



Jlinija d.d.

SUSTAINABILITY REPORT FOR THE YEAR 2023



Biograd na Moru,
June 2024.

1 INTRODUCTION BY THE PRESIDENT OF THE MANAGEMENT BOARD

Introduction by the president of the Management Board	4
2023 Sustainability Report	6

2 ABOUT ILIRIJA d.d.

2.1 Basic Data	9
2.2 Ilirija in Figures	10
2.3 Chronological Overview of the Historical Development of Ilirija	12
2.4 External Initiatives and Membership in Associations	15
2.5 Overview of Portfolios, Products and Services	17
2.6 Market, Customers and Suppliers	36
2.7 Standards and Certificates	46
2.8 Awards and acknowledgements	48
2.9. Significant Events	49

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

3.1. Business Model Description	51
3.2 Company Business Model and Sustainability	52
3.3 Sustainable Business Strategy	53
3.4 Vision, Mission and Fundamental Values	59
3.5 Contribution to Achieving the UN Sustainable Development Goals	60
3.6 Corporate Governance and Organisational Structure	63
3.7 Risk, Risk Management and Opportunities	68
3.8 Dialog with Stakeholders	82

4 OPERATING RESULTS IN 2023

4.1 Management of the Economic Aspect of Business	87
4.2 Operating Results in 2023	88
4.3 Publications Under the Taxonomy Regulation	118

5 CORPORATE ENVIRONMENTAL RESPONSIBILITY

5.1 Environmental Management	125
5.2. Environmental Standards Met and Certifications Obtained	128
5.3 Education	130
5.4 Investment in the Environment	131
5.5 Energy	132
5.6 Water	140
5.7 Effluents and Waste	144
5.8 Compliance with Environmental Protection Regulations	147
5.9 Horticultural and Spatial Design	148

6 CORPORATE SOCIAL RESPONSIBILITY

6.1 Employment	150
6.2 Diversity and Equal Opportunities	164
6.3 Training and Education	170
6.4 Occupational Health and Safety	173
6.5 Indirect Impacts of the Company and the Community	188
6.6 Marketing and Labelling	193



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

1 Introduction by the president of the Management Board



Dear shareholders,

in the business year marked by challenging and demanding macroeconomic circumstances, largely expressed through strong inflation pressures, labour market deficit and growing geopolitical instability, we achieved all the planned business goals with the growth of business activities at the level of all sectors, which are the best achievements so far in terms of revenue, and the growth of business profitability was achieved with further strengthening of the balance sheet and capital position, reduction of total liabilities and the lowest ever net debt, which contributed to further stability and strengthening of the economic viability and competitiveness of the Company.

All sectors saw an increase in business activities, reflected in the increase in operating revenue and the increase in key physical and market indicators, achieving the best results so far, especially in terms of revenue, which totalled EUR 28,286,740.07, representing an increase of 18.96% compared to 2022, while the generated business revenue amounted to EUR 28,047,808.67, representing an increase of 18.19%.

Furthermore, in all key indicators of profitability, growth was achieved despite the strong impact of inflation and labour costs, as the result of strong growth in demand in the Company's tourism sectors and, at the same time, growth in their profitability compared to the previous year. The Company realised an operating profit in the amount of EUR 7,556,885.16, marking a 4.51%

increase, while the profit before tax amounted to EUR 4,070,417.58 and increased by 5.47% compared to the previous year. EBITDA was realised in the amount of EUR 7,795,816.56, a 7.12% increase, and the adjusted (comparable) EBITDA was EUR 8,248,456.98, an increase of 12.30%, while the net profit amounted to EUR 3,279,530.22, an increase of 12.30% compared to the previous year. The generated revenue growth and profitability growth were simultaneously accompanied by the growth of the financial position indicators, i.e. the value of assets and capital, the reduction of total liabilities and net debt, and the payment of dividends, by which the Company demonstrated its ability to maintain a high level of resilience, competitiveness, quality and service standards, as it strengthens the capital and balance sheet position while balancing the interests of all participants in the business process.

We believe that success in business, in addition to the achievement of financial results that ensure the sustainability and competitiveness of business, simultaneously means that the Company has implemented activities in the field of sustainable and responsible business. As a tourism company, we strive to create responsible and sustainable tourism with a year-round tourist offer, which we have been developing intensively for the last ten years through the destination management company Ilijia Travel, simultaneously contributing to the development of the Company's offer and the destination while reducing the negative effects of tourism on the infrastructure and environment of the local community.

In addition to working on the development of the year-round tourist offer, Ilirija also carried out a series of activities in the area of human resources management through the continuous improvement of the material position of employees, training and an active employment policy with the aim of ensuring an optimal personnel structure that will be the basis of the development of new services and content, the strengthening of competitiveness and the further development of year-round business activities and the provision of the achieved level of standards and quality of service. By continuously improving the material rights of employees through increased allocations for salaries and the growth of net hourly wages, in 2023, the average net salary per employee grew by 17% compared to the previous year. The Company is actively monitoring if the average net salary paid per employee is higher than the average net salary in the industry of accommodation services and food preparation and service at the national level and if it deviates slightly from the average net salary paid per employee in the Republic of Croatia. Furthermore, we are particularly proud that as many as 93% of our employees come from the Zadar County, and maintaining a high proportion of employees from the local community is one of the Company's strategic goals in personnel management.

We are strongly committed to the development of the communities in which we operate, either through the enhancement of the tourist offer of destinations with the aim of developing a year-round tourist offer, support for numerous projects of wider interest to the community through our corporate philanthropy programme and

through the engagement of local suppliers. We also invest in environmental protection by continuously procuring electric vehicles, implementing international environmental protection standards in business operations and educating our employees and guests, employing responsible waste management and preserving biological diversity. In the coming period, we will intensify our activities, especially in the area of environmental protection, climate change mitigation and adaptation, and reduction of pollution.

In 2024, we will resume our strong commitment to the long-term sustainable development of the Company, the increase of its value and competitiveness with the aim of being an economically successful company, which takes care of its employees as the key to success, provides exceptional experiences to its guests and creates added value for its shareholders, all while taking care of the environment and the local community.

Goran Ražnjević
Chairman of the
Management Board





2023 Sustainability Report

The 2023 Sustainability Report refers to the period from 1 January to 31 December 2023, and relies in part on the Annual Business Report for 2023, published in February 2024 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).

This is the Company's eighth report that combines information on key financial indicators of business with non-financial information and the Company's activities in the field of environmental protection, relations with employees and the community.

The Company reports on key performance indicators in accordance with the Taxonomy Regulation, as well as in accordance to the guidelines of 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



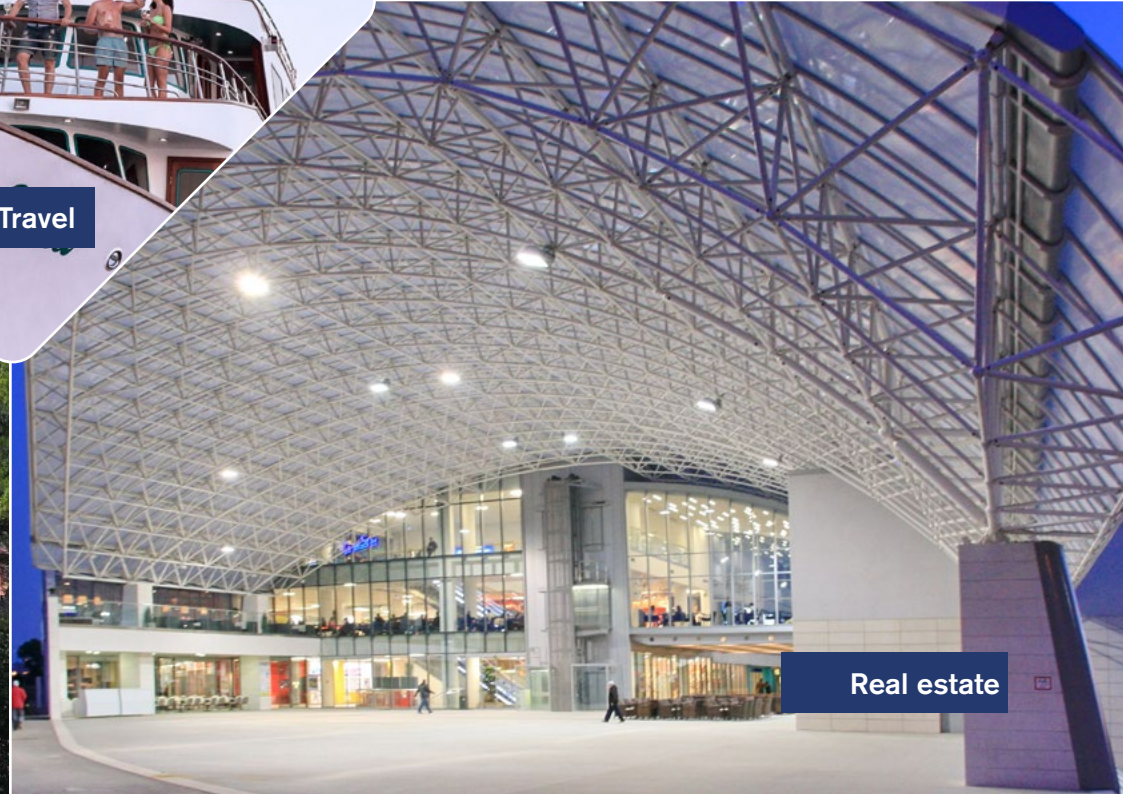
Nautical sector



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: EUR 30,420,000.00

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 66 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

1.130 PITCHES,
3.390 PERSONS



DESTINATION MANAGEMENT COMPANY/ DMC ILIRIJA TRAVEL

234 EVENTS
30.560 PERSONS



REAL-ESTATE SEGMENT

THE CITY GALLERIA BUSINESS AND SHOPPING CENTRE,
28.500M²



Business results in 2023 and a comparison with 2022:

+19%

TOTAL REVENUE

28.286.740,07 EUR

+5%

NET PROFIT

3.279.530,22 EUR

+7%

EBITDA

7.795.816,56 EUR

+2%

VALUE OF ASSETS

71.560.190,12 EUR

+4%

CAPITAL

53.114.266,63 EUR

-43%

NET DEBT

3.195.369,06 EUR

+2%

MARKET CAPITALIZATION

62.267.990,40 EUR

+4%

REALIZED OVERNIGHT STAYS

704.005

+3%

**NO. OF EMPLOYEES
SEASON PEAK**

424

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 – 2023

During this period, by 31 December 2023, the Company invested EUR 91,169,307.79 in construction, reconstruction, extension, upgrading, renovation and adaptation of accommodation facilities and establishments of the Company in order to enhance the quality, improve the overall service and standards in all sectors of the Company, develop new products, improve and increase the categorization of the accommodation facilities and nautical capacities, expand hospitality facilities with an aim to create a high-quality, recognizable and competitive tourism product and enhance the quality of the offer of the destination itself together with the purchase of the City Galleria Business and Shopping Centre, which resulted in a growth in total revenues and newly created value in the mentioned period in the amount of EUR 165,984,644.34.

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 14 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)

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

Professional associations:

- Association of Employers in Croatian Hospitality (UPUHH)
- Croatian Tourism Association (HUT)
- Croatian Camping Union (CCU)
- Top Camping
- 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

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

ARSENAL

KONFERENCIJA ZADARSKOG LISTA

POTENCIJALI LUKSUZNOG TURIZMA ZADARSKE ŽUPANIJE

PANELISTI:

MIHAELA KADIJA

direktorica, Turistička zajednica Zadarske županije

ANDREJA VUKOJEVIĆ

direktorica Sektora za turizam i Službe za komunikacije i marketing pri Hrvatskoj gospodarskoj komori

GORAN VUKOJEVIĆ

predsjednik, Ilirija d.d.

ELIZABET ROŽA

Regional Marketing Lead SEE, Falkensteiner Hotels & Residences

JOSIP KLIŠMANIĆ

direktor, Zračna luka Zadar

DINO MARTINOVIĆ

direktor marketinga, Stanić Packages d.o.o.

JOSIP STULIĆ

AWAZE europska turistička agencija za najam privatnog smještaja

Organizator:

Zadarski LIST

Partneri:



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

Beach bar Donat
Sv. Filip i Jakov

Villa
Primorje

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.

Overview of the Capacity of Ilirija d.d.



Hotels

435 rooms/910 beds



Camping

1130 plots/3390 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

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.



BOOKS AND DECORATIVE ITEMS ON THE LOWER SHELF

ГОСТИНИЦА
УЛИЦА АН ДРАГОШ
ИТАИФОН ЖЕТОХ
ИВАНОВИЧ ОИДОВ
82-8

HOTEL KORNATI ☆☆☆



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

Nautical Sector

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: 1130



Capacity for 3,390 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 1,130 accommodation units with a total capacity for up to 3,390 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.

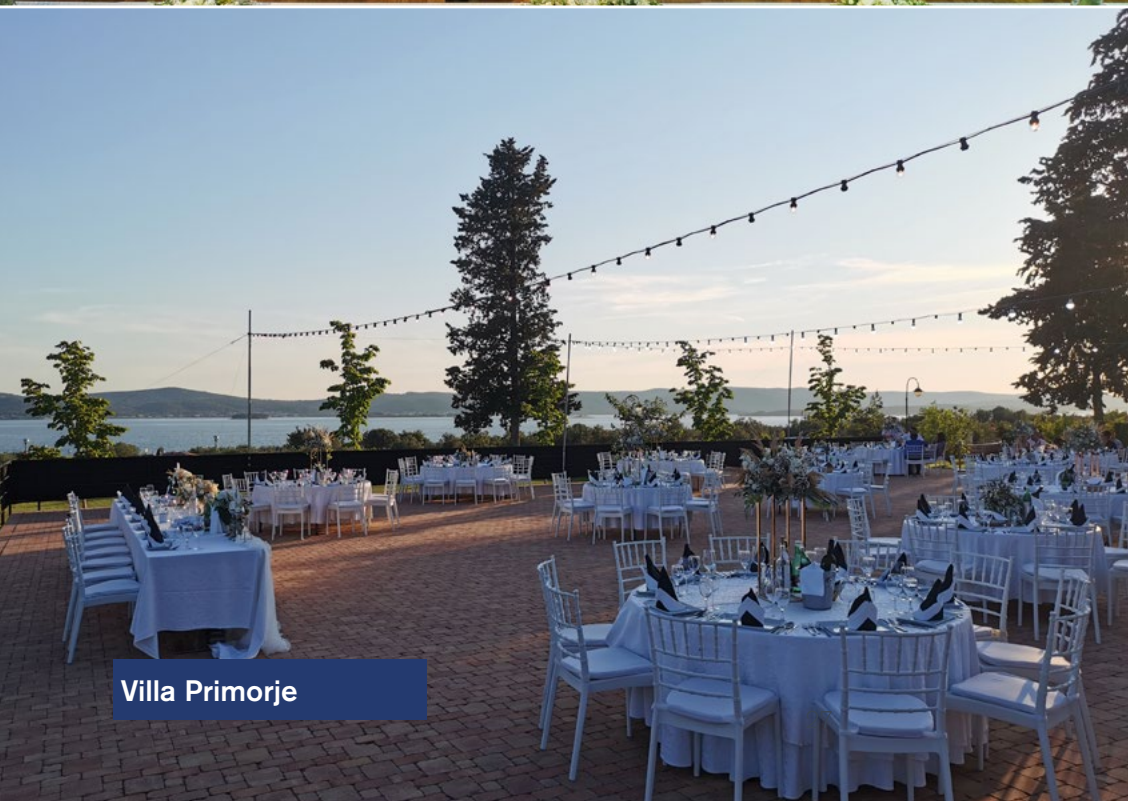
The “Nada” event boat, a 36-metre multifunctional yacht with a capacity for 180 persons, with a restaurant, kitchen and bar provides guests with excellent services pertaining to food and beverages during navigation. Business event organisers have access to a number of “tailor made” programmes adapted 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, 9,445,32 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.





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

Hospitality

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



EU FONDOVI
2021. - 2027.
NOVE
PRILIKE



Ministarstvo
ekonomskog razvoja
i kompetitivnosti
Republike Hrvatske





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



400 exhibitors
B2B with more than 400 contacts
5 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 2023, the fair (which marked its twenty-fourth anniversary) was attended by over 400 registered exhibitors, with 400 vessels at sea and on land and over 40 premier vessels, while over 150 registered charter companies, agencies and brokers actively participated in the charter fair (with over 500 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

Tourism sector



Overnight stays: 704,005



Hotel sector: 118,680



Camping sector : 329,010



Nautical sector (charter): 256,315



DMC Ilirija Travel: 30,560 persons

2.6 Market, Customers and Suppliers

Considering the diverse structure of the portfolio, the market and customers are divided into groups:



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 704,005 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 sector markets

Netherlands 6%

Germany 13%

Austria 6%

Other 13%

Poland 5%

Czech Republic 15%

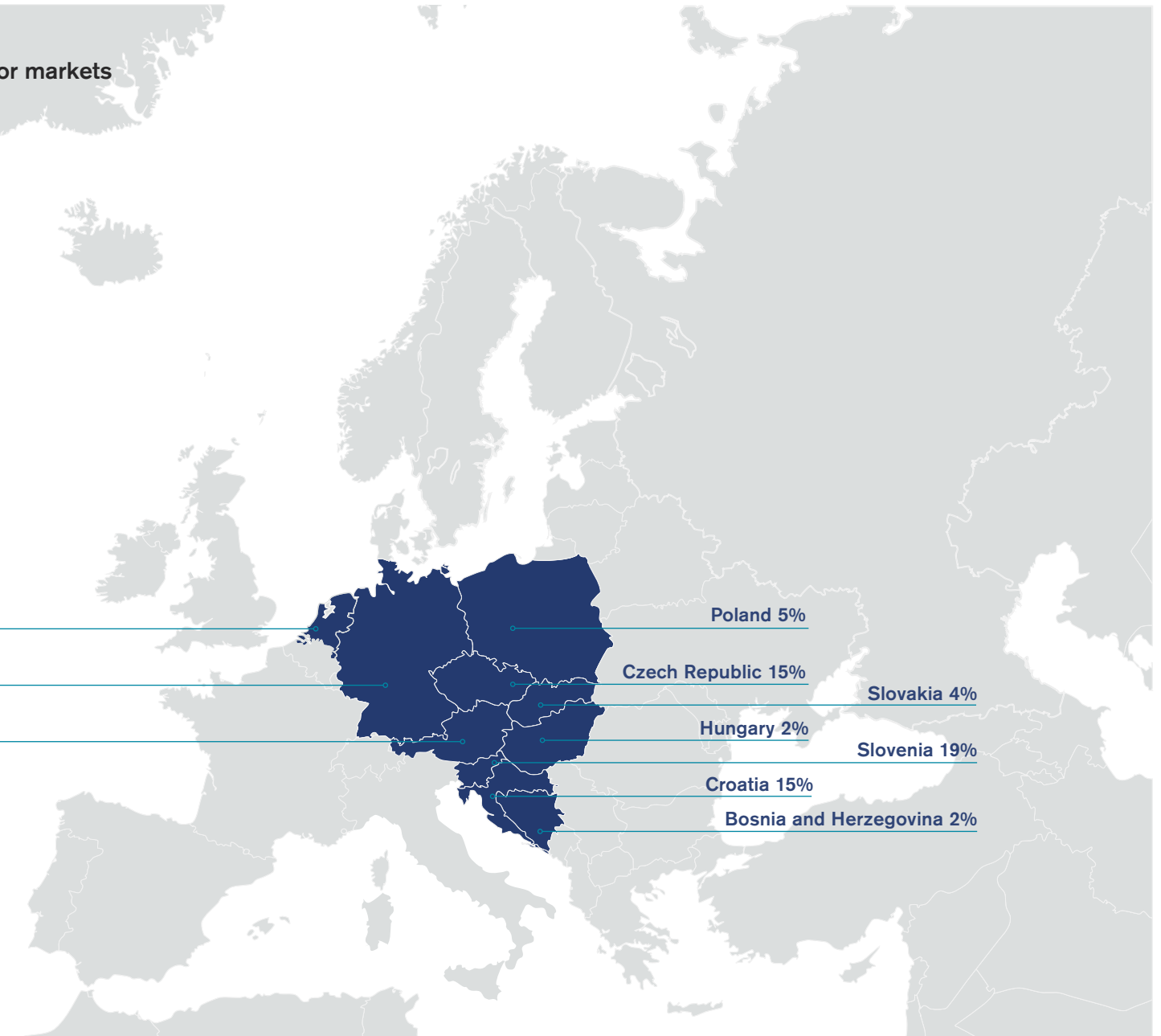
Slovakia 4%

Hungary 2%

Slovenia 19%

Croatia 15%

Bosnia and Herzegovina 2%





Hotel sector

Physical operating results

- 37,500 arrivals, an increase of 38%
- 118,680 overnight stays, an increase of 18%

Market segment

(share of overnight stays)

- 48% individual sales
- 35% groups
- 14% allotment

Market indicators

- ADR EUR 126.50, an increase of 9%
- TRevPAR EUR 20,740.05, an increase of 29%
- Annual occupancy 37%

Key markets

- 25% Croatia
- 10% Austria
- 10% Germany
- 10% Slovenia
- 6% Slovakia



Camping

Market segment

(share of overnight stays)

- 34% lump sum
- 28% mobile homes
- 21% individual pitches
- 17% agencies

Physical operating results

- 49,729 arrivals, an increase of 10%
- 329,010 overnight stays, an increase of 5%

Market indicators

- ADR EUR 49,31, an increase of 7%
- TRevPAR EUR 6,624.50, an increase of 20%
- Annual occupancy 61%



Nautical sector

Market segment

- Contracted berth:
 - a. Individual contractual berth
 - b. Charter contractual berth
- Transit berth:
 - a. Transit servicing market
 - b. Sports/regatta market
 - c. Holiday recreational market

Biograd Boat Show

- 4 fairs in one
- 400 exhibitors, 400 vessels and 40 premiers of vessels
- The "B2B" business segment with over 1,000 meetings
- 5 Croatia Charter Expo – over 500 accredited participants and 150 charter companies

Physical operating results

- 747 contracted vessels
- 256,315 overnight stays in the charter segment
- 3,094 arrivals of transit vessels
- 8,127 overnight stays of transit vessels



DMC Ilirija travel

Product

- A complementary and integrated tourist product
- Year-round business

Physical indicators

- 234 events, a decrease of 21%
- 30,560 staff, an increase of 2%

Facilities

- Arsenal,
- Ražnjevića dvori,
- Event ship „Nada“,
- Villa Primorje



Real Estate – City Galleria

Realisation of revenue through

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

Key physical indicators

- -35 Lease Agreements
- 9,445.32m² rented area
- 99.07% rate of occupancy

Customers (lessees)

- 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

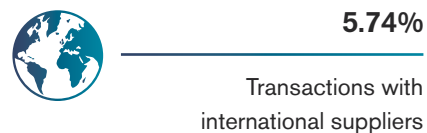
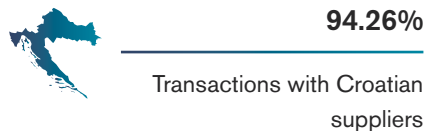
The procurement practice represents a material topic for the Company given its direct effects on business performance quality in terms of providing services in accordance with local and international standards of the tourism industry, and considering the economic effects it has on the local, regional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

All suppliers are expected to meet high parameters of quality 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 Company's 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 of 953 suppliers with whom we cooperated in 2023, we have cooperated for more than 30 years with 20 of them.

With some of them, we have cooperated for our very foundation, that is, for more than 66 years.



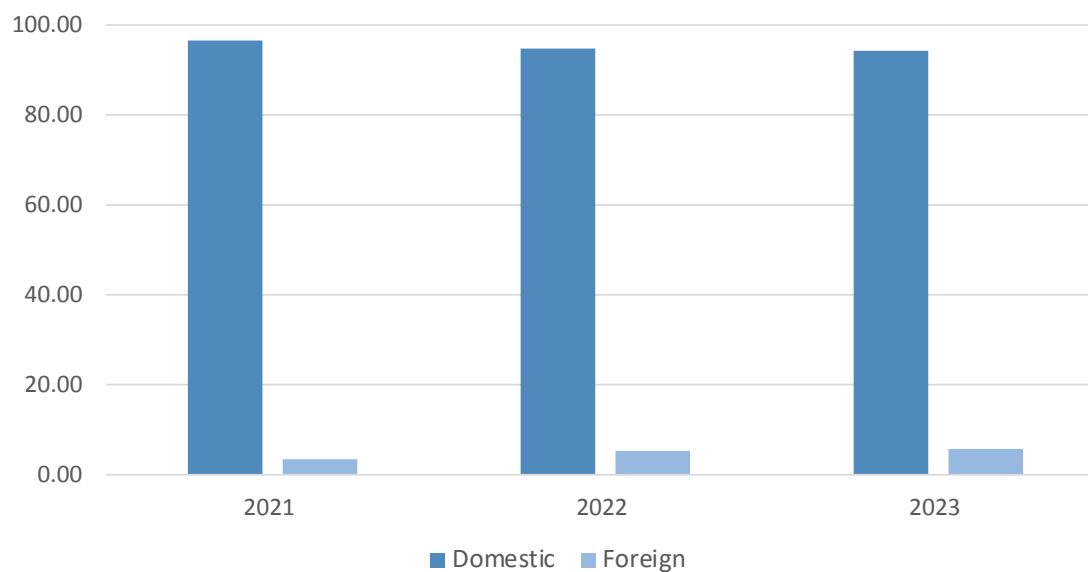


Procurement characteristics in 2023

Within the supply chain, we cooperate with producers, primary producers, distributors, wholesalers, contracted partners, brokers, consultants, small crafts and family-owned farms. In 2023, there were no lawsuits against the Company brought by its suppliers.

In the business year, the Company carried out transactions with a total of 953 suppliers. Out of those suppliers, 59 have their registered office abroad, which equals 6.19% of the total number of suppliers, while 93.81% of the suppliers have their registered office in the Republic of Croatia. Foreign suppliers accounted for 5.74% of the total transactions, while domestic suppliers accounted for 94.26% of the total transactions. The graph below shows that in 2023 the trend of a low share of foreign supplier turnover in the total realised turnover continued.

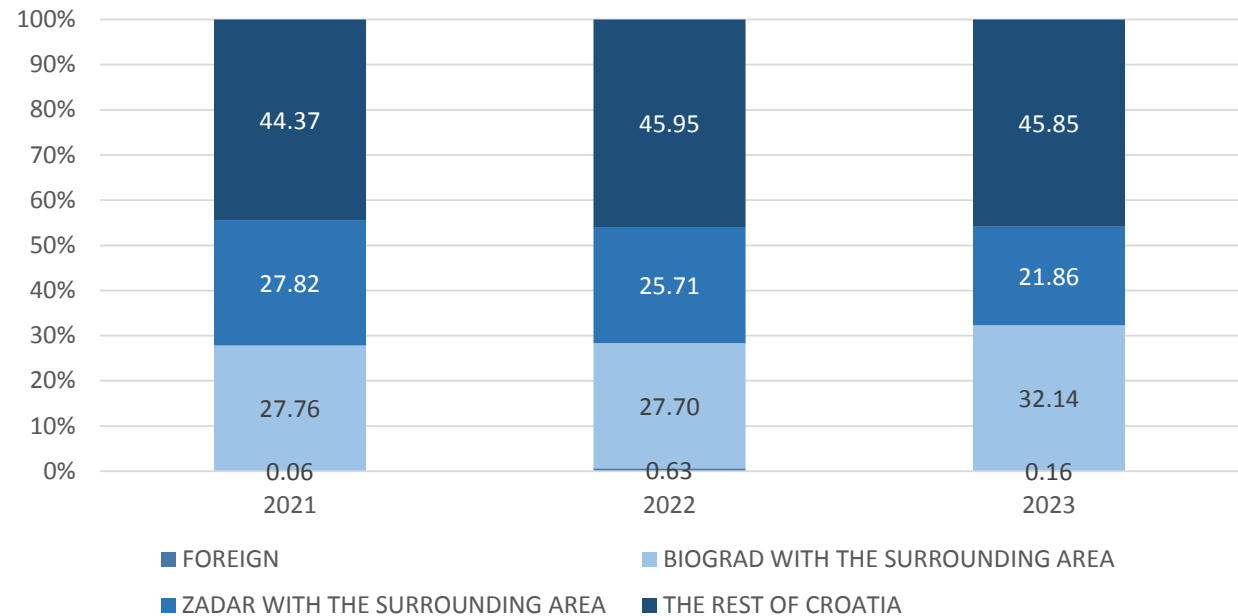
Overview of the % share in turnover of suppliers by registered office





The transactions pertaining to the procurement of food and beverages, consumables, office supplies and technical material accounted for 25.78% of the total transactions in 2023. Cooperation with foreign suppliers in the aforementioned procurement category accounted for only 0.16% of the transactions, local suppliers accounted for 53.99% of the transactions, and the remaining 45.85% 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, care for the safety and health of guests and employees, meeting customer needs and expectations, competitiveness and sustainability of products, continuous improvement of operational processes and continuous employee education, environmental protection and preservation of biodiversity are the main directions of the Company and they are achieved through the implementation of domestic and international standards into its operations.



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 Ilirija 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, Ilirija confirms its main focus on long-term business stability based on responsible and sustainable business operations. During 2023, a regular control audit was performed as part of the quality management system ISO 9001:2015 and the environmental management system ISO 14001:2015.



Ilirija d.d. has a certified HACCP system guaranteeing a high degree of control during the process of production and distribution of food products, while enabling the identification and assessment of all possible dangers, their prevention and control as well ensuring the implementation of measures for an efficient mode of operation.

Ilirija d.d. uses “green” electricity and holds a ZelEn certificate guaranteeing that the electricity we use comes from renewable sources.



"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, Ilirija 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.

"Park Soline" camp has joined the "CAMPING in PARKS" project, which unites national and nature parks with campsites in their immediate vicinity.

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 objective is sustainable control and management of the sea and the coastline.

Ilirija successfully completed the recertification process for the "Company – Friend of Health" certificate, which it was awarded for the first time in 2018, as part of the "Healthy Living" project launched by the Croatian Institute of Public Health with the aim of promoting health in the workplace and working environment, enabling the employees to adopt healthy lifestyle habits and show concern for the health of employees.



2.8 Awards and acknowledgements

The Company won the Zadar County Tourist Board annual award “For its contribution to nautical tourism and for having been organising the Biograd Boat Show for 25 years”, which was awarded for the creation and development of the destination's additional offer and the contribution to its branding through the growth of nautical tourism and long-term organising of the Biograd Boat Show, the biggest nautical fair in Croatia and Central Europe.

The international company Dun&Bradstreet, specialized in business information, analytics and certification of company creditworthiness, awarded Ilirija a Platinum Creditworthiness Certificate of Excellence. The platinum certificate is awarded to companies that have achieved the highest “Gold AAA” Creditworthiness Certificate of Excellence for three consecutive years, based on accounting records and other dynamic indicators. The companies that are holders of the platinum creditworthiness certificate of excellence are ranked as the most renowned, reliable, low-risk companies and potential clients in terms of its solvency assessment, creditworthiness, indebtedness, profit and other risks of conducting business with a company.



2.8 Significant events

The General Assembly of the Company, held on 21 April 2023, took note of the Annual Report for 2022 together with the Audit Report for 2022, Report of the Supervisory Board on the Performed Supervision of the Company's Operations for 2022, and the Management Board' Report on the Acquisition of Own Shares. The General Assembly adopted the Decision on the Approval of the 2022 Report on the Remuneration of Management Board and Supervisory Board Members, the Decision on Granting Discharge to the Company's Management Board for the financial year 2022, Decision on Granting Discharge to the Members of the Supervisory Board for the financial year 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 2023. Moreover, the Decision on the Adjustment of the Share Capital of the Company was adopted by increasing the share capital from the Company's assets and amending the Articles of Association of the Company for the purpose of aligning the share capital with the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia and the Companies Act. Consequently, the share capital was increased from EUR 30,412,964.36 by EUR 7,035.64 to EUR 30,420,000.00. The share capital was increased from the Company's assets by converting other reserves in the amount of EUR 7,035.64, into the share capital of the Company without issuing new shares in proportion to the increase in the share of all issued shares in the share capital of the Company.

The General Assembly adopted the Decision Amending the Decision on the Remuneration of Supervisory Board Members on the basis of which each member of the Supervisory Board is entitled to a fixed monthly remuneration for their work in the Supervisory Board of the Company in the net amount of EUR 1,350.00. Also, the Decision on the Use of Company Profit for the 2022 Financial Year was adopted, according to which the achieved net profit in the 2022 financial year (after tax) in the amount of EUR 3,117,753.76, is distributed as follows:

- EUR 1,794,045.66 into the retained profit, and
- EUR 1,323,708.10 for dividend distribution.

Pursuant to the Decision on Dividend Distribution, the Company distributed a dividend in the total amount of EUR 1.323.708,10, i.e. EUR 0.55 per share, to the Company shareholders from the profits generated in 2022.



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 – 1130 pitches, 3390 persons
- Destination management company/DMC Ilirija Travel – through which 234 special events for 30.560 persons were organised in 2023
- 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:

440
points

3.2 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 number 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 the Company defines its business strategy through dialogue with stakeholders so as to understand their expectations. Stakeholder dialogue defined the material topics that the stakeholders perceive as topics through which the Company can influence the community, environment and economy the most.

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.

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 the continuous development of new products and services, economic and social contributions to the development of the destination, the creation of philanthropic programmes for the wider community, the development of year-round tourist activity, the application of responsible managerial practices, additional activities in environmental and biodiversity protection, maintaining the current high share of the local population in the structure of employees as well as a high share of national suppliers and local family farms. Apart from economic achievements as a fundamental prerequisite for sustainable and responsible business, the Sustainable Business Strategy also takes into consideration the ESG goals and European Union initiatives.

The long-term main goals of Ilirija in terms of sustainable business were also set in 2024:

The sustainable business strategy consists of four main areas:

- (I) Corporate responsibility and sustainability
- (II) Environment
- (III) Society
- (IV) Business conduct



(I) 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
- 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**

*The documents are publicly available on the website of ILIRIJA d.d. (www.ilirijabiograd.com), HANFA (www.hanfa.hr), and the Zagreb Stock Exchange (www.zse.hr), and have been submitted to HINA.

(II) Environment

When it comes to environmental management, 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.

Integrated Quality and Environmental Protection 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:

- **Quality And Environmental Policy**
- **Internal sector-specific quality and environmental protection manuals**
- **Internal work instructions for the disposal of all types of waste**
- **Domestic and international ecological standards**

(III) Society

Ilirija's strategy in terms of its relationship towards the wider 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

- **Reports on sustainable business operations**

*The documents are publicly available on the website of ILIRIJA d.d. (www.ilirijabiograd.com), HANFA (www.hanfa.hr), and the Zagreb Stock Exchange (www.zse.hr), and have been submitted to HINA.

(IV) Business conduct

Ilirija operates in accordance with principles and practices of good corporate governance, providing a high level of transparency and accountability in relation to its stakeholders. The Company has a dualistic management structure with clearly separated powers and responsibilities, it applies the Corporate Governance Code and Code of Business Ethics, clearly set and communicated business objectives and adheres to the diversity and equal opportunity principles, strives towards hiring domestic and local suppliers, conducts activities in the domain of occupational and guest and employee health and safety.

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 the Joint Stock Company 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 Management Board Members](#)
- [Remuneration Policy for Supervisory Board Members](#)
- [Corporate Governance Code – Compliance Questionnaire](#)
- [Work Regulations](#)
- [Occupational Health and Safety Regulations](#)
- [Quality And Environmental Policy](#)
- [Fire Protection Regulations](#)
- [Fire Protection and Evacuation Plan](#)

ESG Goals

Based on the Sustainable Business Strategy, Ilirija d.d. defined its ESG goals in 2024 for the period from 2025 until 2030, encompassing the key goals in terms of sustainability by area:

	(I) Corporate responsibility and sustainability	(II) Environmental protection	(III) Society	(IV) Business conduct
Areas included in the goals:	These refer to the long-term viability and sustainability of the Company, financial stability, competitiveness, preservation of long-term business activity, assets and capital.	They refer to environmental protection and are oriented towards climate change, reducing pollution and preserving biodiversity and resources.	They refer to our employees, complying with the principle of equality and diversity in the workplace, employee education and their material position.	They refer to the organisational and management structure, business conduct policies and suppliers.
Goals:	The growth of key performance indicators (financial and physical): overnight stays, the number of sold accommodation units, occupancy, ADR, revenue, net profit, EBITDA, value of assets and capital, market capitalization and the preservation of a sustainable level of net debt.	Gradual reduction in greenhouse gas emissions in all business segments.	A minimum of 85% of local population (Zadar County) in the overall employee structure.	Corporate Governance – in accordance with principles and practices of good corporate governance, providing a high level of transparency and accountability in relation to all Company stakeholders.
	Continuous development of new and improved existing products and services through sustainable investments in the green transition, renewable energy sources and digital transformation.	The reduction of the generated mixed waste at the source of its generation and an increase in the share of recyclable materials.	Equal pay for equal work.	Monitoring and compliance with the legal regulations.
	Continuation of the digitalisation of business activities, with an emphasis on sales and marketing and managing customer relations.	Preservation of biodiversity in operative areas of the Company, including the reduction of harmful impacts on ecosystems and species.	Continued improvement of the material position of the employees through the realisation of the average salary on the level of the achieved average salary in the Republic of Croatia and other material and non-material employee benefits.	90% turnover with Croatian suppliers.
	Strengthening Company competitiveness and retaining the position of top 20 leading tourist companies in the Republic of Croatia according to key performance indicators of the tourism industry.	Water use optimisation and reduction of water pollution, including the introduction of effective waste water treatment systems.	<p>Trainings and professional and personal growth of employees monitored through the increase of the number of engaged employees and hours of trainings and by defining the strategic priority areas:</p> <ul style="list-style-type: none"> Hospitality – food offer and service Sales and marketing – digital marketing and sales, management of customer relations Management – sustainable and responsible business Healthcare, occupational health and safety and fire protection. 	

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) of the year:



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.



Starting from the fact that economic development and growth are the fundamental prerequisites of corporate sustainability and responsibility, with the business results realised in 2023, the Company also achieved all business objectives along with an increase of business activities at the level of all sectors, i.e. ultimately, it also achieved the best operating result so far. Furthermore, the Company continued being mindful of the financial position of its employees by ensuring not only the optimum personnel structure, but also greater material rights than the industry average, with new employment, continuous trainings and the creation of a stimulating and motivating work environment, expressing concern for employee health and investment in improving the standards and quality of service. Likewise, through the destination management company, the Company especially contributed to the development of tourist products and services even in the pre-season and post-season with the aim of developing sustainable destinations.



One of the Company's basic objectives is also ensuring and respecting the principles of sustainable development manifested in the recognition and meeting of the needs of tourists, preserving authenticity, protecting and restoring the natural and cultural heritage, and preserving the environment and biodiversity and cooperating with local suppliers or creating a responsible and sustainable tourist offer.



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.

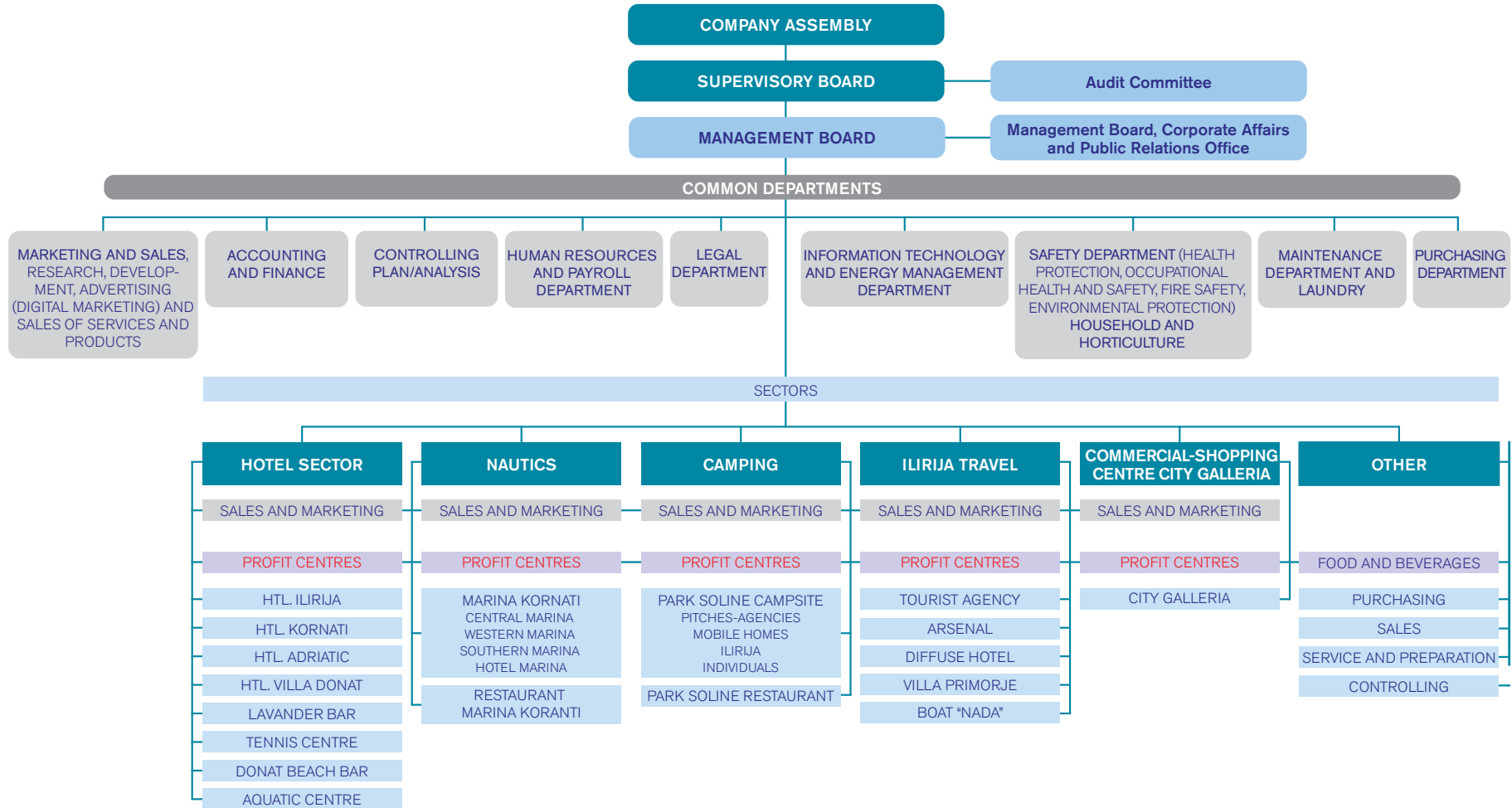


The foundations of the Company's operations are the principles of sustainable and responsible development with a strong emphasis on environmental protection (soil, water, air, waste...). The Protection of the Environment and Horticulture department was established as part of the Safety Service, and the 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, ISO 9001:2015, Blue Flag, Green Key), 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 14 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

Organizational structure



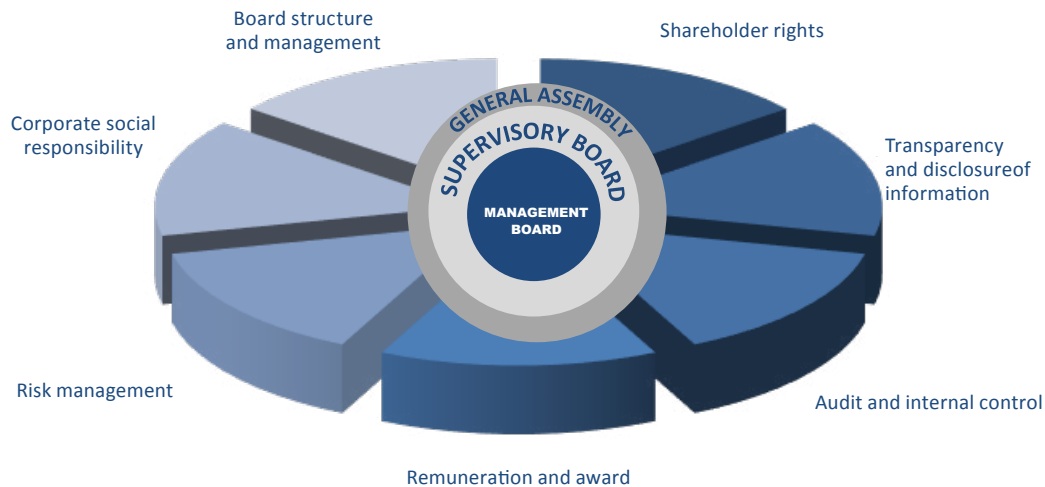
Corporate Governance

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.

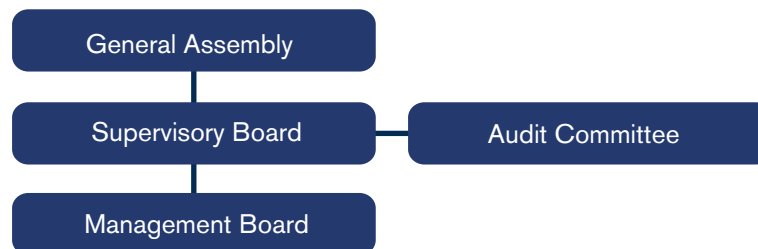
It operates in accordance with principles and practices of good corporate governance, providing a high level of transparency and accountability in relation to all of its stakeholders. Ilirija applies the Corporate Governance Code jointly adopted by Zagreb Stock Exchange and HANFA, which is available on their websites. Each year, the Company completes and publishes the annual questionnaire prescribed by the Code, in which, when applicable and in line with the “act or explain” mechanism, it specifies the reasons for possible deviations from the Code. Pursuant to the regulations, the annual questionnaire is published on the website of Zagreb Stock Exchange (www.zse.hr) and the Company (www.ilirijabiograd.com). It also applies the Code of Business Ethics of the Croatian Chamber of Commerce, doing business in accordance with the principles of responsibility, ethics, transparency and respect of good business practices towards all stakeholders in its business process.

The Company has a worked-out a system of internal controls at all levels, the aim of which is to ensure operational functioning and security of business processes within the Company, satisfaction with the service quality and standards as well as implementation and application of legal regulations, all of which contributes to timely publication within legally prescribed time limits of financial reports that provide objective data on the Company’s financial position and business results. The main characteristics of risk exposure and management are covered by the chapter “Risks, Risk Management and Opportunities”.

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 2023, the Company had a total of 266 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 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 2023 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. On 21 April 2023, a Regular General Assembly of Ilirija d.d. was held, and its decisions were published and are available on the Company website (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.

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 meets at least four times a year.

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, Work Regulations of the Management Board, and legal regulations.

Sustainability Management

The Company's business operations are anchored in the principles of sustainable and responsible development, which presuppose that economic development does not endanger the existing natural resources, the cultural, historic and natural heritage and it considers how it affects the economy, community and environment in its decision-making as a business entity.

The Company's Management Board is in charge and responsible for the development and management of the business in the area of sustainability, including 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. Likewise, the expert team for the preparation of sustainability reports is in charge of monitoring regulations in sustainable development and of the implementation of sustainable development objectives and activities in the Company's operational business and their monitoring.

Ownership structure

The Company's share capital amounts to EUR 30,420,000.00 and is divided into 2,413,488 no-par-value ordinary shares. As at 31 December 2023, there were no significant changes in the ownership structure, while an overview of the major shareholders of the Company as at 31 December 2023 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
Zoran Bogdanović	26,216	1.09
CERP/Republic of Croatia	25,642	1.06
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
Dražen Hrkač	6,727	0.28
Ilirija d.d. (treasury shares)	5,043	0.21
Other minor shareholders	99,003	4.09
TOTAL	2,413,488	100.00

Types of risks



Economic and financial risks



Regulatory risks



Tourism activity risks



Global risks and the macroeconomic environment

3.7 Risk, Risk Management and Opportunities

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



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 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, measured by the Consumer Price Index, was on average 4.5% higher in December 2023 compared to December 2022, while the annual average was 8.0% higher. 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.



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 or 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.

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, an application for a concession on tourism land for the “Park Soline” campsite 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 of the uniqueness and sustainability of the "Park Soline" campsite in Biograd na Moru as an economic and functional-technological unit 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

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 pursuant to Article 22 of the Act on Maritime Domain and Sea-ports (Official Gazette Nos 153/2003, 100/04, 141/06, 38/09, 123/11 and 56/16, hereinafter referred to as: 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.

As no meritorious decision was made on the said request, on 11 July 2018, Ilirija d.d. delivered to the Ministry of Maritime Affairs, Transport and Infrastructure a letter informing them of having procured an amendment to the construction permit for the reconstruction of the marina, as part of the new investment included in the application for an extension of the concession licence validity. Also, on 6 October 2021 the Company delivered a letter to the Ministry of Maritime Affairs,



Transport and Infrastructure and the Ministry of Finance of the Republic of Croatia, so as to initiate the adoption of the decision regarding an extension of the concession licence validity.

In the meantime, on 2 November 2021, 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.

Considering the statement of the competent authorities and the expressed views, in order to successfully complete the procedure for extending the concession licence for Marina Kornati, Ilirija d.d. sent a supplement of the existing request for extension of the concession licence validity for Marina Kornati to the Ministry of the Sea, Transport and Infrastructure on 28 December 2023, in which it essentially offered: a new increased amount of investment in the maritime domain, new increased investments in the green transition, including the decarbonization and digital transformation in accordance with Regulation (EU) 2020/852 of the European Parliament and Council of 18 June 2020, on establishing a framework for facilitating sustainable investments and amending Regulation (EU) 2019/2088 EU OJ, L 198/13, suggested new amounts of concession fees with reference to the previously revalued investments in Marina Kornati with the end of 2023, in order to express the real, absolute value of investments so far, and also explained the legal matters that are important for making a positive decision, all in accordance with transitional and final provisions of the new Maritime Domain and Seaports Act (Official Gazette No.: 83/2023, hereinafter: ZPDML23), which entered into force on 29 July 2023, so that the procedures for granting and modifying concessions that were started according to the provisions of ZPDML03 have to be completed in accordance with the provisions of that Act. No decision has been rendered yet on the alleged supplemented request for an extension of the concession licence validity for Marina Kornati.

As regards the Ilirija-Kornati Hotel Port in Biograd na Moru, the Company delivered to the Republic of Croatia (Zadar County) on 19 January 2011 a request with detailed explanations for an extension of the concession licence validity for a period of 20 years, but the competent authority of the regional self-government unit has not reached a decision on this Request by Ilirija d.d. Furthermore, and with regard to the above, in February 2015, the Company once again, pursuant to Article 22 of the Maritime Domain and Seaports Act (new investment), submitted a request to the Zadar

County regarding an extension of the concession licence validity for the Ilirija-Kornati Hotel Port, for a period of 30 years in total, but a decision has not been made regarding this request by Ilirija d.d. As regards a beach facility with an outdoor swimming pool in Biograd na Moru, the Company submitted to the concession licence grantor, Zadar County, a request for an extension of the concession licence validity for a total of 30 years (until 2028) with all the necessary documentation, back on 20 October 2008 (before the expiry of the concession licence validity). The competent authority still has not decided on this request. The Company has been paying the concession fee in the agreed amount for all of the aforementioned facilities this whole time.

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 of the maritime domain for an indefinite period as well as for a limited period for as long as economic activity is being carried out”, 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.

On 14 July 2023, the Croatian Parliament adopted a new Maritime Domain and Seaport Act, which entered into force on 29 July 2023. It is evident that the new Act has a series of new provisions, and a certain amount of time will need to pass before we are able to fully assess its effect on complex matters in the area of legal investments in the maritime domain before and after the conversion, evaluation and entering in the share capital of former social enterprises, as well as on acquired legal and legitimate expectations of companies who perform legal activities in maritime domains.



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 overview of other key obstacles or restrictions with regard to the development of Croatian tourism in general, and thus of tourism companies, Ilirija d.d. being one of them.

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

- (I) the unresolved issue of ownership since the moment of conversion, that is, property-legal, physical planning-urban and economic use and utilization of the construction tourism land in campsites and around hotels,
- (II) inadequately resolved or unresolved issue of conversion on the maritime domain, i.e. issues regarding acquired rights, legitimate investments and legitimate expectations in the maritime domain, having in mind, in particular, the contracted permanent right of use of the maritime domain, while companies which took part in the conversion process, as is the case with our Company, carry out economic activity on the maritime domain, contrary to the provisions of Article 49 and Article 50 of the Constitution,
- (III) 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 improvement of the existing services and standards, affects new employment and salaries in tourism and hospitality,
- (IV) insurmountable obstacles regarding existing bureaucracy, administrative barriers, frequent changes to regulations,
- (V) complex and time-consuming procedure of issuing spatial plans and issuing building and operating permits,
- (VI) inadequate management of the area by regional or local self-government,
- (VII) 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,
- (VIII) fiscal and parafiscal charges unsuitable to seasonal business activities with frequent changes in fiscal regulations.

(IX) skilled labour shortages were significantly pronounced in 2023 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 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. 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 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 energy, water consumption, waste 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 its 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, especially on 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.

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 stakeholders.

The stakeholders are divided into:

- affected stakeholders: (customers/guests, employees, shareholders)
- users of declarations of sustainability: local community, the state, suppliers and financial institutions)

Affected stakeholders:

Customers/guests – are central to the services provided by company and are divided into: individual customers/guests, tourist agencies, tour operators and corporate partners). 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: monitoring customer satisfaction, regular communication with key customers, newsletters, fairs, B2B workshops, Company website, and social media.

Employees – considering that employees are the key to the success of every business system and the overall business process, the Company focused on retaining its able-bodied, highly-qualified and expert employees by further strengthening the personnel structure in key sectors and departments, improving the financial position, educational activities at all levels and caring for their health and safety. As at 31 December 2023, the Company has 312 employees. Communication with employees took place through: daily, weekly and monthly meetings at the level of operating business activities, meetings of the Board and Management, email notifications, annual employee gatherings, internal notice boards and social media.

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 2023, the Company had a total of 266 shareholders, who held a total of 2,413,488 shares. In 2023, a Regular General Assembly was held, and its decisions were published and are available on the Company's website (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, financial statements (annual, half-yearly and quarterly), corporate notices, the website and sustainability reports.

Users of the declarations of sustainability:

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 among 20 leading tourism companies in the Republic of Croatia, by creating new values; that is, products and services, creates new jobs and employs locals, develops the destination's offer and carries out corporate philanthropy activities and thus contributes to the 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.

Communication with the state and local community was carried out through: membership in business and professional associations, tourist board systems at the local, regional and national level, participation in legislative initiatives, both independently and through business and professional associations, participation in conferences and lectures, corporate notices and statements and sustainability reports.

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 through: the exchange of knowledge, improvement of the business process of both parties and creating a quality product.

Communication with suppliers was carried out through: meetings, presentations, workshops, visits and the exchange of knowledge and experiences.

Financial institutions – in 2023, 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. 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.

Communication with financial institution was carried out through: timely publishing of financial statements and corporate disclosures, transparency in business and cooperation based on mutual trust.

Material topics

To prepare the Sustainability Report for 2023, the Company used data from the last conducted identification of material topics carried out in 2018, considering that the assessment of materiality at the Company is carried out every five years, and taking into consideration the fact that the communication with shareholders demonstrated that there had been no significant change in material topics. In accordance with the new regulatory obligations arising from the Corporate Sustainability Reporting Directives and the European Sustainability Reporting Standards, the Company will conduct the procedure of reassessing the materiality in the following period.

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:

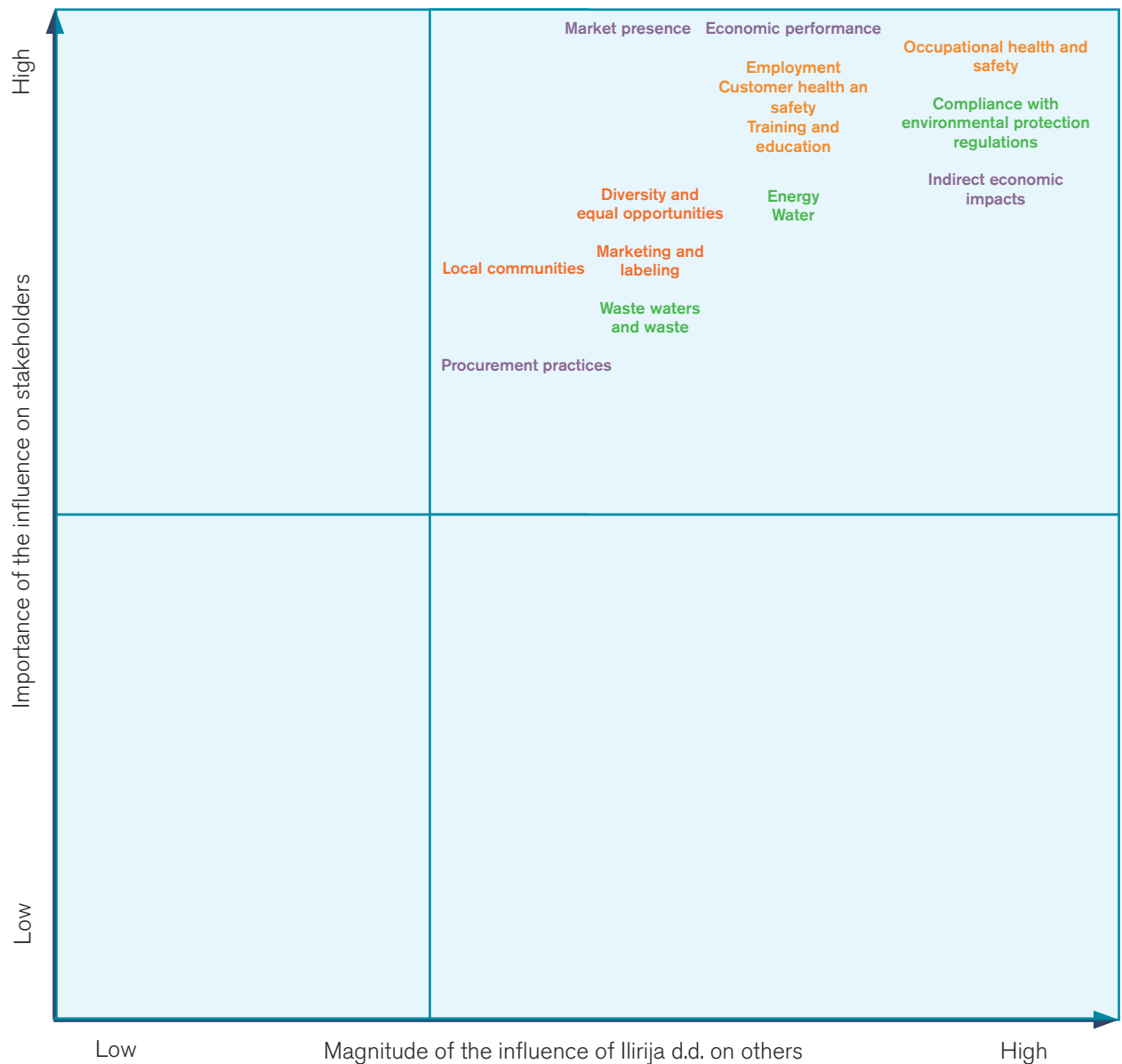
- Energy
- Water
- Waste waters and waste
- Compliance with environmental protection regulations

Social Topics

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

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.

Following the survey, identified material topics were perceived as important given that no material topics scored under 4.33.





**4 | OPERATING RESULTS
IN 2023**

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 2023

The data related to the chapter Operating Results in 2023 were taken from the Annual Report for 2023 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 26 February 2024. Ilirija d.d. is not required to draw up consolidated financial statements.

The business year 2023 was marked by continuous business growth across all sectors (hotel, nautical, camping, destination management and real-estate sectors), as well as at Company level, in the field of operating and financial performance indicators, profitability indicators and financial position indicators. Furthermore, the Company generated the largest total and operating revenues so far and strengthened the balance and capital position through assets value, capital and net profit growth, all while lowering total liabilities and achieving the lowest net debt to date with a high self-financing rate. Finally, the Company realised its business goals, ensured the growth of key performance indicators, invested in the improvement of the quality and standards of facilities, products and services and continued with the uninterrupted improvement of the employees' financial position, strengthening its financial position, resilience and market competitiveness.

Total revenue amounted to EUR 28,286,740.07, recording an increase of EUR 4,508,255.87 or 18.96% compared to the same period of 2022. The increase in the revenue is the result of significant growth in operating revenue of 18.19%, i.e. an increase in the tourism sector demand, key operating indicators growth (arrivals, overnight stays, number of vessels

- 1 Achieved the best business results since the start of activity (physical indicators, revenue, profitability, financial position indicators).
- 2 Powerful growth of business activities at the level of all sectors, especially tourism.
- 3 Realisation of the Business Plan for 2023
- 4 Retaining a high level of resilience, competitiveness, quality and standard of services in a challenging and demanding macroeconomic environment.

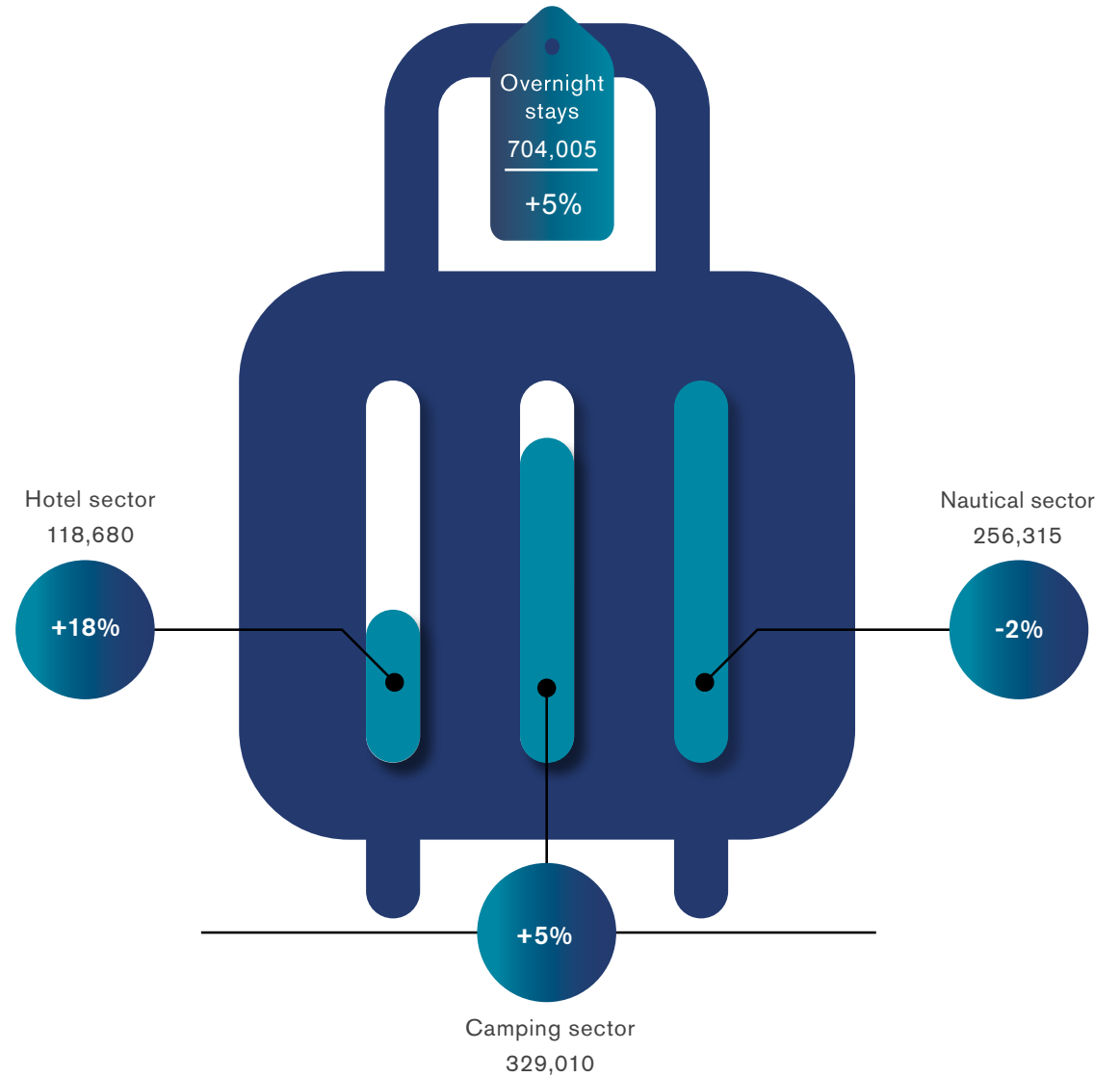


at contracted berth), stronger growth in year-round business activities, i.e. pre-season and post-season, compared to the previous year, growth in the share of more lucrative markets, and further growth in the individual sales channel.

In 2023, in the field of operating profitability, growth was reported across all indicators, i.e. in the fields of operating profit, profit before tax, net profit, EBITDA and EBIT compared to the previous year. Despite the strong influence of inflation and labour costs, as a result of a labour shortage and continuous improvement of the financial position of employees with an increase of all other expenses resulting from an increase in turnover, the increase in profitability followed from a strong increase of demand in the tourist sectors and the growth of their profitability compared to the previous year.

Physical operating results

The Company achieved exceptional business result in terms of physical performance indicators in all sectors, except for the destination management company, which also resulted in the best financial operating results so far. The year was marked by a continued increase of business activities as a result of the strengthening of activities in the pre-season and the post-season, accompanied by a constant increase of turnover in the high season, then the return of guests from long haul markets, further strengthening of activities on the MICE market and a strong growth of business activities in the hotel sector. All of the above resulted in the best financial operating results of the sector so far, and ultimately in the best financial achievements at the Company level.



Overview of key physical indicators of business activities in 2023

Physical indicators	2023	2022	Index 2023/2022
Hotel sector			
Number of accommodation units	435	435	100.00
Overnight stays of tourists	118,680	100,551	118.03
Occupancy days	135	115	117.39
Annual occupancy	36.95%	31.46%	117.45
Nautics			
Number of berths	805	805	100.00
Contracted vessel	747	726	102.89
Transith berth, overnight stays of vessels	8,127	9,208	88.26
Transith berth, inbound sail of vessels	3,094	3,117	99.26
Port service - number of operations	3,817	3,666	104.12
Days of work	365	365	100.00
Camping			
Number of accommodation units	1,130	1,208	93.54
Days od work	198	198	100.00
Occupancy days	120.62	106.65	113.10
<i>Mobile homes</i>	89.35	98.96	90.29
<i>Individuals</i>	56.75	43.06	131.79
<i>Fixed lease</i>	198.00	198.00	100.00
<i>Lump sum</i>	198.00	198.00	100.00
Occupancy	60.92%	53.86%	113.11
<i>Mobile homes</i>	45.13%	49.98%	90.30
<i>Individuals</i>	28.66%	21.75%	131.77
<i>Fixed lease</i>	100.00%	100.00%	100.00
<i>Lump sum</i>	100.00%	100.00%	100.00
Overnight stays of tourists	329,010	312,057	105.43

Overview of key physical indicators of business activities in 2023 (continued)

Physical indicators	2023	2022	Index 2023/2022
Ilirija Travel			
Number of events	234	297	78.79
Number of persons (events)	30,560	29,830	102.45
Real-estate			
Number of leases	35	37	94.59
Common expenses	33	35	94.29
Common areas	26	27	96.30
Advertising space	8	8	100.00
<i>Garage - number of parking spaces</i>	410	410	100.00
Rented area (m2)	9,445.32	9,464.72	99.80
Number of vehicle	729,225	703,511	103.66

Hotel sector

In 2023, a total of 37,500 guest arrivals were realised or a 38% increase, and 118,680 overnight stays with a 18,03% increase compared to 2022. The average monthly occupancy of hotels in 2023 amounted to 135 days compared to 115 in the previous year, while the utilisation of capacities with regard to days of availability was at 54%.

At the same time, an increase in the physical indicators also resulted in an increase in revenue at a rate of 29.81%, which indicates a substantial increase in revenue on the basis of physical growth of business activity due to activities extending into the pre- and post-season. In the reporting period, the hotel sector generated a revenue of EUR 9,021,921.78, representing an increase of 29.29% compared to the revenue of EUR 6,978,065.57 generated in 2022.

The average daily rate per accommodation unit amounted to EUR 126.50 and increased by 9.25% relative to 2022, namely due to the increase in sales prices and changes in the sales channel, with a more pronounced share of sales to individual customers and groups. Furthermore, the total annual revenues per accommodation unit TRevPAR was realised in the amount of EUR 20,740.05 compared to the EUR 16,041.53 realised in the previous year.

The sales channels continued the previous trend of strengthening their own sales with the individual sales segment reaching 48% (34% in 2022), while the strengthening of business activities in the pre-season and post-season also strengthened the group sales segment – now at a share of 35.2%, also through direct sales to partners, which means that almost 85% of the sales is a result of our contact with individual and group customers. In absolute figures, the group segment continued increasing significantly, reaching 100,000 overnight stays, i.e. 84% of all overnight stays, together with the individual segment.



118,680 +18.03%
Overnight stays



EUR 9,021,921.78 +29.29%
Revenue



EUR 126.50 +9.25%
ADR



EUR 2,123,535.15 +29.97%
GOP



Key market and financial indicators of hotel sector

	2022	2023	2023/2022
HOTEL SECTOR - MARKET INDICATORS			
Average daily rate of the accommodation unit (ADR) *	115.79 €	126.50 €	9.25%
Revenue per accommodation unit (RevPAR) on a total number of days basis in period **	36.43 €	46.74 €	28.30%
Revenue per accommodation unit (RevPAR) on an open days basis **	64.18 €	71.22 €	10.98%
HOTEL SECTOR - FINANCIAL INDICATORS			
Operating revenues	6,978,065.58 €	9,021,921.78 €	29.29%
Revenues from board services	5,783,949.76 €	7,420,735.60 €	28.30%
TRevPAR ***	16,041.53 €	20,740.05 €	29.29%
Operating costs ****	5,344,219.10 €	6,898,386.63 €	29.08%
Gross operating profit (GOP) *****	1,633,846.48 €	2,123,535.15 €	29.97%
GOP per accommodation unit	3,755.97 €	4,881.69 €	29.97%
GOP margin*****	23.4%	23.5%	0.53%
Capital investments	568,727.00 €	855,035.16 €	50.34%

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

In 2023, the nautical sector achieved its best business result so far through an increase in revenue in all market business segments and retained the continuity of growth in business and financial performance.

The nautical sector realised a revenue in the amount of EUR 8,383,127.00, a 15% increase compared to 2022, when revenue amounted to EUR 7,301,505.00. The increase in the revenue generated by the nautical sector is the result of a significant increase in revenue in all three of its profit centres, of which in absolute terms the most significant contribution is from the revenue realised in the part of boat accommodation, i.e. Marina Kornati. The revenue of Marina Kornati was realised in the amount of EUR 6,897,469.00 with an achieved 14% growth rate compared to 2022 and is at the same time the highest revenue generated by the marina so far, comprising 83% of the total operating revenue of the nautical sector. Furthermore, the other profit centres of the nautical sector achieved an increase in revenue, i.e. the revenue of the Nautical Fair, realised in the amount of EUR 835,777.00, increased by 30%, while the revenue realised by the restaurant "Marina Kornati" in the amount of EUR 649,881.00, recorded growth at a rate of 10%.

The substantial increase in operating revenue across all nautical sector segments was accompanied by an increase in the gross operating profit, which amounted to EUR 4,686,187.00 for the entire nautical sector, i.e. it represented a 15% increase compared to the previous year, when it amounted to EUR 4,065,260.00. The increase in the gross operating profit was accompanied by an increase in the GOP per berth, which equals EUR 5,821.35 in the reporting period, and an increase in the GOP margin, which equals 56%.

The most significant physical performance indicator of Marina Kornati are contracted berth vessels, with a total of 747 contracts concluded, marking an increase of 3% compared to the same period last year, when 726 contracted berth vessels were realised. Revenues from the contracted berth, a key market segment of the nautical sector, were realised in the amount of EUR 5,109,242.00 and are higher by 15% compared to 2022, accounting for 66% of the total revenue of Marina Kornati.

 **8.383.127,00 EUR**
+14,81%

Nautical sector revenue

 **10.413,82 EUR**
+15%

Revenue per berth

 **4.686.187,00 EUR**
+15,27%

GOP

 **56%**

GOP margin



Key market and financial indicators of nautical sector

	2022	2023	2023/2022
MARKET INDICATORS (MARINA KORNATI)			
Berth contract:			
Revenue from berth contracts	4,456,334.00 €	5,109,242.00 €	14.65%
Aver. revenue from berth contracts	6,138.20 €	6,839.68 €	11.43%
Transit berth:			
Revenue from transit berth	381,897.00 €	443,345.00 €	16.09%
<i>Aver. revenue per overnight stay (transit berth)</i>	41.47 €	54.55 €	31.53%
Servicing:			
Revenue from servicing	426,720.00 €	463,160.00 €	8.54%
Aver. revenue per service operation	116.40 €	121.34 €	4.25%
Parking:			
Revenue from parking	376,043.00 €	446,193.00 €	18.65%
Aver. revenue per parking place	752.09 €	892.39 €	18.65%
Business cooperation:			
Revenue from business cooperation	346,250.00 €	390,084.00 €	12.66%
Aver. revenue from business cooperation	7,066.33 €	7,960.90 €	12.66%
FINANCIAL INDICATORS - TOTAL NAUTICS			
Operating revenues	7,301,505.00 €	8,383,127.00 €	14.81%
Operating revenues per berth	9,070.19 €	10,413.82 €	14.81%
Operating costs*	3,236,669.45 €	3,696,940.00 €	14.22%
Gross Operating Profit (GOP) **	4,065,260.00 €	4,686,187.00 €	15.27%
GOP per berth	5,050.01 €	5,821.35 €	15.27%
GOP margin ***	56%	56%	0.00%
Capital investments	221,034.00 €	409,021.46 €	85.05%

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

The best ever operating results were achieved in the camping sector since the start of its business activity, both in the physical as in the financial performance indicators. In 2023, the accommodation segment of the camping sector, i.e. the "Park Soline" camp, was once again marked by a continued increase of demand, resulting in the best financial and physical achievements of the camping sector. A total of 49,729 arrivals were realised, as well as 329,010 overnight stays, which means that there was a 10.43% increase in arrivals and a 5.43% increase in overnight stays compared to the previous year.

The camping sector, comprised of the "Park Soline" campsite and the "Park Soline" restaurant, generated a revenue of EUR 7,485,683.10 in 2023, which is a 12% increase compared to the previous year. There was primarily an increase in the revenue from individual guests (growth rate of 4%), from lump sum guests (growth rate of 26%), an increase in revenue from private mobile homes (growth rate of 11%), an increase in revenue from agency guests (growth rate of 9%), while at the same time, restaurant revenue increased by 8%, representing the best results of the Company's camping sector to date, especially in terms of revenue.

The gross operating profit (GOP) in the amount of EUR 3,925,194.85 is by far the best ever, i.e. it is 6.80% higher compared to 2022. Consequently, the gross operating profit growth was accompanied by a 6.80% increase in GOP per accommodation unit compared to the previous year. Furthermore, the gross operating margin for the entire camping sector it amounted to 52.44%, while for the "Park Soline" campsite it amounted to 58.20%



329,010
+5.43%

Overnight stays



7,485,683.10 EUR
+12.46%

Camping sector revenue



49,31 EUR
+6,90%

ADR



3.925.194,85 EUR
+6,80%

GOP



Key market and financial indicators of camping

	2022	2023	2023/2022
MARKET INDICATORS - CAMPSITE "PARK SOLINE"			
Average daily rate of the camp unit (ADR)*	46.13 €	49.31 €	6.90%
Revenue from accommodation per camp unit (RevPAR) on a basis of 365 days **	13.48 €	16.25 €	20.59%
Revenue from accommodation per camp unit (RevPAR) on an open days basis **	24.85 €	29.96 €	20.59%
FINANCIAL INDICATORS - TOTAL CAMPING			
Operating revenue	6,656,058.48 €	7,485,683.10 €	12.46%
TRevPAR ***	5,509.98 €	6,624.50 €	20.23%
Operating costs ****	2,980,818.07 €	3,560,488.25 €	19.45%
Gross Operating Profit (GOP) *****	3,675,240.41 €	3,925,194.85 €	6.80%
GOP per accommodation unit	3,042.42 €	3,473.62 €	14.17%
GOP margin *****	55,22%	52,44%	-5.04%
Capital investments	1,424,799.73 €	1,594,320.76 €	11.90%

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 30.560



Number of events 234



Revenue 1.456.273,18 EUR

Ilirija Travel

As a destination management company, Ilirija Travel develops new services and amenities as a complementary tourism product by integrating all components of the Company and destination links – the goal being the placement of value-added services.

Through the destination management company Ilirija Travel, it realised 234 events for 30,560 participants. Although the number of events dropped by 21% compared to the previous year, the number of participants simultaneously increased by 2%, so revenue increased by 22%, i.e. it amounted to EUR 1,456,273.18 – its realisation being partially facilitated through other profit centres of the Company. The growth in revenue is a result of organising higher-value events with an array of complementary services and a larger average number of people per event, which depreciated the reduction in the number of events.

Ilirija Travel with the components of the DMC agency, vehicle fleet, the multi-functional premises of Arsenal, the “Nada” event boat, agrotourism, the Villa Primorje, and the set of excursions and the organisation of the MICE offer, other events and the tailor-made offer – has traditionally composed the backbone of the Company’s extended season, as well as the reinforcement of the guests’ experiences and impressions, based on the offer of complementary forms of tourism and special-interest tourism in the pre-season and post-season, which was particularly evident in 2023.

	Number of events			Number of participants			Total REVENUE		
	2023	2022	INDEX 2023/2022	2023	2022	INDEX 2023/2022	2023	2022	INDEX 2023/2022
TOTAL	234	297	79	30.560	29.830	102	1.456.273,18 €	1.189.753,80 €	122



Nada

Virija d.d.

City Galleria Business and Shopping Centre

The City Galleria Business and Shopping Centre realised positive business results with a visible growth of key market indicators, while the achieved revenue represents the best recorded financial results so far. A total of 35 commercial lease agreements were active, i.e. the occupancy rate was 99.07% of the indicated net rentable area of the Centre, while the commercial premises occupancy rate in Phase 1 of the facility was 100%.

Business revenue generated through lease of commercial premises, common costs, use of common parts of the centre, lease of advertising space, garage revenues and lease of commercial premises in Phase 1 of the Centre, together with other operating revenues, generated a total revenue of EUR 2,056,050.86, with a growth rate of 12.33% compared to the previous year.

The gross operating profit for the reporting period equalled EUR 1,032,236.13 before the allocation of common service costs, which represents a 50.20% margin.



99,07%

Occupancy rate



2.056.050,86 EUR
+12,33%

Operating revenue



1.032.236,13 EUR
+19,18%

GOP



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

	2022	2023	2023/2022
MARKET INDICATORS			
Average monthly rent earned per m ² of premises (AMR)*	9.66 €	10.72 €	11%
Average rent earned per m ² of premises for the period	115.89 €	128.64 €	11%
Average revenue from the garage per parking space for the period**	357.23 €	434.74 €	22%
COMMERCIAL TURNOVER:			
Premises - number of active contracts	37	35	-5%
Shared costs - number of active contracts	35	33	-6%
Common areas - number of active contracts	27	26	-4%
Advertising space - number of active contracts	8	8	0%
Garage - number of parking spaces	410	410	0%
Garage - turnover of vehicles	703,511	729,225	4%
FINANCIAL INDICATORS			
Operating revenues	1,830,354.47 €	2,056,050.86 €	12.33%
Operating costs***	964,217.04 €	1,023,814.73 €	6.18%
Gross Operating Profit (GOP) ****	866,137.43 €	1,032,236.13 €	19.18%
GOP margin *****	47.32%	50.20%	6.09%
Capital investments	51,395.80 €	62,956.42 €	22.49%

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."

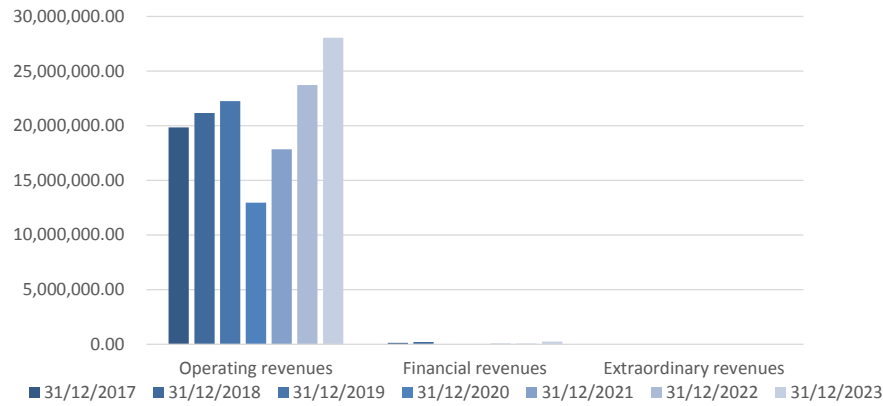
******Gross Operating Profit (GOP)** - denotes a gross operating profit of the real estate sector before the allocation of costs of common services, and is calculated in the following way: operating revenues - operating expenses (before the allocation, without depreciation and fixed costs).

*******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.

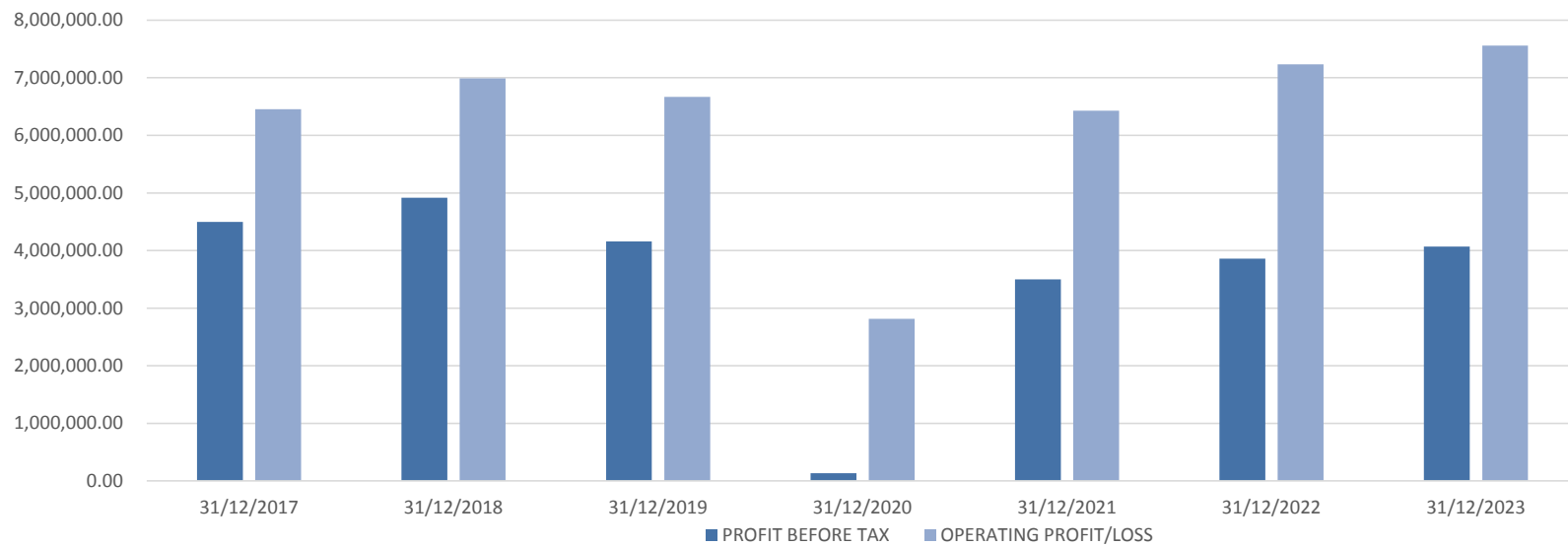
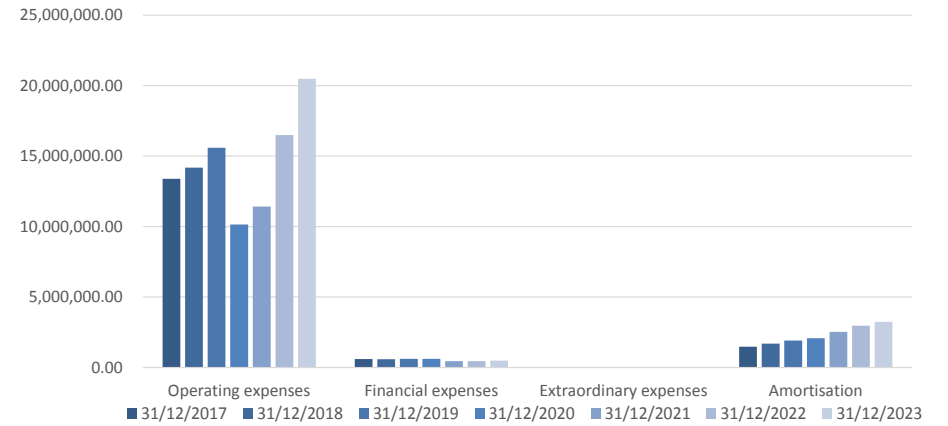
Financial operating results

DESCRIPTION	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	Index 2023/2022
Operating revenues	19,844,123.06	21,167,975.99	22,259,196.94	12,959,129.14	17,847,335.99	23,731,340.15	28,047,808.67	118.19
Financial revenues	127,564.16	206,883.66	11,366.05	12,901.37	47,829.98	47,144.05	238,931.40	506.81
Extraordinary revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	#DIV/0!
TOTAL REVENUES	19,971,687.23	21,374,859.65	22,270,562.99	12,972,030.50	17,895,165.96	23,778,484.20	28,286,740.07	118.96
Operating expenses	13,388,998.12	14,179,126.14	15,593,244.76	10,145,711.43	11,419,647.19	16,500,561.53	20,490,923.51	124.18
Financial expenses	605,824.63	581,881.95	610,114.35	610,441.01	446,235.49	454,825.48	486,113.85	106.88
Extraordinary expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	#DIV/0!
Amortisation	1,479,447.99	1,698,440.16	1,908,478.86	2,080,251.35	2,530,778.27	2,963,899.80	3,239,285.13	109.29
TOTAL EXPENSES	15,474,270.74	16,459,448.25	18,111,837.97	12,836,403.78	14,396,660.95	19,919,286.81	24,216,322.49	121.57
PROFIT BEFORE TAX	4,497,416.49	4,915,411.40	4,158,725.02	135,626.72	3,498,505.01	3,859,197.39	4,070,417.58	105.47
NET PROFIT	3,683,772.56	4,915,411.40	4,158,725.02	135,626.72	2,942,793.29	3,117,753.76	3,279,530.22	105.19
OPERATING PROFIT/ LOSS	6,455,124.95	6,988,849.85	6,665,952.18	2,813,417.71	6,427,688.79	7,230,778.62	7,556,885.16	104.51
EBITDA	6,582,689.11	7,195,733.52	6,677,318.23	2,826,319.08	6,475,518.77	7,277,922.67	7,795,816.56	107.12

REVENUES 2017 - 2023



EXPENSES 2017 - 2023



Revenue by activities:



Hotel sector revenue was generated in the amount of EUR 9,021,921.78, which represents a 29% growth compared to 2022, when the revenue was generated in the amount of EUR 6,978,065.58. This growth is the result of the growth in business activities not only in peak season, but also post-season and pre-season, with significant strengthening of the individual sales segment.



Revenue of the nautical sector amounted to EUR 8,383,126.66, representing a 15% increase at sector level compared to the previous year, when it amounted to EUR 7,301,504.27 as a result of growth of business activity across all of its segments, i.e. vessel accommodation at Marina Kornati, whose revenue grew by 14%, while the nautical fair revenue grew by 30% and the hospitality revenue by 10%.



Camping revenue amounted to EUR 7,485,683.10, constituting an increase of 12% compared to the previous year, when it amounted to EUR 6,656,058.48, and was generated by the growth of revenue in the accommodation segment of the "Park Soline" campsite by 13% and hospitality, i.e. the "Park Soline" restaurant by 8%.



Real-estate sector revenue, i.e. the City Galleria Business and Shopping Centre revenue, amounted to EUR 2,056,050.86, constituting a 12% increase compared to the previous business year with its revenue of EUR 1,830,354.47, which is the result of revenue growth in all key operating items.



Revenue from DMC Ilirija Travel and other profit centres and other profit centres of the Company, was generated in the amount of EUR 1,101,026.27, which is an increase by 14% compared to the previous year, and this growth was achieved due to the growth of destination management company revenue by 13% as a result of the organisation of higher-value events.

TOTAL: Operating revenue per activity amounted to EUR 28,047,808.67, and has increased by 18% compared to the same period of 2022.

FINANCIAL OPERATIONS
Reporting system according to the usali standards
01/01/2023 – 31/12/2023
ILIRIJA d.d. total (after allocation – reallocation of the common revenue and common costs)

Items	Annual cumulative achievements in 2021	Annual cumulative achievements in 2022	Annual cumulative achievements in 2023	Index 2023/2022
TOTAL NET REVENUE (operating)	16,635,344.03	22,395,858.89	26,534,593.86	118.48
Total direct costs	968,753.88	1,500,697.46	1,747,002.66	116.41
Total salary and labor costs	2,915,854.79	4,319,332.16	5,340,398.02	123.64
Total other department costs	731,051.82	1,390,073.23	1,637,228.53	117.78
TOTAL CONTRIBUTION	12,019,683.53	15,185,756.03	17,809,964.65	117.28
Total costs to GOP	10,179,013.72	14,878,592.68	18,343,804.34	123.29
GOP	6,456,330.30	7,517,266.21	8,190,789.52	108.96
Grandtotal net revenues	17,895,165.96	23,778,484.20	28,286,740.07	118.96
Grandtotal costs	14,396,660.95	19,919,286.81	24,216,322.49	121.57
PROFIT BEFORE TAXATION	3,498,505.01	3,859,197.39	4,070,417.58	105.47
Corporate income tax	555,711.74	741,443.62	790,887.36	106.67
NET PROFIT	2,942,793.29	3,117,753.76	3,279,530.22	105.19
EBITDA	6,475,518.77	7,277,922.67	7,795,816.56	107.12
EBIT	3,944,740.50	4,314,022.87	4,556,531.43	105.62

CUMULATIVE COMPARATIVE OVERVIEW

of fundamental operating results, as well as asset, capital and liability indicators of the Company as on 31/12/2023, and for the 2013 - 2022 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
31/12/2023	18,445,923.49	53,114,266.63	71,560,190.12	3,195,369.06	28,286,740.07	7,556,885.16	7,795,816.56	4,070,417.58	3,279,530.22	1,323,708.10
31/12/2022	19,048,576.06	51,066,316.12	70,114,892.18	5,575,375.89	23,778,484.20	7,230,778.62	7,277,922.67	3,859,197.39	3,117,753.76	1,117,498.51
31/12/2021	16,544,966.56	49,139,955.35	65,684,921.91	7,934,616.50	17,895,165.96	6,427,688.79	6,475,518.77	3,498,505.01	2,942,793.29	0.00
31/12/2020	17,067,825.35	46,197,162.06	63,264,987.41	12,150,023.98	12,972,030.50	2,813,417.71	2,826,319.08	135,626.72	135,626.72	0.00
31/12/2019	18,381,407.73	46,026,063.36	64,407,471.09	13,447,107.96	22,270,562.99	6,665,952.18	6,677,318.23	4,158,725.02	4,158,725.02	1,117,255.56
31/12/2018	18,317,937.20	43,052,015.80	61,369,953.01	14,714,843.61	21,374,859.65	6,988,849.85	7,195,733.52	4,915,411.40	4,915,411.40	958,423.25
31/12/2017	17,498,318.16	39,049,198.30	56,547,516.46	14,887,261.26	19,971,687.23	6,455,124.95	6,582,689.11	4,497,416.49	3,683,772.56	798,532.09
31/12/2016	18,249,686.18	36,589,542.50	54,839,228.69	15,164,970.71	17,123,764.99	5,786,616.54	5,976,127.08	4,146,366.29	4,071,411.04	655,272.15
31/12/2015	12,835,159.60	29,245,909.73	42,081,069.34	8,397,336.65	17,007,961.86	4,948,296.21	5,012,569.79	3,385,830.45	2,857,969.41	496,488.15
31/12/2014	17,659,249.67	23,605,908.24	41,265,157.91	13,575,242.08	16,308,149.46	4,373,925.04	4,407,875.41	2,705,569.73	2,454,469.98	496,488.15
31/12/2013	17,412,577.18	22,146,312.86	39,558,890.04	14,832,637.08	15,571,093.86	4,732,486.40	4,359,638.89	2,671,601.82	2,429,135.30	496,488.15

Key financial performance indicators

In the 2023 business year, the Company achieved the best operating results so far, including in the field of generated financial indicators, with which it continuously ensures further stability, resilience and sustainability of its operations despite the disturbed macroeconomic environment.

Indicator	2022	2023	Index 2023/2022	
Financial stability, liquidity and indebtedness				
Self-financing rate	72.83%	74.22%	1.019	Share of equity capital in total fund sources (i.e. in total liabilities & stockholders' equity).
The degree of indebtedness	27.17%	25.78%	0.949	Share of debt in total fund sources (i.e. in total liabilities & stockholders' equity).
Financial stability coefficient	0.90	0.90	0.993	Fixed assets to long-term sources ratio (shareholders' capital and reserves increased by long-term liabilities).
Accelerated liquidity coefficient	2.08	2.00	0.962	Ratio of current assets reduced by the stocks and short-term liabilities.
Current liquidity coefficient	2.11	2.03	0.961	Current assets to short-term liabilities ratio.
Activity indicators				
Ratio of total assets turnover	0.34	0.40	1.166	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	2.04	2.16	1.062	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	1.19	1.17	0.979	Total revenue and total expenses ratio.
Profitability	13.11%	11.59%	0.884	Net profit/loss and total revenue ratio.
Return on assets	4.45%	4.58%	1.031	Annual rate of return on invested assets indicates the profit/loss and total asset ratio.
Share of EBITDA in total revenue	30.61%	27.56%	0.900	Earnings before interests, taxes, depreciation and amortization to total revenue ratio.
Share of EBIT in total revenue	18.14%	16.11%	0.888	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 december 2023
and the presence of operating revenue in the sources of financing as at 31 december 2023**

Indicator	2022	2023	Index 2023/2022
Share of fixed assets in the assets	83.35	81.74	98.07
Share of current assets in the assets	16.65	18.27	109.73
Share of capital in reserves and in liabilities	72.84	74.23	101.91
Share of long-term commitments in the liabilities	19.29	16.79	87.04
Share of short-term commitments in the liabilities	7.88	9.00	114.21
Share of operating revenue in sources of financing			
Share of operating revenue in equity and reserves	46.48	52.81	113.62
Share of operating revenue in long-term commitments	175.46	233.51	133.08
Share of operating revenue in total commitments	124.59	152.06	122.05
Share of operating revenue in liabilities	33.85	39.20	115.81

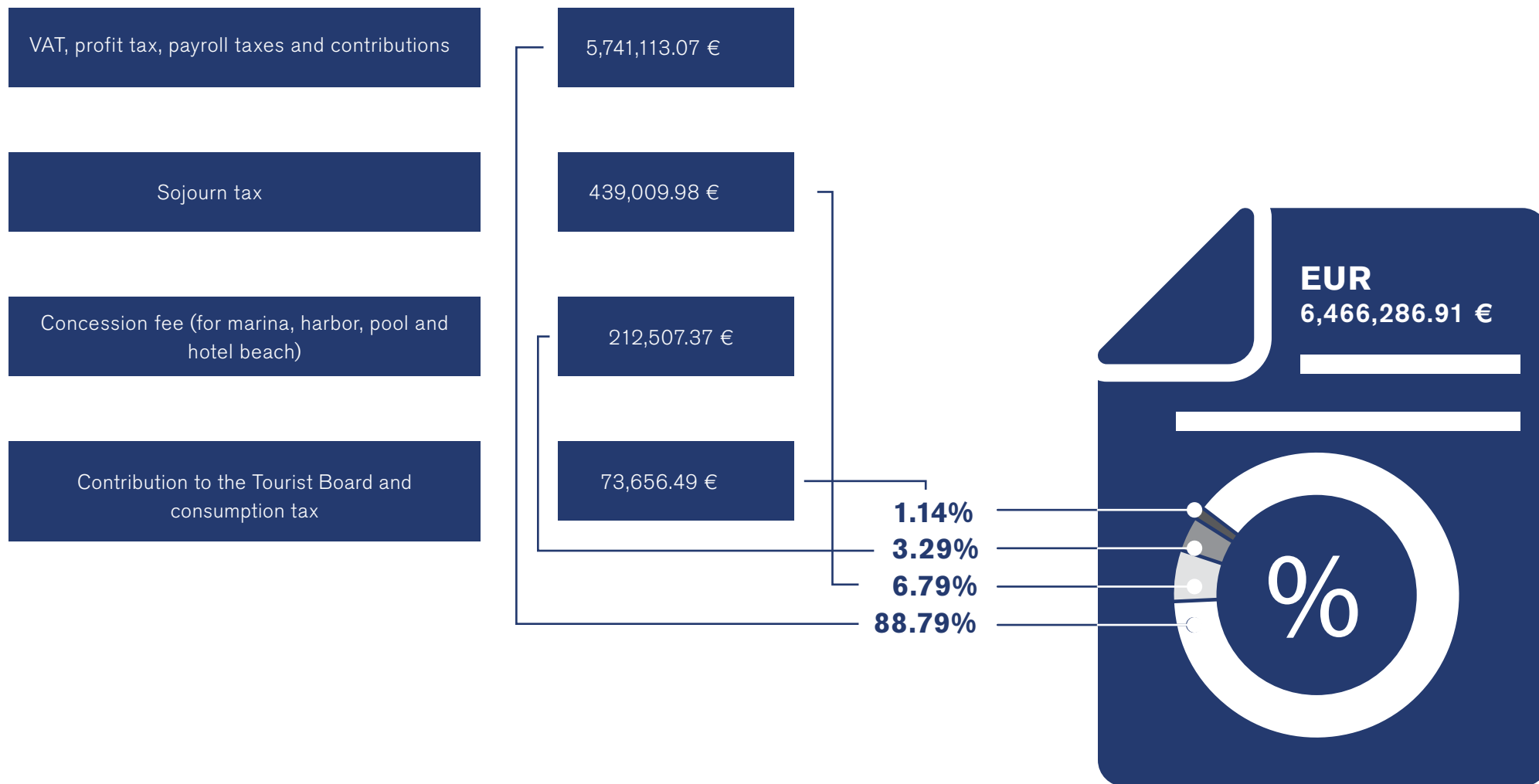
Directly generated and distributed economic value

Description	2021	2022	2023	Index 2023/2022
Directly generated economic value	17,895,165.96	23,778,484.20	28,286,740.07	118.96
Revenues from sales	17,847,335.99	23,731,340.15	28,047,808.67	118.19
Other revenues	47,829.98	47,144.05	238,931.40	506.81
Distributed economic value	11,735,379.97	18,105,137.65	22,533,845.61	124.46
Operating costs	6,708,380.96	9,782,238.71	12,064,764.37	123.33
Employee salaries and benefits	4,628,574.50	6,634,294.72	8,321,519.10	125.43
Payment to capital providers	0.00	1,117,498.51	1,323,708.10	118.45
Payments to the government	315,732.78	487,077.61	719,214.00	147.66
Investments in the community	82,691.73	84,028.10	104,640.04	124.53
Retained economic value	6,159,785.99	5,673,346.54	5,752,894.46	101.40

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

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 2023, the Company paid a total of EUR 6,466,286.91 in taxes and public levies:



Capital market realisation

EUR	2023	2022	% of change
Total turnover	479,167.00	269,064.04	78.09%
Average share price	24.83	23.23	6.89%
Average turnover per transaction	7,371.80	3,165.46	132.88%
Average daily turnover	16,523.00	7,080.63	133.35%
Last share price	25.80	25.22	2.30%
Market capitalization*	62,267,990.40	60,868,167.36	2.30%
Market capitalization**	59,926,907.04	56,065,326.24	6.89%
Number of shares:	2,413,488	2,413,488	

*indicated by the methodology of calculation according to the last share price multiplied with number of shares

**Indicated by the methodology of calculation according to the average share price multiplied with number of shares

The share designated as ILRA generated a revenue of EUR 479,167.00, representing a 78.09% increase compared to the 2022 revenue that amounted to EUR 269,064.04. At the same time, a total of 19,299 shares were traded, which is 66.58% more than the previous year when 11,585 shares were traded. The average turnover per transaction amounted to EUR 7,371.80, with the average daily turnover amounting to EUR 16,523.00, marking a 133.35% increase.

Furthermore, the Company also generated an increase in terms of share price. The average share price was achieved in the amount of EUR 24.83, representing an increase of 6.89% compared to the average share price in 2022 that amounted to EUR 23.23. Also, the last share price was EUR 25.80, representing an increase of 2.30% compared to the last share price in 2022, which amounted to EUR 25.22. In proportion to the increase in share prices, the market capitalization of the Company increased, which, expressed by the last share price in the observed period, amounting to EUR 62,267,990.40, compared to EUR 60,868,167.36 in the previous year. The highest share price in 2023 amounted to EUR 30.00 per share, while in 2022 the highest share price reached a total of EUR 25.88.

The movement of the ILRA share with the shown volume of trading and comparison with CROBEX and CROBEXTURIST index movement is shown in the following graph:



4.3 Publications Under the Taxonomy Regulation

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 and subsequent amendments to the Delegated Regulation. 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, hotel, camping sectors and the destination management company). In 2023, pursuant to the Taxonomy Regulation, the Company is obliged to report on compliance with the first two environmental goals (climate change mitigation and climate change adaptation) and acceptability for the other four environmental goals (sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems). Furthermore, the Company generates the largest part of its income in the accommodation industry, which as of 2023 is among the taxonomically acceptable activities, and reporting on compliance will follow in the coming period.

In order to calculate the above-mentioned indicators, the numerator and denominator were determined by recording, controlling and monitoring accounting and financial indicators for 2023, 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 2023 Annual Report.

Economic Activities				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum Safeguards	Proportion of Taxonomy - aligned (A.1) or -eligible (A.2) revenue, year 2022	Category enabling activity	Category transitional activity
	Code	Revenue in €	Proportion of revenue, 2023 %	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity				
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
/		0,00	0%	/	/	/	/	/	/	/	/	/	/	/	/	/	0%	/	/
Revenue of environmentally sustainable activities (Taxonomy-aligned) A.1		0,00	0%	/	/	/	/	/	/	/	/	/	/	/	/	/	0%	/	/
Of which enabling		0,00	0%	/	/	/	/	/	/	/	/	/	/	/	/	/	0%	/	/
Of which transitional		0,00	0%	/	/	/	/	/	/	/	/	/	/	/	/	/	0%	/	/
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
Acquisition and ownership of buildings	CCM 7.7	2.056.051,00 €	7,27%	EL	EL	N/EL	N/EL	N/EL	N/EL								7,70%		
Hotels, holiday, camping grounds and similar accommodation	BIO 2.1	17.847.563,00 €	63,10%	N/EL	N/EL	N/EL	N/EL	N/EL	EL								61,60%		
A. Revenue of Taxonomy-eligible activities (A 1. + A.2)		19.903.614,00 €	70,37%														69,30%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Revenue of taxonomy-non-eligible activities		8.383.127,00 €	29,63%																
TOTAL		28.286.741,00 €	100%																

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 CapExes (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. Taxonomically acceptable activities are "Acquisition and ownership of buildings" and "Hotels, holiday, camping grounds and similar accommodation".

All investments in the amount of EUR 2,642,339.60 that refer to investments in the hotel and camping sectors, the destination management company and other facilities are included for the taxonomically acceptable activity "Hotels, holiday camping grounds and similar accommodation", and are shown in note 7 "Property, Plant and Equipment" of the 2023 Annual Report. Furthermore, for the taxonomically acceptable activity "Purchase and ownership of buildings", capital investments amount to EUR 62,956.00 and refer to investments in the "City Galleria" Business and Shopping Centre, and are shown in Note 8 "Investment property" of the 2023 Annual Report. The total CapEx includes all investments in tangible and intangible assets in all Company sectors and amounts to EUR 3,230,078.60.



Economic Activities				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum Safeguards	Proportion of Taxonomy - aligned (A.1) or -eligible (A.2) CapEx, year 2022	Category enabling activity	Category transitional activity
	Code	CapEx in €	Proportion of CapEx, 2023 %	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity				
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
/		0,00	0%	/	/	/	/	/	/	/	/	/	/	/	/	/	0%	/	/
CapEx of environmentally sustainable activities (Taxonomy-aligned) A.1		0,00	0%	/	/	/	/	/	/	/	/	/	/	/	/	/	0%	/	/
Of which enabling		0,00	0%	/	/	/	/	/	/	/	/	/	/	/	/	/	0%	/	/
Of which transitional		0,00	0%	/	/	/	/	/	/	/	/	/	/	/	/	/	0%	/	/
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
Acquisition and ownership of buildings	CCM 7.7	62.956,00 €	1,95%	EL	EL	N/EL	N/EL	N/EL	N/EL								1,68%		
Hotels, holiday, camping grounds and similar accommodation	BIO 2.1	2.642.339,60 €	81,82%	N/EL	N/EL	N/EL	N/EL	N/EL	EL								90,30%		
A. CapEx of Taxonomy-eligible activities (A 1. + A.2)		2.705.295,60 €	83,77%														91,98%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of taxonomy-non-eligible activities		524.783,00 €	16,23%																
TOTAL		3.230.078,60 €	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 EUR 10,332,319.00, or 82.02% of the Company's total operating expenditure.

The numerator of the OpEx consists of the operating expenditure of taxonomically unacceptable activities in the total of EUR 2,265,405.00, or 17.98% 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 2023 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				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum Safeguards	Proportion of Taxonomy - aligned (A.1) or -eligible (A.2) OpEx, year 2022	Category enabling activity	Category transitional activity
	Code	OpEx in €	Proportion of OpEx, 2023 %	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity				
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
/		0,00	0%	/	/	/	/	/	/	/	/	/	/	/	/	/	0%	/	/
OpEx of environmentally sustainable activities (Taxonomy-aligned) A.1		0,00	0%	/	/	/	/	/	/	/	/	/	/	/	/	/	0%	/	/
Of which enabling		0,00	0%	/	/	/	/	/	/	/	/	/	/	/	/	/	0%	/	/
Of which transitional		0,00	0%	/	/	/	/	/	/	/	/	/	/	/	/	/	0%	/	/
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
Acquisition and ownership of buildings	CCM 7.7	662.026,00 €	5,26%	EL	EL	N/EL	N/EL	N/EL	N/EL								6,48%		
Hotels, holiday, camping grounds and similar accommodation	BIO 2.1	9.670.293,00 €	76,76%	N/EL	N/EL	N/EL	N/EL	N/EL	EL								73,91%		
A. Revenue of OpEx-eligible activities (A 1. + A.2)		10.332.319,00 €	82,02%														80,39%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of taxonomy-non-eligible activities		2.265.405,00 €	17,98%																
TOTAL		12.597.724,00 €	100%																

OPEX



5 | **CORPORATE ENVIRONMENTAL RESPONSIBILITY**

5.1 Environmental Management

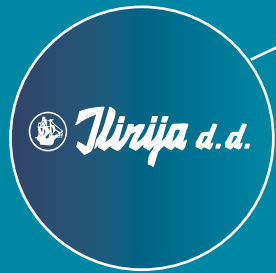
The Company bases its business policy on management in line with the principles of sustainable and responsible development, with particular focus on environmental protection, as the environment is the fundamental resource of the tourism industry and the foundation of sustainable and responsible tourism 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



Environmental protection goals and activities in 2023:

- systematic approach to environmental protection, whereby we complied with all legal regulations and sustainable development principles,
- 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,
- management of environmental impacts (soil, air, water) caused by waste production, harmful substances, emissions of polluting gases, radiation, noise, etc.
- encouraging the use of products and operating procedures with a lesser impact on the environment,
- proper resource and energy management,
- encouraging the use of renewable natural energy resources,
- adoption of plans and measures through documents on environmental protection and sustainable development within the standard ISO 14001: 2015, and
- carrying out training on environmental protection and sustainability.

5.2 Environmental standards met and certifications obtained



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 environmental programmes, 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 (preservation of marine waters, coasts, water, air, soil, waste management).

In addition to legal requirements, the Company also implements international environmental standards:



Green Key is a certification programme for accommodation units designed to raise awareness among owners, staff and users 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 Camp has been the holder of this international certificate since 2013.



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, the Company confirms its main focus on long-term business stability based on responsible and sustainable business operations. During 2023, regular internal and external control audits for integrated systems were performed.



The Blue Flag is an international ecological program for the protection of the sea and coastal environment, whose objective is sustainable control and management of the sea and the coastline. Today, the Blue Flag is the most recognised 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 in terms of 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 "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 harmful 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 Training and activities

In 2023, a series of internal trainings on ecology and environmental protection were held for the Company's departments. Furthermore, in cooperation with the "Ante Kuzmanić" Medical School from Zadar, a joint educational project called "Reducing Food Waste in the Hospitality Industry" was implemented, all with the aim of developing awareness of environmental issues, their causes, and the impact of waste and environmental pollution on human health through practical examples and their demonstration. As part of the project, an educational workshop was held for more than 40 medical school students, including 12 students and professors from the medical school that operates as part of the German AMEOS Klinikum Hildesheim.

The Company pays significant attention (and implements corresponding activities) to trainings on the topic of environmental protection, aimed not only at its own employees and guests, but also at the community in which it operates, making this project Ilirija's contribution to the development of a wider social awareness of the importance of environmental protection and reducing harmful effects on the environment. As part of the project, the following activities were carried out: (I) the impact of food waste in the hospitality industry was observed and described, (II) the impact of food waste on the ecological aspect and environmental pollution was observed and described, (III) informative leaflets and a presentation on the topic of "Reducing Food Waste in the Hospitality Industry" were created, which will be used in educational activities of the "Ante Kuzmanić" Medical School, and (IV) the newly acquired knowledge was presented.

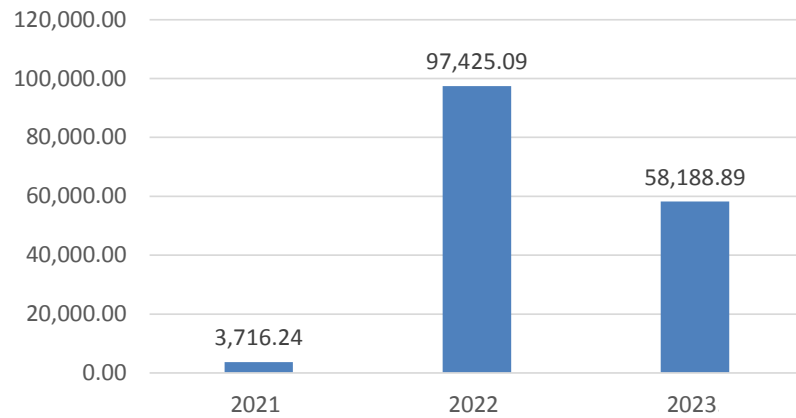


5.4 Investment in the environment

In addition to ecological standards and training on environmental protection in 2023, the most significant investments related to the continued procurement of electric vehicles for the needs of operational services and guests in the camping and nautical sector. Furthermore, investments were made in technical solutions in the field of environmental protection, trainings and the implementation of international environmental standards

	2021	2022	2023
Total	3,716.24	97,425.09	58,188.89

Investment in the environment (€)



5.5 Energy

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 maintenance service providers. 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 things, activities on a smaller scale are systematically and continuously carried out, such as the gradual replacement of existing luminaires with LED bulbs.

In 2023, the Company used the following energy sources

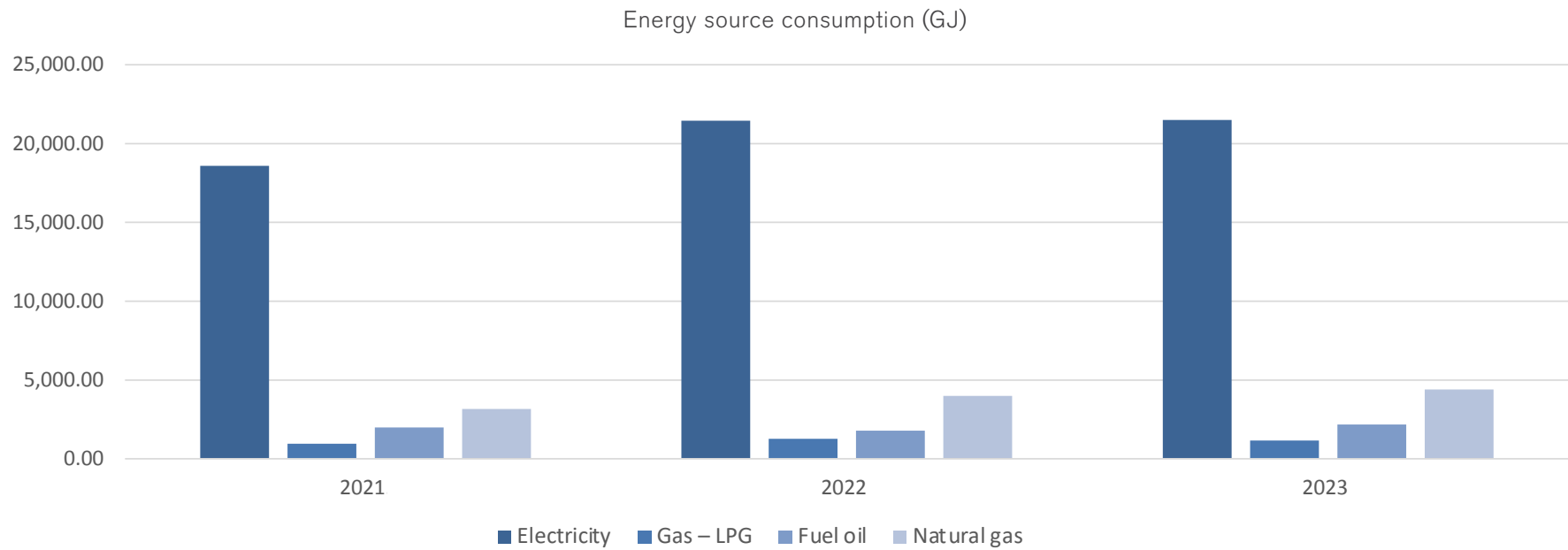


Energy management:

- 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.

Total energy consumption within the organisation, expressed in GJ

Energy source (GJ)	2021	2022	2023
Electricity	18,580.12	21,451.73	21,489.60
Gas – LPG	960.75	1,265.62	1,169.74
Fuel oil	1,990.37	1,796.15	2,186.36
Natural gas	3,167.04	4,002.16	4,395.40
Total	24,698.28	28,515.66	29,241.10



The total consumption of energy at the Company level increased slightly compared to the previous year, mostly as a result of the increase in the volume of business activities at the level of all sectors of the Company, especially its tourism sectors.

Electricity consumption by sectors expressed in GJ

Year	2021	2022	2023
Hotel sector	5,455.41	7,643.00	8,041.54
Camping sector	2,597.77	3,220.90	3,166.40
Nautical sector	2,821.74	2,756.50	2,655.03
Other	7,705.70	7,831.30	7,626.61
Total	18,580.62	21,451.70	21,489.58

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.

Total electricity consumption by sector	2021			2022			2023		
	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity
Hotel sector	5,455.41	76,113.00	0.07	7,643.00	100,551.00	0.08	8,041.54	118,680.00	0.07
Camping sector	2,597.77	236,878.00	0.01	3,220.90	312,057.00	0.01	3,166.40	329,010.00	0.01
Total (hotel and camping sectors)	8,053.18	312,991.00	0.03	10,863.90	412,608.00	0.03	11,207.94	447,690.00	0.04

Total electricity consumption by sector	2021			2022			2023		
	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity
Nautical sector	2,821.74	805	3.50	2,756.50	805	3.42	2,655.03	805	3.30

Total natural gas consumption by sector

Year	2021	2022	2023
Hotel sector	3,166.96	4,002.16	4,395.40
Camping sector	0	0	0
Nautical sector	0	0	0
Other	0	0	0
Total	3,166.96	4,002.16	4,395.40

Ratio of natural gas consumed per night in the hotel sector

	2021			2022			2023		
	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	3,167.05	76,113.00	0.05	4,002.16	100,551.00	0.04	4,395.40	118,680.00	0.03

Gas (LPG) consumption by sector

Year	2021	2022	2023
Total gas (LPG) consumption by sector (GJ)			
Hotel sector	0.00	126.45	43.56
Camping sector	799.05	992.02	968.15
Nautical sector	150.45	137.25	149.06
Other	11.25	9.90	8.97
Total	960.75	1,265.62	1,169.74

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

	2021			2022			2023		
	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	0.00	76,113.00	0.00	126.45	100,551.00	0.001	43.56	118,680.00	0.0004
Camping sector	799.05	236,878.00	0.003	992.02	312,057.00	0.003	968.15	329,010.00	0.003
Total (hotel and camping sectors)	799.05	312,991.00	0.003	1,118.47	412,608.00	0.003	1,011.71	447,690.00	0.002

Gas consumption ratio (LPG) per berth in nautical sector

	2021			2022			2023		
	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity
Total LPG consumption by sector									
Nautical sector	150.45	805	0.18	137.25	805	0.17	149.06	805	0.2

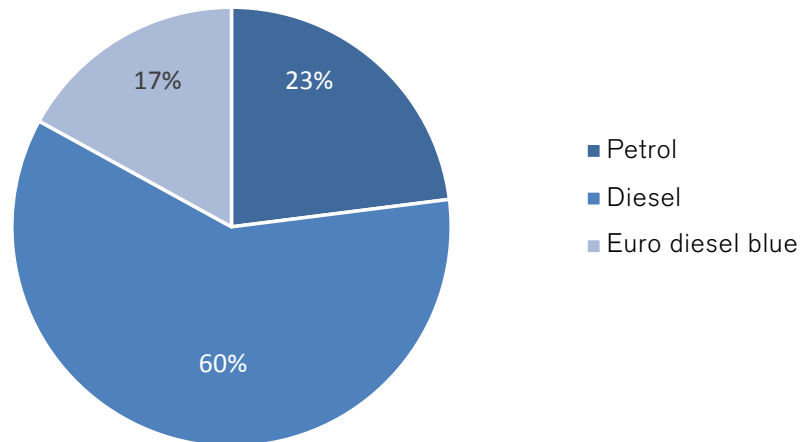


Energy consumption outside the organisation

Energy consumption outside the organisation 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.

	2021	2022	2023
Passenger cars	47,656.00	46,529.00	49,292.00
Work vehicles and machines	32,380.00	39,808.00	41,462.00
Boat "Nada"	14,364.00	27,062.00	19,719.00
Other vessels	4,421.00	7,523.00	4,002.00
Total	98,821.00	120,922.00	114,475.00

Fuel consumption ratio in 2023



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 camp 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 which defines the quantity of water to be pumped on an annual basis. The camp's own water source allows it to have a high level of horticultural landscaping maintenance with the maximum possible preservation of the natural values. 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 participate in the activities actively aimed at reducing the consumption of drinking water. Thus, in order to reduce the consumption of drinking water in the Park Soline Camp and in all common sanitary facilities and hotel accommodation units, the maintenance service installed over 500 water-saving aerators on taps and showers.

Water management approach:

- daily and monthly control at the level of a facility and the Company,
- use of water from the wellbore for the irrigation of horticultural areas in the camp,
- controlled discharge of waste water,
- regular technical maintenance and inspection of water supply installations, and
- education of employees and guests on sustainable water use.



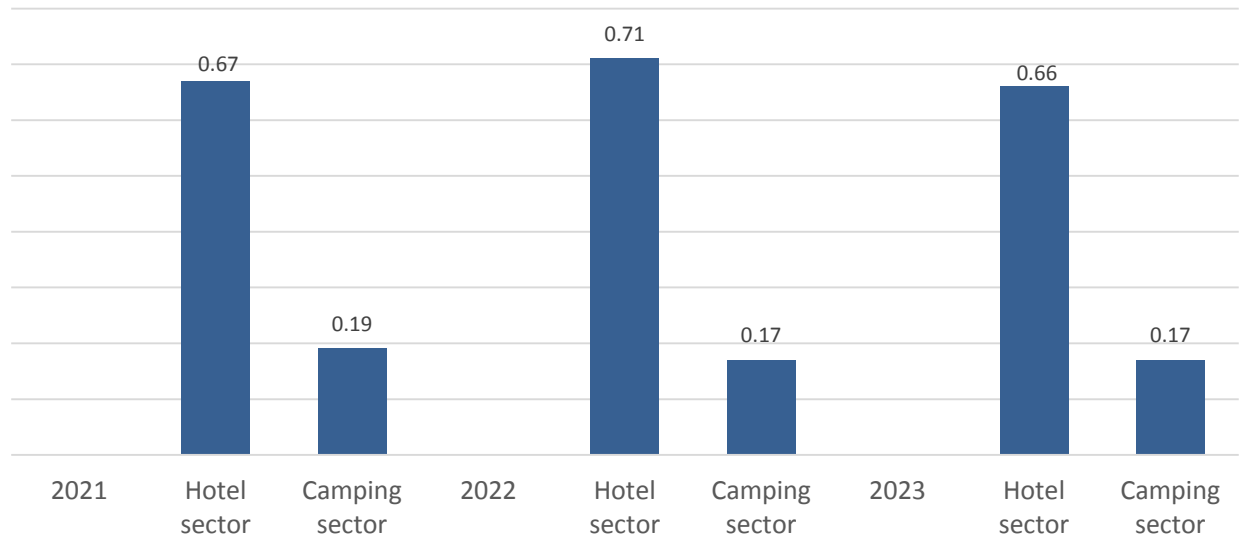
Overview of water consumption by sector

Total water consumption (m ³)	2021	2022	2023
Hotel sector	50,992.00	72,159.00	78,838.00
Camping sector	44,437.00	52,390.00	54,401.00
Nautical sector	32,723.00	37,343.00	25,046.00
Other	14,800.00	16,753.00	17,725.00
Total	142,952.00	178,645.00	176,010.00

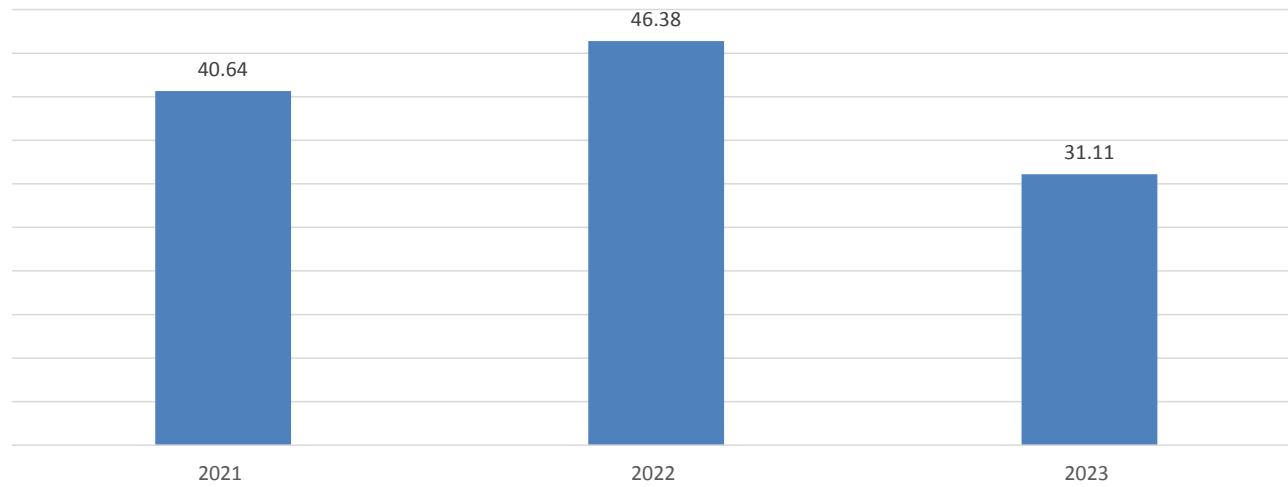
Water consumption at the Company level is lower compared to 2022 due to lower consumption in the nautical sector as a result of the replacement of outdated installations with new ones to prevent losses.



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



Water consumption (m³) per berth in the nautical sector

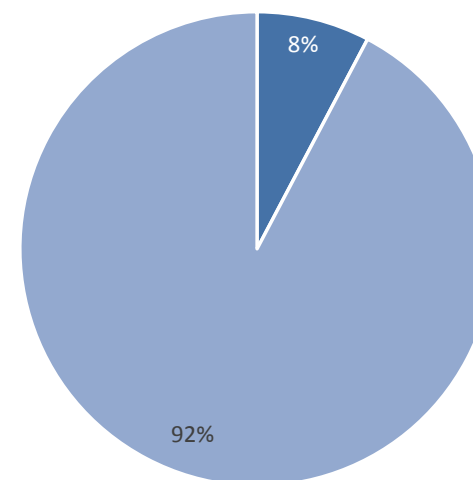


Total amount of groundwater (m ³) abstracted from the S-1 well-bore in the Park Soline camp	2021	2022	2023
	5134	3782	3857



The share of delivered quantities of water to Ilirija d.d. in relation to other consumers in 2023

- Ilirija d.d.
- Other users of the local waterworks (the city of Biograd na Moru and the municipalities of Pakoštane, Sveti Filip i Jakov, Pašman, Tkon)



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 controls its operation and the consumption of water pre-processing funds on a daily basis, and also controls this outlet upon request.

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 recognised Blue Flag.

Restaurant capacities in 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 emptied by authorised 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 cleaning them, as well as disposing of the resulting oily water and sediment. 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 into the public drainage system, which goes to the city's final treatment plant.

Waste

Amounts of produced waste by types

Types of waste	2021	2022	2023
Hazardous waste (t/year)	30.73	47.34	40.96
Non-hazardous waste (t/year)	56.47	46.083	126.748
Mixed municipal waste (t/year)	420	505.31	277.83
Total (t/year)	507.20	598.73	445.54

In 2023, less waste was produced compared to the previous year due to the reduction of mixed municipal waste as a result of its improved sorting.



Types of hazardous waste in 2023 (amounts in tonnes):

Waste	Amount in (t)
Hazardous	
Waste printing toners containing hazardous substances	0.249
Electronic waste	0.255
Fluorescent tubes and other mercury-containing waste	0.039
Other engine, machine and lubricating oils	15.2
Sludges from oil/water separators	3.625
Oily water from oil/ water separators	13.8
Packaging material that contains residues of or is contaminated by hazardous substances	3.182
Absorbents, filter materials, wiping cloths and protective clothing contaminated by hazardous substances	1.553
Oil filters	2.669
Pressurized packaging	0.375
Infectious medical waste	0.016
TOTAL	40.963

Types of non-hazardous waste in 2023 (amounts in tonnes):

Waste	Amount in (t)
Non-hazardous	
Paper/cardboard	29.464
Plastic (plastic packaging)	19.653
Metal (metal packaging)	2.7
Glass (glass packaging)	24.518
Mixtures of fats and oils from oil/water separators, containing only edible oils and fat	24.5
Edible oils and fats	5.14
Bulky waste	3.15
Biodegradable waste	17.623
Total	126.748



Compliance with legal requirements



Own Environmental Quality and Protection Policy



Implementation of national and international standards related to environment protection

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 internal and 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 them within their respective functions.



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 Camp. Garrigue prevailed, consisting of: Aleppo pine (*Pinus halepensis*) at a ratio of 60%, evergreen oak (*Quercus ilex*) at a ratio of 30%, and oak (*Quercus*) at a ratio of 10%, with the low understorey composed primarily of the following species: terebinth, green olive tree, rockrose, *Euphorbia spinosa* L., *laurustinus*, 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 Camp, a completely new planting material was planted. We enrich the camp 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. Since 2004, exceptional attention has been devoted to treatment, i.e. sanitary pruning of trees in the entire camp, which was carried out by trained and equipped companies on thousands of existing trees. Even in 2023, the aim was to supplement the existing plantings with new species that contribute to the design and mission of making the camp a unique park environment with special locations that will impress all visitors. Due to the intensely demanding maintenance of the same, biocidal products are used, but to the smallest extent possible, and watering is performed rationally.



9.570 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.	2021	2022	2023
Hotel sector	7300	7676	6349
Camping sector	2200	1289	2596
Nautical sector	1100	1584	625
Total	10600	10549	9570



6 | **CORPORATE
SOCIAL
RESPONSIBILITY**

6.1 Employment

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

- preservation of working-age, highly qualified and professional employees at all levels;
- continuous education of employees at all levels;
- continuous care for the financial situation of employees;
- retention of a high proportion of domestic (local) employees;
- care for the life and health of employees.

Employment is a material topic for the Company, given the fact that employees, especially in the tourism industry, are the performers of the business process which, on the one hand, actively participate in the development of products and services, and on the other hand, contribute to the achievement 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.

Starting from the fact that employees are the performers of the entire business process, especially in the field of service provision, the Company strives to maintain the optimal number of employees through an active personnel policy, improving the material position and rights of employees and advancing their competencies and continuous education; therefore, in its business strategy and operational activities, the Company pays exceptional attention to the development of human resources management.

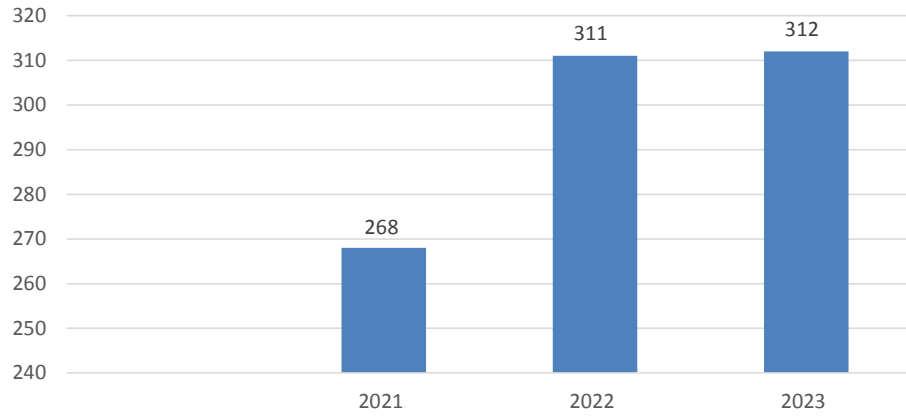
A notable labour shortage on the Croatian labour market poses a specific challenge for hospitality and tourism, taking into account the seasonal nature of Croatian tourism, as well as the fact that it is an extremely labour-intensive industry whose deficit could affect the success of the peak tourist season. Therefore, ensuring optimum personnel structure for the smooth operation of business processes and the quality of service in the peak season as well as the preservation of the achieved financial standing deriving from employment, is one of the main objectives of the Company in terms of HR management in the reporting period.

At Company level, the Management Board, the Human Resources and Payroll Service and sector managers coordinate the plan of necessary personnel at the operational level, i.e. they plan the optimal number of full-time 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.

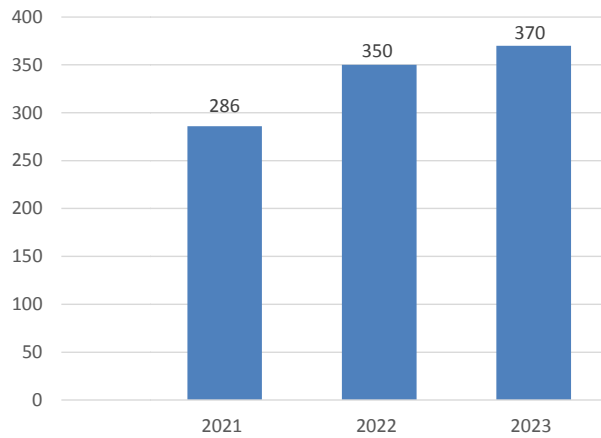
Overview of employees by month for 2023

NUMBER	PROFIT CENTER / ORGANIZATIONAL UNIT	NUMBER OF EMPLOYEES 2023											
		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 CENTER												
1	HOTEL ADRIATIC	22	3	3	8	29	37	42	34	33	25	10	18
2	HOTEL ILIRIJA	47	25	47	47	54	53	53	54	47	45	44	36
3	HOTEL KORNATI	25	36	9	36	36	39	39	33	35	29	17	26
4	HOTEL VILLA DONAT	0	1	1	5	6	8	29	26	19	2	2	5
5	LAVENDER BAR	0	0	0	4	5	6	7	6	4	4	3	6
6	MARINA KORNATI	54	56	55	53	56	57	58	55	56	66	55	56
7	RESTAURANT "MARINA KORNATI"	14	16	15	19	16	15	15	16	12	24	18	10
8	AQUATIC CENTER	0	0	0	5	6	13	17	17	4	2	2	4
9	TOURIST AGENCY	3	3	3	3	3	4	5	5	5	3	3	3
10	CAMPSITE "PARK SOLINE"	21	27	29	35	38	42	50	49	38	23	25	27
11	RESTAURANT "PARK SOLINE"	0	0	11	15	15	23	29	26	18	2	4	15
12	ARSENAL	1	9	7	4	2	0	0	0	4	5	9	7
13	TENNIS CENTER "ILIRIJA"	2	4	4	3	3	3	3	3	3	3	3	3
14	BEACH BAR DONAT	0	0	0	0	0	0	0	0	0	0	0	0
	*ORGANIZATIONAL UNITS												
15	COMMON SERVICES	41	42	43	43	41	40	40	40	40	39	39	40
16	MAINTENANCE SERVICE	8	7	7	7	8	8	8	8	7	8	6	6
17	LAUNDRY	6	6	6	11	12	15	17	12	12	12	6	8
18	HORTICULTURE	13	25	25	13	15	15	15	15	15	14	14	13
19	EVENT SHIP "NADA"	4	3	3	7	4	4	3	2	4	12	3	2
20	WELLNESSS	7	5	5	8	8	8	8	8	8	8	6	6
21	NAUTICAL FAIR	2	2	2	2	2	2	2	2	2	2	2	2
22	CITY GALLERIA	17	17	18	18	16	17	18	18	19	19	19	19
	TOTAL	287	287	293	346	375	409	458	429	385	347	290	312

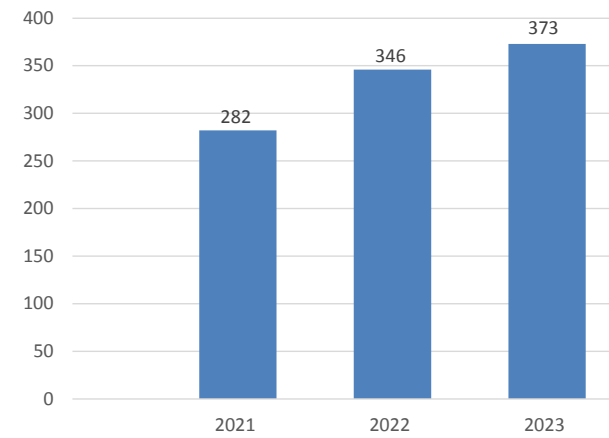
Number of employees at the end of the 2021–2023 reporting period



Average number of employees during the year in the 2021–2023 period

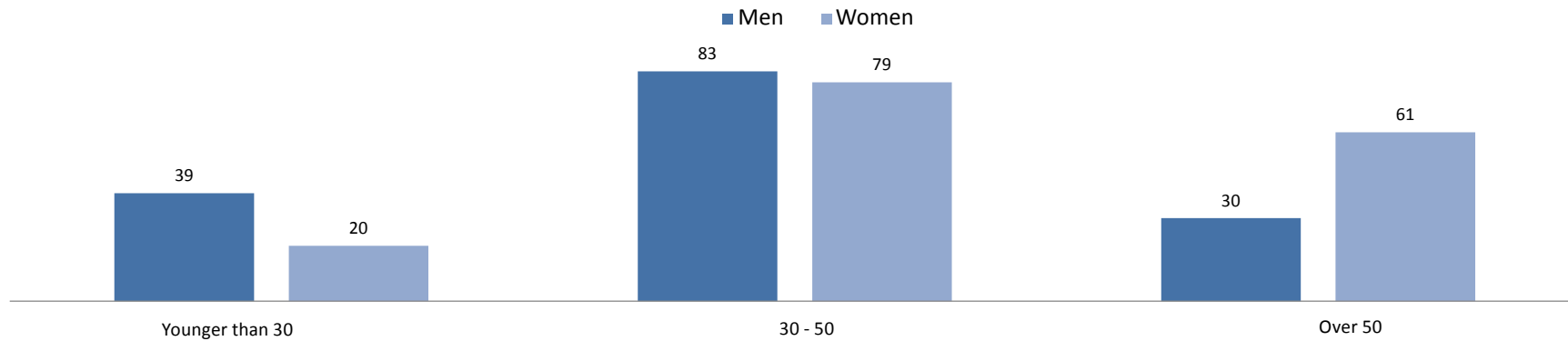


Average number of employees based on hours paid in the 2021–2023 period

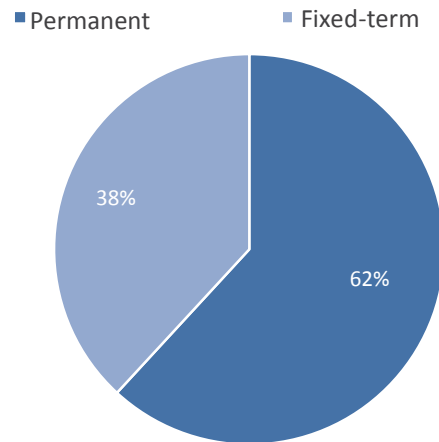


As at 31 December 2023, of the total number of employees, 51% were women, and 49% of the total number of employees were men. Of the total number of employees, 62% were full-time employees, while according to the age structure, 52% belonged to the age group of 30–50 years.

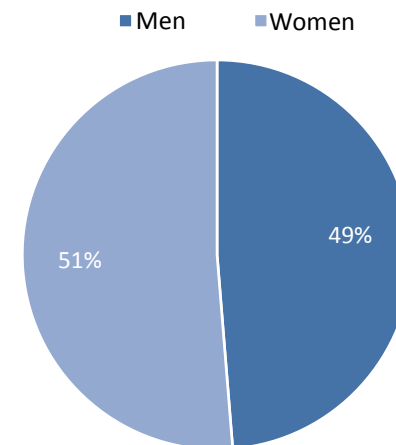
Employees by gender and age group as at 31/12/2023



Employees by type of employment contract as at 31/12/2023

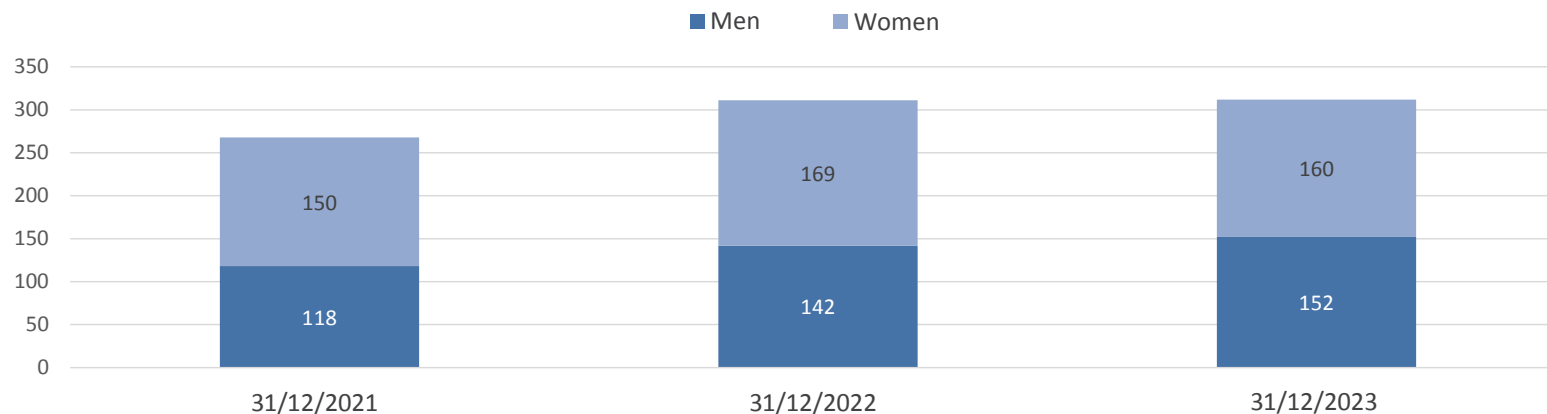


Employees by gender as at 31/12/2023

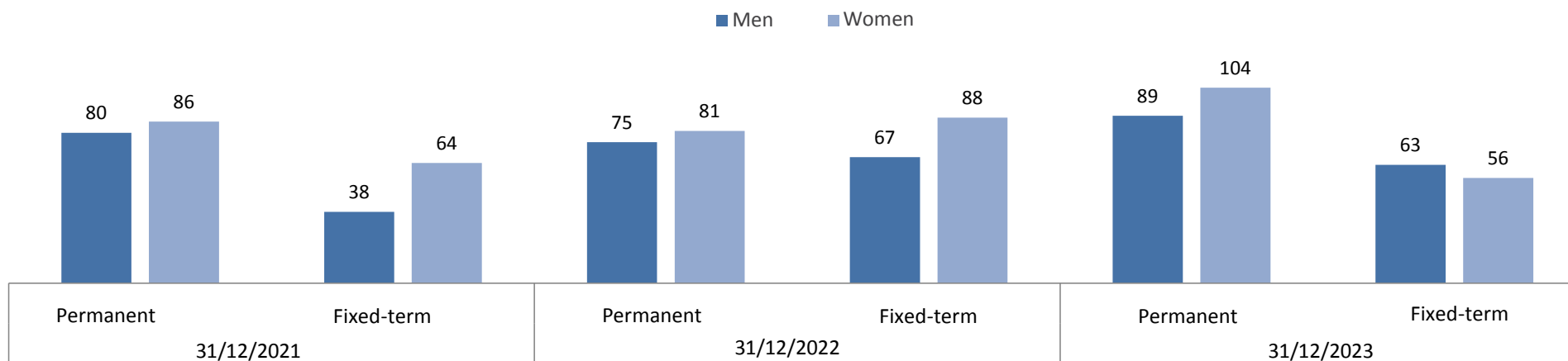


At the end of the reporting period, as well as in the comparison with 2021 and 2022, women still retained a share of more than 50% in the total number of employees. More precisely, in 2023 women accounted for 51%, in 2022 for 54% and in 2021 for 56% of the total number of employees in 2021.

Employees by gender at the end of the 2021–2023 reporting period

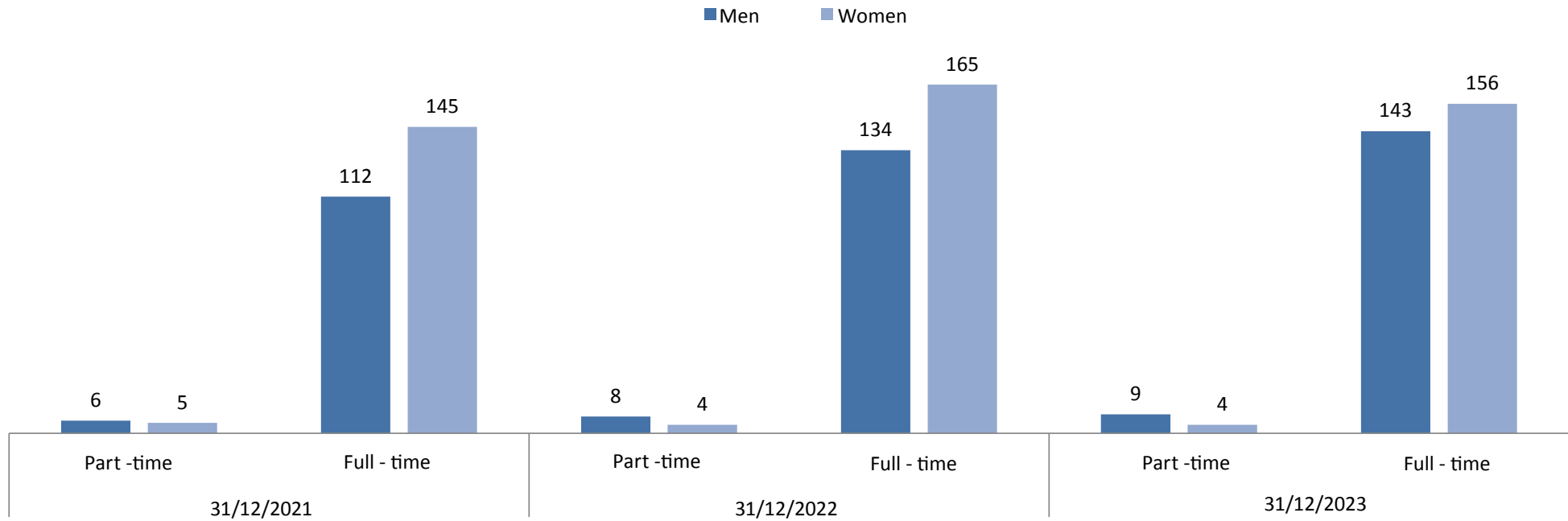


Employees by gender and employment contracts as at 31/12/2021, 2022 and 2023

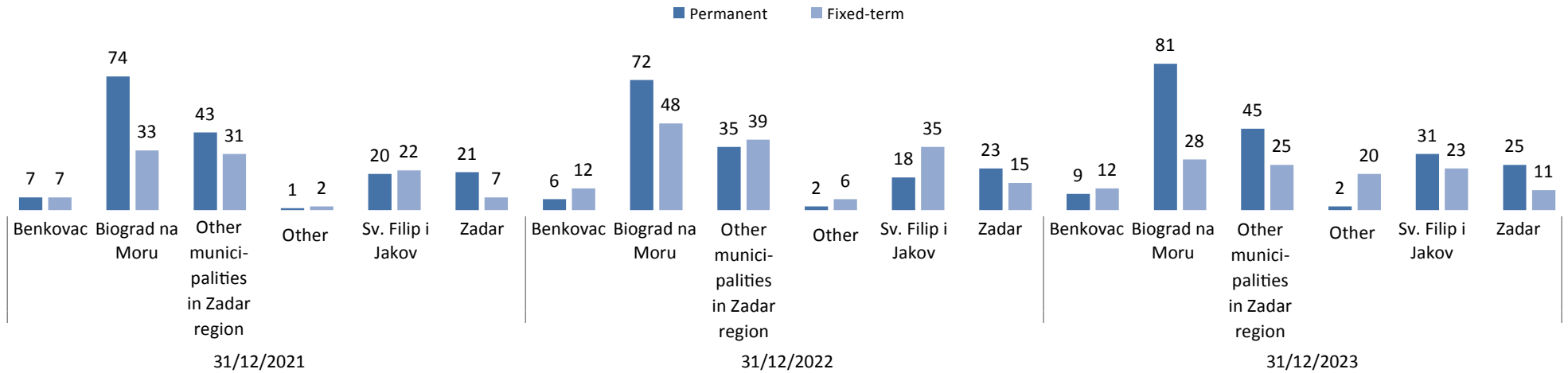


As at 31 December 2023, of 312 employees, 96% were full-time employees and 4% part-time employees, thus maintaining the continuity of a high proportion of full-time employees.

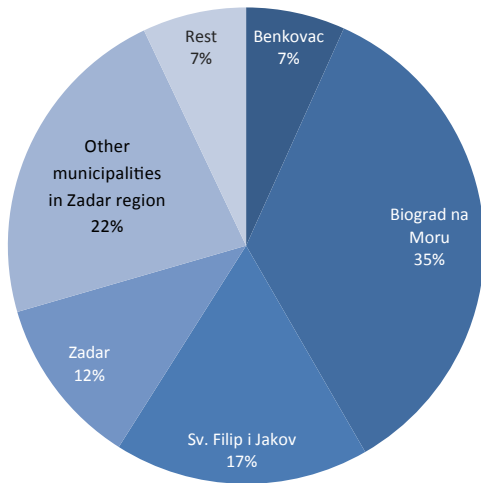
Employees by gender and working hours at the end of the reporting period



Employees by employment contracts and permanent residence at the end of the reporting period in 2021, 2022 and 2023



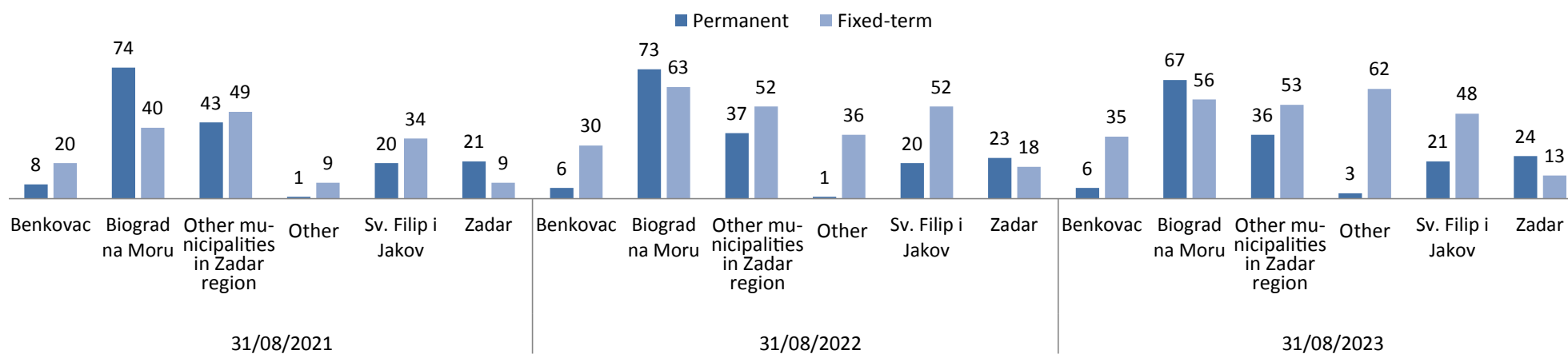
Employees by permanent residence on 31/12/2023



Most of the employees of the Company come from the Zadar County, i.e. 93% of them, of which 35% are from Biograd na Moru, which is one of the main goals of our labour management. The Company still hires most of its employees from its immediate environment despite the increasing challenges due to the lack of qualified labour on the domestic labour market, which is further evidenced by the fact that only 7% of employees come from other parts of the Republic of Croatia and abroad. As at 31 December 2023, 9 foreign workers were employed in the Company, which accounts for 2.89% of the total number of employees.

In the peak season, if we look at employees according to their permanent residence and employment contract as at 31 August 2023, employees from the towns and municipalities of the Zadar County still prevailed, although their share had decreased due to the increased number of employees and amounted to 85% of all employees.

Employees by employment contracts and permanent residence at the end of the reporting period in 2021, 2022 and 2023

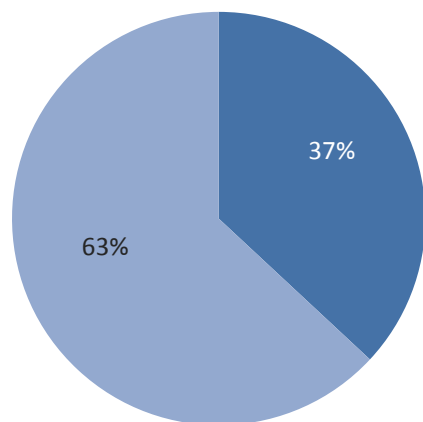


Employment – new employees

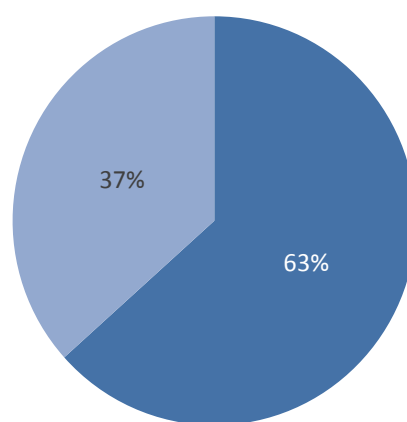
In 2023, 169 employees were hired, of which 76, or 45% were already employed by the Company, i.e. they are long-term seasonal employees, while 93, or 55% were newly hired, i.e. they are employees hired by the Company for the first time.

The ratio between new employees and long-term seasonal employees in 2021, 2022 and 2023

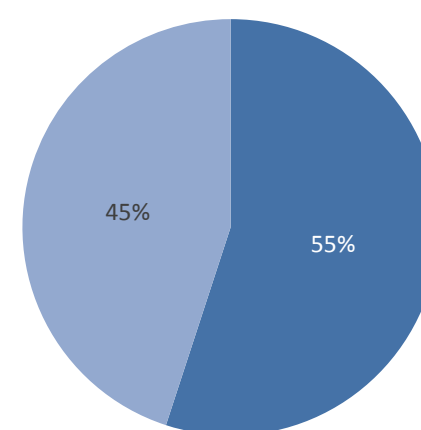
■ New employees 2021
■ Long-term seasonal employees 2021



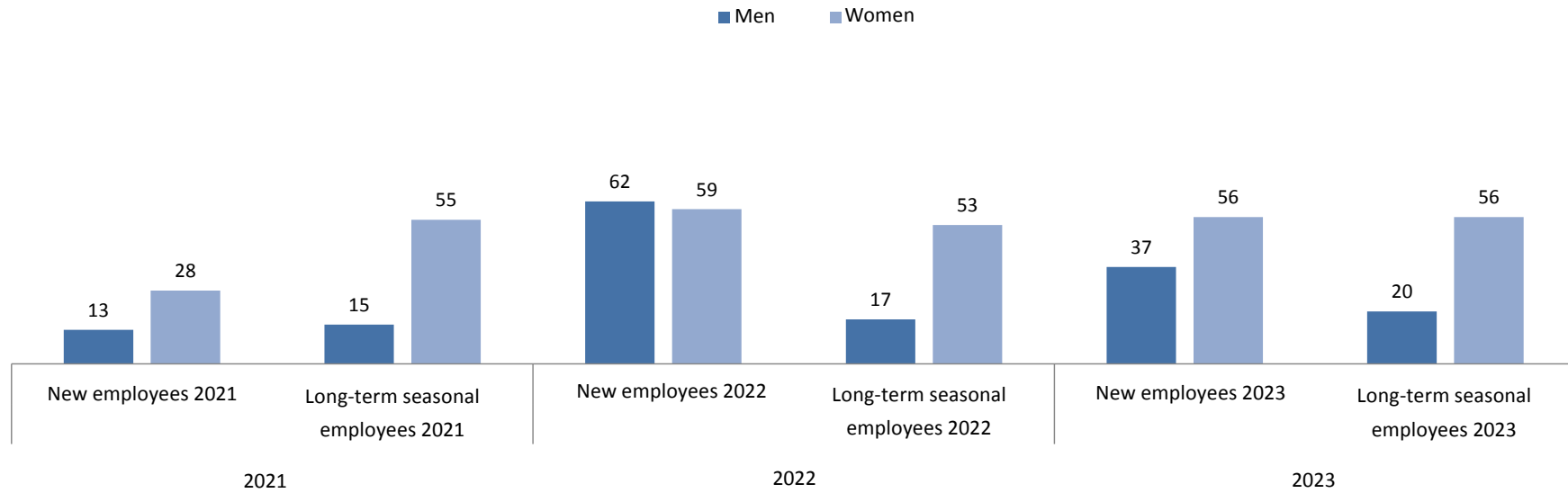
■ New employees 2022
■ Long-term seasonal employees 2022



■ New employees 2023
■ Long-term seasonal employees 2023

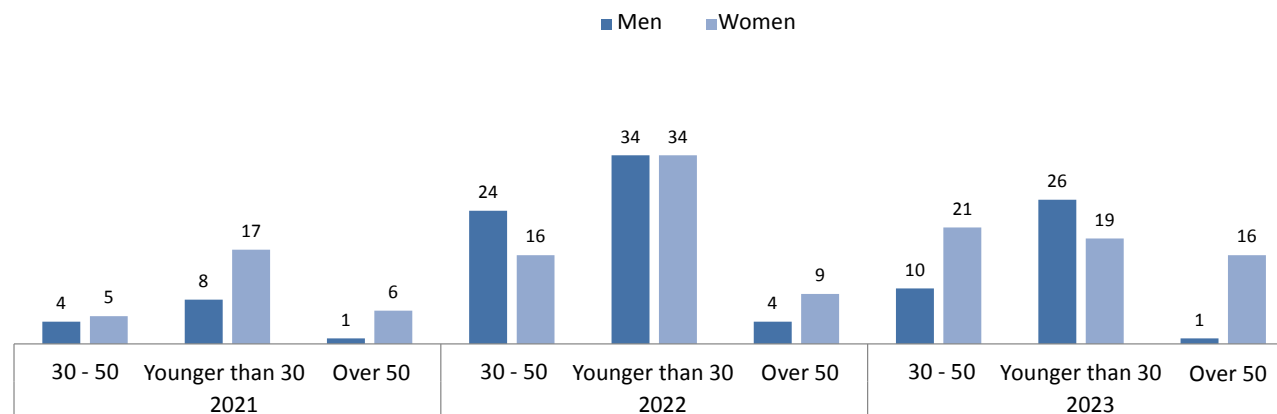


The ratio between new employees and long-term seasonal workers in 2021, 2022 and 2023

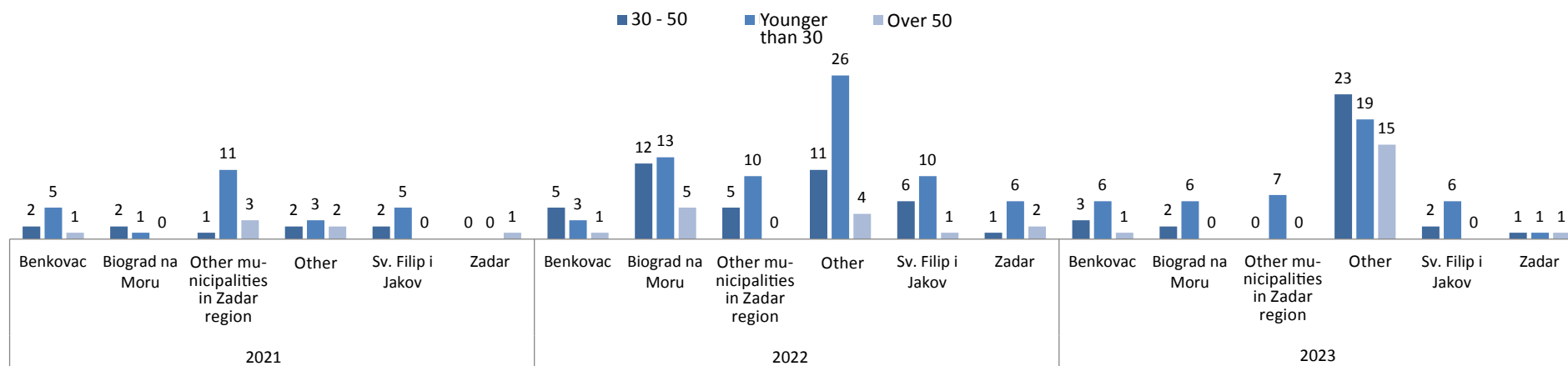


According to gender and age group, the majority of new employees were up to 30 years of age, of which more were men in 2023. Also, people from the Zadar County continue to prevail, although compared to previous years, there is a noticeable increase in the share of people from other areas of the Republic of Croatia and abroad.

New employees by gender in certain age group in the period from 2021 to 2023

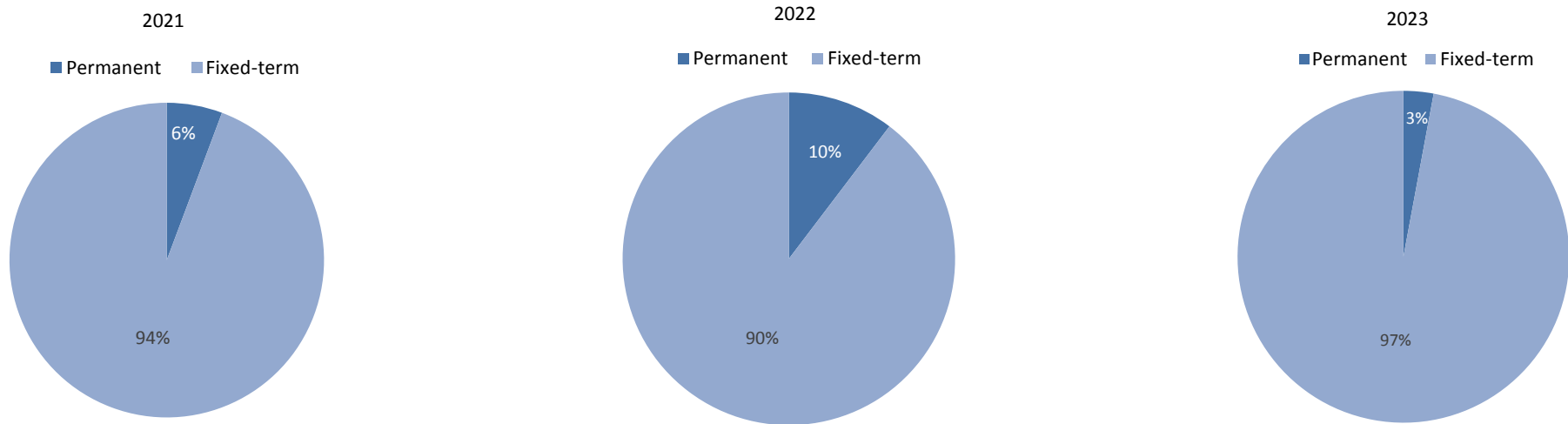


New employees by permanent residence and age group in the 2021–2023 period

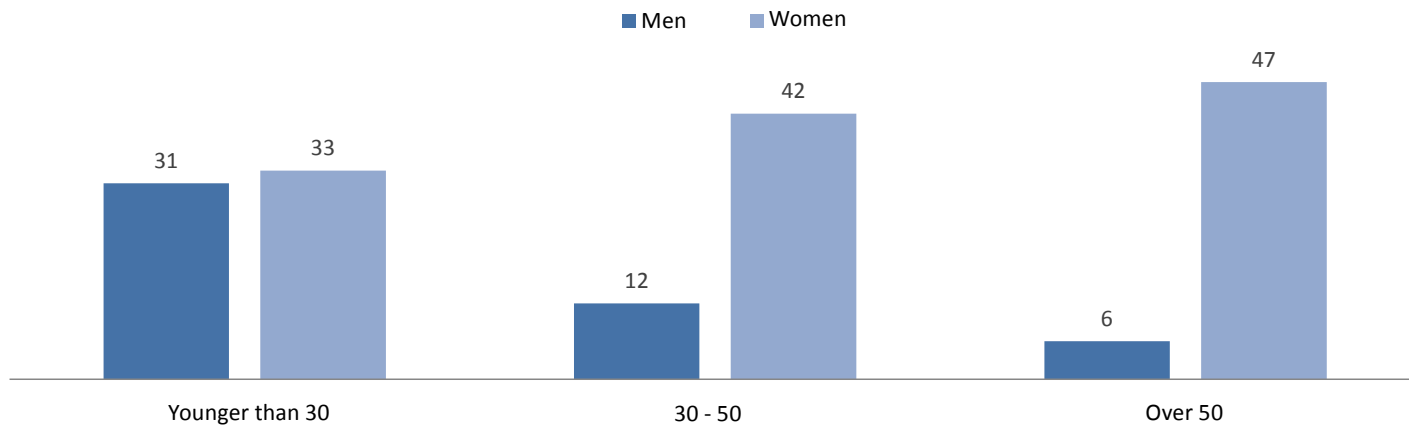


Employee turnover

In 2023, 97% of the departures from the work place were realised by termination of fixed-term contracts and the remaining 3% by termination of permanent contracts. These are mainly the departures of seasonal employees and, in a smaller number of cases, retirements and voluntary withdrawals.

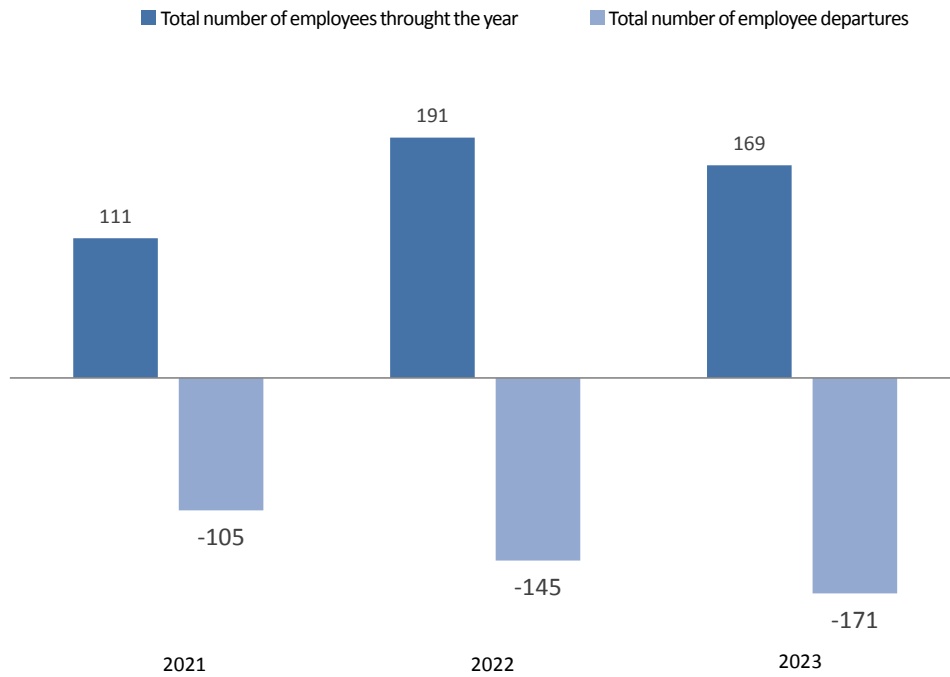


Departures of employees by gender and age group in 2023

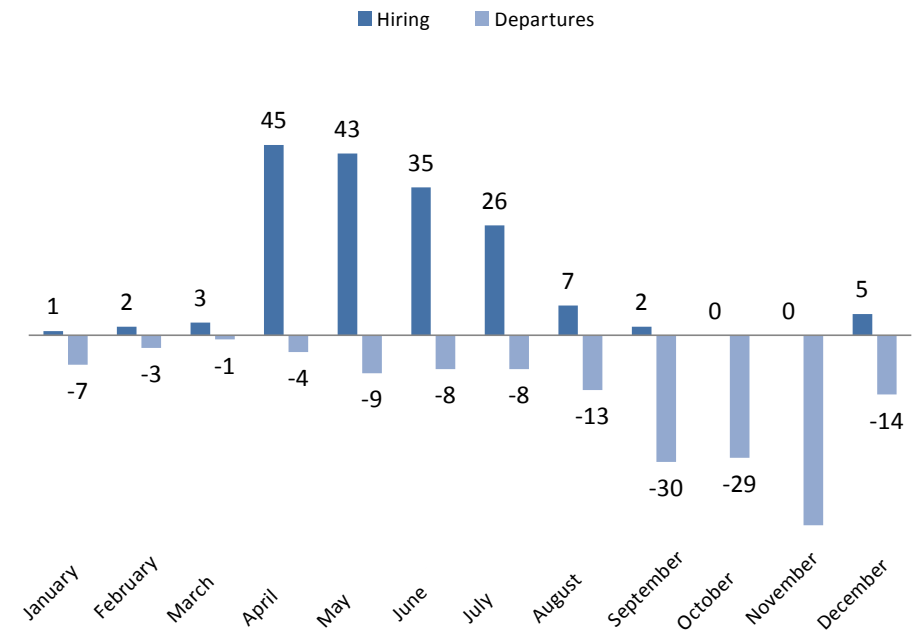


The largest number of employee hirings occurred in April, while the largest number of departures was recorded in November, in contrast to 2022, when the largest number of departures was recorded in October.

Employee departures and hirings in the 2021–2023 period



Employee departures in 2023 by gender and age group



Maternity and parental leave

In 2023, 13 employees used maternity and/or parental leave, of which 11 were women and 2 were men. Of the six employees who were set to return to work following the expiration of their parental leave, four returned one after another, making the return rate 67%. All employees who returned from parental leave in 2022 were still employed by the Company in 2023, making the retention rate 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		
2021	118	150	0	13	0	3	75%	100%
2022	142	169	2	12	0	4	67%	100%
2023	152	160	2	11	1	3	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 Ilirija 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. Also, for a number of years, the Company has appointed commissioners for employee dignity protection who receive and resolve employee complaints.



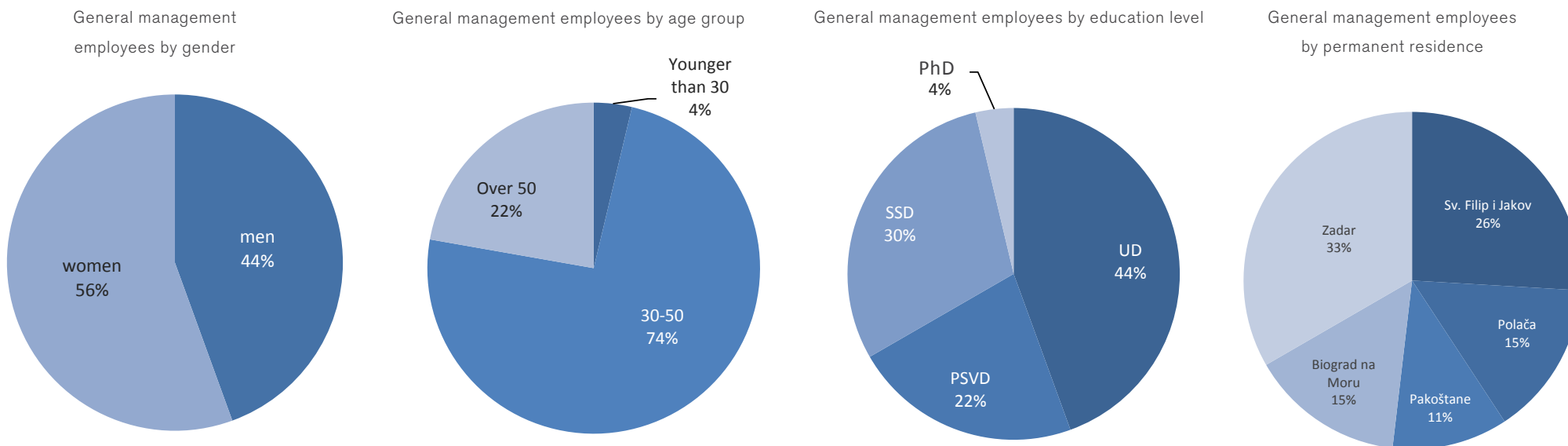
Fundamental principles of diversity policy

- 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

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

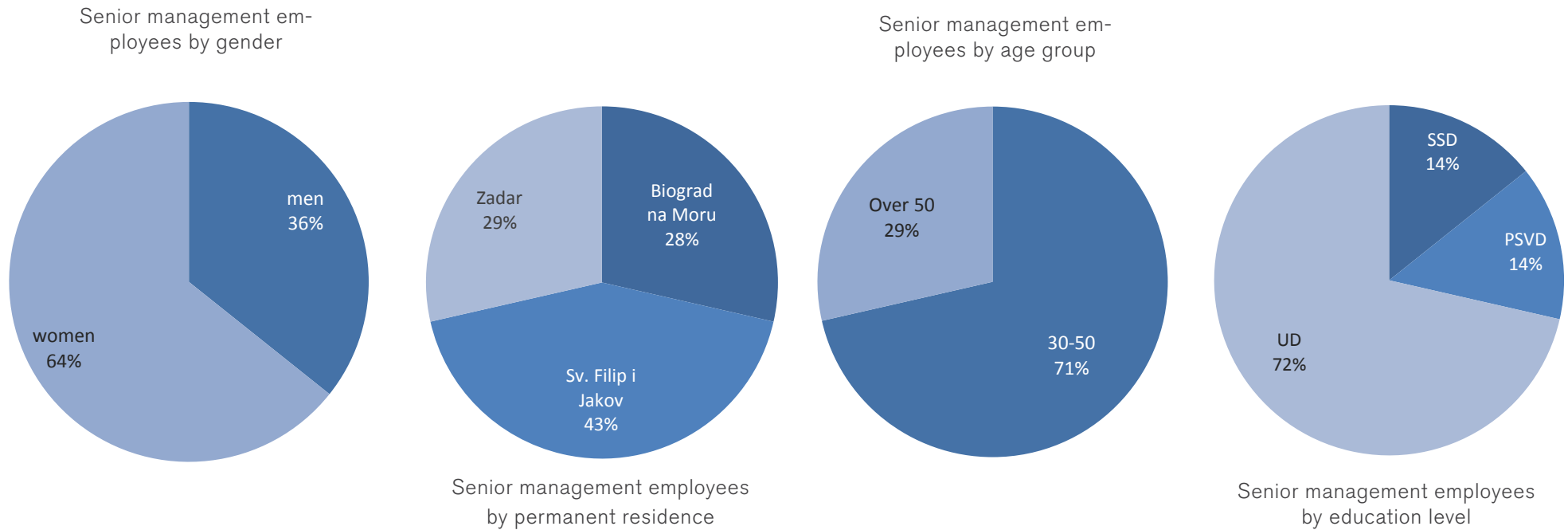
The general management of Ilirija d.d. consists of the Management Board, heads of sectors, heads of corporate services and heads of profit centres and departments within the profit centres. As at 31 December 2023, of 312 employees, 27 employees were involved in general management, of which 56% accounted for women and 44% for men. The predominant age structure of employees was 30–50 years old, accounting for 74% of total employees, while in the educational structure, 44% of them had a college degree. All come from the Zadar County, the largest number of them from Zadar, i.e. 33%.

General management employees by gender, age group and education level



The Company's senior management, consisting of the Management Board, sector managers and heads of corporate services, is made up of 14 persons with special authorisations. 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, education level and permanent residence



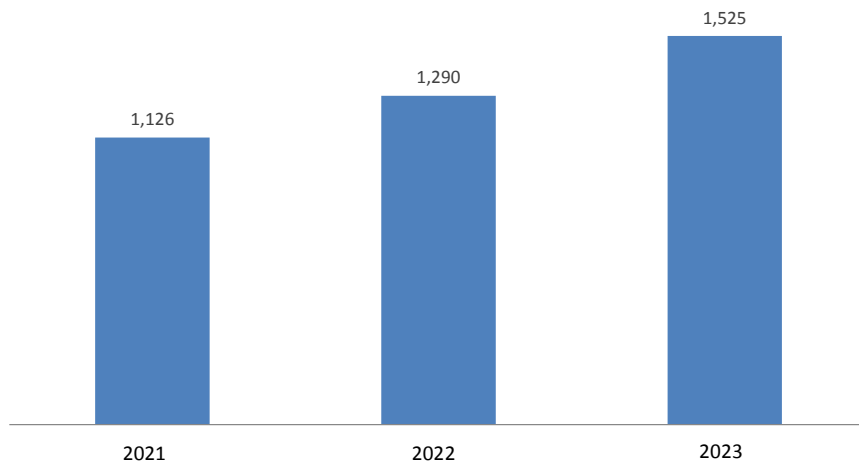
Material and other rights of employees

Within 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.

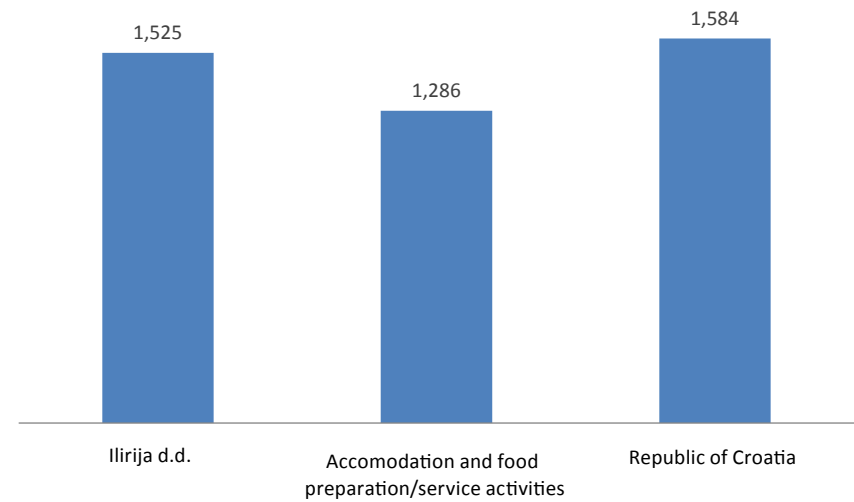
The average gross salary in 2023 amounted to EUR 1,525.00, which is 18% more than in the previous year. The average gross salary in 2023 was 19% higher than the average gross salary in the same period in the industry of accommodation services and food preparation and service in the Republic of Croatia.

The average gross salary paid by Ilirija in the period from 2021 to 2023 and in comparison with the average salary in its industry and at the level of the Republic of Croatia:

Average gross salary paid by Ilirija d.d. in the 2021–2023 period (EUR)



Average gross salary at the level of the Republic of Croatia (EUR)





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 full-time employees in case of illness pertaining to them personally or to their immediate family members,
- a warm meal for fixed-term or full-time employees, at a symbolic price of EUR 0.13 per day,
- assistance for a newborn,
- gifts for children,
- a Christmas bonus,
- full-body health check-ups,
- co-financing of travel expenses for fixed-term and full-time employees living outside their place of work,
- accommodation and meals for employees coming from outside the Zadar County,
- 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 full-time 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.



www.campsoline.com

marina Kornati

ILIRIJA RESORCI
HOTELS & VILLAS

Ilirija a.d.
HOTELS MARINA
HOTELS & VILLAS



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. Training and education are a material topic for the Company and applies to all its sectors and departments. Employee education is carried out in cooperation with external authorised companies, associations and institutes specialised in education in various fields (marketing, sales, environmental protection, sustainable development, accounting and finance) and leading university and polytechnic 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 ASPIRA College). Furthermore, depending on the needs, sector managers and heads of health care, occupational health and environmental protection can also implement additional education programs for individual departments within the sectors, including the technical service, house-keeping, food and beverages service, etc., namely conducted 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 Management Board and in coordination with the Human Resources and Payroll Department and sector managers in part of the key business segments (food and beverage, sales and marketing, corporate services). The training and education plan defines the area, i.e. topics of training, employees, period, budget, and practical education, study visits and familiarization with the best examples and practices in addition to the theoretical part, if necessary, as well as presentations and implementation of new knowledge, skills and standards.

Employees or 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 Department 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 enable them to have access to information on the latest trends and developments in the tourism industry.

Through training and education of our employees we strive for the following:

- improving existing skills and developing new employee skills,
- greater employee motivation and satisfaction,
- developing the necessary personnel,
- professional and personal development of employees,
- raising the quality of services,
- increasing guest satisfaction,
- increasing the Company's competitiveness, and
- creating a safe work environment.

At Ilirija d.d. the most common forms of training are:

- seminars,
- in-house and online workshops,
- courses,
- practical classes and exercises.

In 2023, 7,688 hours were spent on training and education, including education prescribed by the Act on Fire Protection and the Act on Health Protection. A total of 248 employees took part in education programmes, namely 115 men and 133 women, with the average number of training hours per employee being 31 hours.

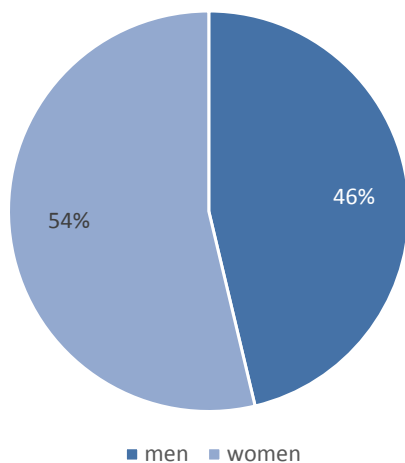
Number of employees who underwent training and the number of training hours for the period 2021 – 2023

	2021	2022	2023
Number of training hours	3,294	6356	7,688
Number of employees	122	227	248
Number of men	47	109	115
Number of women	75	118	133
Average number of hours per employee	27	28	31

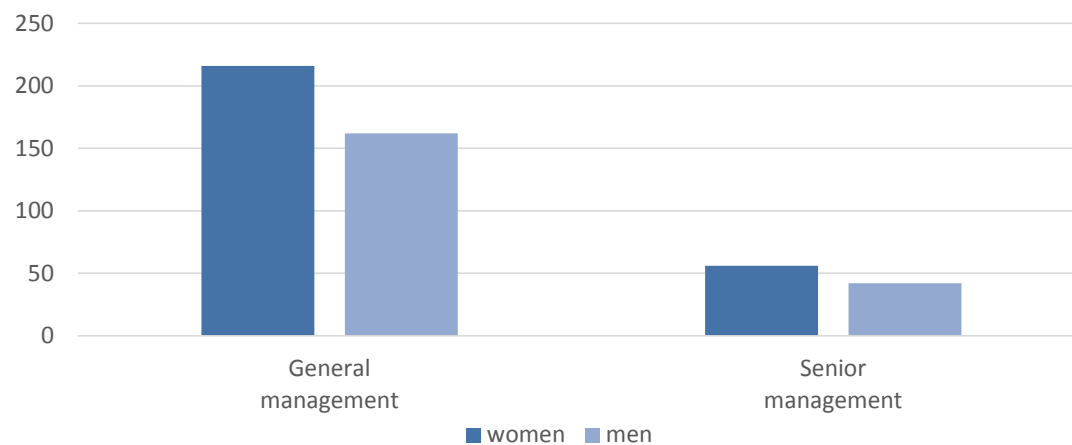
If we do not include the education and training programmes prescribed by the law, the average number of training hours per employee amounted to 25 hours, that is, a total of 3,902 hours was spent on training and education. The education included 167 employees, 73 of whom were men, with 1,806 hours of training and 94 of whom were women, with 2,096 hours of training, while the ratios are illustrated by the graph below.

The employees making up the general management, i.e. sector managers and heads of departmental units, underwent 377 hours of education. The education included 6 men and 8 women, and the average number of training hours per employee in the general management category amounted to 27 hours, while in the senior management category, employees spent an average of 7 hours on education programmes.

Education hours by gender in 2023



Education hours of general and senior management in 2023



6.4 Occupational Health and Safety

Occupational 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 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 and 126/21), Act on General Use Items (OG 39/13, 47/14, 114/18 and 53/22), Act on Protection against Non-Ionizing Radiation (OG 91/10 and 114/18), Nature Protection Act (OG 80/13, 15/18, 14/19, 127/19 and 155/23), Construction Act (OG 153/13, 20/17, 39/19 and 125/19), Noise Protection Act (OG 30/09, 55/13, 153/13, 41/16, 114/18 and 14/21), Chemicals Act (18/13, 115/18, 37/20), Occupational Safety Act (OG 71/14, 118/14, 154/14, 94/18 i 96/18), Fire Protection Act (OG 92/10 and 114/22), Labour Act (OG 93/14, 127/17, 98/19, 151/22, 46/23 and 64/23), State Inspectorate Act (115/18, 117/21, 67/23 and 155/23), Hospitality and Catering Industry Act (OG 85/15, 121/16, 99/18, 25/19, 98/19, 32/20, 42/20 and 126/21), Act on General Use Items (OG 39/13, 47/14, 114/18 and 53/22), Food Act (OG 18/23), 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 and 81/13), 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 in 2023:

1

Activities in the field of health and sanitary safety

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 2023, 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 2023, HACCP system was recertified at all hospitality facilities, in compliance with the Codex Alimentarius standard, as a control/monitoring system of critical control points in foodstuff handling procedures. Regular inspections of hospitality facilities (restaurants, bars and kitchens) were performed and all processes were audited, 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 2023, 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. The following was performed on a daily basis: controlling water quality parameters (chlorine concentration and pH value), keeping a record of swimming pool maintenance and hygiene inspections, implementing sanitation procedures 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 jacuzzies, 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. In 2023, the recertification process for the “Company – Friend of Health” certificate was successfully completed, which it was awarded for the first time in 2018, as part of the “Healthy Living” project launched by the Croatian Institute of Public Health with the aim of promoting health in the workplace and working environment, enabling the employees to adopt healthy lifestyle habits and show concern for the health of employees. Also, the HACCP system has been recertified.

Sanitary and hygienic as well as microbiological sampling of food and water in 2023

Groups:	Total samples	Chemical analysis performed		Microbiological analysis performed		Defective samples
		Total	Defective	Total	Defective	
Sup. group		Total	Defective	Total	Defective	
Grand total:	310	68	3	304	11	14
1 Food	31	6	0	31	1	1
2 Swabs	20	0	0	20	0	0
3 Drinking water	27	27	0	27	5	5
4 Other water	37	37	3	35	3	6
5 Sea and pool water	6	0	0	6	0	0
6 Waste water	4	4	0	0	0	0
7 Dipslide	185	0	0	185	2	2

From the total 310 samples taken, 14 were not correct (11 microbiological and 3 chemical). Corrective actions were taken upon the receipt of the reports and the results were compliant in the repeated sampling.

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,
- 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, which includes:
- 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, 57 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

	2021	2022	2023
Nautics	15	32	16
Camping	4	9	3
Laundry	4	6	0
Technical service	2	17	7
Horticulture	3	14	4
Total	28	78	30

For particular groups of employees, i.e. jobs that perform occupational medicine check-ups, it is valid for two years and for this reason, the number of check-ups has been reduced in 2023.

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 employees, 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:

Occupational Safety Act ("Official Gazette" No. 71/14, 118/14, 154/14, 94/18 and 96/18),
Fire Protection Act ("Official Gazette" Nos 92/10 and 114/22)
Labour Act ("Official Gazette" Nos 93/14, 127/17, 98/19, 151/22, 46/23 and 64/23)
Compulsory Health Insurance Act ("Official Gazette" No. 80/13, 137/13, 98/19 and 33/23),
Noise Protection Act ("Official Gazette" Nos. NN 30/09, 55/13, 153/13, 41/16, 114/18 and 14/21)
Act on the List of Occupational Illnesses ("Official Gazette" No. 162/98 and 107/07),
Health Protection Act ("Official Gazette" No. 100/18, 125/19, 147/20, 119/22, 156/22, 33/23 and 36/24).

2

Ordinances:

Ordinance on the Fire Protection Plan (Official Gazette, No 51/12)
Fire Protection Ordinance ("Official Gazette" No. 100/99)

Internal ordinances:

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

3

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 commissioners 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.

The following occupational health and safety activities have been performed in 2023:



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.



Occupational injury record-keeping

Keeping records of employees who suffered an injury or illness in the workplace. Eight minor occupational injuries were recorded in 2023.



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 2023, 30 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 2023, a total of 64 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 fire fighting 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 2023, 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, 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 the 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 fire-fighting 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,
- testing 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 occupational health and safety activities have been performed in 2023

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 sectors. Given the fact that fire is one of the greatest risks in the nautical sector, the Company has a fireboat, specially designed and equipped for rescue and fire-fighting activities at sea, to minimise this risk and to ensure timely reaction in case of a fire in order to protect the lives and well-being 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 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 2023 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).



Training for safe work practices

Year	2021	2022	2023
Training for safe work practices	20	26	64

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	2021	2022	2023
Number of fire fighting drills	4	4	4

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

Number of fire extinguisher inspections

Year	2021	2022	2023
Number of fire extinguisher inspections	387	391	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 acquired 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 know-how 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

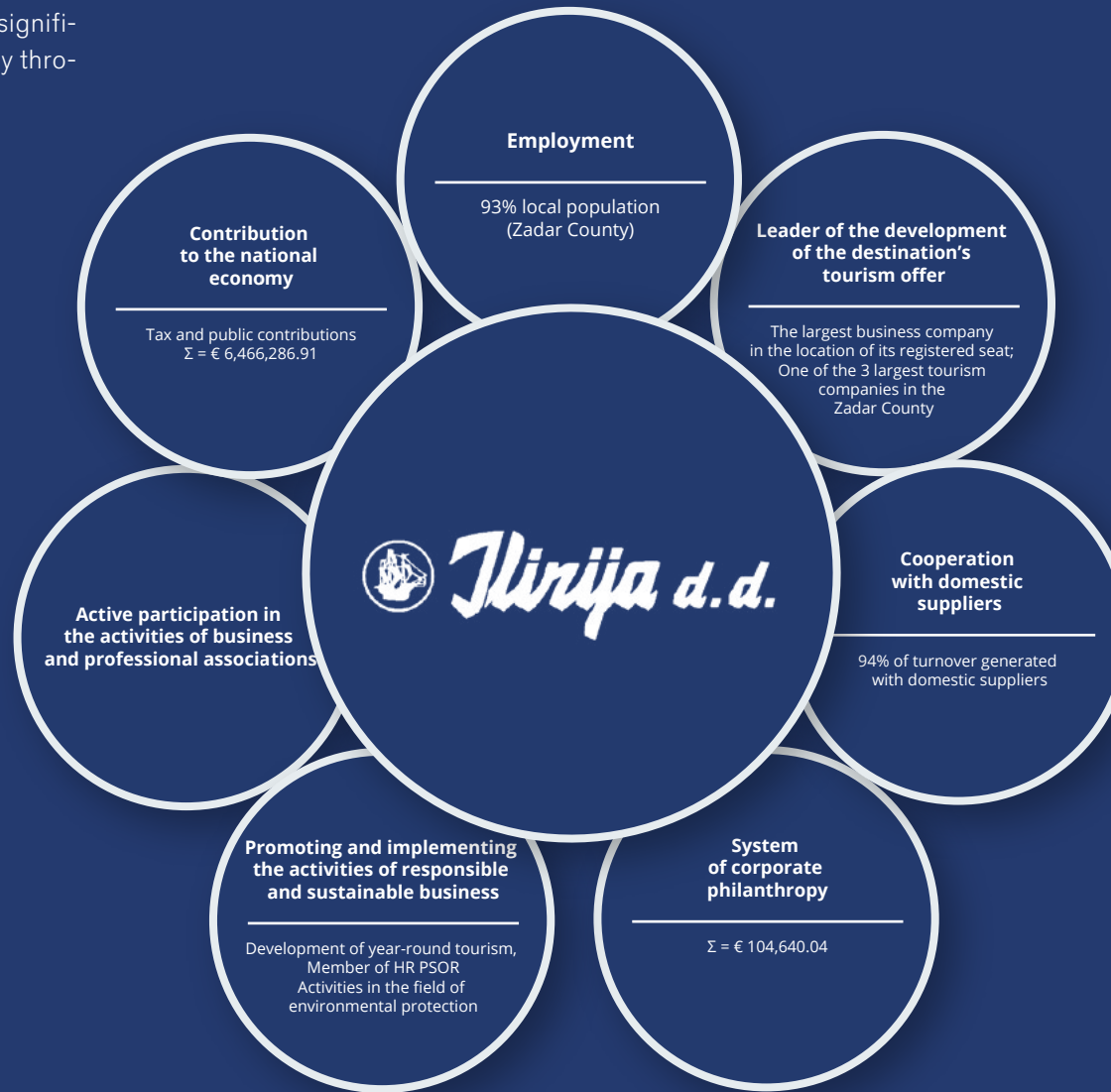
	2021				2022				2023			
	Number of injuries	Number of professional diseases	Number of lost days	Number of fatalities	Number of injuries	Number of professional diseases	Number of lost days	Number of fatalities	Number of injuries	Number of professional diseases	Number of lost days	Number of fatalities
Men	3	0	256	0	1	0	30	0	3	0	35	0
Women	2	0	77	0	1	0	67	0	5	0	352	0
Total	5	0	333	0	2	0	97	0	8	0	387	0

Injury rate parameters

Parameter	2021	2022	2023
IR (injury rate)	2.98	0.61	2.29
ODR (occupational disease rate)	0	0	0
LDR (lost daily rate)	1.55	0.3	0.287
AR (absentee rate in case of fatalities)	0	0	0

6.5 Indirect Impacts of the Company and the Community

In 2023, the Company achieved a significant indirect impact on the community through the following activities:



Corporate philanthropy

Significant contributions to the wider community are implemented through the corporate philanthropy system, i.e. donations and sponsorships, with a special emphasis on focusing the philanthropic activities mainly on the area of its 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 2023, the Company supported activities, projects and individual requests through the corporate philanthropy system, namely in the following areas:

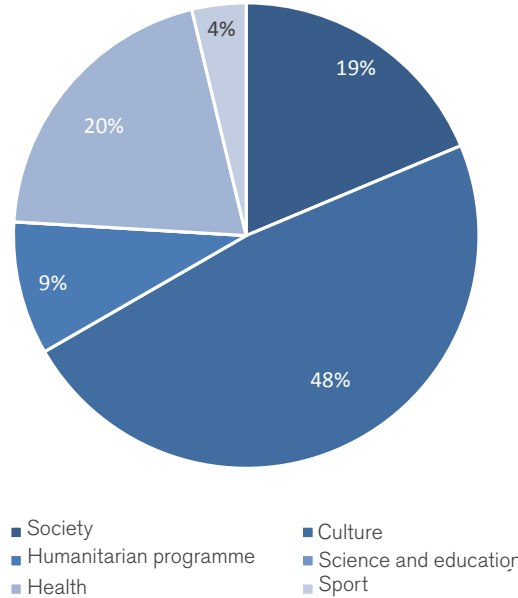
- I. culture,
- II. humanitarian programme,
- III. science-education,
- IV. health,
- V. sports, and
- VI. society.

Corporate philanthropy in 2023

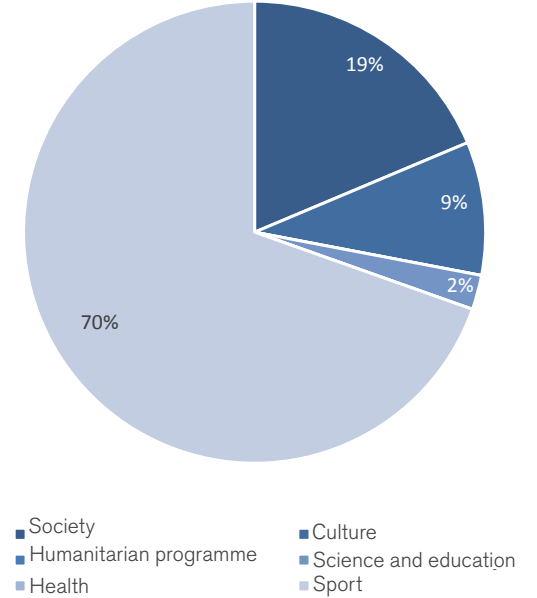


In 2023, through the system of corporate philanthropy, the Company supported numerous projects, campaigns, the work of various associations, institutions, clubs, business associations, etc. in the total amount of EUR 104,640.04.

Overview of donations by area



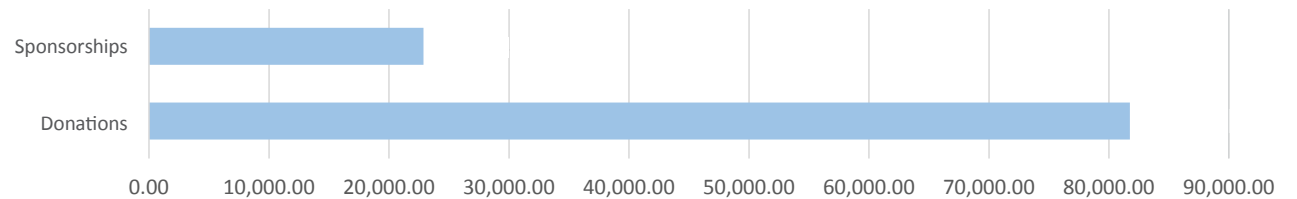
Overview of sponsorships by area



Corporate philanthropy in the 2015–2023 period



Ratio of donations to sponsorships in 2023





During 2023, 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, of which we particularly highlight:

- Biograd Boat Show,
- Numerous cultural and entertainment facilities in the Arsenal and Aquatic centre,
- Cultural and art associations (local cultural and art associations) in the promotion of culture, customs and traditions of the Zadar region,
- “Škraping Pašman” international trekking race,
- Celebrating the World Health Day, as well as the International Nurses Day with the help of professors and students of the Ante Kuzmanić Medical School through public actions to measure blood pressure and blood sugar for all interested visitors to the centre,
- Cooperation with the Zadar Town Society of the Red Cross in the commemoration of the World First Aid Day, in order to raise the people’s awareness of first aid techniques,
- Cooperation with the RED NOSES clown-doctors association, in the organisation of humanitarian activities with the purpose of collecting donations and informing visitors about the “Smjehonoše” (“Smile Bringers”) Donation Programme,
- Continued cooperation with the “Stanko Ožanić” School of Agriculture, Food Sciences and Veterinary Medicine Zadar on their humanitarian projects, thereby representing the students’ products to the visitors of the centre,
- Multi-year cooperation with the “Voli Život” (“Love Your Life”) Humanitarian Organisation, 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 Caritas of the Zadar Archdiocese as the holder of the “Warm Fritters for a Happy Child” humanitarian campaign, with the purpose of collecting funds for the Pediatric Department of the Zadar General Hospital,
- 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,
- The organisation of the Advent celebration at City Galleria, with an entertainment programme for children and welcoming of St Nicholas, including numerous creative workshops, a puppet show and welcoming of Santa Claus, as well as Christmas gifts for the little ones,



- Sponsorship of the “Donat Zadar” taekwondo club for persons with disabilities when purchasing the club's means of transportation for persons with disabilities.
- Sponsorship of the “Zadar Christmas Run 2023” fun sports and humanitarian Christmas race with the association TRIATHLON CLUB ZADAR,
- Sponsorship of the “U pokretu” (“On the Move”) Culture and Art Association during the organisation of the URBAN JAM 2023 event,
- Support for a series of cultural, sports 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, 64/20 and 144/20) 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 2023, 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 2023