



Ilinija d.d.

SUSTAINABILITY REPORT FOR THE YEAR 2022



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**1 | INTRODUCTION BY THE
PRESIDENT OF THE
MANAGEMENT BOARD**

1 Introduction by the president of the Management Board



Dear stakeholders,

In 2022, we celebrated 65 years of successful existence and operation of the Company with the best business results since the beginning of its business activity. We realised record high total and operating revenue, an increase in all profitability indicators, increases in capital and reserves, increases in the value of Company assets, and can report a record low net debt, thereby further improving and strengthening the financial position and stability of the Company, as well as its liquidity, resulting in the most successful business year to date.

The financial year in the global context was uncertain and full of challenges, including the still present effects of the global pandemic, albeit at a significantly lower intensity, additionally strengthened by the Russian-Ukrainian war and its consequences reflected in the growth of energy prices, and consequently by strong inflation, which had a material effect on the overall macroeconomic environment and realised profitability. Therefore, by achieving business goals and expectations, the Company recorded a strong market recovery, demonstrated the stability and resilience of operations, which made the achieved results, viewed from the aspect of the circumstances of the financial year, even more significant.

We started 2022 prepared, but with a dose of caution, given the global uncertainties leading to an absence of business activities in the first half of the year. As a result of an increase in tourism demand, notably in the peak and late season, all tourism sectors recorded a significant increase in turnover. For certain sectors such as the nautical and camping sectors, a high tourism turnover in peak and late season marked a continuity of growth of business activity from the previous business year, i.e. record high business results since the start of their business activity, both in terms of revenue and profitability, which at the same time greatly contributed to the overall operating results of the Company. On the other hand, the hotel sector and destination management company Ilirija Travel achieved a significant increase in demand and market recovery, while the real-estate sector recorded an increase in operating revenues with slightly lower rates of profitability.

The growth of tourist demand during the peak and late season period brought an accelerated market recovery at the level of all sectors of the Company, especially in the revenue segment. Revenue realised in the amount of HRK 179,158,989.19 represented an increase of 32.88% compared to the previous year, i.e. an increase of 6.77% compared to 2019, the last year of smooth performance of business activities, when revenue was realised in the amount of HRK 167,797,556.86.

In the financial year marked by difficult conditions and the strong influence of rising energy costs and inflation, increase was recorded in all operating profitability indicators (net profit, profit, operating profit, EBITDA and EBIT) compared to the previous financial year, while at the same time through the increase in financial position indicators, i.e. the value of assets and capital and the decrease of net debt, the Company strengthened its balance sheet position, financial stability and liquidity.

Also, after two years of not doing so, we paid a dividend to the shareholders, which as a Company strives to achieve one of the fundamental goals of the business strategy, which starts from balancing the business expectations of all our shareholder groups.

In addition, one of our core values is business based on the principles of sustainable development and corporate social responsibility through the integration of these into decision-making processes and our corporate strategy. Given that tourism is our core activity, and at the same time a strong driver of Croatian economy, which depends on the preserved environment (water, sea, coast, soil, air), we are therefore also aware of our own responsibility as a tourism company to be above all responsible leader of tourism development in Croatia. By developing the year-round tourist offer, which we have been doing intensively for the past ten years, we aim to create an offer and content of added value not only for the guest but also for the destination where we operate, followed by reducing the concentration of business

activities in high season (June-September) and thus reducing a series of negative effects of tourism on space, infrastructure, quality of life of the local community, environment and climate. At the same time, we work intensively to increase and improve the quality and standards of our facilities and services, we invest in environmental protection from the procurement of equipment and inventory from more environmentally friendly materials, electric means of transport, training in the field of environmental protection and sustainable development, implementation of international standards in the area of the environment, quality and health care. Also, the improvement of standards in the area of fire protection through the procurement of a fire-fighting vessel and a series of training activities in this area, further improvement of the social effects of the year-round tourist offer through the employment of the local population and the improvement of their material rights, hiring of local suppliers and an active role in the community either through support or initiation of activities of wider significance and through active participation in the work of a number of business and professional associations.

For us, sustainable development represents a balance of economic priorities, community needs and environmental protection with a high level of ethics and responsibility in management. That is why we operate in accordance with ethical standards and responsibly manage the Company with respect for human rights, diversity and equality, and with consistency of opera-

tion and relations with stakeholders. The balance of these aspects are the basis of the success and sustainable development of our Company, and ultimately contributes to our fundamental goal – the creation of a sustainable and responsible tourist product for both current and future generations.

Dear shareholders, in a very demanding and challenging business year, which was marked by a strong recovery of the tourism sector, we successfully achieved record increase in key financial performance indicators while creating preconditions for long-term, sustainable and competitive business and capital development. In 2022, we strengthened the foundations for further growth and development and the creation of additional value for our stakeholders, and as a company we are committed to creating responsible and sustainable tourism with all the challenges and opportunities it brings.

Goran Ražnjević
President of the
Management Board





2022 Sustainability Report

The 2022 Sustainability Report refers to the period from 1 January to 31 December 2022, and relies in part on the Annual Business Report for 2022, published in February 2023 in the Croatian and English language on the Company website, www.ilirijabiograd.com, as well as on the websites of the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency (HANFA).

It is also the eighth non-financial report of Ilirija d.d. on responsible and sustainable business and represents the Company's continued strategic commitment to report on all of its business aspects, as well as all other activities in the areas of environmental protection, relationships with its employees and the community, in a transparent manner.

The Company is reporting on its key performance indicators in accordance with Art. 8 of the Taxonomy Regulation, and the report is also compliant with the GRI Standards: Core Option.

Please send your comments, as well as suggestions for improvement, to the following e-mail address: jasminak@ilirijabiograd.com

Contact person: Jasmina Kulaš Stojanov, Expert Team Coordinator, Tina Ujevića 7, 23 210 Biograd na Moru.



Hotel sector



Nautical sector



Ilirija Travel



Camping



Real estate



2 | ABOUT ILIRIJA d.d.

2.1 Basic data



Company name: Ilirija, public limited company for hospitality and tourism

Location of the organization's registered office: Tina Ujevića 7, Biograd na Moru,

Republic of Croatia

Phone number: +385 23/383 165

Fax: +385 23/384 564

Web: www.ilirijabiograd.com

PIN: 05951496767

Company registration number: 3311953

IBAN: HR5824020061100097324

Swift: ESBCHR 22

Share capital amount: 229,146,480.00

Total number of shares: 2,413,488, with no par value

Management Board: Goran Ražnjević, President

Supervisory Board: Goran Medić, President

2.2 Ilirija in Figures

Ilirija is a tourism company that has already been doing business on the Croatian tourism market **for 65 years**, and its facilities are located in Biograd na Moru, Zadar, Sv. Filip i Jakov i Polača, and does business in **five segments of offer**:



HOTEL SECTOR

910 BEDS,
435 ROOMS



NAUTICAL SECTOR

805 BERTHS,
2.000 PERSONS



CAMPING SECTOR

1.208 PITCHES,
3.624 PERSONS



DESTINATION MANAGEMENT COMPANY/ DMC ILIRIJA TRAVEL

297 EVENTS
29.830 PERSONS



REAL-ESTATE SEGMENT

THE CITY GALLERIA BUSINESS AND SHOPPING CENTRE,
28.500M²

Business results in 2022 and a comparison with 2021:

+32,88%

TOTAL REVENUE

HRK 179.158.989,19

+5,95%

NET PROFIT

HRK 23.490.715,74

+12,39%

EBITDA

HRK 54.835.508,33

+6,74%

VALUE OF ASSETS

HRK 528.280.655,14

+3,92%

CAPITAL

HRK 384.759.158,79

-29,73%

NET DEBT

HRK 42.007.669,65

+5,53%

EARNINGS PER SHARE (EPS)

HRK 9,73

+16%

NUMBER OF EMPLOYEES

311



2.3 Chronological Overview of the Historical Development of Ilirija



1957

Ilirija d.d. was founded in Biograd na Moru, where it still does business, even though the company's beginnings date back to 1934, when the first hotel called ILIRIJA was built. Those were also the beginnings of organized tourism of the entire Biograd Riviera, making the Company the pioneer and leader of the entire tourist activity in the region around Biograd.



1969 - 1972

Construction of new hotel facilities (the Kornati Hotel**** and the Adriatic Hotel***), complete reconstruction, i.e. construction of the Ilirija Hotel**** and upgrading of Villa Donat****/** in Sv. Filip i Jakov.



1976

Start of construction of the first nautical tourism port in Croatia, the Ilirija-Kornati Hotel Port located in Biograd na Moru, with a total of 100 berths, and acquisition of the first charter fleet with 40 vessels, which made the company the pioneer of nautical tourism development.



1986

Extended nautical capacities following the construction of the Marina Kornati Nautical Tourism Port located in Biograd na Moru, with a total port surface area of 131,600 m² (waters) and a total capacity of 705 berths at sea and on land.

1988

Construction of the Aquatic Centre as a swimming, beach, sports, entertainment and restaurant facility, with stands having a capacity of 4,000 seats and with a 1,000 m² terrace, as the centre of almost all sports, entertainment and dance events of the destination. Construction of a 48,000 m² tennis centre with 20 tennis courts.

1991 - 1992

Completion of the remaining part of the port area, i.e. increasing the capacity of the Marina Kornati Nautical Tourism Port by building piers in the southern and western waters.

1999

Ilirija d.d. was privatized and is now majority-owned by Arsenal Holdings d.o.o. from Zadar, which is in majority ownership of Mr Davor Tudorović. The Biograd Boat Show nautical fair was launched, originally organized as spring Open Days, and then as the first autumn nautical fair in Croatia as of 2004.

2002

The State Audit Office audited the conversion and privatization of ILIRIJA d.d. and issued a positive Opinion on the conversion and privatization process in its entirety, emphasizing that the process was carried out in accordance with legal regulations and that no irregularities were identified, which would affect the lawful implementation of the transformation and privatization process.



1989

Construction of an annex to the Kornati Hotel**** and the Company's administrative building.

1993

The Croatian Privatization Fund adopts decisions on the conversion of HTP Ilirija into a public limited company.

2000 – 2022

An intensive investment cycle period when it comes to the construction, reconstruction, extension, renovation and adaptation of the Company's accommodation facilities and establishments, as well as the development of new products with the aim of creating a quality, recognizable and competitive tourism product and increasing the quality of the destination's offer. As at 31 December 2022, the Company invested HRK 662,578,119.23, which resulted in a significant increase in total revenue and a newly created value in the said period, namely in the amount of HRK 1,132,402,410.44.

2003

Ilirija's shares were listed on the Zagreb Stock Exchange, on the Listing of Public Limited Companies.





2005

The business system of Ilirija d.d. includes the multimedia centre Arsenal in Zadar, built in the 17th century, which started doing business following the implementation of the revitalization and renovation in accordance with the concept of the "indoor town square".



2014

The "Nada" event yacht, a multi-functional floating congress centre with a length of 36 m and capacity for 180 people, was presented. As part of the business system of the company, the first Croatian diffuse hotel Ražnjevića Dvori AD 1307, was opened in the town of Polača.

2015

Villa Primorje****, built in the second half of the 19th century, was renovated, luxuriously decorated and equipped in accordance with the latest standards for facilities of its kind and category.

Recapitalization of the company by Allianz ZB d.o.o., a mandatory pension fund management company established in Zagreb, which acquired 10% share in the company.

2015 - 2017

The investment cycle in Marina Kornati is mostly completed through the improvement of the quality of vessel accommodation by modernizing almost 70% of the Marina's superstructures and substructures, i.e. piers, which further strengthened the market position of Marina Kornati among the three leading nautical tourism ports on the Adriatic.



2009

Company shares are listed on the Regular Market of the Zagreb Stock Exchange

2015

The company's shares transferred from the Regular to the Official Market of the Zagreb Stock Exchange, which contributed to an even greater transparency and openness of the company to all its stakeholders, especially to the investment public, as well as the domestic and international capital markets.

2016

The second recapitalization was successfully realized by increasing the share capital by contributions in cash, namely through the issuing of new ordinary shares of the company by public offering. The main purpose of recapitalization was to raise funds for the purchase of the City Galleria Business and Shopping Centre in Zadar.

2018

Construction of an indoor swimming pool with a usable area of approximately 500 m², along with accompanying facilities.



2.4 External Initiatives and Membership in Associations

Ilirija is a member of the following national and international business and professional associations:



A member of 15 business and professional associations



An active promoter of the interests and development of the tourism industry by actively contributing to the regulations of special importance and interest to tourism



A promoter of activities pertaining to corporate responsibility and sustainability



4 codes/charters/initiatives

Business associations:

- Croatian Chamber of Commerce (HGK)
Association of Croatian Marinas
Community for corporate social responsibility
Community for Environmental Protection
Economic Council of the Croatian Chamber of Commerce in the Zadar county
- Croatian Employers' Association (CEA)
- Croatian Business Council for Sustainable Development (HR BCSD)
- Croatian Association of Managers and Entrepreneurs (HUM-CROMA)

Professional associations:

- Association of Employers in Croatian Hospitality (UPUHH)
- Croatian Tourism Association (HUT)
- Croatian Camping Union (CCU)
- Top Camping Pool
- Association of Croatian Travel Agencies (UHPA)
- Croatian Association of Independent Travel Agents (CAITA)
- Croatian Association of Congress Tourism Professionals
- Tourist boards at the regional and local level
- International Federation of Boat Show Organisers (IFSBO)
- Association Lijepa Naša
- LAG LAURA

The President of the Management Board of Ilirija, Mr. Goran Ražnjević is a member of the following bodies of business and professional associations:

- Assembly of the Croatian Chamber of Commerce
- Tourist Council of the Zadar County Tourist Board
- President of the General Assembly of the Croatian Business Council for Sustainable Development

Charters, codes and initiatives implemented by the company:

- Corporate Governance Code of the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange
- Code of Business Ethics of the Croatian Chamber of Commerce
- Diversity Charter Croatia
- Gender Equality Federation



2.5 Overview of Portfolios, Products and Services



The portfolio of Ilirija d.d. covers all key segments of the Adriatic Mediterranean tourist offer, that is: the **hotel sector** (hotels: Ilirija****, Kornati****, Adriatic**, Villa Donat****/**), the **nautical sector** (Marina Kornati and Ilirija-Kornati Hotel Port), **camping** ("Park Soline" camp****), the **destination management company / DMC Ilirija Travel** (Arsenal, diffuse hotel Ražnjevića Dvori AD 1307, event boat "Nada", Villa Primorje), the **sports-recreational and entertainment facilities** (Ilirija Tennis Centre with 20 tennis courts and the Aquatic Centre with a catering facility) and the **real-estate segment** (City Galleria Business and Shopping Centre in Zadar). An integral part of the offer within the tourism sector of the company are also restaurant facilities with food and beverage offers and services (restaurant "Marina Kornati", restaurant "Park Soline", Aquatic Centre, Lavender lounge bar and "Donat" beach bar).

The company's business is based on the provision of services by using its facilities (hotel, nautical and camping facilities), while also providing additional amenities and services, thus creating a high-quality integrated and complementary tourism product on the domestic and international tourism markets, presented under the Ilirija Travel brand. The destination management company was established as a response to the tourism demand of today, based on technological, social and market factors and trends, and aimed at meeting the needs of the increasingly demanding guests and the market.



Ražnjevića dvori
Polača

City Galleria
Zadar

Arsenal
Zadar

Villa Donat
Sv. Filip i Jakov

Villa
Primorje

Beach bar Donat
Sv. Filip i Jakov

Restoran "Marina Kornati" /
Restaurant "Marina Kornati"

Event brod Nada /
Event boat Nada

Marina
Kornati

Ilirija
Travel

Hotel
Kornati

Hotel
Ilirija

Hotel
Adriatic

Hotelska marina /
Hotel marina

Aquatic centar /
Aquatic center

Tenis centar Ilirija /
Tennis center Ilirija

Kamp "Park Soline" /
Camp "Park Soline"

Restoran "Park Soline" /
Restaurant "Park Soline"



Ilirija d.d.

Hotel Sector



4 hotels



435 rooms



910 beds

The hotel sector of the company is operated under the brand ILIRIJA RESORT, and it consists of four hotels with a total capacity of 910 beds and 435 rooms:

The **Ilirija Hotel** is the largest four-star hotel of the Ilirija Resort, with a capacity of 157 rooms and 326 beds, equipped with a 200-seat restaurant, a terrace with 70 seats and an aperitif bar with 50 seats. The newly renovated wellness centre covers the entire fifth floor of the Ilirija Hotel, and together with the area of the indoor pool and the wellness beauty zone on the ground floor of the hotel, occupies an area of 2,000 m². It is located by the seashore, right next to the old town centre, and it is surrounded by beautiful nature, the sea and a pine forest, as well as numerous facilities offering various amenities. All nearby beaches have been awarded a Blue Flag, which certifies the quality of the sea and the associated beaches.

The design and atmosphere of the four-star **Kornati Hotel**, with a capacity of 106 rooms and 230 beds, also featuring a restaurant having a capacity for 220 people, a terrace for 50 and a bar for 40 people, is linked to and evokes the images of the most beautiful Croatian national park The Kornati Hotel is also unique for its connection with the hotel marina, which is located in the very centre of Biograd, with a beach right next to the hotel – which makes this hotel absolutely unique on the Adriatic coast.

The three-star **Adriatic Hotel** has a capacity of 100 rooms and 210 beds, a restaurant with a capacity for 230 persons, a terrace with a capacity for 300 persons and a bar with a capacity for 110 persons. The hotel also has an outdoor pool. It is located in a pine forest, almost on the beach, and right next to the hotel is the Aquatic Centre, ideal for family fun and for various attractive summer sea activities. The Adriatic Hotel boasts a modern design inspired by the ancient medicinal herb lavender, which is characteristic for Mediterranean landscapes.

The **Villa Donat Hotel** is located in the picturesque town of Sv. Filip i Jakov, and it consists of a villa with 16 superbly and modernly furnished rooms. It is a four-star hotel, and it has a three-star annexe. Its total capacity includes 72 rooms and 144 beds, a restaurant with a capacity of 120 seats, a terrace for 50 and an aperitif bar for 20 persons, and as of 2017 There is also an outdoor pool. The hotel is located near the main beach and the town centre, and it is reminiscent of the rich history of the area. Boasting a modernly furnished villa and an atmosphere reminiscent of the old times, a restaurant and a bar with a terrace surrounded by Mediterranean vegetation, this hotel is perfect for a real family holiday.

Within the Ilirija Resort there is a conference centre consisting of 8 halls, with a total capacity for 30 to 250 people, and there is also a luxurious garden with terraces ideal for banquets, receptions and entertainment, as well as outdoor swimming pools, a beach and an indoor pool.



Nautical Sector



Pioneers of nautical tourism development in Croatia



Marina Kornati – a marina with a four-anchor rating



805 berths



Biograd Boat Show - the largest international nautical fair in Croatia and South East Europe

In 1976 Ilirija d.d. built the first nautical port in Croatia, the current hotel port, from which nautical tourism began to develop all over the Adriatic, and the first charter fleet consisting of 40 Elan vessels, which is why the Company fully deserves its title of pioneer of nautical tourism, whereas Biograd became the cradle of nautical tourism.

The Company's current nautical sector consists of Marina Kornati and the Ilirija-Kornati Hotel Port, with a total of 805 berths at sea and on land, which can accommodate up to 2000 boaters in one day, and its number of berths, modern technical equipment, quality of service, cleanliness and neatness make Marina Kornati one of the three leading Croatian marinas, visited by over 60,000 boaters a year.

The four-anchor Marina Kornati is one of the largest nautical ports in Croatia with a total sea surface area (waters) of 91,912 m² and a land surface area of 39,688 m². The Marina Kornati waters consist of: (I) the central waters with 365 berths at sea and 70 berths on land, (II) the western waters with 190 berths at sea and (III) the southern waters with 80 berths at sea.

In addition to its own service zone for repairs, vessel maintenance and dry docking, the marina offers a 24-hour navy-guard service, a parking lot with 500 parking spaces, as well as restaurant facilities. There are about fifty external companies operating within the marina, which, within the framework of business cooperation, offer servicing and supply the boaters with the necessary equipment.

The Ilirija-Kornati Hotel Port, located in the very heart of Biograd na Moru, in front of the Kornati and the Ilirija hotels, was constructed as the first nautical tourism port forty years ago. It has a total of 100 berths for the reception of vessels of up to 8.50 m, as well as additional facilities within the hotel resort.

The Biograd Boat Show has also continuously been held at Marina Kornati for 23 years, as the leading Croatian nautical fair organised by Ilirija d.d.





Park Soline – a four-star campsite



Surface area: 20,00 ha



Number of accommodation units: 1208



Capacity for 3,624 persons

Camping

The four-star “Park Soline” campsite is located in Biograd na Moru within the borders of the populated area, but as a separate physical planning-urban and economic entity in the south-east part of the town of Biograd na Moru, right by the main beach in the coastal length of approx. 1.5 km, with a 450-meter beach positioned right in front of the campsite.

The campsite covers an area of 20.00 ha and includes 1,208 accommodation units with a total capacity for up to 3,624 persons. It is situated in an outstanding natural environment of a predominantly high pine forest which provides shade to 90% of the campsite. By adhering to the principles of sustainability and environmental protection and considering the natural features of the area by using indigenous plant species, the horticultural landscaping of the campsite has been completed to the level of an arboretum, which is a remarkable and rare example in Croatia of creating added value for a tourism camping product.

In addition to fully equipped pitches (standard mare and comfort pitches), the camp also offers pitches with the basic infrastructure (standard pitches), as well as mobile home zones Dalmatia, Premium, Comfort Plus, Dalmatia Plus, Comfort Family 32 m² size, Glamping Family de Lux 42 m² size and a zone with glamping tents.

Within the camp, guests have at their disposal modernly equipped sanitary facilities, laundry washers and driers, an exchange office, an internet café, a supermarket and restaurant facility.

The camp offers unlimited possibilities for an active holiday in its immediate vicinity: tennis courts, table tennis, indoor soccer, water skiing, snorkelling, sailing, bike rental, jogging, roller blading, beach volleyball, bowling, hiking and excursions to attractive national and nature parks (Krka National Park, Kornati National Park, Paklenica National Park, Telašćica Nature Park, Vransko Lake Nature Park) or historical towns (Zadar, Šibenik, Split).



Ilirija Travel



An innovative and comprehensive
tourism product



Development of a year-round
tourist offer



4 own facilities

The destination management company Ilirija Travel combines appealing products and services of the parent company into a unique tourism offer. The company built an innovative and comprehensive platform based on expertise and social responsibility, which is adapted to the demands of modern guests and the highest standards of the hospitality industry. While it includes a wide variety of services of its partner companies, Ilirija Travel also conducts business in its own additional facilities, such as:

Arsenal a multifunctional space and one of only seven preserved buildings of its kind, which has been adapted according to the concept of an “indoor city square”. The revitalisation of Arsenal created a perfect combination of business and culture tourism, which provided added value not only for Ilirija's tourist offer, but also for the destination as a whole. Arsenal is the centre of the region's public life, culture and entertainment, holding more than 100 public and private events each year.

The diffuse hotel Ražnjevića Dvori AD 1307 is located in the old town of Polača, in the historically agricultural region of Ravni Kotari in North Dalmatia, and represents a unit consisting of five functionally connected buildings, which makes it the first facility of this kind in the Republic of Croatia. This set-up is a great example of an innovative tourism product conceived as a combination of the traditional and the contemporary. In six independently decorated apartments, authentic Dalmatian stone houses have been converted into a tavern and a restaurant, and guests can also enjoy the outdoor swimming pool, stone terraces, and a wine bar. The space is also designed and equipped as a venue for meetings, seminars, team buildings, gala dinners and banquets, which can take place outdoors or in covered areas with a capacity for up to 200 people, as well as in indoor spaces for a minimum of six to about one hundred persons.

Villa Primorje, built in the second half of the 19th century, is a typical traditional Dalmatian stone manor house with an outbuilding. Newly renovated, luxuriously decorated and equipped according to the latest standards for facilities of this type and category, it has its own restaurant offering the opportunity to organize a number of events, a Mediterranean garden with a promenade and an outdoor swimming pool.

The “Nada” event boat, a 36-metre multifunctional yacht with a capacity for 180 persons, with a restaurant, kitchen and bar provides guests with excellent services pertaining to food and beverages during navigation. Business event organisers have access to a number of “tailor made” programmes adapted to their wishes, from the route, to the menus on offer, additional entertainment and conference room equipment, including beamers.



Arsenal



Ražnjevića dvori A.D. 1307.



Villa Primorje



Event boat "Nada"

Real-estate segment - City Galleria



Surface area of more than
28,500 m²



6 floors



An outdoor city market



The only multiplex cinema in
the Zadar County

The City Galleria business and shopping centre is one of the two largest shopping centres in Zadar and the wider Zadar region. It was completed and opened to the public in October 2008, with a total gross surface area of more than 28,500 m² spread over a total of six floors (two garage and four retail and business floors). The gross surface area of the centre consists of the associated underground garage with a total surface area of 10,863.50 m², 9,464.72 m² of net rentable area, as well as communications, technical and common rooms.

The Centre's offer of stores and services consists of a large number of various facilities, including an outdoor market with delicatessens, specialised food and beverage stores, a supermarket, clothing, footwear and sportswear boutiques, sports facilities, various service and repair activities, beauty and hair salons, catering facilities, offices and the city's first and only multiplex cinema with 6 auditoriums. The offer is conceptually divided by the floors of the building, where the underground garage with 410 marked parking spaces occupies floors -2 and -1, and is open to all users 24 hours a day with always available on-call staff and a security service. The ground floor and first floor of the centre contain a mixed offer with numerous food, service and repair stores; the second floor of the centre offers entertainment and sports facilities; while on the third floor of the building contains office spaces.

Due to the good location of the building in a residential area near the old town and the fact that it is surrounded by some of the main city roads, the Centre is exceptionally easy to spot and access by a large number of local residents and foreign visitors.

Thanks to its unique architectural concept and location, the City Galleria centre has established itself as a place of citizens' day-to-day activities, as its varied offer can easily meet most of the visitors' everyday needs.



Hospitality



Capacity for 420 persons
The Captain's Club



Capacity for 280 persons
A Dalmatian tavern, a wine cellar



The first lounge bar on the Biograd Riviera
Lavender-inspired Mediterranean design



Capacity for 140 persons
A building entered in the Register
of Cultural Property

The restaurant “Marina Kornati” is located in the eponymous marina, just a few walking minutes away from the centre of Biograd. With a capacity for over 350 persons, which along with the recently renovated Captain's Club having a capacity for 70 people can receive up to 420 persons, it meets the needs of boaters when it comes to hosting various and numerous events in the Marina Kornati.



The restaurant “Park Soline” is located within the “Park Soline” camp, right next to the beach, with a terrace offering a view of the Pašman Canal. This restaurant, with a capacity for 280 persons, offers the possibility of organizing various events - soirées, banquets, family festivities as well as business meetings. Within the restaurant, there is also a Dalmatian tavern with a fireplace, a coffee shop and a wine bar arranged as a wine cellar, which provides you with the opportunity to buy and taste the highest quality red and white wine made from indigenous Croatian grape varieties.

The Lavender lounge bar, located within the Adriatic Hotel right by the beach, is known for its lavender-inspired Mediterranean design and fully adapted for relaxation in the comfortable loungers in the shade of the pine trees. Many different events can be organised here - MICE events, weddings, banquets, and there is also a cocktail bar, a night club etc.

The Donat beach bar is located in the unique building within the protected cultural and historical unit of the town of Sv. Filip i Jakov, which is also entered in the Register of Cultural Goods of the Republic of Croatia. It is categorized as a beach bar/cocktail bar with a capacity of 140 persons.



The conference facilities of Ilirija d.d. are intended for clients who are looking for a complete event organisation service (logistical, technical, restaurant, etc.) in an authentic environment reflecting the history, culture and tradition of the place, destination and region. All Company sectors include these facilities, starting from conference facilities in the Ilirija Resort and the Captain's Club in the Marina Kornati. For clients wanting a special, unforgettable experience, we offer organisation of M.I.C.E. events on the "Nada" event boat, a floating conference centre, in the first Croatian scattered hotel Ražnjevića Dvori AD 1307, or in the historical ambience of Arsenal, a zero-category cultural monument located in the heart of the old Zadar city centre. Each hall is equipped with modern audio-visual equipment for organization of presentations, seminars and conferences, along with the constant support of our expert team and a full restaurant service. Ilirija Resort offers various service packages to event organisers, tailored to the needs of the businesspeople of today, with an individual approach to every event.

Facility	Room	Maximum capacity	Surface area m ²	THEATRE	LECTURE HALL	U-SHAPE	CONFERENCE	BANQUET	COCKTAIL
									
HOTEL ILIRIJA	RESTAURANT	300	350				70	200	300
	ILIRIJA	100	215	100	80	30	30	50	100
KORNATI HOTEL	RESTAURANT	220	300			60	70	220	300
	KORNATI	30	45	30	20	20	20		
ADRIATIC HOTEL	ADRIATIC 1	230	250	230	160	70	70	180	250
	ADRIATIC 2	60	80	60	40	30	30	40	50
	ADRIATIC 3	30	45	30	20	20	20		
	ADRIATIC 4	20	30	20	12	10	10		
	ADRIATIC 5	60	100	60	30	30	30	50	100
	LAVENDER	90	200	90	50	20	20	40	100
AGROTOURISM ILIRIJA	CONFERENCE ROOM	50	50	50	35	30	30	65	70
	TAVERN A	20	40	40	15		16	20	25
	TAVERN B	14	30				14	14	14
	TAVERN C	18	35	18	12	12	12	18	20
ARSENAL ZADAR		1000	1000	500	200	150	150	700	1000
EVENT BOAT "NADA"	DECK 1	150	50	30	40			90	90
	DECK 2		60	60	35			46	60
MARINA KORNATI	CAPTAIN'S CLUB	100	120	100	60	60	60	80	100





Facility with a capacity for 4,000 persons,
Sports, entertainment and catering facilities



One of the leading tennis centres in Dalmatia
A surface area of 48,000 m², 20 tennis courts,
accompanying facilities



Among the 36 most significant nautical fairs in the world
The largest international nautical fair
in Croatia and South East Europe
Croatian Nautical Industry and Tourism Congress



300 exhibitors
B2B with more than 400 contacts
4 Croatia Charter Expo– largest event of the
charter industry

Sports-recreational and entertainment amenities:

Aquatic centre - built as a sports, entertainment and restaurant facility with an outdoor Olympic swimming pool, the centre is located on the main town beach, and it proudly displays the Blue Flag. The Centre also features a coffee shop and a fast food restaurant with a capacity for 350 people, and as such offers the possibility of organizing numerous public and private events. With its stands with 4,000 seats and its 1,000m² terrace, it is the centre where almost all sports, entertainment and music events are held in the destination. The Aquatic Centre is also ideal for other events, such as weddings, team-buildings, banquets, MICE events and others.

The “Ilirija” tennis centre located in a pine forest has a surface area of 48,000 m² and consists of 20 tennis courts and multi-purpose courts (14 ground and 6 colour-set courts) with night lighting. A restaurant, dressing rooms and auxiliary facilities are located within the centre.

Events:

Biograd Boat Show - is the largest international autumn nautical fair in the Republic of Croatia and the largest nautical fair in South East Europe.

In 2022, the fair (which marked its twenty-fourth anniversary) was attended by over 300 registered exhibitors, with 300 vessels at sea and on land and over 40 premier vessels, while over 100 registered charter companies, agencies and brokers actively participated in the charter fair (with over 400 accredited participants).

Thanks to the partnership with all relevant entities, the Biograd Boat Show has united “4 fairs in one”, namely the Biograd Boat Show (an exhibition fair), Days of Croatian Nautics (a congress fair), Croatia Charter Expo (a leading charter fair), and Biograd B2B (a business fair), thus profiling itself as a national congress of the Croatian nautical industry and tourism.



Aquatic centre



Tennis centre "Ilirija"



Biograd Boat Show

Overview of the Capacity of Ilirija d.d.



Hotels

435 rooms/910 beds



Camping

1208 plots/3624 persons



Nautical sector

805 berths



Real-estate

gross surface area of
28.500m²/
six floors



Catering facilities

4 facilities with a capacity of
1,120 persons



Congress facilities

total maximum capacity of
2,492 persons for all facilities



DMC Ilirija Travel

accommodation, catering
and multi-functional facilities
enable year-round business
(Arsenal, diffuse hotel Ražnje-
vića Dvori, "Nada" event boat
and Villa Primorje)



Sports-recreational and entertainment facilities

A tennis centre with 20 tennis
courts and an area of 48,000m²,
and the Aquatic Centre with an
Olympic swimming pool and
catering facilities, with a capacity
of 4,000 persons

Tourism sector



Overnight stays: 673,818



Hotel sector: 100,551



Camping sector : 312,057



Nautical sector (charter): 261,210



DMC Ilirija Travel: 29,830 persons

2.6 Market, Customers and Suppliers

Considering the Company's diversified and complex portfolio, the market and customers are divided into two key segments:



market and customers of
the tourism sector



market and customers, or tenants
of the real estate sector

Market and customers of the tourism sector

The tourism sector of the Company consists of: hotel, nautical and camping sectors and the destination management company Ilirija Travel, each of which has its own specific market and marketing and sales characteristics.

The Company's facilities recorded 673,818 overnight stays, including overnight stays realised by charter companies that, within the framework business cooperation, perform their activities in Marina Kornati. In the nautical sector, overnight stays do not constitute the basis of business since as of 2013 guests from EU Member States are not to be recorded pursuant to the Regulation on Conditions for the Arrival and Stay of Foreign Yachts and Boats Intended for Sports and Leisure Activities in the Internal Waters and Territorial Sea of the Republic of Croatia (OG 97/2013), with the exception of charter guests who are recorded by charter companies through crew lists.

Overview of 10 key hotel and camping markets

The Netherlands 6%

Germany 15%

Austria 6%

Italy 2%

Other 10%

Poland 5%

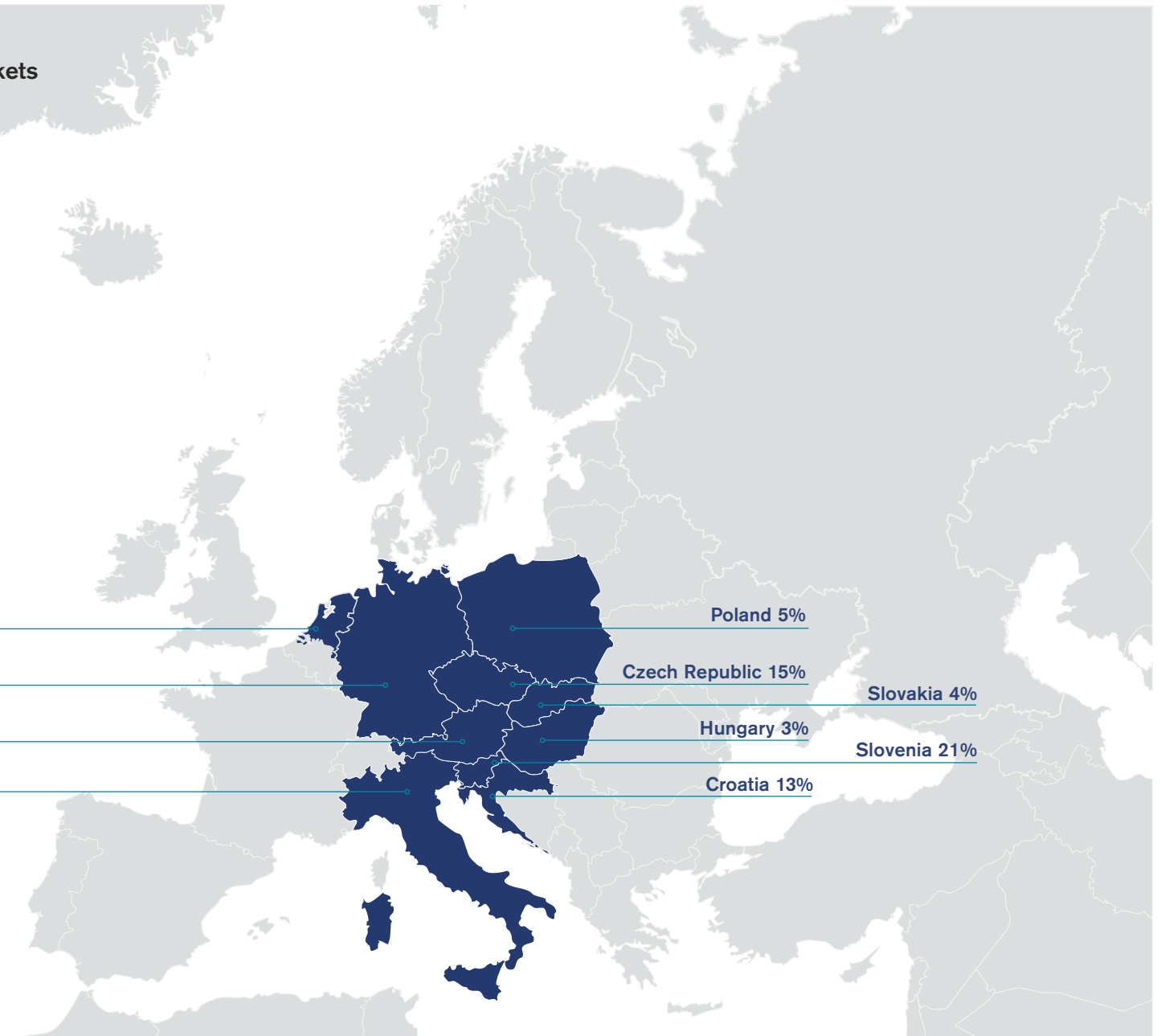
Czech Republic 15%

Hungary 3%

Croatia 13%

Slovakia 4%

Slovenia 21%





Hotel sector

Physical operating results

- 27,111 arrivals, 52% increase
- 100,511 overnight stays, 32% increase

Market segment

- 34.1% individual guests
- 32.8% groups
- 29.8% allotment

Market indicators

- Annual occupancy - 31,46%
- ADR - HRK 872,39
- RevPAR - HRK 483,54

Key market

- 23.8% Croatia
- 12.8% Slovenia
- 12.2% Germany
- 11.0% Austria
- 6.91% Slovakia



Camping sector

Market segment

- 31% lump sum
- 29% mobile homes
- 21% individual pitches
- 17% agencies

Physical operating results

- 45,034 arrivals, 30.21% increase
- 312.057 overnight stays, 31.74% increase

Key market

- 24% Slovenia
- 19% Czech Republic
- 16% Germany
- 10% Croatia
- 7% Netherlands



Nautical sector

Market segment

- Contractual berth:
 - a) Individual contractual berth
 - b) Charter contractual berth
- Transit berth:
 - a) Transit service market
 - b) Sports/regatta market
 - c) Holiday and recreational market

Biograd Boat Show

- 4 fairs in one
- 300 exhibitors
- B2B with more than 400 contacts
- 20,000 visitors
- 4th Croatia Charter Expo
 - largest event of the charter industry

Physical operating results

- 726 contractual vessels
- 261,210 overnight stays in the charter segment
- 3117 transit vessel arrivals
- 9208 vessel overnight stays
- 2.95 days – average length of stay



DMC - Ilirija travel

Product

- Complementary and integrated tourist product
- Year-round business activity

Physical indicators

- 297 events, 47% decrease
- 29,830 guests, 145% increase

Facilities

- Arsenal,
- Ražnjevića dvori,
- Event boat „Nada“ and
- Villa Primorje



Real-estate segment – City Galleria

Revenue realised by

- Lease of business premises
- Common costs
- Use of common areas
- Garage parking spaces
- Other operating revenues

Key physical indicators

- 37 lease agreements
- 99.76% occupancy rate

Lessors

- Local
- National
- International

Procurement organization is divided into procurement of:



food and beverages,



consumables



office supplies



technical material



services



energy sources



investments and investment maintenance

Suppliers and Procurement Practices

The procurement practice represents a material topic for the Company given its direct effects on business performance quality in terms of providing services in accordance with local and international standards of the tourism industry, and considering the economic effects it has on the local, regional and national economy, given the fact that most suppliers are from the Republic of Croatia.

All suppliers are expected to meet quality parameters and act in accordance with the corporate strategy and ethical business practices, while for food and beverage suppliers it is extremely important that they have a HACCP certificate.

The suppliers are also its business partners, with which it shares values and principles of doing business. The Company strives for strategic, long-term and high-quality mutual relations with suppliers, with whom through many years of cooperation we work on creating additional value for both companies by (1) knowledge sharing, (2) improving the business process of both parties and (3) creating a quality product or service for both companies.

Out of the total 907 suppliers with whom we have had a business cooperation in 2022, we have been cooperating with 20 for more than 30 years, and among them, there are also suppliers with whom the company has been cooperating since its incorporation, i.e. for over 65 years.





907

Suppliers



94.73%

Transactions with Croatian suppliers



5,27%

Transactions with international suppliers

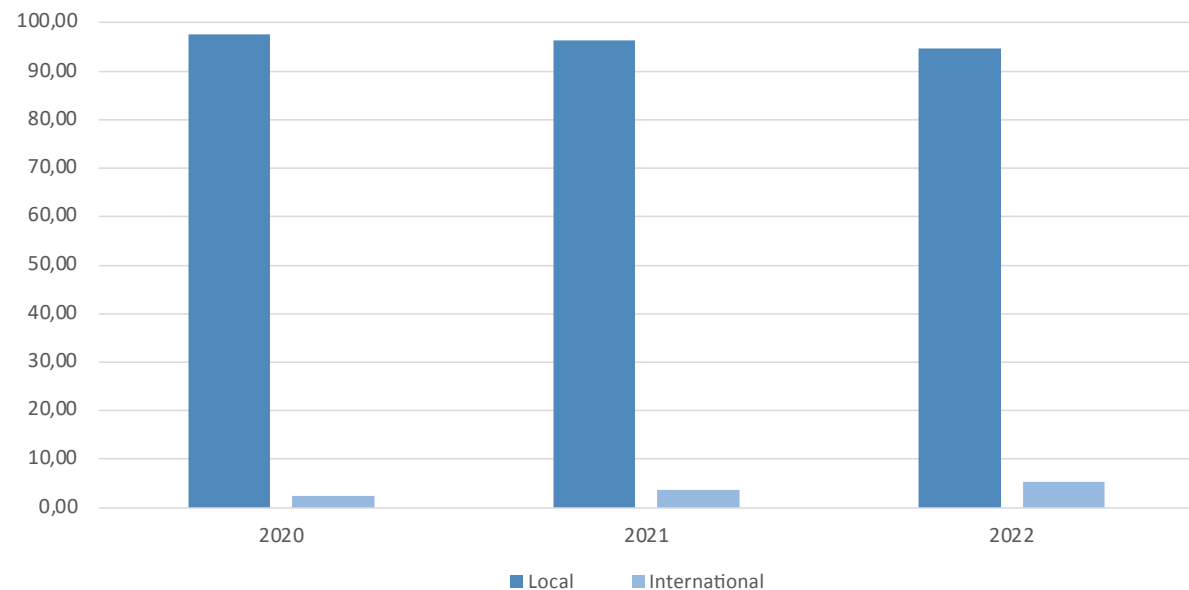
Procurement characteristics in 2022

Within the supply chain, we cooperate with producers, primary producers, distributors, wholesalers, contracted partners, brokers, consultants, small crafts and family owned farms. In 2022, there were no lawsuits against the Company brought by its suppliers.

In the business year, the Company carried out transactions with a total of 907 suppliers. Out of those suppliers, 44 have their registered office abroad, which equals 4.85% of the total number of suppliers, while 95.15% of the suppliers have their registered office in the Republic of Croatia. Foreign suppliers accounted for 5.27% of the total transactions, while domestic suppliers accounted for 94.73% of the total transactions.

The graph below shows that in 2022 the trend of a low share of foreign supplier turnover in the total realized turnover continued.

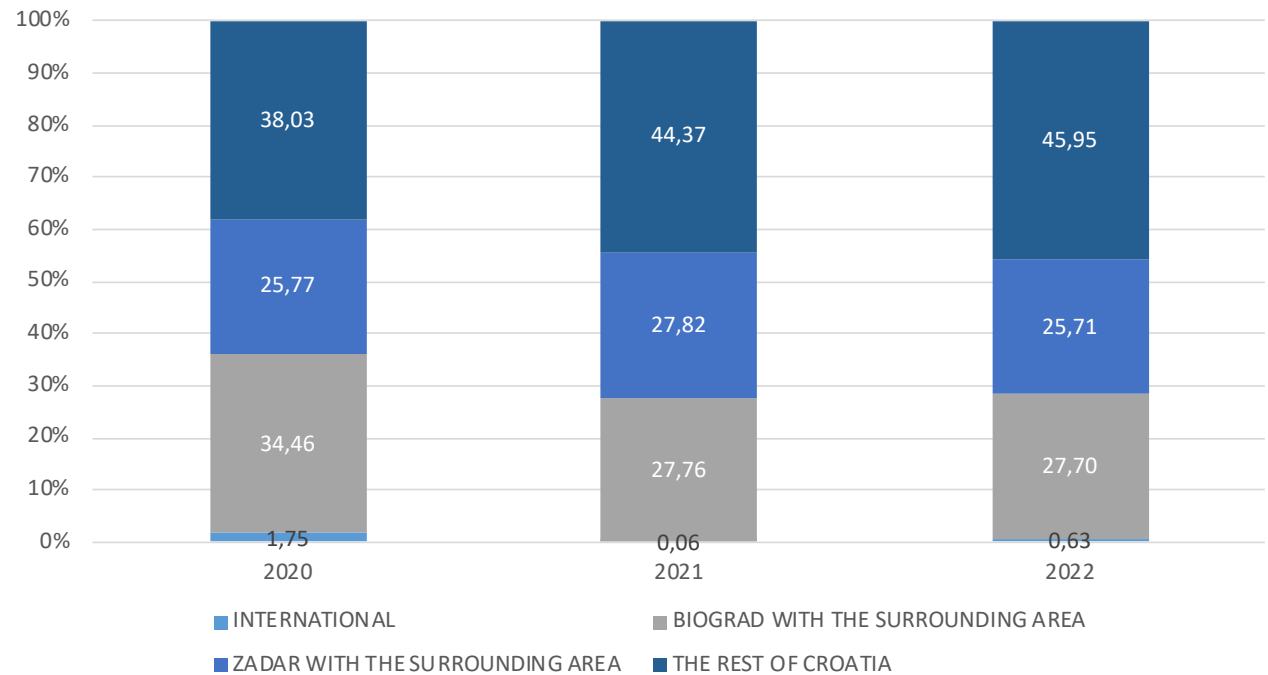
Overview of the % share in turnover of suppliers by registered office





The transactions pertaining to the procurement of food and beverages, consumables, office supplies and technical material accounted for 28.37% of the total transactions in 2022. Cooperation with foreign suppliers in the aforementioned procurement category accounted for only 0.63% of the transactions, local suppliers accounted for 53.42% of the transactions, and the remaining 45.95% of the transactions pertained to suppliers from other parts of Croatia.

Overview of the % share in the turnover of suppliers of food and beverages, technical and office supplies by registered office:



2.7 Standards and Certificates



High quality and standards of services, their continuous improvement and enhancement, safety of guests and employees, meeting of customer needs and expectations, competitiveness and sustainability of products, continuous improvement of operational processes and continuous employee education are the main directions of the Company when it comes to service quality.

The Company implemented an integrated environmental and quality management system under the ISO 9001:2015 (quality management) and ISO 14001:2015 (environmental management) standards, by which it focuses on the continued improvement of processes connected to the service quality and standards enhancement, the enhancement of operational and management processes, at the same time connected to the environmental management system. By implementing the integrated Environmental and Quality Policy, through the integration of ISO standards, the Company confirms its main focus on long-term business stability based on responsible and sustainable business operations. During 2022, a regular control audit was performed as part of the quality management system ISO 9001:2015 and the environmental management system ISO 14001:2015.

An external audit of the HACCP Codex Alimentarius system was conducted, which confirmed that the Company, at the level of all its sectors in the area of food and beverage services, carries out a high degree of control during the process of production and distribution of food products.

Considering the speed, flexibility, and rapid development of tourism services, the Company has implemented local and international quality systems in its business with the aim of maintaining a high service and standard level of its sectors and profit centres.

International standards and certifications held:



The "Park Soline" campsite is the holder of the international Green Key certificate, attesting to the fulfilment of all criteria for the award of this eco-label in the field of sustainable development and environmental protection.

Following a successful audit in September 2015, the "Park Soline" campsite was awarded the international "Ecocamping" certificate. With our membership in the Ecocamping Network, consisting of more than 240 camps from seven European countries, the Company continues to commit itself to promoting ecology, sustainable development and socially responsible business even further, with particular emphasis on efficient energy management (water, electricity), waste sorting and recycling, preservation of nature and biodiversity, etc. Since 2004 Marina Kornati has been the holder of the Blue Flag, i.e. has been participating in the international ecological programme for the protection of the sea and coastal environment, whose primary objective is sustainable control and management of the sea and the coastline.

The Advanced Sustainable Hotel certificate has been awarded to the Ilirija Hotel by the Association of Employers in Croatian Hospitality as part of the project "Green Business Practices in the Hotel Industry". The Company has supported the project from its very start by meeting the criteria from nine areas (management, procurement, sales, environment, energy management, marketing and public relations, food and beverage, household and programmes). In 2019, the Ilirija Hotel was successfully recertified and upgraded from being a holder of the Basic certificate to being a holder of the Advanced Sustainable certificate.



2.8 Significant events

The General Assembly of the Company, held on 12 April 2022, took note of the Annual Report for 2021 together with the Audit Report for 2021, Report of the Supervisory Board on the Performed Supervision of the Company's Operations for 2021, and the Management Board' Report on the Acquisition of Own Shares.

The General Assembly adopted the Decision on the Approval of the 2021 Report on the Remuneration of Management Board and Supervisory Board Members, the Decision on Granting Discharge to the Company's Management Board for 2022, Decision on Granting Discharge to the Members of the Supervisory Board for 2022, and the Decision on the Appointment of the authorised auditing company "UHY RUDAN d.o.o.", Ilica 213, Zagreb, PIN: 717995390000 as the Company's Auditor for 2022.

Moreover, the General Assembly also adopted a Decision on the Allocation of Profit for the business year 2021, based on which the profit generated in 2021 is to be allocated as follows:

- HRK 13,752,683.53 into the retained profit, and
- HRK 8,419,792.50 for dividend distribution.

Pursuant to the Decision on Dividend Distribution, a dividend in the total amount of HRK 8,419,792.50 was distributed to the shareholders of the Company from the profits generated in 2021. The dividend per share amounted to HRK 3.50.





3 BUSINESS MODEL FOR THE SUSTAINABLE DEVELOPMENT OF ILIRIJA D.D.



3.1 Business Model Description

Ilirija has been present on the domestic and international markets for more than six decades, and in 2016, following the acquisition of the City Galleria Business and Shopping Centre, the Company can offer a wide range of activities under a portfolio consisting of the following 5 sectors:

- Hotel sector – 4 hotels, 435 rooms, 910 beds
- Nautical sector – 805 berths, 2,000 persons
- Camping sector – 1,208 pitches, 3,624 persons
- Destination management company/DMC Ilirija Travel – through which 297 special events for 29.830 persons were organized in 2022
- The real estate sector – City Galleria Business and Shopping Centre in Zadar, one of the two largest shopping centres in the wider Zadar region

Diverse tourism and real-estate portfolios are based on the resources of the region and on a continuous investment in the improvement of the existing contents and products as well as the development of new ones, which is also the foundation of the Company's business and development policy. With more than six decades of market presence and the resulting knowledge and experience the Company is able to preserve the environment and contribute to the development of the local community while maximising its economic, financial, market and human resources potential. Furthermore, by developing a complementary and integrated product through the destination management company, the Company strives for achieving one of its strategic goals – year-round business operations of its tourism sectors, with an emphasis on the hotel sector and camping, through high-standard extension of the high season to pre-season and post-season and creating added value for both the Company and the destination, or the wider community.



Score:

488
points

3.2 Company Business Model and Sustainability

Having tourism activities as the Company's primary activities has significant economic impacts on the society, both at the local and the national level. At the same time, tourism as a very complex industry, which includes numerous stakeholders and requires a significant amount of resources, can have opposite effects depending on the way tourist services are managed. If tourist services and facilities are managed responsibly, emphasising the preservation of authenticity, the growth of service innovation, quality and standards, the creation of an offer with added value, i.e. sustainable, responsible and year-round tourism, then tourism plays a positive role in the social, cultural, economic and environmental development of the destination and represents a significant opportunity for community development.

For this reason, comprehensive planning and management of sustainable tourism activities and facilities is imperative to the Company, in order to ensure sustainable long-term business operations while respecting the needs of the local community and all its stakeholders. Stakeholders are the key factor for the Company's successful and long-term development, so as a socially responsible entity, Ilirija defines its business strategy through dialogue with stakeholders so as to understand their expectations. Stakeholder dialogue defined the material and ESG (environmental, social, governance) topics that the stakeholders perceive as topics through which the Company can influence the community, environment and economy the most. Material ESG topic covered by the Dialogue with Stakeholders represent the content of the sustainable development report and the foundations of the ESG business model and the Company's strategy.

The Company operates in accordance with principles and practices of good corporate governance, providing a high level of transparency and accountability in relation to all of its stakeholders. Therefore, the Company's corporate strategy is based on the fundamental principles of corporate social responsibility and sustainable business practices, which constitute an integral part of the Company's corporate values, and are embedded in the long-term business practice and processes towards its stakeholders. Setting up the Company's business model this way creates new opportunities for business development and sustainability through continuous development of new products and improvement of services.

The Company's business model makes it a driver of tourism and economic development in its local community and region, while establishing an optimum level of quality and competitiveness in its offer and continuously preserving nature and environmental resources in the geographical area of its operations. The business model of corporate sustainability and responsibility means the creation of added value for all our stakeholder groups, i.e. the integration of economic, social and ecological aspects into decision-making processes.

3.3 Sustainable Business Strategy

Ilirija d.d.'s sustainable business strategy is an integral part of its corporate strategy and its aim is to create added value for all stakeholders in its business process by balancing their rights, liabilities and interests. Setting up the sustainable business strategy this way creates new opportunities for business development and sustainability through continuous development of new products and services.

The sustainable business strategy consists of four main areas:



Corporate responsibility and sustainability



Social community



Responsible and ethical management



Environmental protection

Corporate responsibility and sustainability

In terms of corporate responsibility and sustainability, focus is placed on the future growth of the Company, its business stability and excellence that exert a marked social and economic impact on the local, regional and national economy through the Company's activities.

The responsible and sustainable business strategy is based on the following determinants:

- dedication to long-term corporate sustainability and responsibility at all levels of business processes and business activities
- creating added value for the Company's shareholder groups
- continued implementation and affirmation of the key principles of corporate sustainability and responsibility within the Company and in the broader community
- retaining and maintaining the status of the leading tourism company in the destinations where it operates
- the economic and social driver of regional and Croatian economy
- year-round business development in the Company's tourism sectors and creating added value for destinations in which it operates
- integrating economic and social aspects and care for the environment into the decision-making process
- sustainable and continuous investments in the development of sustainable, high-quality, recognisable and competitive products and services



Corporate responsibility and sustainability is described in the following documents:

- **Annual business reports**
- **Quarterly financial statements**
- **Corporate disclosures**

Social community

Corporate social responsibility with regard to the relationship towards the social community is carried out through the development of the local and regional economy, employing the local population, corporate philanthropy system, activities in the area of the development of the destination offer and amenities, participation in the activity of expert and professional associations, and supporting other organisations, associations, the local and the regional self-government.

The social responsibility strategy is based on the following determinants:

- transparent and open communication with stakeholders
- active role in the business community (membership in business and expert associations)
- employing the local population
- hiring local suppliers
- encouraging the development of the tourism offer of the destinations in which we operate
- care for employees by ensuring the right to personal and professional development and concern for material rights
- implementation of the business diversity and non-discrimination principle
- corporate philanthropy supporting the activities and projects of wider interest to the community



Cooperation with the social community is described in the following documents

- **Sustainability Report**

Responsible and ethical management

Ilirija operates in accordance with principles and practices of good corporate governance, providing a high level of transparency and accountability in relation to all of its stakeholders. The Company has a defined dualistic management structure with clearly separated powers and responsibilities, application of the corporate governance code and code of business ethics, clearly set and communicated business objectives and respect for the diversity and equal opportunity principles, hiring domestic and local suppliers, activities in the domain of occupational and guest health and safety, education of employees, etc.

The responsible and ethical management strategy is based on the following determinants:

- responsible and ethical management at all levels
- compliance with legal requirements
- respect for human rights, diversity and equality
- transparency in business and stakeholder relationships
- striving for excellence in our services and operational processes through implementing domestic and international management, service quality and safety standards
- internal acts with a clearly defined job description, responsibilities and rules of conduct of the management structure (Management Board and Supervisory Board)
- application of the Corporate Governance Code and the Code of Business Ethics of the Croatian Chamber of Commerce
- care for guest and employee health and safety
- responsible conduct in terms of environmental protection



Responsible and ethical management is described and defined in the following documents

- **Articles of Association of Ilirija d.d.**
- **Rules of Procedure of the Supervisory Board**
- **Rules of Procedure of the Audit Committee**
- **Rules of Procedure of the Management Board**
- **Remuneration Policy for Members of the Management Board**
- **Remuneration Policy for Members of the Supervisory Board**
- **Corporate Governance Code – Compliance Questionnaire**
- **Work Regulations**
- **Occupational Health and Safety Regulations**
- **Integrated Environmental and Quality Policy**
- **Fire Protection Regulations**
- **Fire Protection and Evacuation Plan**

Environmental protection

When it comes to the protection of the environment, the Company is committed, in the long term, to protecting and preserving the environment (water, air, soil, waste waters) as the basic resource of the tourism industry. Therefore, its activities are not only focused on environmental protection, but also on maximising its impacts through rational natural resource management and the prevention of pollution. Environmental protection is managed by integrated management systems of the Company that are a part of its strategic decisions and business processes. The Company strives to quantify every environmental impact as much as possible.

The Integrated Environmental and Quality Policy

- continuously meeting the needs and expectations of the customers/guests
- continuous care for guest and employee safety
- continuous commitment to environmental protection, including pollution prevention and sustainable use of natural resources
- continuous compliance with relevant legislation and other binding requirements
- continuous improvement of processes and services, as well as the overall quality and environmental management system
- continuous improvement of the knowledge and motivation of employees
- continuous value creation – preservation of Ilirija d.d.



The approach to environmental protection is defined and described in the following documents

- **Integrated Environmental and Quality Policy**
- **Internal sector-specific quality and environmental protection manuals**
- **Internal work instructions for environment**
- **Domestic and international ecological standards**

3.4 Vision, Mission and Fundamental Values

Vision - to permanently secure a position among the 3 leading tourism companies in Northern Dalmatia and among the 20 leading tourism companies in the Republic of Croatia in key segments of the Croatian tourist offer (hotel, nautical, camping), to be and to remain the carrier of tourist and economic development of our region and of the destinations of Biograd na Moru, Zadar and Sv. Filip i Jakov, along with the development of year-round business through complementary and selective tourist offer forms.

Mission - to increase the assets and achieve financial results that will ensure long-term business and financial stability, to establish the optimum level of quality and competitiveness in business at the level of the overall Croatian tourist offer, along with the constant investment in human resources and ensuring the optimal level of employment, as well as ensuring and respecting the principle of sustainable development manifested in the recognition and meeting of the needs of tourists, protecting and restoring the natural and cultural heritage, and preserving the environment, or creating a responsible and sustainable tourist offer.

Fundamental values:



Respect and integrity – equality of treatment and attitude towards all our stakeholders constitute the basic values of our Company.



Quality – top product - the quality of the services provided is continuously improved, and a top quality product, professional service, the introduction and implementation of standards aimed at achieving excellence in our services, as well as an individual approach to clients constitute the basis of our relationship towards our guests, who are at the heart of the Company's service.



Innovation – to be the initiator and creator of innovative tourism products and services which contribute to the future development of the Company, the destination and Croatian tourism.



Sustainability and responsibility – in business, investment, relationships with our employees, business partners, clients (guests), the local and regional community, with shareholders and in day-to-day business, through the integration of economic, social and environmental aspects into the company's decision-making processes and corporate strategy. Balancing the said aspects is the basis of the Company's success and sustainable development.



Transparency – in business and communication with all stakeholders of the Company, while adhering to the principles of timely and true information as a prerequisite for strengthening its market position and promoting its further growth.

3.5 Contribution to Achieving the UN Sustainable Development Goals

By adopting the Global Sustainable Development Goals (SDGs) for the period up to 2030, the United Nations' goal was to set the foundations of sustainable development on a global scale through 17 defined goals in four areas: fight against climate change, fight against injustice, inequality and poverty.



Ilirija supports all 17 global sustainable development goals, while its activities mostly contribute to the following United Nations Global Sustainable Development Goals (SDGs)



Ilirija is a user of “ZelEn” energy (energy from renewable sources), and at the same time, it uses environmentally cleaner energy sources (natural and liquefied gas) in most of its facilities.



The Company believes that economic development and growth are fundamental prerequisites for corporate sustainability and responsibility. In 2022, the Company accomplished its planned business objectives, a growth in business activities across all of its sectors, and ultimately the best business results, managing to balance the interests and expectations of all of its stakeholders while preserving full employment and the achieved level of material rights of employees, new employment, continuous training, i.e. creating a stimulating and motivating work environment as well as investments in the improvement of service standards and quality and significant investments in the environment. One of the fundamental goals of the Company promote and adhere to the principle of sustainable development, which is reflected in recognizing and meeting the needs of tourists, preserving the authenticity, protecting and restoring natural and cultural heritage and preserving the environment, i.e. creating a responsible and sustainable tourism offer by developing year-round business.



Ilirija is a signatory of the Croatian Diversity Charter, the President of the Management Board is a diversity ambassador and a member of the Gender Equality Federation. In its operations, the Company has been continuously fostering the principles of equal opportunities in the workplace for all employees, zero tolerance for any form of discrimination, equal pay for equal work and actively promoting values on which its diversity is based.



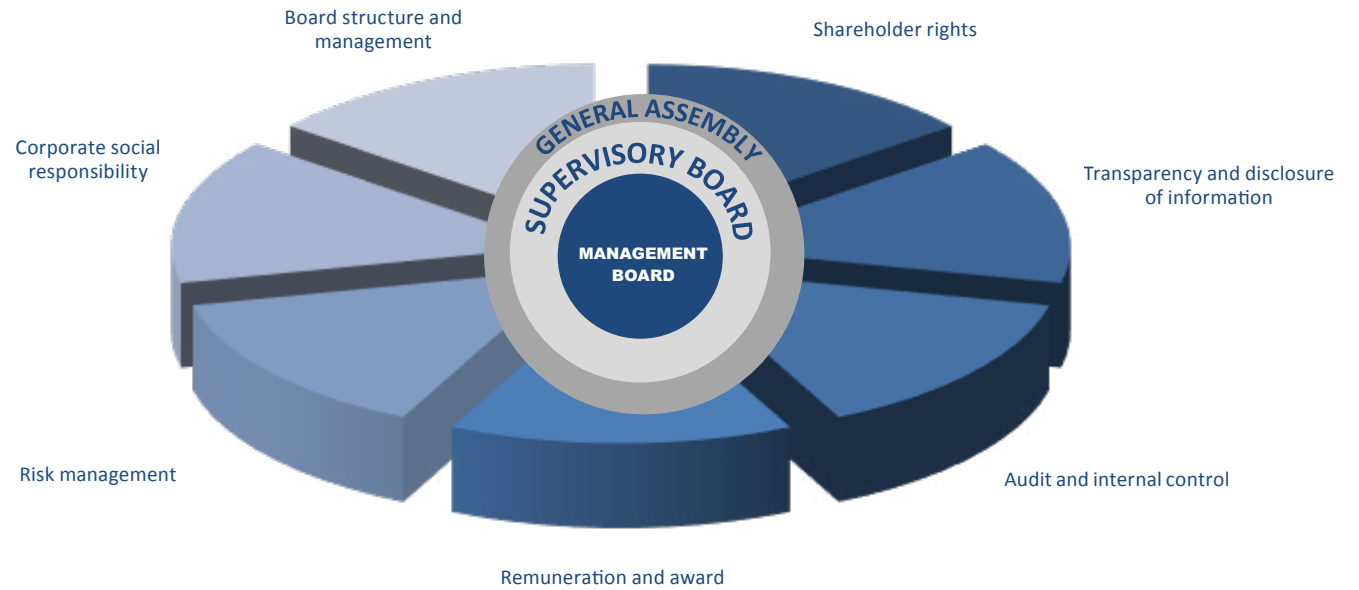
The foundations of the Company's operations are the principles of sustainable and responsible development with a strong emphasis on environmental protection (soil, water, air, waste...). The Protection of the Environment and Horticulture department was established as part of the Safety Service, and the Company has defined its environmental protection system, it has developed an integrated environmental quality and protection policy, implemented domestic and international standards and certificates (ISO 14001:2015, Blue Flag, Green Key, Sustainable hotel by UPUHH), its horticultural design and landscaping is consistent with the Mediterranean area, it uses renewable and environmentally cleaner energy sources, organises trainings for stakeholders on environmental protection and uses certified eco-friendly materials and products.

Ilirija is an active member of 15 professional, expert and business associations, some of which are associations that promote corporate social responsibility (Croatian Business Council for Sustainable Development, Gender Equality Federation, the company is a signatory of the Croatian Diversity Charter, the President of the Management Board is one of the diversity ambassadors).

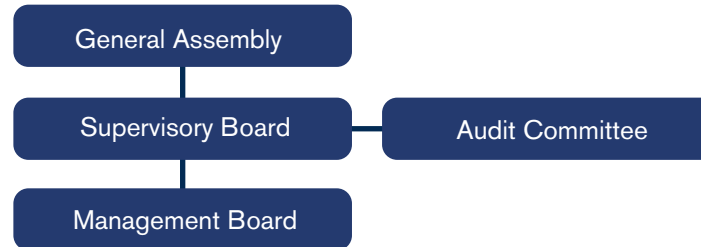
3.6 Corporate Governance and Organisational Structure

As a public limited company, Ilirija has a dualistic management structure in accordance with the corporate governance practices and legal regulations of the Republic of Croatia, with separate powers and responsibilities of the governing bodies of the Company, i.e. the General Assembly, the Supervisory Board and the Management Board.

Corporate Governance is based on seven pillars:



Management structure



General Assembly

The General Assembly consists of all shareholders (owners) of the Company's securities. As at 31 December 2022, the Company had a total of 268 shareholders, who held a total of 2,413,488 shares. The shareholders exercise their rights at the General Assembly.

All shareholders of the Company entered in the book of shares, who report their intention to participate in the General Assembly to the Company in person or by proxy shall have the right to participate. Whenever they intend to do so by proxy, they shall submit a written power of attorney no later than six days prior to the holding of the General Assembly. In accordance with the provisions of the Company's Articles of Association and the Companies Act, the General Assembly adopts decisions on the following matters: appointment and dismissal of the Supervisory Board and the Management Board, increase or decrease in the share capital, decisions on the allocation of profit, decisions on dividend distribution, decisions completely or partially excluding the priority right of shareholders for the subscription of new shares, withdrawal or listing of shares from a regulated market, amendments to the Articles of Association, appointment of auditors, decisions on activity change and other matters defined by the law. Significant decisions adopted by the General Assembly in 2022 are indicated in the chapter "Significant Events".

Pursuant to the Articles of Association, the shareholders' voting rights are not limited to a specific percentage or number of votes. Every share grants one voting right at the General Assembly. In the Company, there are no securities with special control rights, nor are there any limitations on voting rights.

Supervisory Board

The Supervisory Board has five members, who are appointed for a term of four years. The Supervisory Board is responsible for supervising the management of the Company's business activities and appointment of the Management Board members; in addition, it decides on all other matters falling within its scope of competence pursuant to the legal regulations and its Articles of Association. The Supervisory Board has appointed the Audit Committee, which supervises the existence and functioning of internal controls, risk management and financial reporting, as well as independence of external auditors.

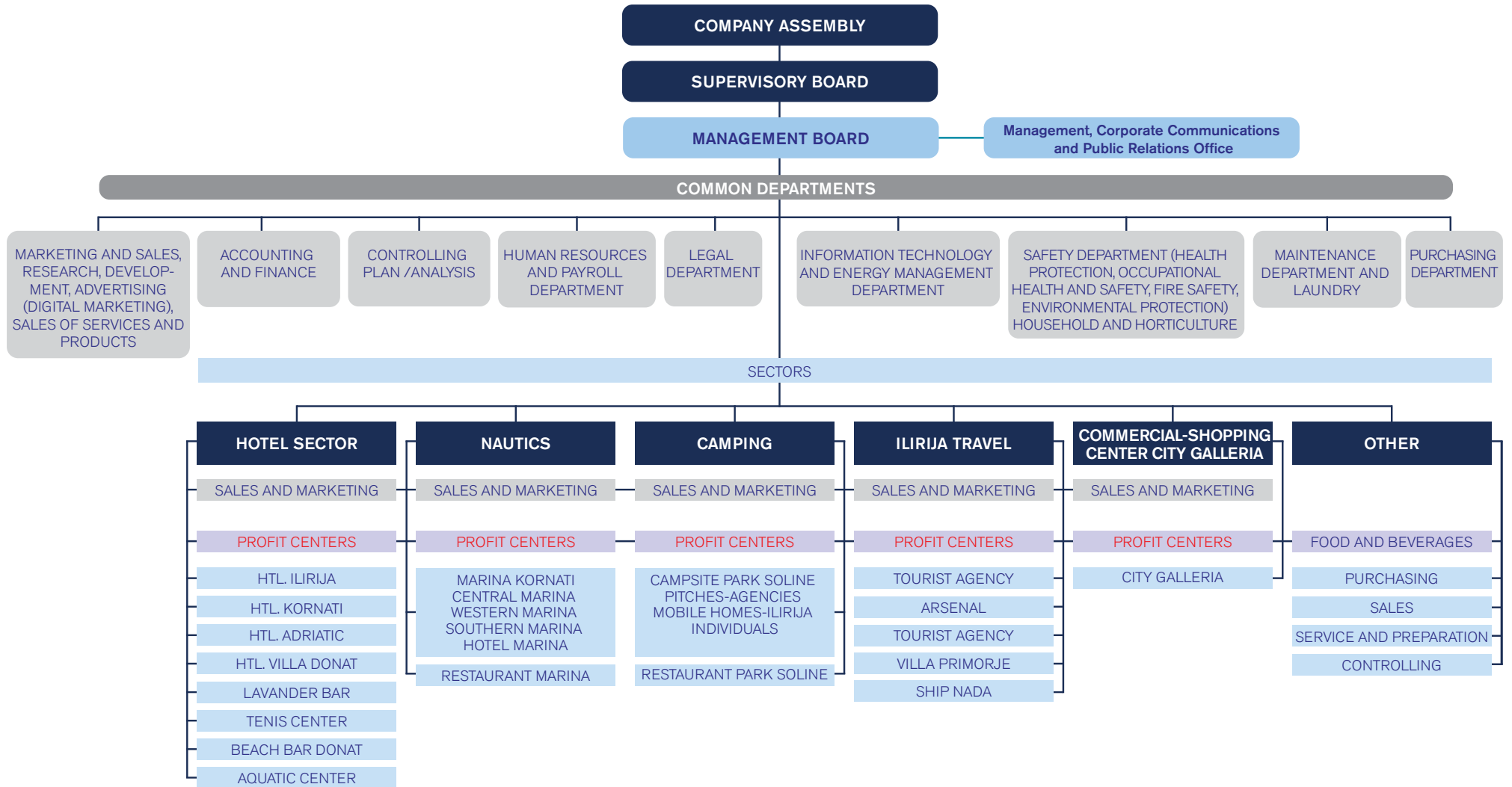
Supervisory board	Function	Term of office	Committee
Goran Medić	Chairman	June 2021 - June 2025	Audit Committee
David Anthony Tudorović	Deputy Chairman	December 2021 - December 2025	Audit Committee
Davor Tudorović	Member	December 2021 - December 2025	
Siniša Petrović	Member	December 2021 - December 2025	
Darko Prebežac	Member	December 2021 - December 2025	Audit Committee

Management Board

The Company Management Board is composed of one member appointed by the Supervisory Board for a five-year term. With the Decision of the Supervisory Board of 15 June 2020, Mr. Goran Ražnjević was reappointed as the sole member of the Company's Management Board for a five-year term, starting from 18 June 2020. The Management Board represents the Company independently and individually and manages the Company's business activities in accordance with the Articles of Association and legal regulations.

The Company's Management Board is in charge and responsible for the development and management of the business in the area of sustainability, while the appointed Expert team for the preparation of sustainability reports includes managers from different areas of business, i.e. marketing and sales, operational business and business processes, communications and corporate affairs, legal department, human resources, environmental protection and horticulture, health control, occupational health and safety and fire protection. Also, the Expert Team, in addition to preparing reports on sustainability, is responsible for monitoring regulations in the field of sustainable development and their implementation in the Company's business processes.

Organizational structure



Ownership structure

The Company's share capital amounts to HRK 229,146,480.00 and is divided into 2,413,488 on-par-value ordinary shares. As at 31 December 2022, there were no significant changes in the ownership structure, while an overview of the major shareholders of the Company as at 31 December 2022 is provided below

Owners - shareholders	Number of shares	Share in %
Arsenal Holdings d.o.o. Zadar	1,429,032	59,21
OTP banka d.d./AZ OMF of B category	328,506	13,61
Goran Ražnjević	201,120	8,33
Davor Tudorović	95,744	3,97
OTP banka d.d./AZ mandatory pension fund of A category	69,898	2,90
Zagrebačka banka d.d./AZ Profit voluntary pension fund	68,200	2,83
Goran Medić	40,000	1,66
CERP/Republic of Croatia	27,374	1,13
Zoran Bogdanović	26,216	1,09
Ilirija d.d. (treasury shares)	10,881	0,45
OTP banka d.d./Erste plavi expert - voluntary pension fund	9,726	0,40
OTP banka d.d./Erste plavi OMF of A category	8,631	0,36
Other minor shareholders	98,160	4,06
TOTAL	2.413.488	100

Types of risks



Economic and financial risks



Regulatory risks



Tourism activity risks

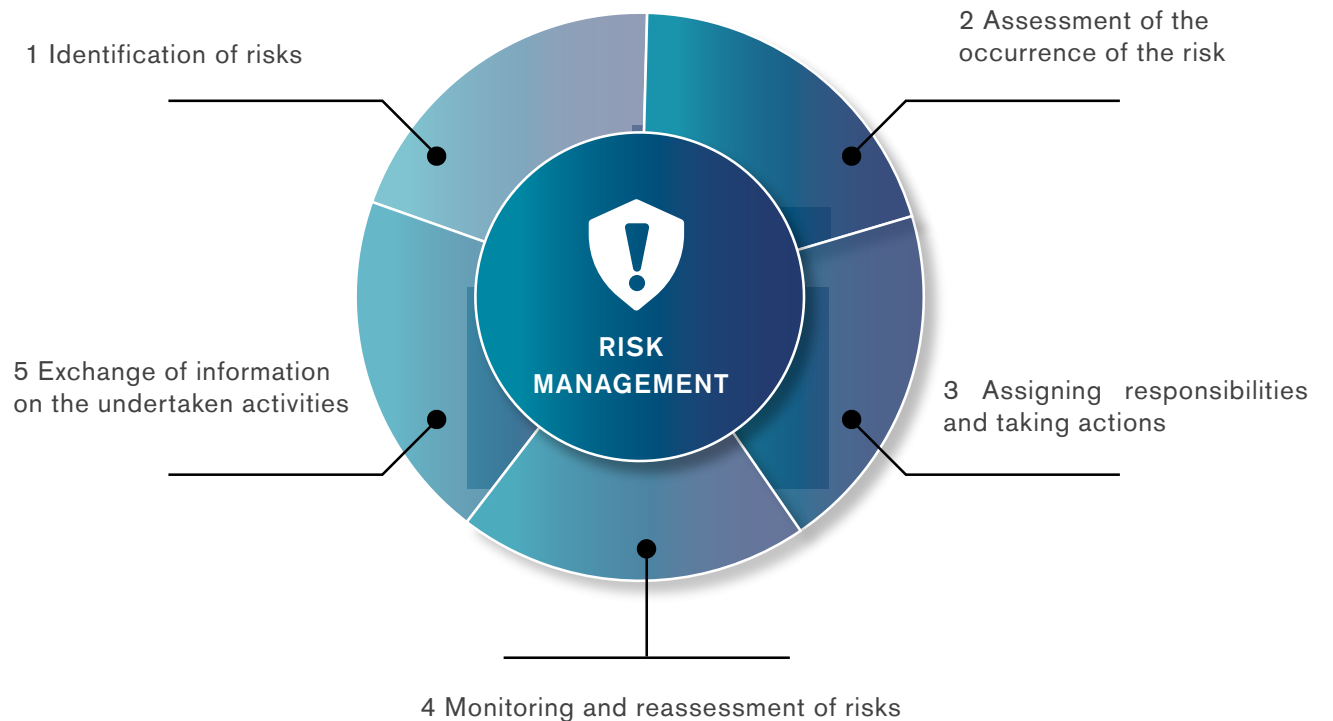


Global risks and the macroeconomic environment

3.7 Risks and Risk Management

The Company assesses the risks at the macro and micro level for each of the business sectors, assessing them according to the criterion of likelihood of risk occurrence and consequences or impact of each individual risk on its business processes and system.

The Company's risk management process involves the following essential steps





Currency risk



Price risk



Credit risk



Interest rate risk



Liquidity



Inflation

1 Economic and financial risks

On 12 July 2022, the Council of the European Union adopted the Decision on the adoption of the euro in Croatia on 1 January 2023, establishing that the Republic of Croatia fulfils all the requirements for the introduction of the euro as the official currency in the Republic of Croatia, as well as Council Regulation (EU) of 12 July 2022 regarding the euro conversion rate for Croatia, establishing that the conversion rate shall amount to HRK 7.53450 for one euro. In accordance with the aforementioned Decision and Regulation, the Government of the Republic of Croatia adopted the Decision on the announcement of the introduction of the euro as the official currency in the Republic of Croatia, setting out that the euro shall become the official monetary unit and legal tender in the Republic of Croatia on 1 January 2023. The introduction of the euro as the official currency in the Republic of Croatia significantly affects the Company's exposure to **currency and price risks**. More precisely, with the adoption of the aforementioned decisions/regulations at the level of the European Union and the Republic of Croatia, the Company is no longer exposed to currency and price risks.

In terms of **credit risk**, i.e. the obligation to repay loans used by the Company, taken out with a currency clause, which were dependent on the movement of the Croatian kuna exchange rate against the euro, the introduction of the euro as the official currency eliminates the said risk. Also, the negative aspects of exchange rate differences for loans taken out in euros will no longer pose a risk.

Indebtedness of the Company with the commercial bank is for the most part subject to fixed interest rates. Taking this into consideration, the Company is not exposed to **interest rate risk** on that basis. For the purpose of reducing **credit risk**, the Company strives to reduce its overall credit liabilities to an adequate, i.e. a higher level in order for them to be lower than its own sources of funds. In its operations, as one of the foundations of its business and financial security, the Company strives to have as little net debt as possible, thus significantly reducing the existing credit risk. Financial assets that may potentially expose the Company to credit risk are cash and trade receivables. Trade receivables pertaining to certain customers may entail credit risk, depending on the level of turnover realised with certain customers and the general state of liquidity in the country. Trade receivables are reported with reference to real values. The Company actively monitors and manages trade receivables, at the same time taking especially into account the difficult macroeconomic situation, and applying measures of collection in instalments; and, if necessary, eventually undertaking measures of enforced collection, including by activating security instruments for the purpose of collection of its claims. An adjustment of the value of trade receivables is indicated when there is objective evidence that the Company will not be able to collect all of its claims in accordance with the agreed terms. Apart from the aforementioned, the Company has no exposure to any other significant credit risk.



Liquidity management implies maintaining a sufficient amount of money in order to settle the Company's liabilities. One of the primary Company goals in the challenging business environment caused by the global COVID-19 pandemic and an unfavourable macroeconomic environment is to maintain its current liquidity. The Company is, therefore, undertaking activities to diversify its existing and secure new financing sources (if necessary), it is trying to minimize and optimize all of its operating costs, and is willing to and capable of actively cooperating with all significant creditors by settling the liabilities they had at the time when challenging business conditions materialised.

The significant and unpredictable growth of strong inflationary pressures caused by increases in the prices of primary energy products (oil, gas, electricity), which subsequently spread to consumer goods and services (especially food and beverages), led to geopolitical instability and to strong inflation impacts not only on business entities of European Union countries, but also on their society in general. If they remain strong, **inflationary pressures** could affect purchasing power and new demand generation, and slow down economic activities in the euro area. In the Republic of Croatia, the average annual inflation rate for the twelve months of 2022 was 10.8% higher compared to 2021. The Company is mostly exposed to inflationary pressures through the increase in food and beverage prices and the purchase of other goods. As for the increase in energy costs (primarily the cost of electricity as the primary energy product), the Company managed to protect itself from significant increases in electricity prices in time, namely with a multi-year contract, which mitigated the impact of the increase in electricity prices on total operating costs. The very intense increase in food and beverage costs constitutes a strong generator of inflation growth and at the same time accounts for a significant share of the operating expenses and significantly affects the prices of services in the hospitality and tourism industry. Therefore, by actively monitoring food and beverage prices and cooperating with key suppliers, the Company strives to minimize such prices as much as possible, i.e. ensure stability and security of the supply along with the highest possible procurement cost control. On the other hand, through dynamic daily management of accommodation unit prices, it aims to achieve the maximum level of competitiveness possible, as well as intense and systematic demand monitoring, and a quick and strong response to market trends, while at the same time striving for a timely response to potentially negative challenges and impacts such as inflation.

Bookkeeping values of the following items of financial assets and financial liabilities reflect their respective fair values: money, investments, trade payables, other receivables and other liabilities, loans granted to employees, long-term liabilities.



Unresolved issue of maritime domain



Unresolved issue of tourism land

2 Regulatory risks

As one of the most significant risks in business operations of tourism companies, ILIRIJA d.d. included, the Company points out **unresolved property rights issues concerning tourism land and legal investments in the maritime domain** and the related issues of protection of acquired rights based on legitimate investments and of legitimate expectations of companies performing their activities on the maritime domain, i.e. tourism land.

The Company is exposed to changes in tax and other regulations within the legal system of the Republic of Croatia. In particular, this applies to the regulations pertaining to the maritime domain and tourism land, in which domain the company has made significant investments crucial for its business, while not all rights guaranteed by the Constitution in the field of acquired rights before, during and after conversion, the protection of legal capital investments, and the legitimate expectations regarding legal investments have been fully realised under Articles 48 and 49 of the Constitution of the Republic of Croatia. In that sense, the process of drafting and adopting the new Maritime Domain and Seaports Act is underway.

Tourism land – unresolved issue

Pursuant to the Act on Tourism and Other Construction Land Not Evaluated in the Transformation and Privatization Process (hereinafter: the Act), adopted in July 2010, the Company submitted to the Republic of Croatia, within the legally prescribed deadline, i.e. In January 2011, a request for a concession on tourism land for the “Park Soline” Camp in Biograd na Moru for a period of 50 years. Due to unclear provisions of the Act, no decision has been rendered during its validity regarding the Company’s application. In the meantime, in May 2020 the new Act on non-evaluated construction land was adopted, and thus the Act on tourist and other construction land not evaluated in the transformation and privatization process ceased to have effect. The new Act provides for the right of tourism companies to submit an application for leasing construction tourist land for a period of 50 years. In March 2021 the Company submitted the appropriate application for leasing construction land of the camp site for a period of 50 years to the competent authority of the Republic of Croatia, that is, to the Ministry of Physical Planning, Construction and State Assets. Under the provisions of the Act on Non-Evaluated Construction land, a company shall become the owner of buildings, land under buildings and land in the campsite that were evaluated and entered into the value of social capital in the conversion and privatisation process, while the Republic of Croatia shall become the owner of buildings and land in the campsite that were not evaluated and entered into the value of social capital in the conversion and privatisation process (so called Parts of the campsite owned by the Republic of Croatia). In the meantime, on 1 April 2022 the Company, in accordance with Article 18 of the Act on Non-Evaluated Construction Land, obtained from the



Centre for Restructuring and Sales the Certificate of Conformity of the Geodetic Survey Report, which confirms the conformity of the Park Soline Campsite Geodetic Survey Report with the decision of the Croatian Privatisation Fund of 12 July 1996, by which the real property concerned was evaluated in the process of conversion of the socially-owned enterprise "Ilirija" Biograd na Moru.

Also, the Company published on its website and on the website of the Zagreb Stock Exchange the **"Study on the integrity and sustainability of the economic as well as functional and technological entity of "Park Soline" campsite in the town of Biograd na Moru within the business system of Ilirija d.d."**, which addresses all relevant issues concerning the "Park Soline" campsite in the context of the application submitted by Ilirija d.d., in accordance with the Act on Non-Evaluated Construction Land, for exercising the right to a long-term lease of the "Park Soline" campsite for a period of 50 years. The purpose of the aforementioned Study is to enable all stakeholders, entities and public bodies that are directly or indirectly involved, within their respective spheres of competence, in resolving the issue of campsite land that was not evaluated in the process of conversion and privatisation of socially-owned enterprises, an integral and comprehensive overview of all aspects of the existing "Park Soline" campsite in Biograd, from complex relations regarding property rights, issues of spatial planning and the need to respect the campsite as an integrated business and functional unit of tourist land and buildings. The Company maintains that, in accordance with the Act on Non-Evaluated Construction Land, it meets the requirements stipulated by the Act for exercising the right to lease construction land in the Campsite for a period of 50 years.

Maritime domain – unresolved issue

The Company is a concessionaire of the Kornati nautical tourism port in Biograd na Moru (hereinafter: Marina Kornati) for a period of 32 years, starting from 13 January 1999 and in accordance with Article 22 of the Act on Maritime Domain and Seaports (hereinafter: ZPDML) on 17 October 2017 the Company submitted to the Government of the Republic of Croatia, through the competent Ministry of the Sea, Transport and Infrastructure of the Republic of Croatia, an application for modification and amendment of the Decision on Concession and the Concession Agreement, that is, for extending the term of the concession by a period of 50 years, i.e. until the year 2049 (extension of the concession term if new investments are economically feasible for it), primarily considering the same or similar cases from the recent Croatian practice where, upon an application for the extension of the concession term submitted by other companies engaging in nautical tourism and competing with Ilirija d.d., the concession term for marinas was extended to them by a period of 50 years. The mentioned application is yet to be decided on. In the meantime, the Company received a statement from the Ministry of Finance of the Republic of Croatia, as a body which, along with the competent Ministry



of the Sea, Transport and Infrastructure of the Republic of Croatia, is involved in the procedures for extending the terms of concessions, in which they essentially point out that in order to conduct the procedure for extending the concession agreement, the competent Ministry of the Sea, Transport and Infrastructure, while looking at the problems of the nautical tourism system, needs to establish whether the decision on the concession or the agreement related to it may be changed without conducting a new procedure for granting the concession, in order not to violate the principle of market competition with other concessionaires in the Republic of Croatia.

In February 2015, an application was submitted to the County of Zadar for an extension of the concession term for the Ilirija-Kornati hotel port to 30 years, whereas an application for an extension of the concession term was also previously submitted for the open swimming pool in Biograd na Moru. The request has not yet been decided on, and the Company duly settles the concession fee in the agreed amount. On 24 June 2022, the Company published on its website and on the website of the Zagreb Stock Exchange the research paper of Assoc. Prof. Iva Tuhtan Grgić, PhD, from the Faculty of Law in Rijeka **“Acquired rights and legitimate expectations of former holders of the right of use the maritime domain with unlimited duration and duration limited as long as the business activity is performed”**, which precisely on the example of Ilirija d.d. addressed the issues of legal capital investments on the maritime domain, conversion of socially-owned enterprises that had part of their assets on the maritime domain, issues of acquired rights and legitimate expectations of former holders of the right of use of the maritime domain, and conversion of the right of use into a time-limited concession. In particular, as it is stated in the aforementioned research paper, the companies that had the permanent right of use of the maritime domain, acquired on the basis of final administrative decisions of municipal assemblies, had indisputably acquired rights and legitimate expectations that they would be able to use these rights in the future under the same conditions under which they were acquired. However, by decisions adopted on the basis of the legislation in force at the time, the aforementioned right of permanent use of the maritime domain was subsequently converted into the right of economic exploitation of the maritime domain based on a time-limited concession. This violated the interests of companies, shareholders and acquirers of shares in these companies, by grossly encroaching on the acquired rights and legitimate expectations that they will be able to use the acquired rights within the same scope as when they acquired them, and those same rights are protected by the provisions of the Constitution of the Republic of Croatia (Articles 48(1) and 49(2) and (4)) and Article 1 of Protocol No. 1 to the Convention for the Protection of Human Rights and Fundamental Freedoms.



VAT rate on services in tourism and hotel industry



Bureaucracy and administrative barriers



Complex and time-consuming procedure of issuing spatial plans



Making urban and spatial plans



Management of the area



Fiscal charges



Skilled labour shortages

3 Tourism activity risks

In addition to the listed and described potential and possible risks in the Company's business operations, we believe that it is of the utmost importance to give a systematic review of other key obstacles or restrictions in the development of Croatian tourism in general, and thus of tourism companies and Ilirija d.d. as one of them.

With regard to the forgoing, we present an overview of the key obstacles, that is, of the risks and restrictions with regard to development of and investments in Croatian tourism:

(I) VAT rate on services in tourism and hotel industry is much higher than in competitive countries, which consequently makes Croatian tourism less competitive, hinders and slows down further investments both in the construction of new accommodation facilities and in the improvement of the existing services and standards, and affects new employment and salaries in tourism and hospitality,

(II) insurmountable obstacles regarding existing bureaucracy, administrative barriers, frequent changes of regulations,

(III) complex and time-consuming procedure of issuing spatial plans and issuing building and operating permits,

(IV) inadequate management of the area by regional or local self-government,

(V) cancellation of previously acquired rights in urban and spatial plans through conversion of use primarily of construction and tourism land for other non-commercial and non-economic purposes,

(VI) fiscal and parafiscal charges unsuitable to seasonal business activities with frequent changes in fiscal regulations.

(VII) skilled labour shortages were significantly pronounced in 2022 in the Republic of Croatia, namely at the level of most economic activities, and with a special emphasis on hospitality and tourism taking into account the seasonal nature of Croatian tourism, as well as the fact that it is an extremely labour-intensive industry; therefore, skilled labour shortages (with a special emphasis on occupations in high demand) could affect the success of the peak season, and thus ultimately of the entire business year. Bearing in mind all of the above, the Company has recognized risks pertaining to the said skilled labour shortages, and it undertakes a series of activities to retain working-age, highly qualified and professional employees at all levels for business operations, namely with the aim of retaining full employment, raising the level and quality of services, and achieving smooth operation of business processes through activities aimed at improving the financial standing of employees, investing in their education, and further developing human resources by hiring young, highly educated persons from different professions.



Health risk



Geopolitical risk



Climate impact risk



Macroeconomic environment

4 Global risks and the macroeconomic environment

Considering the global nature of the hospitality and tourism industry, different events and activities at the global level can significantly affect the operations of tourism companies. As such, the said industry is influenced by geopolitical risks with strong implications for security and stability at the global level, the security, political and economic instability of the region, i.e. of the countries in the immediate vicinity of the Republic of Croatia, the global economic crisis, global health threats such as pandemics and epidemics, as well as the climate impact risk. In today's globalised world, the said risks affect the free movement of people, goods and capital, i.e. national economies and operations of economic entities. In addition to the aforementioned risks referred to in points 1 – 3, the most significant global risks for the Company's operations are: the health risk, the geopolitical risk, the climate impact risk, and the macroeconomic environment.

Health risk

Since 2020, the world faced an unpredictable, serious and extremely dynamic risk related to the epidemiological situation, i.e. the global COVID-19 pandemic, which has had an extremely negative impact on business entities in almost all industries, albeit the most severely affected ones are certainly the travel industry, tourism and hospitality, all of which form an integral part of the Company's core business. The COVID-19 risk is also the biggest and most serious risk that the Company has faced so far, to which the Company responded with a number of measures and activities by reorganising its business processes and operations in order to safeguard the health and well-being of guests and employees, maintain financial stability and current liquidity for the duration of the COVID-19 pandemic, preserve assets and capital as well as business operations and activities, and retain full employment. The Company has successfully achieved all of its goals. The Company continues to implement different preventive activities within its business processes and operations in order to reduce and always be able to control health risks, just like it did during the COVID-19 pandemic. However, the Company is also aware of the related limitations and the unpredictability of easily transmissible infectious diseases and the threatening consequences of their spread.

Geopolitical risk

Due to the war in Ukraine, geopolitical risk with strong implications for European and global security and the macroeconomic environment has been present since February 2022. Therefore, the Company also reports on such risks and their consequences on its operations. The Company does not have any kind of an ownership relationship with entities from Russia and Ukraine. Moreover, it does not have any assets in Russia and/or Ukraine, and it has not



made any investments in entities from Russia and Ukraine or entities materially related to entities from Russia and Ukraine. Thus, the Company is neither exposed nor are there any potential consequences in this respect. Moreover, the Company has no exposure to entities from Russia or Ukraine since it does not do business with legal entities from Russia or Ukraine. The Company does business as a company specialised for hospitality and tourism has a business relationship with natural persons from Russia and Ukraine using the Company's services such as accommodation in its facilities (hotel, camping and nautical sectors). The share of guests from Russia and Ukraine in the Company's total turnover is insignificant, and losing it does not represent a risk to the Company.

Should the crisis, that is, the war, spread from Ukraine to other European countries or lead to destabilisation of the countries in the Balkans, this would surely have a negative effect on Croatian tourism as a whole, and thus also on the Company. Croatian tourism generates most of its turnover from the European outbound market, the share of which additionally increased in the last two years due to the global COVID-19 pandemic and a lack of tourism turnover from remote markets (America, Asia). This turnover could be significantly reduced in case the Russian-Ukrainian crisis, that is, the war, spreads across Ukrainian borders and causes major instability in the wider European region. The Company will counteract any potential negative effects of the Russian-Ukrainian crisis by adjusting its business processes and activities to the new circumstances, with the aim of strengthening the resilience of its business system.

Climate impact risk

The Company bases its business policy on management in line with the principles of sustainable and responsible development, with particular focus on environmental protection, as the environment is the fundamental resource of the tourism industry. Environmental protection represents a significant segment of the Company's integrated management systems and is a part of its strategic decisions and business processes.

The consequences of climate change are becoming increasingly influential when it comes to almost all activities. In the tourism sector and within the Company, they have been recognized as climate impact risks requiring an interdisciplinary approach and management. Although the Company's activities are still not covered by the Taxonomy Regulation because these are low-carbon activities or activities that do not cause significant pollution, the Company continuously monitors its impact on the climate, i.e. its greenhouse gas emissions and other environmental impacts, namely in accordance with all applicable legal regulations and prescribed limit values.



The Company has previously recognized its impact on the environment and decided on a systematic approach with a series of activities it carries out. They mainly pertain to the preservation of natural resources (water, air, soil, and coast), biodiversity, energy management, and waste management, which ultimately confirms the Company's focus on sustainable development and growth.

The identified risks included the dangers brought on by climate change both at the global level and at the level of the Company's operations. We also noticed that extreme weather conditions can affect tourist demand and cause direct material damage to the Company's assets.

Climate change, which has a significant impact on the tourism industry globally, also poses a potential risk to the company in terms of significantly increasing the incidence of extreme weather conditions (storms, hurricanes, etc.), as well as strengthening their intensity and unpredictability, and can cause extraordinary and unpredictable damage and threats for its business. Temperature variability, i.e. dangerous heat waves, reduce the attractiveness of our offer in holiday capacities. This directly affects arrivals and quality of stay. Rising sea levels put the infrastructure in the immediate vicinity of the coast at risk. The same also applies to the marina, arranged beaches, and beach facilities. Unpredictable windstorms or hurricane-force winds can cause direct damage to almost all our capacities.

The Company pays maximum attention to overcoming such sudden and extreme climate and weather conditions by ensuring preventive, technical and spatial, as well as functional and organizational elimination of sudden and accidental risks of any nature to the highest degree possible. Other business risks, such as large-scale fires, accidental pollution of the coastal and marine aquarium, which are beyond the Company's control, but may potentially jeopardize the Company's business safety, are the circumstances which the Company attends to insofar as it can actively contribute to as low impact on the Company's long-term business viability as possible, being aware of the fact that the Company's impact here is reduced to measures which cannot be of key importance to the elimination of all the risks posed to the Company.

The chapter Corporate Environmental Responsibility provides information on the Company's impact on the environment and climate through data on CO₂ emissions, energy and water consumption, waste and waste water, and horticultural landscaping.



Macroeconomic environment

The unfavourable macroeconomic environment, i.e. significant economic uncertainties resulting partially from the global pandemic that affected supply chains, and partially from the Russian-Ukrainian war, led to disruptions in the supply of basic energy products in the euro area and resulted in a significant increase in the prices of all energy products (oil, gas, electricity), and ultimately strong inflationary pressures. An uncertain macroeconomic environment can affect the Company's business activities by reducing the demand for its services as it significantly contributes to the deterioration of the business climate in the key outbound markets for Croatian tourism. This could also result in a slowdown in economic activities and a decrease in purchasing power and standards, as well as, ultimately, in a decrease in travel demand, which would definitely affect the achievements of Croatian tourism companies, including our Company. The Company is aware of the challenges and risks arising from the unfavourable macroeconomic environment, and it undertakes a number of activities aimed at preserving its core business objectives (economic viability and security, financial stability, preservation of the Company's fixed assets and capital, and preservation of the Company's business operations and activities), as it did in previous years, namely based on: (I) commercial resilience – based on the Company's ability to quickly and efficiently adapt to the current market circumstances of doing business by adjusting its marketing and sales activities in all Company sectors, (II) operational resilience – based on the ability to adjust operational business processes to the current circumstances whilst maintaining maximum service and amenity quality and minimising possible negative effects, and (III) financial resilience – based on the Company's ability to maintain financial stability of the business system by maintaining liquidity, assets and business activity through the realisation of revenue ensuring the Company's business stability until key global and macroeconomic uncertainty factors end.

Opportunities

Although tourism is not an activity that significantly contributes to environmental pollution and has a low carbon footprint, but given that it depends on a preserved environment, which especially applies to tourism on the coast, it is of utmost importance that we make the tourist offer and amenities responsible with regard to the resources they depend on and use.

The development of a responsible and sustainable tourist offer, products and services that start from the preservation and protection of historical and cultural heritage, the preservation of the authenticity of Croatian tourist offer, the creation of added value for the Company, guests and the wider community (through employment, cooperation with local suppliers, creation of the destination offer, investment in infrastructure development) represent further opportunities for tourism companies, including Ilirija d.d..

Also, given that tourism is an activity that depends on natural resources, the companies that take care of the protection of natural resources, take care of the destination by creating additional value for the wider community, take care of employees and create year-round tourism products of higher value, have an opportunity to create a product and business conditions that will enable its long-term viability, sustainability, recognition on the market, but at the same time a significant contribution to the protection of natural resources, the environment and the climate on which it depends.



3.8 Dialog with Stakeholders

Balancing the rights, obligations and interests of all stakeholders of the business process in the Company's entrepreneurial business venture is founded on the relationship with its stakeholders.




1 Customers/guests – are the main focus of the services provided by our Company, which we classify as:



Individual customers/guests,



tourist agencies,




tour operators



corporate partners.



number of guests
111,743




number of overnight stays
673,818

The Company relies on the principle that communication comprises all data, information, descriptions and representations of products and services in different forms of marketing communication, through advertising, publicity and sponsorship, must be credible, true, timely and up-to-date, without undermining competing products and services, and along with the protection of the consumers' privacy and their rights, as well as respect for human dignity and consumer rights.

Communication with guests/customers takes place through



questionnaires on customer satisfaction,




regular communication with key customers (verbal, electronic and online meetings, workshops, fairs, etc.),



newsletters,



company websites,






social media,



fairs and workshops

2 Employees – considering that employees are the key to the success of every business system and the overall business process, in 2022 the Company continued to focus on retaining its able-bodied, highly-qualified and expert employees at all levels, taking into consideration the conditions prevailing during the year (consequences of the global pandemic, inflation, unfavourable macroeconomic environment), especially the lack of qualified labour in the hospitality sector. At the end of the main season, the Company not only maintained full employment, but also retained an adequate number of qualified and professional employees in the employment relationship in order to create prerequisites for the orderly and uninterrupted development of business processes, i.e. preserving the optimum personnel structure and employment. In the area of human resources development, in 2022 the Company hired ten interns – young, highly educated persons of various professions – for positions in the Sales and Marketing Departments with the aim of strengthening personnel structure in key sectors of the Company. As at 31 December 2022 there are 311 employees.

Communication with employees took place through:

				
daily, weekly and monthly meetings at the operational level of business,	meetings of the Board and Management,	email notifications,	notifications via message board, and	social media

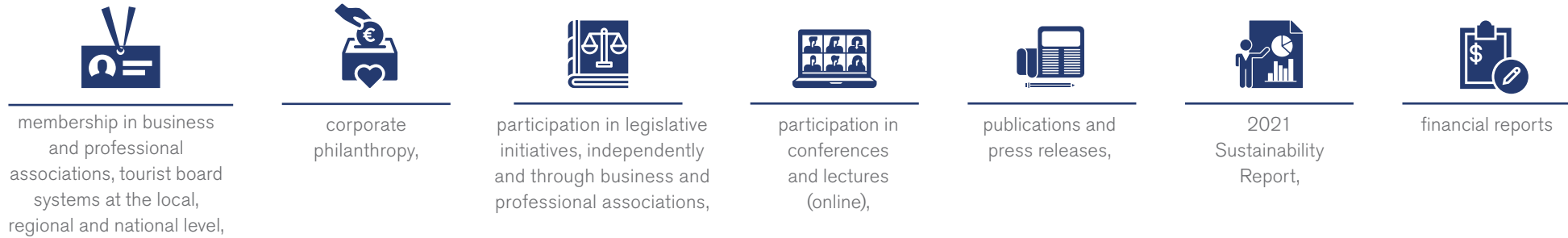
3 Shareholders (owners) or holders of capital exercise their rights through the General Assembly, which is composed of all holders (owners) of the Company's securities or shares. As at 31 December 2022, the Company had a total of 268 shareholders, who held a total of 2,413,488 shares. In 2022, a Regular General Assembly was held, and its decisions were published and are available on the website of the company (www.ilirijabiograd.com), the Zagreb Stock Exchange (www.zse.hr), HANFA and the officially appointed mechanism for the central storage of regulated information – SRPI (www.hanfa.hr), as well as the Croatian News Agency (www.hina.hr), and they were submitted to the Register of the Commercial Court, namely in accordance with legal regulations. All decision of the General Assembly are listed in the chapter "Significant Events".

The Company maintains regular communication with its shareholders through:

				
The General Assembly website – in 2022 one Regular was held,	financial statements (quarterly, semi-annual and annual),	corporate notices,	website, and	2021 Sustainability report

4 and 6 The government and the local community – the Company, as the leading economic entity at the local level, as well as one of the three leading companies in the region and 20 leading tourism companies in the Republic of Croatia, creates new values; that is, products and services, creates new jobs and employs locals and thus contributes to active development of tourism as one of the key industries in the Republic of Croatia, in accordance with the legal regulations and codes of conduct.

In 2022, communication with the national and local community took place through:



5 Suppliers – they influence the overall quality and the creation of additional value with their services and products, and consequently enhance the enjoyment for our end users – guests.



The Company strives for strategic, long-term and quality mutual relationships with suppliers, with whom it has worked, through many years of cooperation, on creating additional value for the Company, suppliers, guests and the local community by



knowledge sharing



improving the business process of both parties, and



creating a quality product.

In 2022, communication with suppliers took place through:



regular communication (meetings, presentations, visits, workshops etc.),



contracts,



mutual visits, and



the exchange of knowledge

7 Bank – in 2022, the Company continued its long-term process of improving its reporting system, with an emphasis on transparency, comprehensiveness, completeness and timeliness of disclosure of all key financial and operational performance indicators, as well as corporate notifications and actions.



Timely publication of full, transparent and complete financial statements,



Since 2003, the Company's been listed on the Zagreb Stock Exchange



The cooperation is based on mutual trust

The Company's stakeholders, including the commercial bank and the leasing Company, as financial institutions, with which the Company has a long-standing relationship based on mutual trust and cooperation aimed at encouraging its long-term responsible and sustainable development and growth, in the best interest of all its stakeholders.

Material topics

To prepare the Sustainability Report for 2022, the Company used data from the last conducted identification of material topics, taking into consideration the fact that the communication with shareholders demonstrated that there had been no significant change in material topics defined in 2018.

The consultation with the stakeholders were carried out in such a way that we invited them to participate in the process of defining key material topics with respect to their expectations, interests and priorities as well as the importance and impact of material topics on them as our stakeholders, namely by responding to a survey which was published on the company's website so it would be accessible to all representatives of the stakeholders and in order for the process to be transparent.

In the survey, we organised 15 material topics into three categories:

- economic (economic impact, market presence, indirect economic impacts, procurement practices),
- environmental (energy, water, waste waters and waste, adherence to environmental regulations), and
- social (employment, occupational health and safety, training and education, diversity and equal opportunities), local communities, customer health and safety, marketing and labelling)

Material topics were rated with a score ranging from 1 as the lowest impact to 5 as the highest impact.

Stakeholders from twenty different organisations and six stakeholder groups participated in the process of identifying material topics. After consulting with stakeholders on the perception of particular material topics, the identified material topics were then prioritised or evaluated in relation to the Company's impact on the environment, society and economy, resulting in the development of a materiality matrix. In the materiality matrix, material topics are identified and evaluated with respect to their impact on stakeholder decisions, as well as economic, environmental and social impacts of the company on others.

Economic topics:

- Economic performance
- Market presence
- Indirect economic impacts
- Procurement practices

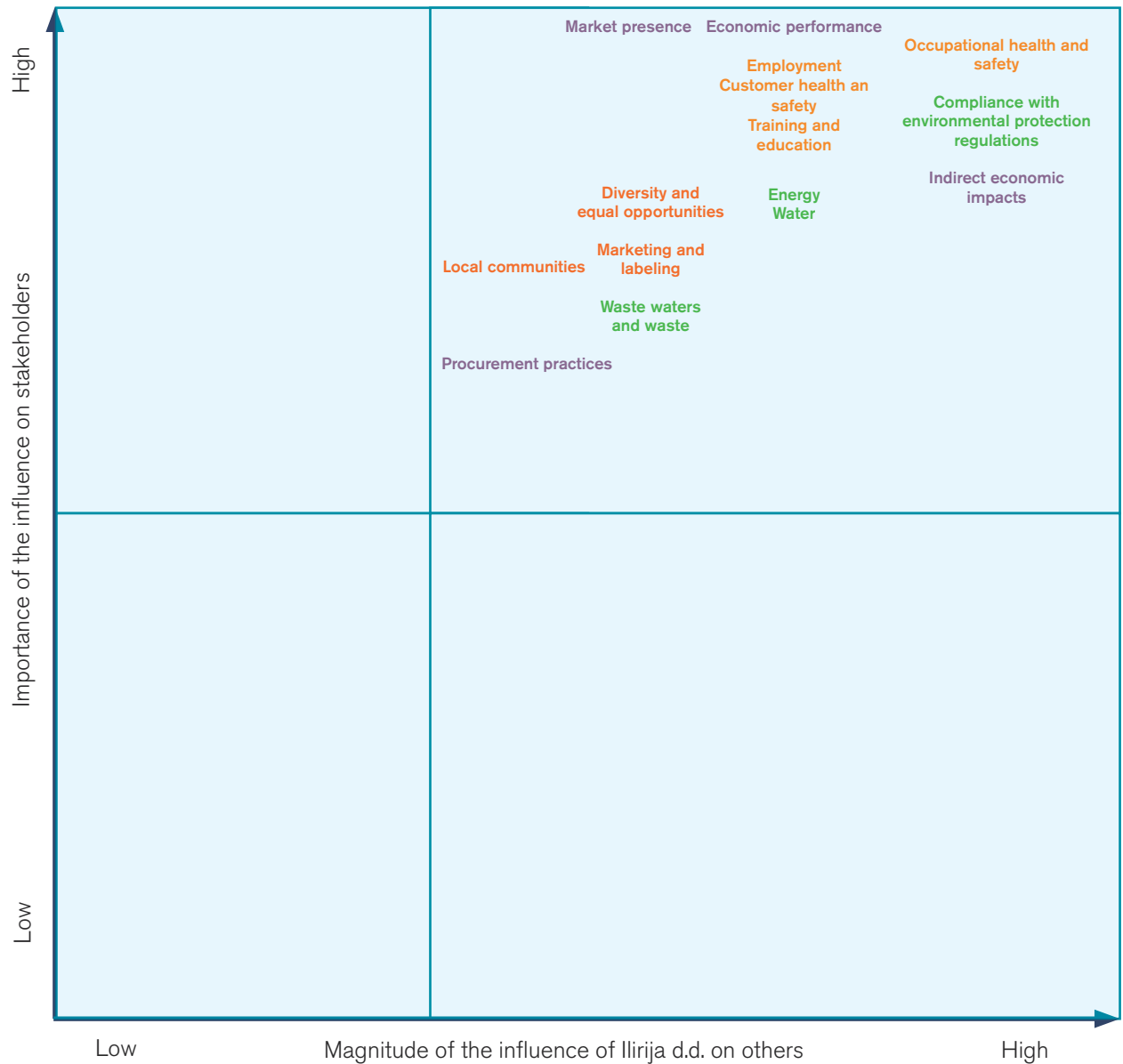
Environmental topics:

- Energy
- Water
- Waste waters and waste
- Compliance with environmental protection regulations

Social Topics

- Employment
- Occupational health and safety
- Training and education
- Diversity and equal opportunities
- Local communities
- Customer health and safety
- Marketing and labelling

Following the survey, identified material topics were perceived as important given that no material topics had an average rating lower than 4.33.





**4 | OPERATING RESULTS
IN 2022**

4.1 Management of the Economic Aspect of Business

For Ilirija as a company, economic sustainability is the fundamental pillar of conducting business responsibly and sustainably. By achieving the set business goals, a basis for achieving environmental and social sustainable development goals is created. Considering that, when conducting business, focus is placed on regions, the limits of impact primarily occur at local and regional level, i.e. at the location of the business activities and at the national level, considering the overall contribution to the development of the Croatian tourism industry.

The Company manages the economic aspects of business by adopting a Business Plan, i.e. budget on a yearly basis, at the level of the company and each sector or profit centre individually, consolidated by the Accounting and Finance Department or the Controlling, Planning and Analysis Service, and drawn up following the basic financial goals of the company for the next financial year. The Business Plan, i.e. budget and business reports are adopted by the Management Board, and they provide a true and fair overview of the situation in the company, as well as its operating results and cash flows as determined by the Supervisory Board and taken note of by the General Assembly.



4.2 Operating Results in 2022

The data related to the chapter Operating Results in 2022 were taken from the Annual Report for 2022 published on the website of the Zagreb Stock Exchange and HANFA as well as on the Company's website (<http://www.ilirijabiograd.com/>) as at 24 February 2023. Ilirija d.d. is not required to draw up consolidated financial statements.

In 2022, the best operating results since the start of business were generated, namely in terms of total and operating revenue, increase in the value of its assets and capital, the most stable balance sheet position, while at the same time retaining a high level of operating profitability, and a record low net debt. The business year was marked by further improvement of amenities, services and business processes, and improvement of the financial standing of employees. The Company achieved all of its key business objectives and expectations even though the entire first half, was still heavily affected by the pandemic exacerbated by the start of the Russia-Ukraine war, global geopolitical instability and unfavourable macroeconomic environment.

With HRK 179,158,989.19 in total revenue, the Company achieved growth of 33% compared to the previous year, and at the same time growth was also achieved compared to the pre-pandemic period, i.e. 2019 by 6.77%, or by HRK 11,361,432.33, as a result of the growth of business activities and business revenue at the level of all its sectors, especially the significant growth of tourism sector revenue due to a pronounced recovery of tourism demand.

1

Business year affected by the pandemic, the Russian-Ukrainian war, an unfavourable macroeconomic environment and strong inflation

2

Strong growth of business activity at the level of all sectors

3

The best business results since the start of business (physical indicators, revenue, profitability)

4

Implementation of the 2022 Business Plan (preserving long-term business activity, assets, capacity and employment)

5

Significant investments in improving the quality and service of the existing and new components of the Company's tourism sectors

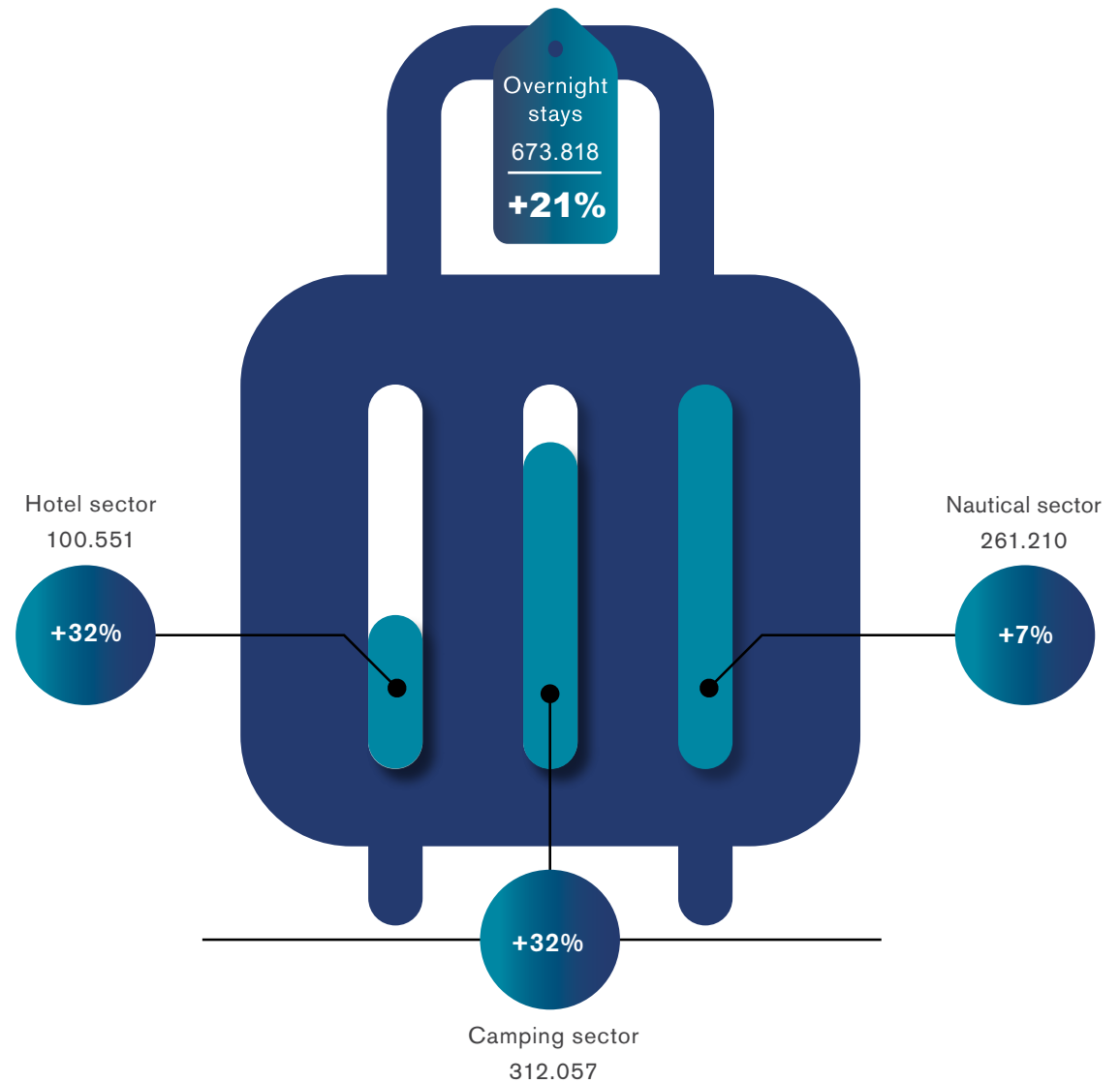


In the reporting period, the Company recorded an increase in all operating profitability indicators, including net profit, profit before tax, operating profit, EBITDA and EBIT, not only compared to the previous year, but some of them, such as operating profit and EBITDA, also compared to 2019, which significantly contributed to the total financial results of the Company and its business stability. The increase in profitability indicators is especially notable considering the fact that business activities in the reporting period were carried out in a smaller scale than in 2019, while operating costs are considerably higher due to an unfavourable macroeconomic environment, inflation and geopolitical instability.

The results achieved by the Company were generated through business activities in its tourism sectors, marked by a significant increase in operating revenue, which, coupled with an increase in the profitability indicators and record high operating results of the camping and nautical sectors, resulted in the highest revenue, as well as an increase in all profitability indicators, ultimately ensuring financial stability and liquidity of the Company in a business year full of uncertainties.

Physical operating results

The beginning of this business year was marked by the global COVID-19 pandemic and the beginning of the Russian-Ukrainian war, which significantly affected the business activities of the Company's tourism sectors during the entire first quarter despite which the Company still managed to achieve exceptional operating results. Due to the strong recovery of demand in peak and late season, all tourism sectors of the Company achieved significant results marked by the growth of key physical performance indicators, which resulted in excellent or record operating results (both physical and financial) at the level of certain sectors (the nautical and camping sectors), not only relative to the previous year but also relative to the pre-pandemic period (i.e. 2019). The hotel industry and Ilirija Travel also recorded a significant recovery.



Overview of key physical indicators of business activities in 2022

Physical indicators	2022	2021	2019	Index 2022/2019	Index 2022/2021
Hotel sector					
Number of accommodation units	435	443	443	98,19	98,19
Overnight stays of tourists	100.551	76.113	146.815	68,48	132,11
Occupancy days	115	80	165	69,70	143,75
Annual occupancy	31,46%	21,98%	45,31%	69,43	143,13
Nautics					
Number of berths	805	805	805	100,00	100,00
Contracted vessel	726	719	740	98,11	100,97
Transith berth, overnight stays of vessels	9.208	10.219	11.227	82,02	90,11
Transith berth, inbound sail of vessels	3.117	2.667	3.418	91,19	116,87
Port service - number of operations	3.666	3.554	3.688	99,40	103,15
Days of work	365	365	365	100,00	100,00
Camping					
Number of accommodation units	1.208	1.208	1.220	99,02	100,00
Days od work	198	198	275	72,00	100,00
Occupancy days	106,65	98,46	149,72	71,23	108,32
<i>Mobile homes</i>	98,96	77,57	94,45	104,78	127,58
<i>Individuals</i>	43,06	31,94	45,36	94,93	134,82
<i>Fixed lease</i>	198,00	198,00	275,00	72,00	100,00
<i>Lump sum</i>	198,00	198,00	275,00	72,00	100,00
Occupancy	53,86%	49,73%	54,44%	98,93	108,30
<i>Mobile homes</i>	49,98%	39,18%	34,35%	145,50	127,57
<i>Individuals</i>	21,75%	16,13%	16,49%	131,90	134,84
<i>Fixed lease</i>	100,00%	100,00%	100,00%	100,00	100,00
<i>Lump sum</i>	100,00%	100,00%	100,00%	100,00	100,00
Overnight stays of tourists	312.057	236.878	290.487	107,43	131,74

Overview of key physical indicators of business activities in 2022 (continued)

Physical indicators	2022	2021	2019	Index 2022/2019	Index 2022/2021
Ilirija Travel					
Number of events	297	361	609	48,77	82
Number of persons (events)	29.830	12.167	54.749	54,49	245
Real-estate					
Number of leesses	37	37	37	100,00	100,00
Common expenses	35	36	36	97,22	97,22
Common areas	27	26	21	128,57	103,85
Advertising space	8	8	8	100,00	100,00
<i>Garage - number of parking spaces</i>	410	410	410	100,00	100,00
Rented area (m2)	9.464,72	9.924,60	9.897,60	95,63	95,37
Number of vehicle	703.511	669.197	763.982	92,08	105,13

Hotel sector

The business year 2022 was marked by the easing and lifting of epidemiological measures related to the COVID-19 pandemic at the end of its second quarter, as well as by the beginning of the war in Ukraine (which caused additional uncertainty, especially in the tourism sector), and by inflation and other macroeconomic disruptions subsequently caused by the said tensions. The aforementioned political and economic events significantly affected the hotel sector in the first part of 2022. Therefore, the full potential of the pre-season was not realised, but peak and late season went according to plan.

The hotel sector (with 27,111 arrivals and 100,551 overnight stays) achieved a significant growth relative to the previous business year, namely at a rate of 52%, or 32% for overnight stays. A significant increase in arrivals and overnight stays resulted in an increase in occupancy days, which amounted to 115 days relative to 80 days in 2021. At the same time, capacity occupancy amounted to 31%, while in the previous year it amounted to 22%. Realised physical indicators point to a significant but still insufficient recovery in terms of returning to the achievements from the pre-pandemic period, i.e. 2019. Such a result was somewhat expected considering the absence of the pre-season or any significant business activities in the first half of the business year. Despite the significant increase in demand in peak and late season, the hotel sector failed to compensate for the said absence.

HRK 52,576,235.10 in revenue was realised, representing a 70% increase compared to the previous year. The revenue per room amounted to HRK 1,052.49 (EUR 139.75) as a result of the increase in turnover and prices. In the previous year, it amounted to HRK 872.36 (EUR 115.94).

There was an increase in turnover on all bases in the sales channels, and it is also important to point out that all three sales segments accounted for a similar share of overnight stays, with the individuals segment being the first with 34%, followed by the group segment with 33% and the allotment segment with 30%.

There was a drastic decrease in business activities of the hotel sector in the business year 2020, and recovery began in 2021. In 2022, the hotel sector continued to recover, but was still lagging behind the pre-pandemic period.



100,551 + 32%
Overnight stays



HRK 52,576,235.10 + 70%
Revenue



HRK 872.39 + 23%
ADR



HRK 120,864.91 + 73%
TRevPAR



Key market and financial indicators of hotel sector

	2019	2021	2022	2022/2019	2022/2021
HOTEL SECTOR - MARKET INDICATORS					
Average daily rate of the accommodation unit (ADR) *	675,59 kn	709,52 kn	872,39 kn	29,13%	22,95%
Revenue per accommodation unit (RevPAR) on a total number of days basis in period **	306,07 kn	155,95 kn	274,47 kn	-10,32%	76,01%
Revenue per accommodation unit (RevPAR) on an open days basis **	486,98 kn	382,71 kn	483,54 kn	-0,71%	26,34%
HOTEL SECTOR - FINANCIAL INDICATORS					
Operating revenues	59.784.757,62 kn	31.002.857,24 kn	52.576.235,10 kn	-12,06%	69,59%
Revenues from board services	49.489.726,53 kn	25.215.545,42 kn	43.579.169,44 kn	-11,94%	72,83%
TRevPAR ***	134.954,31 kn	69.983,88 kn	120.864,91 kn	-10,44%	72,70%
Operating costs ****	39.698.470,55 kn	23.668.148,57 kn	40.266.018,79 kn	1,43%	70,13%
Gross operating profit (GOP) *****	20.086.287,07 kn	7.334.708,67 kn	12.310.216,31 kn	-38,71%	67,84%
GOP per accommodation unit	45.341,51 kn	16.556,90 kn	28.299,35 kn	-37,59%	70,92%
GOP margin*****	33,6%	23,7%	23,4%	-30,31%	-1,03%
Capital investments	4.981.655,88 kn	670.593,23 kn	4.285.073,57 kn	-13,98%	539,00%

Notes:

Hotel sector of Ilirija d.d. includes hotels (Ilirija, Adriatic, Kornati and Villa Donat) and selected profit centres operating within the hotel sector (Lavender bar, Aquatic Centre and "Ilirija" Tennis Centre).

* **ADR** - Average daily rate of the accommodation unit is calculated on the basis of the revenue from board services (revenue from the accommodation and food and beverages of the board services).

** **RevPAR** - Revenue from the board services per accommodation unit includes the revenue from the board services (revenue from the accommodation and food and beverages of the board services) divided by the number of the available accommodation units in a given period (365 days; number of open days).

*****TRevPAR** (Total annual revenue per accommodation unit) - Denotes the total operating revenue of the hotel sector divided by a number of physical accommodation units.

******Operating costs** include the costs of raw material and material, costs of services, gross pays and other operating costs, not including the depreciation, financial expenses and extraordinary expenses.

***** **GOP** - Denotes a gross operating profit of the hotel industry before the allocation of costs of common services, and is calculated in the following way: operating revenues – operating expenses (before allocation, without depreciation and fixed costs).

***** **GOP margin** is calculated by correlating the amount of GOP before the allocation of costs of common services and operating revenues.

Nautical sector

The results achieved by the nautical sector confirmed the stability of the nautical business and its resilience in this business year as well through the continued recovery of key business indicators in all three of its segments (marina, nautical fair and catering), which resulted in further growth of business revenue and stronger profitability. The physical and financial results and profitability indicators of the nautical sector were largely generated by the results achieved in the vessel accommodation segment, i.e. Marina Kornati.

Revenue was realised in the amount of HRK 55,013,184.00, representing a 12% growth, of which HRK 45,695,702.00, or 83% of the total revenue generated by the nautical sector was realised in the accommodation segment, i.e. Marina Kornati. Marina Kornati, as a segment with the largest and most significant contribution to the Company's nautical sector, whose revenue grew by 8.19%, i.e. by 11.77% compared to 2019, due to the growth of all key revenue items, meaning that the nautical sector achieved the best financial results of its operation so far. Furthermore, other segments of the nautical sector (the "Marina Kornati" restaurant and the nautical fair) also recorded a double-digit increase in revenue. The revenue per berth amounted to HRK 68,339.00, constituting a 12% increase relative to 2021 and a 11.77% increase relative to 2019, as well as the most significant contribution to the financial and operating results of the nautical sector.

In 2022, the nautical sector achieved the best financial operating result in all its segments in terms of operating revenue and profitability indicator growth evidenced by an increase in gross operating profit. The said profit amounted to HRK 30,626,495.00 for the reporting period, constituting a 4.69% increase relative to 2021, while the GOP margin amounted to 55.7%.

The key physical operating results primarily pertain to contractual berths and the arrival of vessels in transit. This generated most operating revenue, but the said revenue still has not reached the figures from the pre-pandemic period, even though there was continuous growth. The 726 contracted vessels on annual and seasonal berths represent a growth of 1%, while in the transit berth segment, 3,117 vessel arrivals were recorded, representing a growth of 17% compared to 2021.





Key market and financial indicators of nautical sector

	2019	2021	2022	2022/2019	2022/2021
MARKET INDICATORS (MARINA KORNATI)					
Berth contract:					
Revenue from berth contracts	30.107.719,00 kn	31.350.024,00 kn	33.576.472,00 kn	11,52%	7,10%
Aver. revenue from berth contracts	40.686 kn	43.602 kn	46.249 kn	13,67%	6,07%
Transit berth:					
Revenue from transit berth	2.820.560,00 kn	2.508.845,00 kn	2.876.225,00 kn	1,97%	14,64%
<i>Aver. revenue per overnight stay (transit berth)</i>	251 kn	246 kn	312 kn	24,33%	27,23%
Servicing:					
Revenue from servicing	2.767.731,00 kn	3.062.774,00 kn	3.217.129,00 kn	16,24%	5,04%
Aver. revenue per service operation	750 kn	862 kn	878 kn	16,93%	1,83%
Parking:					
Revenue from parking	2.232.293,00 kn	2.270.939,00 kn	2.833.307,00 kn	26,92%	24,76%
Aver. revenue per parking place	4.465 kn	4.542 kn	5.667 kn	26,92%	24,76%
Business cooperation:					
Revenue from business cooperation	2.450.017,00 kn	2.483.908,00 kn	2.608.821,00 kn	6,48%	5,03%
Aver. revenue from business cooperation	49.000 kn	48.704 kn	52.176 kn	6,48%	7,13%
FINANCIAL INDICATORS - TOTAL NAUTICS					
Operating revenues	48.610.540,00 kn	49.185.727,00 kn	55.013.184,00 kn	13,17%	11,85%
Operating revenues per berth	60.386 kn	61.100 kn	68.339 kn	13,17%	11,85%
Operating costs*	21.369.247 kn	19.932.662 kn	24.386.688 kn	14,12%	22,35%
Gross Operating Profit (GOP) **	27.241.293 kn	29.253.065 kn	30.626.496 kn	12,43%	4,69%
GOP per berth	33.840 kn	36.339 kn	38.045 kn	12,43%	4,69%
GOP margin ***	56,0%	59,5%	55,7%	-0,66%	-6,40%
Capital investments	1.441.883 kn	539.476	1.666.142 kn	15,55%	208,84%

Notes:

The Nautics of Ilirija d.d. consists of three business units: Marina Kornati, Boat Show and restaurant of "Marina Kornati"

***Operating costs** include the costs of raw material and material, costs of services, gross pays and other operating costs, not including the depreciation, financial expenses and extraordinary expenses.

****Gross Operating Profit (GOP)** denotes a gross operating profit of the nautics before the allocation of costs of common services, and is calculated in the following way: operating revenues – operating expenses (before the allocation, without depreciation and fixed costs)."

*****GOP margin** is calculated by correlating the amount of GOP before the allocation of costs of common services and operating revenues.

Camping sector

As for the camping sector, the best operating results so far have been achieved, namely both when it comes to physical and financial operating results, which is even more significant if one takes into account the absence of the pre-season, i.e. the accumulation of business activities during peak and late season. The "Park Soline" campsite achieved a significant double-digit increase in key physical performance indicators relative to 2021, with 45,034 arrivals constituting growth at a rate of 30%, and 312,057 overnight stays constituting a 32% growth.

The camping sector generated revenue in the amount of HRK 50,150,072.60, which is a 50% increase compared to the previous year. The largest part of the revenue was generated in the accommodation part, i.e. the "Park Soline" campsite, which realised HRK 44,980,326.90 in revenue, achieving a growth rate of 50%, while the hospitality sector, with HRK 5,169,745.70 in revenue, grew by 58%.

The gross operating profit (GOP) of the camping sector in the amount of HRK 27,691,098.82 is by far the best ever, i.e. it is 53% higher compared to 2021. As a result, the growth of the gross operating profit was accompanied by the growth of GOP per accommodation unit by 53% compared to the previous year, while the gross operating margin recorded the best achievement, and for the entire camping sector it amounted to 55.2%, while for the "Park Soline" campsite it amounted to 61.8%.



312.057
+32%

Overnight stays



HRK 50,150,072.60
+50%

Camping sector revenue



1,514.96%
+50,15%

TRevPAR



55.2%

GOP margin



Key market and financial indicators of camping

	2019	2021	2022	2022/2019	2022/2021
MARKET INDICATORS - CAMPSITE "PARK SOLINE"					
Average daily rate of the camp unit (ADR)*	174,24 kn	251,79 kn	347,54 kn	99,45%	38,02%
Revenue from accommodation per camp unit (RevPAR) on a basis of 365 days **	71,47 kn	67,92 kn	101,55 kn	42,08%	49,50%
Revenue from accommodation per camp unit (RevPAR) on an open days basis **	94,86 kn	125,21 kn	187,20 kn	99,33%	49,50%
FINANCIAL INDICATORS - TOTAL CAMPING					
Operating revenue	35.305.818,53 kn	33.399.299,81 kn	50.150.072,60 kn	42,04%	50,15%
TRevPAR ***	28.939,20 kn	27.648,43 kn	41.514,96 kn	43,46%	50,15%
Operating costs ****	18.534.768,73 kn	15.305.314,23 kn	22.458.973,78 kn	21,17%	46,74%
Gross Operating Profit (GOP) *****	16.771.049,80 kn	18.093.985,58 kn	27.691.098,82 kn	65,11%	53,04%
GOP per accommodation unit	13.746,76 kn	14.978,46 kn	22.923,10 kn	66,75%	53,04%
GOP margin *****	47,5%	54,2%	55,2%	16,24%	1,92%
Capital investments	14.745.262,56 kn	5.577.407,96 kn	10.728.741,94 kn	-27,24%	92,36%

Notes:

* **ADR** - Average daily rate of a camp unit is calculated on the basis of the revenue from accommodation in the campsite and the number of camp units sold.

** **RevPAR** - Revenue from accommodation per camp unit is the revenue from accommodation divided by a number of available camp units in a given period (366/365 days; number of open days).

*****TRevPAR** - Total revenue per camp unit denotes total operating revenue of the camping (or the campsite) divided by a number of physical camp units.

******Operating costs** include the costs of raw material and material, costs of services, gross pays and other operating costs, not including the depreciation, financial expenses and extraordinary expenses.

*******Gross Operating Profit (GOP)** - Denotes a gross operating profit of the camping/ campsite / restaurant before the allocation of costs of common services, and is calculated in the following way: operating revenues - operating expenses (before the allocation, without depreciation and fixed costs).

*******GOP margin** is calculated by correlating the amount of GOP of camping / campsite / restaurant before the allocation of costs of common services and operating revenues.



Number of persons 29.830



Number of events 297



Revenue HRK 8,946,20.00

Ilirija Travel

The destination management company Ilirija Travel (an integrated and complementary product creating added value for all its tourism sectors) experienced a significant recovery of business activities relative to the previous business year, namely thanks to the easing and the subsequent lifting of epidemiological measures. Given the fact that the reporting period was marked by the absence of the pre-season, as well as the fact that most of Ilirija Travel's activities take place in the pre-season and late season, the said absence of the pre-season significantly influenced its even stronger recovery.

The organisation of 297 events with over 29,830 participants, which mostly took place in peak and late season, generated a revenue of HRK 8,964,200. The said revenue was also partly generated by other profit centres of the Company, namely with a 119% increase relative to 2021. The realised revenue is the result of the recovery of the event and MICE industry and the realisation of services with greater added value, i.e. More intensive business activities in the second quarter, growth of business activities in the third quarter and in the post-season.

The business activities in terms of the engagement of capacities and the agency offer for foreign, mostly business clients, in Arsenal, the dispersed hotel and agrotourism complex, the restaurant in Marina Kornati, and especially the event boat Nada, were carried out mostly in pre-season and post-season. Concerts and gala events were reinstated, and so were different cultural events both in Zadar and in the region, as well as weddings allowing the usual number of participants in Arsenal and other facilities of the Company, which resulted in a significant recovery of activity in this segment of the Company as well.

	Number of events in 2019	Number of events in 2021	Number of events in 2022	Number of guests in 2019	Number of guests in 2021	Number of guests in 2022	Total REVENUE in 2019	Total REVENUE in 2021	Total REVENUE in 2022	INDEX 2022/2019	INDEX 2022/2021
							1	2	3		
TOTAL	609	361	297	54.749	12.167	29.830	11.037.358,47 kn	4.085.506,22 kn	8.964.200,00 kn	81	219



City Galleria Business and Shopping Centre

Business disruptions caused by the economic consequences of the global pandemic, as well as unexpected security turmoil on the European continent, affected the business results achieved in the City Galleria Business Centre in 2022. Despite the mentioned negative influences and changes on the market, the centre achieved positive business results in the past year as well. As at 31 December 2022, the occupancy of the centre amounted to 99.76% of all capacities, that is, 37 commercial lease agreements were active, with a surface area ranging from 9,80 m² to 1.836 m², which achieved the key objective of maintaining the existing lease agreements. The commercial premises occupancy rate in Phase 1 for the same period was 84.99%. Taking into account the total net area of the commercial premises in Phases 1 and 2 of the facility, amounting to 9,754.68 m², the current total occupancy rate was 99.32% in the previous year.

Operating revenue of the City Galleria Centre, generated in 2022 through lease of commercial premises, common costs, use of common areas of the centre, lease of advertising space, garage revenue and lease of commercial premises in Phase 1 of the Centre, amounted to HRK 13,570,648.54. Other business revenue in the observed period amounted to HRK 220,157.24, meaning that the total realised revenue amounted to HRK 13,790,805.78, representing a growth of 5.46% compared to 2021. The overall increase in revenue was realised by increasing revenue in all categories of the centre's operations, except for the category of common expenses.

The gross operating profit of the Centre in 2022 equalled HRK 6,525,912.50 before the allocation of common service costs, which represents a 47.3% margin.



99.76%

Occupancy rate



HRK 13,790,805.78
+ 5.46%

Business revenue



47.3%

GOP margin



M Müller
telemacii

SPAR

eka banka

Cal

Key market and financial indicators of real estate sector - City Galleria

	2019	2021	2022	2022/2019	2022/2021
MARKET INDICATORS					
Average monthly rent earned per m ² of premises (AMR)*	79,16 kn	68,38 kn	72,77 kn	-8%	6%
Average rent earned per m ² of premises for the period	949,92 kn	820,51 kn	873,21 kn	-8%	6%
Average revenue from the garage per parking space for the period**	2.148,90 kn	2.017,62 kn	2.691,58 kn	25%	33%
COMMERCIAL TURNOVER:					
Premises - number of active contracts	37	37	37	0%	0%
Shared costs - number of active contracts	36	36	35	-3%	-3%
Common areas - number of active contracts	21	26	27	29%	4%
Advertising space - number of active contracts	8	8	8	0%	0%
Garage - number of parking spaces	410	410	410	0%	0%
Garage - turnover of vehicles	763.982	669.197	703.511	-8%	5%
FINANCIAL INDICATORS					
Operating revenues	14.255.205,21 kn	13.076.060,86 kn	13.790.805,78 kn	-3,26%	5,47%
Operating costs***	6.068.418,99 kn	6.024.943,01 kn	7.264.893,28 kn	19,72%	20,58%
Gross Operating Profit (GOP) ****	8.186.786,22 kn	7.051.117,85 kn	6.525.912,50 kn	-20,29%	-7,45%
GOP margin *****	57,4%	53,9%	47,3%	-17,60%	-12,25%
Capital investments	407.143,91 kn	2.098.477,86 kn	387.241,65 kn	-4,89%	-81,55%

Napomene:

* **AMR (Average Monthly Rent)** – The average monthly price achieved for m² of the premises is calculated based on the revenue from the rent of premises and net available floor area of active premises

** **The revenue from the garage per parking space** is the total revenue from the garage divided by a number of available parking spaces in a given period.

*****Operating costs** include the costs of raw material and material, costs of services, gross pays and other operating costs, not including the depreciation, financial expenses and extraordinary expenses."

******Gross Operating Profit (GOP)** - denotes a gross operating profit of the real estate sector before the allocation of costs of common services, and is calculated in the following way: operating revenues - operating expenses (before the allocation, without depreciation and fixed costs).

*******GOP margin** is calculated by correlating the amount of GOP of the real estate sector before the allocation of costs of common services and operating revenue.

Financial operating results

The results achieved were generated through business activities of the Company's tourism sectors, marked by a significant increase in operating revenue, which, coupled with an increase in the profitability indicators and record high operating results of the camping and nautical sectors, resulted in the highest revenue realised, as well as an increase in all profitability indicators, ultimately ensuring financial stability and liquidity of the Company.

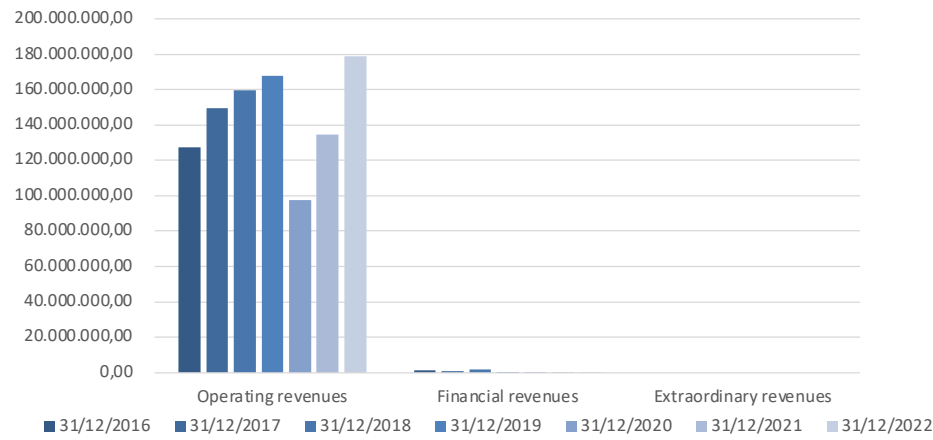
Business revenue was realised in the amount of HRK 178,803,782.37, which is a growth of 32.97% compared to 2021, i.e. they also grew compared to 2019, when it was realised in the amount of HRK 167,711,919.32, which in the reporting period achieved a growth of 6.61%. The growth of business revenue was generated by the growth of revenue of all Company sectors, in particular tourism sectors whose business year was marked by a recovery of tourism demand, notably in the peak and late season, resulting in a significant demand increase in the camping sector, recovery in the hotel sector and the destination management company and retained continuity of revenue growth in the nautical and real estate sectors. The realisation of the nautical and camping sectors ultimately resulted in their best business results since the beginning of business activities, including 2019.

An increase in all operating profitability indicators was recorded not only compared to the previous year, but some of them, such as operating profit and EBITDA, also compared to 2019, which significantly contributed to the total financial results of the Company and its business stability. The increase in profitability indicators is especially notable considering the fact that business activities in the reporting period were carried out in a smaller scale than in 2019, while operating costs are considerably higher due to an unfavourable macroeconomic environment, inflation and geopolitical instability.

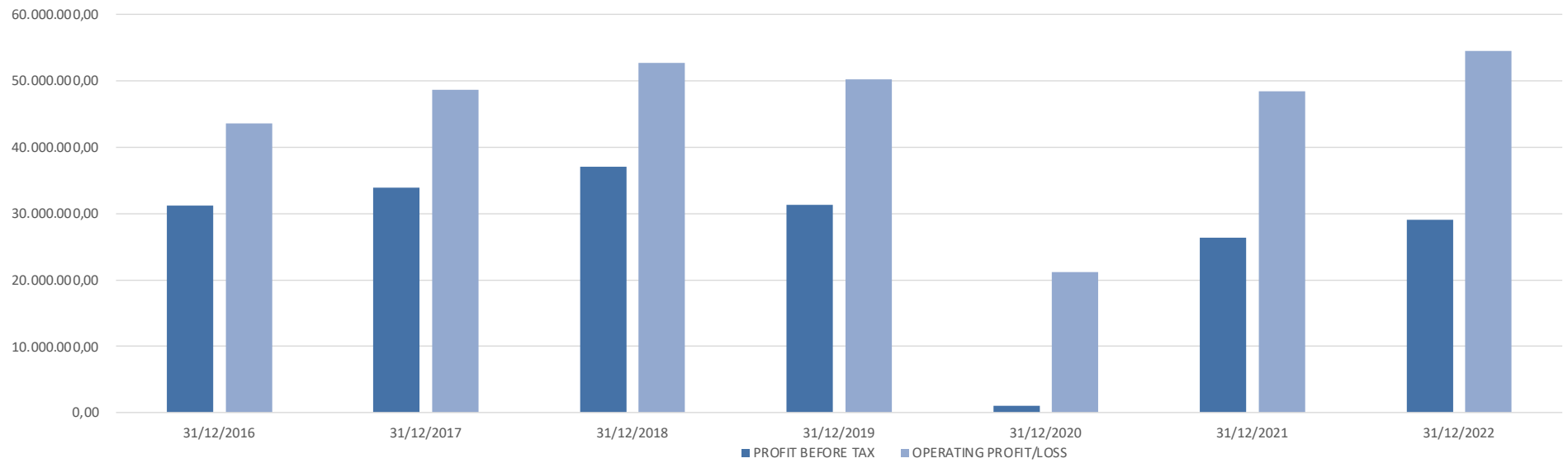
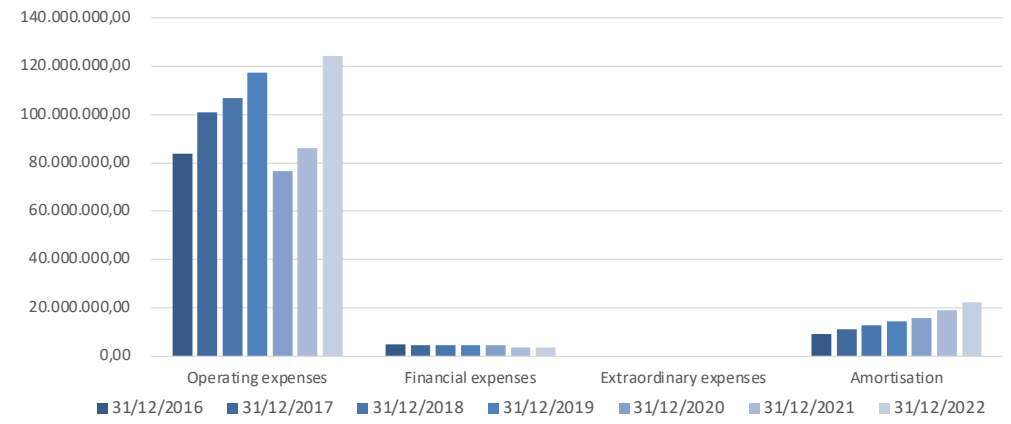
Operating profit, i.e. profit from business activities, amounted to HRK 54,480,301.51, and is 12.49% higher than the previous year, when it was realised in the amount of HRK 48,429,421.22, while profit before tax was realised in the amount of HRK 29,077,122. HRK 72, representing a growth of 10.31%. The net profit was realised in the amount of HRK 23,490,715.74, which is an increase of 5.95% compared to 2021. EBITDA was realised in the amount of HRK 54,835,508.33, recording an increase of 12.39%, or HRK 6,045,712.16 compared to 2021, and an increase of 8.99% compared to 2019 when it amounted to HRK 50,310,254.21. EBIT amounted to HRK 32,504,005.30, representing an increase of 9.36% compared to the previous year.

DESCRIPTION	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	Index 2022/2021
Operating revenues	127.591.140,20	149.515.545,23	159.490.115,09	167.711.919,32	97.640.558,48	134.470.753,01	178.803.782,37	132,97
Financial revenues	1.427.867,11	961.132,18	1.558.764,96	85.637,54	97.205,34	360.374,95	355.206,82	98,57
Extraordinary revenues	0,00	0,00	0,00	0,00	0,00	0,00	0,00	#DIV/0!
TOTAL REVENUES	129.019.007,31	150.476.677,41	161.048.880,05	167.797.556,86	97.737.763,82	134.831.127,96	179.158.989,19	132,88
Operating expenses	83.991.877,85	100.879.406,31	106.832.625,88	117.487.302,65	76.442.862,74	86.041.331,79	124.323.480,86	144,49
Financial expenses	4.774.080,17	4.564.585,65	4.384.189,54	4.596.906,56	4.599.367,76	3.362.161,27	3.426.882,58	101,92
Extraordinary expenses	0,00	0,00	0,00	0,00	0,00	0,00	0,00	#DIV/0!
Amortisation	9.012.252,49	11.146.900,91	12.796.897,41	14.379.433,99	15.673.653,78	19.068.148,87	22.331.503,03	117,11
TOTAL EXPENSES	97.778.210,51	116.590.892,87	124.013.712,83	136.463.643,20	96.715.884,28	108.471.641,93	150.081.866,47	138,36
PROFIT BEFORE TAX	31.240.796,80	33.885.784,54	37.035.167,22	31.333.913,66	1.021.879,54	26.359.486,03	29.077.122,72	110,31
NET PROFIT	30.676.046,46	27.755.384,38	37.035.167,22	31.333.913,66	1.021.879,54	22.172.476,03	23.490.715,74	105,95
OPERATING PROFIT/ LOSS	43.599.262,35	48.636.138,92	52.657.489,21	50.224.616,67	21.197.695,74	48.429.421,22	54.480.301,51	112,49
EBITDA	45.027.129,46	49.597.271,10	54.216.254,17	50.310.254,21	21.294.901,08	48.789.796,17	54.835.508,33	112,39

REVENUES 2016 - 2022



EXPENSES 2016 - 2022



Revenue by activities:



Revenue of the hotel sector was realised in the amount of HRK 52,576,235.10, constituting a 70% increase compared to 2021, when HRK 31,002,857.24 in revenue was realised, and is the result of a significant increase in demand for hotel services in peak and late season due to the easing and lifting of epidemiological measures in the second quarter of the business year, as well as an earlier opening of facilities.



Revenue of the nautical sector amounted to HRK 55,013,183.91, representing a 12% increase at sector level compared to the previous year as a result of growth of business activity across all of its segments. Marina Kornati recorded an increase in revenue of 8%, while the other two segments of the nautical sector achieved a strong recovery of business, whereby nautical fair revenue increased by 41% and hospitality revenue by 27%. The nautical sector achieved its best results in terms of revenue since the start of activity, as well as the best results at the level of its profit centres.



Camping revenue amounted to HRK 50,150,072.60, constituting an increase of 50% compared to the same period of the previous year, and was generated by the growth of revenue in the accommodation segment of the "Park Soline" campsite by 49% and hospitality, i.e. the "Park Soline" restaurant by 58%, leading to the best camping results in terms of revenue.



Revenue of the real estate sector amounted to HRK 13,790,805.78, constituting a 5% increase compared to the previous business year and resulting from an increase in revenue from business premises lease, parking revenue, as well as an increase in revenue from the use of common areas.



Revenue of the DMC Ilirija Travel, and other profit centres amounted to HRK 7,273,484.98, with a significantly higher growth compared to the same period of the previous business year, which was the result of an increase in the volume of business activities in the destination management company due to a recovery of the event industry brought about by the easing and lifting of epidemiological measures.

TOTAL: Operating revenue per activity amounted to HRK 178,803,782.37, and has increased by 32.97% compared to 2021.

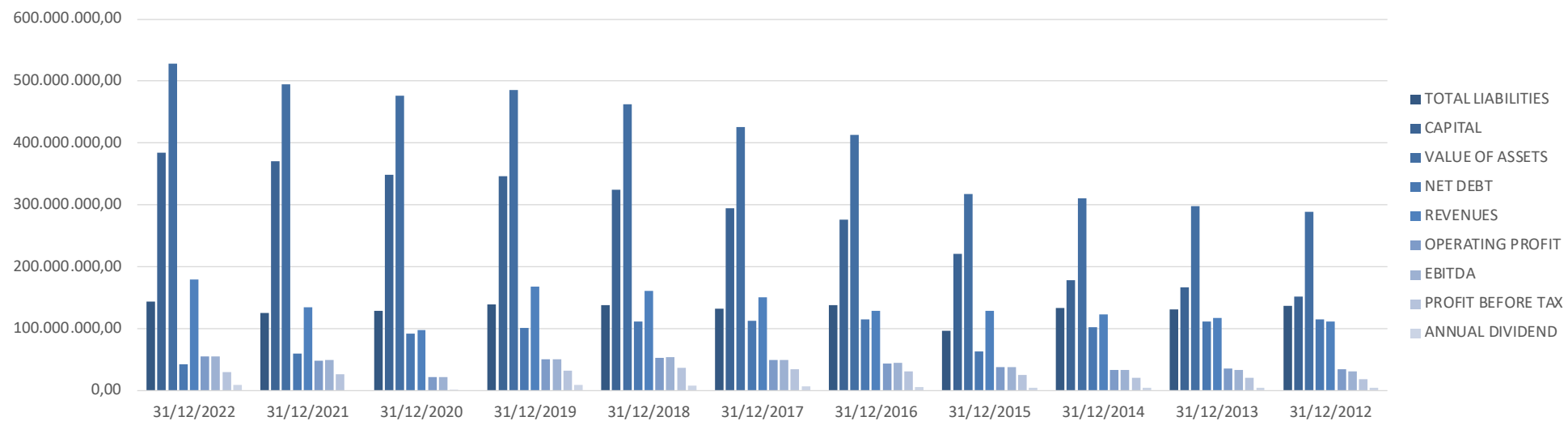
FINANCIAL REPORTING
reporting system according to USALI standards
01/01/2022-31/12/2022
ILIRIJA D.D. TOTAL (after the allocation of common revenues and common costs)

Items	Annual cumulative achievements in 2019	Annual cumulative achievements in 2021	Annual cumulative achievements in 2022	Index 2022/2021
TOTAL NET REVENUE (operating)	162.572.725,53	125.338.999,56	168.741.598,78	134,63
Total direct costs	13.074.369,96	7.299.076,14	11.307.005,04	154,91
Total salary and labor costs	29.948.241,60	21.969.507,92	32.544.008,18	148,13
Total other department costs	14.261.204,73	5.508.109,96	10.473.506,78	190,15
TOTAL CONTRIBUTION	105.288.909,24	90.562.305,54	114.417.078,78	126,34
Total costs to GOP	103.939.195,48	76.693.778,89	112.102.756,51	146,17
GOP	58.633.530,05	48.645.220,67	56.638.842,27	116,43
Grandtotal net revenues	167.797.556,86	134.831.127,96	179.158.989,19	132,88
Grandtotal costs	136.463.643,20	108.471.641,93	150.081.866,47	138,36
PROFIT BEFORE TAXATION	31.333.913,66	26.359.486,03	29.077.122,72	110,31
Corporate income tax	0,00	4.187.010,09	5.586.406,98	133,42
NET PROFIT	31.333.913,66	22.172.476,03	23.490.715,74	105,95
EBITDA	50.310.254,21	48.789.796,17	54.835.508,33	112,39
EBIT	35.930.820,22	29.721.647,30	32.504.005,30	109,36

CUMULATIVE COMPARATIVE OVERVIEW

of fundamental operating results, as well as asset, capital and liability indicators of the Company as on 31/12/2022, and for the 2012 - 2021 period

YEAR	TOTAL LIABILITIES	CAPITAL	VALUE OF ASSETS	NET DEBT	REVENUES	OPERATING PROFIT	EBITDA	PROFIT BEFORE TAX	NET PROFIT	ANNUAL DIVIDEND
1	2	3	4	5	6	7	8	9	10	11
31/12/2022	143.521.496,35	384.759.158,79	528.280.655,14	42.007.669,65	179.158.989,19	54.480.301,51	54.835.508,33	29.077.122,72	23.490.715,74	8.419.792,50
31/12/2021	124.658.050,55	370.244.993,55	494.903.044,10	59.783.368,01	134.831.127,96	48.429.421,22	48.789.796,17	26.359.486,03	22.172.476,03	0,00
31/12/2020	128.597.530,12	348.072.517,52	476.670.047,64	91.544.355,64	97.737.763,82	21.197.695,74	21.294.901,08	1.021.879,54	1.021.879,54	0,00
31/12/2019	138.494.716,54	346.783.374,38	485.278.090,92	101.317.234,91	167.797.556,86	50.224.616,67	50.310.254,21	31.333.913,66	31.333.913,66	8.417.962,00
31/12/2018	138.016.497,87	324.375.413,08	462.391.910,95	110.868.989,15	161.048.880,05	52.657.489,21	54.216.254,17	37.035.167,22	37.035.167,22	7.221.240,00
31/12/2017	131.841.078,15	294.216.184,59	426.057.262,74	112.168.069,97	150.476.677,41	48.636.138,92	49.597.271,10	33.885.784,54	27.755.384,38	6.016.540,00
31/12/2016	137.502.260,55	275.683.907,98	413.186.168,53	114.260.471,80	129.019.007,31	43.599.262,35	45.027.129,46	31.240.796,80	30.676.046,46	4.937.148,00
31/12/2015	96.706.510,04	220.353.306,88	317.059.816,92	63.269.733,01	128.146.488,63	37.282.937,82	37.767.207,06	25.510.539,54	21.533.370,50	3.740.790,00
31/12/2014	133.053.616,64	177.858.715,67	310.912.332,31	102.282.661,43	122.873.752,12	32.955.338,23	33.211.137,28	20.385.115,12	18.493.204,03	3.740.790,00
31/12/2013	131.195.062,79	166.861.394,25	298.056.457,04	111.756.504,06	117.320.406,69	35.656.918,81	32.847.699,25	20.129.183,90	18.302.319,92	3.740.790,00
31/12/2012	136.546.285,85	151.895.416,40	288.441.702,25	114.575.807,74	111.134.832,70	33.826.442,35	31.157.639,71	18.255.129,12	16.832.713,07	3.740.790,00



Key financial performance indicators

In the business year 2022, the Company achieved results that ensured further stability, resilience and sustainability of operations with lower values of performance indicators, which the Company finds exceptionally successful considering the uncertainties, high inflation and an unfavourable macroeconomic environment.

Indicator	2021	2022	Index 2022/2021	
Financial stability, liquidity and indebtedness				
Self-financing rate	74,81%	72,83%	0,974	Share of equity capital in total fund sources (i.e. in total liabilities & stockholders' equity).
The degree of indebtedness	24,79%	27,17%	1,096	Share of debt in total fund sources (i.e. in total liabilities & stockholders' equity).
Financial stability coefficient	0,95	0,90	0,951	Fixed assets to long-term sources ratio (shareholders' capital and reserves increased by long-term liabilities).
Accelerated liquidity coefficient	1,84	2,08	1,130	Ratio of current assets reduced by the stocks and short-term liabilities.
Current liquidity coefficient	1,87	2,11	1,130	Current assets to short-term liabilities ratio.
Activity indicators				
Ratio of total assets turnover	0,27	0,34	1,245	Total revenue to total assets ratio shows how many times in a year the disposable assets are used to generate total revenues.
Short-term assets turnover ratio	2,55	2,04	0,799	Total revenue to current assets ratio shows how many times a year the disposable current assets are used to generate total revenues.
Business performance indicators				
Cost effectiveness	1,24	1,19	0,960	Total revenue and total expenses ratio.
Profitability	16,44%	13,11%	0,797	Net profit/loss and total revenue ratio.
Return on assets	4,48%	4,45%	0,993	Annual rate of return on invested assets indicates the profit/loss and total asset ratio.
Share of EBITDA in total revenue	36,19%	30,61%	0,846	Earnings before interests, taxes, depreciation and amortization to total revenue ratio.
Share of EBIT in total revenue	22,04%	18,14%	0,823	Earnings before interests and taxes to total revenue ratio.

**Composition and indicators
of resources and sources of financing in the balance sheet as at 31/12/2022
and the presence of operating revenue in the sources of financing as at 31/12/2022**

Indicator	Year 2021	Year 2022	Index 2022/2021
Share of fixed assets in the assets	89,31	83,35	93,33
Share of current assets in the assets	10,69	16,65	155,75
Share of capital in reserves and in liabilities	75,66	72,84	96,27
Share of long-term commitments in the liabilities	19,08	19,29	101,10
Share of short-term commitments in the liabilities	5,71	7,88	138,00
Share of operating revenue in sources of financing			
Share of operating revenue in equity and reserves	36,32	46,48	127,97
Share of operating revenue in long-term commitments	142,40	175,46	123,22
Share of operating revenue in total commitments	109,59	124,59	113,69
Share of operating revenue in liabilities	27,17	33,85	124,59

Directly generated and distributed economic value

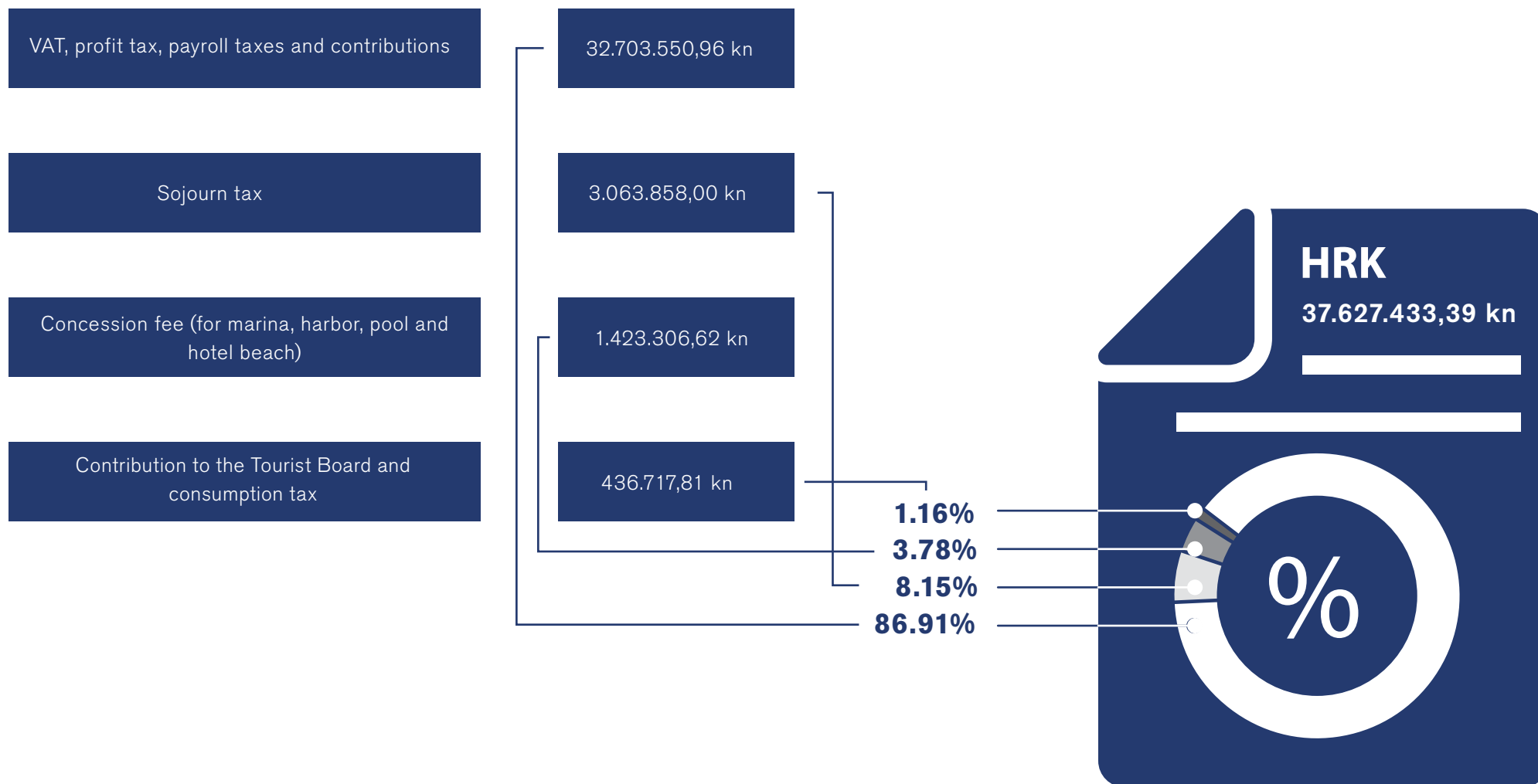
Description	2019	2021	2022	Index 2022/2021
Directly generated economic value	167.797.556,86	134.831.127,96	179.158.989,19	132,88
Revenues from sales	167.711.919,32	134.470.753,01	178.803.782,37	132,97
Other revenues	85.637,54	360.374,95	355.206,82	98,57
Distributed economic value	131.769.473,18	88.420.220,40	136.413.159,65	154,28
Operating costs	74.579.735,50	50.544.296,35	73.704.277,57	145,82
Employee salaries and benefits	42.380.521,92	34.873.994,57	49.986.093,58	143,33
Payment to capital providers	8.417.962,00	0,00	8.419.792,50	#DIV/0!
Payments to the government	5.864.208,53	2.378.888,61	3.669.886,29	154,27
Investments in the community	527.045,23	623.040,87	633.109,71	101,62
Retained economic value	36.028.083,68	46.410.907,56	42.745.829,54	92,10

*Payments to the government include salary taxes and immovable property tax.

In 2019 the Company was exempt from corporate income tax payment pursuant to the Investment Promotion Act.

Contribution to the state through taxes and public levies

Based on the economic success of its business, Ilirija d.d. significantly contributes to the state through taxes and public levies. In 2022, the Company paid a total of HRK 37,627,433.39 in taxes and public levies:

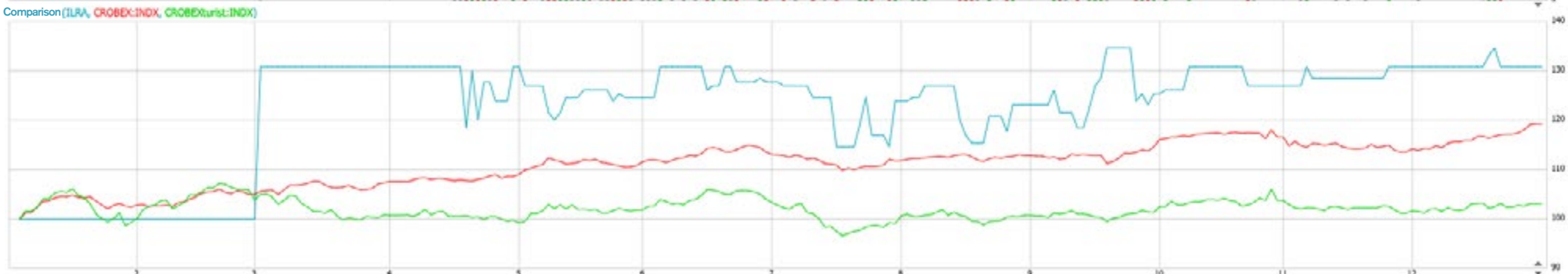


Capital market realisation

(amounts in HRK)	2022	2021	% of change
Total turnover	2.027.263,00	4.845.205,00	-58,16%
Average share price	174,99	168,02	4,15%
Average turnover per transaction	23.850,15	22.747,44	4,85%
Average daily turnover	53.349,03	57.002,41	-6,41%
Last share price	190,00	170,00	11,76%
Market capitalization*	458.562.720,00	410.292.960,00	11,76%
Market capitalization**	422.336.265,12	405.514.253,76	4,15%
Number of shares:	2.413.488	2.413.488	
<i>*indicated by the methodology of calculation according to the last share price multiplied with number of shares</i>			
<i>**indicated by the methodology of calculation according to the average share price multiplied with number of shares</i>			

In 2022, the ILRA share generated a lower volume of trading compared to 2021. A total of 11,585 shares were traded, and the turnover amounted to HRK 2,027,263.00, namely 58.16% less compared to the previous year. The average turnover per transaction amounted to HRK 23,850.15, constituting an increase of 4.85% compared to the same period of the previous year, with the average daily turnover amounting to HRK 53,349.03, representing a decrease of 6.41%. The last share price was increased from HRK 170.00 per share to HRK 190.00, representing an increase of 11.76%.

In proportion to the increase in the share price, while maintaining the same amount of issued shares, the market capitalization of the Company increased, which, expressed by the last share price in the observed period, amounted to HRK 458,562,720.00. The highest share price in 2022 amounted to HRK 195.00 per share. This constitutes an increase of 11.43% compared to the highest share price of HRK 175.00 in 2021.



4.3 Publications Under the Taxonomy Regulation

Disclosure specifications with key performance indicators

Ilirija d.d. classified all of its activities in accordance with the criteria set out in the last version of the European Taxonomy Regulation (Delegated Regulation (EU) 2021/2139 of the Commission of 4 July 2021), while the disclosure of key indicators and their specification is displayed in accordance with Delegated Regulation (EU) 2021/2178 of the Commission of 6 July 2021. Based on the aforementioned legislative framework, Ilirija d.d. is disclosing key performance indicators, i.e. revenue, capital expenditure and operating expenditure of taxonomically acceptable activities (the real-estate sector). Additionally, the Company also displayed key indicators of the Company's tourism sector whose activities (hotel, camping, nautical and hospitality) are not covered by the Taxonomy Regulation, i.e. are taxonomically unacceptable.

In order to calculate the above-mentioned indicators, the numerator and denominator were determined by re-cording, controlling and monitoring accounting and financial indicators for 2022, under the same accounting criteria implemented by the Ilirija d.d. Accounting and Finance Department.

Share of revenue from products and services related to the taxonomy-compliant economic activities

The key indicator relating to the revenue is calculated as a ratio of net revenue generated from taxonomically acceptable activities (the numerator) to the total revenue (the denominator). This revenue corresponds to the revenue approved in accordance with the International Accounting Standard (IAS) 1, paragraph 82(a), adopted by Commission Regulation (EC) No 1126/2008. The name of this key indicator is shown in Note 19 "Segment Information" of the 2022 Annual Report.

Economic activities	Code	Absolute turnover in HRK	Proportion of turnover %	Substantial contribution criteria						Does Not Significantly Harm (DNSH Criteria)						Minimum safeguards YES/NO	Taxonomy-aligned proportion of turnover N (%)	Taxonomy-aligned proportion of turnover N-1 (%)	Category (enabling activity) E	Category (transitional activity) T
				Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation YES/NO	Climate change adaptation YES/NO	Water and marine resources YES/NO	Circular economy YES/NO	Pollution YES/NO	Biodiversity and ecosystems YES/NO					
A. TAXONOMY ELIGIBLE ACTIVITIES (A.1 + A.2)																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)		0,00	0%	0%	0%	0%	0%	0%	0%	/	/	/	/	/	/	/	0%		0%	0%
Turnover of environmentally sustainable activities (Taxonomy-aligned) A.1"		0,00	0%	0%	0%	0%	0%	0%	0%	/	/	/	/	/	/	/	0%		0%	0%
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		/	/																	
7.7 Acquisition and ownership of buildings	L68	13.790.805,78 HRK	7,70																	
Turnover of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) A.2		/	/																	
Total (A.1. + A.2.)		13.790.805,78 HRK	7,70																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		165.368.183,41 HRK	92,30																	
Hotels and similar accommodation	155	165.368.183,41 HRK	92,30																	
TOTAL (A + B)		179.158.989,19 HRK	100%																	

TURNOVER

Share of capital expenditure for products or services related to the taxonomy-compliant economic activities

This indicator is defined as the ratio of acceptable and unacceptable taxonomy CapEx (the numerator) and the total CapEx (the denominator).

In order to calculate the CapEx numerator, first the activities which meet acceptable taxonomic criteria need to be identified. The taxonomically acceptable activity “Purchase and ownership of buildings” is calculated for one area of the company only, since this is the only activity found on the list of taxonomically acceptable activities. Currently there is no technical verification criteria for the Company’s main activity “Hotels, camps and similar accommodation”, which makes the activity taxonomically unacceptable.

All investments in the amount of HRK 20,359,080.56 that refer to investments in the hotel, camping, nautical sector and other facilities are included for the tourism activity, and are shown in Note 7 “Property, plant and equipment”. For the taxonomically acceptable activity “Purchase and ownership of buildings”, capital investments amount to HRK 387,241.55 and refer to investments in the “City Galleria” Business and Shopping Centre, and are shown in Note 8 “Investment property” of the 2022 Annual Report.

The total CapEx includes all investments in tangible and intangible assets in all sectors of the company in the amount of HRK 20,746,322.11.



Economic activities	Code			Substantial contribution criteria						Does Not Significantly Harm (DNSH Criteria)						Minimum safeguards YES/NO	Taxonomy-aligned proportion of CapEx year N (%)	Taxonomy-aligned proportion of CAPEX N-1 (%)	Category (enabling activity) E	Category (transitional activity) T
		Absolute CapEx in HRK	Proportion of CapEx %	Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation YES/NO	Climate change adaptation YES/NO	Water and marine resources YES/NO	Circular economy YES/NO	Pollution YES/NO	Biodiversity and ecosystems YES/NO					
A. TAXONOMY-ELIGIBLE ACTIVITIES (A.1 + A.2)																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)		0,00	0%	0%	0%	0%	0%	0%	0%	/	/	/	/	/	/	/	0%		0%	0%
CapEx of environmentally sustainable activities (Taxonomy-aligned) A.1		0,00	0%	0%	0%	0%	0%	0%	0%	/	/	/	/	/	/	/	0%			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
7.7 Acquisition and ownership of buildings	L68	387.241,55 HRK	1,87%																	
CapEx of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) A.2																				
Total (A.1 + A.2)		387.241,55 HRK	1,87%																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		20.359.080,56 HRK	98,13%																	
Hotels and similar accommodation	I55	20.359.080,56 HRK	98,13%																	
TOTAL (A + B)		20.746.322,11 HRK	100%																	

CAPEX

Share of operating expenditure for products or services related to the taxonomy-compliant economic activities

This indicator is defined as the ratio of acceptable and unacceptable taxonomy OpExes (the numerator) and the total OpExes (the denominator).

The numerator of the OpEx consists of the operating expenditure of taxonomically acceptable activities in the total of HRK 4,967,115.49, or 6.47% in comparison to the Company's total operating expenditure.

The numerator of the OpEx consists of the operating expenditure of taxonomically unacceptable activities in the total of HRK 71,749,376.57, or 93.53% in comparison to the company's total operating expenditure.

The total OpEx is the sum of all operating expenditure in accordance with IFRS standards, as indicated in the 2022 Annual report in Notes 21, 22 and 24. The above is calculated by the sum of the Company's total operating expenditure reduced by the salaries and salary expenditure and Note 23 from the financial report.

The OpEx numerator represents the total OpEx, i.e. all operating expenditure (raw material, material and energy expenses, service expenses and other operating expenditure).



Economic activities	Code			Substantial contribution criteria						Does Not Significantly Harm (DNSH Criteria)						Minimum safeguards YES/NO	Taxonomy aligned proportion of OpEx, year N%	Taxonomy-aligned proportion of OpEx N-1 (%)	Category (enabling activity) E	Category (transitional activity) T
		Absolute OpEx in HRK	Proportion of OpEx %	Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation YES/NO	Climate change adaptation YES/NO	Water and marine resources YES/NO	Circular economy YES/NO	Pollution YES/NO	Biodiversity and ecosystems YES/NO					
A. TAXONOMY - ELIGIBLE ACTIVITIES (A.1 + A.2)																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)		0,00	0%	0%	0%	0%	0%	0%	0%	/	/	/	/	/	/	/	0%		0%	0%
OpEx of environmentally sustainable activities (Taxonomy-aligned) A.1.		0,00	0%	0%	0%	0%	0%	0%	0%	/	/	/	/	/	/	/	0%		0%	0%
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		/	/																	
7.7 Acquisition and ownership of buildings		L68	4.967.115,49 HRK																	6,47%
OpEx of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) A.2		/	/																	
Total (A.1 + A.2)		4.967.115,49 HRK	6,47%																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		71.749.376,57 HRK	93,53%																	
Hotels and similar accommodation		I55	71.749.376,57 HRK																	93,53%
TOTAL (A + B)		76.716.492,06 HRK	100%																	

OPEX



5 | CORPORATE ENVIRONMENTAL RESPONSIBILITY

5.1 Environmental Management

The Company bases its business policy on management in line with the principles of sustainable and responsible development, with particular focus on environmental protection, as the environment is the fundamental resource of the tourism industry and the foundation of sustainable and responsible tourism development. Environmental protection represents a significant segment of the Company's integrated management systems and is a part of its strategic decisions and business processes.

As the leading tourist company in Biograd na Moru and its surroundings, Ilirija d.d. is aware of the impact of its business activities and operations on the environment, which is why it is committed, in the long term, to protecting and preserving the environment as the basic resource for tourist activities, as well as to preventing pollution, i.e. minimising it, in all of its business processes and activities. This is why environmental issues are of a major significance for the company given their possible impacts on the economic, environmental and social aspects of its business.

The Head of Environmental Protection and Horticulture has been appointed within the company, and they answer to the Management Board. At the annual level, the Head of Environmental Protection prepares plans and activities with defined goals at the level of the entire business system, but also of each individual sector, taking into account their specific nature and the operational nature of the business activity.



Environmental Management



Management Board –
Sustainable and responsible
tourism

Department for the Protection of
the Environment and Landscaping

Education

International standards and
certificates

Quality and environmental policy

Legal regulations



Objectives and activities related to environmental protection (waste, waste water, air, hazardous substances, energy sources) in 2022:

- systematic approach to environmental protection while adhering to the legal regulations underlying the environmental protection and sustainable development,
- fulfilment of prescribed obligations towards the competent state administration bodies,
- anticipation, monitoring, prevention, limitation and elimination of possible adverse environmental impacts through defined business risks,
- ensuring adequate protection against the impact of numerous environmental pressures (soil, air, water) caused by waste, hazardous substances, emissions of polluting gases, radiation, noise, etc.
- encouraging the use of environmentally friendly products and operating procedures,
- proper resource and energy management,
- encouraging the use of renewable natural sources and energies,
- adoption of new plans and measures through documents on environmental protection and sustainable development within the standard ISO 14001: 2015,
- providing education regarding the laws of comprehensive environmental protection,

5.2 Environmental Standards Met and Certifications Obtained



Green Key is a certification programme for accommodation units designed to raise awareness among owners, staff and clients regarding the need for environmental protection and the need to promote sustainable development. It is awarded to accommodation facilities, which decrease adverse impacts on the environment through the optimisation of the use of energy sources, waste management, educating the guests and staff on the most significant aspects of sustainable development and environmental protection. Ilirija's "Park Soline" campsite was awarded this international certificate in 2013, and in 2022 it is still the holder of this certificate, which once again proved its standing commitment to the fundamental values of sustainable development.



The Company implemented an integrated environmental and quality management system under the ISO 9001:2015 (quality management) and ISO 14001:2015 (environmental management) standards, by which it focuses on the continued improvement of processes connected to the service quality and standards enhancement, the enhancement of operational and management processes, at the same time connected to the environmental management system. By implementing the integrated Environmental and Quality Policy, through the integration of ISO standards, the Company confirms its main focus on long-term business stability based on responsible and sustainable business operations. During 2022, regular control audits for integrated systems were performed.



By following and adhering to environmental legislation in the environmental field, and by implementing an integrated Environmental and Quality Policy (integration of ISO 9001:2015, the quality management system standard, with ISO 14001:2015, the environmental management system standard), as well as by adhering to domestic and international eco standards, the Company reaffirms its fundamental commitment – to preserve the environment for future generations. As a responsible business entity, the Company devotes considerable efforts to and carries out continual activities focused on the implementation of standards, procedures and regulations of the European Union on all environmental protection aspects (conservation of marine waters, coasts, water, air, soil).

In addition to adhering to legal requirements, the Company strives to implement international environmental standards, even though they do not constitute a legal requirement.



The Blue Flag is an international ecological programme for the protection of the sea and coastal environment, whose primary objective is sustainable control and management of the sea and the coastline. Today, the Blue Flag is the most recognized model of environmental education and public communication in the world when it comes to the protection of the sea and the coastal zone, and especially when it comes to the protection of the most stressed coastal areas, namely beaches and marinas. The Marina Kornati has been proudly displaying the Blue Flag since 2004.



The Advanced Sustainable Hotel certificate has been awarded to the Ilirija Hotel by the Association of Employers in Croatian Hospitality as part of the project "Green Business Practices in the Hotel Industry". The certificate is obtained based on business management that is built on the principles and standards of sustainable and green business practices. The Company has supported the project from its very start by meeting the criteria from nine areas (management, procurement, sales, environment, energy management, marketing and public relations, food and beverage, household and programmes). In 2019, the Ilirija Hotel was successfully recertified and upgraded from being a holder of the Basic certificate to being a holder of the Advanced Sustainable certificate.



The "**Ecocamping**" certificate is part of an international project in which the "Park Soline" camp participates. The Ecocamping Network, consisting of more than 225 camps from six European countries, is committed to promoting ecology, sustainable development and socially responsible business even further, with particular emphasis on efficient energy management (water, electricity), waste sorting and recycling, preservation of nature and biodiversity, as well as abandoning the use of chemicals.



The "Park Soline" camp has joined the "**CAMPING in PARKS**" project, which unites national and nature parks offering activities and easily accessible accommodation on camp pitches or in mobile homes in close proximity.

5.3 Trainings and activities

In 2022, a series of internal trainings for the Company's departments regarding ecology and environmental protection were held. Good cooperation with the "Ante Kuzmanić" Secondary Medical School from Zadar continues, as part of which systematic training programmes are being developed, which will be carried out according to precisely defined programmes.

With the Adriatic Training and Research Centre for accidental marine pollution preparedness and response (ATRAC), the educational programme "Fundamentals of Accidental Pollution and Response to Accidental Pollution of the Marine Environment" was implemented for employees who are the first responders in the event of an accidental sea pollution with oil, petroleum and other environmentally harmful substances that can be discharged by ships. The goal of the training was to provide the operational staff responsible for field cleaning operations, i.e. the first responders with a complete overview of the various spill remediation and shoreline clean-up techniques available so they can become effective team members for responding to a variety of marine and coastal pollution. Therefore, the training was provided to the first responders, i.e. to operational personnel responsible for conducting field cleaning operations, their training in managing and leading a small group of employees, improvement of basic technical and communication skills including field logistics, deployment and use of equipment, maritime operations and coastal cleaning, responsibility for health, safety and environmental issues during the operation.

The cleaning of the waters of Marina Kornati is already a traditional event held at the end of April on the occasion of Earth Day. This year, divers from the Sveti Roko Diving Club together with the employees of Marina Kornati participated in cleaning the seabed and the coast of Marina Kornati's waters from different types of waste.

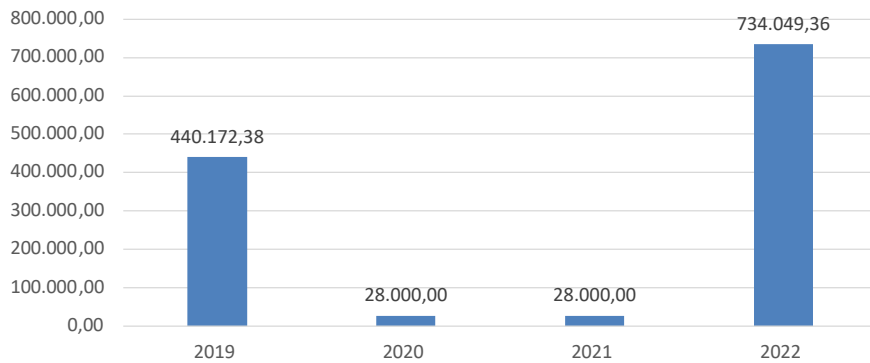


5.4 Investment in the Environment

In 2022, more significant investments were made in the environmental management segment than in previous years due to the impact and consequences of the pandemic. In addition to environmental standards and training, the first electric vehicle and vessel for protection against fire and potential pollution were purchased for Marina Kornati. Since the risk of fire is one of the greatest risks in the nautical sector, the Company acquired a fireboat, specially designed and equipped for rescue and fire-fighting activities, to minimise this risk and to ensure timely reaction in case of a fire in order to protect the lives and wellbeing of its guests and employees, as well as to protect property (extinguishing coastal fires, ship fires, fires in ports and marinas, coastal warehouses and coastal areas accessible only from the sea). Investments continued in technical solutions and materials that have a positive impact on the Company's footprint on the environment.

	2019	2020	2021	2022
Total	440.172,38	28.000,00	28.000,00	734.049,36

Investment in the environment



Energy management



daily and monthly control at the level of each facility and the entire Company



setting annual goals for optimal energy use



strategic commitment of the company to the transition to environmentally acceptable energy sources



use of energy from renewable sources



energy efficiency when purchasing new devices, and



education of employees and guests

5.5 Energy

In 2022, the Company used the following energy sources

1

electricity

2

fuel oil

3

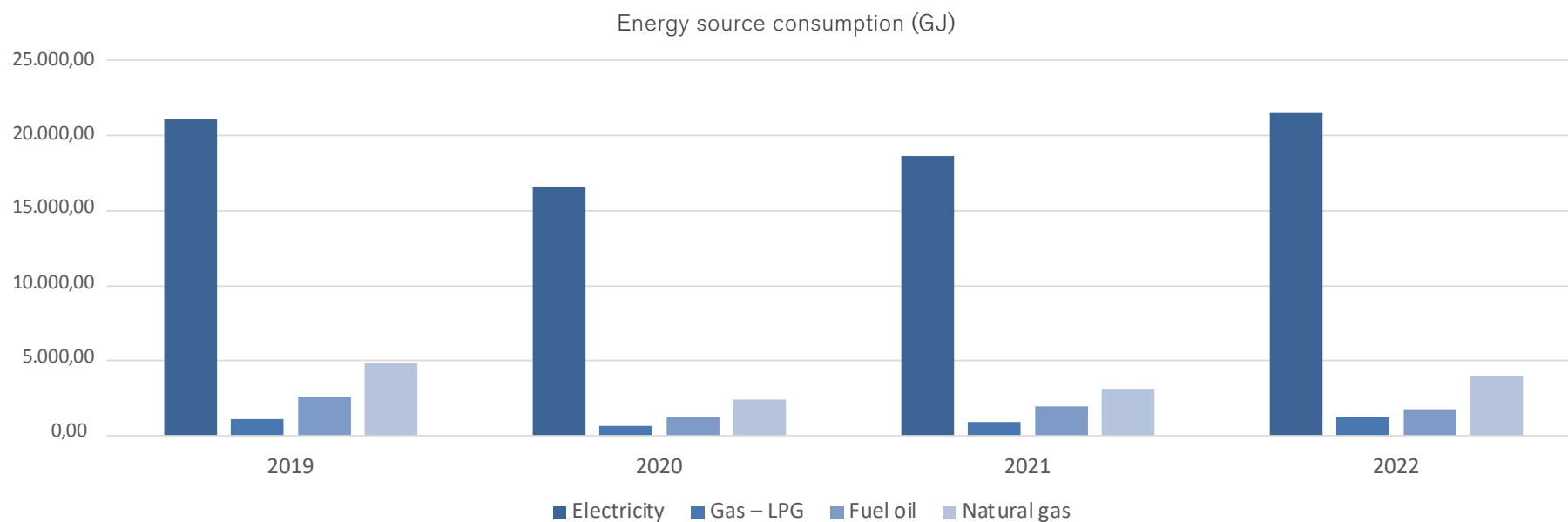
gas

(LPG and natural gas)

Energy is a material topic due to its effect on economic, environmental and social impacts of the Company. On-site maintenance services also take care of installed, large and small energy/resource consumers. Internal preventive inspections are regularly carried out, as well as external inspections by a maintenance service provider. When choosing new devices, i.e. electrical consumers attention is paid to their energy efficiency class, all for the purpose of improved energy efficiency. Among other, smaller activities are systematically and continuously carried out, such as the gradual replacement of existing lighting fixtures with LED bulbs, installation of energy-saving aerators that have been installed on all faucets.

Total energy consumption within the organization, expressed in GJ

Energy source (GJ)	2019	2020	2021	2022
Electricity	21.085,49	16.545,97	18.580,62	21.451,73
Gas – LPG	1.126,7	693,68	960,75	1.265,62
Fuel oil	2.650,49	1.290,09	1.990,37	1.796,15
Natural gas	4.833,31	2.420,31	3.167,04	4.002,16
Total	29.695,99	20.950,05	24.698,78	28.515,66



Total energy consumption within the organization expressed in the original units of measurement

Energy source	2019	2020	2021	2022
Electricity (kWh)	5.857.078,00	4.596.106,00	5.161.145,00	5.958.815,00
Gas – LPG (kg)	25.040,00	15.415,00	21.348,00	28.125,00
Fuel oil (l)	75.698,00	36.845,00	56.845,00	51.298,00
Natural gas (kwh)	1.342.585,00	672.310,00	879.711,00	1.111.712,00

Electricity consumption by sectors expressed in GJ

Year	2019	2020	2021	2022
Hotel sector	8.328,93	4.311,19	5.455,41	7.643,00
Camping sector	1.789,22	3.107,09	2.597,77	3.220,90
Nautical sector	2.870,05	2.245,53	2.821,74	2.756,50
Other	8.097,29	6.882,16	7.705,70	7.831,30
Total	21.085,49	16.545,97	18.580,62	21.451,70

The total energy consumption at the Company level increased across all energy sources, with the exception of heating oil due to a more significant share in the consumption of natural gas as the ecologically cleaner energy source, compared to the previous year following a significant increase in the volume of business activities in the Company's tourism sectors, especially hotels and camping due to the recovery of tourist demand.

Energy intensity

Energy intensity shows the ratio of consumed electricity to the total number of overnight stays in the hotel and camping sectors, as well as the total number of berths in the nautical sector.

	2019			2020			2021			2022		
Total electricity consumption by sector	GJ	Number of overnight stays	"Energy intensity"	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity
Hotel sector	8.328,93	146.885,00	0,06	4.311,19	31.738,00	0,14	5.455,41	76.113,00	0,07	7.643,00	100.551,00	0,08
Camping sector	1.789,22	290.326,00	0,01	3.107,09	139.052,00	0,02	2.597,77	236.878,00	0,01	3.220,90	312.057,00	0,01
Total (hotel and camping sectors)	10.118,15	437.211,00	0,02	7.418,28	170.790,00	0,04	8.053,18	312.991,00	0,03	10.863,90	412.608,00	0,03

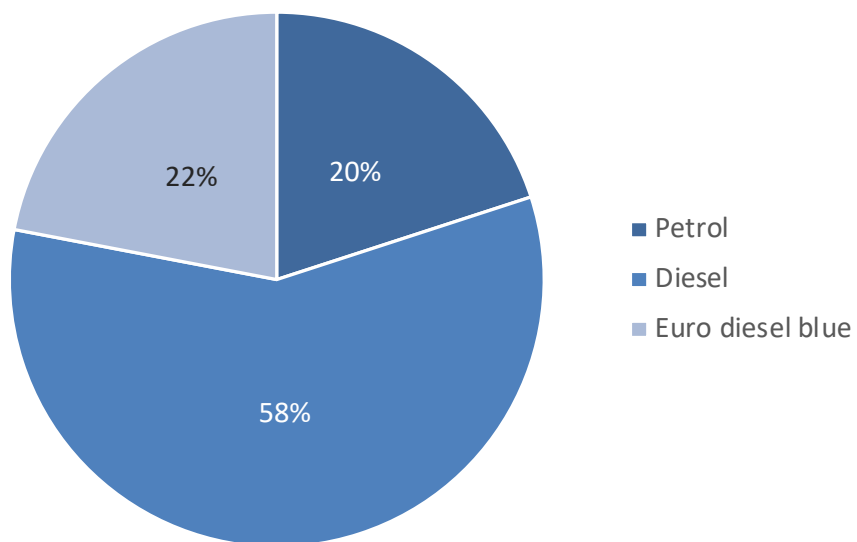
	2019			2020			2021			2022		
Total 64 electricity consumption by sector	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity
Nautical sector	2.870,05	805	3,56	2.245,53	805	2,79	2.821,74	805	3,50	2.756,50	805	3,42

Energy consumption outside the organization

Energy consumption outside the organization refers to fuel consumption (petrol, diesel, euro blue diesel) expressed in litres for the fuel used by company vehicles, working machines and vessels, as well as the fuel used by passenger cars for company purposes.

Vehicle fuels (l)	2019	2020	2021	2022
Passenger cars	55.391,00	52.749,00	47.656,00	46.529,00
Work vehicles and machines	49.914,00	32.267,00	32.380,00	39.808,00
Boat "Nada"	24.225,00	4.216,00	14.364,00	27.062,00
Other vessels	11.968,00	4.517,00	4.421,00	7.523,00
Total	141.498,00	93.749,00	98.821,00	120.922,00

Fuel consumption ratio in 2022



Total natural gas consumption by sector

Year	2019	2020	2021	2022
Hotel sector	4.833,31	2.420,31	3.166,96	4.002,16
Camping sector	0	0	0	0
Nautical sector	0	0	0	0
Other	0	0	0	0
Total	4.833,31	2.420,31	3166.96	4.002,16

Ratio of natural gas consumed per night in the hotel sector

	2019			2020			2021			2022		
	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity
Total gas consumption by sector												
Hotel sector	4.833,31	146.885,00	0,03	2.420,31	31.738,00	0,08	3.167,05	76.113,00	0,05	4.002,16	100.551,00	0,04

Gas (LPG) consumption by business sector in the 2019-2022 period

Year	2019	2020	2021	2022
Total gas (LPG) consumption by sector (GJ)				
Hotel sector	147,10	0,00	0,00	126,45
Camping sector	766,40	565,20	799,05	992,02
Nautical sector	197,90	121,73	150,45	137,25
Other	15,30	6,75	11,25	9,90
Total	1.126,70	693,68	960,75	1.265,62

Ratio of LPG consumed per night in the hotel sector and camping

	2019			2020			2021			2022		
	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity
Total LPG consumption by sector												
Hotel sector	147,1	146.885,00	0,001	0,00	31.738,00	0,00	0,00	76.113,00	0,00	126,45	100.551,00	0,001
Camping sector	766,4	290.326,00	0,003	565,2	139.052,00	0,004	799,05	236.878,00	0,003	992,02	312.057,00	0,003
Total (hotel and camping sectors)	913,5	437.211,00	0,002	565,2	170.790,00	0,003	799,05	312.991,00	0,003	1.118,47	412.608,00	0,003

Gas consumption ratio (LPG) per berth in nautical sector

Total LPG consumption by sector	2019			2020			2021			2022		
	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity
Nautical sector	197,9	805	0,24	121,73	805	0,15	150,45	805	0,18	137,25	805	0,17



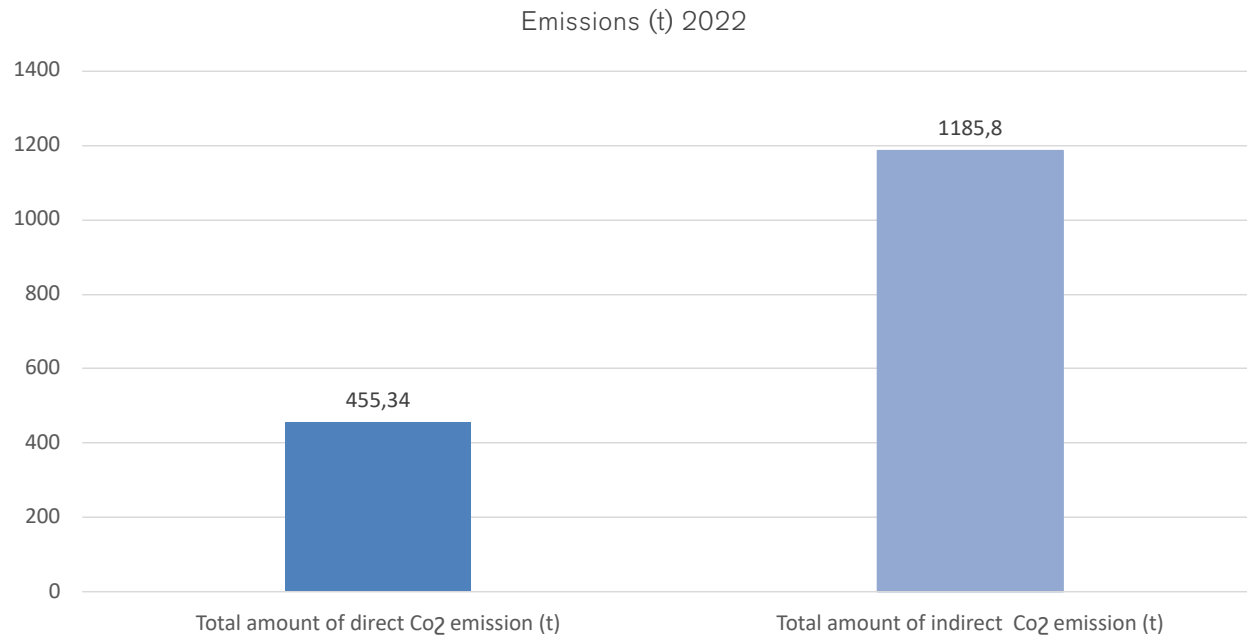
CO₂ emissions

Of the gases emitted into the atmosphere by human activity, the most attention is given to carbon dioxide, which has the greatest effect on the warming of the Earth and remains in the atmosphere the longest. The amount of CO₂ emitted in 2022 totalled 455.34 t for direct emissions, and 1185.80 t for indirect emissions.

We measure carbon dioxide emissions based on the data on energy consumption and emission factors of the standard "GHG Protocol Corporate Standard developed by the World Resources Institute (WRI) and the World Business Council on Sustainable Development (WBCSD)".

The Company strives to reduce the direct emission of all greenhouse gases when using energy sources such as heating oil, natural gas and liquefied petroleum gas. We achieve this by rational consumption of hot water and an increase in indirect emissions resulting from the use of electricity.

Air conditioners and refrigerators contain refrigerants having the potential to damage the ozone layer. In order to prevent unwanted gas leaks, we regularly service the devices and keep records thereof.



Water management approach



daily and monthly control
of each facility and the
entire Company



use of water from the wellbore
for the irrigation of horticultural
areas at the campsite,



controlled discharge
of waste waters



regular technical
maintenance and inspection
of water supply installations



education of employees
and guests with the help of
informational materials/signs

5.6 Water

All of Company facilities are supplied with drinking water from the local water supply, which also shows that it acts on a local and regional level, while the irrigation of horticultural and green areas of the campsite has been carried out applying the drip irrigation method ever since 2013, using our own well at a depth of 60 metres, which has been legalised and has a valid water rights permit, i.e. a permit which defines the quantity of water to be pumped on an annual basis. The campsite's own water source allows it to have a high level of horticultural landscaping with the maximum possible preservation of the natural resources. Through the operational activities of its departments, the Company is able to dedicate itself to reducing the use of drinking water as one of the most important resources which has a significant impact on the environmental and economic performance.

Maintenance services perform preventive controls of internal water supply installations and actively participate in the activities aimed at reducing the consumption of drinking water. This is why, in order to reduce the consumption of drinking water in the "Park Soline" campsite, maintenance staff installed water-saving aerators on all taps and showers in all communal bathroom facilities (850 taps/showers in total in the entire campsite), while a total of 790 water-saving aerators have been so far installed into hotel rooms.



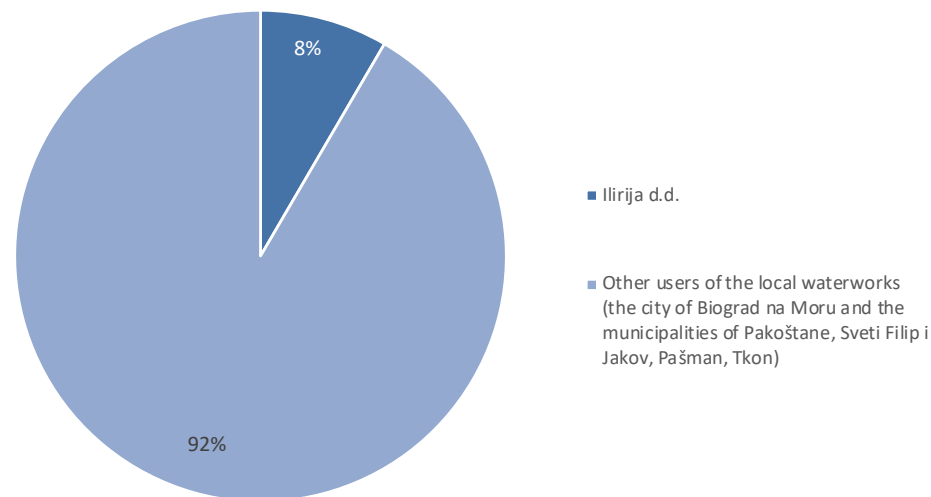
Overview of water consumption by sector

Total water consumption (m ³)	2019	2020	2021	2022
Hotel sector	60.454,00	27.604,00	50.992,00	72.159,00
Camping sector	70.201,00	33.579,00	44.437,00	52.390,00
Nautical sector	32.716,00	29.914,00	32.723,00	37.343,00
Other	17.068,00	13.440,00	14.800,00	16.753,00
Total	180.439,00	104.537,00	142.952,00	178.645,00

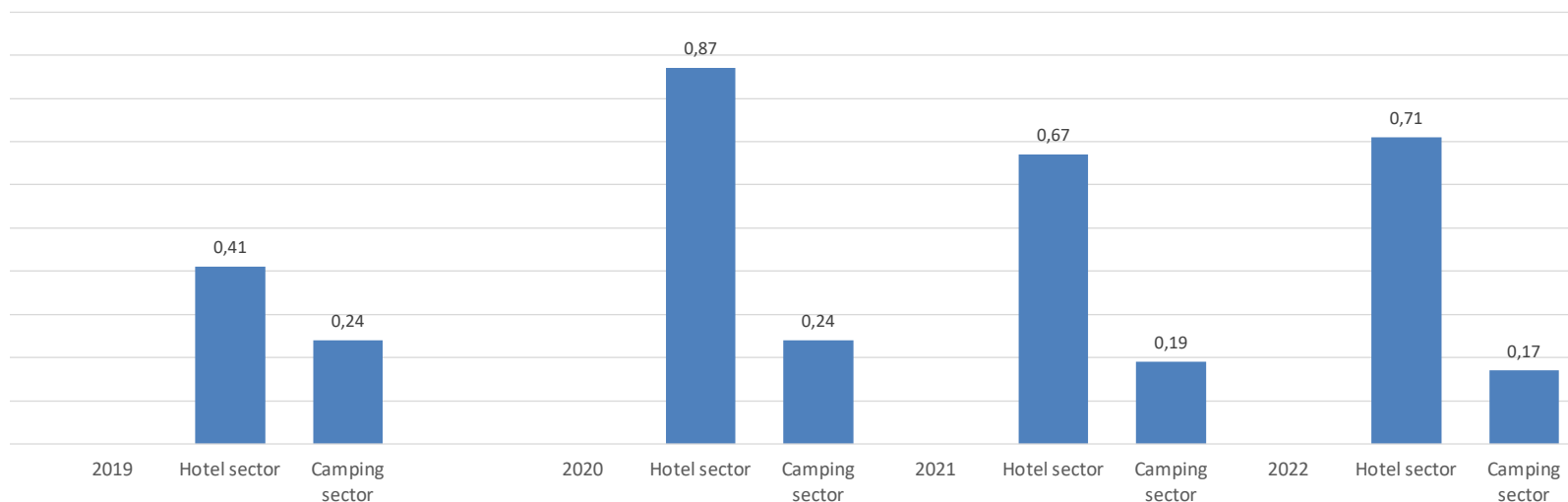


Water consumption at the Company level and all its sectors grew significantly compared to 2021, which is a direct consequence of the significant growth of tourist traffic in 2022, especially in the camping and hotel sector, as well as significant business activities in the post-season, which was absent in previous years.

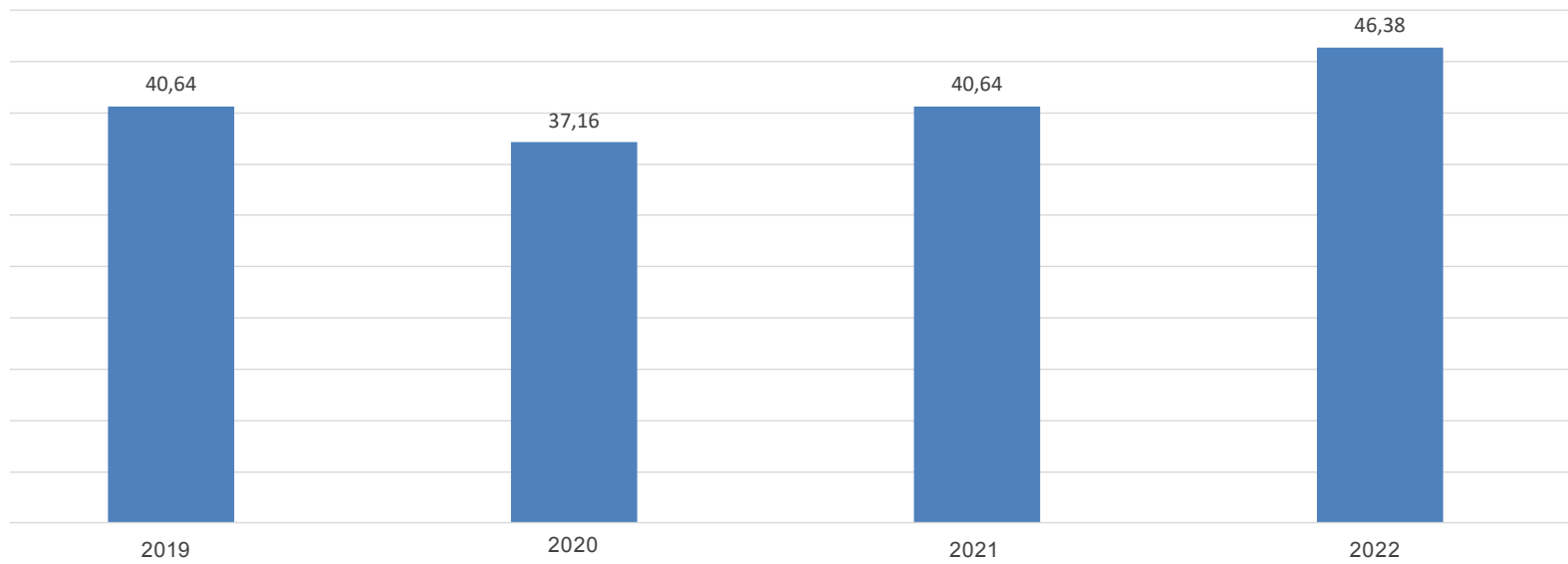
Proportions of water delivered to Ilirija d.d. compared to other consumers in 2022.



Water consumption (m³) by number of overnight stays in hotel and camping sectors



Water consumption (m³) per berth in the nautical sector



Total amount of ground-water (m ³) abstracted from the S-1 wellbore in the Park Soline camp	2019	2020	2021	2022
	8055	5456	5134	3782

5.7 Effluents and Waste

Before they are released into the city's sewage, all waste waters from our facilities are submitted to a certain type of pre-processing, i.e. purification. This is as far as the impact of the company's waste waters on the environment goes. Industrial waste waters generated at the ship-cleaning facility in the Marina Kornati go through a physical-chemical purifier prior to being discharged. This purifier is regularly maintained, and the quality of discharged water is checked through an approved laboratory in accordance with the water rights permit. When the purifier is in use, the maintenance service daily controls its operation and the consumption of water conditioning agents, and also controls this outlet upon request. In accordance with their recommendations, the parts are regularly replaced, and existing ones are replaced with better, newer, or more efficient parts.

So far, and thus also in the reporting period, there have been no reports or complaints about any accidental discharge or about the discharging of waste waters of unacceptable composition or quality into the sea. In fact, the Marina Kornati has been proudly displaying the internationally recognized Blue Flag.

The hospitality capacities at our hotels, camp and marina have mechanical and physical separators of edible oils and fats installed, and they are regularly inspected by internal maintenance services and authorized external companies before being discharged into the public sewage system. Moreover, parking areas of our facilities are also equipped with separators. Authorised companies are in charge of their cleaning. The waste generated in the separators during any pre-treatment (sludge or oily waters) is disposed of by authorized companies, which is recorded by the Environmental Protection Service. During the last four years, all waste water from the Company's facilities was tested by an authorised laboratory if required by the water permit. The discharged waste waters are not recycled or returned in any way to the system for reuse. The destination of all waste waters produced at the Company's facilities is the public drainage system, except for the waters generated at the ship-cleaning facility at the Marina Kornati. Despite its size and requirements, the Park Soline camp is one of the rare camps in Croatia to discharge all its waste waters through manholes into the public drainage system, which goes to the city's final treatment plant.

Waste waters

Year	2019	2020	2021	2022
Total affected waters (m ³)	188.494,00	109.993,00	152.752,00	182.427,00
Waters from local waterworks (m ³)	180.439,00	104.537,00	142.952,00	178.645,00
Underground well (m ³)	8.055,00	5.456,00	9.800,00	3.782,00
Public drainage system (m ³)	144.351,20	83.629,60	122.044,00	145.942,00
Sea (after processing in the purifier)	417,50	273,50	345,50	429,50
Emptying in the field (irrigation/watering of sports grounds)	3.680,30	3.383,90	5.830,00	7.995,00

The total amount of waste waters discharged into the public drainage system was obtained by estimating the total amount of the water abstracted from the water supply system. The total quantities required for irrigation and watering of sports fields were obtained by estimating the consumption of water read on meters (water meters). For the purpose of washing ships in the marina, the average water consumption per washed vessel was also estimated. Waste waters generated in the laundry room were estimated based on a key according to the consumption of the hotel in which the laundry room is located, and which has its own meter (water meter).

Waste

Amounts of waste produced in the period from 2019 to 2022, by type of waste

Types of waste	2019	2020	2021	2022
Hazardous waste (t/year)	28,49	30,73	30,73	47,34
Non-hazardous waste (t/year)	414,45	37,61	56,47	46,083
Mixed municipal waste (t/year)	303,70	286,42	420	505,31
Total (t/year)	746,64	354,76	507,20	598,73

In 2022, more waste was produced compared to the previous year due to the growth of business activities and a more significant investment cycle, which resulted in the growth of municipal waste, which consequently largely contributed to the total growth of waste.

Non-hazardous waste



Paper and cardboard
(25.69t)



Plastic (3.27t)



Glass (1.14t)



Metal (0.70t)



Fat and oil mixtures from
the separator (11.00t)



Edible oils and fats (3.35t)



Biodegradable waste (0.93t)

Hazardous waste



Waste printing toners containing hazardous substances (0.18t)



Fluorescent tubes and other waste containing mercury (0.002t)



Other motor, engine, machine and lubricating oils (18.00t)



Sludges from oil/water separators (2.80t)



Oily water from oil/ water separators (20.70t)



Packaging material that contains residues of or is contaminated by hazardous substances (2.39t)



Absorbents, filter materials, wiping cloths and protective clothing contaminated by hazardous substances (1.26t)



Oil filters (1.91t)



Infectious medical waste (0,01t)



Electronic waste (0,09t)



Compliance with legal requirements



Own Environmental Quality and Protection Policy



Implementation of national and international standards related to environment protection



No fines or sanctions issued by competent authorities in relation to environment protection



Renewed water rights permits for the campsite and the marina

5.8 Compliance with Environmental Protection Regulations

By following and adhering to environmental legislation and to our internal Environmental and Quality Policy, we reaffirm our fundamental commitment and aspiration to make sustainable progress.

Regular inspections confirm the Company's compliance with legal regulations, while external audits of its international eco-labels or standards serve as tools to improve our environmental focus and enable it to grow and address all processes with an effect on the environment in a more comprehensive way. Company employees systematically keep track of changes in legislation and update their own internal documents accordingly.

During 2022, there were no fines or sanctions issued by the competent authorities in relation to any non-compliances with the law, i.e. regulations relating to the environment. In addition, in the same year, two inspections were carried for the purpose of extending the water rights permits for the "Park Soline" campsite and Marina Kornati, which were successfully renewed.



5.9 Horticultural and Spatial Design

The Company pays special attention to horticultural design and landscaping in all facilities in which it does business, with a special emphasis on the camping sector and the "Park Soline" camp. Since 2004, works on cleaning and thinning the existing, impassable and neglected parts of the camp were initiated in the "Park Soline" campsite. Garrigue prevailed, consisting of: Aleppo pine (*Pinus halepensis*) 60%, holm oak (*Quercus ilex*) 30%, and oak (*Quercus*) 10% with low undergrowth: turpentine tree, Phillyrea, Inula, spiny spurge, laurestine, etc. The works were continuously monitored by Hrvatske šume d.o.o., and everything was performed in agreement with them, especially in the professional segment of forest conservation. Horticultural works have been performed in order to rehabilitate, i.e. restore and protect the vegetation cover to the greatest possible extent. In order to further improve the existing plantings and the structural composition of dendrological plants in the "Park Soline" campsite, a completely new planting material was planted. We enrich the campsite with Mediterranean plants with the aim of preserving the existing landscape. This includes trees planted in every free space, various species of Mediterranean bushes, smaller perennial plants, climbing plants, ground covering plants, hedges (green fences) etc. The area is dominated by oleander (*Nerium oleander*), pittosporum (*Pittosporum tobira*), laurel (*Laurus nobilis*), trumpet vine (*Campsis radicans*), rosemary (*Rosmarinus officinalis*), European nettle tree (*Celtis australis*), lime trees (*Tilia*), mimosas (*Acacia dealbata*), cypresses (*Cupressus sempervirens*), black locust trees (*Robinia pseudoacacia*), magnolias (*Magnolia grandiflora*), and many other species.

This approach to landscaping, improving and creating a campsite-park, with a lot of effort invested and a desire to develop it to the level of a unique arboretum, is unique among Croatian camps. From 2004 until today, exceptional attention was paid to rehabilitation, i.e. sanitary pruning of trees in the entire campsite, which was carried out by trained and equipped companies on thousands of existing trees. In 2022, the aim was to supplement the existing plantations with new species that contribute to the design and mission of making the campsite a unique park environment with special locations that will impress all visitors. Due to the extremely demanding maintenance thereof, biocidal preparations are used, but to the smallest possible extent, and watering is performed rationally.



10,549 seedlings planted



Landscaping the campsite at the level of a campsite-park



Preservation of biodiversity by enriching the area with Mediterranean plants

Total number of planted seedlings by sectors of Ilirija d.d.	2019	2020	2021	2022
Hotel sector	7793	6914	7300	7676
Camping sector	2570	1430	2200	1289
Nautical sector	1272	705	1100	1584
Total	11635	9049	10600	10549



**6 | CORPORATE
SOCIAL
RESPONSIBILITY**

The fundamental principles of the Company in human resources management and employment are as follows:

1

Protection and preservation of health and life of employees

2

Retention of working-age, highly qualified and professional employees at all levels

3

Retention of full employment

4

Development of human resources at all levels

5

Continuous education

6

Financial situation improvement

6.1 Employment

Employment is a material topic for the Company, considering the fact that employees, especially in the tourism industry, facilitate the business process, and on the one hand actively participate in the development of products and services, and at the same time contribute to the realisation of planned business results and the quality of services provided. The limits of influence within the company extend to all employees within all sectors and services or profit centres, while outside the company, the limits of influence are limited to the local or regional level of the area of operation. The local level refers to the town of Biograd na Moru, as well as to surrounding towns and municipalities, while the regional level covers the area of the Zadar County.

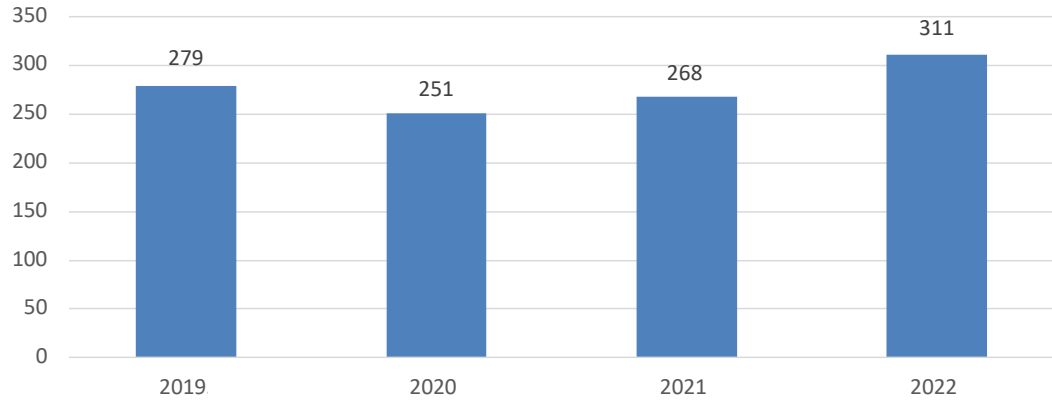
In its business strategy and operational activities, Ilirija d.d. pays exceptional attention to the development and management of human resources, which is especially evident in the challenging business conditions of the last two years marked by the COVID-19 pandemic and the disrupted macroeconomic environment. Starting from the fact that employees facilitate the entire business process, especially in the part of service provision, the Company strives to maintain the optimum number of employees through an active personnel policy, improving the material position and rights of employees, developing their competencies and providing continuous upskilling.

At the Company level, coordinated by the Management Board, the Human Resources and Payroll Service and of Sector Managers are coordinated. They plan the necessary personnel at the operational level, i.e. they plan the optimal number of permanent and seasonal employees by profit centres, by sectors and at the level of the entire system for the next financial year. In addition to the planned number of employees being defined on a daily, weekly and monthly basis, their jobs are defined as well, and so is the beginning and end of their employment, which is ultimately confirmed and approved by the Management Board. In coordination with sector managers, the HR department carries out the staff selection and placement process.

Overview of employees by month for 2022

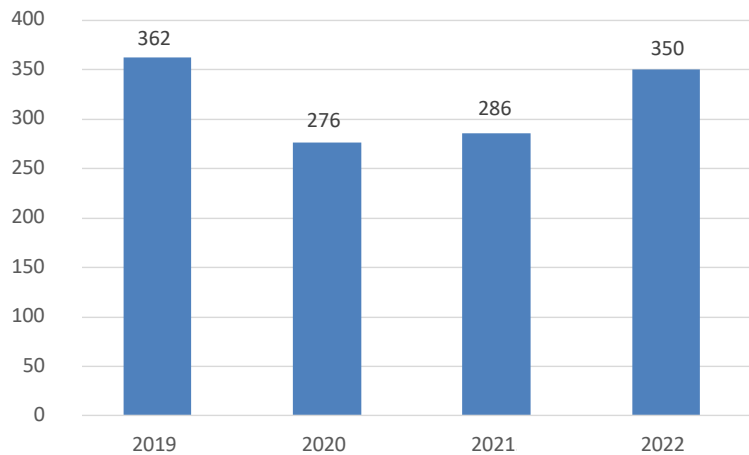
Number	PROFIT CENTER/ORGANIZATIONAL UNIT	NUMBER OF EMPLOYEES IN 2022											
		01/01	28/02	31/03	30/04	31/05	30/06	31/07	31/08	30/09	31/10	30/11	31/12
	*PROFIT CENTERS												
1	ADRIATIC HOTEL	10	10	8	7	16	21	28	28	25	13	23	27
2	ILIRIJA HOTEL	31	31	30	43	44	47	48	48	47	47	44	43
3	KORNATI HOTEL	24	22	14	25	30	33	34	34	32	24	27	33
4	VILLA DONAT HOTEL	0	0	0	4	4	20	28	28	21	2	0	0
5	LAVENDER	3	1	1	3	3	5	8	8	7	3	3	3
6	MARINA KORNATI	52	52	52	52	53	56	59	59	59	59	56	55
7	RESTAURANT "MARINA KORNATI"	17	15	14	15	13	13	14	14	14	22	19	18
8	AQUATIC CENTER	0	0	0	0	2	9	10	13	6	2	0	0
9	TOURIST AGENCY	3	3	3	3	3	3	5	5	3	3	3	3
10	"PARK SOLINE" CAMP	20	20	25	31	37	45	46	42	35	28	26	25
11	RESTAURANT "PARK SOLINE"	2	2	6	11	15	19	21	21	15	9	0	0
12	ARSENAL	4	4	4	2	2	3	4	1	2	2	3	3
13	TENNIS CENTER "ILIRIJA"	3	4	5	5	4	2	3	3	3	3	4	4
14	BEACH BAR DONAT	0	0	0	0	0	0	0	0	0	0	0	0
	*ORGANIZATIONAL UNITS												
15	COMMON SERVICES	39	36	36	38	40	40	40	40	40	40	40	40
16	MAINTENANCE SERVICE	7	7	7	7	7	7	8	8	8	8	8	8
17	LAUNDRY	6	6	6	6	10	13	17	17	11	11	10	6
18	HORTICULTURE	26	25	25	13	12	11	12	12	12	15	19	16
19	EVENT SHIP NADA	3	3	3	2	2	2	3	3	2	2	2	2
20	WELLNESSS	4	4	4	6	6	8	8	8	8	8	7	6
21	NAUTICAL FAIR	2	2	2	2	2	2	2	2	2	2	2	2
22	CITY GALLERIA	17	17	17	17	17	17	17	17	17	17	17	17
	TOTAL	273	264	262	292	322	376	415	411	369	320	313	311

Number of employees at the end of the reporting period 2019 - 2022

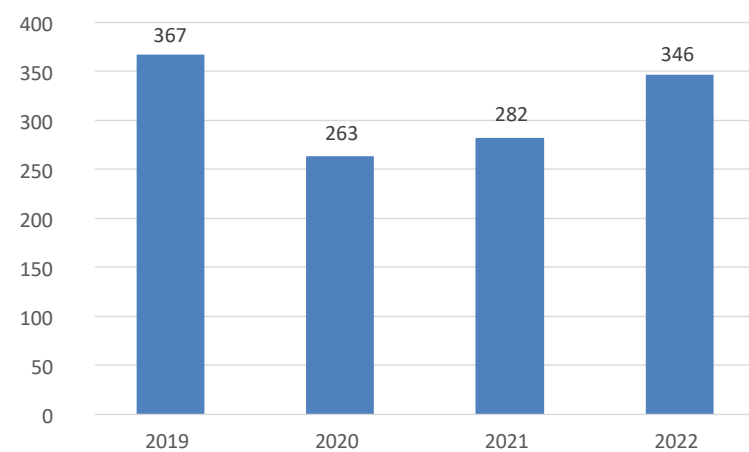


Considering the circumstances in which the business year took place, the Company continued with a series of activities in 2022 with the aim of retaining full employment through retaining the existing highly qualified and professional employees as well as employing young highly educated employees of various profiles. Compared to 2021, the number of employees at the end of the period grew by 16%, as did the average number of employees and the average number of employees based on paid hours, which increased at a rate of 22% and 23%.

Average number of employees during the year in 2019-2022 period

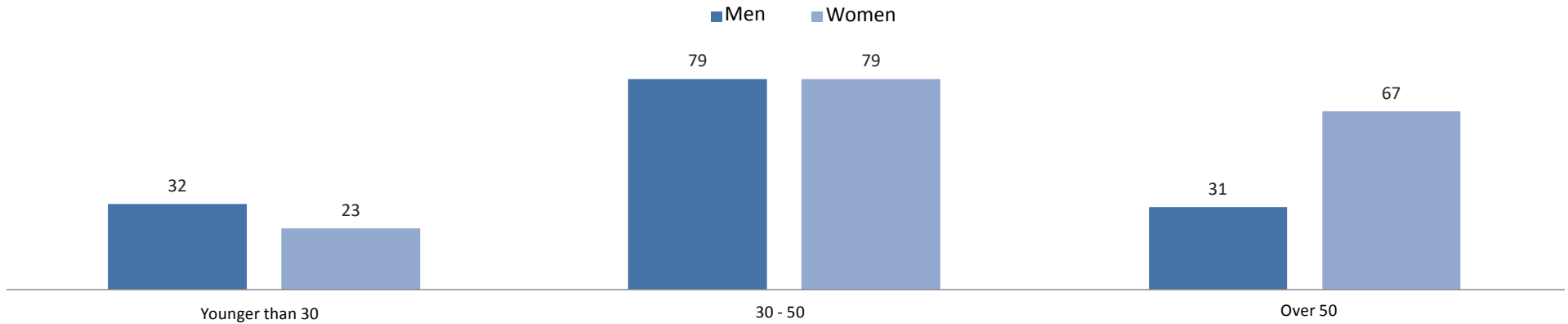


Average number of employees on basis of worked hours in the 2019-2022 period



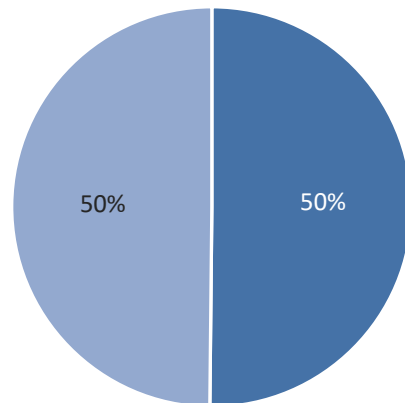
As at 31 December 2022, of the total number of employees, 54% are women, and 46% are men. Of the total number of employees, 50% are employed for an indefinite period, while according to the age structure, 51% of employees belong to the 30-50 age group.

Employees by gender and age group on on 31/12/2022



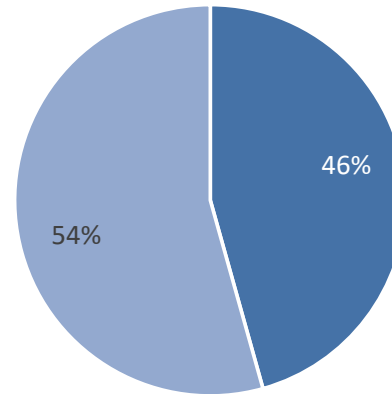
Employees type of employment contract on 31/12/2022

■ Permanent ■ Fixed-term



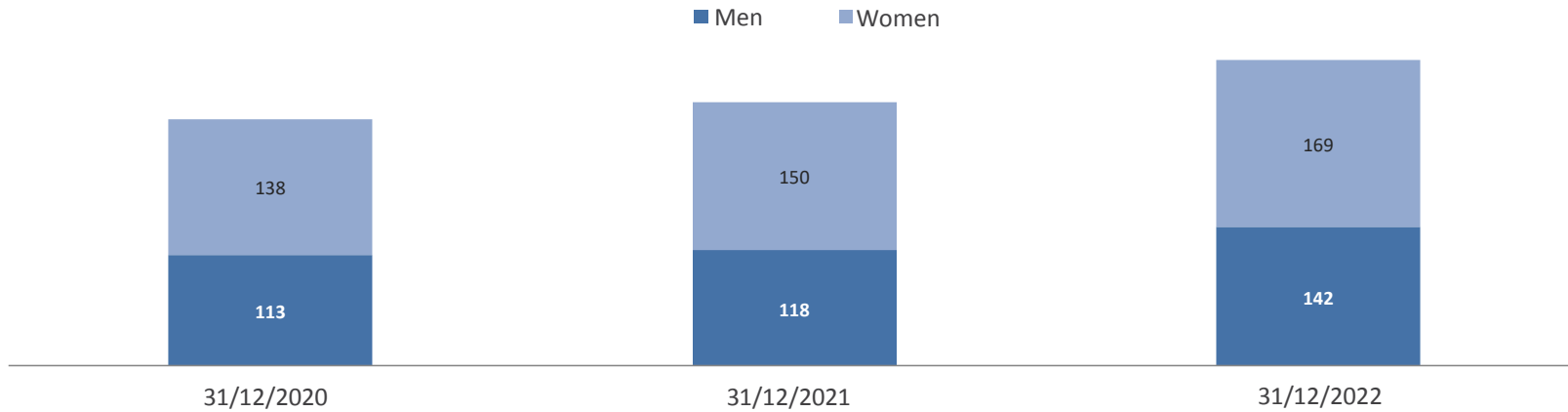
Employees by gender on 31/12/2022

■ Men ■ Women

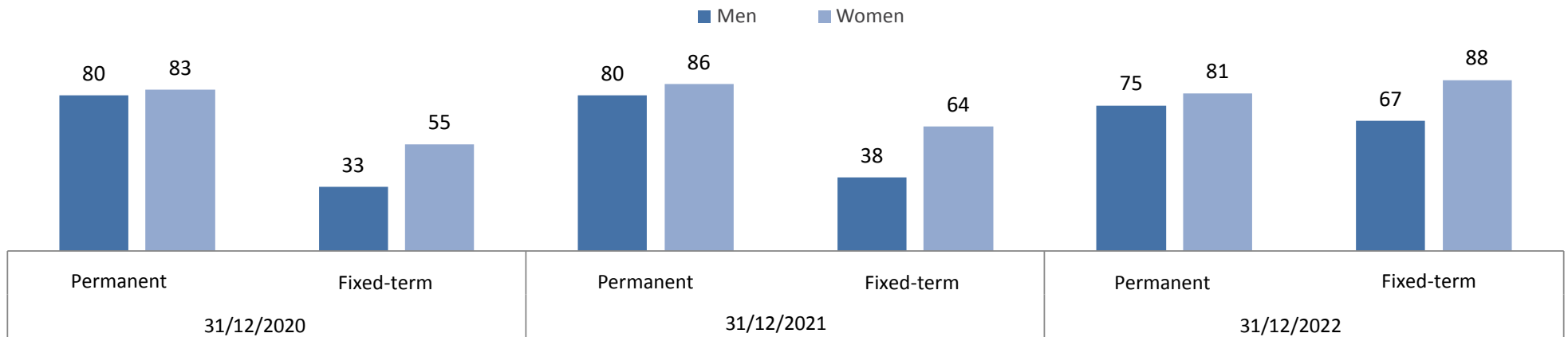


Of the total number of employees at the end of the reporting period, as well as in comparison with 2020 and 2021, women still retained a share of over 50% in the total number of employees, i.e. in 2022 they held a 54% share, in the previous year their share was 56 %, while in 2020 they accounted for 55% of the total number of employees.

Employees by gender at the end of the reporting period from 2020 to 2022

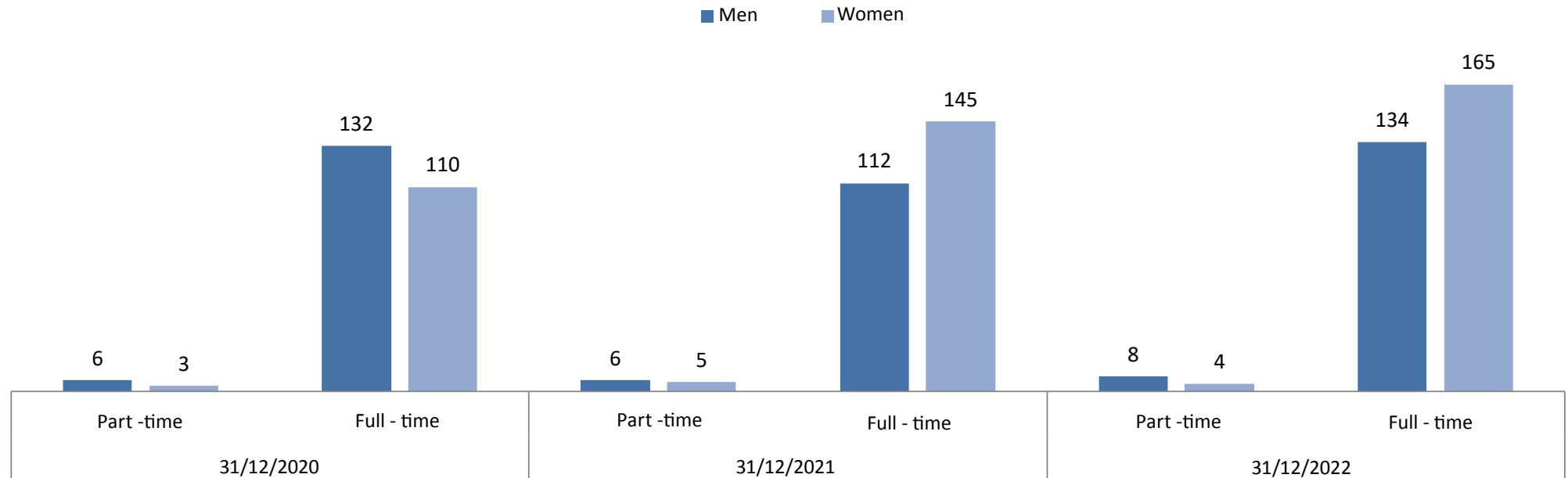


Employees by gender and employment contracts as at 31 December 2020, 2021 and 2022

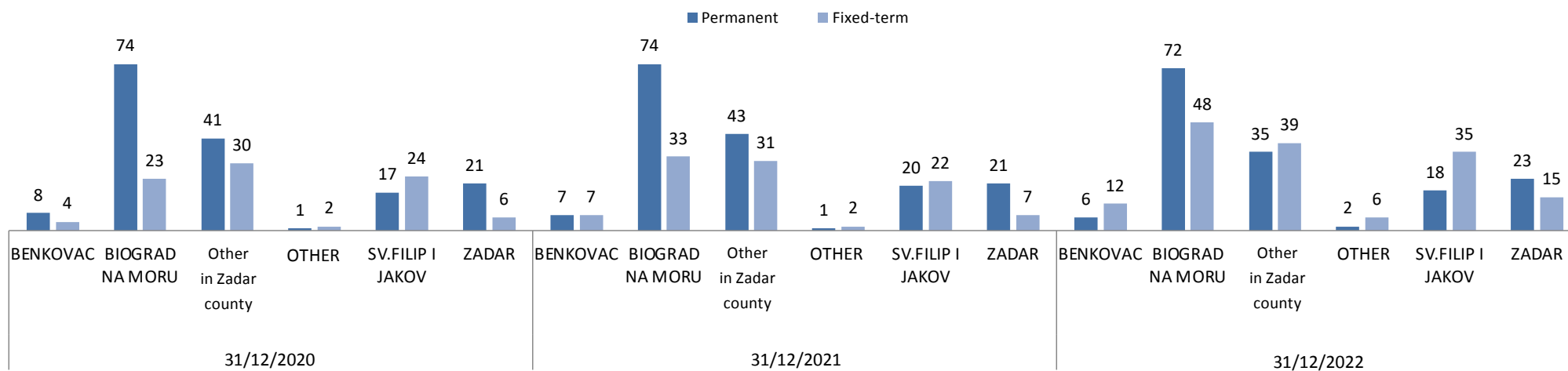


As at 31 December 2022, out of 311 employees, 299, or 96% were employed full-time, while 12 were employed part-time, maintaining the continuity of the high proportion of full-time employees.

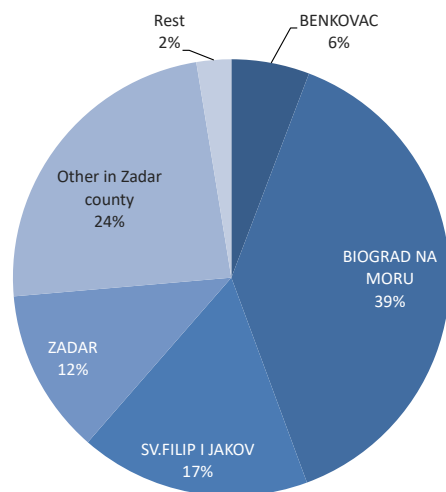
Employees by gender and working hours at the end of the reporting period



Employees by employment contracts and permanent residence at the end of the reporting period in 2020, 2021 and 2022



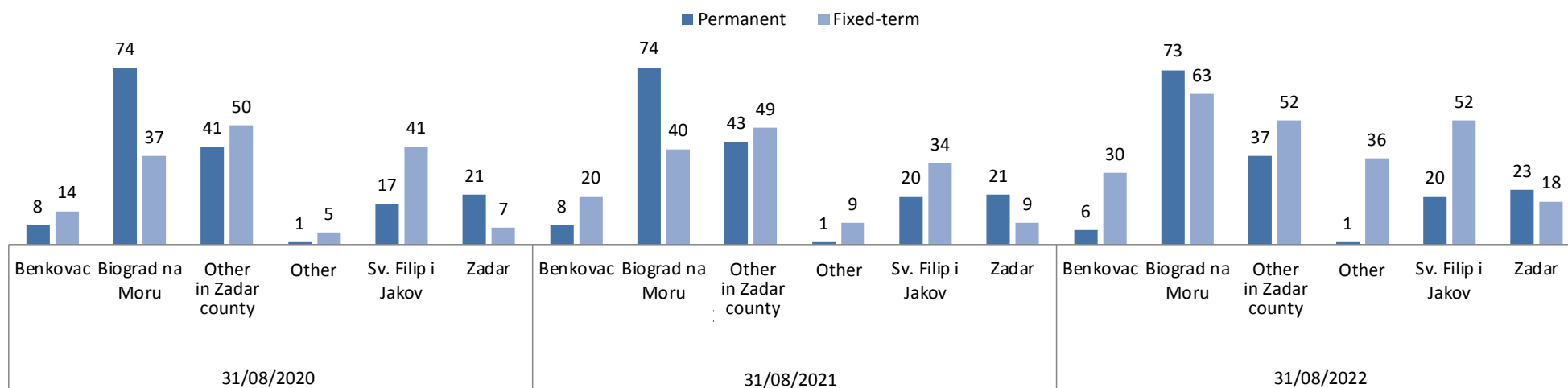
Employees by place of permanent residence as at 31 December 2022



The largest part of the Company's employees, i.e. 98% comes from the Zadar County, of which the largest part, i.e. 39% is from Biograd na Moru. Most of the Company's employees still come from its immediate surroundings despite the increasing challenge due to the lack of qualified labour on the domestic labour market, which is supported by the fact that only 2% of employees come from other parts of the Republic of Croatia and abroad.

In the peak season as at 31 August 2022, if we look at employees according to their place of permanent residence and employment contract as at 31 August 2021, employees from the cities and municipalities of Zadar County predominate, while their share decreased due to the increased number of employees and amounted to 91% of all employees.

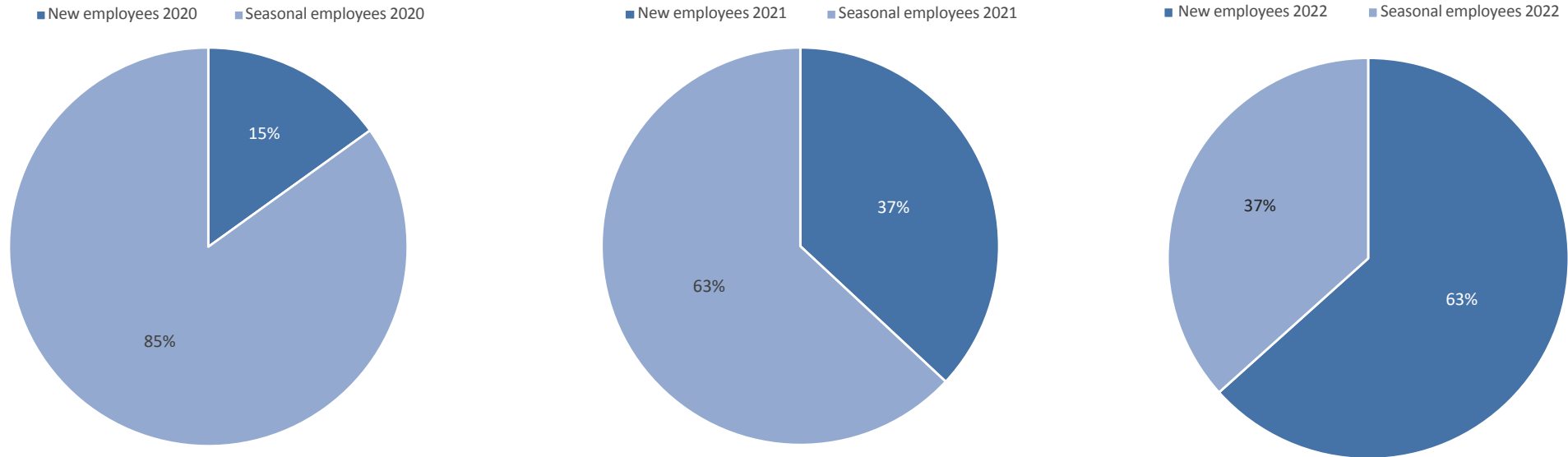
Employees by permanent residence and employment contracts as at 31 August 2020, 2021 and 2022



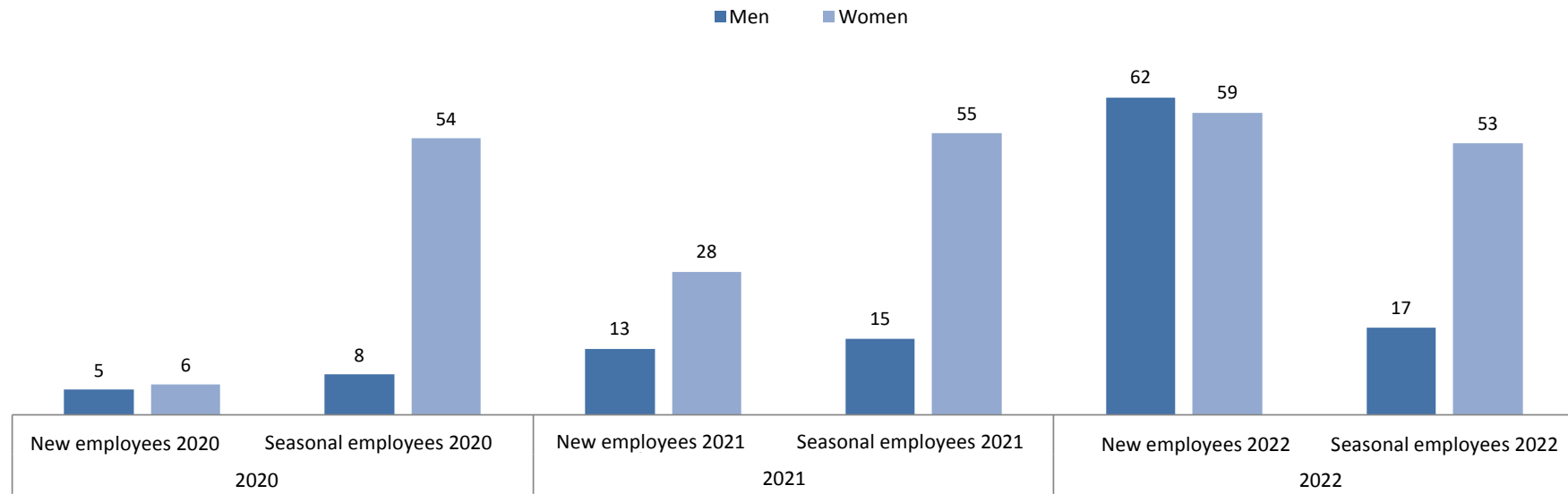
Employment - new employees

In 2022, 191 employees were hired, of which 70 employees, i.e. 37% were previously employed by the Company, while 121 employees, i.e. 63% are employees who were employed at Ilirija d.d. for the first time. The largest number of new employees is from the younger than 30 age group, the number of men and women is equal, the largest number comes from other cities and municipalities of the Republic of Croatia.

The ratio between new employees and long-term seasonal workers in 2020, 2021 and 2022

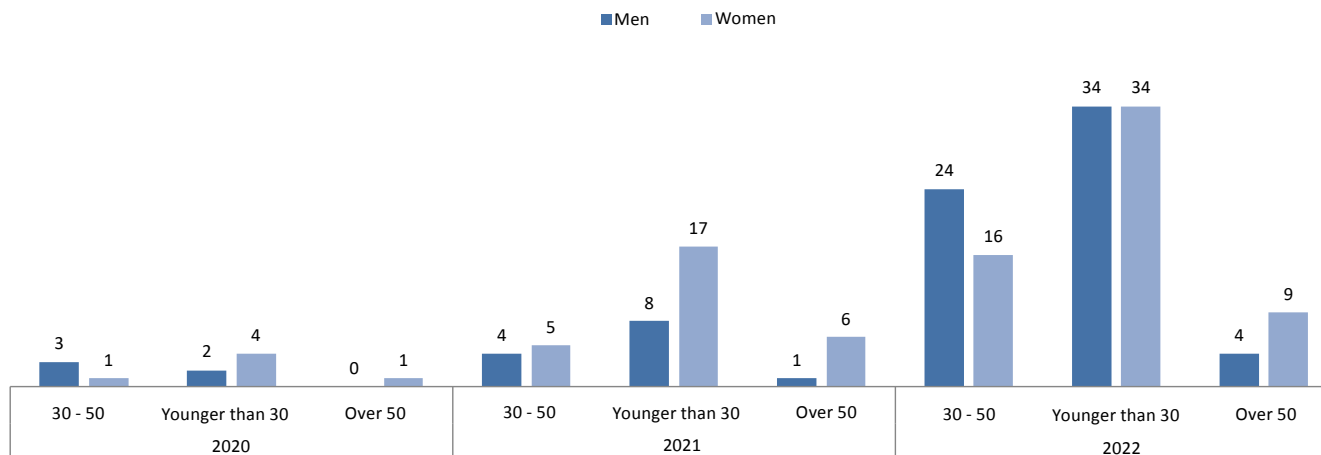


The ratio between new employees and long-term seasonal workers in 2020, 2021 and 2022

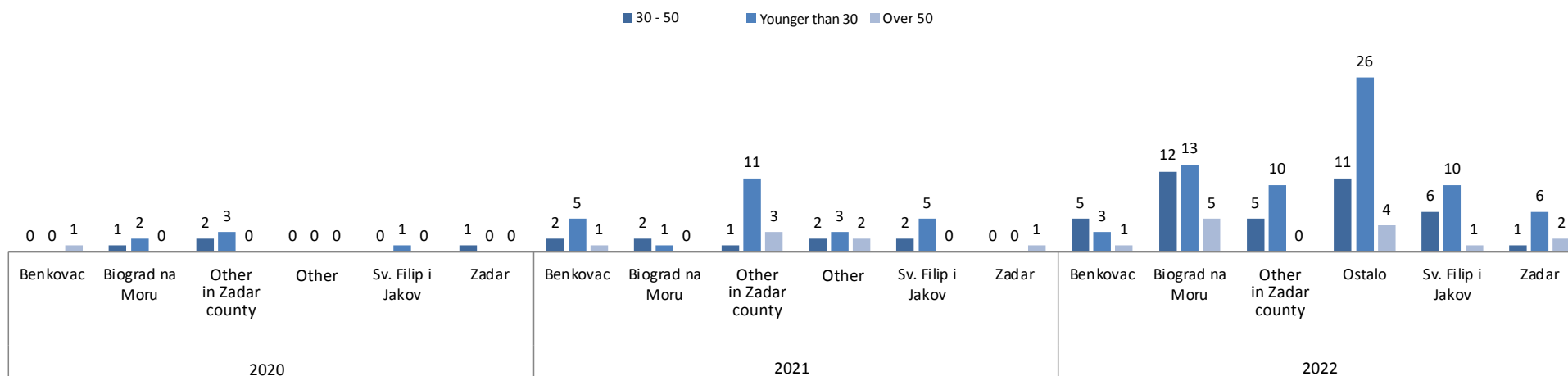


Observed according to gender and age group, the majority of newly employed persons are up to 30 years of age, of which in 2022 there were more men than women. Moreover, employees from Zadar County continue to predominate, while compared to previous years, there is a visible increase in the share of employees from other areas of the Republic of Croatia and abroad.

New employees by gender in certain age group in the period from 2020 to 2022

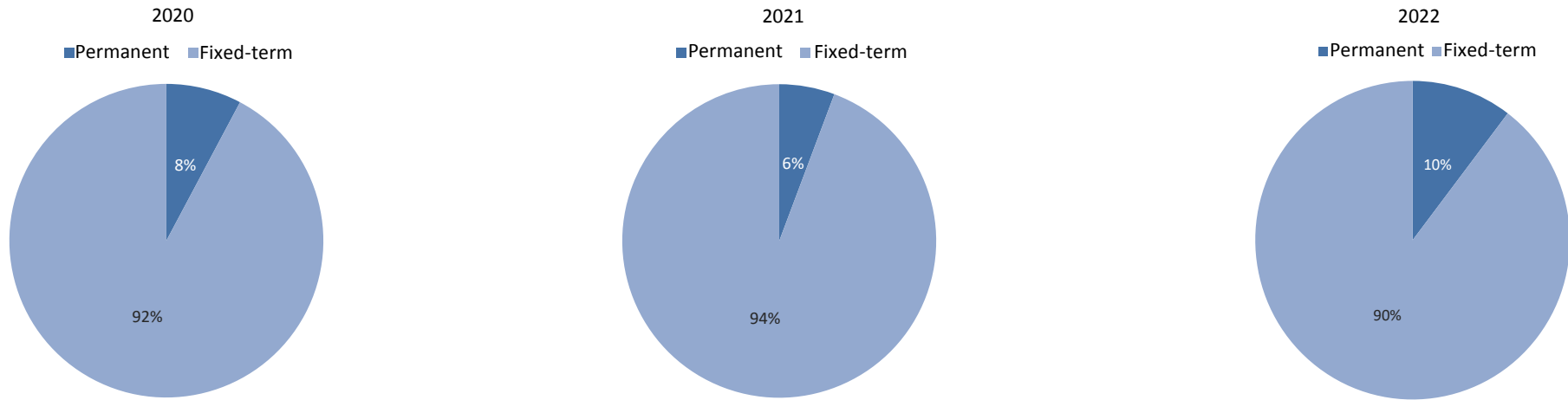


Overview of new employees by permanent residence and age group from 2020 to 2022

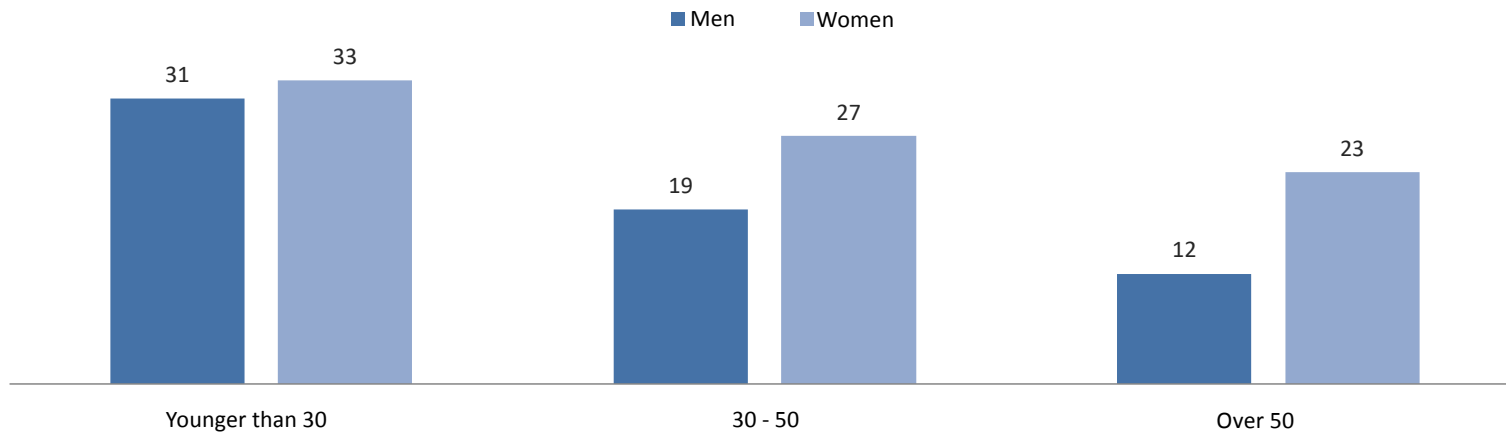


Employee turnover

In 2022, 90% of the departures from the work place were realised by termination of fixed-term contracts and the remaining 10% by termination of indefinite-term contracts. These are mainly the departures of seasonal workers and, in a smaller number of cases, retirements and resignations.

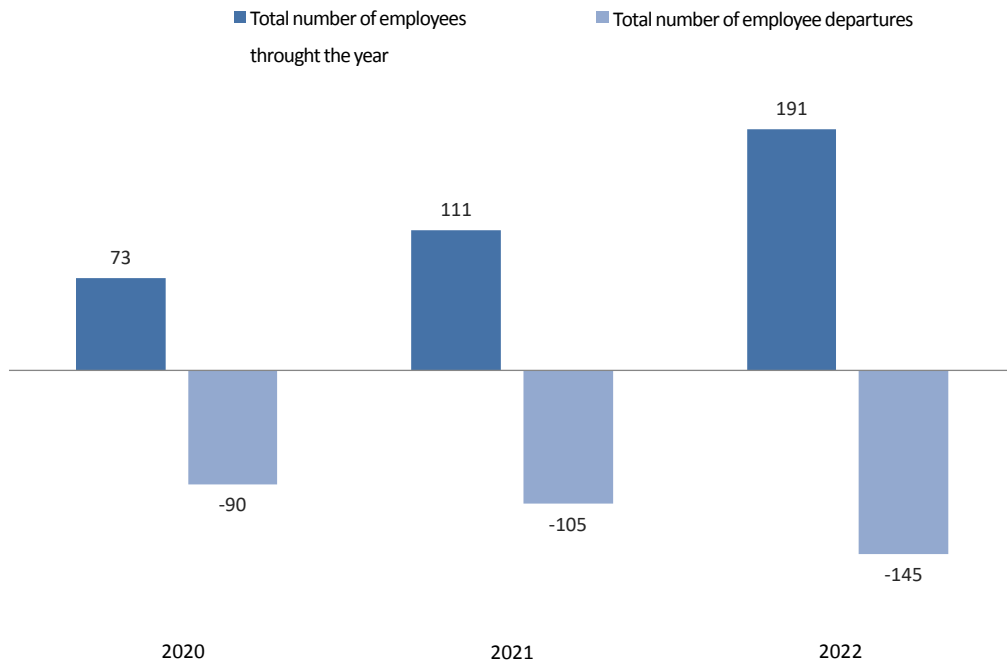


Employee departures in 2022 by gender and age group

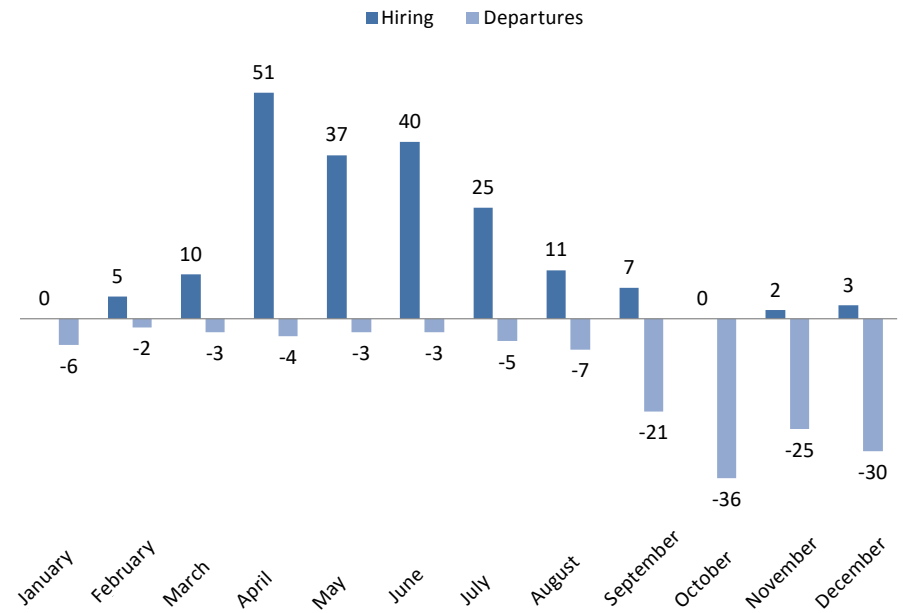


The most employee arrivals were recorded in April, earlier than in 2021, when the most arrivals were recorded in June. The largest number of departures was recorded in October 2022, as well as in 2021.

Employee departures and arrivals from 2020 to 2022



Employee arrivals and departures by months in 2022



Maternity and parental leave

In 2022, 14 employees used maternity and/or parental leave, of which 12 were women and 2 were men. Of the six employees who were to return to work at the end of their parental leave, four returned, making the return-to-work rate 67%. All female employees who returned from maternity leave in 2021 were still employed by the Company in 2022, thus the retention rate amounts to 100%.

Maternity and parental leave

Year	Total number of employees through the year		Employees who exercised their right to parental leave		Total number of employees who returned to work after parental leave		Rate of return to work	Rate of stay
	Men	Women	Men	Women	Men	Women		
2020	113	138	0	14	0	2	100%	100%
2021	118	150	0	13	0	3	75%	100%
2022	142	169	2	12	0	4	67%	100%



6.2 Diversity and Equal Opportunities

Ilirija d.d. is a signatory of the Croatian Diversity Charter and is recognised as a company that promotes diversity as one of its core values, while the President of the Management Board Mr Goran Ražnjević was appointed one of the ambassadors of diversity in the Republic of Croatia. In 2020, Ilirija joined the Alliance for Gender Equality, which further strengthened the direction of development of corporate values based on the principles of diversity and inclusiveness and created what Ilirija is today – a modern and accountable corporate company that values every individual through their work, commitment and desire to be part of a dynamic business system. As a public company and a responsible business system, the Company bases its business activities on a policy of diversity, by hiring employees of various nationalities, races, genders, educational backgrounds, ages, levels of knowledge, experiences, etc., who are all together the key to its success. The Company has been continually fostering diversity of its employees on the one side, and equality in all rights and respect for personal dignity of its employees on the other. Furthermore, for many years the Company has had a Commissioner for Employee Dignity Protection tasked with receiving and processing employee complaints.

The implementation of diversity policy is reflected in part in the share of women involved in the broader and senior management and in the material and other rights of employees.

The general management of Ilirija d.d. consists of the Management Board, heads of sectors, heads of corporate services and heads of profit centres and departments within the profit centres. As at 31 December 2022, out of 311 employees, 21 employees are involved in general management, of which 62% are women and 38% are men. The prevailing age structure of employees is 30-50 years old, accounting for 71% of employees, while 29% of employees of the broader management belong to the age group above 50 years. They all come from the Zadar County, the largest number of them from Zadar (43%), followed by Sv. Filip i Jakov (28%) and Biograd na Moru (19%).

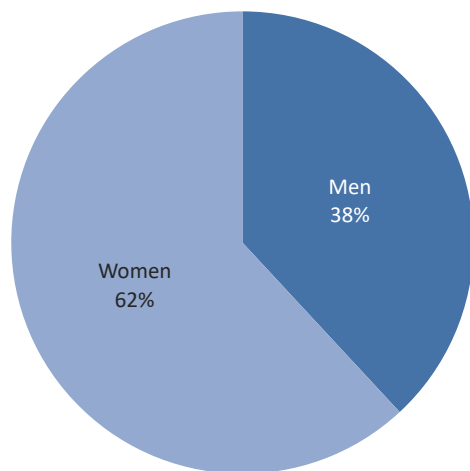


Fundamental principles of diversity policy

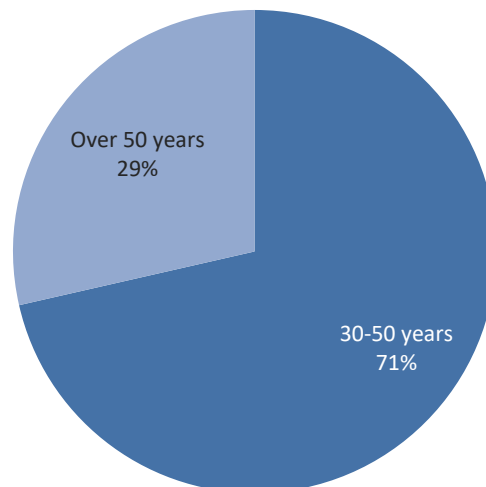
- 1 Equal opportunities in the workplace for all employees
- 2 Zero tolerance for any form of discrimination
- 3 Motivating and stimulating business environment
- 4 Diversity of knowledge and experience
- 5 Equal pay for equal work
- 6 Croatian Diversity Charter
- 7 Gender Equality Federation
- 8 President of the Management Board – a promoter of diversity

General management employees by gender, age group and education level

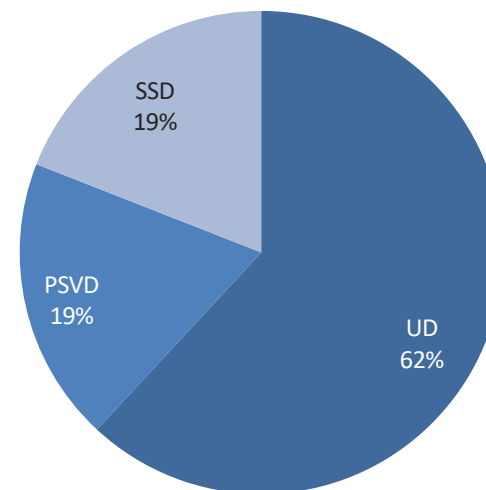
General management employees by gender



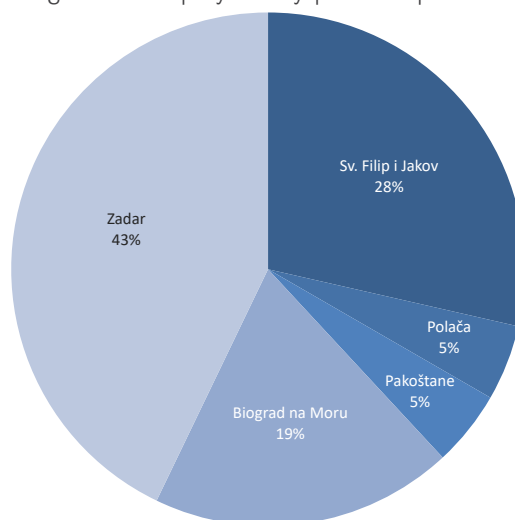
General management employees by age group



General management employees by education level



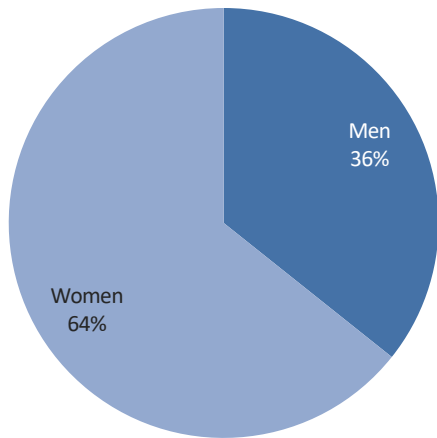
General management employees by place of permanent residence



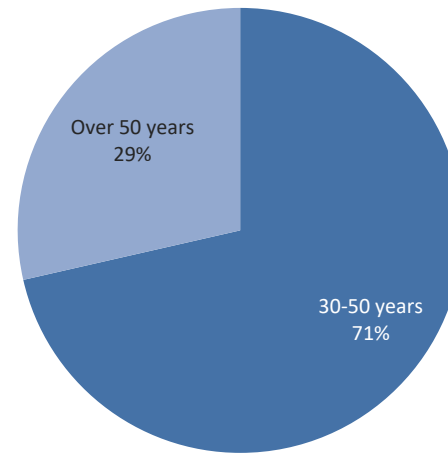
In the Company's senior management consisting of the Management Board, sector managers and heads of corporate services, there are 14 persons with special authorizations. The gender structure is similar to that of the general management: most of them are women (64%), most of them belong to the 30-50 age group (71%), 72% have a university degree, 43% come from Sv. Filip i Jakov, followed by Zadar and Biograd na Moru.

Senior management employees by gender, age group and education level

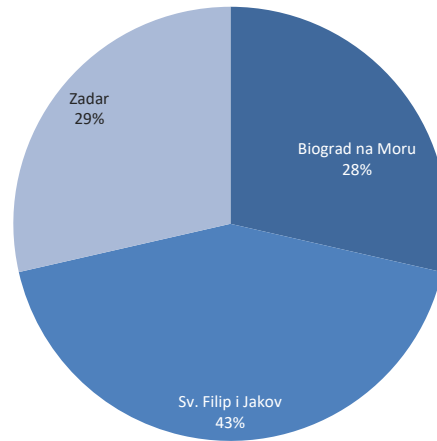
Senior management employees by gender



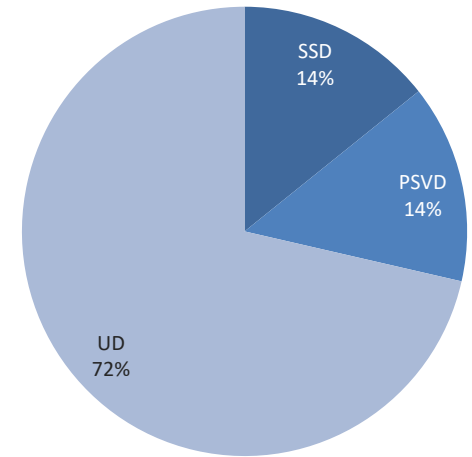
Senior management employees by age group



Senior management employees by permanent residence



Senior management employees by education level

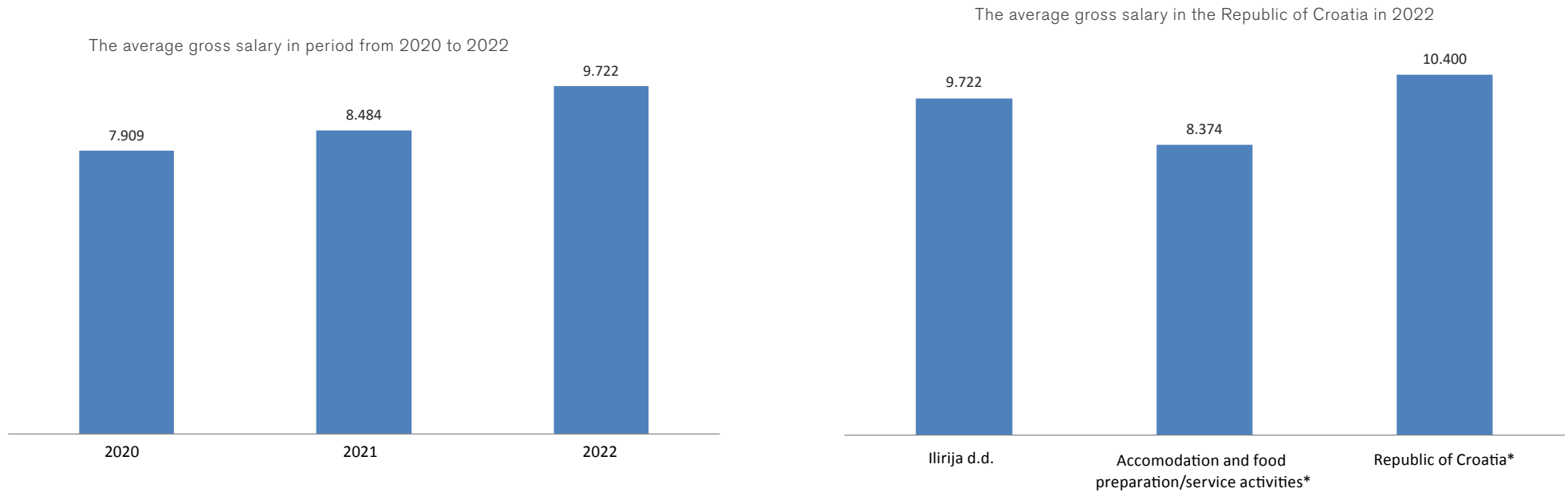


Material and other rights of employees

At the Company, there are no differences in the salaries of employees by gender, age, religion, political opinion, national or social origin and any other belief or diversity for the same job.

The average gross salary in 2022 amounted to HRK 9,722, which is 15% more than in the previous year. The average gross salary in 2022 is 16% higher than the average gross salary in the same period in the industry of accommodation services and food preparation and service in the Republic of Croatia.

Average gross salary paid by Ilirija d.d. in the period from 2020 to 2022 Average gross salaries paid by Ilirija d.d., in the same industry and at the level of the Republic of Croatia





One-off financial assistance



A warm meal for HRK 1



Assistance for a new-born



Gifts for children

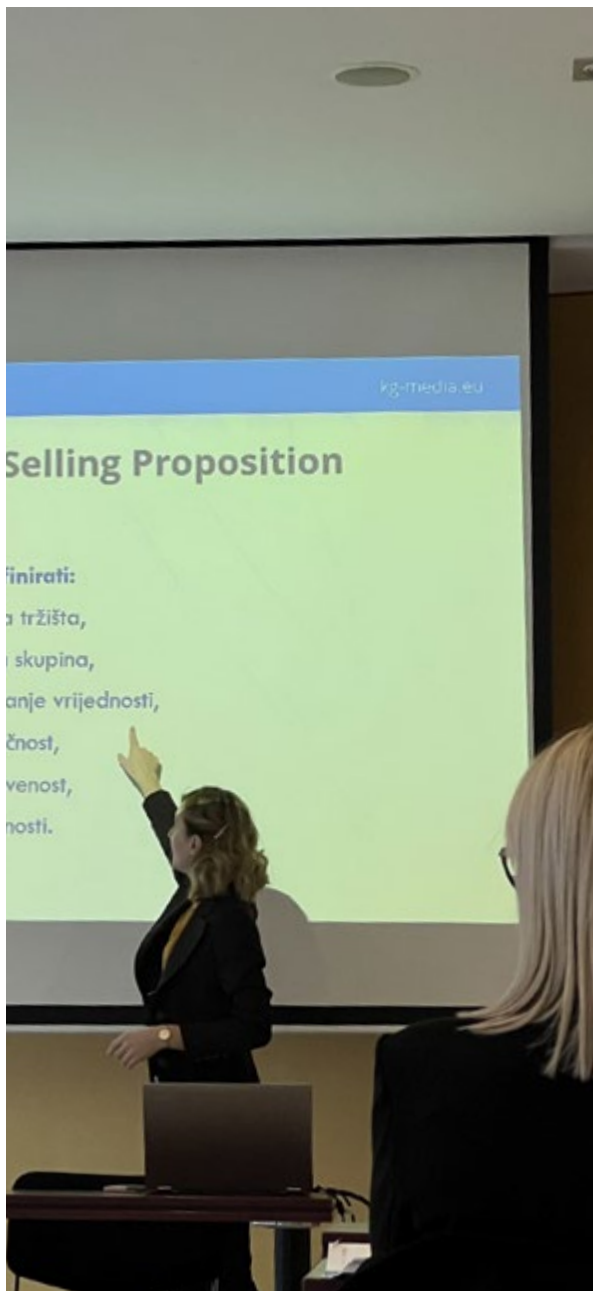


Education

In addition to their regular salaries, the Company provides employees with additional material and intangible benefits, including:

- one-off financial assistance and assistance through the services provided by the company (transportation services, accommodation) for fixed-term or permanent employees in case of illness pertaining to them personally or to their immediate family members,
- a warm meal for fixed-term or permanent employees, at a symbolic price of HRK 1 per day,
- assistance for a newborn,
- gifts for children,
- Christmas bonus,
- full-body health check-ups,
- co-financing of travel expenses for fixed-term and permanent employees living outside their place of work,
- education programmes, professional training and retraining courses for company employees, financed entirely by the Company, with an obligation for employees to successfully complete them within the stipulated time limit,
- the Company provides its services to its permanent employees and their immediate family members (children) either at a significant discount relative to their market price (food and beverage-related services) or free of charge (by making the premises and facilities owned by the company available for private needs of its employees, allowing the use of work inventory, vehicles, transportation services, etc.),
- encouraging employees to do sports by providing conditions for recreational sports practice, through for example purchase of sports equipment, paying gym rental fees, etc.,
- proposals of plans for education, further training and improvement according to the bottom-up model for all employees in accordance with the needs of the company, as well as the wishes and interests of employees, and especially managers.





6.3 Training and Education

One of the fundamental principles of human resource management is investing in the development of human resources through training and education. This contributes to the motivation of employees, the development of their personal and professional competences. Training and education is a material topic for the company and applies to all its sectors and departments. Employee education is carried out in cooperation with outsourced authorised companies, associations and institutes specialising in education in various fields (marketing, sales, environmental protection, sustainable development, accounting and finance) and leading university and college institutions in the Republic of Croatia focused on the education of managerial personnel in hotel management, tourism and hospitality (Faculty of Management in Tourism and Hospitality from Opatija and College ASPIRA). Furthermore, depending on the needs of the sectors, the sector managers and the heads of health care, occupational health and environmental protection can also conduct additional education programmes for individual departments and services, such as the technical service, house-keeping, food and beverages service, etc., through internal seminars, the use of professional literature, recruitment of external experts, sharing knowledge, etc.

Training and education are planned and approved on an annual level by the Company's Management Board and in coordination with the Personnel and Payroll Service and sector managers in key business segments (food and beverage, sales and marketing, corporate services). The training and education plan defines the area or topics of training, employees, period, budget, the theoretical part and practical education if necessary, study visits and familiarization with the best examples and practices, as well as presentations and implementation of new knowledge, skills and standards.

Employees, i.e. their managers are required to bring a certificate of successful completion of the education programme or, if no certificate is issued, inform the Human Resources and Payroll Service of the fact that they completed the programme. The Company strives to comply with the legal regulations and to also motivate its employees with additional knowledge, skills and provide them with access to information on the latest trends and developments in the tourism industry.

Through training and education of our employees we strive to:



improving existing skills and
developing new employee skills



greater employee motiva-
tion and satisfaction



developing the nece-
ssary personnel



professional and personal de-
velopment of employees



raising the quality of services



increasing guest satisfaction



increasing the Com-
pany's competitiveness



creating a positive and
safe work environment

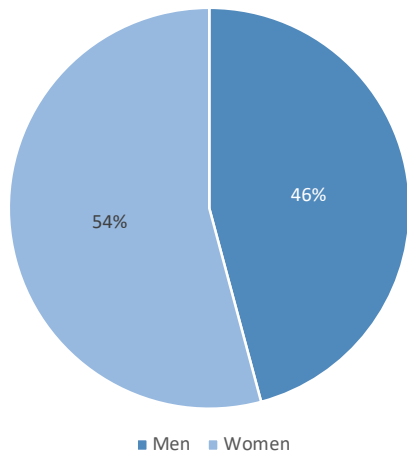
In 2022, employees underwent 6,356 hours of training and education, including education prescribed by the Fire Protection Act and the Health Protection Act. A total of 227 employees took part in education and training programmes, namely 109 men and 118 women, with the average number of training hours per employee being 28 hours. Compared to the previous year, the number of hours of training and education has increased significantly, which is largely the result of the easing of epidemiological measures and the possibility of organising not only online and hybrid education, but also education that involves the gathering of a large number of people.

Number of employees at trainings and hours of training for the period between 2019-2022

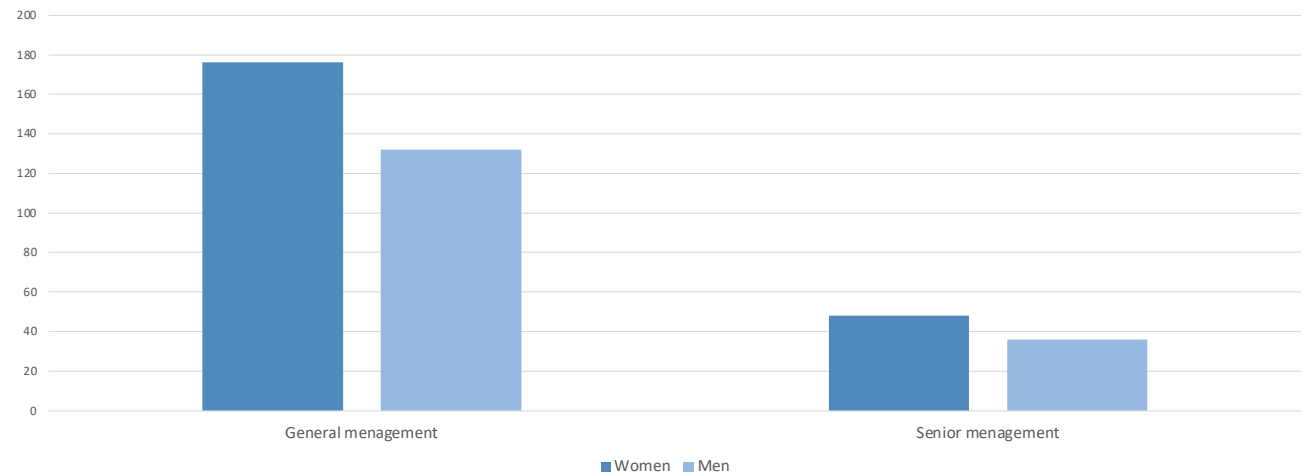
	2019	2020	2021	2022
Number of training hours	9.348	2.112	3.294	6.356
Number of employees	306	96	122	227
Number of men	133	35	47	109
Number of women	173	61	75	118
Average number of hours per employee	31	22	27	28

If we do not include the education programmes prescribed by the law, the average number of training hours per employee amounted to 23 hours, that is, a total of 3,864 hours was spent on training. The education included 168 employees, 77 of whom were men, with 1,771 hours of training and 91 of whom were women, with 2,093 hours of training, while the ratios are illustrated by the graph below.

Education hours by gender in 2022



Education hours of general and senior management in 2022



6.4 Occupational Health and Safety

Health and safety in the workplace is a material topic for the Company, and that is enforced at all its facilities, because the Company's primary goal is to ensure maximum safety for its guests and employees, ensuring the conditions for providing services of a high level of standard and quality. Health and safety is carried out by the Safety Service, which ensures the health and safety of all employees and guests is provided at the Company level, and continuous education is carried out.

The security service is divided into:



Health Control



Occupational Health and Safety



Fire Protection

Accordingly, in terms of safety and security, the Company bases the system on:

- 1) monitoring all applicable legal regulations and ordinances and alignment with them,
- 2) development and implementation of own ordinances and policies, including the Environmental and Quality Policy,
- 3) development of annual plans and activities for each of these areas,
- 4) implementation of domestic and international standards, and
- 5) continuous key stakeholder trainings.

Health Control

Health and safety of guests and employees is one of the most important factors in the Company's business processes, where through optimal working conditions, regular education and appropriate equipment, it is possible to implement the standards of health protection and hygiene of accommodation facilities.

The head of Health Control at the Company level is responsible for all regulations and standards of health and safety measures, which includes internal HACCP control, control of the healthiness of drinking and pool water, organisation of DDD measures, records of hygiene of accommodation and sanitary facilities, cooperation with the state inspection during their supervision related to the proper implementation of health controls, etc. Moreover, in addition to aligning business processes with applicable legal regulations, the Company bases its safety management system on standards, including the ISO 9001:2015 quality management system, the Company – Friend of Health certificate and by implementing the certifying the HACCP system.

In the health and safety management system, we monitor and comply with the following legal requirements and policies:

1 Legal regulations:

Catering Activity Act (OG 85/15, 121/16, 99/18, 25/19, 98/19, 32/20, 42/20, 126/21), Act on General Use Items (OG 85/06, 75/09, 43/10), Act on the Protection against Non-Ionizing Radiation (OG 91/10, 114/18), Food Act (OG 46/07), Nature Protection Act (OG 70/05), Construction Act (OG 175/03), Noise Protection Act (OG 20/03), Poison Act (OG 27/99), Occupational Safety Act (OG 71/14, 118/14, 94/18), Fire Protection Act (OG 92/10), Labour Act (OG 93/14), Labour Inspectorate Act (OG 19/14), Catering Activity Act (OG 85/15, 121/16, 99/18, 25/19, 98/19, 32/20, 42/20), State Inspectorate Act (OG 115/18), General Use Items (OG 39/13, 47/14, 114/18), Food Act (OG 81/13, OG 14/14, 115/18), Chemicals Act (OG 18/13, 115/18, 37/20), Nature Protection Act (OG 80/13, OG 15/18, OG 14/19, 127/19), Act on the Protection of the Population from Infectious Diseases (OG 79/07, 113/08, 43/09, 130/17, 114/18, 47/20, 134/20 and 143/21).

2 Ordinances:

Ordinance on Special Conditions for the Production and Marketing of General Use Items (OG 80/18), Ordinance on Food Hygiene (OG 99/07), Ordinance on Special Work Clothing and Footwear for Persons Working in Production or Transport, Who Come into Direct Contact with Groceries, Personal Hygiene Products, and Products for Face and Body Care and Beauty (OG 46/94), Guide to Microbiological Criteria for Food, March 2011, Ordinance on Occupational Safety Regarding the Use of Work Equipment (OG 18/17), Ordinance on the Testing of the Working Environment (OG 16/16), Ordinance on the Inspection and Testing of Work Equipment (OG 16/16), Ordinance on Safety Signs (OG 91/15, 102/15), Ordinance on the Sanitary-Technical and Hygienic Conditions for Swimming Pool Bathing Areas and on the Health Safety of Swimming Pool Water (OG 59/20).

(3) Implementation of international and national management systems including the ISO 9001:2015 quality management system, the Company – Friend of Health certificate, the HACCP certificate, Safe Stay in Croatia.

In terms of health control, the Company is focused on achieving a high level of safety and health, which means:

- ensuring safe and healthy working conditions,
- fulfilling legal regulations and other requirements in the field of health and safety,
- elimination of hazards and reduction of health and safety risks at work,
- permanent improvement of occupational health and safety management,
- a healthy and safe environment for guests to stay,
- ensuring the responsibility and authority of employees at all levels of the occupational health and safety management system, and
- continuous education of employees in order to acquire knowledge in the field of health and safety.

Health control activities and goals in 2022:

1

Activities in the field of health and sanitary safety

At the end of the first half of 2022, most of the epidemiological measures adopted as a result of the global COVID-19 pandemic were eased and then lifted, as a result of which the Company adapted its operational activities to the new situation while maintaining high health standards, as well as standards in the field of hygiene and sanitary conditions in order to continue to ensure a safe and healthy stay for guests and a working environment at the level of all sectors, profit centres and their departments.

Sanitary and health safety and food safety, the organisation of sanitary and health safety in hotels is primarily reflected in the control of water quality, temperature and hygienic and sanitary supervision of kitchens.

The hygiene and sanitation segment covered the facility's equipment and functionality, lighting and ventilation, maintenance of accessories and equipment, cleaning and disinfection, removal of waste materials and care for employees' personal hygiene. The health control also covered the laundry service and compliance with all health and sanitary regulations.

Sanitary and health safety as an extremely sensitive part of the business process where the responsibility of all employees is expected, as well as the responsible behaviour of guests during their stay in the hotel. Regular controls and inspections by competent authorities contribute to the prevention and quality of the hotel's sanitary and health safety. In 2022, the Sanitary Inspection at the State Inspectorate conducted one supervisory control in a food production facility. All inspections confirmed that the facility operated in compliance with the law.

2

The health safety of foodstuffs and items of general use

In 2022, HACCP system was implemented in all hospitality facilities, in compliance with the Codex Alimentarius standard, as a control/monitoring system of critical control points in foodstuff handling procedures. It is implemented by regularly inspecting hospitality facilities (restaurants, bars and kitchens) and auditing all processes, analysing potential hazards, identification of control points and critical control points in operation, employee hygiene inspection, implementation of DDD measures, water safety inspections and continuous education of employees. In 2022, the Sanitary Inspection at the State Inspectorate conducted one supervisory control in a food production facility. All inspections confirmed that the facility operated in compliance with the law.



Hygiene of accommodation and sanitary facilities

The control of the cleanliness of accommodation facilities is carried out in accordance with the stipulated standard on a weekly and monthly basis within each individual facility and sanitary facilities. This was entered in the records as part of quality management. Housekeepers and maids were trained, laundry presentation workshops and a course on instructions for working with the new device and cleaning products were held.



The health safety of the pool water

Together with the Croatian Institute of Public Health, the safety of the pool water of all pools was analysed according to the sampling plan. Daily control of water quality parameters (chlorine concentration and pH value), keeping a record of swimming pool maintenance and hygiene inspections, sanitation procedures implemented in accordance with Swimming Pool and Engine Room Cleaning Plan, regular sampling of pool water by a licensed laboratory, regular chlorination of pool water in order to maintain its safety, employee education on handling chemicals and monitoring their consumption.



Wellness hygiene

In order to maintain the hygiene of the wellness area, actions were taken to clean the wellness rooms, regularly check the health safety of the water in the jacuzzis, disinfect them, check the hygiene of the filters, check the items for general use, check and declare the products that were used, conduct employee training and check the measurement of the ionizing radiation in the tanning room by an authorised company.

6

Implementation and control of application of national and international standards related to health control

In the health and safety management system, we monitor and comply with all applicable legal requirements and policies. For all employees of the Food and Beverages Department as well as other departments subject to mandatory sanitary inspections, the inspections are performed by the Public Health Institute that is accredited to perform them. Internal training is provided by the Heads of Health Control and Occupational Safety and Fire Protection, in cooperation with external authorized companies and the Institute of Public Health. At the Institute of Public Health, 49 employees attended the Health Education course. Internal trainings on the HACCP system were held in the same manner for the employees of the Food and Beverages Department.

Sanitary and hygienic as well as microbiological sampling of food and water

Groups:	Total samples	Chemical analysis performed		Microbiological analysis performed		Defective samples
		Total	Defective	Total	Defective	
Sup. group		Total	Defective	Total	Defective	
Grand total:	326	69	5	310	7	12
1 Food	34	6	0	28	2	2
2 Swabs	20	0	0	20	0	0
3 Drinking water	26	16	0	26	2	2
4 Other water	41	39	4	39	2	6
5 Sea and pool water	7	0	0	7	0	0
6 Waste water	8	8	1	0	0	1
7 Impression	190	0	0	190	1	1

Health in the workplace

The Company aims to ensure the maximum safety and health of our employees in their workplace. Therefore, it takes actions, which include:

- assessing the risks to health and safety,
- ensuring that each employee is properly trained in terms of health and safety protection,
- encouraging communication with employees,
- keeping a record of injuries at work, and
- taking correcting actions if necessary.

Risk assessment is the basis for occupational safety and health management, which enables the identification of possible events that could cause unintended consequences. The Company's risk assessment process regarding occupational health and safety is based on:

- collecting data at the workplace
- analysing and evaluating the collected data,
- identification of dangers, harm and strain,
- assessment of dangers, harm and strain, and
- establishing the plan of measures for the removal or reduction of danger, harm and strain levels, which shall include deadlines.

For all employees of the Food and Beverage Department, as well as employees of other departments who are subject to mandatory health supervision, we perform sanitary and hygienic examinations and meet the legal provisions regarding the possession of sanitary cards, which confirm that the employees are healthy and able to work. Internal training is provided by the Heads of Health Control and Occupational Safety and Fire Protection, in cooperation with external authorized companies and the Institute of Public Health. At the Institute of Public Health, 32 employees attended the Health Education course. Internal trainings on the HACCP system were held in the same manner for the employees of the Food and Beverages Department.

The plan and program of specific employee health care measures are organized on an annual basis at the level of primary health care, and the plan is implemented taking into account the employees' working conditions as well as the dangers, harm and strain they are exposed to in carrying out their tasks. Following the established methodology for carrying out examinations and tests, especially functional tests of organs and organ systems, examinations are carried out to assess the employees' working abilities against the demands of jobs with special working conditions. Examinations are carried out by occupational medicine specialists, and according to the type of examination, by a haematology and biochemistry laboratory, toxicology laboratory, psychologist, other specialists with the aim of reducing possible injuries at work.

Occupational medicine check-ups

Occupational medicine check-ups	2019	2020	2021	2022
Nautics	7	12	15	32
Camping	4	4	4	9
Laundry	3	2	4	6
Technical service	3	2	2	17
Horticulture	3	3	3	14
Total	20	23	28	78

Along with complying with legal regulations and implementing ordinances, the Company also carries out additional activities related to the health and safety of employees and guests:

- it implemented the HACCAP system to guarantee a high level of control, quality and safety in the process of preparation, production and distribution of food and beverage services, while taking into account the diversity of the diet and its nutritional value,
- it provided information by labelling food allergens,
- evacuation and rescue plans are present in all facilities, in visible places,
- it applies the methodology of cleaner production,
- it implements complete measures for the destruction of micro-organisms and pest control in accordance with legal regulations and in cooperation with authorized external companies, ▪ it tests the quality of sea waters,
- it tests pool water for physical, chemical and microbiological parameters,
- information has been provided and trainings have been held on the importance of preservation of natural resources (preservation and protection of water, energy, waste disposal, etc.),
- it implements DDD measures,
- a safe working practice for the use of chemicals was introduced,
- suppliers with the fairtrade and sustainable certification marks are selected when purchasing linen,
- it introduced the practice of avoiding individual packaging of food and beverage products, as well as of laundry detergent, and
- it selects products that are environmentally friendly or have minimal environmental impact.

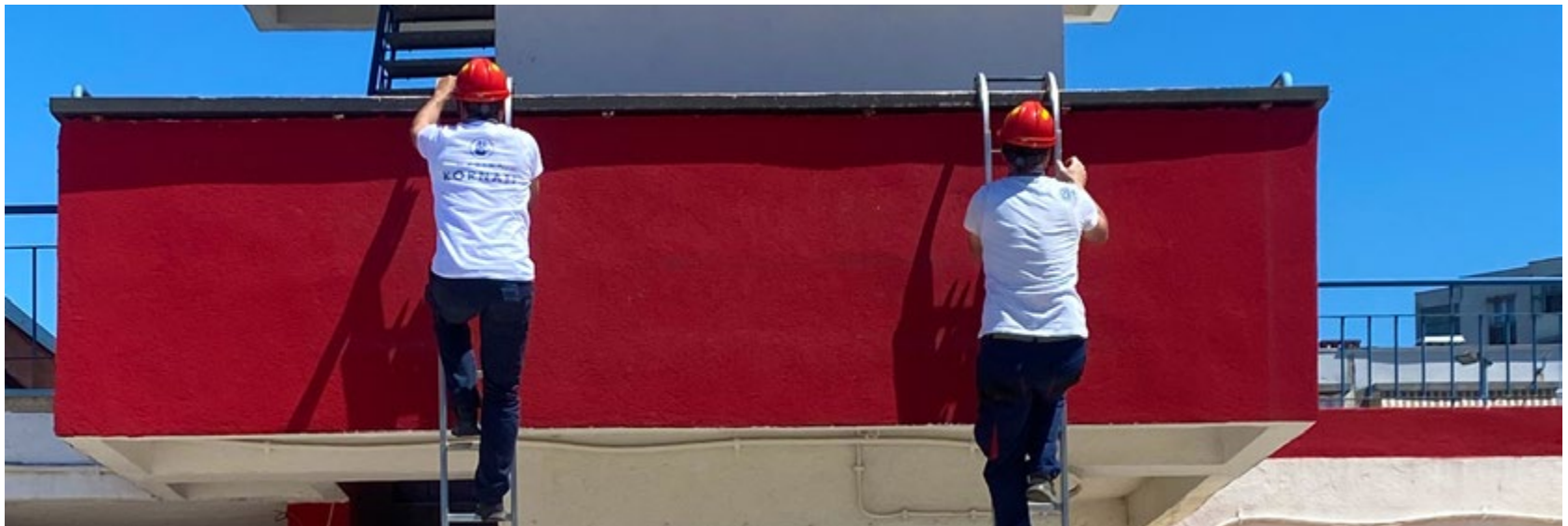
Occupational Health and Safety

According to data on the internal organisation and systematization of workplaces, in a company with more than 250 permanent workplaces, it means that safety at work is a key part of business planning and management and social responsibility. By applying the rules, principles, measures, procedures and activities of the Occupational Safety and Health Service, the Company strives to ensure and improve health protection and safety at work, both for employees and all guests and visitors. The goal is to prevent risks, injuries at work, occupational diseases, work-related illnesses and other material and non-material damages at work and in connection with work.

In addition to the above, protection at work also includes protection from mechanical installations, protection from electric shocks, protection from noise and vibrations, protection from harmful atmospheric and climatic influences, protection from physical, chemical and biological harmful effects, protection from excessive exertion, and prevention of fire and explosions. The Company is obliged to implement safety at work and provide the employee with conditions for safe work.

All activities with regard to occupational health and safety have been performed in compliance with legislation governing occupational health and safety and the Ilirija d.d. Plan of Measures for Occupational Health and Safety, with a continuous monitoring of new regulations, their implementation and relevant employee training.

In the health and safety management and fire protection system, we monitor and comply with the following legal requirements and policies:



1

Legal regulations:

Labour Act (OG, No 93/14, 127/17, 98/19)
Compulsory Health Insurance Act (OG, No 80/13, 15/18, 26/21),
Noise Protection Act (OG, No 30/09, 22/13, 153/13, 41/16,114/18, 14/21).
Pension Insurance Act (OG, No 157/13, 151/14, 33/15, 93/15, 120/16, 18/18, 62/18, 115/18, 102/19, 84/21).
Act on the List of Occupational Illnesses (OG, No 162/98 and 107/07),
Act on Compulsory Health Inspection of Workers Occupationally Exposed to Asbestos (OG, No 79/07, 139/10, 111/18),
Health Protection Act (OG, No 100/18, 125/19, 133/20, 147/20, 136/21),
Act on Vocational Rehabilitation and Employment of People with Disabilities (OG, No 157/13, 152/14, 39/18, 32/20),
Fire Protection Act (OG, No 92/2010),

2

Ordinances:

Ordinance on the Fire Protection Plan (OG, No 51/12)

3

Internal ordinances:

Ordinance on Occupational Health and Safety, Fire Protection Ordinance, Risk Assessment, Evacuation Plans

The Occupational Safety and Fire Protection Manager is in charge of organizing and directly managing occupational safety, namely in order to protect both the company and the life and health of employees and all citizens in the area where the company does business. The employee commissioner for occupational safety activities and the Occupational Safety Committee jointly perform monitoring activities and consultations on occupational health and safety protection programmes. The performance of individual occupational health and safety tasks is entrusted to authorised legal entities.

Before each season begins, unless otherwise requested, due to the increased number of visitors, we strive at the Company level to conduct all necessary tests of work equipment, devices, machines, work environment, work tools, as well as organise medical examinations for all employees and education for working in a safe manner and minimum fire protection.

The following occupational health and safety activities have been performed in 2022:



Employee education

Education and information of employees in the field of safe work and minimum fire protection is carried out, conducting educational training activities for providing first aid, securing means and equipment as well as medical examinations of workers at workplaces with special working conditions.

We especially highlight the education and practice of handling our employees in the use of automatic defibrillators or resuscitation devices, in different locations at our facilities.



Occupational injury record-keeping

Keeping records of employees who suffered an injury or illness in the workplace. Two minor occupational injuries were recorded in 2022.



Control of instruments of work and working environment

Testing of instruments of work and working environment by a licensed company, testing of all machines and devices used for work with an increased risk of occupational hazards, electrical and lightning protection installations and the working environment, referring employees to periodically and daily inspect the serviceability of instruments of work.



Employee check-ups

In order to ensure health supervision suitable to hazards, harm and strain during work, for the preservation of employee health, the Company provided the employees with occupational healthcare services in accordance with relevant legislation at the licensed medical institution competent for occupational medicine. During 2022, 78 periodic examinations were performed for employees at workplaces with special working conditions, in addition to additional annual sanitary examinations of employees at the Institute of Public Health.

5

Safe work practices

Employee training activities for safe work practices in accordance with the training programme based on previous risk assessment, which includes all occupational hazards, harms and efforts determined by the risk assessment and ways to eliminate them. During 2022, 26 employees were trained for safe work practices.

6

Implementation of occupational health and safety measures

Implementation of occupational health and safety measures in order to improve working conditions, prevent occupational injuries and illnesses, other work-related illnesses and the protection of the working environment, which include the following technical and organisational measures: testing of machines and devices used for work with increased risk of occupational hazards,

electrical installations, lightning protection – lightning rods, microclimate and lighting in accordance with regulations governing respective areas, fire extinguisher inspections, fire hydrant network inspections, inspections of fire alarm and extinguishing systems, as well as firefighting equipment in fire hydrant cabinets; control of instructions for safe work practices and hazard signage, and implementation of internal supervision of compliance with occupational health and safety rules.

7

Practical drills

Conducting practical evacuation and rescue drills when implementing fire protection and rescue measures for employees, which are required by law to be carried out every two years, while the Company holds practical evacuation and rescue drills every year. During 2022, the four mentioned drills were held in four different sectors.

8

Activities of the Occupational Health and Safety Committee

For the purpose of improving occupational health and safety in 2022, the Occupational Health and Safety Committee planned and supervised the implementation of occupational health and safety rules, organised the performance of occupational health and safety tasks, informed and trained employees on occupational health and safety, implemented the prevention of occupational risks and their effects on employee health and safety.



Fire Protection

In order to protect people's lives and property, measures and actions are taken in order to eliminate causes of fire, prevention of occurrence and spreading of fire, fire detection and extinguishing, identifying causes of fire, as well as providing assistance with eliminating fire damage.

Fire protection measures are organised and implemented in accordance with the Fire Protection Act, other regulations and the Fire Protection Ordinance. The fire protection plan of Ilirija d.d. governs the actions undertaken by fire brigades and other participants in the firefighting activity, and the plan itself is adjusted after each fire hazard assessment, i.e. within the deadlines set by the Fire Protection Act.

The fire protection service, through organisational and preventive measures, prevents risks and dangers that can arise and cause the occurrence of fires, thus contributing to the protection of life, health and safety of people as well as property and the environment. The following measures are undertaken at Company level:

- testing and maintenance of electrical and gas installations,
- regular cleaning of chimneys and ventilation ducts,
- examination of the hydrant network,
- annual inspection of fire extinguishers,
- maintenance and inspection of boiler rooms, and areas where dangerous substances and liquids are stored and used,
- Installation and maintenance of devices, equipment, installations and fire alarm and extinguishing systems,
- maintenance of fire brigade entry points, and
- carrying out evacuation drills in case of an emergency.



The following fire protection activities have been performed in 2022:

1

Procurement of equipment and its serviceability

Procurement of required fire protection equipment and a sufficient number of fire extinguishers. The Company has installed 391 fire extinguishers in all facilities. Since the risk of fire is one of the greatest risks in the nautical sector, the Company acquired a fireboat, specially designed and equipped for rescue and firefighting activities, to minimise this risk and to ensure timely reaction in case of a fire in order to protect the lives and wellbeing of its guests and employees, as well as to protect property.

2

Supervision activities

Daily supervision of the implementation of fire protection measures by the Department Manager and/or employees at each facility. Periodic supervision of the implementation of fire protection measures by immediate managers and the Occupational Safety and Fire Protection Manager.

3

Activities in fire protection programmes

The Company actively engaged in the implementation of the Activity Programme for the Implementation of Special Fire Protection Measures in 2022 in so far as it complies with the guidelines issued by the County Chief Fire Officer and the Biograd Public Fire Brigade.

The Fire Protection Department requested from the Biograd na Moru water distributor to update the information on the public fire hydrant network (fire hydrant position and serviceability).

4

Education

During 2022, volunteer fire fighter training was carried out, which was attended by 19 employees. The crew of the firefighting vessel has passed a firefighting intervention course.



Training for safe work practices

Year	2019	2020	2021	2022
Training for safe work practices	32	0	20	26

Based on the risk assessment, we train our employees to work in a safe manner, which is done by our Head of Occupational Safety in cooperation with occupational safety experts authorized to perform the training.

Fire drills

Year	2019	2020	2021	2022
Number of fire fighting drills	4	4	4	4

We conduct fire safety exercises every year, namely at the level of all sectors and with all employees within a sector participating.

Number of fire extinguisher inspections

Year	2019	2020	2021	2022
Number of fire extinguisher inspections	314	382	387	391

Maintenance of fire extinguishers is carried out through regular inspections and periodic servicing. Fire extinguishers are inspected and tested in accordance with the regulations for pressure equipment. Inspections are performed by a registered fire fighting servicing department.

Occupational health and safety training, safety equipment inspections and occupational injuries

Occupational safety and fire safety managers carry out education and training as well as medical examinations of employees in order to reduce the number of work injuries, occupational illnesses or any other health issues to a minimum. The managers shall send each employee to Safe Work Training as well as Minimum Fire Protection Training, and the employee shall attend them. Safety is also increased by conducting fire safety and evacuation drills, where employees demonstrate the knowledge they have learned during training. The managers shall maintain the fire extinguishing equipment so that it is functional and tested within the given deadlines.

In order to increase the safety of our employees and all visitors, employees are also trained in the use of resuscitation devices, defibrillators, which are installed in our facilities. Furthermore, sector managers were additionally trained in providing first aid, where they received additional information on how to help victims in different situations.

The rates of injuries, occupational diseases, lost work days and absences, and the number of fatalities related to accidents at work

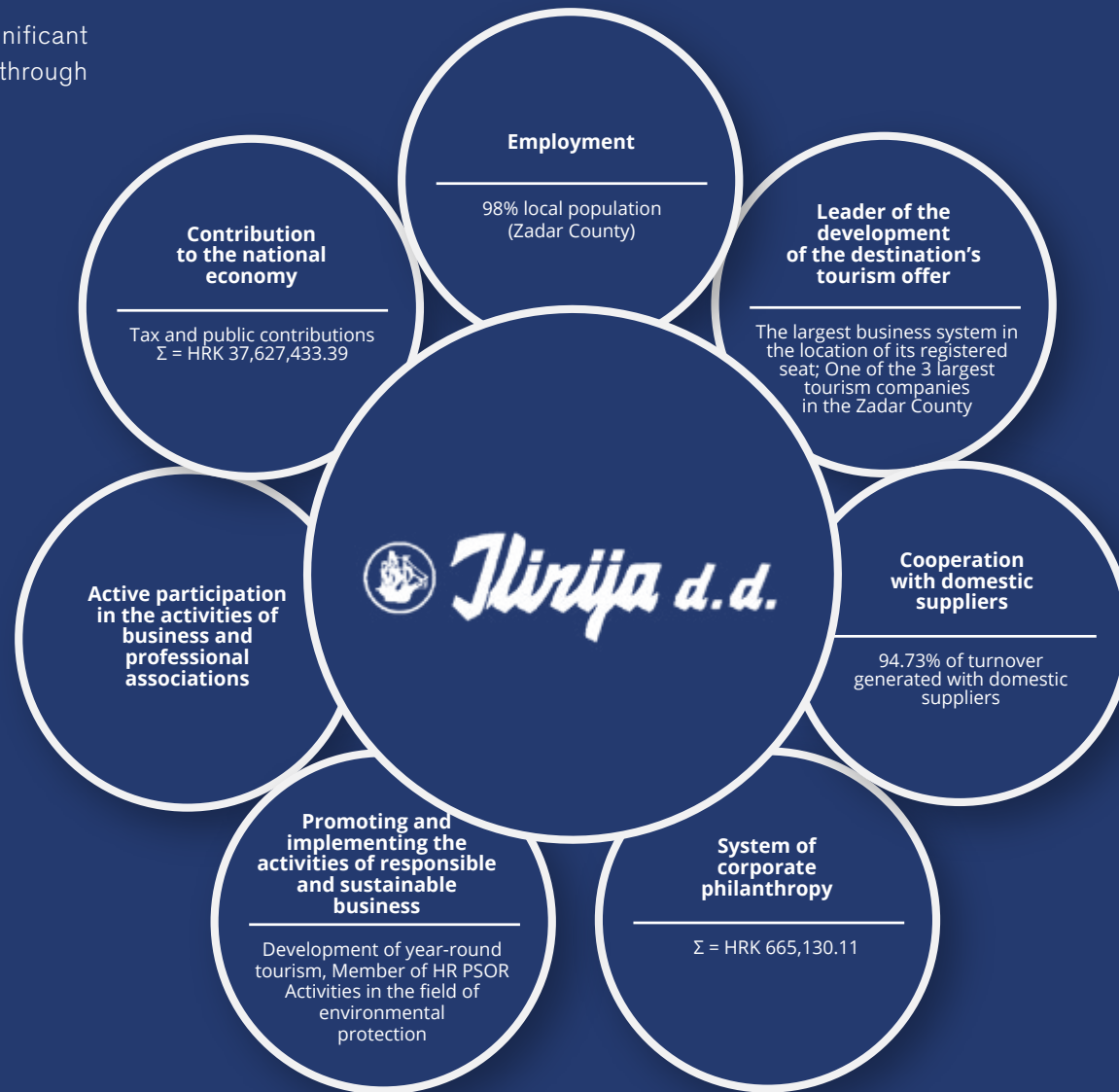
	2019				2020				2021				2022			
	Number of injuries	Number of professional diseases	Number of lost days	Number of fatalities	Number of injuries	Number of professional diseases	Number of lost days	Number of fatalities	Number of injuries	Number of professional diseases	Number of lost days	Number of fatalities	Number of injuries	Number of professional diseases	Number of lost days	Number of fatalities
Men	3	0	120	0	3	0	631	0	3	0	256	0	1	0	30	0
Women	3	0	38	0	1	0	72	0	2	0	77	0	1	0	67	0
Total	6	0	158	0	4	0	703	0	5	0	333	0	2	0	97	0

Occupational injury rate parameters

Parameter	2019	2020	2021	2022
IR (injury rate)	1,89	1,76	2,98	0,61
ODR (occupational disease rate)	0	0	0	0
LDR (lost daily rate)	0,09	0,11	1,55	0,3
AR (absentee rate in case of fatalities)	0	0	0	0

6.5 Indirect Impacts of the Company and the Community

In 2022, the company achieved significant indirect impact on the community through the following activities:



Corporate Philanthropy

Contributions to the wider community are also made through the corporate philanthropy system, i.e. donations and sponsorships, with a special emphasis on focusing the philanthropic activities mainly on the area of the regional community (Zadar County).

Corporate philanthropy is carried out in three ways:

- by initiating or participating in the donation/sponsorship process pertaining to specific social projects together with other members of the community
- through continuous donation to various associations, sports clubs, educational institutions, religious institutions, individuals, young people and the culture, namely with an emphasis on the preservation and restoration of the cultural and historical heritage, etc., based primarily on an assessment of their importance and impact on long-term community development, on the degree of innovation, on the concern for environmental protection and conservation, the contribution to education, the promotion and preservation of the culture and tradition of the area and the impact on children and young people; and
- through donations/sponsorships in response to the current needs of the community, or through the so-called ad hoc donations/sponsorships.

In 2022, the Company supported activities, projects and individual requests through the corporate philanthropy system, namely in the following areas:



(I) culture



(II) humanitarian programme



(III) science - education



(IV) health



(V) sports



(VI) society

Corporate Philanthropy in 2022



59 donations



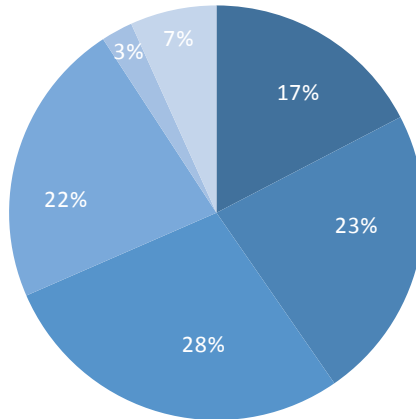
13 sponsorship activities



72 supported activities and projects
 Σ HRK 665.130,11

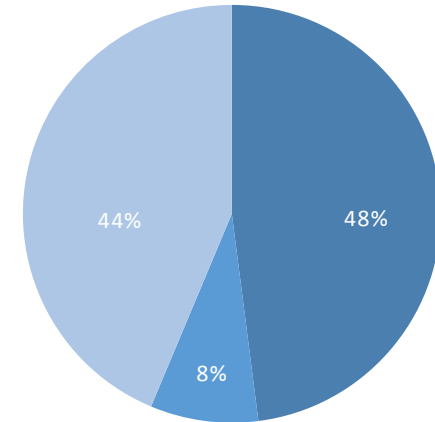
In 2022, through the system of corporate philanthropy, the Company supported numerous projects, campaigns, activities of various associations, institutions, clubs, business associations, etc. in the total amount of HRK 665,130.11* through 72 donation and sponsorship activities.

Overview of donations by area



■ Society ■ Culture ■ Humanitarian programme
 ■ Health ■ Science and education ■ Sports

Overview of sponsorships by area



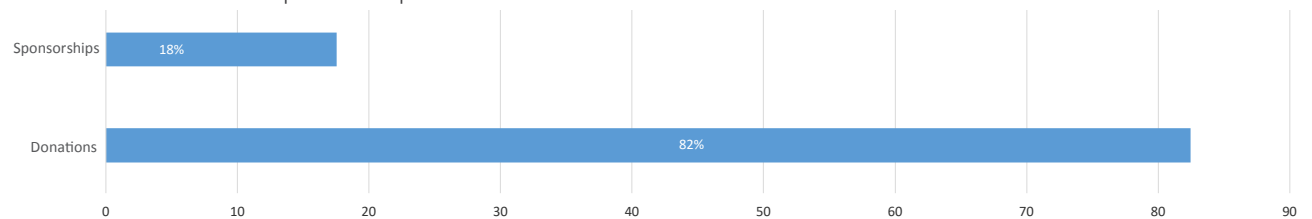
■ Culture ■ Science and education ■ Sports

Corporate Philanthropy in the 2015-2022 period:



577 activities
 Σ HRK 5.199.117,71

Ratio of donations to sponsorships in 2022



*The data differs from the data on Investments in the community presented in the table entitled Directly generated and distributed economic value, where the data are presented in the net amount.



During 2022, the Company organised and/or supported numerous events of special importance for the development of the destination and its tourist offer, events of importance at the national level, as well as a number of projects and activities through the system of corporate philanthropy, among which we would like to highlight:

- Biograd Boat Show
- Bike & Wine – Ravni kotari Tour
- Škraping Pašman International trekking race
- Donations to the Zadar General Hospital in cooperation with other companies from the Zadar County (portable cardiology colour doppler ultrasound device and ultrasound device for application in nephrology).
- Donation to the Special Hospital for Orthopaedics from Biograd na Moru in cooperation with other companies from the area of Biograd na Moru (hydraulic mobile operating table and broncho-fiberscope).
- Contribution of Ilirija d.d. to the landscaping activities of the town of Biograd na Moru in the form of horticultural landscaping with the donation of palm trees for landscaping the most important promenades in the town.
- Celebrating the World Health Day, as well as the International Day of Nursing with the help of professors and students of the Ante Kuzmanić Medical School through public actions of measuring blood pressure and blood sugar for all interested visitors to the centre.
- The organisation of the Advent celebration in the City Galleria with a children's entertainment programme and welcoming St Nicholas, accompanied by numerous creative workshops, a puppet show and Santa's welcome, as well as Christmas gifts for the youngest visitors.
- Long-standing cooperation with the humanitarian organisation "Voli Život", which takes care of severely ill and socially vulnerable children across Croatia by means of financial donations for purchase of aids, help with payment of medications and surgery abroad and in the country.
- Cooperation with the Centre for Education, Counselling and Humanitarian Action "Krugovi" in the organisation of humanitarian activities aimed at collecting donations for people suffering from malignant diseases in Zadar.
- Cooperation with the Public Open University Libar from Šibenik and FINIS College from Zadar on the project "I mi smo tu! (We are here too!)", aimed at enabling the acquisition of professional knowledge for persons with disabilities and increasing employment opportunities for vulnerable groups.
- Celebrating the national educational campaign "Tjedan cjeloživotnog učenja" ("Lifelong Learning Week") at the Education Fair presenting adult education institutions and associations in order to strengthen competitiveness on their labour market.
- Holding the Christmas humanitarian campaign of the Ante Kuzmanić Medical School through the collection of donations to help local students and selected schools in Africa, along with the presentation of students' creative works and handicrafts.

- Concert by the Libreto Music Association entitled “Proljeṭni glazbeni kolaž uz LIBRETO” (“Spring musical collage with LIBRETO”) at the centre's outdoor square with performances by the Libretići children's choir and soloists.
- Participation in the refurbishment of the Parish of St Cosmas and St Damian
- Zadar County Flower Festival
- Zadar Autism Association
- Association “Put”, Zadar
- Association Stihovi i note
- Sports clubs (Aeroklub Zadar, Australian Football Association, Taekwondo club for persons with disabilities “Donat Zadar”, Rogovo ASC, Primorac CFC, Polača FC, Škabrnja FC, AKS Cycling club, Dupin Swimming club, Diving club, Sports recreation association Prvak, etc.)
- “Šuškalica” Kindergarten
- Cenacolo Community
- “Polača” Volunteer Fire Department
- Cultural and artistic societies (at the local level) in the promotion of culture, customs and traditions of the Zadar region,
- A number of cultural, artistic and entertainment events at the destination level.







6.6 Marketing and labelling

Proper labelling and informing customers about the food and beverages they consume is a material topic for the Company, considering that the health and safety of food is an extremely important segment of the Company's business. The Ordinance on Consumer Information about Non-Prepacked Food (OG 144/14) provides for mandatory information on the presence of substances or products that may cause allergies or intolerances. EU legislation lists 14 specific allergens used in the preparation of food (including beverages) that are present in the finished product. We inform our guests of the presence of allergens in the food served on the buffet table in hotels or during banquets by clearly displaying allergen pictogrammes, while noticeable and clearly legible messages are placed in à la carte restaurants, inviting consumers to ask the staff for information regarding the presence of substances or products that can cause allergies or intolerances.

The Food and Beverages Department staff were educated about the importance of properly informing guests of the presence of allergens and of their possible adverse health effects. The management of substances or products that may cause allergic reactions or intolerance is monitored internally by the Health Control Manager and by external supervisory bodies such as the sanitary inspection or accredited HACCP system auditors.

In 2022, we did not record any breaches of regulations, nor did we receive any complaints regarding breaches of regulations pertaining to product labelling. All kitchens of the company have successfully implemented the Food Safety Management System (HACCP) and all food handling practices are carried out in accordance with the principles and guidelines of the Good Manufacturing Practice (GMP) and Good Hygiene Practice (GHP). By doing so, we systematically contribute to the safety of the food served in our facilities.



Ilinija d.d.

SUSTAINABILITY REPORT
FOR THE YEAR 2022