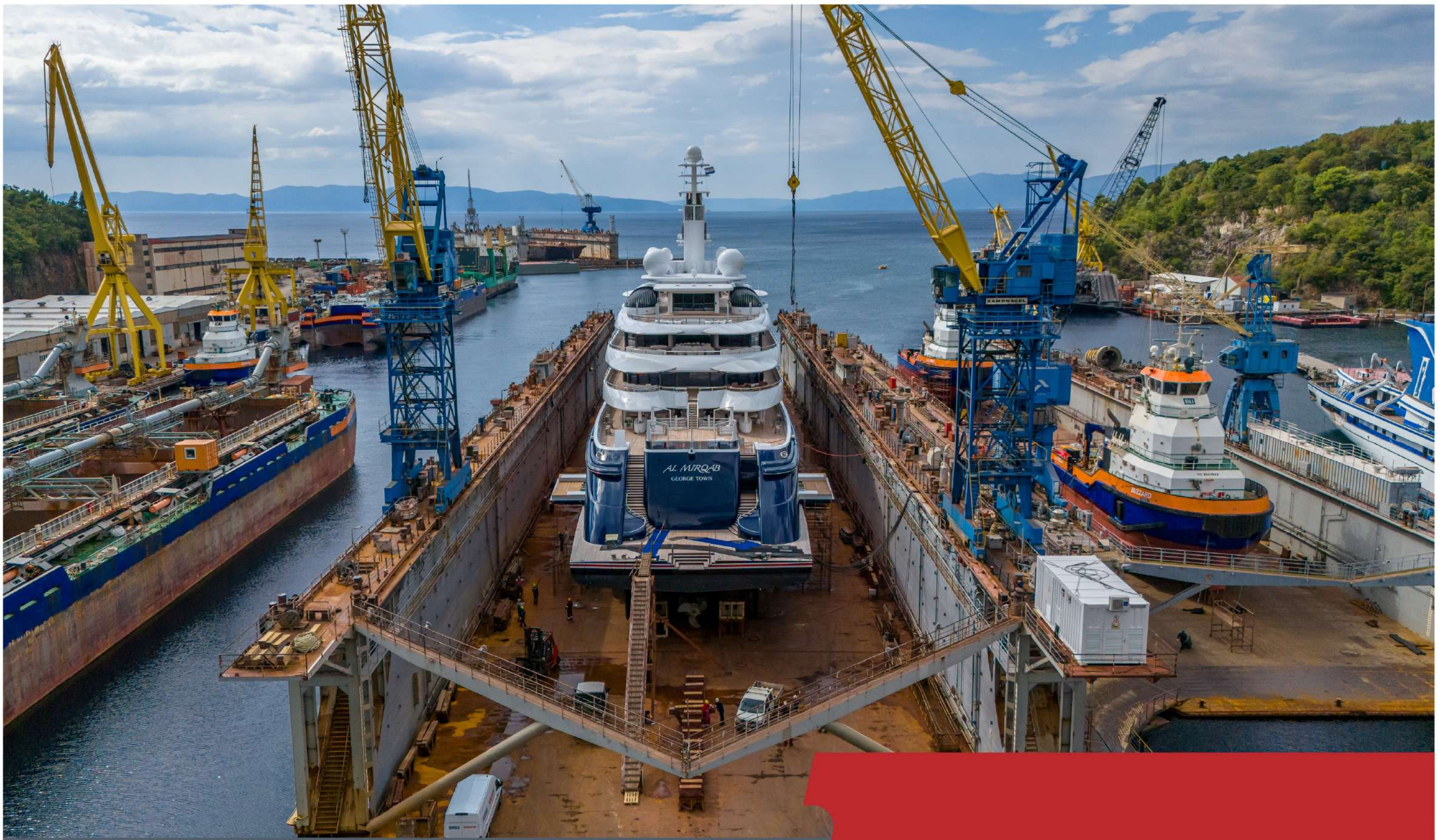


CONSOLIDATED

- Consolidated Annual Financial Statements
- Management Report

ANNUAL REPORT 2024

SHIPYARD
1896 VIKTOR LENAC
Member of Palumbo Group

April 2025

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

2024

April 2025

CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

We acknowledge our responsibility for the preparation and presentation of the 2024 Consolidated Financial Statements in accordance with the International Financial Reporting Standards applied in the European Union and the Croatian Accounting Act to give a true and fair view of financial performance and business results of the Shipyard Viktor Lenac d.d. and its subsidiary ("the Group") for the year.

Based on the research conducted, Management reasonably assumes that the Group has got adequate funds to continue with its operations for the foreseeable future. We have, therefore, made the financial statements under the assumption that the Group shall continue to operate indefinitely.

In the preparation of financial statements, Management acknowledges their responsibility for:

- the implementation and consistent application of the appropriate accounting policies;
- giving reasonable and conservative estimates and judgements;
- the fair presentation of the financial statements in accordance with applicable financial reporting standards, disclosure and interpretation of any significant deviation in the financial statements;
- producing the financial statements under the assumption of the continuity of business for an indefinite period, unless it is inappropriate to assume that the Group shall continue running its business activities.

We acknowledge our responsibility for keeping proper and accurate accounting records, which shall at any time reflect the financial performance and business results of the Group with acceptable accuracy and precision as well as their compliance with the International Financial Reporting Standards and Accounting Act in force in the Republic of Croatia.

We, also, acknowledge our responsibility for taking care of the Group's assets and for undertaking reasonable measures for preventing and revealing embezzlements and other irregularities.

Consolidated Financial Statements have been approved by the Management Board on 28 April 2025.

SHIPYARD VIKTOR LENAC d.d. Rijeka

In Rijeka, 28 April 2025

Sandra Uzelac

President of the Management Board

BRODOGRADILIŠTE d.d.
VIKTOR LENAC

Luka Hrboka

Member of the Management Board

IRIS NOVA
REVIZIJA, POSLOVNO SAVJETOVANJE,
FINANCIJSKE ANALIZE I USLUGE

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Viktor Lenac Shipyard Group

Reporting on Audited Annual Consolidated Financial Statements

Opinion

We have audited the annual consolidated financial statements of the Viktor Lenac Shipyard Group Rijeka, headquarted at Martinšćica 8, Kostrena, Croatia ("the Company" or "the Group"), which comprise the Consolidated Comprehensive Income Statement for the year ended 31 December 2024, Consolidated Statement of Financial Position as at 31 December 2024, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity for the year then ended and Notes to the Consolidated Financial Statements including significant information on accounting policies ("the annual financial statements").

In our opinion, the accompanying annual financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2024, its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) adopted and implemented by the European Union.

Basis for Opinion

We have conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the section entitled *Auditor's Responsibilities for the Audit of the Annual Financial Statements*.

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants ("IESBA Code") including the International Independence Standards issued by the International Ethics Standards Board for Accountants (IESBA), as well as in accordance with ethical requirements relevant to our audit of the annual financial statements in the Republic of Croatia and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IESBA Code.

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

Emphasis of Matter

We draw attention to Note 14: Fixed tangible and intangible assets and Note 26: Risk Management - Market and Operational Risks, in which information was published about the Parent Company's investment in the renovation of Dock 11 and the construction of new pontoons to replace the worn-out ones. The replacement and installation of the first pontoon was completed in July 2024, after which the Parent Company continued to use Dock 11 for docking vessels of lower lightship weight. The replacement of the second pontoon is expected during the spring months of 2025.

Our opinion is not modified in respect of this matter.

Reporting on Audited Annual Consolidated Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements of the current period.

These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue from sales

For accounting policies, see Note 2.3.a and 30 to the financial statements. For additional information related to key audit matter, see Note 4 to the financial statements.

Key Audit Matter	How our audit addressed the key audit matter
In accordance with the requirements of International Standards on Auditing, special attention is paid to correct presentation of revenue, as in the audit of revenue, there is a risk of material misstatement of revenue. We, therefore, addressed the accuracy and comprehensiveness of revenues generated from the Group's business activities as a key audit matter.	Audit procedures for obtaining appropriate audit evidence involved examining the structure and effectiveness of automatic and manual internal controls implemented at the Group, as well as testing details to ascertain the accuracy of revenue accounting and revenue transactions. The main automated internal control implemented by the Group to ensure the accuracy of revenue accounting is linking work order to journal entry. Testing internal controls We have tested the structure and effectiveness of the main internal controls over the sales and shiprepair processes. The tests performed on the audit sample included: - Testing for existence: Testing work orders for existence and comparing them with quotations, contracts and outgoing invoices; - Testing for completeness: Testing incoming and outgoing invoices relating to a particular work order for existence; - Evaluation test: Comparing prices and sales terms and conditions stated in outgoing invoices with accepted quotations; - Testing accruals: Determining the degree of completion and testing whether revenue was recognized in the correct period. In addition to the above, we have also tested whether the production accounts were locked, approved and transferred to financial accounting, recorded and controlled in the Accounting and Finance Department. Based on the results of internal control tests, we have determined the scope and type of tests to verify the accuracy of revenue accounting, and we have also tested some details from internal documents by linking them to accrued sales revenue and related payment transactions. When conducting our tests, we did not identify any significant deviations or deficiencies in internal controls.

Reporting on Audited Annual Consolidated Financial Statements (continued)

Other Information

Management is responsible for other information. Other information includes the Management Report and the Statement of Compliance with the Corporate Governance Code included in the Management Report but does not include the annual financial statements and our auditor's report thereon. Our opinion on the annual financial statements does not include other information.

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

Regarding the Management Report and the Statement of Compliance with the Corporate Governance Code, we also performed the procedures prescribed by the Accounting Act. These procedures include checking whether the Management Report has been drawn up in accordance with Article 24 of the Accounting Act and whether the Statement of Compliance with the Corporate Governance Code contains information from Article 25 of the Accounting Act.

Based on the performed procedures, to the extent that we are able to assess it, we report that:

1. Information in the attached Management Report and Statement of Compliance with the Corporate Governance Code is aligned, in all significant respects, with the attached annual financial statements;

2. Management Report has been drawn up in accordance with Article 24 of the Accounting Act;

3. Statement of Compliance with the Corporate Governance Code includes the information defined in Article 25 of the Accounting Act.

Based on the knowledge and understanding of the Group's operations and its environment acquired within the audit of the annual financial statements, we are obliged to report if we have established that there are significant misrepresentations in the attached Management Report and Statement of Compliance with the Corporate Governance Code. In this sense, we have nothing to report.

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

Management is responsible for the preparation and fair presentation of the annual financial statements in accordance with IFRSs and for such internal control as Management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, Management is responsible for assessing 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 to cease operations, or has no realistic alternative but to do so.

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

Auditor’s Responsibilities for the Audit of Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s 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 ISAs 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 the annual financial statements.

Reporting on Audited Annual Consolidated Financial Statements (continued)

Auditor’s Responsibilities for the Audit of Annual Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit, particularly regarding the following objectives:

- We identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, we 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 control.

- We 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 Group’s internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- We 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 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 auditor’s report to the related disclosures in the annual 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 auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure, and contents of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore considered the key audit matters. We describe these matters in our auditor’s 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Reporting on Other Regulatory Requirements

In accordance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we provide the following information in our Independent Auditor's Report as required by the ISAs:

1. Based on the proposal of the Supervisory Board, we were appointed at the Parent Company's General Assembly meeting held on 27 June 2024 to perform audit of the annual financial statements for 2024.

2. This audit engagement has been uninterrupted for a total of 5 years and covers the period from January 1, 2020 to December 31, 2024.

3. In the audit of the Group's annual financial statements for 2024, we have determined the materiality for the annual financial statements as a whole in the amount of EUR 1.5 million, which represents approximately 1.8% of the three-year average of the Group's revenues considering it a stable business indicator and the most frequently used measure of the Group's business performance by shareholders.

4. Our audit opinion on the accompanying annual financial statements is consistent with the additional report issued to the Parent Company's Audit Committee in accordance with the Article 11 of Regulation (EU) No. 537/2014.

5. During the period between the initial date of the audited annual financial statements of the Group for 2024 and the date of this report, we did not provide prohibited non-audit services to the Group and did not provide services for designing and implementing internal controls or risk management procedures related to preparation and/or control of financial information or design and implementation of technological systems for financial information, and we have maintained our independence from the Group in performing the audit.

Reporting based on the requirements of Delegated Regulation (EU) 2018/815 supplementing Directive 2004 / 109 / EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format

Auditor's assurance statement on the compliance of Annual Financial Statements (hereinafter referred to as the financial statements), prepared pursuant to Article 462, paragraph 5 of the Capital Market Act (Official Gazette, nos. 65/18, 17/20, 83/21, 151/22 and 85/24) applying the requirements of Delegated Regulation (EU) 2018/815 establishing a single electronic reporting format for issuers (hereinafter referred to as the ESEF Regulation).

We have engaged in a reasonable assurance as to whether the annual financial statements prepared for public disclosure pursuant to Article 462 (5) of the Capital Market Act, contained in the attached electronic file [74780060BA4DPK8V1P23-2024-12-31-0-hr-1], have been prepared in all material respects in accordance with requirements of the ESEF Regulation.

Responsibilities of Management and Those Charged with Governance

Parent Company's Management is responsible for the preparation and contents of the annual financial statements of the Group in accordance with the ESEF Regulation.

In addition, the Parent Company's Management is responsible for maintaining an internal control system that reasonably ensures the preparation of annual financial statements without material non-compliance with the reporting requirements of the ESEF Regulation, whether due to fraud or error.

Parent Company's Management is also responsible for:

- Publishing to the public of the annual financial statements contained in the Management report in a valid XHTML format as part of the financial reporting process;

- Selecting and using XBRL codes in accordance with the requirements of the ESEF Regulation.

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

Reporting based on the requirements of Delegated Regulation (EU) 2018/815 supplementing Directive 2004 / 109 / EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (continued)

Auditor's Responsibilities

It is our responsibility to express a conclusion, based on the audit evidence gathered, as to whether the annual financial statements are free from material non-compliance with the requirements of the ESEF Regulation. We conducted this reasonable assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) - Assurance engagements other than audits or reviews of historical financial information.

Procedures performed

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 gained an understanding of the Group's internal controls relevant to the application of the requirements of the ESEF Regulation;

- We have identified and assessed the risks of material non-compliance with the ESEF Regulation due to fraud or errors; and

- Based on that, devised and designed procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:

- the annual financial statements, which are included in the Management report, were prepared in a valid XHTML format;

- the information contained in the annual financial statements required by the ESEF Regulation were labelled and all labels met the following requirements:

    - the XBRL markup language was used;

    - the basic taxonomy elements listed in the ESEF Regulation with the closest accounting significance was used unless an additional taxonomy element was created in accordance with Annex IV. ESEF Regulations;

    - the labels comply with the common labeling rules under the ESEF Regulation.

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

Reporting based on the requirements of Delegated Regulation (EU) 2018/815 supplementing Directive 2004 / 109 / EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (continued)

Conclusion

In our opinion, based on the conducted audit procedures and obtained evidence, the annual financial statements presented in ESEF format, contained in the above attached electronic file and pursuant to Article 462 paragraph 5 of the Capital Market Act prepared for public disclosure, in all material respects are in accordance with the requirements of Articles 3, 4 and 6 of the ESEF Regulation for the year ended 31 December 2024.

In addition to this conclusion, as well as the opinion contained in this Independent Auditor's Report on the accompanying Annual Financial Statements and the Management Report of the Group for the year ended 31 December 2024, we do not express any opinion on the information contained in these representations or other information contained in the above file.

Zdravko Ružić was the engagement partner in the audit with this independent auditor's report as its final product.

For and on behalf of IRIS nova d.o.o.

Management

Ljiljana Blagojević

IRISNOVA
Iris Nova d.o.o.
F. la Guardia 13/III, 51000 Rijeka

Authorized auditor

Zdravko Ružić

In Rijeka, 28 April 2025

IRIS nova, revizija, poslovno savjetovanje, financijske analize i usluge, d.o.o.

Rijeka, Fiorello la Guardia 13/III

Croatia

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT AS AT 31 DECEMBER 2024

EUR

	Note	2023	2024
OPERATING REVENUES		**87.682.903**	**89.728.692**
Sales revenue	4	71.694.185	68.264.318
Other operating revenues	5	15.988.718	21.464.374
OPERATING EXPENSES		**81.536.714**	**83.663.022**
Material expenses	6	62.194.604	62.353.937
Employee expenses	7	10.925.289	12.638.118
Depreciation	8	6.496.916	6.800.052
Value adjustments	9	131	52.654
Provisions	10	597.774	366.076
Other expenses	11	1.256.608	1.220.853
Other operating expenses	11	65.392	231.332
EBIT		**6.146.189**	**6.065.670**
NET FINANCIAL (EXPENSES) / INCOME		**(359.194)**	**574.110**
Financial income	12	95.985	601.303
Financial expenses	12	455.179	27.193
PROFIT/(LOSS) FROM OPERATING REVENUES BEFORE TAX		**5.786.995**	**6.639.780**
PROFIT TAX	13	**1.057.747**	**1.213.108**
Net profit / (loss) for the year		**4.729.248**	**5.426.672**
Profit/ (loss) after revaluation of financial assets held for sale		2.499	1.934
Other items that can be reclassified to profit or loss		(10.750)	0
Deferred tax assets		(450)	(347)
COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**4.720.547**	**5.428.259**
Attributable to equity holders of Parent Company		4.717.281	5.425.359
Attributable to minority (non-controlling) interest		3.266	2.900
Earnings per share		0,30	0,34

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

EUR

	Note	2023	2024
ASSETS			
Fixed assets		**36.182.415**	**47.295.622**
Intangible Assets	14	476.730	497.657
Property, plant and equipment	14	35.387.860	46.484.992
Investment in real-estate	14	266.406	266.406
Financial assets measured at fair value through other comprehensive income	15	17.558	19.493
Financial assets measured at amortized cost	16	19.386	13.000
Deferred tax assets		14.475	14.074
Short-term assets		**35.001.449**	**30.973.381**
Inventories	17	6.419.312	4.697.906
Trade and other receivables	18	15.229.018	15.272.054
Money in bank and cash in register	19	13.353.119	11.003.421
Total Assets		**71.183.864**	**78.269.003**
Equity and Liabilities	20	**49.978.724**	**55.404.084**
Share capital	20	22.315.014	22.315.014
Reserves		22.934.462	27.662.398
Retained earnings	20	4.729.248	5.426.672
Minority interest		**29.968**	**32.867**
Long-term liabilities		**2.746.693**	**2.411.431**
Debentures with interest charge	21	281.547	164.493
Provisions	24	1.909.247	1.690.691
Deferred tax liability		2.272	2.620
Other long-term liabilities	25	553.627	553.627
Short-term liabilities		**18.428.479**	**20.420.621**
Debentures with interest charge	21	228.006	671.063
Profit tax payable	13	194.554	290.431
Trade and other payables	22	17.661.928	19.093.051
Provisions	24	343.991	366.076
Total Liabilities		**21.175.172**	**22.832.052**
Total Equity and Liabilities		**71.183.864**	**78.269.003**

CONSOLIDATED CASH FLOW STATEMENT AS AT 31 DECEMBER 2024

EUR

	Note	2023	2024
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation	13	5.786.995	6.639.780
Value adjustments in respect of:			
Depreciation of property, plant and equipment		6.496.916	6.800.052
Gains and losses from sale and value adjustments in respect of tangible and intangible assets, net	5	(6.855)	(7.053)
Gains and losses from sale, unrealized gains and value adjustments in respect of financial assets, net	9	(2.369)	50.000
Shortage, surplus and expense of material inventories, net	5, 11	969	3.640
Income from interests and dividends	12	(95.985)	(141.708)
Interest expenses	12	48.532	27.194
Provisions	5, 10	295.654	344.464
Exchanges rate difference (unrealized)	12	(394.986)	399.869
Profit tax cost	13	(1.057.747)	(1.213.108)
Increase in accrued revenues and costs	18, 22	10.442.834	2.669.834
Profit from operating activities before changes in working capital		**21.513.958**	**15.572.964**
Decrease /(Increase) in inventories		(235.805)	1.721.406
Decrease/(Increase) in short-term receivables		(1.074.224)	(1.615.962)
Increase/(Decrease) in liabilities		(4.038.784)	1.222.064
Profit tax paid		(3.045.877)	(1.114.211)
Interest paid		(72.532)	(37.344)
CASH FLOW FROM OPERATING ACTIVITIES		**13.046.736**	**15.748.917**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets	14	(15.711.532)	(17.921.751)
Inflow from sale of fixed assets	5	6.855	7.053
Investment into financial assets		(49.424)	0
Inflow from interests		0	0
Dividend income received		744	818
Given loans		(108.400)	(100.000)
Inflows on loans		21.600	143.400
CASH FLOW FROM INVESTING ACTIVITIES		**(15.840.157)**	**(17.870.480)**
FINANCIAL ACTIVITIES			
Inflows from debentures with interest charge		13.984	0
Repayment of debentures with interest charge		(1.323.009)	(228.135)
CASH FLOW FROM FINANCIAL ACTIVITIES		**(1.309.025)**	**(228.135)**
TOTAL (DECREASE) / INCREASE OF CASH FLOW (I+II+III)		**(4.102.446)**	**(2.349.698)**
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		17.455.565	13.353.119
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	19	**13.353.119**	**11.003.421**

CONSOLIDATED STATEMENT ON CHANGES IN EQUITY AS AT 31 DECEMBER 2024

EUR

	Share capital	Legal reserves	Reserves for own shares	Own shares	Other reserves	Net profit / (loss)	Total	Minority (non-controlling) interest	Total
Balance as at 1 January 2023	**22.315.014**	**1.115.751**	**1.664.344**	**(1.069.185)**	**15.808.332**	**5.451.101**	**45.285.357**	**2.788**	**45.288.145**
Profit / (loss) for the year	0	0	0	0	0	4.729.248	**4.729.248**	0	**4.729.248**
Changes in reserves of the fair value of financial assets held for sale	0	0	0	0	2.049	0	**2.049**	0	**2.049**
Other non-proprietary capital changes	0	0	0	0	(10.750)	0	**(10.750)**	0	**(10.750)**
Total comprehensive income/loss for 2023	**0**	**0**	**0**	**0**	**(8.701)**	**4.729.248**	**4.720.547**	**0**	**4.720.547**
Redirected into reserves per 2022 profit allocation	0	0	0	0	5.423.921	(5.451.101)	(27.180)	27.180	0
Balance as at 31 December 2023	**22.315.014**	**1.115.751**	**1.664.344**	**(1.069.185)**	**21.223.552**	**4.729.248**	**49.978.724**	**29.968**	**50.008.692**
Profit / (loss) for the year	0	0	0	0	0	5.426.672	**5.426.672**	0	**5.426.672**
Changes in reserves of the fair value of financial assets held for sale	0	0	0	0	1.587	0	**1.587**	0	**1.587**
Total comprehensive income/loss for 2024	**0**	**0**	**0**	**0**	**1.587**	**5.426.672**	**5.428.259**	**0**	**5.428.259**
Redirected into reserves per 2023 profit allocation	0	0	0	0	4.726.349	(4.729.248)	(2.899)	2.899	0
Balance as at 31 December 2024	**22.315.014**	**1.115.751**	**1.664.344**	**(1.069.185)**	**25.951.488**	**5.426.672**	**55.404.084**	**32.867**	**55.436.951**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The joint-stock company “Brodogradilište Viktor Lenac” Rijeka, headquartered at Martinscica 8, Kostrena, Croatia (hereinafter referred to as the Parent Company) has been registered under the Company’s Registration Number 040000358 in the register of the Commercial Court of Rijeka.

The share capital of the Parent Company amounts to EUR 22,315,014 and is divided in 16.813.247 registered ordinary shares in non-materialized form without nominal value, of which 825.187 own shares on the balance sheet date.

According to the Notice on classification of legal entities by National classification of economic activities of the Central Bureau of Statistics in Zagreb, the Parent Company has been classified under the subclass number 3011 – building of ships and crafts, having its registration number 03333710 and TAX ID. number 27531244647.

Parent Company’s main activity is ship repair, maintenance and conversion and other services carried out onboard ships and crafts. The Company has been registered for other activities such as steel constructions, shipbuilding organization, trade, engineering and other services.

Parent Company’s shares are listed on the regularly operating market of Zagreb stock exchange. The Company's LEI code is 74780060BA4DPK8V1P23, the home member state is the Republic of Croatia, the ISIN code is HRVLENRB0001 whereas the security code is VLEN.

Joint stock company BRODOGRADILIŠTE VIKTOR LENAC Rijeka holds a 75% equity interest in a limited liability company VL STEEL headquartered in Rijeka, Radnička 39, Croatia and therefore the subsidiary is included in the consolidation.

According to the Notice on classification of legal entities by National classification of economic activities of the Central Bureau of Statistics in Zagreb, VL Steel d.o.o. has been classified under the subclass number 3011 – building of ships and crafts, having its registration number 04798759and TAX ID. number 61711943141. The share capital of the subsidiary amounts to EUR 2,654.

In December 2024, the subsidiary company VL Steel d.o.o. founded a limited liability company VL Agent headquartered in Rijeka, Radnička 33, TAX ID. number 87574280995 with a share capital of EUR 2,500, registered in the Court Register of the Commercial Court in Rijeka on January 24, 2025. Since VL Steel holds a 100% equity interest VL Agent, the latter is also included in the consolidation of the parent company BRODOGRADILIŠTE VIKTOR LENAC Rijeka.

On 31 December 2024, the Group employed 362 employees (2023: 371 employees).

In 2024, the Parent Company's Supervisory Board was composed of the following members: Antonio Palumbo, Francesco Ciaramella and Antonietta Capodanno as well as Damir Amić as the workers’ representative. Antonio Palumbo holds the position of President of the Supervisory Board.

In 2024, the Parent Company’s Audit Committee was composed of Francesco Ciaramella, Antonio Palumbo and Antonietta Capodanno. Remuneration Committee and Nominations Committee were composed of the following members: Antonio Palumbo, Francesco Ciaramella and Antonietta Capodanno.

On 31 December 2024, the Parent Company’s Management Board was composed of two members, President of the Management Board Sandra Uzelac and Member of the Management Board Luka Hrboka. Marko Sobotinčić holds the position of a member of the Management Board in the company VL Steel d.o.o.

Parent Company had the following ownership structure as at 31 December 2024:

	Shareholder	Number of Shares	Percentage of Equity
1	INTERKAPITAL VRIJEDNOSNI PAPIRI D.O.O./PALUMBO GROUP S.P.A. (1/1)	13.781.460	81,97
2	BRODOGRADILIŠTE VIKTOR LENAC D.D. (1/1)	825.187	4,91
3	JADROAGENT D.D. (1/1)	324.766	1,93
4	RAIFFEISENBANK AUSTRIA D.D./ CUSTODIAL ACCOUNT AGGREGATION	74.560	0,44
5	LIST GMBH AUSTRIA (1/1)	45.992	0,27
6	BAKIĆ NENAD (1/1)	40.000	0,24
7	OTP BANKA D.D./ OTP INDEX FUND - OPEN-ENDED INVESTMENT FUND WITH PUBLIC OFFERING (1/1)	38.721	0,23
8	PEČAR IVAN (1/1)	37.803	0,22
9	KOTOLENKO JOSIP (1/1)	35.000	0,21
10	Others	1.609.758	9,58
	Total	16.813.247	100

Consolidated Financial Statements were approved by the Management Board of the Parent Company on 28 April 2025 for submittance to the Supervisory Board. The Consolidated Financial Statements are issued in Croatian as the official language but are also available to foreign stakeholders in English translation.

The accounting policies given below have been applied consistently for all periods presented in these financial statements.

2. BASIC ACCOUNTING POLICIES

Basic accounting policies applied in preparation of the financial statements are explained below. These accounting policies have been consistently applied for all periods included in these reports unless otherwise stated.

2.1. STATEMENT ON COMPLIANCE AND BASICS OF REPORTING

Consolidated Financial Statements of the Group for 2024 have been prepared in accordance with the law frame of the financial reporting applicable in the Republic of Croatia and International Financial Reporting Standards applied in the European Union.

Consolidated Financial Statements of the Group have been prepared using the basic accounting assumption of the occurrence of an event, according to which the effects of transactions are recognized when they occurred and are presented in the financial statements for the period to which they relate, applying the basic accounting assumption of business continuity.

Consolidated Financial Statements of the Shipyard Viktor Lenac d.d. and its subsidiary in which it has a controlling interest (the "Group") have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and were published on April 28, 2025. For a better understanding of the Group as a whole, users should read the Consolidated Financial Statements together with these Non-Consolidated Financial Statements.

Accounting policies applied in the preparation of the 2024 financial statements have not changed compared with the previous year. The financial statements have been prepared by principle of historical cost, except for certain financial instruments recorded as per fair value.

Items included in the Group 's financial statements are expressed in the currency of the primary economic environment in which the Group operates (functional currency).

Group’s financial statements are presented in Euros (EUR) as the Group's measuring or reporting currency.

According to IFRSs, all foreign currency receivables and liabilities as well as receivables and liabilities with foreign currency clause have been adjusted to the midpoint exchange rates of the Croatian National Bank at 31 December 2024 as follows:

1 USD =	EUR	0.95748755	(31 Dec 2023: 1 USD = 0.90497738 EUR)
1 GBP =	EUR	1.20554551	(31 Dec 2023: 1 GBP = 1.15068178 EUR)
1 NOK =	EUR	0.08442024	(31 Dec 2023: 1 NOK = 0.08896401 EUR)
1 CHF =	EUR	1.05988341	(31 Dec 2023: 1 CHF = 1.07991361 EUR)

2.2. STANDARDS AND INTERPRETATIONS THAT ARE IN FORCE IN THE CURRENT PERIOD

Standards and interpretations that are in force in the current reporting period

Standards, amendments to effective standards and clarifications issued by the International Accounting Standards Board (IASB) and adopted by the European Union, effective in current reporting period are as follows:

- Amendments to IAS 7 Cash Flow Statements and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements, issued on May 25, 2023 (effective date for annual periods beginning on or after January 1, 2024);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as short-term or long-term, issued on January 23, 2020, amended on July 15, 2020 (effective date for annual periods beginning on or after January 1, 2024);
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback, issued on September 22, 2022 (effective date for annual periods beginning on or after January 1, 2024).

The adoption of these amendments to existing standards and interpretations did not lead to material changes in the Group's financial statements.

New standards and amendments to effective standards issued by IASB, which have been approved in the EU but are not yet in force:

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability, issued on August 15, 2023 (effective date for annual periods beginning on or after January 1, 2025).

As of the date of issuance of these financial statements, the following standards, amendments and interpretations issued by the International Accounting Standards Board have not been adopted in the European Union, and the Group does not expect their adoption to have a significant impact on the Group's financial statements:

- IFRS 18 Presentation and Disclosure in Financial Statements (issued on 9 April 2024).
- IFRS 19 Subsidiaries without Public Accountability: Disclosure (issued on 9 May 2024).
- Amendments to IFRS 9 and IFRS 7 Contracts Referencing Nature-dependent Electricity (issued on 18 December 2024).
- Amendments to IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments (issued on 30 May 2024).
- Annual Improvements to IFRS Accounting Standards – Edition 11 (issued on 18 July 2024).

2.3. KEY ASSUMPTIONS, ESTIMATES AND UNCERTAINTY IN PREPARING FINANCIAL STATEMENTS

In preparing Consolidated Financial Statements, Management used estimates, judgements and assumptions which can affect accounting value of assets and liabilities of the Group, disclosure of potential items on balance sheet date and disclosed revenues and expenses of the period then ended.

The following estimates were used, including, without limitation: calculation of depreciation and remaining value of property, plant and equipment, and intangible assets, impairment estimates, value adjustments in respect of inventories and doubtful receivables, provisions for employees' salaries and wages, and litigations. More details on accounting policies relative to these estimates can be found in other parts of this note as well as other notes to the financial statements. The impact of future events cannot be anticipated with certainty. Accounting estimates, therefore, call for judgements. Judgements made in preparing financial statements are subject to changes due to new events, additional information, new experience, or changes in business environment. Actual results may differ from estimates.

Significant accounting policies applied in the preparation of financial statements for the year 2024:

a) Revenues

Revenue is recognized when the amount of revenue and its economic benefits for the Group can be reliably measured and when it fulfils specific criteria relative to all activities of the Group.

Revenues received from sales of goods and services are recognized if:

- The Group has concluded a contract with a customer, written or verbal, which determines rights and obligations, terms and conditions and due dates, and there is a reasonable probability that the Group will collect rightful recompense for negotiated obligation;
- The Group can determine its obligations based on contract with customer, or obligations to transfer goods or services, deferred, related or involved with other resources required to provide service to customer;
- The Group can, based on a contract, determine or estimate selling price of a rightful transaction in exchange for goods or services to customers, which price can be determined by contract, price list, past doings or usual commercial practice;
- The price of the transaction can be separated for each contractual obligation, i.e. separate actions, which can be determined in contract or reliably estimated using a price list, past doings or usual commercial practice;
- The Group fulfilled its contractual obligation completely at a given time or partially in longer period, where the Group meets its obligations in accordance with the contractual deadlines over a longer period.

Revenues generated from contractual obligations, which are fulfilled during a period of time, are recognized to the extent that they are incurred under following conditions:

- The cost of partial deliveries can be determined or reliably estimated;
- The customer accepted goods or services and/or has control over accepted goods and services, or the Group is improving customer's assets while under the control of the customer; or
- The Group accounted for expenses with respect to resources or inputs for delivered goods or services.

For measuring progress towards complete fulfilment of a performance obligation over time the Group can use the following methods:

- Output methods based on direct measurement of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract;
- Input methods measuring progress based on costs generated to recognise revenue on a straight-line basis if the entity's efforts or inputs are spread evenly throughout the performance period;
- Combination of output and input methods to question and evaluate credibility of both methods for the purpose of fair valuation of reported revenues.

Government grants are recognized in income for the period in which the related costs will be incurred, if:

- The terms of the grants have been met;
- It is likely that the grants will be received.

Financial income includes interests on invested funds, positive exchange rate differences, revenues received from dividends and other revenues from financing sources.

Revenues from interests are recognized on a time proportional basis, with regards to the real income on the invested funds, pursuant to concluded contracts.

b) Expenses

The policy of expenses is managed in such a way that periodic accounting system determines expenses which are applicable to recognition in the calculation of the financial result of the current year.

The recognition of expenses occurs if:

- Expenses result in decrease of funds or increase of liabilities that can be reliably measured;
- Expenses have direct relation to occurred costs and revenues;
- When it is expected to achieve revenues in multiple reporting periods, recognition of expenses is performed by allocation on reporting periods;
- Expense is immediately recognized in the reporting period when outflow does not achieve future economic benefit, and there are no conditions to be recognized as assets in the balance sheet;
- Expense is immediately recognized in the reporting period upon appearance of liability, and there are no conditions to be recognized as an asset.

Losses that can be identified as expenses are reported as expenses. In that case losses should be related to occurring revenues. Losses are covered with revenues of the reporting period.

Financial expenses include expenses for interests against loans, discounts from sales of securities and receivables prior to their maturity, interests arising from delayed payments, negative exchange rate differences, losses from sales of shares and business portions, as well as other financing expenses.

Financing expenses are recognized on time proportional basis, respectively in the period when they occurred.
Negative exchange rate differences are not capitalized but are included in the expenses of the period.

c) Financial result and profit tax

Profit/loss before taxation is determined in such way that the total accounting expenses are subtracted from the total accounting revenues.

Profit tax liability (current tax) is determined pursuant to valid regulations of Profit Tax Act.

Deferred tax assets and deferred tax liabilities are recognized in case of changes of valuation of financial and other assets of the Group, which have not produced profit or loss consequently creating temporary difference between accounting profit and taxable profit. Deferred tax assets refer to tax losses carried forward, unused tax benefits and deductible temporary differences, and are offset in subsequent tax periods when the conditions for recognizing previously unrecognized unrealized losses are fulfilled or represent previously paid income taxes for return in subsequent periods. Deferred tax liabilities refer to future profit tax liability on current not yet realised profits.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets are calculated at tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

Measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority to the Group or another taxpayer who intends to settle the current tax liability and assets on a net basis.

d) Profit/loss after revaluation of financial assets measured at fair value through other comprehensive income

In the case of selling long-term financial assets measured at fair value through other comprehensive income, the effects are recorded in profit and loss statement.

e) Fixed intangible assets

Fixed intangible assets comprise of non-monetary assets that are identifiable without physical substance. Fixed intangible assets are recognized if they met the following conditions:

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity;
- The cost of the asset can be measured reliably; and
- Its single acquisition value exceeds EUR 665.

If the criteria are not met, the costs are recorded as current period expenses.

After initial recognition, intangible asset is recorded based on its acquisition cost decreased for value adjustment (accumulated depreciation) and for accumulated losses from impairment.

Intangible assets are excluded from the balance sheet in case of disposal or if there are no expected future economic benefits from it. Gains or losses (difference between revenues from disposal and book value) arising from disposal or withdrawal of intangible assets are recognized as revenues or expenses of the current period.

Intangible assets are depreciated as every single item by linear method against the rate of 5-50% annually.

Depreciation is recorded from the first day of the following month after the fixed intangible asset has been activated.

Depreciation for sold, given, or in any other way disposed or destroyed fixed intangible assets is recognized as expense up to the end of month when the assets were still in use.

f) Property, plant and equipment

Fixed tangible assets comprise of property, plant and equipment which the Group:

- Owns and uses in business operations, general and common purposes or for rental to others;
- Acquires or builds with intention of continuous use;
- Does not sell through its basic operations and is expected that those assets will be in use for more than one period.

Fixed tangible assets are recognized if the following conditions are fulfilled:

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the Group;
- The cost of the asset can be measured reliably;
- Its single acquisition value exceeds EUR 665 and useful period of life exceeds one year.

Exceptionally, if the single value of the asset does not exceed EUR 665 and it is undoubtedly evaluated that its useful period of life exceeds one year, it is considered as fixed tangible asset and is completely written-off as expense of the current period.

Fixed tangible assets that do not exceed value of EUR 665 nor its useful period of life exceeds one year are recorded as inventory and therefore are completely written-off upon activation.

Upon acquisition, fixed tangible assets are recorded in the business books at acquisition value.

Goods and services created by the undertaking itself and used as tangible assets are recorded at their production value, under condition that the production value does not exceed net market value. Production value does not include internal profits, unusual values of waste material, work and other assets. The production cost is determined pursuant to IAS 2 – Inventories. Additional costs are included in the book value of the assets or, if needed, are recognized as separate assets only if the Group expects to have future economic benefits of those assets, or if their expense can be reliably measured.

After initial recognition, property, plant and equipment are recorded based on their acquisition cost decreased for accumulated depreciation and accumulated losses from decrease. Basis for depreciation is acquisition value (gross book value) of the single asset.

Facilities and equipment are withdrawn from use and are disposed when there are no expected economic benefits from them or market values.

If while in use a fixed tangible asset has been damaged or withdrawn from active use, the asset is depreciated up to the end of month when it was withdrawn from active use. If its net book value exceeds its sale value, the difference is recorded as expense upon sale (net principle recording). In case its sale value exceeds its book value, the difference is recorded as revenue of the current period (net principle recording).

Depreciation is charged for each single asset, against linear method at rates suitable for disposal of acquisition value through its evaluated useful period of life. Land and assets under construction are not depreciated.

Rates applied for depreciation are as follows:

• Buildings	2.5-10%
• Ships and docks	5-10%
• Cranes and plants	6.67-25%
• Production equipment	4-25%
• Transportation vehicles	20%
• Office computer and related equipment	20-50%

The Group evaluates useful life of fixed tangible assets on a regular basis and based on Management's decisions uses legally recognized accelerated depreciation rates.

Depreciation and recognition of expense starts from the first day of the month followed by activation of the fixed tangible asset.

Depreciation for sold, given, or in any other way disposed or destroyed fixed tangible assets is recognized as expense up to the end of month when the assets were still in use.

Fixed assets are recorded in the balance sheet even if they are completely written-off, up to sale, gift, or disposal of any kind.

g) Investing in real estate

Real estate investments refer to property (land, buildings or part of a building or both) that is held for the purpose of obtaining rental income or for an increase in their value or both. Investment in real estate is measured at fair value.

h) Impairment of value of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (excluding inventories and deferred taxes) to determine whether there are any indications of impairment losses. If such indications exist, the recoverable amount of the asset is estimated to be able to determine any losses caused by impairment. If the recoverable amount of an asset cannot be estimated, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If it is possible to determine a realistic and consistent basis for allocation, the Group's assets are also allocated to individual cash-generating units or, if this is not possible, to the smallest group of cash-generating units for which a realistic and consistent basis of allocation can be determined. Intangible assets with an unlimited useful life are tested for impairment once a year, and other intangible assets if there is an indication of possible asset impairment.

The recoverable amount is the higher of the fair value less costs to sell and the asset's value in use.

For value in use purposes, estimated future cash flows are discounted to present value using an after-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to that asset for which future cash flow estimates have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be lower than the book value, the book value of that asset (cash-generating unit) is reduced to the recoverable amount. Impairment losses are recognized immediately as an expense.

In case of subsequent reversal of an impairment loss, the carrying amount of the asset (cash-generating unit) is increased to the revised estimated recoverable amount of that asset in such a way that the increased carrying amount does not exceed the carrying amount that would have been determined if there had been no recognized impairment losses in previous years on that asset (money-generating unit). The reversal of the impairment loss is immediately recognized as income.

i) Long-term financial assets

Long-term financial assets represent investment of cash, goods and assignment of rights for generating revenue. Return on the investment is expected in period exceeding one year.

Accounting policy and procedures differ depending whether the investments occurred from:

- Investments in participation at others up to 20% of voting power;
- Investment into related companies - companies in which the Group has significant influence but no control, which typically includes 20% to 50% of the voting rights;
- Investments through business relations with partners in market.

Initial investment in associated and dependent companies is recorded at acquisition cost increased for transaction expenses. On the financial statements date these investments are recorded depending on the portion in these associated companies.

Long-term financial investments in associates (share of 20% - 50%) are recorded in the books by the cost method affected by eventual depreciations, whilst the equity method is used in consolidated reports.

Investments in financial assets that do not relate to investments in subsidiaries and related companies are measured at amortized cost and assets measured at fair value through other comprehensive income.

(i) Financial assets measured at amortized cost

Financial assets measured at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for assets with a maturity of more than 12 months after the balance sheet date. Such assets are classified as long-term financial assets. Receivables are stated at amortized cost using the effective interest rate method.
The impairment policy is set out in Note 2.3.j and 2.3.k.

(ii) Financial assets measured at fair value through other comprehensive income

After initial measurement, for financial assets measured at fair value through other comprehensive income, the gain or loss from the change in fair value is recognized in other comprehensive income. Foreign exchange gains or losses are recognized in profit or loss in the income statement. If the financial assets are derecognised, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from other comprehensive income to profit or loss as reclassification adjustment.

j) *Consolidation*

Consolidated Financial Statements include financial statements of the Group and companies controlled by the Company and its subsidiaries (“the Group”) together with the Group's shares in associates.

Business combinations
The Group applies IFRS 3 "Business Combinations" for accounting for business combinations, and the accounting policies applied to these acquisitions are described below.
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.
The Group controls an investee when it is exposed to or has rights to variable returns from its involvement with the investee and can affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes in one or more of the elements of control. This includes circumstances in which protective rights held by the Group (for example, those resulting from lending activity) become substantive and lead to the Group having power over an investee.

The Group measures goodwill at the acquisition date as:
- Fair value of the consideration transferred; plus
- Recognised amount of any non-controlling interests in the acquiree; plus,
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- Net recognised amount (generally fair value) of the identifiable assets acquired and liabilities.

When this total is negative, a bargain purchase gain is recognised immediately in profit or loss.
The consideration transferred does not include amounts related to the settlement of pre-existing relationships. These amounts are regularly recognised in profit or loss.
Acquisition-related costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.
Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries
Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.
Inter-group transactions, balances and unrealised gains on transactions among the Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions or transactions with owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements and are initially recognised at cost. The Group’s investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition. In the Company’s separate financial statements investments in associates are accounted at cost less impairment.
The Group’s share of associates’ post-acquisition gains or losses is recognised in the statement of profit or loss and its share of their post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in an associate equal or exceed its interest in the associate, including any other unsecured receivables, the

Group does not recognise any further losses, unless it has incurred obligations or made payments on behalf of the associate. Dividends received from associates are treated as a decrease of investment in associate in the Group's consolidated statement of financial position and as a dividend income in the Company's separate statement of profit or loss.
Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Acquisition of entities under common control
Business combinations arising from transfers of interests in entities that are under the control of the shareholder that ultimately controls the Group are accounted for using the following principles:
- Assets and liabilities acquired are recognised at the carrying amounts recognised previously in the consolidated financial statements of the controlling shareholder of the Group;
- Difference between the consideration paid and the carrying value of transferred assets and liabilities is recognized in Group equity;
- Components of equity of the acquired entities are added to the same components within Group equity (except any issued capital of the acquired entities which is recognised as part of share premium), any cash paid for the acquisition is recognised directly in equity.

Non-controlling interest
For each business combination, the Group elects to measure any non-controlling interests in the acquiree either at fair value or at their proportionate share of the acquiree's identifiable net assets.
Changes in the Group's interest in a subsidiary that do not result in a change of control are accounted for as transactions with equity holders in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. The adjustments to non-controlling interests are based on the proportionate amount of the net assets of the subsidiary.

Transactions eliminated during consolidation
Intragroup balances and transactions, and unrealized revenues and expenses (excluding gains or losses on exchange rate differences) arising from intra-group transactions are eliminated when preparing consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only on the condition that there is no evidence of impairment.

Goodwill
Goodwill represents the difference between the fair value of the acquisition cost and fair value of the Group's share in the net identifiable assets acquired by the subsidiary on the acquisition date. Goodwill arising on the acquisition of a subsidiary is recognized as an intangible asset. Separate goodwill is tested annually for impairment or whenever there are any impairment provisions and are recognized at cost less accumulated impairment losses. Goodwill impairment losses are not eliminated.

Goodwill is allocated to cash-generating units for impairment testing purposes. Allocation is carried out on those cash-generating units that are expected to benefit from the business combination in which goodwill is generated.

k) Inventories

Inventories of raw and other material are valued according to their acquisition value (average weighted price principle) or their net market value, depending on which one is lower.

Reduction of inventories value is performed by charging expenses of the current period based on evaluation made by professional services on damage, deterioration of inventories and in case when recoverable value (value that can be realized by sale or use of those inventories) is lower than acquisition cost.

If the professional services evaluate that use of certain inventories in future contracts is doubtful, respectively that some products on stock are not spendable, the Group performs write-off of inventories, which is recorded as expense of the current period.

When and unless the circumstances that led to an earlier decrease in value or write-down of inventories, no longer exist, the value of inventories should be increased up to the cost of acquisition or the value that can be realized and consumed as such in regular production.

Small inventory and tools are written-off completely upon activation.

Inventories that are damaged during handling and storage, as well as inventories that lose their useful value, are determined through inventory procedures or by special commissions and, with the approval of the responsible person and in accordance with tax regulations, are written off on the account of regular operating expenses.

l) Receivables

Trade receivables, receivables from state, employees and other legal and private persons are recorded in the business books based on valid documentation of their occurrence and data on their value.

Trade receivables from foreign customers expressed in foreign exchange currencies are recorded in national currency, calculated based on mean exchange rate of the Croatian National Bank as at the date of recording the receivable. Upon collection of receivables, the differences that occur due to exchange rate are recorded as revenues or expenses of the Group.

Outstanding trade receivables from foreign customers as at the balance sheet date are reported at mean exchange rate of the Croatian National Bank and the exchange rate differences are recorded as revenues or expenses.

Receivables are initially recognized at fair value in the Group's books of account and subsequently measured at amortized cost.

The increase in interest receivable is based on the contract and default interest rate calculations. Value adjustments in respect of receivables are made on the basis that it is established that the receivable has not been collected within the due time or that it is uncollectible and claimed on court. The decision on adjusting the value of receivables is made by Management.

Value adjustments in respect of receivables are recognized in the income statement of the Group (Note 30), and as stated in Note 2.3 k) *Impairment of short-term financial assets, including receivables*.

m) Short-term financial assets

Short-term financial assets comprise of investment of cash, property, rights and granted merchandize loans for the purpose of generating revenues, whose benefits are expected to arise within one year.

Short-term financial investments within one year are recorded in business books at investment cost. The value is determined for each investment. Subsequent measurement of short-term financial investments is recognized at amortized cost.

Impairment of short-term financial assets, including receivables

Estimates of future expected credit losses are made based on the average write-off rate in previous years and its application to non-revaluated short-term financial assets at the reporting date (Note 30). The Group uses a simplified approach to allocate receivables to Level 2 and Level 3 as required by IFRS 9. Receivables over 365 days are allocated to Level 3.

Upon acknowledging higher risk of collecting these assets and termination of litigations, where there is evidence of impairment, value adjustments in respect of short-term financial assets are carried out in an amount that reflects the specified parameters. The decision on value adjustments is made by Management.

n) Cash and cash equivalents

Cash and cash equivalents include money in bank, cash in register and short-term deposits. Money in bank and cash in register is recorded at nominal value in national currency. Foreign exchange funds in bank and in register is recorded at mean exchange rate of the Croatian National Bank.

Exchange rate differences arising from setting foreign exchange funds to mean exchange rate of the Croatian National Bank are recorded as revenues / expenses of the current period.

o) Prepaid expenses and accrued income

Outflows that covered expenses referring to future periods are recorded according to the amounts specified in valid documentation supporting the business event. Discrepancy of the calculation period of prepaid expenses at the end of the year creates a balance which is transferred into the following period as a balance sheet position.

Generated revenues that do not meet the criteria to be recorded as receivables, are recorded in the calculated amount specified in the valid documentation supporting the business event and are being transferred as a balance sheet position to the following period in which they are carried over to the receivables once they meet the criteria.

p) Equity

Equity is own source for financing assets.

Subscribed capital is recorded in the amount that is registered in the court registry upon establishment or change of subscribed value of capital in the commercial registry.

Reserves are accounted for depending on their form and Group’s policy (statutory and other).

q) Employee benefits

Obligations for pensions and other obligations after retirement

In the course of normal operations, when paying salaries, the Group makes payments of contributions on behalf of its employees who are members of mandatory pension funds in accordance with the law. Mandatory pension contributions to the funds are reported as part of salary expense when they are calculated. The Group does not have an additional pension plan and therefore has no other obligations regarding employee pensions. Furthermore, the Group has no obligation to provide any other benefits to employees after their retirement.

Short-term benefits of employees

The Group recognizes reservations for annual leaves and other benefits when there is a contractual obligation or past practice on the basis of which the derivative obligation arose. Short-term liabilities for severance pay are recognized when the Group terminates the employment of an employee before the expected date of retirement or by the employee's decision to voluntarily accept termination of employment in exchange for compensation. The Group recognizes obligations for severance payment when it has demonstrably undertaken the obligation to terminate the employment relationship with current employee, based on a detailed formal plan without the possibility to withdraw from it, or provides severance payments as a result of an offer to encourage voluntary termination of the employment relationship. The Group recognizes the obligation for jubilee awards in the period in which the award was made, based on the actual number of years of service.

r) Provisions

Provisions should be recognized when the Group has a present obligation (legal or constructive) because of a past event or it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at balance sheet date and adjusted to the latest best evaluations.

Provisions arising from contracts, such as provisions for severance wages, provisions for expenses in guaranty periods, and provisions for expenses arising from initiated legal proceedings are also recognized as an expense of the period for risk provisions based on legal and other regulations.

s) Long-term liabilities

Long-term liabilities are recorded in business books in the amounts specified in valid documentation or contract supporting the event. Long-term liabilities refer to liabilities with maturity exceeding 12 months starting from the date of financial statements. Classification of the long-term and short-term liabilities is performed on each balance sheet date.

t) Short-term liabilities

Short-term liabilities are recorded in business books in the amount specified in valid documentation or contract supporting the event.

Short-term liabilities refer to liabilities with maturity less than 12 months.

Classification of the long-term and short-term liabilities is performed on each balance sheet date.

Short-term liabilities recorded in foreign exchange funds and those with currency clause are being set at mean exchange rate of the Croatian National Bank in national currency. Upon settlement of these liabilities, the differences that occur as exchange rate differences are recorded as revenues or expenses of the Group.

Outstanding liabilities shown in foreign exchange currencies are being set at mean exchange rate of the Croatian National Bank as at the balance sheet date and any exchange rate differences are recorded as revenues or expenses of the Group.

u) Government grants

Government grants shall not be recognized until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. Grants related to assets are government grants whose primary condition is that a company qualifying for them should purchase, construct or otherwise acquire long-term asset and, shall be recognized in the statement of financial position as income for future periods and transferred to income on a systematic and rational basis during the useful life of the asset.

Receivables arising from government grants, for reimbursement of already incurred costs or losses or for the purpose of providing current financial support to the Group without future related costs, shall be recognized in the profit and loss of the period in which the receivable for them arises.

v) Accrued expenses and deferred income

Expenses that occurred in the current period for which the Group did not receive invoices or documentation required for accounting purpose is incomplete, but it is possible to determine their amount (for example rental costs, audit fees based on contract) are recorded in the balance sheet as accrued expenses, since the liability will be recorded in the future period.

Incurred expenses which do not meet the criteria to be recorded as liabilities, are recorded at the amount specified in the documentation which anticipated the business event and are transferred as a balance sheet position in the following period in which they are carried over to liabilities once they meet the criteria.

Those revenues not meeting the criteria to be recognized in the current period are deferred for future periods.

3. SEGMENT REPORTING

Based on IFRS 8 management approach, the Group controls its activities in solely one segment, according to the specifics of the activity. Shiprepair and conversions are the main activities of the Parent Company and make up almost entire revenue from sales, or 82% of total operating revenues. All processes within the main activity are interrelated by matrix organisation. Matrix organisation connects various resources provided by functional organisational units needed to realize several concurrent projects. The Parent Company uses its non-direct resources and infrastructure which cannot be allocated to each project, for all projects within shiprepair activities. Profitability of each project vary depending on availability of needed resources, especially labour force, which are combined depending on level of their employment. Each project has its own specificities due to client's requirements and needs, requiring different approaches in combining production trades. Such business environment does not allow segment reporting of organisational units or activities.

The Parent Company monitors its operations by projects that combine different trades in production activities in different proportions depending on specifications of the required works for each project. Internal managerial reports are used for whole segment of activity, in which business performance indicators are based on gross margin (relation between revenues and direct costs) and EBITDA (earnings before interest, taxes, depreciation, and amortization).

The Parent Company's subsidiary VL Steel d.o.o. participates in its main activity providing services that are closely related to the Parent Company's activities, so there can be no different segments of activities. In the Parent Company's business model, the subsidiary acts as a subcontractor in periods of high occupancy rates or in projects where the Parent Company does not have its own or does not have enough of its own workers. A smaller part of the subsidiary's income is generated by providing services to third parties, which makes better use of its own capacity. It is to be noted that the subsidiary has a total impact of only 1% to the consolidated financial statements.

4. SALES REVENUE

EUR

	2023	2024
Revenues from sale of services in domestic market	5.001.212	12.321.580
Revenues from sale of services in foreign market	65.992.875	55.045.732
Revenues from sale of services to related parties	700.098	897.006
Total	71.694.185	68.264.318

Sales revenue from generated by the Group until December 31, 2024 included all income invoiced during the period, reduced by that part of the income that refers to the previous year in respect of which revenues were recognized and calculated using percentage of completion method, and increased by the revenues generated from the projects that as of December 31, 2024 were still in progress, so they were partially recognized as revenue of the current period in accordance with the percentage of completion method (application of IFRS-15), regardless of whether the customer was invoiced for that part or not.

Metod of calculating revenue according to IFRS-15: Revenue from contracts with customers, or according to the percentage of completion was used as of December 31, 2024 for recording revenue generated from all projects that were still ongoing at the end of December 2024, and for that part of revenue for which the conditions for invoicing to clients have not yet been met. With such recognition, revenues are also determined in accordance with the costs of individual projects, in such a way that the expected gross margin is evenly distributed in individual accounting periods, depending on the percentage of completion of the projects.

Revenue from the sale of services - related parties refers to revenues generated from companies that are part of the Palumbo Group (*Note 23*).

Structure of sales revenue by type of service in the current year:

EUR

	Domestic market	Foreign market	Total
Shiprepair	10.756.749	55.042.475	65.799.224
Other services	1.564.831	3.258	1.568.089
Other services – related parties	0	897.005	897.005
Total	12.321.580	55.942.738	68.264.318

5. OTHER REVENUES

EUR

	2023	2024
Revenues received from the use of own products, goods and services	14.371.509	16.879.937
Revenues from sale of material and waste	583.560	637.097
Rentals	191.096	187.880
Income from reversal of long-term provisions *(Note 24)*	295.654	344.464
Insurance claim income	8.020	7.765
Income from collected written-off receivables	406.337	2.416.600
Revenues from sale of property, plant and equipment	6.855	7.053
Subsequent recognition of income from past years	13.532	0
Inventory material surplus	3.466	3.466
Income from adjusting expected credit losses (IFRS 9)	1.929	30.086
Income from written-off liabilities	0	25.453
Other revenues	106.760	924.573
Total	15.988.718	21.464.374

Revenues generated from the use of own products, goods and services involved Parent Company's investments in own production equipment and were significantly higher compared to the same period last year, mostly due to the Dock 11 renovation project, including construction of two new pontoons, and the project of transition of power lines from 10 kV to 20 kV.

Revenues from sale of material and waste mostly included the income generated from sale of secondary raw material generated from the Parent Company's production process in the amount of EUR 536,522 (2023: EUR 444,697). As a rule, revenue from sale of waste moves in accordance with the growth or decline in occupancy, as well as the renovation of structures of own floating docks, since most of such revenue is generated from sale of scrap steel. The remaining amount of EUR 100,575 (2023: EUR 138,863) referred to the sale of material to subcontractors, incorporated into core activity projects based on a turnkey basis subcontract or quantity of work carried out, whereby the Parent Company controls the quality of the purchased and installed material.

Rental income referred to revenues generated from leasing commercial premises and production equipment to subcontractors that participate in production activities of the Parent Company.

Income from collected doubtful and disputed receivables involved receivables from customers reported in the insolvency proceedings against a foreign client, initiated back in 2015, when the Parent Company then fully corrected the uncollected receivables.

6. MATERIAL EXPENSES AND COST OF GOODS SOLD

EUR

	2023	2024
Raw and other material		
Consumed raw and other material	15.656.299	10.885.417
Consumed energy	3.282.893	3.268.380
Small inventory and spare parts	103.185	70.683
Total raw and other material	19.042.377	14.224.480
Other external expenses		
Services used in production of outputs	15.441.613	16.415.616
Subsupplier services	24.842.148	27.415.697
Subsupplier services – related parties	5.802	0
Maintenance services	1.748.869	2.565.234
Rental expenses	523.785	670.777
Intellectual services	290.630	705.391
Intellectual services – related parties	108.002	108.000
Transportation, phone, post and similar services	62.340	62.173
Other services	129.038	186.569
Total other external expenses	43.152.227	48.129.457
Total material expenses	62.194.604	62.353.937

Services used in production of outputs are subcontractor costs. Subsupplier services are third-party services that are normally provided outside the Group's location or are carried out by means of service providers. In the observed reporting period, the costs of subsupplier services or external specialized services, increased more significantly, as a result of activities related to the construction of the Dock 11 pontoons outside the Shipyard.

The short-term rents included variable costs of renting production equipment, depending on the specificity and needs of core activity projects, and are usually one-time costs whose total amount varies depending on the occupancy rate and production needs.

Costs of transactions with related parties involved companies within the Palumbo Group.

Intellectual services referred to various services of lawyers, notaries public, institutions involved in environmental impact monitoring, various professional technical and business services, which also include financial audit services and tax consulting services.

The costs of legal representation of the Parent Company in 2024 amounted to EUR 65,180 (2023: EUR 58,572). The stated amount mostly referred to services provided by domestic law firms, and only EUR 20,320 (2023: EUR 2,301) referred to services provided by foreign lawyers. Since the Group does not have its own legal department, legal services are outsourced when required.

In 2024, the costs of auditing financial statements of the Group amounted to EUR 26,500 (2023: EUR 23,000), and the costs of tax consulting services amounted to EUR 9,600 (2023: EUR 9,600). In 2024, the Parent Company engaged an external service provider to assist in the preparation and adaptation of the Parent Company to produce a sustainability report, and the costs of this engagement amounted to EUR 48,664, and the finding of a new ERP solution amounted to EUR 54,726.

The Parent Company uses technical, market and other consulting services from a related party, which is a company that belongs to the Palumbo Group that represents the largest individual shareholder of the Parent Company, the costs of which in 2024 amounted to EUR 108,000 (20232: EUR 108,002).

7. EMPLOYEE COST

EUR

	2023	2024
Net salaries and wages	5.905.596	6.795.851
Social security contributions and taxes paid by employer	2.539.596	2.980.468
Social security contributions and taxes paid by employee	1.455.668	1.691.308
Severance pays	8.494	22.011
Compensations for travelling costs, daily allowances, annual bonuses	1.015.935	1.148.480
Total	10.925.289	12.638.118

Compensations involving severance pay, jubilee awards, travel expenses and annual bonuses are paid to employees by the Group under the Collective Agreement. These costs referred to an average number of 358 employees for 2024, or 369 employees on average for 2023.

The Parent Company estimated potential liabilities based on retirement severance pay and jubilee awards for all employees of the Parent Company as of 31 December 2024, assuming their immutability and the immutability of existing liabilities in accordance with the existing Labour Regulations, and discounted the estimated future liabilities to their present value by applying a discount rate of 4.45%, which results from the basic reference rate determined by the European Commission for the Republic of Croatia, valid as of 31 December 2024, increased by 100 basis points.

Applying a discount rate of 4.45%, the present value of all future potential liabilities by the Parent Company based on retirement severance pay as of 31 December 2024 would amount to EUR 231,173 and based on jubilee awards EUR 245,566.

The Parent Company did not record the potential liabilities in its business books.

8. DEPRECIATION

EUR

	2023	2024
Intangible assets, property, plant and equipment	6.496.916	6.800.052
Total	6.496.916	6.800.052

9. VALUE ADJUSTMENTS

In 2024, the Group recorded value adjustments in respect of assets in a total amount of EUR 52,654 (2023: EUR 131), of which the amount of EUR 50,000 relates to the value adjustment of receivables from customers for which the Parent Company initiated forced collection of receivables, and the write-off of assets for which disposal has been carried out (Note 18).

The subsidiary VL Steel d.o.o. did not record any value adjustments neither in 2024 nor in 2023.

10. PROVISIONS

The Parent Company made provisions for 2024 in the total amount of EUR 366,076 (2023: EUR 597,774) and they relate entirely to the costs of provisions for unused annual leave of employees. There were no provisions for litigation in 2024 (2023: EUR 253,783).

11. OTHER EXPENSES AND OTHER OPERATING EXPENSES

Other expenses:

EUR

	2023	2024
Insurance premiums	441.543	428.145
Utility, concession and other public fees	401.252	407.047
Representation and gifts	121.105	115.816
Bank services	111.413	80.403
Other expenses	181.295	189.442
Total other expenses	1.256.608	1.220.853

Utility, concession and other fees included utility fees paid by the Parent Company in favour of the Municipality of Kostrena, fees for the use of maritime good, fees for water protection, use of technological water, use of public forest, fee for membership in the Croatian Chamber of Commerce and other fees.

Other expenses are expenses such as education, personal protective equipment, other occupational health and safety related expenses, and remuneration of the members of the Parent Company's Supervisory Board.

Other operating expenses:

In 2024, the Group incurred other operating expenses in the amount of EUR 231,332 (2023: EUR 65,392), which related to write off and deficit in inventories and the carrying amount of depreciated tangible assets, and other operating expenses, as below:

EUR

	2023	2024
Tangible fixed assets written off	969	499
Other operating and extraordinary expenses	64.423	230.883
Total other operating expenses	65.392	231.332

Other operating and extraordinary expenses are subsequently recognized expenses incurred in relation to projects of the previous business year, requests for refund by the Croatian Pension Insurance Institute for paid disability pensions for which the Institute charges the Group, and value adjustments in respect of receivables from business relations other than trade receivables.

12. FINANCIAL INCOME AND EXPENSES

EUR

	2023	2024
Financial income		
Interests	95.241	140.891
Dividend income received	744	818
Net foreign exchange gain	0	459.594
Total financial income	95.985	601.303
Financial expenses		
Interests	48.532	27.193
Net foreign exchange loss	406.647	0
Total financial expenses	455.179	27.193
Net financial expenses	(359.194)	574.110

In 2024, the Group generated foreign exchange gains in a total amount of EUR 1,005,206 (2023: EUR 626,942) and foreign exchange loss in the amount of EUR 545,611 (2023: EUR 1,033,589), resulting in net foreign exchange gain in the amount of EUR 459,594 (2023: EUR 406,647 net loss).

13. PROFIT TAX

The Group generated a profit of EUR 6,639,780 (2023: EUR 5,786,995) as a difference in revenues and expenses generated in the period from 1 January 2024 to 31 December 2024. After accounting for the increase and decrease of the tax liability, the profit tax liability amounted to EUR 1,213,108 (2023: EUR 1,057,747). During 2024, the Parent Company paid EUR 922,275 (2023: EUR 827,002) of profit tax advances, increased by an additional EUR 84,912 (2023: EUR 80,994) of profit tax advances paid in January 2025, as a result of which the obligation remains to pay a profit tax difference of EUR 203,358 (2023: EUR 110,942). The profit tax liability of VL Steel d.o.o. amounts to EUR 2,161.

EUR

	2023	2024
Accounting profit before taxation	5.786.995	6.639.780
Profit tax rate 18%	**1.041.659**	**1.195.160**
Effect of non-deductible costs	18.857	22.004
Effect of deductible costs	(2.769)	(4.056)
Total profit tax	**1.057.747**	**1.213.108**
Effect of unrecognized deferred tax assets of an earlier period	(36.192)	(401)
Cost of profit tax	**1.021.555**	**1.212.707**
Effective profit tax rate	**17,65%**	**18,26%**

Of the total stated profit tax liability in the amount of EUR 1,212,707 for 2024, EUR 1,213,108 related to current tax expense for the period, and the remaining EUR 401 involved recognized deferred tax assets of the Parent Company from the previous period.

In accordance with tax regulations, the tax administration may at any time review the books and records of the Group for a period of six years after the end of the year in which the tax liability is stated, and in case of irregularities impose additional tax liabilities and penalties. The Group's Management is not aware of any circumstances that could lead to irregularities in the reported tax liabilities, and thus to potentially significant liabilities based on possible controls.

14. FIXED TANGIBLE AND INTANGIBLE ASSETS

EUR

Description	Land	Buildings	Plants and equipment	Tools, inventory and transportation vehicles	Investment in real-estate	Investment in tangible assets in progress	Advances for tangible assets	Total tangible assets	Intangible assets	Investment in intangible assets in progress	Total
ACQUISITION VALUE											
Balance as at 1 Jan 2023	1.659.594	8.907.681	97.084.503	10.877.011	416.298	84.786	237.343	119.267.216	2.524.626	0	**121.791.842**
Transfer from investments in tangible assets in progress and advances	0	0	731.513	337.501	0	(1.069.014)	0	**0**	0	0	**0**
Acquisition throughout the year	0	0	0	0	0	15.681.241	30.291	**15.711.532**	0	0	**15.711.532**
Sold and written-off	0	0	(633.783)	(226.340)	0	0	0	**(860.123)**	0	0	**(860.123)**
Balance as at 31 Dec 2023	1.659.594	8.907.681	97.182.233	10.988.172	416.298	14.697.013	267.634	**134.118.625**	2.524.626	0	**136.643.251**
Transfer from investments in tangible assets in progress and advances	0	376.145	21.099.882	228.299	0	(21.762.070)	0	**(57.744)**	83.124	(25.380)	**0**
Acquisition throughout the year	0	0	0	0	0	18.164.003	(267.634)	**17.896.369**	0	25.380	**17.921.749**
Sold and written-off	0	0	(795.763)	(1.431.362)	0	(2.653)	0	**(2.229.779)**	0	0	**(2.229.779)**
Balance as at 31 Dec 2024	1.659.594	9.283.826	117.486.352	9.785.108	416.298	11.096.293	0	**149.727.471**	2.607.750	0	**152.335.221**
VALUE ADJUSTMENTS											
Balance as at 1 Jan 2023	**923.555**	**8.709.346**	**72.709.674**	**10.388.066**	**149.892**	**0**	**0**	**92.880.533**	**1.988.953**	0	**94.869.486**
Depreciation throughout the year	0	18.549	6.068.553	350.871	0	0	0	**6.437.973**	58.943	0	**6.496.916**
Sold and written-off throughout the year	0	0	(632.815)	(221.333)	0	0	0	**(854.148)**	0	0	**(854.148)**
Balance as at 31 Dec 2023	**923.555**	**8.727.895**	**78.145.412**	**10.517.604**	**149.892**	**0**	**0**	**98.464.358**	**2.047.896**	**0**	**100.512.254**
Depreciation throughout the year	0	18.549	6.454.048	265.258	0	0	0	**6.737.855**	62.197	0	**6.800.052**
Sold and written-off throughout the year	0	0	(794.867)	(1.431.273)	0	0	0	**(2.226.140)**	0	0	**(2.226.140)**
BALANCE AS AT 31 DEC 2024	923.555	8.746.444	83.804.593	9.351.589	149.892	0	0	102.976.073	2.110.093	0	105.086.166
BOOK VALUE 31 DEC 2023	**736.039**	**179.786**	**19.036.821**	**470.567**	**266.406**	**14.697.013**	**267.634**	**35.654.266**	**476.730**	**0**	**36.130.996**
BOOK VALUE 31 DEC 2024	**736.039**	**537.382**	**33.681.759**	**433.519**	**266.406**	**11.096.293**	**0**	**46.751.398**	**497.657**	**0**	**47.249.055**

During 2024, investments in fixed assets related to the Parent Company's investment of own funds in floating docks and the purchase of production and business assets. The Parent Company's most significant investment is renovation of the floating Dock 11, which involves construction of two new pontoons to replace the existing worn-out ones. The construction of the pontoons was entrusted to the Shipyard "3. Maj" in 2023. The first pontoon was delivered in June, and the second pontoon in September 2024. The installation of the first pontoon was carried out in July 2024, after which the Parent Company used Dock 11 to dock vessels of lower lightship weight. The installation of the second pontoon has not yet been carried out, since, after the completion of the preparatory work, the winter period began during which weather conditions did not allow for the implementation of the complex pontoon replacement operation, but it is planned for the spring months, depending on the availability of the dock.

Investments in the renovation of Dock 11 during 2024 amounted to 16.9 million euros, most of which related to the construction of new pontoons. After this phase of the renovation of Dock 11 is completed, the Parent Company plans to continue the systematic renovation and repair of the old (replaced) pontoons.

Part of the Parent Company's fixed tangible assets serves as collateral for financial loans (Note 30). Net book value of these assets as at 31 December, 2024 amounted to EUR 5,521,659 (2023: EUR 6,024,767).

Business premises having a surface area of 190 sq.m. located in the centre of Rijeka, which the Parent Company owns, have been rented for a period of 5 years.

The 2024 depreciation rate for property, plant and equipment at the reporting date was 75% (2023: 83%)

15. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – INVESTMENT SECURITIES

Parent Company owns 3,720 shares in Valamar Riviera Poreč, having a total nominal value of EUR 6,550, which, in accordance with the notification of the Central Depository and Clearing Company of Zagreb were reduced to the market share value of EUR 19,493 as at 31 December, 2024 (2023: EUR 17,558).

16. FINANCIAL ASSETS MEASURED AT AMORTIZED COST - DEPOSITS

Long-term financial assets in the amount of EUR 13,000 relate to a deposit with a commercial bank that the Parent Company placed in 2024 to secure fulfillment of their contractual obligations. The deposit amount reported for 2023 in the amount of EUR 19,386 related to securing long-term liabilities to HEP ESCO, which have been fully settled, whereby the deposit was returned to the Parent Company.

17. INVENTORIES

EUR

	31.12.2023	31.12.2024
Material	6.419.312	4.697.906
Small inventory	931.314	911.549
Value adjustments in respect of small inventory	(931.314)	(911.549)
Total	6.419.312	4.697.906

18. TRADE AND OTHER RECEIVABLES

EUR

	31.12.2023	31.12.2024
Receivables from customers - gross	*7.193.693*	*5.977.928*
Receivables from customers – impairment	*3.078.107*	*410.885*
Receivables from customers – net	3.934.911	5.567.043
Receivables from customers – related parties	180.675	0
Receivables from employees	95.728	94.435
Receivables from state	2.192.279	1.184.433
Prepaid expenses and accrued income	3.950.949	2.722.099
Advances	4.830.173	5.703.464
Other receivables	44.303	580
Total	15.229.018	15.272.054

Value adjustments in respect of trade receivables:

EUR

	2023	2024
Balance as at 1 January	3.520.814	3.078.107
Impairment for the current year	131	0
Recovery of receivables previously written-off	(440.909)	(2.637.137)
Value adjustments in respect of expected credit loss - IFRS 9	(1.929)	(30.085)
Balance as at 31 December	3.078.107	410.885

Receivables from the state amount to EUR 1,184,433 (2023: EUR 2,192,279), of which EUR 1,173,005 (2023: EUR 2,185,643) relates to the Parent Company, while only EUR 11,428 (2023: EUR 6,636) involves VL Steel. The largest part of the receivables from the state related to receivables received from value added tax refunds in the amount of EUR 1,114,348 (2023: EUR 2,112,685), of which 2,280 euros involve VL Steel. The remaining receivables in the amount of EUR 70,085 involve receivables based on an enforcement order in the amount of EUR 46,725 (2023: EUR 46,275), receivables received from sick leave pay paid at the expense of Croatian Health Insurance Fund in the amount of EUR 17,616 (2023: EUR 28,453), receivables from overpaid profit tax surcharge refunds relating to VL Steel in the amount of EUR 5,744 (2023: EUR 4,398) including receivables from overpaid income tax surtax refunds for subsequently recognized sick leave due to injury in the amount of EUR 18 in 2023, which did not exist in 2024.

According to IFRS 9 requirements, the Group carried out value adjustments in respect of receivables from customers for the period from 2018 to 2024.

Age structure of matured receivables from customers:

EUR

	31.12.2023	31.12.2024
1-90 days	3.822.084	5.105.895
91-180 days	200.506	420.177
181-365 days	112.627	26.467
Over 365 days	41.356	45.406
Value adjustments in respect of receivables (IFRS 9)	(60.987)	(30.902)
Total	4.115.586	5.567.043

Age structure of impaired receivables from customers:

EUR

	31.12.2023	31.12.2024
1-90 days	0	0
91-180 days	0	0
181-365 days	2.910	0
Over 365 days	3.014.210	379.983
Value adjustments in respect of receivables (IFRS 9)	60.987	30.902
Total	3.078.107	410.885

Trade receivable structure by currency:

EUR

	31.12.2023	31.12.2024
EUR	4.092.125	4.724.892
USD	84.448	873.053
Value adjustments in respect of receivables (IFRS 9)	(60.987)	(30.902)
Total	4.115.586	5.567.043

Structure of trade receivables by countries:

EUR

	31.12.2023	31.12.2024
Netherlands	0	1.986.532
Italy	300.410	1.179.617
Croatia	1.287.521	892.920
USA	87.268	873.053
Malta	1.179.774	365.000
Cyprus	0	217.186
Germany	43.643	78.557
Mexico	1.092.350	0
Other countries	185.607	5.080
Value adjustments in respect of receivables (IFRS 9)	(60.987)	(30.902)
Total	4.115.586	5.567.043

Structure of trade receivables by market:

EUR

	31.12.2023	31.12.2024
Netherlands	0	2.203.718
Italy	1.299.509	1.179.617
Croatia	1.287.521	892.920
USA	87.268	873.053
Malta	180.675	365.000
Mexico	1.092.350	0
Germany	43.643	78.557
Other countries	185.607	5.080
Value adjustments in respect of receivables (IFRS 9)	(60.987)	(30.902)
Total	4.115.586	5.567.043

19. CASH AND CASH EQUIVALENTS

EUR

	31.12.2023	31.12.2024
Money in bank	8.556.162	6.628.851
Cash in register	577	2.107
Deposits	4.796.380	4.372.463
Total	13.353.119	11.003.421

20. EQUITY AND RESERVES

On 31 December 2024, the issued share capital of the Parent Company, fully paid, amounted to EUR 22,315,014 and was divided in 16,813,247 registered ordinary shares in non-materialized form without nominal value.

In the process of converting the HRK amounts of the share capital and the nominal value of the shares into Euros, in accordance with the Companies Act, at the General Assembly of the Parent Company held on June 29, 2023, a decision was adopted to exchange shares with nominal amount for shares without nominal amount, with the share capital being rounded up by the amount of only 40 cents.

The exchange of shares with the Central Clearing and Depository Company was carried out in September 2023 based on an entry in the court register of the Commercial Court, as a result of which the Parent Company's share capital amounts to EUR 22,315,014 and is divided into 16,813,247 ordinary shares of the designation VLEN-R-B, which are registered without nominal value.

Owners of ordinary shares are entitled to dividends and one vote per share.

On 31 December 2024, the Parent Company owned 825.187 of own shares (31 December 2023: 825.187), making 4.91% of the share capital.

On 31 December 2024, the Parent Company’s statutory reserves amounted to EUR 1,115,751 (2023: EUR 1,115,751). The statutory reserves were formed in accordance with the Croatian law stipulating that 5% of the profit for the year is transferred to the statutory reserves until it grows to 5% of the issued share capital.

Statutory reserves, amounting 5% of equity, and reserves for own shares totalling EUR 2,780,095 (2023: EUR 2,780,095) cannot be distributed between shareholders.

21. DEBENTURES WITH INTEREST CHARGE

Below is the overview of debentures on which interest is paid according to the repayment dynamics as at 31 December 2024:

EUR

	31.12.2023					31.12.2024				
	Total	1 year or less	2-5 years	More than 5 years	Total long-term portion	Total	1 year or less	2-5 years	More than 5 years	Total long-term portion
Long-term investment loan	308.207	149.189	159.018	0	159.018	159.018	79.509	79.509	0	79.509
Long-term loan for purchase of equipment	201.346	78.817	122.529	0	122.529	122.844	37.860	84.984	0	84.984
Financial lease	0	0	0	0	0	553.694	553.694	0	0	0
Total	**509.553**	**228.006**	**281.547**	**0**	281.547	**835.556**	**671.063**	**164.493**	**0**	164.493

The long-term loan for the purchase of equipment refers to two loans taken by the Parent Company from two commercial banks for the purchase of energy-saving lighting, which was paid off in 2024 (total liability as of 31 Dec 2023: EUR 69,679) and a loan for the upgrade of efficient energy supply of ships, which expires at the end of 2026.

The financial lease mainly relates to the purchase of the Parent Company's production equipment, while the amount of EUR 18,653 relates to the purchase of a passenger car by VL Steel.

22. TRADE AND OTHER LIABILITIES

EUR

	31.12.2023	31.12.2024
Trade payables	8.891.015	8.485.835
Trade payables – related companies	59.802	9.000
Employee payables	574.684	642.577
Tax and contribution	861.068	443.506
Received advances	0	436.946
Other liabilities	267.750	626.593
Accrued expenses and deferred income	7.007.609	8.448.594
Total	17.661.928	19.093.051

Trade liabilities to related parties related to the liabilities towards the companies belonging to the Palumbo Group (Note 23). Accrued expenses with a payment delay clause in the amount of EUR 253,704 (2023: EUR 206,859 relating to the Parent Company) and deferred income for which the conditions for their recognition in the current period have not yet been achieved in the amount of EUR 8,194,890 (2023: EUR 6,800,750), made a total of EUR 8,448,594 in deferred income as at December 31, 2024.

Structure of trade payables by currency:

EUR

	31.12.2023	31.12.2024
EUR	8.805.433	8.463.353
USD	137.403	31.482
GBP	7.981	0
Total	8.950.817	8.494.835

23. RELATIONS WITH RELATED PARTIES

Transactions between related companies are carried out under normal market conditions.

EUR

Related parties and key shareholders	2023	2024
Sale to related parties		
Sale to key shareholders	700.098	897.006
Palumbo Shipyard Ltd. (belonging to the Palumbo Group)	700.098	301.710
Palumbo Superyachts Ltd. (belonging to the Palumbo Group)	0	520.000
Palumbo Shipyards Napoli S.r.L (belonging to the Palumbo Group)	0	75.296
Purchase from related parties		
Purchase from key shareholders	113.804	108.000
Palumbo Group S.p.A.	108.002	108.000
Palumbo S.p.A. (belonging to the Palumbo Group)	5.802	0
Receivables from related parties		
Receivables from key shareholders	180.675	440.296
Palumbo Shipyard Ltd. (belonging to the Palumbo Group)	180.675	170.000
Palumbo Superyachts Ltd. (belonging to the Palumbo Group)		195.000
Palumbo Shipyards Napoli S.r.L (belonging to the Palumbo Group)		75.296
Liabilities to related parties		
Liabilities to key shareholders	59.802	9.000
Palumbo Group S.p.A.	54.000	9.000
Palumbo S.p.A. (belonging to the Palumbo Group)	5.802	0

Key management

On 31 December 2024, the Management Board of the Parent Company was composed of two members: the President of the Management Board Sandra Uzelac, and the member of the Management Board Luka Hrboka, who was appointed to the Management Board of the Company on March 1, 2024. Both members of the Management Board act independently and individually.

The position of the member of the Management Board in VL Steel is held by Marko Sobotinčić, who is also a minority member of the company.

The position of the member of the Management Board in the company VL Agent is held by Marko Sobotinčić.

The gross salary cost of the Group's Management Boards for 2024 amounted to EUR 248,111 (2023: EUR 159,190). During the year, members of the Supervisory Board of the Parent Company received compensation in the total gross amount of EUR 29,680 (2023: EUR 20,809).

The Company has not granted any loans to the member of the Supervisory Board or the Management Board of the Parent Company.

24. PROVISIONS

Long-term provisions in the amount of EUR 1,690,691 (2023: EUR 1,909,247) related to provisions made by the Parent Company for initiated legal proceedings.

Short-term provisions in the amount of EUR 366,076 (2023: EUR 343,991) related to provisions for unused annual leave allowances for 2024 referring to the Parent Company's employees.

EUR

	Court cases	Annual leave	Total
Balance as at 1 January 2023	1.666.454	295.207	1.961.661
Provisions reversed	(447)	(295.207)	(295.654)
Recognized	(10.543)	0	(10.543)
New provisions	253.783	343.991	597.774
Balance as at 31 December 2023	1.909.247	343.991	2.253.238
Provisions reversed	(474)	(343.991)	(344.465)
Recognized	(218.082)	0	(218.082)
New provisions	0	366.076	366.076
Balance as at 31 December 2024	1.690.691	366.076	2.056.767

25. OTHER LONG-TERM LIABILITIES

Other long-term liabilities as at 31 December 2024 in the amount of EUR 553,627 (2023: EUR 553,627) referred entirely to the Parent Company and included contingent liabilities for disputed claims of bankruptcy creditors and associated litigation costs (incurred in 2004, shortly after the opening of bankruptcy proceedings, ended in 2008) in the amount of EUR 552,322 (2023: EUR 552,322) where the litigation proceedings have not yet been concluded, and the deposit received based on the lease of business premises in the amount of EUR 1,305 (2023: EUR 1,305).

26. RISK MANAGEMENT

The Group's activities expose it to various financial risks, including the effects of changes in market prices, changes in foreign exchange rates, liquidity risk and default risk. The Group does not use derivative financial instruments as an active hedge against financial risk exposure.

Equity management

The main goal of equity management is to ensure support to business operations and maximize shareholder value. The Group adjusts its equity policy in accordance with economic changes. With purpose to maintain or adjust its equity structure, the Group may re-adjust dividend pay-outs or return on capital or place a new emission of shares. There were no changes in the goals, policies or processes during the years ended December 31, 2024 and December 31, 2023.

Indicators of the Group's indebtedness are shown in the table below.

	31.12.2023	31.12.2024
Total interest-bearing debt (long-term and short-term loans) (Note 21)	509.553	835.556
Reduced by: Cash and cash equivalents (Note 19)	13.353.119	11.003.421
Long-term deposit (Note 16)	0	0
Net debt	(12.843.566)	(10.167.865)
Equity and reserves	50.008.692	55.436.951
Total equity and reserves and net debt	37.165.126	45.269.086
Indicator of indebtedness	*-35%*	*-22%*

Cash and cash equivalents significantly exceed the Group's indebtedness, so the indicator has a negative sign.

Market and operational risks

Group's business can be affected by disruptions in the market where their revenue is generated, primarily in terms of fluctuations in occupancy rate, because of global trends in the world maritime market. Market trends are influenced by factors that affect the global economy, which determine the supply and demand relationship for ship space, as well as price levels, such as fuel. All of this affects freight rates and the financial strength of shipowners, as well as their needs for shipbuilding and repair activities, and ultimately also the shiprepair market in which the Group operates.

On the other hand, market and operational risks also tend to affect resources for the main activity, mostly in terms of their availability and prices. When it comes to labour force - a resource that is of the greatest importance to the Group, rising prices and a shortage of quality skilled workers have been present for several years, leading to an increasing need to import labour. In addition, inflationary pressures and crisis events in the environment again lead to new pressures on labour prices. Disruptions in prices and supply chains present in energy sources, raw materials, materials and various equipment needed for installation may have a smaller and, due to their lower share in the resource structure, limited impact on the execution of Viktor Lenac's contractual obligations, and in addition, since they are mainly global in nature, they have a similar impact on competitors.

The operational risk for the Company's operations in the coming period will be the status of Dock 11 in terms of the possibility of obtaining certificates for accommodating vessels of a certain weight carrying capacity, which may have an impact on the possibility of covering different vessel type and weight carrying capacity, and thus on the opportunities and consequently on potential revenue.

Currency risk

The Group receives most of its revenue from sales in the international market, mainly in euro, which became the national currency on January 1, 2023. In relations with the US Navy, projects are mostly contracted in USD, so movements of the USD to EUR exchange rates can have an impact on business results. However, due to a relatively high accounts receivable turnover ratio and high foreign exchange ratio, the currency risk is not significant, and the Group does not use active hedging techniques regarding foreign currency transactions. On the other hand, the Group's liabilities have not been exposed to significant currency risk since most of these liabilities are denominated in Euros. In the event of a higher risk assessment, primarily due to the relationship between the USD and the domestic currency, Group will consider the use of hedging instruments against negative exchange rate risks.

The currency structure of trade receivables and trade payables, as well as assets and liabilities items, which are moderately exposed to currency risk, is disclosed in Notes 18 and 22.

The balance of assets, liabilities and equity by currency is presented below.

	31.12.2023			31.12.2024		
	EUR (1 EUR=7.5345 HRK)	EUR/USD in EUR	Total	EUR	USD or other currency in EUR	Total
Short-term assets	21.078.535	13.922.914	35.001.449	27.208.517	3.764.864	30.973.381
Long-term assets	36.182.415	0	36.182.415	47.295.622	0	47.295.622
Total assets	57.260.950	13.922.914	71.183.864	74.504.139	3.764.864	78.269.003
Short-term liabilities	18.283.095	145.384	18.428.479	20.389.139	31.482	20.420.621
Long-term liabilities	2.746.693	0	2.746.693	2.411.430	0	2.411.430
Total liabilities	21.029.788	145.384	21.175.172	22.800.569	31.482	22.832.051
Equity – Net assets	36.231.162	13.777.530	50.008.692	51.703.570	3.733.382	55.436.952

The sensitivity analysis, assuming a +/- 1% change in the exchange rate, reveals the following impacts:

	31.12.2023		31.12.2024	
Description	Impact of exchange rate change (+1%) in million EUR	Impact of exchange rate change (-1%) in million EUR	Impact of exchange rate change (+1%) in million EUR	Impact of exchange rate change (-1%) in million EUR
Impact of change - Assets	0,1	-0,1	0,0	0,0
Impact of change - Liabilities	0,0	0,0	0,0	0,0
Net impact on financial position	0,1	-0,1	0,0	0,0

Since 1 January 2023, the Euro has become the national currency in the Republic of Croatia. Exchange rate changes can, therefore, only affect business transactions related to other currencies in which the Group performed transactions in 2024, but the balance of assets and liabilities in those other currencies at the end of 2024 are of no major material significance.

In relation to the situation on the reporting date, if the exchange rate of the national currency against USD/GBP/CHF were to increase (or weaken) by 1%, assuming that other indicators remain unchanged, according to the Company's assessment, such a change, as a result of gains and losses from exchange rate differences from relations with suppliers, customers, given and received advances and money on business accounts, would not have a significant impact on the balance of total assets and net profit of the reporting period. In that case, the impact on the net result would be around EUR 37,000 (2023: EUR 140,000).

Interest rate risk

The interest rate risk is related to Parent Company, given that VL Steel d.o.o. is not significantly burdened with credit or has significant interest-bearing assets.

Except for occasional cash funds available for short-term deposits, Parent Company has not any significant interest generating assets which would be under influence of interest rate changes. On the liabilities side, the loan liabilities have been almost completely repaid, so the risk of interest rate changes on the remaining liabilities under financial leasing and a smaller long-term loan is materially insignificant. Short-term loans and borrowings received from commercial banks have a high turnover ratio and are negotiated depending on specific production purposes and consequently do not bear significant interest rate risks. Investments in long-term assets were realized with own working capital, and it is expected that the accumulated funds of current operations, as well as operations in the following periods, will be sufficient to continue investments without the need for borrowing.

Default risk

Default risk is associated with the other party to a contract not meeting its obligations that could produce a monetary loss, primarily referring to trade receivables. The Group uses different payment terms depending on client's financial capability assessment. In case there is a higher payment risk, the objective is to agree payment in full before redelivery. Guarantees and payment security instruments are not usual in shiprepair activities, but Parent Company can exercise its right to arrest a ship in any port in accordance with maritime law, as a mean of recovery. Trade receivables involve many customers, so the payment risk is dispersed. Value adjustments in respect of trade receivables make less than 1% of total turnover, which makes default risk low. There is no other significant default risk focus.

Liquidity risk

Liquidity risk aka cash flow risk is related to default risk and market risk, which involves oscillations in the capacity utilisation rate. The Parent Company manages the liquidity risk through continuous monitoring of the projected and actual cash flows. For larger projects, which can significantly affect outflows, especially in the preparatory phase of project when there are no inflows, the Parent Company uses short-term loans for project financing.

Following is the analysis of the remaining period until expected maturity date of unliquidated financial assets and receivables and negotiated maturity dates of financial liabilities of the Parent Company. This analysis provides a better comprehension of modalities the Parent Company uses to manage liquidity risk based on net amounts of assets and liabilities.

000 EUR

	Structure of maturity buckets					Total
	up to 1 m	1 – 3 m	3 m - 1 y	1 – 5 y	over 5 y	
Assets, Balance as at 31 Dec 2024						
With interests	11.004	1	3	19	18	11.045
Interests free	5.964	2.564	5.424	44	0	13.996
Total	**16.968**	**2.565**	**5.427**	**63**	**18**	**25.041**
Liabilities, Balance as at 31 Dec 2024						
With interests	1.114	46	126	278	0	1.564
Interests free	4.493	4.273	8.503	117	81	17.467
Total	**5.607**	**4.319**	**8.629**	**395**	**81**	**19.031**
Net liabilities	**11.361**	**(1.754)**	**(3.202)**	**(332)**	**(63)**	**6.010**

Fair value

Group calculates the fair value estimate of a financial asset or liability, following which, if necessary, value adjustments are made. It has been established that the fair value does not differ from the book value in an amount that would be considered material.

The fair value of a financial asset or liability is based on the quoted market price as at the balance sheet date, if available. Where the market price is not available, the Group calculates the fair value estimate based on the publicly disclosed information from external sources or based on the discounted cash flow method if applicable.

It is considered that the book value of receivables/liabilities with less than one year to maturity corresponds to their fair value.

27. POTENTIAL LIABILITIES

As at 31 December 2024, the Parent Company was involved in several disputes which have arisen from its business operations. The Parent Company has already made provisions in their books for such claims in case of unfavourable outcomes (Notes 10 and 24).

As at 31 December 2024, the Parent Company was a defendant in 8 court cases based on which the amount of EUR 1,690,691 (2023: EUR 1,909,247 for a total of 10 court cases) has been reserved, of which the major case involves a lawsuit that had been filed against the Parent Company for compensation of lost earnings for a period of four business years in the total amount of EUR 1.18 million. The dispute was initiated by a water resources management service provider, after the Parent Company decided not to renew the contract after its initial seven-year term.

As of 31 December 2024, the Parent Company recorded contingent liabilities based on performance guarantees, in the total amount of EUR 4,079,634, issued in favor of the Parent Company's clients by commercial banks. The guarantees have a validity period until the end of 2025, but it is expected that they will be extended due to the continuation of business relations with the clients in whose favor they were issued.

No lawsuit has been initiated against the subsidiary VL Steel, nor the subsidiary has any lawsuit pending against any third parties.

28. IMPORTANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In application of accounting policies, the Group's Management made the following judgements, independently of those which include estimates, and which have the most important influence on the amounts shown in the financial statements.

Revenue recognition principle

Revenue is recognized when the goods have been shipped or services have been rendered and when the risks and rewards of ownership of goods have been substantively transferred to the customer. In case of partial performance of a contract or services which are rendered, revenue is recognized by reference to the stage of completion of contract activity. Estimation of claims to services carried out is deducted from sales revenue and accounted under liabilities or provisions. Estimation of discounts represent a decrease in sales revenue. Such estimation is made based on contractual obligations, historical trends and experience.

Profit tax

Group recorded a positive financial result for 2024 generating a profit tax liability by the Parent Company in the amount of EUR 1,210,545 (2023: EUR 1,018,938) and a profit tax liability by the subsidiary (VL Steel d.o.o.) in the amount of EUR 2,161 (2023: EUR 2,618). The Parent Company already paid EUR 922,275 on the account of profit tax advances during 2024 as well as an advance in the amount of EUR 84,912 in January 2025 totalling EUR 1,007,187 (2023: EUR 907,996), resulting in the amount of EUR 203,358 (2023: EUR 110,942) remaining under the 2024 tax obligation (Note 13).

The subsidiary VL Steel achieved a positive financial result of EUR 13,063 (2023: EUR 13,063) generating a profit tax liability in the amount of EUR 2,161. After calculating the advance payment of profit tax in 2024 in the amount of EUR 3,508 and the overpayment from 2023 in the amount of EUR 4,398, the difference for the refund of overpaid tax in the amount of EUR 5,744 arises. (Note 13).

Impairment of receivables

Estimation of irretrievable value of sales of goods and services is made on the balance sheet date (plus monthly) based on the estimated probability of collection of doubtful receivables. Each client is evaluated separately concerning its status (a client having its account blocked, or legal action has been initiated; competitive position), matured receivables, legal proceedings status or payment security instruments.

Impairment of inventories

Impairment of inventories is recorded as an expense in the current period, based on assessment of damage and deterioration, and in cases where the recoverable amount (the value that can be realized by selling or using those inventories) is less than the cost.

If it is estimated that the use of any inventories is uncertain in respect of future contracts or that some products in inventories are not likely to be used in production, such inventories are written off as an expense in the current period.

Provisions for potential liabilities

The Group tends to recognize provisions which may result from litigation initiated against the Group which are estimated to lead to an outflow of funds. In estimating such provisions, the Parent Company regularly consults with legal professionals.

29. EVENTS AFTER BALANCE SHEET DATE

There were no significant events at the end of the period.

All significant events are regularly announced by the Parent Company to the public via the Zagreb Stock Exchange.

30. MORTGAGES

Parent Company had signed the pledge over its fixed assets in favour of the Raiffeisenbank Austria bank Zagreb for repayment of a loan for financing of development investment program and a debt arising from multipurpose credit. The pledge right has been registered over the floating dock RI38, and the equipment which was the subject of the finance. The book value of pledged assets amounts to EUR 5,521,659. The balance of liabilities for loans secured by the specified encumbrances as of December 31, 2024 is EUR 712,712.

The subsidiary VL steel has no mortgage on the property.

31. PREPARATION AND APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been prepared and approved for disclosure by the Company's Management Board on 28 April 2025.

Sandra Uzelac

President of the Management Board

BRODOGRADILIŠTE d.d.
VIKTOR LENAC
Kostrena, Martinšćica 8

Luka Hrboka

Member of the Management Board

MANAGEMENT REPORT

2024

April 2025

CONTENTS

FOREWORD

Management Board of the Shipyard “Viktor Lenac”, a joint stock company, presents its Management Report 2024 to all interested parties and the entire public. The Management Report 2024 provides readers insight into the Company's business and financial performance for the year. It includes the audited Consolidated and Non-Consolidated Annual Financial Statements, Auditor’s Report, and non-financial information from the point of view of sustainability. The Company is under no obligation to make a separate Non-Financial Reporting. In a separate enclosure to the Management Report, the Corporate Governance rules applied by the Company are described. For the sake of protecting confidential business information, certain data are presented as trends and movements without providing more detailed numerical or financial data.

Management Report in Croatian and English

Management Report 2024, including its enclosures, has been issued in Croatian as the official language and is also available in English to foreign readers. In accordance with Article 47 of the Accounting Act, the Management Report is subject to public disclosure and is submitted to the Company's shareholders at the General Assembly and published on the Company's website.

Legal Form

Pursuant to Articles 250a and 250b of the Companies Act, Annual Financial Statements and Management Report shall be submitted to the General Assembly with this document, and Supervisory Board's Report on the Performed Supervision of the Company’s Business shall be submitted to the General Assembly as a separate document.

Annual Financial Statements, both Consolidated and Non-Consolidated, have been made in accordance with the Accounting Act and International Financial Reporting Standards and revised according to the International Standards on Auditing.

Management Report 2024 has been made pursuant to Articles 21 and 24 of the Accounting Act to give an objective assessment of the Company's business and financial performance and development, as well as other information of crucial importance for the Company. Pursuant to Article 29 of the Accounting Act, the Company is under no obligation to issue a separate non-financial statement, however, the Management Report 2024 also includes some significant non-financial information that can contribute to the understanding of the Company’s performance and development.

Subsidiary Company, Consolidation Accounting

Shipyard “Viktor Lenac” is a joint stock company, which has a controlling interest in the single subsidiary VL Steel, a limited liability company, which carried out business activities during 2024, in which it holds a 75% equity interest. Consolidated and Non-Consolidated Financial Statements form an integral part of the Management Report. The difference between the Consolidated and the Non-Consolidated Financial Statements is not material, given that the subsidiary generates most of its revenue from the Company as its parent, and the assets of the subsidiary are not materially significant. The Management Report focuses on business performance of the Parent Company - Shipyard “Viktor Lenac”.

Abbreviations

In the Management Report, *Brodogradilište Viktor Lenac d.d.* is referred to as the "Shipyard" or "Viktor Lenac" or "Company"; the Company together with its subsidiary hereinafter are referred to as the "Group“.

Foreign Exchange Rates for years before 2023

When converting the amounts expressed in HRK for 2022 and earlier years into the euro currency, the exchange rate of 7.5345 was used.

ADDRESS TO SHAREHOLDERS

Dear Shareholders, Clients, Business Partners, Employees and Everyone reading this report,

We are pleased to present our 2024 Annual Report. We have achieved our business, commercial, production, and especially investment goals that we set for 2024, many of them even beyond expectations, so we can say that this was one more successful business year.

In today's business environment marked by challenges such as rising costs and price increases, which particularly affects our most important resource - labour, as well as, although less pronounced, but still present, rise in prices of materials and energy, the need to find a balance between the available workforce and oscillations in occupancy, and all this in conditions of limited, most important for us, dock capacity, we have successfully completed 68 different ship repair and maintenance projects, of which some more extensive projects extended into 2025. We believe that we have once again provided our clients with quality and demonstrated commitment and flexibility. We take this opportunity to thank everyone for their trust and, above all, excellent cooperation. We will continue to build future relationships with all our clients by respecting their needs, offering reliability, quality and proactivity, all for mutual benefit.

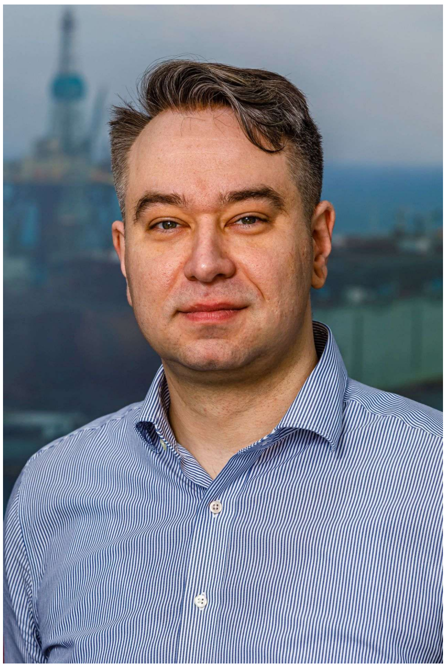
We are proud that we have completed the first stage of our extensive planned investments in the renovation of our largest Dock 11 almost on schedule and entirely with our own funds, while maintaining a high level of financial stability, working capital and solvency. Preserving this capacity will provide us with revenue that we could not have counted on during 2023 and 2024, given that Dock 11 was out of operation for most of those two years. The first pontoon was completed, and its installation was carried out at the end of July 2024, after which we were able to accommodate ships of lower weight carrying capacity onboard Dock 11. The second pontoon is ready for installation. By replacing two old pontoons, we are creating the conditions for the accommodation of vessels of slightly higher weight carrying capacity, but also for the start of the second stage of investment, in which the renovation of the replaced pontoons is planned, which ultimately leads to the renewal and re-obtaining of the class certificate for the original weight carrying capacity of Dock 11.

Viktor Lenac operates in accordance with internationally recognized ISO standards relating to quality management, health and safety management, energy management and information security management, and respects the standards and requirements of socially responsible business. This especially means caring for the environment and creating a safe and healthy work environment. Despite increased risks inherent to the ship repair industry, we have been recording fewer and fewer incidents and injuries at work every year, both in terms of the number of incidents and the severity of the consequences, and this was also the case in 2024.

The revenue that Viktor Lenac generated from its core activity in 2024 amounted to 66 million euros, which, although lower than those in the previous two years, is still one of the highest in the past two decades. Adding income from investments in own assets and other operating revenue, the total revenue reached almost 89 million euros. Despite pressures on labour prices, efficiency and cost control enabled us to achieve an EBITDA of EUR 12.8 million, and net profit after deduction of all expenses and profit tax amounts to EUR 5.4 million.

As a predominantly labour-intensive activity, we do not expect significant direct consequences from the new circumstances related to global world trade, although part of our procurement is related to imports from the USA. However, we are cautious when it comes to global indirect consequences, which could affect world trade and maritime transport, but also to additional pressures on price increases and further deterioration of living conditions. However, we believe that even in such circumstances we can overcome market challenges and continue to achieve good business results, protecting our environment and people and remaining prudent in the use of valuable and limited resources. By integrating principles of responsible business conduct, Viktor Lenac remains on the way to the set goal of aligned interests of all our stakeholders, shareholders, clients, suppliers and subcontractors, employees, banks, state institutions and the local community.

Sandra Uzelac
President of the Management Board



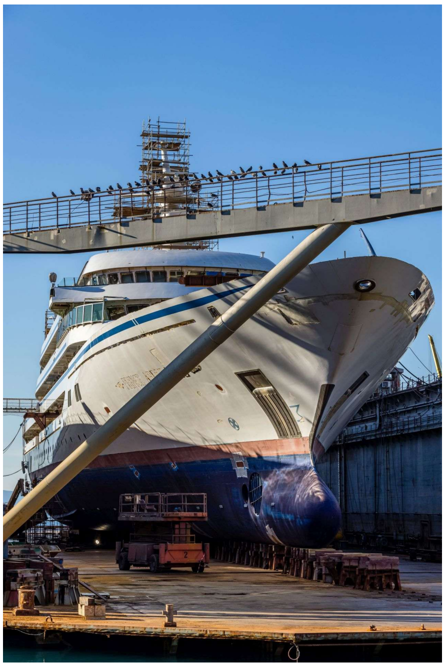
Luka Hrboka
Member of the Management Board

KEY FINANCIAL FIGURES

Consolidated Financial Figures

000 euro

	2024	2023	Index
Total Revenues	**90.330**	87.779	1,03
Total Expenses	**83.690**	81.992	1,02
Operating Revenues	**89.729**	87.683	1,02
Operating Expenses	**83.663**	81.537	1,03
Operating Profit	**6.066**	6.146	0,99
Profit before Tax	**6.640**	5.787	1,15
Net Operating Profit	**5.427**	4.729	1,15
Total Assets	78.269	71.184	1,10
Equity and reserves	55.437	50.009	1,11



The Company's subsidiary VL Steel d.o.o., a limited liability company generated a net profit in the amount of EUR 12,000, of which 75% was attributed to the Group, whereas 25% involved minority interest of a third party. It follows that the business result achieved by the subsidiary did not materially affect the business result of the Parent Company or the Group as a whole.

Non-Consolidated Financial Figures

000 euro

	2024	2023	Index
Total Revenues	**89.446**	86.836	1,03
Total Expenses	**82.820**	81.065	1,02
Operating Revenues	**88.846**	86.741	1,02
Operating Expenses	**82.794**	80.610	1,03
Operating Profit	**6.052**	6.131	0,99
Profit before Tax	**6.626**	5.771	1,15
Net Operating Profit	**5.415**	4.716	1,15
Total Assets	**77.703**	70.855	1,10
Equity and reserves	**55.294**	49.878	1,11

Consolidated comprehensive income statement and statement of financial position include Company's subsidiary VL Steel d.o.o. in which the Company holds a 75% equity interest. Throughout the entire 2024, the subsidiary was providing services in shipbuilding and related metal processing activities.

Considering that the subsidiary provides most of its services to the Parent Company, there is no material difference in the revenue of the Parent Company or the Group, nor in the financial position, as the assets belong almost entirely to the Parent Company.

Accordingly, the Management Report 2024 shall focus on the financial position, assets, liabilities and equity of the Parent Company.

MARKET, CLIENTS, COMPETITION

Viktor Lenac provides most of its ship repair services to clients whose vessels navigate the maritime shipping routes in the Mediterranean. Even though it is far from the major maritime shipping routes, which due to deviation costs that clients may bear, puts it in a less favorable position compared to its competitors in the Mediterranean and the Black Sea, Viktor Lenac achieved standard good occupancy rates in 2024. The interest of shipowners remained high during the entire year.

Freight rates remained at a similar level as in previous years, without any major oscillations during the year enabling shipowners to maintain their financial strength, resulting in a standard number of docking inquiries for maintenance and renewal of their fleets throughout the year. The problems related to the area around the Red Sea continued in 2024. Due to attacks on merchant fleets, shipowners redirected their maritime shipping routes around the Cape of Good Hope along the west coast of Africa instead of the Suez Canal resulting in a decrease in the number of ships navigating in the Mediterranean, in other words, a decrease in opportunities for Viktor Lenac, but this did not have a major impact on the occupancy rate.

Viktor Lenac contracts part of its projects with domestic clients, where the scope of work and the number of projects have increased. As part of the large Mediterranean shiprepair group *Palumbo Group*, the only major competitors to Viktor Lenac are Turkish shipyards.

Traditionally, Viktor Lenac provides its services to many different clients and based on individual shiprepair projects, which is why it has a relatively high market dispersion. Expanding the client base to new ones brings new opportunities and reduces market and financial risks.

Market dispersion

	2023			2024		
	Number of projects	Number of clients	Number of countries	Number of projects	Number of clients	Number of countries
Total	**55**	**28**	**11**	**68**	**29**	**10**
Domestic market	20	7	*1*	24	7	1
Foreign market	23	20	9	34	21	9
US Navy	12	*1*	*1*	10	*1*	*(1)*

During 2024, the Shipyard cooperated with almost thirty different clients from 10 countries, which is approximately at the level of previous years. The number of contracts increased, but, given the structure of works, the average achieved scope of works per project was lower, and as a result, lower average value of the completed works was achieved.

Market risks

Our revenue performance is influenced by global market trends, particularly global maritime trends, which determine supply and demand for shipping space, as well as freight rates, and thus financial strength of shipowners, their possibilities and needs for maintenance of their fleet or conversion of their ships. Cyclical changes in the shipping market and its volatility, which have a spillover effect on the shiprepair market, are difficult to predict, but past experiences in economic crisis reveal that there is always enough ships within reach that need shiprepair services.

Geopolitical developments can affect displacement of maritime shipping routes, such as current events in the area around the Red Sea, which can have an impact on shiprepair activities in an environment that is close to Viktor Lenac.

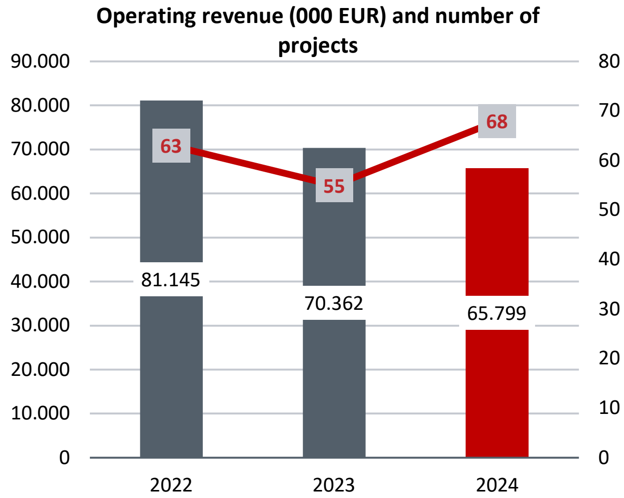
Its geographical position, far from the major maritime shipping routes in the Mediterranean, is a complicating factor for Viktor Lenac, and Turkish shipyards are the biggest competitors, both in terms of price and geographical position.

Increased navigation activities in the immediate vicinity of Viktor Lenac, related to the nearby LNG terminal and the future new container terminal in the port of Rijeka, increases our potential, and to use it we must invest in a floating dock of adequate size and capacity.

Viktor Lenac generates its sales revenue by providing its services to many different clients from different countries, so there is no significant concentration of risk that the termination of cooperation with some of the clients could lead to a greater negative impact on the Company's business and its total revenue from the core activity. This does not apply in the case of cooperation with the US Navy, which accounts for a significant share of the Company’s revenue.

SALES REVENUE

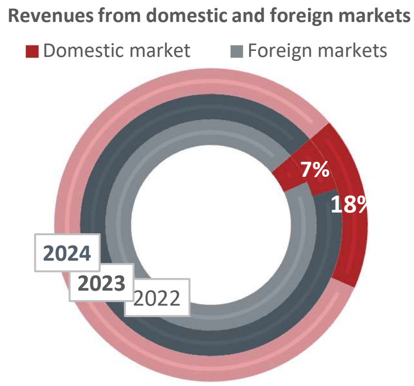
The revenues from sale generated from the core activity during 2024, although similar in terms of the type of projects to those in the previous two years, are lower than in 2023 and 2022, despite a larger number of completed projects. However, total revenue from the core activity, achieved in the amount of over 65 million euros, is the fourth highest in the last ten-year period. One of the reasons behind this result is the continuation of a passenger yacht refit project involving extensive scope of installation of material, equipment and performance of specialized furnishing services so that the revenues and expenses generated from that project led to an increase in the total operating revenue and expense both in 2024 and in the previous two years.



US Navy repair and maintenance projects participated with a standard high share (30%) in the total sales 2024 revenue, including several voyage repair projects carried out at external locations.

Of the total 68 projects from which sales revenues were generated in 2024, in addition to the passenger yacht refit project, seven projects were contracted and started in the previous year, and 60 new projects were contracted for 2024, of which five continued in 2025.

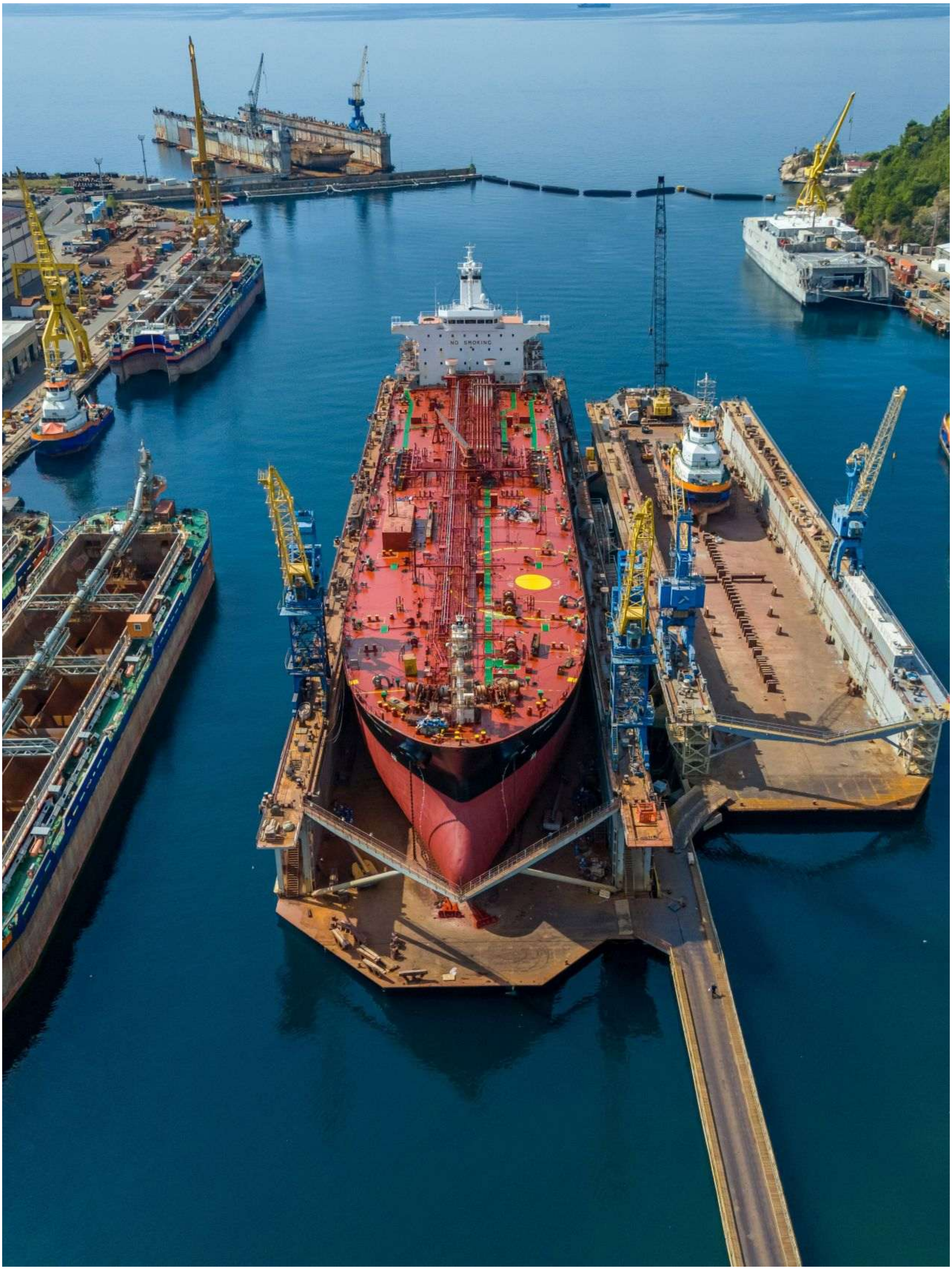
In 2024, the share of sales and revenues on the domestic market increased significantly, as a result of the increased scope of work on ships for domestic clients, although Viktor Lenac still remains predominantly an exporter of its services.



Default risks

Greater dispersion in terms of the number of clients and the number of countries from which these clients and projects come, greatly reduces Viktor Lenac's default risks, or the risk of uncollectible receivables.

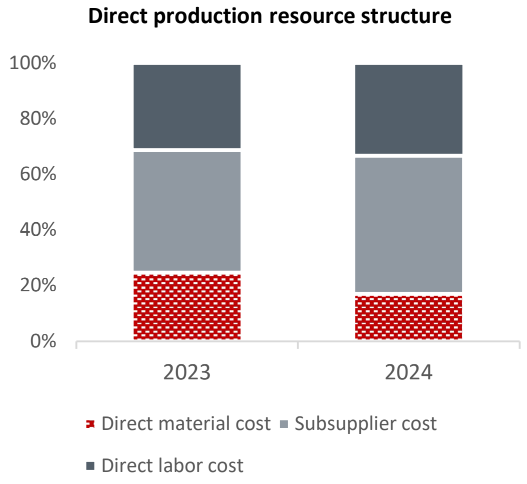
Shiprepair projects, their contracting, execution and collection stages have a significantly faster turnover than newbuilding projects. Although some ship conversion and refit projects can extend over several years, as a rule, their partial completion is accompanied by partial or phased payment, which also has a default risk reducing effect.


NO SMOKING

LABOUR RESOURCES

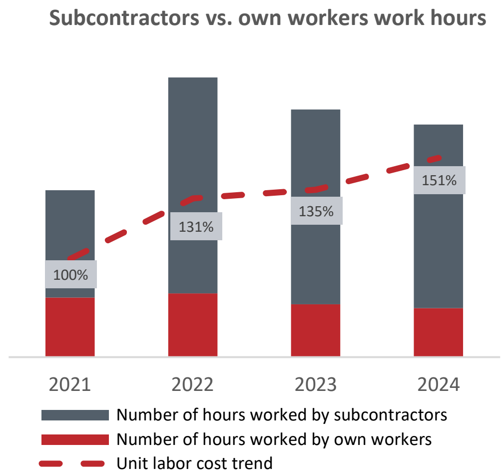
The Shipyard's main activity belongs to the group of labour-intensive production processes, where labour costs are the largest component, involving both own workers and hired subcontractors. Part of the subcontracting work is carried out outside of the Shipyard in the form of external third-party services mostly involving specialized works, which may also include procurement of materials and equipment.

The cost of external services in both 2024 and the year before, accounts for a significant share of resources due to the conversion projects and the passenger yacht refit project, including Dock 11 pontoon construction services provided by the neighboring shipyard "3. Maj". In 2024, compared to 2023, the share of external services was higher, and the share of direct materials for direct work orders was lower, while direct production labour maintained a similar share as last year.



Given the oscillatory nature of the Shipyard's activities and different levels of needs for labour capacity of different trades, and depending on occupancy rate and core project structure, Viktor Lenac uses subcontractor workforce in its production processes, which is the standard practice in the shipbuilding industry.

Subcontractors are primarily hired in the domestic market in the surroundings of the Shipyard, and if necessary, the Company also hires workers or subcontractor companies from other European countries. In recent years, the number of workers from third countries has been increasing in production activities. However, Viktor Lenac is not a direct importer of foreign workers, but uses them through subcontractors.



Inflationary trends in Croatia and in other countries of the European Union, along with the labour shortage and the import of foreign workers, have resulted in a significant increase in labour costs in the last two years. Compared to the pre-inflationary 2021, today's labour cost is on average about 50% higher and tends to increase. This is especially noticeable among skilled shipbuilding workers or specialists, but increase in labour costs is also evident among other auxiliary occupations and occupations with lower qualifications.

The increase in the unit labour cost, particularly noticeable in 2024, in addition to being caused by inflation, is also the result of a slightly different structure of business activities, with a higher share of the workforce with higher qualifications, as well as an increase in the share of turnkey work compared to previous years.

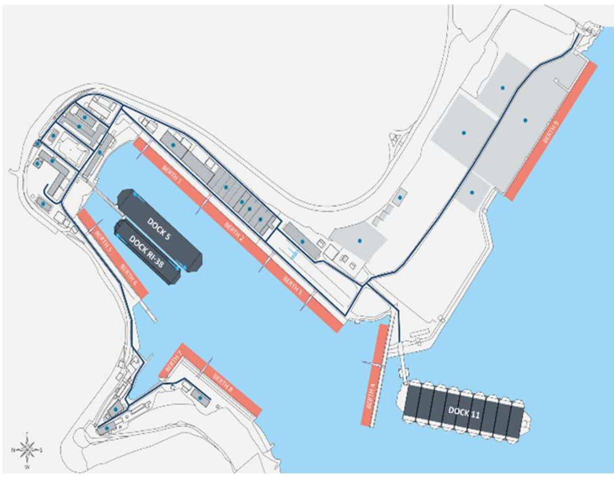
Labour risks

The labour-intensive production activity of Viktor Lenac is influenced by factors in the immediate environment and in Croatia, which primarily include availability of quality labour, and in connection with this, the cost of labour. Inflationary trends during 2022 and even during 2023 and 2024 exerted additional pressure, which inevitably led to an increase in labour costs. Such pressures represent price risks in future business as well, since not all of Viktor Lenac's competitors are under the same inflationary pressures, especially when considering workers' salaries, and the structure of consumption in Croatia with an impact on workers' living standards. With the increase in the cost of labour, Viktor Lenac may lose its price advantage over competitors from other Mediterranean countries of the European Union, and without correcting the cost of labour, it may be faced with the risks of a further outflow of higher quality labour to the countries of the European Union.

KEY ASSETS

Viktor Lenac occupies 220,000 square meters of land and 440,000 square meters of sea area, which it uses based on a maritime property concession agreement. The area includes a total of 1,500 meters of shore accommodating 9 berths. The main berths 1-3 lay next to the workshops and are used for mooring of ships undergoing repairs.

The Company's most important assets for carrying out ship repair and conversion activities are three floating docks, of which Dock 11 is the most significant in terms of size and lifting capacity.



In the middle of 2023, an extensive renovation of Dock 11 began, aimed at restoring the dock carrying capacity of 40,000 tons. The dock lost its weight carrying capacity certificate due to age and wear of its steel structure. Investments in this stage, which took place in the period 2023-2024, consisted of the construction of two new pontoons to replace the two existing ones and the repair of parts of the steel structure of the towers and other pontoons of Dock 11, which were not planned for replacement. The construction of new pontoons was entrusted to the 3.maj shipyard, whereas the remaining works were carried out by Viktor Lenac using its own facilities. The first pontoon was completed in June 2024 and installed in July. The second pontoon was delivered in September 2024, but due to occupancy of Dock 11 and less favorable weather conditions towards the end of 2024, the installation of the second pontoon was postponed to spring 2025.

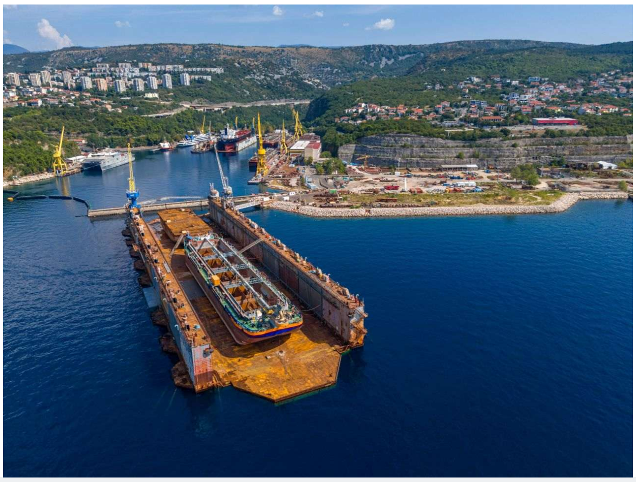
After replacing the pontoons with newly built ones, it is planned to continue the renovation work, successively, with the aim of further increasing the dock lifting capacity and accommodating larger vessels. Such significant investment is necessary to be able to maintain a competitive position and stable occupancy rates. There is really no alternative to the Company's investment in dock renovation. Building a completely new dock would be financially very demanding and difficult to achieve, and there are no used docks of this type on the market, which would also require significant investments in a very short time frame. The gradual way of renovating Dock 11 with the aim of extending its useful life is, therefore, optimal under the given circumstances. All planned investments were made in 2024 with our own funds without a loan.

The biggest help and support was the decision of the majority shareholder, Palumbo Group to use all the profits that Viktor Lenac earned in previous years for development and further sustainability of business.

Total investments in 2024 amounted to EUR 17.86 million, of which EUR 16.84 million was invested in Dock 11, including the construction of pontoons and renovation works on the existing structure.

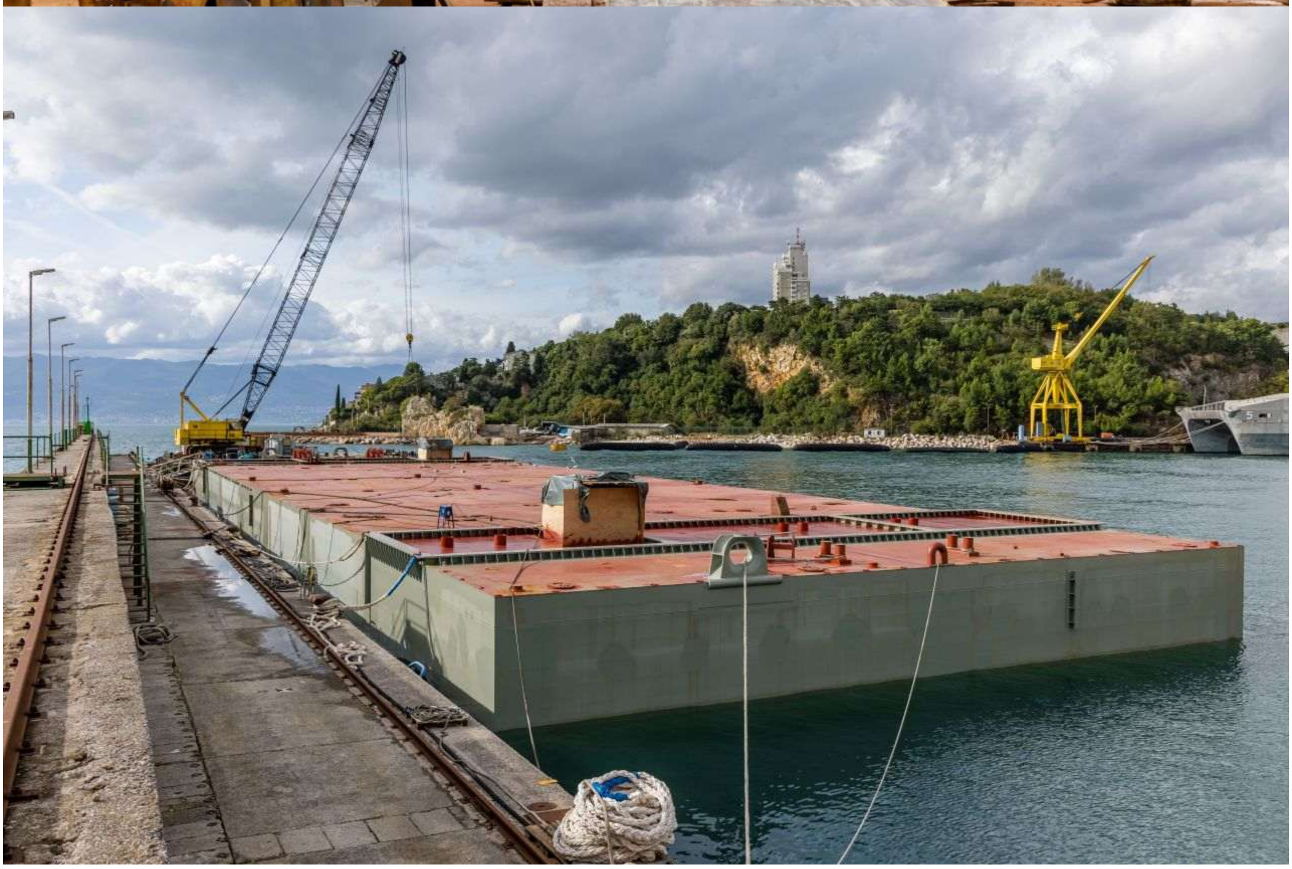
The remaining EUR 1 million was spent on regular investments in various production and business equipment and tools, of which the most notable were the purchase of new ballast pumps for Dock 5, equipment for the steel fitting workshop, the quick-assembly scaffolding extension and welding equipment.

In 2025, in addition to continuing investments in Dock 11, attention will also be paid to investing in production tools aimed at increasing work efficiency, and one of the more significant projects for Viktor Lenac will be the introduction of a new ERP system for managing business functions, after Viktor Lenac conducted a tender in 2024 to select the optimal software and tenderer.

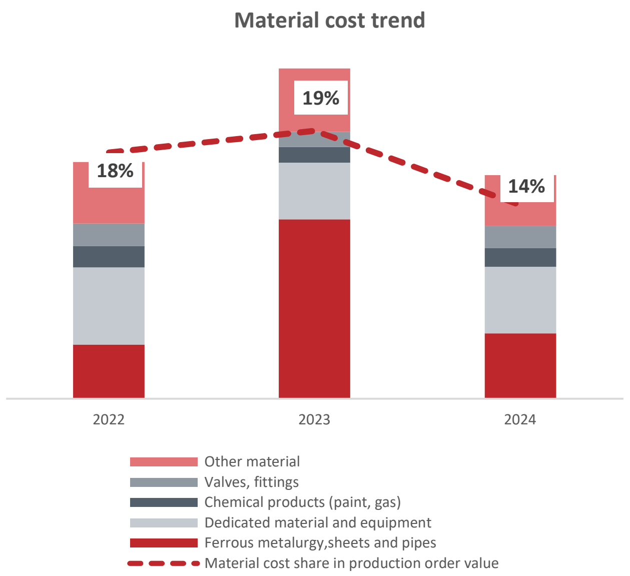


Risks associated with investment in Dock 11

Considering that revenues generated from projects involving works carried out onboard ships accommodated in Dock 11 can make up about a third of the standard revenue, or the gross margin achieved by shiprepair activities, the impossibility of completing the investment in the long run due to lack of financing or other reasons, or having Dock 11 out of operational use, represents a risk of reducing competitiveness, revenue and financial performance and business results. In the event of reduced competitiveness due to reduced flexibility of dock capacities, and consequently a reduction in revenue and decrease in occupancy rates, there would be a risk of further reduction primarily in labour capacity, since non productive work and unused labour potential represents the most significant fixed cost.



MATERIAL AND ENERGY



Considering that the Shipyard's activity belongs to the group of labour-intensive production processes, the share of material and energy-generating products in the total resources is not primary. The material cost in the operating revenues, or the value of production orders that generate material costs, is around 15% as it was in 2024. The largest decrease compared to the previous year was recorded in ferrous metallurgy, which is the result of a change in the structure of repair work, since all major steel work, as well as the delivery of materials for the pontoons of Dock 11, were mostly carried out in the previous year. Other material groups in 2024 recorded a similar level to that in previous years.

Material and equipment are mostly purchased in the domestic market. Imported material and equipment are specific goods that are not available in the domestic market, or involve orders of larger quantities, as was the case with the procurement of steel for the renovation of Dock 11 in 2023. In 2024, there was no significant need for foreign materials, so the share of materials purchased outside Croatia returned to the usual 30%, unlike last year, when imports accounted for as much as 58% of the total procurement of materials, equipment and spare parts based on production work orders. At the same time, imports from other countries, led by the United Kingdom and the United States, accounted for less than 20% of total material purchases in 2024.

The most important energy resources that Viktor Lenac uses in its production processes are electricity and water, the consumption of which varies depending on the scope of production activities, as well as the number of ships and the length of their stay in the Shipyard. Ships use shore connection and electricity used for ship's systems accounted for about a half of the total electricity consumed. In 2024, 6.2 million kWh, or about 47% of the total electricity consumed, was used to supply ships, which is without significant deviations compared to the previous year. In 2024, electricity had a share of 85% in the energy resource cost, and other energy costs included fresh water, oxygen and acetylene, process water and fuel oil. The cost of energy as a resource in the total value of production orders has a share of around 4%.

Energy resource management is part of the Shipyard's energy efficiency system certified in accordance with ISO 50001.

		2022	2023	2024
Electric power	kWh	15.335.316	13.580.637	13.122.345
Electric power (ship supply excluded)	*kWh*	*7.271.715*	*6.799.103*	*6.909.307*
Fresh water	m^3	64.303	76.904	60.561
Process water	m^3	265.233	186.309	94.332
Oxygen and acetylene	kg	456.610	450.132	359.452
FOEL	kg	162.020	130.040	160.015

Risks associated with material and energy

Considering that material and energy-generating products make up a smaller share in the total resource structure of the core activity, the financial risks of price changes are not considered more significant for the overall business, and in addition, they have a similar effect on the competition. In shiprepair as an activity with a relatively fast turnover, lasting disturbances in prices can be incorporated into sales prices. The lack of material in the market also does not lead to a higher risk of disruption in the realization of projects, since Viktor Lenac keeps a certain amount of standard material as a warehouse stock, and specific consumables or spare parts for ships are often delivered or supplied by the clients.

ORGANIZATION AND INFORMATION SYSTEM

Continuous analysis and optimization of Viktor Lenac's business processes is aimed at increasing operational efficiency, eliminating redundant steps and any misunderstandings between line and project management, and speeding up business growth. The Company's organizational structure consists of four main sectors: Marketing and Sales; Technical and Production; Economic, General and Legal Affairs; and ICT, Management Systems and Corporate Security. The sectors are further divided into smaller organizational units.

Viktor Lenac continuously monitors the performance of its business processes through systematic internal assessments. Any observed non-conformities are recorded, analysed, and corrected through a documented and digitized system that covers Quality Management (ISO 9001), Information Security (ISO/IEC 27001), Occupational Safety and Health (ISO 45001) and Energy Efficiency (ISO 50001). Management systems are regularly subject to internal and external assessments by certification bodies as well as clients. The internationally recognized certificates confirm Viktor Lenac's focus on a systematic and structured approach to business, ensuring high quality standards and reliability, which is extremely important for the start of any negotiations with clients.

Information system development is closely related to organizational development and represents a key tool for automating business activities and processes. The focus is on activities and plans for the digitalization of business processes, the replacement of outdated information infrastructure with a new one, the improvement of the ERP system with a more modern solution, and the security of the Shipyard's entire ICT system.

The key digital transformation project is the comprehensive replacement of the existing ERP system, launched at the end of 2023. During 2024, a detailed mapping of business needs was carried out, the functionality of the new system was defined, and a tender was launched to select the optimal ERP solution based on new technologies and cloud solutions that will support all of Viktor Lenac's business activities in the long term, including finance, project management, procurement, sales, and production. The project also included an analysis of the integration of the new ERP solution with other application solutions in operation. After the evaluation process of potential solutions was carried out, the selection of suppliers and system implementers was successfully completed in early 2025, creating the prerequisites for moving to the implementation phase.

The implementation of the new ERP system will take place in phases during 2025 and 2026, depending on the complexity of the overall project, the functionality of the existing and new systems, and the need to integrate parts of the ERP system, enabling a smooth transition from the old to the new system without unwanted complications for business management. In 2024, new servers and network equipment were purchased, enabling greater security, data processing and storage capacity, as well as greater bandwidth in communication between users.

Risks associated with information system

The digitization of business processes and the development of the information system can lead to an increase in the risk of cyber threats and breaches of data security. In order to prevent such risks, adequate user education for the proper use of information systems and raising user awareness of cyber threats is important, in order to minimize errors in the use of ICT resources, and thus security failures. The process of replacing the existing ERP system and procurement of ICT equipment and platforms could be subject to delays or insufficiently fast integration with growing business processes, which would have a negative impact on the continuity of information business. However, these risks are not assessed as high in terms of their impact on the continuity and sustainability of Viktor Lenac's business.

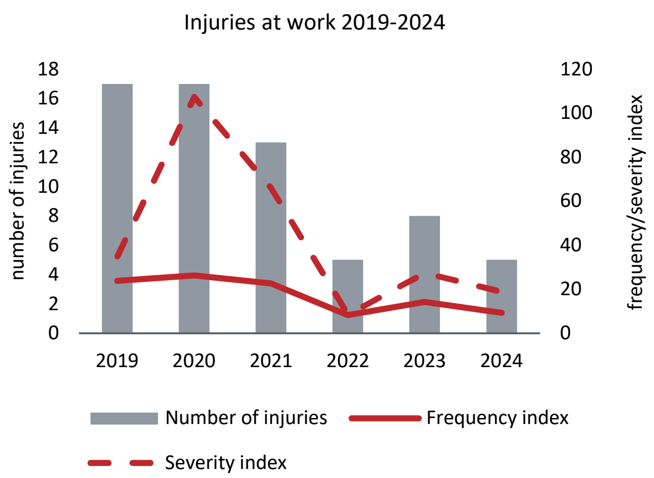
ENVIRONMENT, OCUPATIONAL SAFETY AND HEALTH

By its nature, shiprepair activity inherently carries a higher risk of work-related injuries. By implementing various educational and regulatory measures and preventive and corrective actions, the Shipyard seeks to reduce the risk of injury and accident at work. The Shipyard has adopted Occupational Safety and Health System according to ISO 45001. The OSH measures and activities are mandatory both for own employees and subcontractors.

In 2024, there were a total of five injuries at work, or three fewer than last year, none of which were serious, which resulted in a decrease in both the severity index and the injury frequency index, continuing the downward trend in the number and severity of injuries in recent years.

As a rule, and so it was in 2024, most of the injuries are caused by failing to comply with safety at work rules and due to malfunctions, slipperiness and congestion of passages and work surfaces. Therefore, special attention will be paid to precisely those causes, with additional training of workers and managers in relation to more frequent hazards with the aim of increasing awareness of working in a safe manner.

Environmental protection has been a focus of Viktor Lenac's business for many years and is based on the principles of sustainable development and corporate social responsibility. Aware of its impact on the environment, Viktor Lenac directs its business according to a model that ensures a balance between economic goals, social responsibility and environmental protection. An integrated environmental management system enables the identification, control and reduction of negative environmental impacts in all phases of the business process, as well as during investments.



An important segment in Viktor Lenac's safety system is fire protection, organized in accordance with the relevant regulations, which, in accordance with the assessment of the risk of fire, prescribe personnel and technical requirements for preventive action activities and operational readiness for fire interventions. Viktor Lenac employs professional firefighters organized in a professional fire department, equipped with vehicles and equipment for fire protection, in accordance with the rules and subject to supervision by the Civil Protection and the Croatian Fire Association.

For all works performed with an open flame, such as welding, cutting, grinding and other similar works, there is an obligation to carry out preliminary preventive inspection of the work site to issue permits for the execution of hot works. A total of 11,000 permits for hot or open flame works were issued throughout 2024. A total of 250 gas-free certificates were issued to remove any fire risks when entering tanks or other narrow, dangerous, and closed spaces. In 2024, several minor incidents were recorded, typical of operational activities, without material damage or any injuries

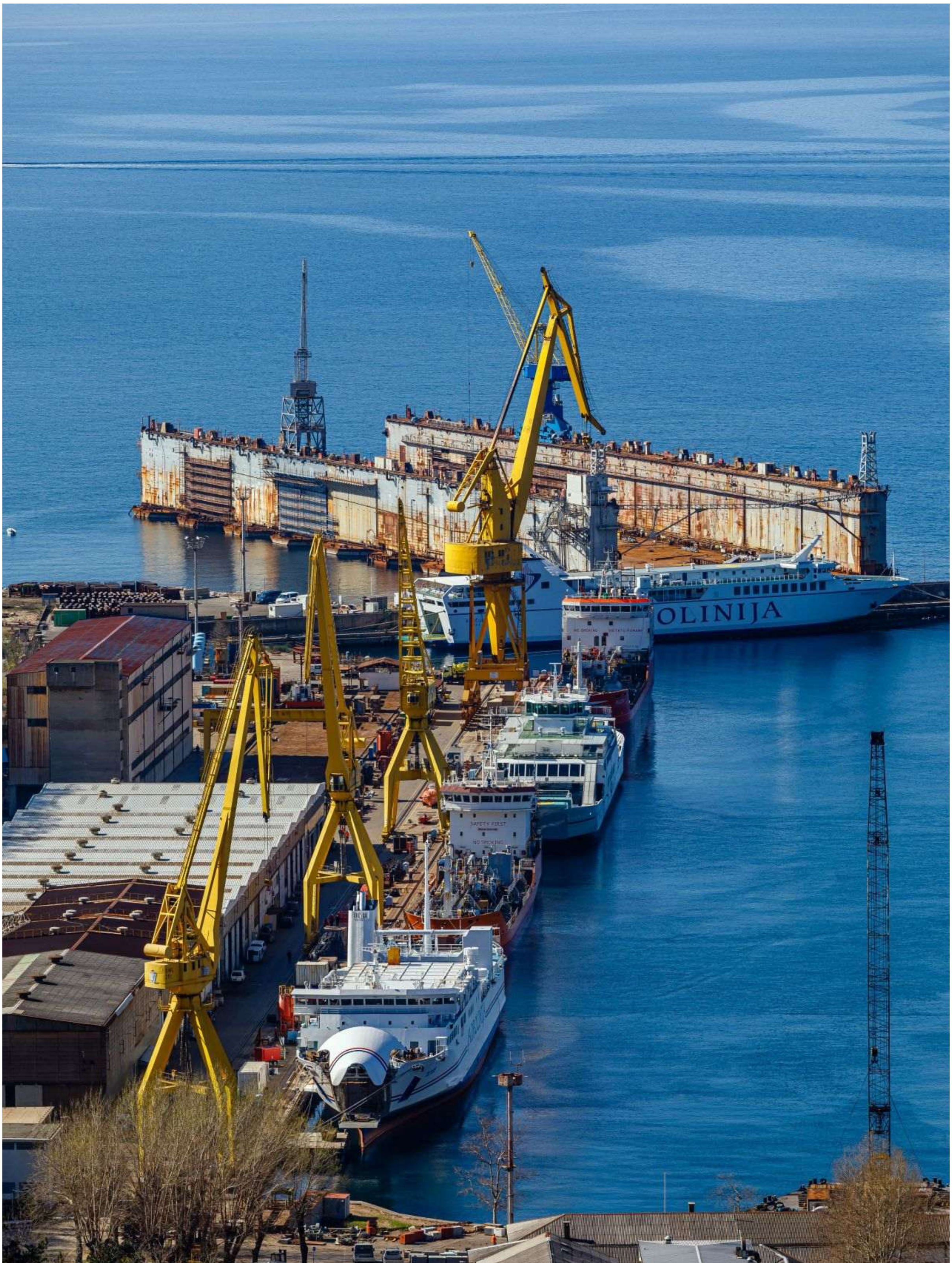
Investments in the modernization and optimization of production processes have significantly reduced energy consumption, and consequently, emissions of harmful gases have been brought below the permitted emission limits. This includes the use of alternative energy sources, the utilization of waste energy from machinery, the introduction of energy-efficient plants, machines and devices, as well as the provision of infrastructure to reduce emissions from ships docked at Viktor Lenac.

Waste management, in addition to waste from the production process, also includes waste received from ships, which is unpredictable in type and quantity. Despite this challenge, Viktor Lenac always considers material reuse and recycling first and encourages solutions that stem from the circular economy.

In 2024, a total of about 5,780 tons of waste was generated or received and disposed of through authorized companies, of which approximately 22% relates to waste classified as hazardous, which is largely waste containing oils.

Risks associated with occupational safety and health

Occupational safety and health risks represent significant risks in the Shipyard's operations, since a significant part of production activities takes place in open space, at heights, onboard ship and in workshop areas where there is a risk of injury to workers. The risk of work-related injuries tends to increase with labour market fluctuations, especially with the increasing influx of foreign labour, where primarily language barriers and different attitudes towards safety measures at work additionally require increased engagement to protect the life and health of all persons participating in production activities. Recently, the lack of qualified and trained workers has also been pronounced in fire protection activities, and due to national regulations, firefighter vacancies can only be filled by employing professional firefighters who are Croatian citizens in the absence of which there is a risk of non-compliance with legal regulations.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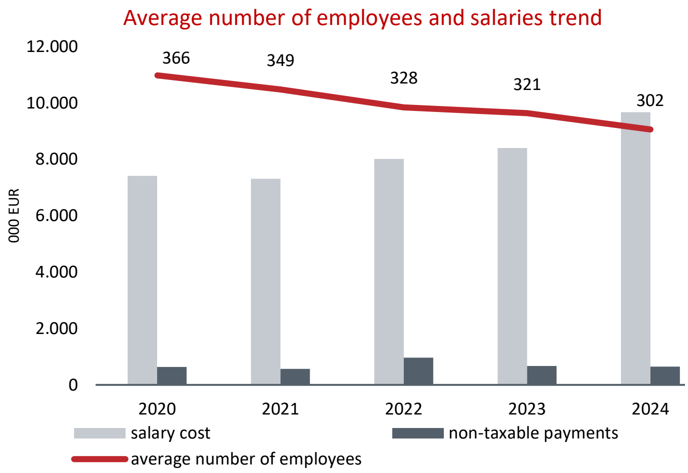
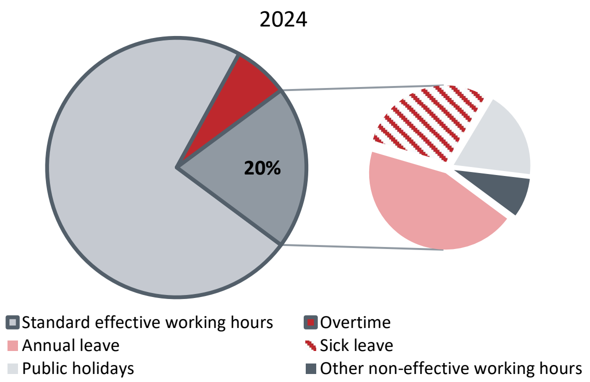
EMPLOYEES, COMPENSATION AND BENEFITS

At the end of 2024, Viktor Lenac had 301 employees, down by 16 compared to the end of 2023, including 61 workers employed by its subsidiary VL Steel (up by 7 compared to the end of 2023).

There was a total of 123 direct production workers, and a total of 110 in production overhead. The remaining 68 employees include qualified staff carrying out tasks and duties related to production and other business processes, as well as managers of all levels. The subsidiary VL Steel has 57 direct production workers, and only four workers are production business overhead.
Of the total employed people at Viktor Lenac, 22 were women (only one woman at the subsidiary), which is not surprising considering it is a metal processing industry. Gender equality is a principle that has been respected for many years. The salary system is determined by the job position systematization system. As for managerial positions, 10% of the total number of men perform management tasks at all levels, while this share is many times higher among women.





The 2024 salaries and non-taxable payments amounted to 10.4 million euros, which is an increase of 13% compared to 2023. Considering the reduction in the number of employees at Viktor Lenac, or by comparing the salary paid to the number of hours paid, it follows that the net salary per hour paid was 14.5% higher in 2024 compared to the previous year. This means that real wage growth is above the growth of the consumer price index, compensating workers for the decline in purchasing power caused by global trends. The average net salary paid at Viktor Lenac in 2024 was EUR 1,605, which is almost EUR 300 above the average in the Republic of Croatia, which was EUR 1,317. The total cost of salaries and non-taxable payments paid by the Group in 2024 was EUR 12.6 million.

Of the total available working hours, effective working hours accounted for 78% of the 2024 standard working hours, whereas vacation and public holiday hours accounted for almost 14% of the regular hours. Sick leave hours totaled slightly more than 6% of the regular hours, half of which were sick leave paid for by the Croatian Health Insurance Fund, mostly due to several cases of long-term sick leave and maternity and parental leave. Overtime hours, in relation to the regular number of hours, were 7.5%.

All important issues related to employees, their rights and benefits are resolved through a social partnership between the Management and Heads of Departments, and workers' representatives, organized through the Workers' Council and two Unions operating in the Shipyard. Social dialogue has been at a very high level for many years, and could serve as a model of how, with mutual understanding and respect, understanding of circumstances and mutual will and readiness for dialogue, the social partners can agree and find compromise solutions in the interest of all side, having before them a common goal, and that is the growth and stability of Viktor Lenac and well-being of employees.
All rights and obligations from the Collective Agreement have been fulfilled in full, both by the Management and by the Unions. The collective agreement regulates working hours, break time, annual leave, salaries and benefits, non-taxable allowances and occasional payments, freedom of association and other topics important for the position of workers.

Risks associated with employees

Choosing the optimal number and structure of own employees means balancing between the needs of an often oscillating activity and the need to reduce fixed labour costs, which tend to increase at low labour utilization rate in business functions. The risk of further migration of highly qualified workers and specialists to competitive foreign countries can negatively affect the work quality, so the major approach to reducing this risk and mitigating negative consequences of the outflow of qualified staff will certainly include further increase in wages and other material and non-material benefits, taking care to prevent cost overrun.

FINANCIAL PERFORMANCE

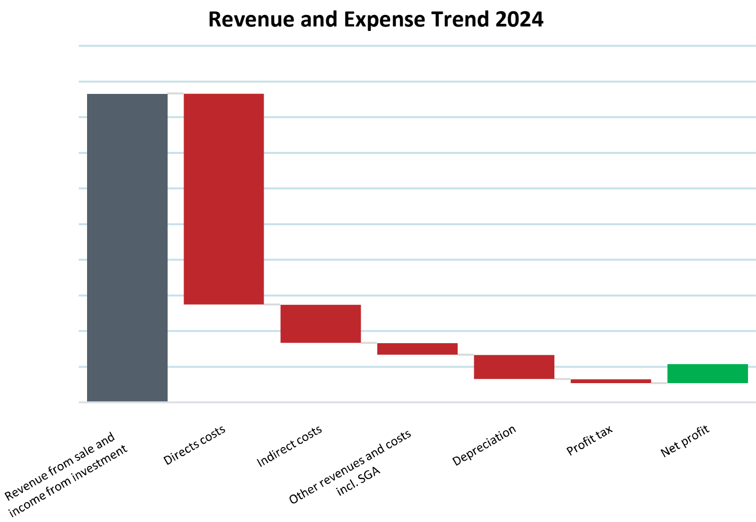
000 EUR

	Parent company			Group			Influence of subsidiary's result on the Group's 2024 result
	2023	2024	2024 /2023	2023	2024	2024 /2023	
Sales revenue	70.751	67.376	95,2%	71.694	68.264	95,2%	1,3%
Revenues received from investment with own funds	14.372	16.880	117,5%	14.372	16.880	117,5%	0,0%
Other operating revenues	1.618	4.590	283,7%	1.617	4.585	283,5%	0,1%
Total operating revenue	**86.741**	**88.846**	**102,4%**	**87.683**	**89.729**	**102,3%**	**1,0%**
Financial income	95	600	631,6%	96	601	626,0%	0,2%
Total revenue	**86.836**	**89.446**	**103,0%**	**87.779**	**90.330**	**102,9%**	**1,0%**
Material cost	63.156	63.814	101,0%	62.195	62.354	100,3%	2,3%
Salaries	8.391	9.668	115,2%	9.901	11.468	115,8%	15,7%
Depreciation	6.480	6.779	104,6%	6.497	6.800	104,7%	0,3%
Other expenses	2.583	2.534	98,1%	2.944	3.041	103,3%	16,7%
Total operating expense	**80.610**	**82.795**	**102,7%**	**81.537**	**83.663**	**102,6%**	**1,0%**
Financial expense	455	25	5,5%	455	27	5,9%	7,4%
Total expense	**81.065**	**82.820**	**102,2%**	**81.992**	**83.690**	**102,1%**	**1,0%**
Profit before tax	**5.771**	**6.626**	**114,8%**	**5.787**	**6.640**	**114,7%**	**0,2%**
Profit tax	1.055	1.211	114,8%	1.058	1.213	114,7%	0,2%
Net result	**4.716**	**5.415**	**114,8%**	**4.729**	**5.427**	**114,8%**	**0,2%**

A comparative presentation of the revenues and expenses generated by the Group, or Parent company, indicates that the influence of the only subsidiary VL Steel d.o.o. on the results of the Group is without material significance, considering that subsidiary's revenues and expenses, except for costs related to workers, have an impact on the Group's result of only about 1%. This indicates that the subsidiary provides its services in the market through the Parent company, and the labour-related costs, have a slightly bigger impact, considering that the employees of the subsidiary make up 16% of the total employees of the Group.

The total revenue generated by the Parent Company in 2024 amounted to EUR 89.4 million, while consolidated revenue was around EUR 0.9 million higher. Although the total revenue generated is slightly higher than the revenue generated in 2023, there is a decrease in revenue from core activities of around 5%, while revenue from investments in own assets (Dock 11) is above last year's. The growth in other revenue in 2024 was also contributed by the collection of previously value adjusted receivables from one foreign client in the amount of over EUR 2 million.

Although minor fluctuations in occupancy rates and revenue are common in the shiprepair industry, the reason for the decline in sales revenue compared to 2023, but also 2022, partly lies in the reduced availability of Dock 11, which was not in operational use from mid-2023 to August 2024. Despite this, Viktor Lenac continues to record a satisfactory level of revenue in 2024, which enabled both the achievement of positive business results and the accumulation of funds for investment in the renovation of Dock 11, to ensure the sustainability of capacity for future business revenues.



Of the total material cost, salary cost and other costs, 78% related to direct production costs, and only about 22% represented relatively fixed indirect costs and general and administrative costs. Normally, the share of general and administrative, and indirect costs is higher, but due to their relatively fixed character, as well as high occupancy rate and direct, especially external costs, the overhead cost represented only one fifth of monetary expenditures.

The 2024 production resources recorded higher share in the material and equipment costs, including external specialized services, as in the previous year, and following a similar structure of production activities, so the capacity utilization load was lower than in the previous year. The calculated depreciation is only about 5% higher than in 2023, as a result of slightly higher depreciation of the floating Dock 11, due to capitalized investments made in the second half of 2024.

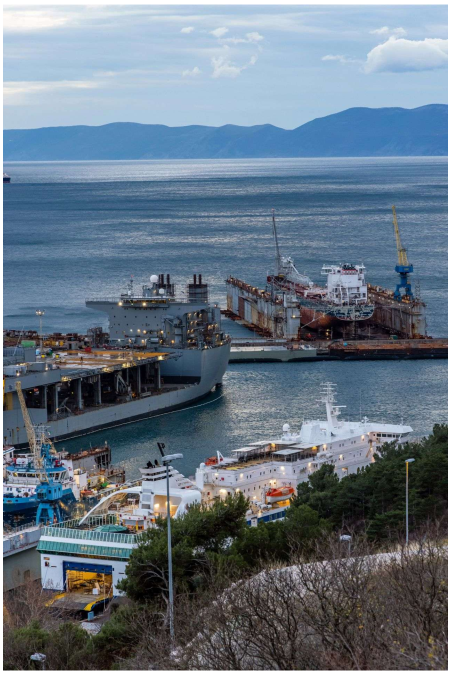
000 EUR

	Parent company			Group			Influence of subsidiary's result on the Group's 2024 result
	2023	2024	2024 /2023	2023	2024	2024 /2023	
Fixed assets	36.132	47.231	130,7%	36.182	47.296	130,7%	0,1%
Short-term assets	34.723	30.472	87,8%	35.002	30.973	88,5%	1,6%
Long-term assets	2.728	2.397	87,9%	2.747	2.411	87,8%	0,6%
Short-term liabilities	18.249	20.012	109,7%	18.428	20.421	110,8%	2,0%
Equity and reserves	49.878	55.294	110,9%	50.009	55.437	110,8%	0,3%
Total asset/resource	**70.855**	**77.703**	**109,7%**	**71.184**	**78.269**	**110,0%**	**0,7%**

The Company's assets as at the end of 2024 amounted to about 78 million euros. The influence of the subsidiary on the Group's financial position is not material.

Compared to the previous year, the value of non-current assets increased, which is the result of continued investment in Dock 11, and on the short-term assets side, there was a decrease. Business activities and investments until the end of 2024 resulted in a decrease in inventories of materials and special-purpose equipment projects, as well as cash, and receivables from customers increased slightly. On the liabilities side, in addition to the increase in own sources by retaining profit in capital, accrued income increased based on invoiced but deferred income for which the conditions for their recognition have not yet been met.

The net profit that Viktor Lenac achieved in 2024, increased by non-cash depreciation expenses, provided its own sources of funds for investing in the renovation of Dock 11, which has been financed entirely with its own funds from the beginning. This was primarily made possible by the decision of the largest shareholder of the Palumbo Group to further strengthen capital reserves by decisions not to pay dividends, precisely so that Viktor Lenac could direct these funds into the development and long-term sustainability of its production and business capacities. This also preserved working capital, despite its transfer into non-current assets. At the end of 2024, total current assets were EUR 10 million higher than total short-term liabilities (including deferred income items that are closely related to ongoing projects), or 50% higher than short-term liabilities. At the end of 2024, equity exceeded total liabilities by 2.5 times. Despite the high investments, Viktor Lenac has thus maintained a high level of financial stability, securing funds for future investments, primarily in dock capacities as the most important capital equipment.



Currency, interest rate and other financial risks

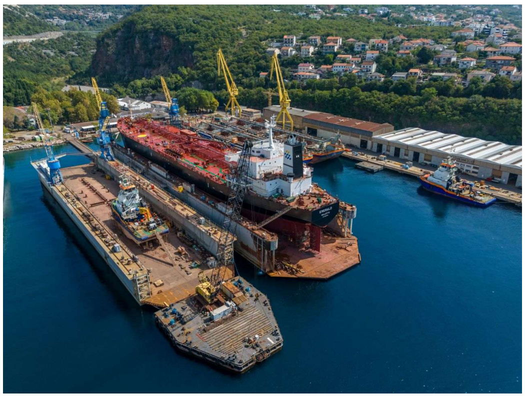
Viktor Lenac may be exposed to currency risk when part of its income is in USD currency, but due to the relatively quick turnover from contracting to realization and collection of such deals, this risk does not represent a greater material significance.

Liquidity risk, cash flow risk are associated with default risk and market risk, or fluctuations in capacity utilization. Default risk is minimal due to the dispersion of business among many clients, and by reducing fixed costs, along with continuous monitoring of projected and actual cash flows, measures are taken in advance to minimize liquidity risk. For larger projects that can have a significant impact on outflows, especially in the preparatory phase of projects when there is no inflow from clients, Viktor Lenac reaches for project financing through short-term loans.

Viktor Lenac has no significant interest rate risks since it has neither significant interest-bearing assets nor significant liabilities. In the case of larger debts in the near future, with high interest rates, Viktor Lenac will try to contract mechanisms of protection against changes in interest rates.

CORPORATE GOVERNANCE AND INVESTOR RELATIONS

In accordance with fundamental objectives of successful and growing business and growing of share value for the benefit of its shareholders, Viktor Lenac's Management Board and Supervisory Board have been applying the corporate governance principles to ensure protection of rights and equal treatment of shareholders, business transparency and responsibility toward all interested parties.
Since 2008, Viktor Lenac's shares have been included in quotation of public joint-stock companies on the Zagreb Stock Exchange and the Company has been applying the Corporate Governance Code made by the Croatian Agency for Supervision of Financial Services and Zagreb Stock Exchange. Viktor Lenac has been applying recommendations of the Code, by publishing all information which is in the interest of its shareholders and as stipulated by regulations.



Ownership structure as at December 31, 2024

	Number of shares	Percentage of equity
INTERKAPITAL VRIJEDNOSNI PAPIRI D.O.O./ PALUMBO GROUP S.P.A.	13.781.460	81,97
BRODOGRADILIŠTE VIKTOR LENAC D.D.	825.187	4,91
JADROAGENT D.D.	324.766	1,93
OTHERS (shares of less than 0.5%)	1.881.834	11,19
TOTAL	**16.813.247**	**100,00**

The share capital of the Company amounts to EUR 22,315,014 and is divided in 16.813.247 registered ordinary shares in non-materialized form without nominal value.

The largest individual shareholder of Viktor Lenac is the Italian shipbuilding group Palumbo Group S.p.A. from Naples, which acquired majority of shares in the share capital of Viktor Lenac in 2018.

Compared to the end of 2023, the shareholder structure has not changed significantly. There were as many as 865 small shareholders, with stakes of less than 0.5%, at the end of 2024.

All shares bear the symbol VLEN-R-B and are listed in the regular market of the Zagreb Stock Exchange.

Trading on the Zagreb Stock Exchange in 2024

- 206 trading days
- Share trading price range:
  - from EUR 3.36 to EUR 4.78 per share
  - average trading price EUR 3.34 per share
- a total of 557,745 shares were traded in 1,651 transactions
- total turnover of EUR 2,259,259

Market capitalization as at December 31, 2024

EUR 71.62 million

VLEN-R-B included in indices:

CROBEX
CROBEXtr
CROBEXplus
CROBEXindustrija

The Supervisory Board of the Company during 2024 consisted of Antonio Palumbo, Francesco Ciaramella, Antonietta Capodanno and Damir Amić as the workers' representative. The position of President of the Supervisory Board is held by Antonio Palumbo.

The Supervisory Board meets regularly, at least once every three months, when they discuss the financial performance, the position that Viktor Lenac has in the market where it provides its services, business and development plans, key projects and other issues more important for the business and development of the Company. The members of the Supervisory Board, as well as the members of the Audit Committee, regularly personally supervise the management of the Company by the Management Board and senior management, business documentation and business management, and are informed in a timely manner about the course of business and all important plans.

The company has a two-member Management Board, which consists of Sandra Uzelac, as president, and Luka Hrboka, as a member of the Management Board, and they have been operating in that composition since March 1, 2024, after previously Sandra Uzelac acted as solely one member of the Management Board. The member of the Management Board Sandra Uzelac owns 1,038 shares of the Company, acquired in 2008. The members of the Supervisory Board, as well as the newly appointed member of the Management Board, have no ownership interest in the Company.

Members of the Supervisory Board are entitled to compensation for their work pursuant to a decision adopted by the General Assembly. Remuneration of members of the Management Board is approved by the Supervisory Board and regulated by employment contracts as concluded with each Management Board member.

FOR INFORMATION

Management Board

Sandra Uzelac, President of the Management Board

Luka Hrboka, Member of the Management Board

Top Management

Bojan Kavazović, Director of Marketing and Sales

Filip Gajski, Director of Technical and Production

Alen Karnjuš, Director of ICT, Management Systems and Corporate Security

Executive Assistant to the Management Board

Karmen Vlastelica Nimčević

Auditor

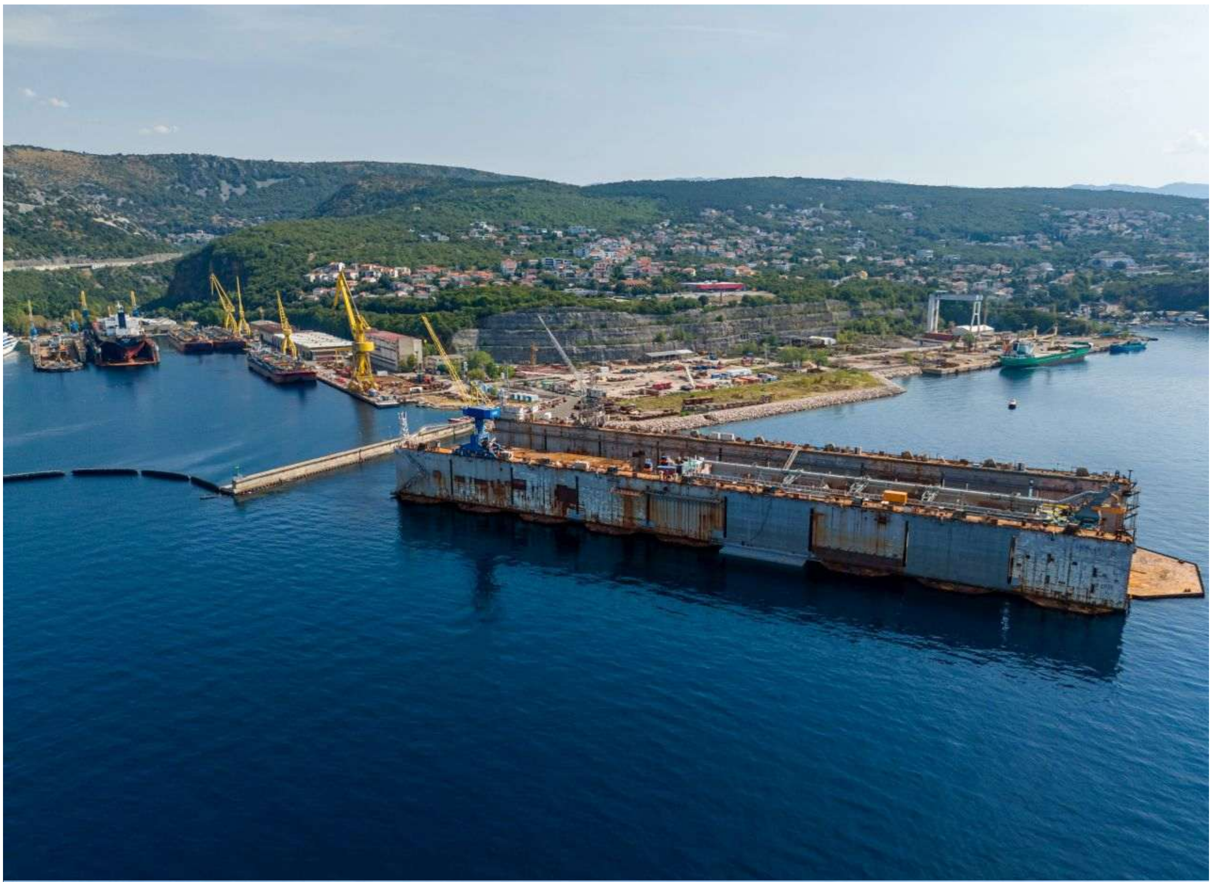
Iris nova d.o.o. Rijeka

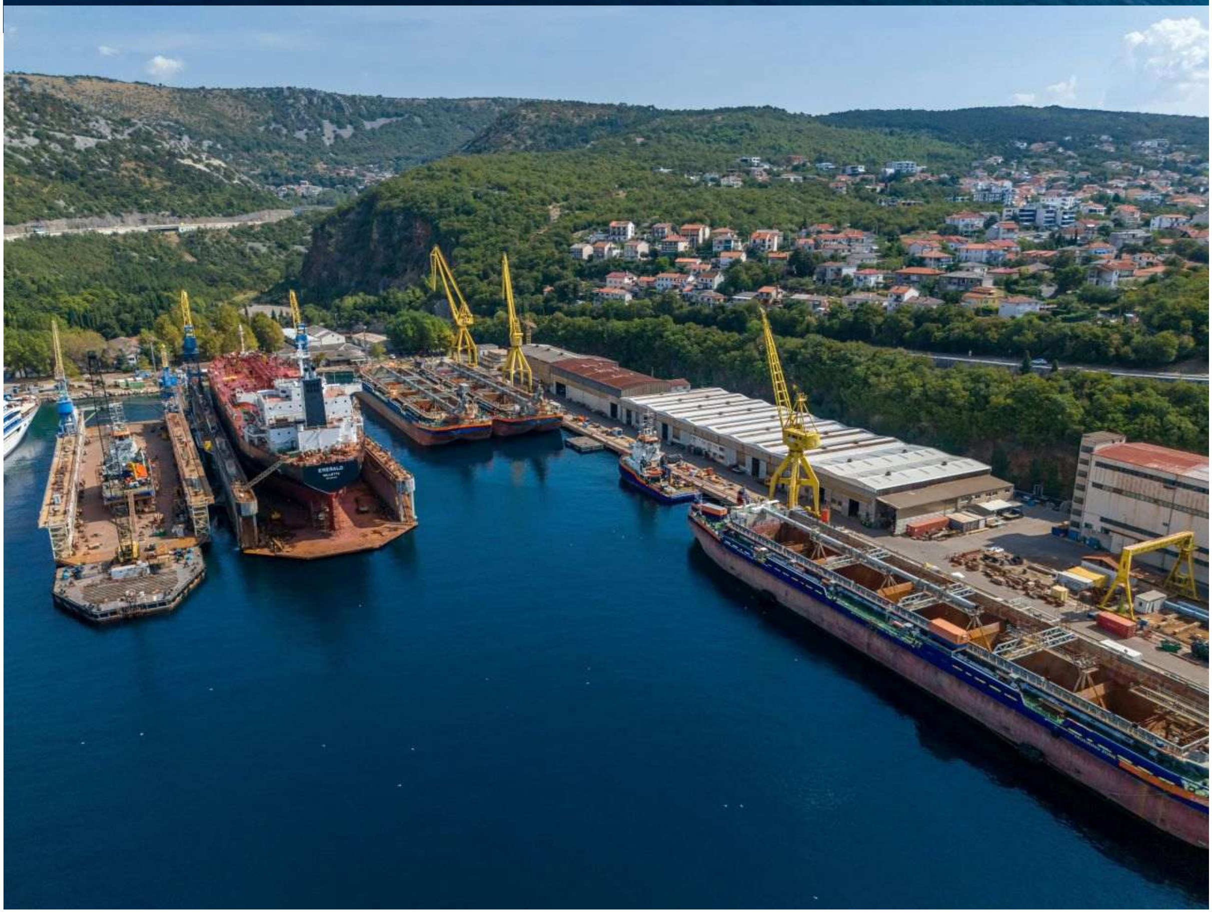
Contact details

Brodogradilište Viktor Lenac d.d. Rijeka, Croatia
Headquartered at:
Martinšćica 8, Kostrena, 51000 Rijeka

Phone: +385 51 40 55 55
E-mail: lenac@lenac.hr
URL: http: //www.lenac.hr

Rijeka, April 2025





Pursuant to Article 272.p and with reference to Article 250.a of the Companies Act (Official Gazette No. 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19, 34/22, 114/22, 18/23, 130/23 and 136/24); Article 25 of the Accounting Act (Official Gazette No. 85/24 and 145/24), the Management Board of the Shipyard "Viktor Lenac" d.d. Rijeka, headquarted at Martinšćica 8, Kostrena, Croatia (hereinafter referred to as the 'Company'), on April 28, 2025, makes the following

STATEMENT
of Compliance with Corporate Governance Code

1. Company's shares have been included in quotation of the Zagreb Stock Exchange since September 2008.

2. Since inclusion of its shares in quotation of the Zagreb Stock Exchange, the Company has been voluntarily applying the Corporate Governance Code drawn up by the Croatian Agency for Supervision of Financial Services and Zagreb Stock Exchange. The Code was adopted by a decision of the Croatian Agency for Supervision of Financial Services dated April 26, 2007, Class: 011-02/07-04/28, Reg. no.: 326-01-07-02 (Official Gazette No. 46/07, hereinafter referred to as 'Code'). The integral version of the Code is published on the Zagreb Exchange Stock's website.

3. Throughout 2024, the Company was applying recommendations of the Code, by publishing all information as stipulated by law, which is in the interest of its shareholders. The Company published all information as stipulated by law on the Company's website and on the Zagreb Stock Exchange's website and informed the users through the Croatian News Agency OTS service that the information has been made public.

The Company complies with the recommendations of the Code, except for those provisions whose application at a given time is not practical or envisaged given the applicable legal framework. The exceptions mentioned are:

- The Supervisory Board has not yet formally set a target percentage of female members of the Supervisory Board (Article 14 of the Code), however, all international and national standards on gender representation and equality are directly implemented. At the Group level, of the total number of employees, 6.54% are female. Of the two members of the Management Board, one woman serves on the Company's Management Board, as the President of the Management Board, while one woman currently serves on the Company's Supervisory Board. There is still no balanced representation of women and men on the Supervisory Board, mostly due to the nature of the work the Company does, but an attempt will be made to balance this in the coming period.
- All members of the Audit Committee were also members of the Supervisory Board, in which case the Audit Committee is exempted from the requirement of independence, as prescribed by the Audit Act in Article 65 (7).
- In other committees, all members are also members of the Supervisory Board.
- Supervisory Board has not yet established a Reward Committee because there was no need for such type of Committee yet.
- The Company has not yet formally applied the means of modern communication technology for participation and voting at the General Assembly (Article 79 of the Code) because the existing method of participation and voting has been confirmed in practice as an optimal solution, largely due to more shareholders with fewer shares. The Company's Articles of Association prescribes a possibility of participating in the General Assembly remotely or voting in writing or by electronic communication when shareholders do not participate in the General Assembly, under the conditions prescribed by law.
- The Company has not yet established formal mechanisms that provide minority shareholders with the opportunity to ask questions directly to the President of the Management Board or the President of the Supervisory Board (Article 76 of the Code) because there is a possibility to ask questions directly to the Management Board and the Supervisory Board at the General Assembly, and the Company will further establish a mechanism for asking questions by shareholders via an email address for investors.

4. Supervision of the Management Board's activities in managing business of the Company has been executed by the Supervisory Board in accordance with the Companies Act. The role of the Supervisory Board is defined by the Company's Articles of Association. Members of the Supervisory Board are provided with detailed information on the Management's activities in managing business of the Company to be able to efficiently fulfil their supervisory

role. Report submitted by the Supervisory Board makes an integral part of the Management Report, which is presented to the General Assembly.

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

Iris Nova d.o.o. from Rijeka was approved appointed auditor of the Company for 2024 at the General Assembly held on 27 June 2024.

Company applies rules and procedures for receiving, recording, approving and flow of financial and business-related documentation, ensuring multiple models of supervision and transparency in revenue and expense recognition. The Company has not yet established a corporate internal audit to perform the function of independent audit and control and to inform the Management Board through audit reports in the form of findings and proposals for improvement because it is judged that the current system works well. The Management Board directly supervises all revenue and expense recognition processes of the Company and participates in the preparation of quarterly, semi-annual, and annual financial statements of the Company.

Members of the governing bodies, employees and business partners are familiar with the Company's anti-corruption policy and procedures and respect the principles of the Code of Ethics in their operations and daily activities. Anti-corruption documents are published on the official website of the Company.

In the international market, the Company enjoys the reputation of a loyal and fair business partner and there are no recorded cases of corruption at the Group level. The Company has not made any financial or non-monetary contribution for political purposes, directly or indirectly, to the State or the beneficiary.

Company promotes and implements fair and transparent competition relations in all transactions, with all entities and in all places. The Group did not record any conduct contrary to the principle of freedom of competition and antitrust or monopolistic practices.

6. As at 31 December 2024, ten largest shareholders were the following ones:

	Shareholder	Number of Shares	Percentage of Equity
1	INTERKAPITAL VRIJEDNOSNI PAPIRI D.O.O./PALUMBO GROUP S.P.A. (1/1)	13.781.460	81,97
2	BRODOGRADILIŠTE VIKTOR LENAC D.D. (1/1)	825.187	4,91
3	JADROAGENT D.D. (1/1)	324.766	1,93
4	RAIFFEISENBANK AUSTRIA D.D./ CUSTODIAL ACCOUNT AGGREGATION	74.560	0,44
5	LIST GMBH AUSTRIA (1/1)	45.992	0,27
6	BAKIĆ NENAD (1/1)	40.000	0,24
7	OTP BANKA D.D./ OTP INDEX FUND - OPEN-ENDED INVESTMENT FUND WITH PUBLIC OFFERING (1/1)	38.721	0,23
8	PEČAR IVAN (1/1)	37.803	0,22
9	KOTOLENKO JOSIP (1/1)	35.000	0,21
10	Others	1.609.758	9,58
	Total	16.813.247	100

The corporate governance structure of the Company is dualistic. It consists of the Management Board and the Supervisory Board, which together with the General Assembly make the three fundamental bodies of the Company.

General Assembly meets in regular sessions as stipulated by law and in accordance with the Company's Articles of Association. Shareholders may participate either personally or through a person granted by a power of attorney. Decisions of the General Assembly are made by a majority of the members present and voting, or by a two-thirds majority on statutory issues. The General Assembly is chaired by the President of the General Assembly, appointed by the Supervisory Board of the Company. The General Assembly has the authority to make decisions in accordance with the provisions of the Companies Act and the Company's Articles of Association.

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

A shareholder wishing to participate and exercise his or her rights at the General Assembly must register in writing (including by e-mail to ured.uprave@lenac.hr) six days before the day on which the General Assembly is held at the latest, whereby the day of receipt of the application shall not be not included in the deadline and shall be entered in the Share Register of the Central Depository and Clearing Company concluding with the last day for application for participation.

Amendments to the Articles of Association are made in accordance with the Companies Act.

7. The Management Board of the Company as of December 31, 2024 consists of the President of the Management Board Sandra Uzelac and the Member of the Management Board Luka Hrboka, who represent the Company independently and individually in accordance with the Company Articles of Association and the Rules of Procedure of the Management Board.

The Management Board has not yet conducted a self-assessment of its members. However, the members are operating in optimal numbers and possess the knowledge, skills and professional experience necessary to properly perform their duties. Each member makes an effective contribution, demonstrating commitment to their role and dedicating time to performing that duty.

The Management Board is authorized to undertake certain tasks specified in the Company's Articles of Association (acquisition, alienation or encumbrance of property, issuing, alienating and acquiring bonds, providing guarantees except for liabilities of a subsidiary, taking loans and loans outside the ordinary business of the Company, etc.), and in other cases as stipulated by law or in accordance with the Company's Articles of Association or a decision made by the Supervisory Board, only with the prior consent of the Supervisory Board. The members of the Management Board are appointed by the Supervisory Board for a term of up to five years.

Supervisory Board of the Company was composed of four members at the end of the year. Four members are appointed and may be revoked by the General Assembly. The fifth member is elected and appointed and may be revoked by the Company's workers in accordance with law. In 2024, the Company's Supervisory Board was composed of the following members: Antonio Palumbo as President of the Supervisory Board, Francesco Ciaramella as Vice-President of the Supervisory Board, as well as members Antonietta Capodanno and workers' representative Damir Amić.

Supervisory Board acts as a collegial body at meetings held at least once a quarter, at which it discusses and decides on all matters within its competence stipulated by the Companies Act and the Articles of Association. Decisions of the Supervisory Board are made by a majority vote of the members present. In 2024, four Supervisory Board meetings were held.

Audit Committee is a body established in December 2014 with the aim of supporting the Management Board and the Supervisory Board in effective execution of corporate governance, financial reporting, and control of the Company's business. In 2024, the body held four sessions, at which it discussed the financial performance of the Company. The members of the Audit Committee are: Francesco Ciaramella, Antonio Palumbo and Antonietta Capodanno.

Audit Committee analyses in detail the financial statements, provides support to the Company's accounting and establishes good and quality internal controls in the Company. It monitors the integrity of financial information, and in particular the correctness and consistency of accounting methods used by the Company and the Group to which it belongs, including criteria for consolidating the financial statements of companies belonging to the Group. The task of the Committee is also to monitor the internal risk control and management system.

Audit Committee is independent in its activities and most members are experts in accounting and auditing.

Company has established the Remuneration Committee and Nomination Committee to support Audit Committee in its activities. The Reward Committee has not yet been established because the Company does not yet have a need for it. The members of the Committees have been appointed from among the members of the Supervisory Board. The Committees propose the content of contracts with members of the Management Board and the structure of their remuneration, prepare and propose the Remuneration Policy of members of the Management Board and the Supervisory Board, discuss and propose to the Supervisory Board a decision on appointing and electing members of the Management Board. In 2024, the Remuneration Committee and Nominations Committee were composed of the following members: Antonio Palumbo, Francesco Ciaramella and Antonietta Capodanno.

Report on remuneration of members of the Management Board and members of the Supervisory Board contains all data on the amount of compensation paid to members of the Management Board and the Supervisory Board and was prepared in accordance with Article 272 of the Companies Act, and the Remuneration Policy and Decision on Remuneration of the members of the Supervisory Board as adopted at the Extraordinary General Assembly on 22 December 2020 and it was extended for the next period 2025-2028 at the regular meeting of the General Assembly held on June 27, 2024.

Each member of the Supervisory Board is entitled to a fixed monthly remuneration. Remuneration of the members of the Supervisory Board does not depend on the business results of the Company and does not contain a variable part of the remuneration to maintain their independence and objectivity.

The Supervisory Board has not yet conducted self-assessment of the profiles and competencies of the members of the Supervisory Board and its committees. However, members of the Supervisory Board and members of its committees operate in optimal numbers and have the knowledge, skills and professional experience necessary to properly perform their tasks. Each member of the Supervisory Board makes an effective contribution, showing commitment to his role and devoting time to performing that duty.

The Supervisory Board and the Management Board of the Company have not yet assessed the effectiveness of the cooperation between the Supervisory Board and the Management Board in the last twelve months, as well as the adequacy of the support and information received from the Management Board, mainly due to the changes in the members of the Supervisory Board, but also the members of the Management Board.

Evaluation of the cooperation between the Supervisory Board and the Management Board have not yet been included in the Management Report, mainly because the Supervisory Board did not give such an evaluation due to changes of its members, but it is noted that the cooperation between the two bodies has been very satisfactory.

Administrative support for the preparation of meetings is provided by the Management Office of the Company in an efficient and timely manner as the position of Company Secretary has not yet been established.

8. Company promotes diversity and inclusion of members of different age, gender, education and profession in its executive, management, and supervisory bodies.

9. Pursuant Article 250.a (4) and Article 272.p (1) of the Companies Act, this Statement represents a separate section and makes an integral part of the Company's Management Report 2024.

Sandra Uzelac

President of the Management Board

BRODOGRADILIŠTE VIKTOR LENAC d.d.
Kostrena, Martinšćica 8
2

Luka Hrboka

Member of the Management Board

BRODOGRADILIŠTE VIKTOR LENAC d.d. Rijeka
Sjedište: Martinšćica 8, Kostrena
29.04.2025.

NADZORNI ODBOR
Br: 1/2025

Na temelju čl. 24. Statuta Brodogradilišta Viktor Lenac te čl. 300 d. st. 1. Zakona o trgovačkim društvima, Nadzorni odbor na svojoj 28. sjednici održanoj 29. travnja 2025. godine jednoglasno donosi sljedeću

ODLUKU

I Prihvaća se Godišnje financijsko izvješće Društva za 2024. godinu, Godišnje konsolidirano financijsko izvješće Društva za 2024. godinu, Godišnje izvješće o stanju i poslovanju Društva za 2024. godinu te prijedlog Uprave o upotrebi dobiti ostvarene u 2024. godini.

II Daje se suglasnost na Godišnja financijska izvješća i Godišnja konsolidirana financijska izvješća koje je predložila Uprava Društva, čime se navedena izvješća smatraju usvojenima sukladno čl. 300 d. Zakona o trgovačkim društvima.

III Nadzorni odbor će u pisanoj formi izvijestiti Glavnu skupštinu o obavljenom nadzoru Društva u 2024. godini, sukladno čl. 300 c. st. 2. i čl. 263. st. 3. Zakona o trgovačkim društvima i utvrđenju Godišnjih financijskih izvješća i Godišnjih konsolidiranih financijskih izvješća sukladno čl. 300 d. st. 1. Zakona o trgovačkim društvima.

Predsjednik Nadzornog odbora
Antonio Palumbo

Dostaviti:
1. Nadzornom odboru,
2. Upravi Društva,
3. Arhivu.

VIKTOR LENAC SHIPYARD RIJEKA
Headquartered at Martinšćica 8, Kostrena
29 April 2025

SUPERVISORY BOARD
No:1/2025

Pursuant to Article 24 of the Articles of Association of Shipyard Viktor Lenac d.d. and Article 300d, item 1 of the Companies Act, the Supervisory Board at its 28th meeting held on 29 April 2025 adopted the following:

DECISION

I Non-Consolidated Annual Financial Statements for FY 2024, Consolidated Annual Financial Statements for FY 2024, Annual Report 2024, and the Management Board's Proposal on the use of profits generated in 2024 are hereby approved by the Supervisory Board.

II Non-Consolidated Annual Financial Statements and Consolidated Annual Financial Statements presented by the Company's Management Board are hereby approved by the Supervisory Board, whereby the statements are considered adopted pursuant to Article 300d of the Companies Act.

III Supervisory Board shall report to the General Assembly in writing on the supervision of the Management Board's activities in managing business of the Company in 2024, pursuant to Article 300c, item 2 and Article 263, item 3 of the Companies Act, and the approval of Company's Annual Financial Statements both Non-Consolidated and Consolidated pursuant to Article 300d, item 1 of the Companies Act.

President of the Supervisory Board
Antonio Palumbo

To be submitted to:
1. Members of Supervisory Board;
2. Members of Management Board;
3. Files.

BRODOGRADILIŠTE VIKTOR LENAC D.D. Rijeka
Sjedište: Martinšćica 8, Kostrena

UPRAVA DRUŠTVA
Broj: 21/2025

29.04.2025.

Na temelju čl. 300.b stavak 2. Zakona o trgovačkim društvima, čl. 24. Statuta Brodogradilišta Viktor Lenac d.d. te čl. 8. Poslovnika o radu Uprave, Uprava Društva dana 29. travnja 2025. godine donosi sljedeći

PRIJEDLOG ODLUKE O UPOTREBI DOBITI OSTVARENE U U 2024. GODINI

I Utvrđuje se da je Društvo na dan 31.12.2024. godine ostvarilo neto dobit (poslije oporezivanja) u iznosu od 5.415.072,99 EUR.

II Dobit Društva iz prethodne točke rasporedit će se u zadržanu dobit.

Predsjednik Uprave
Sandra Uzelac

BRODOGRADILIŠTE d.d. VIKTOR LENAC 1896 Kostrena, Martinšćica 8 2

Član Uprave
Luka Hrboka

Dostaviti:
1. Nadzornom odboru.

VIKTOR LENAC SHIPYARD RIJEKA
Headquartered at Martinšćica 8, Kostrena

MANAGEMENT BOARD
Decision no. 21/2025

April 29, 2025

Pursuant to Article 300b, item 2 of the Companies Act, Article 24 of the Articles of Association of Viktor Lenac Shipyard and Article 8 of the Rules of Procedure of the Management Board, on April 29, 2025, the Management Board makes the following:

PROPOSAL FOR A DECISION ON THE USE OF PROFITS GENERATED IN 2024

I It is hereby established that the Company generated a net profit (after tax) in the amount of EUR 5,415,072.99.

II The Company's profit from the previous item shall be allocated to retained earnings.

President of the Management Board
Sandra Uzelac

BRODOGRADILIŠTE d.d. VIKTOR LENAC 1896 Kostrena, Martinšćica 8 2

Member of the Management Board
Luka Hrboka

To be submitted to:
1. Members of Supervisory Board.